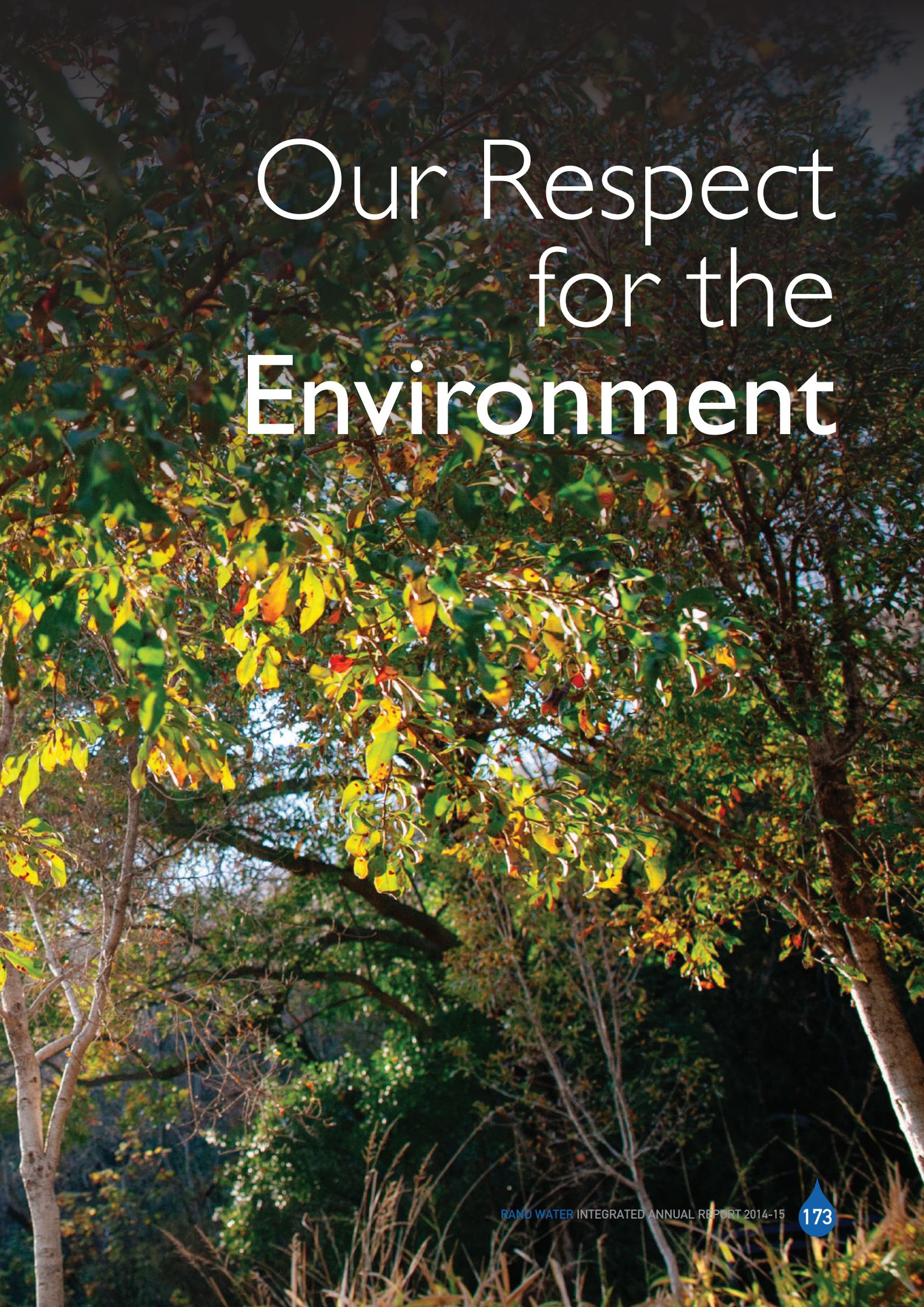


Our Respect for the **Environment**

Rand Water's responsible management of the natural environmental in which it operates makes good business sense. This action assists not only the organisation but also the greater community in which we operate and whom we serve. We acknowledge that the ultimate success of our business and the wellbeing of our communities depend on a sustainable and healthy environment, and on maintaining access to our critical natural resource –water!

AUTHORISATIONS AND COMPLIANCE MONITORING

Rand Water aims to comply with all applicable legislation as a responsible parastatal in South Africa.

The EMS department is the service provider within Rand Water for environmental authorisation applications and compliance. They are situated within Group Shared Services which is at "arms length" from the main business of capital infrastructure implementation, operations and maintenance. The EMS department also has many subsidiary services in-house that are able to compliment authorisations and compliance such as search and rescue, and rehabilitation. The law requires an element of independence to obtain and comply with authorisation and the authorities recognise this aspect from EMS. EMS engages extensively with the authorities and legislation to find the best way forward in terms of compliance for Rand Water. The EMS department has had a continuous relationship with these authorities now for seven years. Part of the engagement with the authorities involves reviewing and commenting on new legislation. The main authorities and legislation most often involved in authorisations are as follows:

DEPARTMENT OF WATER AND SANITATION (DWS)

- National Water Act, Act No. 36 of 1998
- National Forests Act, Act No. 84 of 1998
- National Veld and Forest Fire Act, Act No. 101 of 1998
- Water Services Act, Act No. 108 of 1997

DEPARTMENT OF ENVIRONMENTAL AFFAIRS (DEA)

- Environment Conservation Act, Act No. 73 of 1989
- National Environmental Management Act, Act No. 107 of 1998
- National Environmental Management: Protected Areas Act, Act No. 57 of 2003
- National Environmental Management: Biodiversity Act, Act No. 10 of 2004
- National Environmental Management: Air Quality Act, Act No. 39 of 2004
- National Environmental Management: Waste Act, Act No. 59 of 2008.

SOUTH AFRICAN HERITAGE RESOURCES AUTHORITY (SAHRA) AND PROVINCIAL HERITAGE RESOURCES AUTHORITY GAUTENG (PHRAG)

- World Heritage Convention Act, Act 49 of 1999
- National Heritage Resources Act, Act 25 of 1999

There were 49 authorisations The table 1, below list the current projects been authorised and provides a breakdown of the authorities involved.

Awaited applications for Authorisations

Authority	No.	GA/directive/ exemption/ amendment	WUL	EMP/ amendment	BA	HIA	Carried over submitted previous budget year	Current in current budget year
DWS	18	1	12				6	12
DEA	17				15		2	15
PRAG	14					11	1	13
Total	49						9	40

In the year under review 31 environmental authorisation (as per table 2 & 3) were received made up as follows: 10 Heritage permits, 4 Environmental authorisation (EA) for EIA,1 EA exemption, 4 environmental management plan (EMP) approvals for maintenance work within regulated areas and 1 Water Use licence (WUL).

In addition two WUL amendments, four WUL exemptions and two General Authorisations (GA) for WUL were also obtained. No authorisation applications were refused.

Unfortunately Rand Water still incurs slow and tedious service from DWS in terms of making decision regarding water use licences (WUL) decisions. This is currently severely hampering work progress. Many WUL lag two to three years behind the EIA even though interaction with DWS started simultaneously with both DEA and DWS. DEA authorisation takes roughly one year. This means in total three to four year are required in obtain authorisations.

Break down of types of authorisation received 2014-2015

	TOTAL	HIA	EA	EA amend	EA exempt	EA Waste	EMP	WUL	WUL amend	WUL ex-empt	WUL dir.	GA	WUL ELU	Waste	Rejected	Withdrawn
2014-2015	31	10	4	0	1	0	4	1	2	4	0	2	3	0	0	0
Total all years	190	18	56	23	14	4	15	22	5	8	1	12	4	3	3	2

The detail of the 31 authorisations received is explained in more detail below to demonstrate the breadth of successful authorization.

Listing of (31) authorisations received in 2014–2015

	Date received 2014-2015	AUTH	TYPE	PROJECT DESCRIPTION
1	03 July 2014	DWA	GA	F46 pipeline
2	08 July 2014	DEA	EMPr approval	L8, M1, M6, M9, pipelines
3	21 July 2014	DEA	EMP approval	K7 pipeline
4	24 July 2014	DWS	WUL exempt	K7 pipeline emergency repair
5	29 July 2014	DWA	WUL (ELU)	Vaal Barrage erosion protection
6	25 July 2014	PHRAG	HIA & Demolition	Zuurbekom heritage works
7	29 July 2014	DWS	WUL (ELU)	Vaal Barrage Embankment stabilisation
8	27 August 2014	DWS	WUL exempt	F18 pipeline maintenance and CP installation
9	28 August 2014	DEA	EA exempt	F18 pipeline
10	05 September 2014	PHRAG	HIA renewal	Vaal Barrage structure refurbishment
11	31 October 2014	PHRAG	HIA exemption	F49 (F5) pipeline
12	12 November 2014	DEA	EA	Ekangala oxidation ponds and associated infrastructure
13	02 December 2014	PHRAG	HIA exemption	F49 (F5) pipeline
14	07 December 2014	DWS	DWS letter amendment	K7 pipeline emergency repair
15	19 December 2014	DWS	GA	Emergency repair to jetty

Listing of (31) authorizations received in 2014–2015 (continued)

	Date received 2014-2015	AUTH	TYPE	PROJECT DESCRIPTION
16	16 March 2015	PHRAG	HIA	Mapleton booster pump station
17	20 March 2015	DEA	EA	Mapleton booster pump station
18	18 March 2015	DWS	ELU	BG1, BG2, pipeline
19	27 March 2015	DEA	EA	M11 pipeline
20	07 April 2015	DEA	EMP	B5 B11 valve chamber maintenance
21	15 April 2015	DWS	WUL amend	P7 pipeline Rustenburg
22	29 April 2015	SAHRA	HIA permit	R5 pipeline heritage permits renewed
23	29 April 2015	SAHRA	HIA permit	R5 pipeline heritage permits renewed
24	29 April 2015	SAHRA	HIA permit	R5 pipeline heritage permits renewed
25	29 April 2015	SAHRA	HIA permit	R5 pipeline heritage permits renewed
26	14 May 2015	DWS	WUL exempt	Brakpan Reservoir
27	08 May 2015	DWS	WUL	Emhlangeni fence
28	29 May 2015	DEA	EMP	V2 pipeline maintenance
29	6/10/2015	DWS	WUL exempt	Panfontein site
30	15 May 2015	PHRAG	HIA exemption	Panfontein site
31	18 June 2015	DEA	EA	A13 pipeline

Rand Water EMS department recognises the internal contribution from other departments to achieve their authorisations. These include but not limited to, SAM-program and project managers, Land and Right's-Survey and Negotiations, GIS, Legal Services and Scientific Services. The alliance between the departments has been a fruitful exercise with good levels of co-operation demonstrated through regular meetings.

ENVIRONMENTAL COMPLIANCE

MONITORING TO AUTHORISATIONS

Rand Water self regulates Environmental Authorisations by way of appointing its own Environmental Control Offices (ECO). Quality assurance of internal auditing is conducted by external service providers. A total of 7 ECO's monitored a total of 42 authorisations which was made up of various construction and rehabilitation related projects (Table 5).

Projects and authorisations monitored

Year	No of ECO's.	Number of authorisations monitored with authorisation	Number of authorisations being monitored with RW generic EMP, Exemptions and S24G
2014-15	7	42	8

The following projects were monitored for the year 2013-2014

Project types	Numbers
Construction phases	20
Rehabilitation phases	19
Projects closed during the year	3

The authorities (DEA/DWA/GDARD) undertake their own independent audits of projects to monitor compliance. No major findings were raised or reported by them. The table 6 below reflects which sites were visited.

Authority visits

Project Name	Audit Date	Who Audited
BG3 pipeline	September 2014	DWS
H39 pipeline	September 2014	GDARD
VG Ash site	September 2014	DWS
ZKB waste dump	September 2014	DWS
C6/C17 pipeline	December 2014	DWS
H39 pipeline	December 2014	DWS
VG Ash site	January 2015	GDARD
H39 pipeline	February 2015	GDARD
H35 pipeline	March 2015	DWS
B17 pipeline	May 2015	GDARD
H39 pipeline	May 2015	GDARD

HORTICULTURE AND SUSTAINABILITY

The area maintained by corporate EMS increased from 143 ha to 186.6 ha of land and landscapes across the organisation. This aspect of work continues to contribute positively into the Blue Drop status of Rand Water.

All site maintenance standards were continued to be evaluated monthly using the Site Maintenance Evaluation Checklist which is varied by senior management to ensure it continues to improve.

SUSTAINABILITY

Focus on the Nursery's use of domestic potable water has continued and the recycling of water captured from kiosk runoff has been extended to include the landscape surrounding the Nursery facilities and offices to further reduce the Nursery's potable water requirements.

Alien Invasive Plant removal programs continued across all sites with all plant waste from these projects being processed through the wood chipper to produce valuable mulch for site landscapes to further reduce site landscape watering requirements. All tree trunks too large to be processed through the wood chipper are recycled in the nursery by means of splitting the wood for fire wood.

In support of sustainable biodiversity, the Head Office of Rand Water is situated on the grounds of a 160 hectare indigenous nature site. The site is managed according to an environmental management plan with all plants on site being indigenous as well as encouraging fauna to inhabit the site. The site has been further developed (additional car parks) and reinstatement of the affected area is currently being undertaken.

REHABILITATION SECTION INFORMATION

As part of the Rehabilitation Section projects EMS monitored, maintained and reinstated erosion and land that occurs over and adjacent to Rand Water properties, reservoir and pipeline servitudes. The implementation of 43 rehabilitation projects for 2014 - 2015 financial years has covered an area of approximately 230 ha. The Rehabilitated work included projects as set out below.

Comparison of rehabilitation work over the last four years.

	2014/15	2013/14	2012/13	2011/12
Amount of projects	43	31	27	21
Hectares rehabilitated	230	236	44	61
Pipe encasing (m^3)	140	2023	0	0
Irrigation installations (m^2)	547	5 500	5 730	6 700
Fence line restored (m)	106	280	0	1 302
Alien invaders removed	100 m^2	120 ea	192 ea	122 320 m^2
Re-grassing (m^2)	187 272	247 329	344 294	608 000
Indigenous trees planted	177	1 906	1 050	1 698
Grass blocks/Reno/gabions (m^3)	324 452	7 635	1 430	19 655

WATER CONSERVATION

Rand Water's environmental brand Water Wise continues to grow from strength to strength since its establishment. This can be attributed to the support and synchronization between Water Wise teams in multiple portfolios. The EMS subsection of Water Wise focuses on water conservation awareness to an adult market using research, advertorials, exhibitions, demonstration gardens, awards, practical vegetable gardening projects at schools, prisons and community areas as well as, talks and practical outdoor training and demonstrations, as tools to achieve this delivery within the Rand Water supply area.

To enhance the Water Wise messages to the appropriate adult target audiences, these have been subdivided to include the 'green industry' and golf courses as these are high end water users, office and residential parks, rural and informal communities, school food gardens and the public at large. The tool used to best deliver this message is then selected for the specific target audience.

RESEARCH PROJECTS

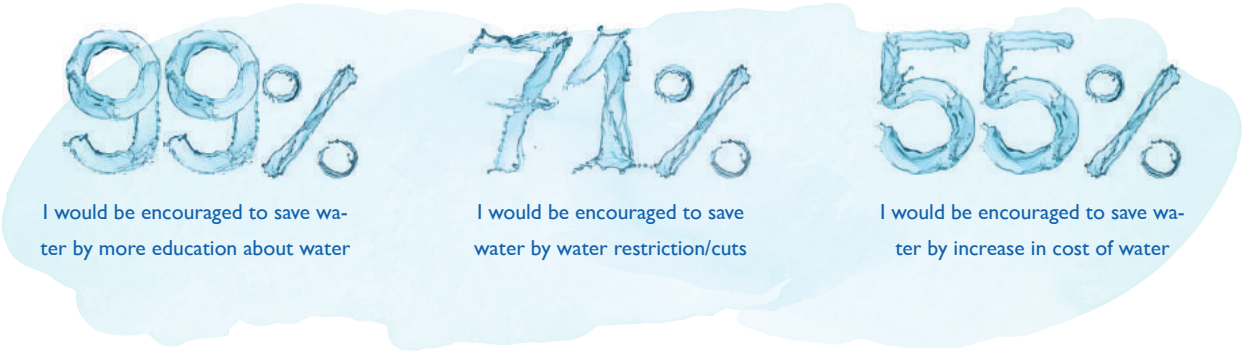
The 2014-2015 financial year marked the final of a three year memorandum of understanding with UNISA to facilitate collaborative research projects. During this three year period, three PhD studies, four MSc studies, two honours projects, five specialist studies and a short learning programme have been worked on. The tertiary institution has committed to the completion of these projects even though they may fall outside of the MOU period (as per the conditions set out in the MOU).

Research projects undertaken as a result of MOU with tertiary institution

Research Topic	Level of Qualification	Status
Assessment and determination of generic criteria that will result in the formulation of an appropriate landscape water use formula for South Africa using available climatic factors and data	PhD Environmental management	In progress
Quantification of water use for irrigation and water conservation potential on selected Gauteng golf courses	PhD Environmental Management	In progress
Investigation on the awareness of source use and conservation of water within the South African ornamental horticultural industry	PhD Environmental sciences	In progress
Grey water use in the home	MSc Environmental Management	Complete
Phytoremediation of sludge disposal site	MSc Environmental Management	In progress
Water consumption determination for different hydrozones for landscapes in Gauteng	MSc Environmental management	In progress
Assessment of water conservation programmes resulting in reduced water use as a result of behavioural change	MSc Environmental management	In progress
Assessing erosion over time at Rietvlei Nature reserve as a result of on-site activities	Honours Geography	In progress
Contribution of alien invasive trees on Rand Water sites to bird diversity	Honours	In progress
Investigation into rock hyrax populations at Rietvlei Nature Reserve	Specialist study	In progress
Environmental management plan for Rand Water sites	Specialist study	In progress
Alien invasive plants at selected Rand Water sites	Specialist study	Complete
Archaeological management plan	Specialist study	Complete
Water use in gardens on the West Rand	Specialist study	Complete
SATAM	Short Learning programme	Complete

During the year under review customer perceptions on water use and the South African water situation was investigated. Interviews conducted at end-user households showed that people feel that education of Water Wise practices would be the main driver towards water saving (99%), while 71% feels that imposing water restrictions would contribute to saving water and 55% of people interviewed felt that an increase in the price of water would help reduce water usage (Figure 1). Thus, the need for information on Water Wise principles is instrumental to water saving.

Figure 1. Percentage of people interviewed who feel that education on water conservation would encourage them to save water.



DEMONSTRATION GARDENS, PROJECTS, AWARDS, DISPLAYS AND EDUCATIONAL MATERIAL

Demonstration Gardens

The Water Wise garden at Pretoria National Botanical Gardens was designed and developed in the 2014-2015 financial year and launched in September 2014 as part of Arbor Day celebrations. This new garden demonstrates the principles of indigenous vegetable gardening, hydrozoning and vertical gardens. The garden received 177 874 visitors this year.

The Water Wise garden at Walter Sisulu National Botanical Gardens also attracted 248 257 visitors this past year including individuals, school groups, pensioners and families.

The Water Wise garden at Delta Environmental Centre receives approximately 11 278 visitors this past year. The low water use zone of the garden was upgraded in the 2014-2015 financial year to ensure that the latest gardening trends are applied which practically demonstrates Water Wise principles. Further upgrades to follow.

The Water Wise demonstration garden at the Vereeniging Pumping Station continues to serve as a practical aid to school groups who visit the Water Wise house in Vereeniging. These includes a sensory garden trail, a vegetable patch irrigated by a rain water harvesting tank, a succulent garden, a rough veld area and extensive signage.

Awards

Once more, Water Wise awarded annual trophies at two garden design shows, namely Lifestyle Garden Centre and Garden World Garden Centre. These awards recognize landscape students, schools and established landscapers who incorporate Water Wise principles into their designs with the aim of changing the public perception of trendy landscapes.

In addition, a trophy for the best Water Wise landscape is also awarded annually to professional landscapers who form part of the South African Landscapers Institute (SALI). This award is presented at the South African Green Industries Council (SAGIC) convention and was won by Life Landscapes for their work done on Rooibergkrans Private Game Lodge.

Schools/Prisons and community agricultural projects

Water Wise, together with Stakeholder relations partnered with BirdLife South Africa to undertake the first Flufftail Festival in Gauteng. This initiative is aimed at creating awareness around the importance of wetlands. As part of the partnership four schools in Sebokeng were identified and trained on various aspects around wetlands and water over three intervals in the year.

There has also been active engagement with fifteen (15) schools in Thembisa, Three (3) schools in Randfontein, one (1) schools in Waverly, one (1) additional school in Sebokeng, three (3) prisons groups (under the banner of Hlumelelisa), and six (6) community groups in various communities of Diepsloot (3), Soweto (1), Alexandra (1) and Sebokeng (1) to assist with water conservation aspects of vegetable garden production and skills transfer.

Displays and educational material

The educational material is regularly distributed at displays, talks and events throughout the year. This year the template for all the educational material was revamped to give a new look and feel.

In addition the Water Wise website, which has an average of 13 439 monthly visitors. The monthly newsletter subscription increased from 634 to 744 subscribers over the past year.

For the 2014-2015 financial year, the Water Wise team set up a total of 19 displays and exhibitions which reached a minimum of 761 089 visitors. Ultimately, a return on exposure of R0.41 per visitor was estimated to have been achieved. A total of 64 technical water conservation advertorials were also produced in 22 different magazines based on specific adult target audiences, reaching a minimum of 1 379 397 readers collectively for the year.

Intervention for creating water conservation awareness to adult market

Intervention	No. of events / advertorials	No. of people reached	Return on exposure
Displays and exhibitions	19	761 089	R0.40
Advertorials	64	1 379 397	R0.54

ABBREVIATIONS/ACRONYMS USED IN THIS REPORT

ASTM – American Society for Testing Materials (International)

COGTA – Department of Co-operative Governance and Traditional Affairs

CPI – Consumer Price Index

DIFR – Disabling Injury Frequency Rate

DWS – Department of Water and Sanitation

ERWA – East Rand Water Care Association

ISO – International Organisation for Standardisation

NLA – National Laboratory Association (South Africa)

OHSAS – Occupational Health and Safety

SLA – Service Level Agreement

UNISA – University of South Africa

WISA – Water Institute of Southern Africa

Bulk Distribution Water Quality Report: July 2014 - June 2015

Parameter	Units of measure	Specifications (based on SANS241: 2005)		No of results	Achieved compliance levels	
		Required compliance (1)			Class I	Class II
		95% min to Class I	99% min to Class II			
SPECIFICATIONS						
Chemical and Physical properties						
Colour	(mg / l as Pt)	< 20	≤ 50	5998	100.0%	100.0%
Conductivity	(mS / m)	< 150	≤ 370	10116	100.0%	100.0%
pH	(pH units)	≥ 5 to ≤ 9.5	≥ 4 to ≤ 10	10116	100.0%	100.0%
Turbidity	(NTU)	< 1	≤ 5	13609	100.0%	100.0%
Total Dissolved Solids	(mg / l)	< 1000	≤ 2400	10114	100.0%	100.0%
Taste	(FTN)	< 5	≤ 10	5731	100.0%	100.0%
Odour	(TON)	< 5	≤ 10	5732	100.0%	100.0%
Organic Determinants						
Total Trihalomethanes	(ug / l)	< 200	≤ 300	5784	100.0%	100.0%
Phenols as C6H5OH	(ug / l)	< 10	≤ 70	2974	100.0%	100.0%
Dissolved Organic Carbon	(mg / l)	< 10	≤ 20	5718	100.0%	100.0%
Micro Elements						
Antimony	(µg / l as Sb)	< 10	≤ 50	5997	100.0%	100.0%
Arsenic	(µg / l as As)	< 10	≤ 50	6018	100.0%	100.0%
Cadmium	(µg / l as Cd)	< 5	≤ 10	6018	100.0%	100.0%
Chromium (Total)	(µg / l as Cr)	< 100	≤ 500	6018	100.0%	100.0%
Cobalt	(µg / l as Co)	< 500	≤ 1000	6018	100.0%	100.0%
Cyanide (Recoverable)	(µg / l as CN)	< 50	≤ 70	5644	100.0%	100.0%
Lead	(µg / l as Pb)	< 20	≤ 50	6009	100.0%	100.0%
Mercury	(µg / l as Hg)	< 1	≤ 5	6005	100.0%	100.0%
Nickel	(µg / l as Ni)	< 150	≤ 350	6019	100.0%	100.0%
Selenium	(µg / l as Se)	< 20	≤ 50	6016	100.0%	100.0%
Vanadium	(µg / l as V)	< 200	≤ 500	6018	100.0%	100.0%
Macro Elements & Miscellaneous Determinants						
Aluminium	(mg / l as Al)	< 0.3	≤ 0.5	6051	100.0%	100.0%
Ammonia	(mg / l as N)	< 1	≤ 2	6054	100.0%	100.0%
Calcium	(mg / l as Ca)	< 150	≤ 300	6020	100.0%	100.0%
Chloride	(mg / l as Cl)	< 200	≤ 600	6053	100.0%	100.0%
Copper	(mg / l as Cu)	< 1	≤ 2	6020	100.0%	100.0%
Fluoride	(mg / l as F)	< 1	≤ 1.5	6053	100.0%	100.0%
Iron	(mg / l as Fe)	< 0.2	≤ 2	5987	99.9%	100.0%
Magnesium	(mg / l as Mg)	< 70	≤ 100	5997	100.0%	100.0%

Bulk Distribution Water Quality Report: July 2014 - June 2015 (continued)

Parameter	Units of measure	Specifications (based on SANS241: 2005)		No of results	Achieved compliance levels	
		Required compliance (1)			Class I	Class II
		95% min to Class I	99% min to Class II			
SPECIFICATIONS						
Macro Elements & Miscellaneous Determinants						
Manganese	(mg / l as Mn)	< 0.1	≤ 1	6018	100.0%	100.0%
Nitrate & Nitrite	(mg / l as N)	< 10	≤ 20	6052	100.0%	100.0%
Potassium	(mg / l as K)	< 50	≤ 100	6020	100.0%	100.0%
Sodium	(mg / l as Na)	< 200	≤ 400	6017	100.0%	100.0%
Sulphate	(mg / l as SO4)	< 400	≤ 600	6052	100.0%	100.0%
Zinc	(mg / l as Zn)	< 5	≤ 10	6018	100.0%	100.0%
Microbiological						
E. Coli	(cfu per 100 ml)	minimum of 95% of the original results shall be non- detected	minimum of 99% of the original and repeat/ consecutive results shall be non-detected	13696	99.9%	99.9%
Other Determinants as required by supply contract (2),(3)						
Free chlorine and monochloramine	(mg / l)	≥ 0.2: Chlorinated systems ≥ 0.1: Chloraminated systems		13692	97.1%	

FOR MONITORING/REPORTING PURPOSES ONLY (4)						
		Guideline			Achieved compliance levels	
		95 % Min compliance	99 % Min compliance		95 % Min	99 % Min
Microbiological (5)						
Standard Plate Count	(cfu per 1 ml)	< 500	< 5000	13696	99.9%	100.0%
Total Coliforms	(cfu per 100 ml)	Not detected	< 10	13696	99.2%	99.9%

Notes :
(1) Specification date of effect : July 2006
(2) Compliance for Free chlorine is against 0.2 mg/l for areas in the chlorinated systems after 30 June 2014
(3) Compliance for monochloramine is against 0.1 mg/l for areas in the chloraminated systems after 30 June 2014
(4) Guideline derived from SANS 241: 2005 operations alert and industry practices
(5) Compliance for Standard Plate Count is against 100 cfu per 1ml before 30 June 2014 and 500 cfu per 1ml after 30 June 2014

Performance Index					99.81%	99.99%

Benchmarking of non-Organic Water Qulaity Determinads in the Bulk distribution Network to WHO Drinking Water Quality Guidelines: July 2014 - June 2015

Determinands	Risk	Units of measure	Guidelines values	Number of results	Achieved compliance levels (%)
Physical and Organoleptic properties					
Colour	Aesthetic	(mg / l as Pt)	< 15	5801	100.0%
Turbidity	Operational	(NTU)	< 0.3	13061	30.8%
Turbidity	Aesthetic	(NTU)	< 4	13061	100.0%
Total Dissolved Solids	Aesthetic	(mg / l)	< 600	9762	100.0%
Hardness	Aesthetic	(mg / l as CaCO3)	< 200	5826	99.9%
Radioactivity					
Alpha (1)		(bq / l)	< 0.5	10	100.0%
Beta (1), (2)		(bq / l)	< 1	10	100.0%
Inorganic					
Aluminium	Operational	(mg / l as Al)	< 0.1	5854	99.7%
Ammonia	Aesthetic	(mg / l as N)	< 1.5	5857	100.0%
Antimony	Chronic health	(µg / l as Sb)	< 20	5802	100.0%
Arsenic	Chronic health	(µg / l as As)	< 10	5821	100.0%
Barium	Chronic health	(mg / l as Ba)	< 0.7	5811	100.0%
Boron	Chronic health	(mg / l as B)	< 2.4	5810	100.0%
Cadmium	Chronic health	(µg / l as Cd)	< 3	5822	100.0%
Chloride	Aesthetic	(mg / l as Cl)	< 250	5856	100.0%
Monochloramines	Chronic health	(mg/l as Cl2)	< 4	10340	100.0%
Free Chlorine		(mg/l)	< 0.6	13144	78.4%
Free Chlorine	Chronic health	(mg/l as Cl2)	< 5	13144	100.0%
Chromium -total	Chronic health	(µg / l as Cr)	< 50	5822	100.0%
Copper	Aesthetic	(mg / l as Cu)	< 1	5824	100.0%
Copper	Chronic health	(mg / l as Cu)	< 2	5824	100.0%
Cyanide (Recoverable)		(µg / l as CN)	< 50	5449	100.0%
Fluoride	Chronic health	(mg / l as F)	< 1.5	5856	100.0%
Iron	Aesthetic	(mg / l as Fe)	< 0.3	5791	100.0%
Lead	Aesthetic	(µg / l as Pb)	< 10	5812	99.9%
Manganese	Aesthetic	(mg / l as Mn)	< 0.1	5822	100.0%
Manganese	Chronic health	(mg / l as Mn)	< 0.4	5822	100.0%
Mercury (3)	Chronic health	(µg / l as Hg)	< 6 (7)	5808	100.0%
Molybdenium		(mg / l as Mo)	< 0.07	5822	100.0%
Nickel	Chronic health	(µg / l as Ni)	< 70	5823	100.0%
Nitrate	Acute health	(mg / l as N)	< 11.29	5857	100.0%
Nitrite	Acute health	(mg / l as N)	< 0.91	5857	99.5%

Benchmarking of non-Organic Water Qulaity Determinads in the Bulk distribution Network to WHO Drinking Water Quality Guidelines: July 2014 - June 2015 (continued)

Determinands	Risk	Units of measure	Guidelines values	Number of results	Achieved compliance levels (%)
Inorganic					
Nitrate/Nitrite ratio (4)		(mg / l as N)	< 1	5855	99.4%
Selenium	Chronic health	(µg / l as Se)	< 40	5819	100.0%
Sodium	Aesthetic	(mg / l as Na)	< 200	5821	100.0%
Sulphate	Acute health	(mg / l as SO4)	< 250	5855	100.0%
Sulphate		(mg / l as SO4)	< 500	5855	100.0%
Uranium	Chronic health	(ug/l as U)	< 30	5758	100.0%
Zinc	Aesthetic	(mg / l as Zn)	< 4	5822	100.0%
Microbiological					
E. Coli	Acute health	(cfu per 100 ml)	0	13148	99.93%

Notes:
(1) Analysed at the outlets of Purification works
(2) Beta radiation excluding radiation from potassium-40 = [measured beta radiation in bq/l] - {0.0276 x [potassium in mg/l]}
(3) WHO guideline = inorganic mercury, Rand Water result = total mercury
(4) [NO3 as N]/11.29 + [NO2 as N]/0.91

Rand Water Bulk Distribution Water Quality Report - Independent Third Party (CSIR) Results: July 2014 to June 2015

Determinands	Units of measure	Specifications (based on SANS241: 2005)		No of results	Achieved compliance levels	
		Required compliance			Class I	Class II
		95% min to Class I	99% min to Class II			
SPECIFICATIONS						
Chemical and Physical properties						
Colour	(mg / l as Pt)	< 20	≤ 50	60	100.0%	100.0%
Conductivity	(mS / m)	< 150	≤ 370	60	100.0%	100.0%
pH	(pH units)	≥ 5 to ≤ 9.5	≥ 4 to ≤ 10	60	100.0%	100.0%
Turbidity	(NTU)	< 1	≤ 5	60	100.0%	100.0%
Total Dissolved Solids	(mg / l)	< 1000	≤ 2400	60	100.0%	100.0%
Taste	(FTN)	< 5	≤ 10	60	100.0%	100.0%
Odour	(TON)	< 5	≤ 10	60	100.0%	100.0%

Rand Water Bulk Distribution Water Quality Report - Independent Third Party (CSIR) Results: July 2014 to June 2015 (continued)

Determinands	Units of measure	Specifications (based on SANS241: 2005)		No of results	Achieved compliance levels	
		Required compliance			Class I	Class II
		95% min to Class I	99% min to Class II			
SPECIFICATIONS						
Organic Determinants						
Total Trihalomethanes	(ug / l)	< 200	≤ 300	60	100.0%	100.0%
Phenols as C6H5OH	(ug / l)	< 10	≤ 70	60	100.0%	100.0%
Dissolved Organic Carbon	(mg / l)	< 10	≤ 20	60	100.0%	100.0%
Micro Elements						
Antimony	(µg / l as Sb)	< 10	≤ 50	60	100.0%	100.0%
Arsenic	(µg / l as As)	< 10	≤ 50	60	100.0%	100.0%
Cadmium	(µg / l as Cd)	< 5	≤ 10	60	100.0%	100.0%
Chromium (Total)	(µg / l as Cr)	< 100	≤ 500	60	100.0%	100.0%
Cobalt	(µg / l as Co)	< 500	≤ 1000	60	100.0%	100.0%
Cyanide (Recoverable)	(µg / l as CN)	< 50	≤ 70	60	100.0%	100.0%
Lead	(µg / l as Pb)	< 20	≤ 50	60	100.0%	100.0%
Mercury	(µg / l as Hg)	< 1	≤ 5	60	100.0%	100.0%
Nickel	(µg / l as Ni)	< 150	≤ 350	60	100.0%	100.0%
Selenium	(µg / l as Se)	< 20	≤ 50	60	100.0%	100.0%
Vanadium	(µg / l as V)	< 200	≤ 500	60	100.0%	100.0%
Macro Elements & Miscellaneous Determinants						
Aluminium	(mg / l as Al)	< 0.3	≤ 0.5	60	100.0%	100.0%
Ammonia	(mg / l as N)	< 1	≤ 2	60	100.0%	100.0%
Calcium	(mg / l as Ca)	< 150	≤ 300	60	100.0%	100.0%
Chloride	(mg / l as Cl)	< 200	≤ 600	60	100.0%	100.0%
Copper	(mg / l as Cu)	< 1	≤ 2	60	100.0%	100.0%
Fluoride	(mg / l as F)	< 1	≤ 1.5	60	100.0%	100.0%
Iron	(mg / l as Fe)	< 0.2	≤ 2	60	100.0%	100.0%
Magnesium	(mg / l as Mg)	< 70	≤ 100	60	100.0%	100.0%
Manganese	(mg / l as Mn)	< 0.1	≤ 1	60	100.0%	100.0%
Nitrate & Nitrite	(mg / l as N)	< 10	≤ 20	60	100.0%	100.0%
Potassium	(mg / l as K)	< 50	≤ 100	60	100.0%	100.0%

Determinands	Units of measure	Specifications (based on SANS241: 2005)		No of results	Achieved compliance levels	
		Required compliance			Class I	Class II
		95% min to Class I	99% min to Class II			
SPECIFICATIONS						
Macro Elements & Miscellaneous Determinants						
Sodium	(mg / l as Na)	< 200	≤ 400	60	100.0%	100.0%
Sulphate	(mg / l as SO4)	< 400	≤ 600	60	100.0%	100.0%
Zinc	(mg / l as Zn)	< 5	≤ 10	60	100.0%	100.0%
Microbiological						
E. Coli	(cfu per 100 ml)	minimum of 95% of the original results shall be non-detected	minimum of 99% of the original and repeat/ consecutive results shall be non-detected	60	100.0%	100.0%
Other Determinants as required by supply contract (1),(2)						
Free chlorine and monochloramine	(mg / l)	≥ 0.1 Chloraminated systems ≥ 0.2 Chlorinated systems		60	93.3%	
FOR MONITORING/REPORTING PURPOSES ONLY (3)						
		Guideline			Achieved compliance levels	
		95 % Min compliance	99 % Min compliance		95 % Min	99 % Min
Microbiological (4)						
Standard Plate Count	(cfu per 1 ml)	< 500	< 5000	60	100.0%	100.0%
Total Coliforms	(cfu per 100 ml)	Not detected	< 10	60	98.3%	100.0%
Giardia (5)	count per 10l	0		12	100.0%	100.0%
Cryptosporidium (5)	count per 10l	0		12	100.0%	100.0%
Notes : (1) Compliance for free chlorine is against 0.2 mg/l for areas in the chlorinated systems (2) Compliance for monochloramine is against 0.1 mg/l for areas in the chloraminated systems after 30 June 2014 (3) Guideline derived from SANS 241: 2005 operations alert and industry practices (4) Compliance for Standard Plate Count is against 100 cfu per 1ml before 30 June 2014 and 500 cfu per 1ml after 30 June 2014 (5) Measured at the furthest point in the distribution network						
Performance Index					99.79%	100.00%

Organic contaminants assessment in Rand Water drinking water supply value chain: January 2015 and June 2015

Determinands	Units of measure	Guidelines limit		Analysing laboratory	Actual Results	Achieved compliance level (%)
		Limit	Source			
INDUSTRIAL CHEMICALS						
Benzene	µg/l	10	WHO	RW	nd	100%
Benzo[a]pyrene (PAHs)	µg/l	0.7	WHO	RW	nd	100%
Bisphenol A	µg/l	<10	CSIR	CSIR	nd	100%
Di-butylpthalate (DBP)	µg/l	<10	CSIR	CSIR	nd	100%
di(2-ethylhexyl)-phthalate (DEHP)	µg/l	<10	CSIR	CSIR	nd	100%
Ethyl Benzene	µg/l	300	WHO	RW	nd	100%
M- Xylene	µg/l	500	WHO	RW	nd	100%
O-Xylene	µg/l	500	WHO	RW	nd	100%
Pentachlorophenol	µg/l	9	WHO	RW	nd	100%
Phenol	µg/l	10	RW	RW	nd	100%
P-Xylene	µg/l	500	WHO	RW	nd	100%
Toluene	µg/l	700	WHO	RW	nd	100%
PESTICIDES						
a-BHC	µg/l	2	RW	RW	nd	100%
Alachlor	µg/l	20	WHO	RW	nd	100%
Aldrin	µg/l	0.03	WHO	RW	nd	100%
Atrazine	µg/l	100	WHO	RW	nd	100%
b-BHC	µg/l	2	RW	RW	nd	100%
d-BHC	µg/l	2	RW	RW	nd	100%
Desethylatrazine	µg/l	100	WHO	RW	nd	100%
Dieldrin	µg/l	0.03	WHO	RW	nd	100%
Endosulfan I	µg/l	20	RW	RW	nd	100%
Endosulfan II	µg/l	20	RW	RW	nd	100%
Endosulfan sulfate	µg/l	1	RW	RW	nd	100%
Endrin	µg/l	0.6	WHO	RW	nd	100%
Endrin aldehyde	µg/l	2	RW	RW	nd	100%
Endrin ketone	µg/l	2	RW	RW	nd	100%
g-BHC (Lindane)	µg/l	20	WHO	RW	nd	100%
Heptachlor	µg/l	0.4	USEPA	RW	nd	100%
Heptachlor epoxide	µg/l	0.2	USEPA	RW	nd	100%
Hexachlorobenzene	µg/l	1	USEPA	RW	nd	100%
Hexachlorocyclopentadiene	µg/l	200	USEPA	RW	nd	100%
Metolachlor	µg/l	10	WHO	RW	nd	100%
Methoxychlor	µg/l	20	WHO	RW	nd	100%
p,p-DDD	µg/l	1	RW	RW	nd	100%

Organic contaminants assessment in Rand Water drinking water supply value chain: January 2015 and June 2015 (continued)

Determinands	Units of measure	Guidelines limit		Analysing laboratory	Actual Results	Achieved compliance level (%)
		Limit	Source			
PESTICIDES						
p,p-DDE	µg/l	1	RW	RW	nd	100%
p,p-DDT	µg/l	1	WHO	RW	nd	100%
Simazine	µg/l	2	WHO	RW	nd	100%
Trifluralin	µg/l	20	WHO	RW	nd	100%
2,4-Dichloro-phenoxyacetic (2,4-D)	µg/l	30	WHO	SABS	nd	100%
Chlorpyrifos	µg/l	30	WHO	SABS	nd	100%
MCPA (2-methyl-4-chlorophenoxyacetic acid)	µg/l	2	WHO	SABS	nd	100%
Vinclozolin	µg/l	1	RW	SABS	nd	100%
TRIHALOMETHANES						
CHBr2Cl (Dibromochloromethane)	µg/l	100	WHO	RW	5.7	100%
CHBr3 (Bromoform)	µg/l	100	WHO	RW	2.6	100%
CHBrCl2 (Bromodichloromethane)	µg/l	60	WHO	RW	13.5	100%
CHCl3 (Chloroform)	µg/l	300	WHO	RW	16.9	100%
TTHM (Total trihalomethanes)	µg/l	100	EU	RW	36.78	100%
ALGAL TOXINS						
Geosmin	ngl	6	RW	RW	5.7	100%
2-MIB	ngl	15	RW	RW	21	64%

Notes:
nd - not detected in the sample
WHO - World Health Organisation
WRC - Water Research Commission
UP - University of Pretoria
RW - Rand Water
CSIR - Council for Scientific and Industrial Research
SABS - South African Bureau of Standards
EU - European Union
USEPA - United States Environmental Protection Agency

Consolidated Annual Financial Statements

for the year ended 30 June 2015

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STATEMENT OF RESPONSIBILITY BY THE BOARD

In accordance with the Water Services Act 108 of 1997, and the Public Finance Management Act, Act 1 of 1999, as amended, the Board is required to prepare consolidated annual financial statements that comply with South African Statements of Generally Accepted Accounting Practice.

The Board is responsible for ensuring that complete, accurate and reliable accounting records form the basis for preparing consolidated annual financial statements. The consolidated annual financial statements include judgments and estimates that are reasonable and prudent, made by management, reviewed and accepted by the Board. The Board also ensures that accounting policies are appropriate to the Group's circumstances. In order to achieve this objective the Board rely on the systems of internal control set up and maintained by management.

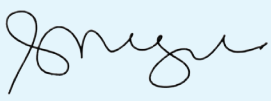
Independent internal auditors assist the Board in their task of ensuring that internal controls are adequate and operate as intended throughout the financial year under review. The internal controls include a risk-based system of internal accounting and administrative controls designed to provide reasonable, but not absolute, assurance that the assets are safeguarded and transactions executed and recorded in accordance with generally accepted business practices, as well as with the Group's policies and procedures. The Board has, however, the ultimate responsibility for this system of internal controls and reviews the effectiveness of its operations primarily through the Group Audit Committee.

The Board has every reason to believe that the Group has adequate resources in place to continue in operation in the foreseeable future and has for this reason adopted the going concern basis in preparing the consolidated annual financial statements.

The external auditors, Nexia SAB&T, who were given unrestricted access to all financial records and related data, including minutes of the Board and committees of the Board, have audited the consolidated annual financial statements. The Board believes that all representations made to the independent auditors during their audit are valid and appropriate. Their unqualified audit report on the consolidated annual financial statements is presented on pages 199 to 201.

The Board is of the opinion that the consolidated annual financial statements fairly present the financial position of the Group at 30 June 2015, and the results of its operations and cash flows for the year then ended. Material facts or circumstances between the accounting date and the date that the report has been signed have been disclosed in the consolidated annual financial statements.

The consolidated annual financial statements, which appear on pages 197 to 269, have been approved by the Board on 28 September 2015 and signed on its behalf by:



ADV MATSHIDISO HASHATSE
CHAIRPERSON

MR DINIZULU KUMALO PERCIVAL SECHEMANE
CHIEF EXECUTIVE

REPORT OF THE GROUP AUDIT COMMITTEE

We are please to present our report for the financial year ended 30 June 2015.

1. BACKGROUND

On 2 December 2010, the Board of Rand Water resolved, as a result of the integration, to form a Group Audit Committee combining the Audit and Risk Committee of the subsidiaries with that of Rand Water. In view thereof, the Group Audit Committee consists of members appointed by Rand Water Board to the Committee and the member representatives from the subsidiaries.

2. GROUP AUDIT COMMITTEE TERMS OF REFERENCE

The Group Audit Committee reports that it has complied with its responsibilities arising from Section 77 of the Public Finance Management Act, Act 1 of 1999 as amended and Treasury Regulation 27.1 and that it has adopted formal terms of reference as its Group Audit Committee charter that has been approved by the Board. The Committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities therein.

3. GROUP AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND QUALIFICATIONS

The Committee is independent and consists of at least three independent, non-executive members. It meets at least four times per year as per its terms of reference. Attendance of meetings, dates of appointments as well as qualifications of the members are included in the corporate governance report.

4. ROLES AND RESPONSIBILITY

Statutory duties

The Committee's role and responsibilities include statutory duties in accordance with the Public Finance Management Act, Act 1 of 1999 as amended (PFMA), and further responsibilities are assigned to it by the Board. The Group Audit Committee performs the duties required of it in terms of the PFMA and the terms of reference. The Committee is satisfied that it complied with its legal, regulatory and other responsibilities.

External auditor appointment and independence

The Committee ensured that the appointment of external auditors complied with the applicable legislation relating to the appointment of auditors. The Committee in consultation with executive management agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2015 year.

The Committee has satisfied itself that the external auditors were independent of the Group, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditors that internal governance processes within the audit firm support and demonstrate its claim to independence.

Financial statements and accounting practices

The Committee has evaluated the annual financial statements of Rand Water and the Group for the year ended 30 June 2015 and based on the information provided to the Audit Committee considers that the annual financial statements comply in all material respects with the requirements of the Water Services Act, Act 108 of 1997, the Public Finance Management Act, Act 1 of 1999 as amended, and South African Statements of Generally Accepted Accounting Practice. The Committee concurs that the adoption of the going concern premise in the preparation of the consolidated and separate annual financial statements is appropriate. The Committee is satisfied with the quality and timeliness of the information availed to the Committee for oversight purposes. The Committee has recommended the adoption of the consolidated annual financial statements by the Board.

The Group Audit Committee has:

- reviewed and discussed with the external auditors' and accounting authority, the audited consolidated annual financial statements;
- reviewed the external auditors' management letter and managements' response thereto;
- reviewed changes in accounting policies and practices; reviewed compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit; and reviewed and discussed with the accounting authority, the performance information submitted to the external auditors.

During the year, the Committee met with the external auditors, without management being present, and confirmed that there were no unresolved issues.

REPORT OF THE GROUP AUDIT COMMITTEE (CONTINUED)

Internal financial controls

The Group Audit Committee is satisfied that internal controls and systems have been put in place and that these controls have functioned effectively during the period under review. The Committee has overseen a process by which internal audit has performed audits according to a risk based audit plan where the effectiveness of risk management and internal control systems, including financial internal controls were evaluated. The findings of these evaluations formed the basis for the Committee's recommendation in this regard to the Board, in order for the Board to report thereon as well as through discussions with external audit on the result of their audits that an adequate system of internal control is being maintained to:

- reduce the Group's risk to an acceptable level;
- meet the business objectives of the Group;
- ensure the Group's assets are adequately safeguarded; and
- ensure that the transactions undertaken are recorded in the Group's records.

The Group Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Group during the year under review.

Going concern

The Committee has reviewed managements' assessments of the going concern status of the Group and has made recommendation to the Board accordingly.

Internal audit

In line with the Public Finance Management Act, Act 1 of 1999 as amended (PFMA) and the King III Report on Corporate Governance requirements, Internal Audit provides the Group Audit Committee and management with assurance that the internal controls are appropriate and effective. The Committee is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. Furthermore, the Committee oversees cooperation between internal and external auditors and serves as a link between the Board and these functions.

The Committee considered and approved the internal audit charter. The internal audit function's annual audit plan and three year strategic plan were approved by the Committee. The internal audit function reports administratively to the Group Governance Executive and functionally to the Group Audit Committee and has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Group's operations. The internal audit manager has direct access to the Committee primarily through its Chairperson.

From the various reports of the internal auditors, it was noted that no matters were reported that indicate any material deficiencies in the systems of internal control. Risks that have been identified through various processes are being addressed.

The Committee is satisfied with the effectiveness of the internal audit function.

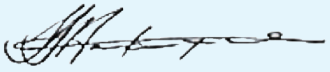
Expertise and experience of the Chief Financial Officer and finance function

The Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience. The Committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management for the financial function.

Governance of risk

The Committee oversees the implementation of the policy and plan for risk management taking place by means of risk management systems and processes through the organisation's Board Risk Committee. The Committee is satisfied that appropriate and effective systems are in place for risk management.

The Group Audit Committee accepts the audit opinion of the external auditors on the consolidated annual financial statements and recommends that the audited consolidated annual financial statements be accepted and read together with the report of the external auditors.



MR LEFADI MAKIBINYANE
CHAIRPERSON GROUP AUDIT COMMITTEE
28 SEPTEMBER 2015

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON RAND WATER

REPORT ON THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Introduction

1. We have audited the consolidated and separate financial statements of the Rand Water and its subsidiaries set out on pages 214 to 269, which comprise the consolidated and separate statement of financial position as at 30 June 2015, the consolidated and separate statement of financial performance and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the consolidated and separate financial statements

2. The Board , which constitutes the accounting authority is responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with the South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requirements of the Public Finance Management Act of South Africa, and the Water Services Act No.108 of 1997, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

3. Our responsibility is to express an opinion on these consolidated and separate 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 consolidated and separate financial statements are free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and separate financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

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

Opinion

6. In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the Rand Water and its subsidiaries as at 30 June 2015 and its financial performance and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requirements of the Public Finance Management Act and the Water Services Act No.108 of 1997.

Report on other legal and regulatory requirements

7. In accordance with the Public Audit Act of South Africa, 2004 (Act No.25 of 2004) and the general notice issued in terms thereof, we have a responsibility to report findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation and internal control.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON RAND WATER (CONTINUED)

We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined objectives

8. We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the public entity for the year ended 30 June 2015:

- Objective 1: Water quality compliance on pages 206 to 207
- Objective 2: Non revenue water (water losses) on pages 206 to 207
- Objective 3: Reliability of supply on pages 206 to 207
- Objective 7: Effective internal controls and risk management on pages 206 to 207
- Objective 12: Capital expenditure on pages 206 to 207
- Objective 13: Increased access to services on pages 206 to 207
- Objective 17: Corporate social responsibility initiatives on pages 206 to 207
- Objective 19: Good governance on pages 206 to 207

9. We evaluated the reported performance information against the overall criteria of usefulness and reliability.

10. We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPPI)*.

11. We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

12. We did not identify any material findings on the usefulness and reliability of the reported performance information with regard to the objectives indicated in paragraph 8 above.

Additional matter

13. Although we identified no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matter:

Achievement of planned targets

14. Refer to the annual performance report on page 206 to 207 for information on the achievement of the planned targets for the year.

Compliance with legislation

15. We performed procedures to obtain evidence that public entity had complied with legislation regarding financial matters, financial management and other related matters. We did not identify any instances of material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA.

Internal control

16. We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. We did not identify any significant deficiencies in internal control.

Other reports

Audit-related services and special audits

17. The accuracy of the Water Research levy payment. These reports covered the periods July 2014 to December 2014 and January 2015 to 30 June 2015 respectively and were issued on 26 February 2015 and 21 September 2015 respectively.

INDEPENDENT AUDITOR'S REPORT TO PARLIAMENT ON RAND WATER (CONTINUED)

18. In respect of the issue of Notes under the Domestic Medium Term Note (DMTN) programme. These reports covered the periods 1 July 2014 to 16 March 2015 and 1 July 2014 to 25 June 2015 respectively and were issued on 16 March 2015 and 29 June 2015.

19. Compliance under Section 13B (1) of the Pension Funds Act (1956). This report covered the periods 1 July 2013 to 30 June 2014 and was issued on 19 December 2014.

20. Compliance with regulation 68 of the regulations to the National Credit Act, 2006, ("the regulations"). This report covered the period 1 July 2013 to 30 June 2014 and were issued on 10 December 2014.

21. The review of the National Treasury Consolidation Template for the period ending 30 June 2015.

22. Compliance with conditions determined under the Compensation for Occupational Injuries and Diseases Act, 1993. This report covered the period 1 March 2014 to 28 February 2015 and was issued on 13 May 2015.

Nexia SAB&T

Nexia SAB&T
Per: A. Darmalingam
Director
Registered Auditor
28 September 2015

BOARD REPORT

1. INTRODUCTION

The Board is pleased to present its' report and the audited consolidated annual financial statements for the year ended 30 June 2015. In the opinion of the Board, the consolidated annual financial statements fairly represent the financial position of Rand Water and its subsidiaries as at 30 June 2015 and the results of its operations and cash flow information for the year then ended.

2. GOING CONCERN

The consolidated annual financial statements have been prepared on the going concern basis. The Board has every reason to believe that the business has adequate resources to continue as a going concern in the foreseeable future. The going concern assessment was undertaken taking into consideration the following:

- The Group has adequate committed credit facilities from its lenders to fund its operations and meet its financial obligations in the normal course of business for the foreseeable future;
- A funding strategy and plan has been developed to ensure that the Group is able to successfully fund its capital expenditure programme without breaching the set financial parameters;
- The Group has adequate undrawn funding facilities and has set aside a liquidity buffer amounting to R690 million to cater for the liquidity requirements that may arise in the course of business;
- The operational and financial risks of the Group have been reviewed to determine their impact on the business under various conditions, and mitigating initiatives, strategies and controls are in place as reflected in the business and risk management plans of the Group and the Portfolios;
- The accumulated reserves of the Group has improved by 14.78% compared to the prior year;
- The gearing ratio reflected at 35.89% is below the set target of 50%;
- The interest cover and cash interest cover are significantly better than the target of 3,0 times; and
- Cash flow forecasts which are assessed by the Board on a quarterly basis indicate that the Group will be able to meet its obligations.

3. POST BALANCE SHEET EVENTS

On 7 July 2015, Rand Water Services (Pty) Ltd and Vitens-Evides International B.V registered with the registra of transfer in Netherlands the sale of 49% shareholding of Rand Water Services in Vitens Rand Water Services B.V. The shares were sold for One Euro to Vitens-Evides International B.V. The share price and the outstanding loan have since been recovered.

The Board is not aware of any other matter or circumstance that has arisen since the end of the financial year.

4. PUBLIC FINANCE MANAGEMENT ACT (ACT 1 OF 1999 AS AMENDED)

The Public Finance Management Act, Act 1 of 1999 as amended (PFMA) is the Group's overarching piece of legislation and it supersedes any other applicable legislation in the business. PFMA compliance is one of the fundamental business regulatory imperatives. The Group continues to ensure that this compliance is managed effectively in its daily operational activities.

The Board has reiterated its unequivocal commitment to honour continued compliance in the form of implemented policies and frameworks to detect and prevent irregular expenditure. In terms of the materiality framework, as approved by the Board, and compliance to Section 55(1) (d) of the PFMA, material losses resulting from criminal conduct, irregular or fruitless and wasteful expenditure in excess of the approved threshold for materiality level shall be reported.

During the year under review the Group identified approximately R1.767 million worth of irregular expenditure which is in the process of being condoned. No material cases of criminal conduct or fruitless and wasteful expenditure have been identified during the year. The identified items have been disclosed in note 41 in the notes to the consolidated annual financial statements.

The Board and the Chief Executive have shown unwavering commitment with a pledge to a zero tolerance approach towards fraud, corruption, misappropriation of funds and theft. Invariably, the organisation has opened criminal and civil cases against perpetrators to try and recover losses from criminal conduct as well as institute disciplinary measures in accordance with Section 51(e) in the PFMA which states that:

BOARD REPORT (CONTINUED)

"The Accounting Authority must take effective and appropriate disciplinary steps against any employee of the public entity who:

i. Contravenes or fails to comply with a provision of this Act;
ii. Commits an act which undermines the financial management and internal control systems of the public entity; and
iii. Who makes or permits irregular expenditure or a fruitless and wasteful expenditure".

The Group employs reactive investigations into allegations and reports of criminal misconduct and irregular expenditure. For sound governance protocols, the Group makes use of forensic services under the astute leadership of the Group Governance Executive to meet the set objectives. It is against this practice that reported and investigated cases are dealt with by instituting disciplinary and criminal action which serves as a deterrent and to avert proliferation of the malpractice.

The establishment and implementation of an Integrated Fraud Risk Management Framework for proactive audits and investigations into existing anti-fraud and corruption programs has proven to be highly effective in lifting own ethical standards. It has further continued to build a genuine organisation-wide culture of integrity to the identification, management and control of crime risks. This resulted in the Board further escalating reporting of similar activities to its subcommittees being specifically the Group Risk and Group Audit sub-committees.

The Group continues to enforce adherence to the implemented Fraud Prevention plan that was unconditionally accepted by the National Treasury as early as 2010. The year 2011 onwards saw a comprehensive roll-out of an all-encompassing Fraud Prevention plan in the Group through a series of staff fraud training workshops, white collar crime awareness programs and campaigns. The primary objective being to raise sharp focus on proactive mechanisms to fight corruption in all its forms thus strengthening operational business to be sustainable and becoming more resilient to inherent operational risks. Notably, initiatives in respect of Fraud Prevention plan are perpetually monitored and benchmarked internationally for the Group to uphold its corporate citizenship responsibilities.
The Board has re-affirmed its policy statement on mechanisms designed to detect and prevent irregular expenditure in accordance with established organisational policies and frameworks endorsed.

5. WATER SERVICES ACT NO. 108 OF 1997

Rand Water is established in terms of Section 84 of the Water Services Act, No. 108 of 1997 (WSA) and operates in accordance with the mandate espoused in the WSA. The Board is committed to compliance with the Water Services Act and is of the view that Rand Water and its subsidiaries comply in all material respects.

6. FUNCTIONS

Rand Water extracts raw water from the Vaal River basin, then treats, transports and stores it in order to deliver potable water to municipalities, mines, industries and small consumers. Raw water is also delivered to certain industries by agreement. The organisation also engages in secondary activities, which are deemed to be supportive of the primary activities.

Rand Water Foundation (RWF) was established as a wholly owned subsidiary of Rand Water to carry out its Corporate Social Investment (CSI) Programme. RWF was established in 2001 and registered as a Section 21 company in terms of the Companies Act of 1973 which has been replaced by the Companies Act of 2008. In terms of the Companies Act of 2008, RWF is a non-profit company and developmental entity of Rand Water. RWF has been operational since 2003.

The RWF is mandated to promote and support the delivery of water services to communities within and outside of Rand Water's areas of supply, and to coordinate, administer, and manage the Rand Water corporate social investment resources by undertaking community development projects in partnership with various donors and relevant stakeholders, advancing the quality of life of communities by making them self-sufficient and enhancing their physical surroundings. In addition to its mandate, the Shareholder acknowledges that RWF has a strategic developmental role that may require decisions that are not always optimal from a commercial perspective, but contribute to Rand Water's socio economic developmental imperatives, Department of Water and Sanitation's developmental priorities and National Government's broader objectives and the growth and development in South Africa and Africa.

BOARD REPORT (CONTINUED)

The RWF strategic interventions include elements of social transformation and capacity building for emerging enterprises, drawing in service providers from previously disadvantaged communities through preferential procurement processes and contributing towards both the social and economic development of communities.

Rand Water Services (Pty) Ltd (RWS) was established in 2000 as a wholly owned subsidiary of Rand Water with an objective of enabling Rand Water to comply with the requirements of Section 30 of the Water Services Act. Rand Water Services engages in other business activities that are ring-fenced and managed at arm's length and to develop and pursue the commercial aspects of Rand Water's business in the water services industry. The primary focus of RWS was to generate revenue from the market by leveraging on Rand Water resources in addition to developing its own competencies and solutions. The Water Services Act, Act 108 of 1997 requires Rand Water to ring fence other business activities from the regulated water services. RWS was therefore established in order to tap into the potential of the water industry by allowing business partnerships and joint ventures with private and public companies in developing water infrastructure with a national and pan-African focus. On 06 November 2010, the Board of Rand Water took a decision to integrate the operations of RWS into Rand Water.

On 22 January 2014, at the Vitens Rand Water Services shareholders meeting held at Rand Water, the Board deliberated steps to be taken to finalise the liquidation and or closure of the joint venture. The members resolved that Vitens and RWS agree on a buyout of the RWS 49% shareholding in Vitens Rand Water Services as this proposal appeared to be more viable than the alternatives. The members also agreed that the buyout would be in according to the following terms and conditions:

a) The sale of RWS 49% shareholding at a value of one Euro;
b) Full redemption of the outstanding loan in line with the terms and conditions of the loan agreement;
c) Provision of necessary indemnities and warranties;
d) Confirmation that there are no outstanding warranties and surety ships;
e) Compliance with all applicable legislation and agreements governing the initial transaction;
f) The sale agreement of shares to be in line with South African law; and
g) The contract which would give effect to the sale of shares would be drafted between the parties to formalise the resolution.

In terms of Section 54 (c) of the PFMA a public entity must in writing inform the relevant Treasury and submit the relevant particulars of the transaction to its Executive Authority for approval of the transaction where the entity is acquiring or disposing of a significant shareholding in a company. Rand Water received the approval from it's Shareholder in November 2014. On 7 July 2015, Rand Water Services (Pty) Ltd and Vitens-Evides International B.V registered with the registra of transfer in Netherlands the sale of 49% shareholding of Rand Water Services in Vitens Rand Water Services B.V. The shares were sold for One Euro to Vitens-Evides International B.V.

7. BOARD

In terms of Section 35(1) of the Water Services Act, Act No 108 of 1997, the Minister of Water and Sanitation may appoint members of the Board from time to time. The term of office of the Board is regulated in accordance with Schedule 1 of the Act. The Board was appointed by the Minister effective 01 April 2014; however the operational activities of the new Board began effectively on 01 June 2014.

8. REGISTERED ADDRESS

The following are the registered business and postal addresses of the Group:

Business address:	Postal address:
522 Impala Road,	PO Box 1127,
Glenvista,	Glenvista,
2058	2000

9. CORPORATE BUSINESS PLAN

Since 1903, Rand Water has been playing an integrated role in the development and growth of Gauteng, its cities and its surrounding regions, providing water to people and

BOARD REPORT (CONTINUED)

industries. All the while, the infrastructure has been growing steadily, spreading the veins of life, the pipes containing water, interwoven underground throughout the province and surrounding regions. Today, Rand Water owns more than 3000 kilometres of pipeline. Water is the lifeblood that sustains economic growth and enhance human development, from the cradle to the grave, Rand Water runs through your being. The water flowing through the veins of Rand Water's infrastructure ensures that the heart of our economy through mines and industry continues to beat steadily. As Gauteng is the economic powerhouse of South Africa and hence of the continent, a steady heartbeat in this region helps ensure the economic health of our country and our continent.

Rand Water is proud of its rich history. Proud of the fact that the water it supplies is rated among the best quality potable water in the world. Rand Water is proud that it continues to grow to meet and anticipate the needs of an economy that has not stopped expanding for the past hundred years and more.

Profound political, economic and social changes have taken place in South Africa since Rand Water was established 112 years ago and but Rand Water's core business remains the same and that is to deliver high quality of affordable bulk potable water around the clock.

Rand Water recognises that the water sector is at the cornerstone of drastic changes. After years of strategic planning the water sector is entering a new phase. Rand Water intends to be part of these changes. The National Development Plan is recognised as the guiding light for the South African economy and the water sector specifically. The new National Water Resource Strategy is in its year of inception.

These are game changing events that have impacted on Rand Water. On 24th March 2014, the Honourable Minister announced the disestablishment of Bushbuckridge Water Board (BBR) the takeover of the operations of BBR by Rand Water. This has been interpreted by the Department of Water and Sanitation into the first of three phases. This Institutional Reform and Realignment (IRR) process increased Rand Water's area of operations to now include:

- Gauteng
- Limpopo (Greater Groblersdal and Great Mable Hall)
- North West (Rustenburg and Madibeng areas)
- Mpumalanga
- Northern Free State (Boundary of the Upper Vaal Water Management Area – Maluti-a-Phofung, Dihlabeng, Nketoana, etc).

The face of Rand Water is changing with the addition of between 4 – 7 million new customers. In total, Rand Water will be servicing between 16 – 19 million people. Economically, this translates to between 41% - 51% of GDP.

In line with this expansion, Rand Water intends to fully participate in rural development through the Intermediate Water Supply Programme Strategy (IIWSS) and is committed to its objectives. Rand Water will align itself to the process and make the relevant resources available in support and implementation thereof, as agreed upon as part of the programme.

Twenty three District Municipalities have been identified through a comprehensive search and Rand Water intends to engage with a target number of these District Municipalities.

Rand Water's infrastructure is projected to increase to some 6600 mega litres per day by the year 2030 and the capital expenditure programme has identified this important part in ensuring that Rand Water is able to meet this key mandate in to the future. The Rand Water system operates as a network to which components are continuously being added and upgraded.

In spite of challenges in the water sector, the organisation is maintaining a determined path in line with a 2030 vision. The organisation continues to meet key capital expenditure targets, water quality standards and continuous supply to its bulk customers.

BOARD REPORT (CONTINUED)

10. PERFORMANCE FOR THE YEAR

An overview of the Rand Water company performance against objectives is contained in the table below:

Performance objective	Key performance indicator	Target	Performance results
Water quality compliance	Compliance SANS 241 Class 1 Compliance SANS 241 Class 2	>= 95% >= 99%	Achieved 99.81% Achieved 99.99%
Non revenue water	Water lost as a percentage of total water produced	<= 3.7%	Achieved 3% (1)
Reliability of service	Number of days supply disrupted divided by total number of possible supply days	0 days	Achieved 0 days
Financial reporting compliance	Unqualified external audit report Qualified external audit report	100% 0%	Achieved 100% Achieved 0%
Staff turnover	Percentage of staff leaving	<= 5%	Achieved 3.33% (2)
Board member attendance	Annual attendance	>= 80%	Achieved 80.89%
Effective internal controls and risk management	No repeat on unresolved internal audit findings	0 findings	Achieved 0 findings
Bulk supply agreements concluded with municipalities/ other customers	Municipalities/other customers with bulk supply agreements	100%	Achieved 100%
Improve financial perfomance	Net income margin (primary activities) Net income margin (secondary activities) Gross margin (primary activities) Gross margin (secondary activities) Debt equity Return on assets Debtors days	>=13.8% >= 1% >= 27.8% >= 5% <= 37% >= 7.5% <= 33 days	Achieved 18.1% (3) Not achieved - 8.3% (4) Achieved 28.7% Not achieved 4.7% Achieved 34.9% Achieved 8.9% (5) Not achieved 34.4 days
Increase BBBEE spend	Percentage of spend increased and increased new entrants	>= 85%	Achieved 94.5% (6)
Manage costs within the approved budget	No over expenditure/losses	<= 15%	Achieved 0.5%
Capital expenditure	Percentage variance of overall projects expenditure against target Percentage variance of overall project completion dates against target	<= 5% <= 5%	Achieved 2% (7) Achieved 0%
Increased access to services	Capital expenditure spend of number of expansion projects	>= 15%	Not applicable (8)
Engagement in secondary activities	Engagement in secondary activities (Rm)	>= R 857m	Not achieved R 694 (9)
Achieve statutory reporting compliance	Statutory submissions made on time	100%	Achieved 100%
Jobs created	Number of permanent and contract staff (direct) Number of temporary (indirect) RWF and RW Contractors	>= 3 368 >= 4 250	Achieved 3 437 Achieved 4 809 (10)
Corporate social responsibility initiatives	Percentage spent on corporate social responsibility initiatives	>= 95%	Achieved 97% (12)
Training and skills development	Skills and capacity building	>= 170	Achieved 278 (11)
Good Governance	Breaches of materiality and significance framework	<= R Nil	Achieved RNil
Corporate social responsibility initiatives	Number of identified Rural District Municipalities supported by Rand Water	>= 6	Achieved 8 (12)

* Financial calculations excludes incentive bonus provisions which are not guaranteed, the financial results of Rand Water Mpumalanga for the 2014/2015 financial year and includes the water demand management fee.

BOARD REPORT (CONTINUED)

11. PERFORMANCE INFORMATION EXPLANATIONS

Explanations for variances that are more than 10% to target are provided below, whether positive or negative:

1. South Africa faces a major challenge in respect of water lost that cannot be accounted for. This measure aims to reduce the quantity of water lost in the water purification process. The organisation has systems in place that monitor water losses and ensures maximum recovery of waste water. The target has therefore been achieved. Actual water loss 3% achieved against a target of 3.7%.

2. The measure focuses on optimal staff retention by measuring the percentage of staff leaving the organisation. Only 3.33% of staff against a target of 5% left the organisation. This is mainly as a result of programmes aimed at improving employee loyalty.

3. This ratio measures the profits after taxes on bulk water sales. It is the percentage of sales left after all the expenses are deducted. The actual result is greater than target as a result of the additional potable water sales volume (2.4%), savings on Cost of sales due to energy and chemicals as well as fixed costs savings resulting from internal efficiencies and cost containment initiatives.

4. This ratio measures the profits after taxes on non-bulk water (secondary activity) sales. It is the percentage of sales left after all the expenses are deducted. The achievement of -8.3.% in comparison to the target of 1% is attributable to the increase in provision for bad debts for secondary activities.

5. This indicates the organisation's ability to utilise the assets employed in the business efficiently and effectively, to earn a good return. Rand Water achieved 8.9% against a target of 7.5%, as a result of improved margins.

6. Broad-Based Black Economic Empowerment (BBBEE) aims to advance economic transformation and enhance the economic participation of black people in the South African economy. Year to date Rand Water BBBEE exceeded the target by 9.5%. The increase in BBBEE spend is the culmination of an extensive effort in BBBEE monitoring and management. The target is determined from nationally set criteria. The increase in BBBEE spend is attributable to awarding most of procurement budget to BEE compliant companies which scored high during the adjudication process.

7. Rand Water annually budgets for expenditure on replacement and augmentation of its ageing infrastructure. It is important that these budgets are spent as planned to ensure current and future water requirements are adequately met. Target tolerance levels were set. The target variance on overall expenditure was met. Overall project completion within target dates was met.

8. This measures the actual amounts spent on growth projects as a percentage of budgeted expenditure. The stretch is limited to 100 percent. As at 30 June 2015 Rand Water did not allocate any capital expenditure to growth projects. However, Rand Water's experience is that growth projects can be directed by the Minister; can be ad hoc and/or can arise during the year. The measure is how much is spent on that project as a percentage of the budget. The target is currently 15% of budgeted CAPEX for that project that will arise during the year.

   At the present moment, Rand Water is yet to spend any capital expenditure on growth projects. Expansion projects exclude bulk potable water projects within Rand Water's area of supply. Projects of this nature depend significantly, on external stakeholders in their execution. Therefore, this measures capital expenditure on projects that have gone through all the levels of approvals and contracting.

9. As part of its growth strategy Rand Water seeks new business opportunities in the non-bulk water sales arena. The revenue generated from these activities is below the target by R163 million (19%) mainly as a result of protests and reduction in budgets for work undertaken on behalf of other municipalities.

10. Rand Water remains committed to national initiatives aimed at boosting the economy and ensuring social equality. One such initiative is job creation. The target for temporary (indirect) and permanent and contract (direct) jobs created was exceeded.

11. A skilled workforce is an effective and efficient workforce. Rand Water strives to improve the skills and provide development opportunities for all employees. The target of 170 was exceeded by 108 (64%).

12. Annually Rand Water sets targets in respect of strategic objectives for the organisation to be measured against. These are agreed with the Shareholder. Actual spend on corporate social responsibility initiatives exceed the target of 95% by 2% and supported 8 rural district municipalities against a target of 6.

BOARD REPORT (CONTINUED)

12. FINANCIAL PERFORMANCE

		2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual
Revenue	Rm	5 891	6 838	7 751	8 665	9 803
Net income for the year	Rm	536	778	997	1 182	1 436
Property, plant and equipment	Rm	7 155	8 417	9 907	12 111	14 632
Capital expenditure	Rm	1 017	1 481	1 748	2 448	2 846
Interest bearing borrowings	Rm	646	1 193	1 516	2 512	3 675
Accumulated reserves	Rm	6 756	7 534	8 512	9 750	11 159
Potable water bulk tariff	R/kl	3,9921	4,5071	5,0163	5,5090	5,9552
Net interest paid (received)		16	(43)	(43)	(71)	(79)

The Group has produced solid results for the financial year ended 30 June 2015 which have been achieved during a challenging economic environment.

The Group achieved a 21.5% increase in net income from R1 182 million to R1 436 million. The improvement in net income generated is attributable to increase in revenues driven by increasing consumption volumes of 2% and a tariff increase of 7.8% compared to the previous year, an increase of 1.3% in operating income as a result of traction gained in pursuit of new revenue streams within bulk sanitation and water demand management, as well as efficiencies gained.

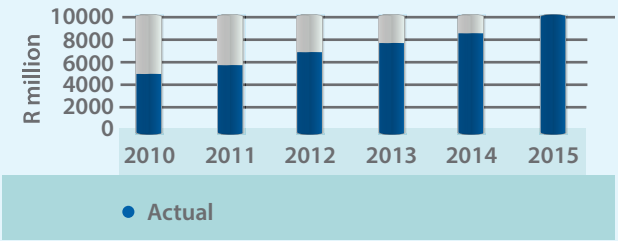
Net interest income has increased to R79 million as borrowing costs continue to be capitalised to qualifying assets during the year. Capitalised borrowing costs amounted to R266 million (2014: R204 million) and are expected to increase in line with the capital investment programme over the next five years.

The 46.3% increase in long-term loans is as a result of the tap issue on the RW023 and RW28 Domestic Medium Term Note (DMTN) programme by R1 140 million that was exercised during the year, thereby increasing long term loans to R3 675 million.

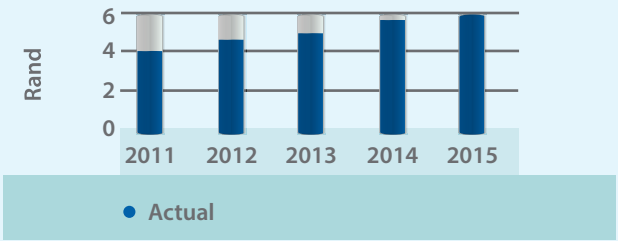
The Group incurred capital expenditure of R2 846 million for the year under review which includes borrowing costs of R266 million. The expenditure also incorporates costs majority of which relates to the augmentation and rehabilitation of infrastructure which has resulted in an increase in property, plant and equipment to R14.6 billion. The Group is undertaking major infrastructure renovations to ageing infrastructure. The capital expenditure increased by 16.3% compared to the previous year.

It is Rand Water's policy to recover all operational costs in the tariffs set, as well as to fund rehabilitation/replacement projects from internally generated funds. The tariff increased by 8.1% for the year.

Revenue



Bulk Tariff



BOARD REPORT (CONTINUED)

13. BUSINESS PERFORMANCE

		2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual
Net income margin	%	9,04	11.39	12.86	13,64	14,65
Income per employee	R'000	175,96	247,02	310,16	367,90	424,79
Average cost of capital	%	13,00	11,49	10,02	9,98	9,95
Debt-equity ratio		0,14	0,20	0,22	0,29	0,36
Return on assets		6,05	6,71	7,57	8,96	7,39
Assets turnover ratio		1,24	1,26	1,34	1,48	1,56
Current ratio		1,31	1,18	1,09	1,03	1,02

The 2015 net income margin is 7.4% higher than that achieved in the prior year. This increase is as a result of higher revenues generated and operational efficiencies. This has also contributed to an increase in the income per employee.

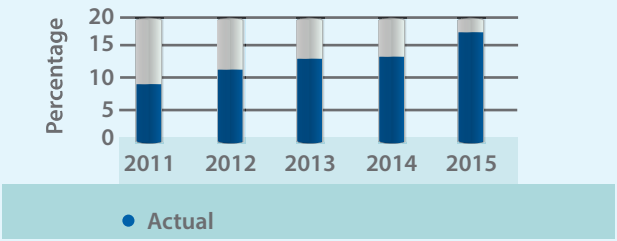
In addition it is expected that the group will maintain its investment grade credit rating of Fitch Rating (A- and F3) and Standard & Poor ((BBB+ local currency) and BBB- (foreign currency)) as well as the gearing and cash interest cover ratios at target levels.

The current ratio has been maintained at similar levels compared to prior year as a result of the increase in the available cash reserves and an increase in the trade and other receivables which have arisen as a result of an increase in debtors days.

The decrease in return on assets may be attributed to an increase in the operating income which has been negotiated by a higher increase in assets employed in the organisation for the 2015 financial year.

Return on Assets

Net Income Margin



BOARD REPORT (CONTINUED)

14. OPERATIONAL PERFORMANCE

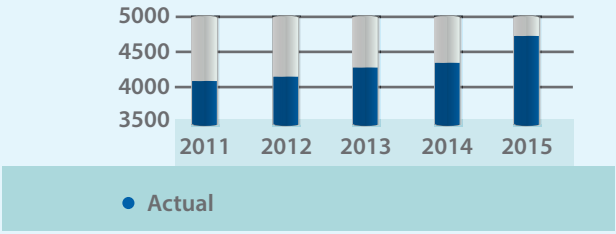
		2011 Actual	2012 Actual	2013 Actual	2014 Actual	2015 Actual
Volume sold (Including consumption accrued to 30 June)	Ave mgl/d	4 095	4 205	4 309	4 413	4 757
Number of employees at year end		3 030	3 153	3 214	3 438	3 381

An increase in consumption by customers has resulted in an increase of approximately 7.8% in the average megaliters of water sold, which is attributable to higher demand requirements experienced in the year under review as compared to previous years. Contributing to the higher volumes sold is the inclusion of Rand Water Mpumalanga of 259 megalitres per day in the current year.

The headcount decreased by 1.7% during the financial year due to the moritorium placed on vacancies in the organisation.

Included the number of employees in 2015 is 210 (2014: 209) permanent employees from the disestablished Bushbuckridge Water Board. Refer to note 38.

Volume sold



15. REMUNERATION REPORT

Reward Approach

The Group has implemented the Total Rewards model recognising that reward is a significant tool that can used to attract, motivate and retain employees in an organisation. The Total Rewards philosophy recognizes employees as unique "whole" individuals as flexibility has been built into the structure in order to cater for employees at their various life stages. Total rewards include monetary and non-monetary rewards, the monetary rewards are guaranteed pay and variable pay, whereas the non-monetary aspects speak to; work environment, recognition and the overall emotional contract that employees create with the organisation.

Guaranteed Remuneration

Bargaining unit employees

Annual salary increases for bargaining unit employees are negotiated with labour at the Central Bargaining Forum. The increases for the 2014/15 financial year were implemented within budget and the mandate as approved by the Human Resources and Remuneration Committee.

Managerial level employees

Managerial and senior professional employees are remunerated based on performance. Increases for these employees are determined based on individual performance, market movements in terms of CPI as well as affordability to the organisation. The increases to the packages for this grouping of employees for the 2014/15 financial year was within the budget and mandate.

Chief Executive and Portfolio Integrating Committee Executives

The annual increase for the Portfolio Integrating Committee were implemented in February 2015 backdated to July 2015 after the approval of the Board of Rand Water. The remuneration for the Portfolio Integrating Committee members is based on information sourced through salary surveys, referencing the economic indicators such as inflation as well as benchmarks in the market in terms of predicted and granted increases. Increases for this level of employee are approved by the Board.

The remuneration practice with respect to the determination of annual package increases for the Chief Executive vests with the Board with the directive of the Shareholder.

Variable Remuneration (Short-term Incentive Scheme)

In line with Rand Water's pay-for-performance remuneration philosophy, the Short term Incentive Scheme (STI) creates line of sight between the success of the organisation and individual performance. The achievement of key performance targets, as agreed to in the beginning of the financial year, is a factor in determining the payment of the bonuses. The scheme is aimed at driving the attainment of key strategic values for the organisation and reward performance above the norm.

BOARD REPORT (CONTINUED)

The Group paid out an incentive bonus to all qualifying employees as approved by the Human Resources and Remuneration Committee and the Board.

Remuneration of Board Members

Rand Water Board

The remuneration rates (monthly stipend and hourly rates as applicable) for board members of the Rand Water Board are advised annually by the Department of Water and Sanitation through a schedule detailing the rates for the various categories of board members. The fees for the board members were updated in January 2015, backdated to July 2014. The fees for the board members were updated in accordance with the schedule received.

Rand Water Foundation

The remuneration rates (monthly stipend and hourly rates) for board members of the Rand Water Foundation Board were obtained by referencing the increase percentage as advised from the Department of Water and Sanitation. The remuneration rates for the Rand Water Foundation board members are benchmarked as 70% of the rates of the Rand Water Board.

16. RAND WATER BOARD MEMBERS' AND EXECUTIVE EARNINGS

Rand Water

	Fees for services as Board member	Salary	Other cash benefits	Performance incentive bonus	Contributions to retirement medical and life cover benefits	Total 2015	Total 2014
R'000							
Executive Board Members							
Mr. DKP Sechemane (Chief Executive)	-	2,983	227	2,126	92	5,428	5,333
	-	**2,983**	**227**	**2,126**	**92**	**5,428**	**5,333**
Non-Executive Board Members							
Adv. MM Petlane (Chairperson) ^	-	-	-	-	-	-	1,315
Adv. M Hashatse (Chairperson)	1,061	-	24	-	12	1,097	192
Ms. BC Bam	586	-	18	-	8	612	-
Dr. MJ Ellman ^	-	-	-	-	-	-	408
Mr. N Govender	491	-	9	-	7	507	-
Ms. T Kaunda	427	-	5	-	5	437	-
Mrs. NGL Mbileni	540	-	24	-	7	571	-
Mr. I Mmushi	490	-	-	-	7	497	-
Ms. MM Nakene	538	-	10	-	7	555	-
Ms. PM Ndumo^	-	-	-	-	-	-	212
Prof. FO Otieno	439	-	15	-	6	460	349
Ms. F Saloojee^	-	-	-	-	-	-	429
Mr. M Tsheke ^	-	-	-	-	-	-	715
Mr. D Coovadia	435	-	4	-	5	444	358
Mr. LL Makibinyane	551	-	17	-	7	575	470
Ms. P Noxaka ^	-	-	-	-	-	-	275
Ms. T Nwedamutswu ^	-	-	-	-	-	-	220
Ms. SF Molokoane	984	-	44	-	12	1,040	347
	6,542	**-**	**170**	**-**	**83**	**6,795**	**5,290**

^ Board term ended during the 2014 financial year

BOARD REPORT (CONTINUED)

16. RAND WATER BOARD MEMBERS' AND EXECUTIVE EARNINGS (CONTINUED)

Rand Water

	Fees for services as Board member	Salary	Other cash benefits	Performance incentive bonus	Contributions to retirement medical and life cover benefits	Total 2015	Total 2014
R'000							
Executives							
Mr. S Mosai (Chief Operating Officer)	-	2,581	47	1,471	75	4,174	3,965
Ms. M Nyembe (Chief Financial Officer)	-	2,413	54	1,376	69	3,912	3,502
Dr. FM Ngoatje (Group Shared Services Executive)	-	2,105	151	1,157	59	3,472	3,110
Ms. N Sithole (Group Governance Executive)	-	1,959	33	1,087	54	3,133	2,808
Ms. W Mohamed (Strategic Human Capital Executive)	-	1,910	68	1,048	51	3,077	2,722
Mr. V Kubeka (Group Strategy Executive)	-	2,101	230	1,148	57	3,536	3,015
General managers							
Mr. B Xaba (GM Strategic Asset Management)	-	2,023	19	1,024	44	3,110	2,741
Prof. H Kasan (GM Scientific Services)	-	2,081	186	1,078	51	3,396	3,001
Mr. M Mkhize (GM Bulk Water Operations)	-	2,486	157	1,247	61	3,951	3,440
Ms. M Letsoalo (GM Marketing)	-	1,811	19	957	45	2,832	2,531
Mr. T Bekker (GM Information Technology)	-	1,727	15	859	38	2,639	2,309
Mr. RS Mathebula (GM Sector Growth and Development)	-	1,465	155	788	36	2,444	2,239
Mr. MJ Manyi (GM Rand Water Academy)	-	1,636	52	-	18	1,706	1,627
	-	**26,298**	**1,186**	**13,240**	**658**	**41,382**	**37,010**

BOARD REPORT (CONTINUED)

16. RAND WATER BOARD MEMBERS' AND EXECUTIVE EARNINGS (CONTINUED)

Rand Water Foundation

	Fees for services as Board member	Salary	Other cash benefits	Performance incentive bonus	Contributions to retirement medical and life cover benefits	Total 2015	Total 2014
R'000							
Non-Executive Board Members							
Mr. M Tsheke (Chairperson)	581	-	46	-	8	635	-
Prof. FO Otieno (Chairperson) ^	-	-	-	-	-	-	325
Ms. MM Kabi	154	-	2	-	3	159	187
Ms. M Dooms	236	-	16	-	4	256	229
Ms. NP Lekubu	199	-	14	-	4	217	205
Mr. ML Mngomezulu	192	-	5	-	3	200	184
	1,362	**-**	**83**	**-**	**22**	**1,467**	**1,130**
Executive							
Ms. Mohlatleho Sekoaila (GM Rand Water Foundation)	-	1,321	68	562	30	1,981	1,633
	-	**1,321**	**68**	**562**	**30**	**1,981**	**1,633**

^ Board term ended during 2014 financial year.

STATEMENT OF FINANCIAL POSITION

		Group		Rand Water	
Figures in Rand thousand	**Note(s)**	**2015**	**2014**	**2015**	**2014**
Assets					
Non-Current Assets					
Property, plant and equipment	10	14,631,562	12,110,514	14,672,008	12,150,925
Intangible assets	11	203,990	202,894	203,990	202,894
Investments in subsidiary	13	–	–	4,474	4,474
Investments	12	482,264	483,193	482,264	483,193
Loans receivable	14	956	2,020	956	2,020
		15,318,772	**12,798,621**	**15,363,692**	**12,843,506**
Current Assets					
Inventories	15	122,470	244,815	122,470	244,815
Trade and other receivables	16	1,764,475	1,385,407	1,754,920	1,376,143
Loans receivable	14	3,621	2,968	3,621	2,968
Cash and cash equivalents	17	1,154,148	871,514	1,128,729	854,279
		3,044,714	**2,504,704**	**3,009,740**	**2,478,205**
Non-current assets held for sale and	18				
assets of disposal groups		1,496	1,589	34	–
Total Assets		**18,364,982**	**15,304,914**	**18,373,466**	**15,321,711**
Equity and Liabilities					
Equity					
Accumulated reserves		11,158,511	9,717,988	11,194,034	9,752,990
		11,158,511	**9,717,988**	**11,194,034**	**9,752,990**
Liabilities					
Non-Current Liabilities					
Interest-bearing borrowings	19	3,672,432	2,510,093	3,672,432	2,510,093
Retirement benefit obligation	22	330,321	345,922	330,321	345,922
Income received in advance	21	170,242	200,742	146,915	187,513
Provision for rehabilitation costs	34	60,862	57,462	60,862	57,462
		4,233,857	**3,114,219**	**4,210,530**	**3,100,990**
Current Liabilities					
Trade and other payables	23	2,967,426	2,467,426	2,966,433	2,465,273
Interest-bearing borrowings	19	2,469	2,458	2,469	2,458
		2,969,895	**2,469,884**	**2,968,902**	**2,467,731**
Liabilities of disposal groups	18	2,719	2,823	–	–
Total Equity and Liabilities		**18,364,982**	**15,304,914**	**18,373,466**	**15,321,711**

STATEMENT OF FINANCIAL PERFORMANCE

		Group		Rand Water	
Figures in Rand thousand	**Note(s)**	**2015**	**2014**	**2015**	**2014**
Continuing operations					
Revenue	35	9,802,542	8,664,894	9,802,542	8,664,894
Cost of sales	36	(6,998,599)	(6,273,313)	(6,998,599)	(6,273,313)
Gross profit		**2,803,943**	**2,391,581**	**2,803,943**	**2,391,581**
Other operating income	2	738,881	729,167	724,947	716,000
Operating expenses	4&5	(959,197)	(867,104)	(956,690)	(861,709)
Staff costs	3	(1,164,501)	(1,073,945)	(1,152,336)	(1,064,412)
Depreciation		(50,314)	(55,696)	(50,277)	(55,662)
Amortisation		(11,987)	(12,231)	(11,987)	(12,231)
Operating profit	**5**	**1,356,825**	**1,111,772**	**1,357,600**	**1,113,567**
Finance income	6	79,786	75,182	79,562	74,901
Finance costs	7	(387)	(4,543)	(387)	(4,543)
Net income from continuing operations		**1,436,224**	**1,182,411**	**1,436,775**	**1,183,925**
Discontinued operations					
Loss for the year from discontinuing operations	18	(103)	(606)	–	–
Net income for the year		**1,436,121**	**1,181,805**	**1,436,775**	**1,183,925**
Net income attributable to:					
Net income for the year from continuing operations		1,436,224	1,182,411	1,436,775	1,183,925
Loss for the year from discontinuing operations		(103)	(606)	–	–
		1,436,121	**1,181,805**	**1,436,775**	**1,183,925**

STATEMENT OF COMPREHENSIVE INCOME

		Group		Rand Water	
Figures in Rand thousand	**Note(s)**	**2015**	**2014**	**2015**	**2014**
Net income for the year		1,436,121	1,181,805	1,436,775	1,183,925
Other comprehensive income:					
Available-for-sale financial assets adjustments		4,269	(1,258)	4,269	(1,258)
Effects of exchange differences on translating foreign operations		133	(196)	–	–
Other comprehensive income/(loss) for the year net of taxation		**4,402**	**(1,454)**	**4,402**	**(1,258)**
Total comprehensive income		**1,440,523**	**1,180,351**	**1,441,044**	**1,182,667**

STATEMENT OF CHANGES IN EQUITY

Figures in Rand thousand	Foreign currency translation reserve	Fair value adjustment assets-available-for- sale reserve	Transfer of Function	Total reserves	Accumulated funds	Total equity
Group						
Balance at 01 July 2013	**(500)**	**(19,223)**	**–**	**(19,723)**	**8,531,379**	**8,511,656**
Changes in equity						
Total comprehensive income for the year	(196)	(1,258)	–	(1,454)	1,181,805	1,180,351
Transfer of function (note 38)	–	–	58,407	58,407	–	58,407
Total changes	(196)	(1,258)	58,407	56,953	1,181,805	1,238,758
Opening balance as previously reported	(696)	(20,481)	58,407	37,230	9,713,184	9,750,414
Adjustments						
Adjustment - transfer of function (note 38)	–	–	(32,426)	(32,426)	–	(32,426)
Balance at 01 July 2014 as restated	**(696)**	**(20,481)**	**25,981**	**4,804**	**9,713,184**	**9,717,988**
Changes in equity						
Total comprehensive income for the year	133	4,269	**(20,481)**	4,402	1,436,121	1,440,523
Total changes	133	4,269	–	4,402	1,436,121	1,440,523
Balance at 30 June 2015	**(563)**	**(16,212)**	**25,981**	**9,206**	**11,149,305**	**11,158,511**
Rand Water						
Balance at 01 July 2013	**–**	**(19,223)**	**–**	**(19,223)**	**8,563,565**	**8,544,342**
Changes in equity						
Total comprehensive income for the year	–	(1,258)	–	(1,258)	1,183,925	1,182,667
Transfer of function (note 38)	–	–	58,407	58,407	–	58,407
Total changes	–	(1,258)	58,407	57,149	1,183,925	1,241,074
Opening balance as previously reported	–	(20,481)	58,407	37,926	9,747,490	9,785,416
Adjustments						
Transfer of function - adjusted (note 38)	–	–	(32,426)	(32,426)	–	(32,426)
Balance at 01 July 2014 as restated	**–**	**(20,481)**	**25,981**	**5,500**	**9,747,490**	**9,752,990**
Changes in equity						
Total comprehensive income for the year	–	4,269	–	4,269	1,436,775	1,441,044
Total changes	–	4,269	–	4,269	1,436,775	1,441,044
Balance at 30 June 2015	**–**	**(16,212)**	**25,981**	**9,769**	**11,184,265**	**11,194,034**
Note(s)			38			

STATEMENT OF CASH FLOWS

		Group		Rand Water	
Figures in Rand thousand	**Note(s)**	**2015**	**2014**	**2015**	**2014**
Cash flows from operating activities					
Cash receipts from customers		9,387,760	8,647,467	9,307,521	8,389,654
Cash paid to suppliers and employees		(7,533,005)	(7,087,465)	(7,461,044)	(6,834,854)
Cash generated from operations	24	1,854,755	1,560,002	1,846,477	1,554,800
Finance income		108,371	75,182	108,371	74,901
Finance costs		(269,049)	(206,197)	(268,825)	(206,197)
Cash flows of discontinued operations	37	127	90	–	–
Net cash from operating activities		**1,694,204**	**1,429,077**	**1,686,023**	**1,423,504**
Cash flows from investing activities					
Acquisition of property, plant and equipment	10	(2,578,498)	(2,216,211)	(2,578,501)	(2,215,896)
Proceeds from disposal of property, plant and equipment	10	–	1,000	–	1,000
Acquisition of intangible assets	11	(1,198)	(27,816)	(1,198)	(27,816)
Transfer of functions	38	–	5,472	–	5,472
Increase in investments		–	(183,573)	–	(183,573)
Loans receivable repaid		411	365	411	365
Net cash utilised in investing activities		**(2,579,285)**	**(2,420,763)**	**(2,579,288)**	**(2,420,448)**
Cash flows from financing activities					
Interest-bearing borrowings repaid		(2,431)	(710)	(2,431)	(710)
Increase in interest-bearing borrowings		1,170,146	1,000,000	1,170,146	1,000,000
Net cash from financing activities		**1,167,715**	**999,290**	**1,167,715**	**999,290**
Net increase in cash and cash equivalents		**282,634**	**7,604**	**274,450**	**2,346**
Cash and cash equivalents at the beginning of the year		871,514	863,910	854,279	851,933
Total cash and cash equivalents at end of the year	17	**1,154,148**	**871,514**	**1,128,729**	**854,279**

SIGNIFICANT ACCOUNTING POLICIES

1. PRESENTATION OF CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The consolidated annual financial statements of Rand Water, an organisation domiciled in South Africa, for the year ended 30 June 2015 comprise Rand Water and its subsidiaries (including a special purpose entity) and the Group's interest in a joint venture (together referred to as "the Group").

The consolidated annual financial statements were authorised for issue by the Board on 28 September 2015.

1.1 Statement of compliance

The consolidated annual financial statements of the Group have been prepared in accordance with the South African Generally Accepted Accounting Practice (SA GAAP), the Water Services Act, Act 108 of 1997, and the Public Finance Management Act, Act 1 of 1999 as amended.

1.2 Critical judgments and estimates made in applying the accounting policies

The preparation of financial statements in conformity with statements of SA GAAP requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors, including making assumptions concerning future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are accounted for prospectively.

In the process of applying the Group's accounting policies as set out below, management has made the following judgments that have a significant risk of causing material adjustment to the amounts recognised in the financial statements:

Useful lives and residual values

The useful lives and residual values of property, plant and equipment as well as the useful lives of the intangibles are reviewed at each reporting date. The useful lives are estimated, by management, based on historic analysis and other available information. The residual values are estimated based on useful lives as well as other available information.

Post-retirement benefit obligation

Management has enlisted the expertise of actuaries in the calculation of the post-retirement benefit obligation. The actuaries have used various assumptions in the calculation and these assumptions, as well as the carrying amount of the liability, have been disclosed in note 22 to the annual financial statements.

Provisions and contingent liabilities

Various estimates and assumptions have been applied by management in arriving at the carrying value of provisions that are recognised in terms of the relevant accounting policy. Management further relies on input from the Group's lawyers in assessing the probability of items of a contingent nature.

Special purpose entity

Management has also applied significant judgment in assessing whether the substance of the relationship between the Group and the special purpose entity "Rand Water Foundation" indicates that the entity is controlled by the Group.

As such, the Rand Water Foundation has been consolidated into the financial position and results of the Rand Water Group.

Trade receivables and loans receivable

The Group assesses its loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.2 Critical judgments and estimates made in applying the accounting policies (continued)

Available-for-sale financial assets

The Group follows the guidance of AC133 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near- term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The provision for the write down is included in the inventory note.

Restoration, rehabilitation and environmental costs

Costs for restoration of site damage, rehabilitation and environmental costs are estimated using either the work of external consultants or internal experts. Management uses its judgment and experience to provide for and amortise these estimated costs over the life of the asset.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the reporting date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments.

1.3 Basis of preparation

The consolidated annual financial statements are presented in South African Rand, rounded to the nearest thousand. The financial statements are prepared on the historical cost basis, except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial instruments classified as available for sale and the cash flow statement which is measured on a cash basis.

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The accounting policies have been applied consistently by the Group entities.

1.4 Basis of consolidation

The consolidated annual financial statements incorporate the financial statements of Rand Water and all entities, including special purpose entities, which are controlled by Rand Water.

Investments in subsidiary

In Rand Water's separate annual financial statements, investments in subsidiary are carried at cost less any accumulated impairment.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Basis of consolidation (continued)

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

Subsidiaries are all entities (including special purpose entities) controlled by Rand Water. Control exists when Rand Water has the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities. The results of subsidiaries are included in the consolidated annual financial statements from the effective date of acquisition to the effective date of disposal. Adjustments are made when necessary to the financial statements of subsidiaries to bring their accounting policies in line with those of Rand Water.

The financial statements of subsidiaries are included in the consolidated annual financial statements from the date that control commences until the date that control ceases. The investment in the subsidiary is measured at cost less accumulated impairments in the parent entity. The cost of an investment in a subsidiary is the aggregation of the fair value, at the exchange date, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus any costs directly attributable to the purchase of the subsidiary. An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

Special purpose entities are consolidated when the substance of the relationship between the Group and the entity indicates that it is controlled by the Group.

Investment in joint venture

Joint ventures are entities over whose activities the Group has joint control. Joint control is the contractually agreed sharing of control over an entity, and exists only when the strategic financial and operating decisions relating to the entity require the unanimous consent of the venturers. Joint ventures are accounted for by applying the proportionate consolidation method on a line-by-line basis. In respect of its interests in jointly controlled operations or jointly controlled entities, the company recognises in its financial statements the assets that it controls, the liabilities that it incurs, the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

The joint venturer's share of losses is recognised to the extent that the cumulative reserves are reduced to nil, except to the extent that the Group has incurred or guaranteed obligations in respect of the joint venture.

Translation of foreign operations

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.4 Basis of consolidation (continued)

The assets and liabilities of the foreign operation are translated into Rand at the closing rates of exchange ruling at reporting date. Income and expenses of the foreign operation are translated into Rand at the rates of exchange ruling at the transaction date.

Exchange differences on translation of foreign entities are taken directly to other comprehensive income. All translation adjustments recognised directly in other comprehensive income are released to profit or loss upon the disposal of the foreign operation.

Transactions eliminated on consolidation

Intra-group transactions and balances are eliminated on consolidation, together with any unrealised gains or losses arising on intra-group transactions. Unrealised gains arising from transactions with joint ventures are eliminated to the extent of the Group's interest in those entities, while unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Business Combinations

The Group accounts for business combinations using the acquisition method of accounting. The cost of the business combination is measured as the aggregate of the fair values of assets given, liabilities incurred or assumed and equity instruments issued. Costs directly attributable to the business combination are expensed as incurred, except the costs to issue debt which are amortised as part of the effective interest and costs to issue equity which are included in equity.

Contingent consideration is included in the cost of the combination at fair value as at the date of acquisition. Subsequent changes to the assets, liabilities or equity which arise as a result of the contingent consideration are not affected against goodwill, unless they are valid measurement period adjustments.

The acquiree's identifiable assets, liabilities and contingent liabilities which meet the recognition conditions are recognised at their fair values at acquisition date, except for non-current assets (or disposal group) that are classified as held-for-sale and discontinued operations, which are recognised at fair value less costs to sell.

Contingent liabilities are only included in the identifiable assets and liabilities of the acquiree where there is a present obligation at acquisition date.

On acquisition, the Group assesses the classification of the acquiree's assets and liabilities and reclassifies them where the classification is inappropriate for group purposes. This excludes lease agreements and insurance contracts, whose classification remains as per their inception date.

Non-controlling interest arising from a business combination is measured either at their share of the fair value of the assets and liabilities of the acquiree or at fair value. The treatment is not an accounting policy choice but is selected for each individual business combination, and disclosed in the note for business combinations.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year. Where the existing shareholding was classified as an available-for-sale financial asset, the cumulative fair value adjustments recognised previously to other comprehensive income and accumulated in equity are recognised in profit or loss as a reclassification adjustment.

Goodwill is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is not amortised but is tested on an annual basis for impairment. If goodwill is assessed to be impaired, that impairment is not subsequently reversed.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, exclusive of value added tax rebates and discounts, after eliminating sales within the Group.

Goods sold and services rendered

Revenue from the sale of water is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. Revenue comprises primarily the net invoiced value of water sales, exclusive of value-added tax, at declared tariffs arising from normal trading activities. Income from services rendered is recognised in profit or loss in proportion to the related costs.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at each reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction at reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

1.6 Finance income

Interest income comprises interest received or receivable on loans, trade receivables and funds invested. Interest is recognised in profit or loss when it is probable that economic benefits associated with the transaction will flow to the Group, using the effective interest rate method over the period to maturity.

1.7 Cost of sales

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

Recoverable projects cost of sales consists of the related cost of providing services recognised as revenue.

1.8 Finance expenses

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method. The interest expense component of finance lease payments is also recognised in profit or loss using the effective interest rate method.

1.9 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related benefit will be realised.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group; and the cost of the item can be measured reliably.

Owned assets

Items of property, plant and equipment are stated at the cost of acquisition or construction, less accumulated depreciation and impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The cost of self-constructed assets includes the cost of materials, direct labour, borrowing costs, the initial estimate, where relevant, of costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads. Where components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items of property, plant or equipment and depreciated separately over their respective useful lives.

Major spare parts, standby and servicing equipment held by the Group are classified as property, plant and equipment if they are expected to be used in more than one year. If used in less than one year they are classified as inventory. Spare parts and standby equipment that can only be used in connection with a specific item of property, plant and equipment are also accounted for as property, plant and equipment.

Leased assets

Leases of property, plant and equipment, where the Group assumes substantially all the risks and rewards of ownership, are classified as finance leases. Lease payments are accounted for as described in the relevant accounting policy.

Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of major inspections and replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised as expenses as incurred.

Depreciation

Depreciation is charged to profit or loss based on a straight-line basis over the estimated useful life to their estimated residual value of each component of an item of property, plant and equipment. Depreciation commences when the asset is available for its intended use by management.

Land, artwork and assets under construction are not depreciated. All other property, plant and equipment, including capitalised leased assets, are depreciated on a straight-line basis over their estimated useful lives or the term of the lease, whichever is shorter to their estimated residual value. Major repairs are depreciated over the remaining useful life of the related asset or to the date of the next major repair, whichever is shorter. The estimated useful lives are as follows:

Asset Category	Estimated useful life (years)
Land	Indefinite
Buildings	
Building structures	50-80
Building components	10-20
Plant and machinery	
Plant structures	10-80
Plant components	3-50
Reservoirs	80
Dams	40-100
Pipelines	
Pipeline structures	25-75
Pipeline components	20-75
Furniture and fixtures	3-10
Motor vehicles	6-25
Office equipment	3-10
IT equipment	3-10

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.10 Property, plant and equipment (continued)

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

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

1.11 Intangible assets

An intangible asset is recognised when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and the cost of the asset can be measured reliably.

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the development of identifiable software products controlled by the Group, that will probably generate economic benefits beyond one year that can be measured reliably, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate proportion of relevant overheads.

Servitudes are rights granted to the Group for an indefinite period of time. The life of the servitude will remain in force as long as the relevant infrastructure is still in use. A servitude will only become impaired if the infrastructure to which the servitude is linked is derecognised.

The useful life of water rights is estimated based on the relevant contractual agreements. The useful life is re- assessed annually and will be adjusted if necessary. Expenditure on internally generated goodwill and brands is recognised in profit or loss as an expense as incurred.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with indefinite useful lives are systematically tested for impairment at each reporting date. Other intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Asset Category	Estimated useful life (years)
Water rights	40-60
Servitudes	Indefinite
Computer software	3-15

1.12 Leases

Leases where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

Group as a lessee

Finance lease liabilities and leased assets are capitalised at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest portion of the lease payment is charged to profit or loss over the lease period and the corresponding capital portion is included under long-term liabilities.

Operating lease payments, if not insignificant, are charged to profit or loss on a straight-line basis over the period of the lease.

Group as lessor

Rental income derived from operating leases, if not insignificant, is recognised in profit or loss on a straight- line basis over the term of the lease.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.13 Income received in advance

Income received in advance consists primarily of capital contributions received from customers, benefiting specific projects, which are recognised when it is probable that the contribution will be received, future economic benefits will flow to the entity and these benefits can be measured reliably. The contribution is recognised to the extent that there are no further obligations arising from the receipt thereof.

The deferred income relating to these contributions are recognised on the following bases:

- Capital contributions received relating to items of property, plant and equipment are initially recorded as income received in advance. The contributions are subsequently recognised as revenue over the economic useful life of the related asset once the related service has been performed or the asset is brought into use.
- Contributions relating to income are credited to profit or loss when the related expense is incurred.

1.14 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any interest earned from the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when expenditures for the asset have occurred, borrowing costs have been incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Financial instruments

Classification

The Group classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Available for sale financial assets
- Financial liabilities measured at fair value
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Investments

The long term financial instruments held by the Group are classified as being available for sale and are stated at fair value with any resultant gain or loss recognised in other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.15 Financial instruments (continued)

When these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in profit or loss. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in profit or loss.

The fair value of financial instruments classified as available for sale is the quoted bid price at reporting date. Financial instruments classified as available for sale are derecognised by the Group when the rights to receive cash flows from the investments have been expired.

Other short term money market financial instruments held by the Group are classified as being held to maturity and are stated at amortised cost.

Trade and other receivables

Trade and other receivables are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest rate method, less impairment losses. A provision for impairment of trade receivables is recognised when there is objective evidence that the Group will not be able to recover all amounts due.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and investments in money market instruments that mature within 90 days and are initially measured at fair value and subsequently measured at amortised cost.

Interest bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. The discount or premium on the issue of loans is amortised over the period from acquisition to maturity so that a constant rate of interest is paid on the loan. The amortised amount is recognised in profit or loss.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings on an effective interest basis.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risks arising from operational, financing and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are recognised initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

The gain or loss on remeasurement to fair value is recognised immediately in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged. The fair value of interest rate swaps is the estimated amount that the Group would receive or pay to terminate the swap at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently measured at amortised cost.

Loans to shareholders, members', managers and employees

These financial assets are classified as loans and receivables.

Impairment of financial assets

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

For amounts due to the Group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available for sale.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.16 Inventories

Inventories are stated at the lower of cost, determined on the weighted average cost basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses. Write-downs to net realisable value are expensed in the period that they occur.

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

When inventories are derecognised, the carrying amount of those inventories are recognised as an expense.

1.17 Impairments

The carrying amounts of the Group's assets, other than deferred taxation assets and inventories, are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the recoverable amount is estimated to determine the extent of the impairment loss.

For assets that have indefinite useful lives, the recoverable amount is estimated at each reporting date and whenever there is an indication that the asset may be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. The impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset that was previously recognised in profit or loss.

Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (the effective interest rate computed at initial recognition of these financial assets). Receivables with a shorter duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and their value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversal of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

An impairment loss in respect of an investment classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

1.18 Employee benefits

Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in profit or loss as incurred.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.18 Employee benefits (continued)

Long-term service benefits

The Group's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is actuarially calculated at reporting date every year, using the projected unit credit method, and is discounted to its present value. The actuarial gain or loss is recognised in profit or loss.

Short-term service benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under the short term cash bonus incentive if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are payable more than 12 months after reporting date then they are discounted to present value.

1.19 Provisions and contingent liabilities

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from a past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or the amount cannot be measured with sufficient reliability. Contingencies are disclosed in note 31.

Environmental restoration and decommissioning obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when disturbance is caused by the development of a sludge disposal site. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in profit or loss over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at its net present values and recognised in the income statement as water purification progresses.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the income statement. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out above.

Annual contributions will be made to dedicated environmental rehabilitation trusts to fund the estimated cost of rehabilitation during and at the end of the life of the relevant site.

1.20 Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group has no reportable segments, subject to risks and rewards that are different from those of other segments.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.21 Non-current assets held for sale and disposal groups

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale (or disposal groups) are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in profit or loss.

1.22 Cash flow statement

The cash flow statements of the Group have been prepared based on the direct method.

1.23 Transfer of functions

Following the Minister's gazette on intergrating Bushbuckridge Water Board as of 1 April 2014, the Group in application of the provisions made in AC101 has adopted the provisions within the GRAP105.

All assets acquired and liabilities assumed in a transfer of functions as of the transfer date are measured at their carrying amounts. The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor is recognised in accumulated reserves for the period.

The entity has a 2 year period in which to finalise the carrying amounts of assets acquired and liabilities assumed referred to as the measurement period. Any measurement period adjustments are recognised as an adjustment to the amount recognised in retained earnings.

Refer to note 38 for details on the assets acquired and liabilities assumed.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

2. OTHER OPERATING INCOME

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Recoverable projects income	694,157	701,948	694,157	701,948
Other income	44,724	27,219	30,790	14,052
	738,881	**729,167**	**724,947**	**716,000**

3. STAFF COSTS

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Executive board members	7,409	6,966	5,428	5,333
Non-executive board members	8,262	6,420	6,795	5,290
Board members' fees and emoluments	15,671	13,386	12,223	10,623
Salaries	1,099,353	1,139,723	1,093,034	1,134,873
Contributions to defined contribution plan	115,253	105,773	115,253	105,773
Other staff costs	612,095	392,327	609,697	390,407
Transferred to cost of sales	(677,871)	(577,264)	(677,871)	(577,264)
	1,164,501	**1,073,945**	**1,152,336**	**1,064,412**

Other staff costs include the post retirement medical aid benefit gain of R15.6 million at 30 June 2015 and a loss of R20.5 million at 30 June 2014, as a result of the actuarial valuations.

4. AUDITORS' REMUNERATION

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Fees	3,463	2,455	3,295	2,309

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

5. OTHER OPERATING EXPENSES

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Other operating expenses before interest and taxation includes:				
Advertising	18,458	6,903	18,458	6,903
Bad debts	113,909	4,931	113,909	4,626
Courses and seminars	29,578	31,134	29,063	30,910
Consultant fees	20,423	37,124	20,423	37,124
Insurance costs	37,669	25,372	37,669	25,372
Machine hire and rental	1,360	1,218	1,360	1,218
Loss on sale of property, plant and equipment	288	234	288	234
Software licences	26,084	20,325	26,084	20,325
Telephone and cell phone costs	7,355	4,582	7,276	4,494
Travel and accommodation	18,013	22,371	17,315	21,452
Other overheads	21,046	112,981	20,051	108,791
Recoverable projects cost of sales	661,499	597,592	661,499	597,592
(Gain)/loss on foreign exchange	52	(117)	–	–
	955,734	**864,650**	**953,395**	**859,401**

6. FINANCE INCOME

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Interest on available for sale investments	77,265	76,532	77,265	76,532
Amortised discount on investments	(5,198)	(5,181)	(5,198)	(5,181)
Interest on loans to employees	5,375	2,520	5,151	2,239
Interest on trade and other receivables	2,344	1,311	2,344	1,311
	79,786	**75,182**	**79,562**	**74,901**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

7. FINANCE COSTS

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Interest on interest bearing borrowings	266,472	204,042	266,472	204,042
Interest capitalised (refer to note 10)	(266,472)	(204,042)	(266,472)	(204,042)
Amortised discount on interest bearing borrowings	(5,366)	(4,652)	(5,366)	(4,652)
Other interest paid	5,753	9,195	5,753	9,195
	387	**4,543**	**387**	**4,543**

8. TAXATION

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Reconciliation of the tax expense				
Reconciliation between accounting income and tax expense.				
Net income before taxation	1,436,224	1,182,411	1,436,775	1,183,925
Income tax effect at 28%	(402,143)	(335,487)	(402,297)	(334,880)
Tax effect of adjustments on taxable income				
Tax exempt income	402,143	335,487	402,297	334,880
Tax expense	–	–	–	–

Rand Water Services Vitens BV is the only tax paying entity in the Group. In terms of Section 10(1)(cA) read with Section 1(b) of the Income Tax Act 58 of 1962, Rand Water is exempt from income tax. Rand Water Services (Pty) Ltd applied and received tax exemption under the same provisions in the Income Tax Act. Rand Water Foundation has also been approved as a non-profit organisation, and is exempt from normal income tax.

9. SECONDARY ACTIVITIES

Included in net income for the year are the following income/(losses) derived from secondary activities undertaken by Rand Water. These activities have been ring fenced in terms of the requirements in Section 42 of the Water Services Act, Act 108 of 1997.

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Farming	(1,401)	(1,582)	(1,401)	(1,582)
Community based projects	361	361	361	361
Specialised services	(813)	398	(813)	398
Emhlangeni Pipe	(1,834)	(10,955)	(1,834)	(10,955)
Rand Water Academy	–	–	–	–
Loss on secondary activities	**(3,687)**	**(11,778)**	**(3,687)**	**(11,778)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	2015			2014		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Group						
Land	13,378	–	13,378	13,378	–	13,378
Buildings	1,627,393	(479,037)	1,148,356	1,514,654	(404,281)	1,110,373
Plant and machinery	3,602,324	(1,178,253)	2,424,071	3,027,158	(1,078,305)	1,948,853
Furniture and fixtures	34,510	(24,995)	9,515	31,488	(23,157)	8,331
Motor vehicles	146,490	(62,088)	84,402	130,374	(58,058)	72,316
Office equipment	64,214	(47,725)	16,489	60,077	(42,627)	17,450
IT equipment	186,689	(156,942)	29,747	173,529	(150,110)	23,419
Pipelines	6,395,066	(964,260)	5,430,806	5,730,715	(886,221)	4,844,494
Assets under construction	5,474,798	-	5,474,798	4,071,900	–	4,071,900
Total	**17,544,862**	**(2,913,300)**	**14,631,562**	**14,753,273**	**(2,642,759)**	**12,110,514**
Rand Water						
Land	13,378	–	13,378	13,378	–	13,378
Buildings	1,627,393	(479,037)	1,148,356	1,514,654	(404,281)	1,110,373
Plant and machinery	3,602,324	(1,178,253)	2,424,071	3,027,158	(1,078,305)	1,948,853
Furniture and fixtures	34,510	(24,995)	9,515	31,488	(23,157)	8,331
Motor vehicles	146,490	(62,088)	84,402	130,374	(58,058)	72,316
Office equipment	64,214	(47,725)	16,489	60,077	(42,627)	17,450
IT equipment	186,528	(156,942)	29,586	173,332	(150,110)	23,222
Pipelines	6,395,066	(964,260)	5,430,806	5,730,715	(886,221)	4,844,494
Assets under construction	5,515,405	–	5,515,405	4,112,508	–	4,112,508
Total	**17,585,308**	**(2,913,300)**	**14,672,008**	**14,793,684**	**(2,642,759)**	**12,150,925**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment - Group 2015

	Opening Balance	Additions	Disposals	Transfers	Borrowing costs capitalised	Depreciation	Closing Balance
Land	13,378	–	–	–	–	–	13,378
Buildings	1,110,373	110	(192)	114,484	–	(76,419)	1,148,356
Plant and machinery	1,948,853	17,882	(83)	563,153	–	(105,734)	2,424,071
Furniture and fixtures	8,331	5,055	2	329	–	(4,202)	9,515
Motor vehicles	72,316	16,600	–	110	–	(4,624)	84,402
Office equipment	17,450	2,341	–	2,481	–	(5,783)	16,489
IT equipment	23,419	14,409	(48)	1,345	–	(9,378)	29,747
Pipelines	4,844,494	7,521	–	681,200	–	(102,409)	5,430,806
Assets under construction	4,071,900	2,514,580	–	(1,378,154)	266,472	–	5,474,798
	12,110,514	**2,578,498**	**(321)**	**(15,052)**	**266,472**	**(308,549)**	**14,631,562**

Reconciliation of property, plant and equipment - Group 2014

	Opening Balance	Additions	Disposal	Transfer of function of Bushbuckridge Water Board	Transfers	Borrowing costs capitalised	Depreciation	Closing Balance
Land	10,728	–	–	2,650	–	–	–	13,378
Buildings	842,971	–	(160)	4,709	312,569	–	(49,716)	1,110,373
Plant and machinery	1,839,110	–	(944)	–	211,413	–	(100,726)	1,948,853
Furniture and fixtures	6,041	4,768	(4)	806	–	–	(3,280)	8,331
Motor vehicles	76,733	4,011	(740)	1,019	–	–	(8,707)	72,316
Office equipment	16,743	8,552	(15)	89	–	–	(7,919)	17,450
IT equipment	25,630	10,815	(74)	714	–	–	(13,666)	23,419
Pipelines	4,088,051	–	(53)	45,890	797,100	–	(86,494)	4,844,494
Assets under construction	3,000,873	2,187,971	–	–	(1,320,986)	204,042	–	4,071,900
	9,906,880	**2,216,117**	**(1,990)**	**55,877**	**96**	**204,042**	**(270,508)**	**12,110,514**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of property, plant and equipment - Rand Water 2015

	Opening Balance	Additions	Disposals	Transfers	Borrowing costs capitalised	Depreciation	Closing Balance
Land	13,378	–	–	–	–	–	13,378
Buildings	1,110,373	110	(192)	114,484	–	(76,419)	1,148,356
Plant and machinery	1,948,853	17,882	(83)	563,153	–	(105,734)	2,424,071
Furniture and fixtures	8,331	5,059	(2)	329	–	(4,202)	9,515
Motor vehicles	72,316	16,600	–	110	–	(4,624)	84,402
Office equipment	17,450	2,341	–	2,481	–	(5,783)	16,489
IT equipment	23,222	14,409	(12)	1,345	–	(9,378)	29,586
Pipelines	4,844,494	7,521	–	681,200	–	(102,409)	5,430,806
Assets under construction	4,112,508	2,514,579	–	(1,378,154)	266,472	–	5,515,405
	12,150,925	**2,578,501**	**(289)**	**(15,052)**	**266,472**	**(308,549)**	**14,672,008**

Reconciliation of property, plant and equipment - Rand Water 2014

	Opening Balance	Additions	Disposal	Transfer of function of Bushbuckridge Water Board	Transfers	Borrowing costs capitalised	Depreciation	Closing Balance
Land	10,728	–	–	2,650	–	–	–	13,378
Buildings	842,971	–	(160)	4,709	312,569	–	(49,716)	1,110,373
Plant and machinery	1,839,110	–	(944)	–	211,413	–	(100,726)	1,948,853
Furniture and fixtures	6,041	4,768	(4)	806	–	–	(3,280)	8,331
Motor vehicles	76,733	4,011	(740)	1,019	–	–	(8,707)	72,316
Office equipment	16,743	8,552	(15)	89	–	–	(7,919)	17,450
IT equipment	25,618	10,594	(63)	714	–	–	(13,641)	23,211
Pipelines	4,088,051	–	(53)	45,890	797,100	–	(86,494)	4,844,494
Assets under construction	3,041,481	2,187,971	–	–	(1,320,986)	204,042	–	4,112,508
	9,947,476	**2,215,896**	**(1,979)**	**55,877**	**96**	**204,042**	**(270,483)**	**12,150,925**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Transfers

Transfers includes the transfer of assets between property, plant and equipment, non-current assets held for sale and/or intangible assets.

Leased assets

Office equipment

During the year the Group has leased equipment under a finance lease agreement. The net carrying amount of the leased equipment at 30 June 2015 is R3.3 million (2014: R5 million). The leased equipment secures lease obligations of R2.4 million (2014: R4.7 million) (see note 20).

Capital expenditure

The Group undertakes a number of capital projects. Total budgeted capital expenditure, including intangible assets, was estimated at R2.8 billion, of which R2.5 billion (including borrowing costs) was achieved in the current financial year.

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Borrowing costs capitalised				
Borrowing costs capitalised to qualifying assets	266,472	204,042	266,472	204,042
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	9.98 %	9.98 %	9.98 %	9.98 %

Security

Land with a value amounting to R2.6 million was pledged as security over a mortgage bond as detailed in note 19.

Depreciation

Depreciation is split between cost of sales and depreciation on the face of profit or loss (see note 36 for depreciation reclassified as cost of sales).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS

Figures in Rand thousand	2015			2014		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Group						
Computer software	163,835	(116,222)	47,613	154,051	(104,132)	49,919
Water rights	162,535	(85,992)	76,543	162,535	(82,940)	79,595
Servitudes	79,834	–	79,834	73,380	–	73,380
Total	**406,204**	**(202,214)**	**203,990**	**389,966**	**(187,072)**	**202,894**
Rand Water						
Computer software	163,835	(116,222)	47,613	154,051	(104,132)	49,919
Water rights	162,535	(85,992)	76,543	162,535	(82,940)	79,595
Servitudes	79,834	–	79,834	73,380	–	73,380
Total	**406,204**	**(202,214)**	**203,990**	**389,966**	**(187,072)**	**202,894**

Reconciliation of intangible assets - Group 2015

Figures in Rand thousand	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	49,919	1,198	8,564	(12,068)	47,613
Water rights	79,595	–	–	(3,052)	76,543
Servitudes	73,380	–	6,454	–	79,834
	202,894	**1,198**	**15,018**	**(15,120)**	**203,990**

Reconciliation of intangible assets - Group 2014

Figures in Rand thousand	Opening Balance	Additions	Amortisation	Total
Computer software	39,411	19,686	(9,178)	49,919
Water rights	82,646	–	(3,051)	79,595
Servitudes	65,250	8,130	–	73,380
	187,307	**27,816**	**(12,229)**	**202,894**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

Reconciliation of intangible assets - Rand Water 2015

Figures in Rand thousand	Opening Balance	Additions	Transfers	Amortisation	Total
Computer software	49,919	1,198	8,564	(12,068)	47,613
Water rights	79,595	–	–	(3,052)	76,543
Servitudes	73,380	–	6,454	–	79,834
	202,894	**1,198**	**15,018**	**(15,120)**	**203,990**

Reconciliation of intangible assets - Group 2014

Figures in Rand thousand	Opening Balance	Additions	Amortisation	Total
Computer software	39,411	19,686	(9,178)	49,919
Water rights	82,646	–	(3,051)	79,595
Servitudes	65,250	8,130	–	73,380
	187,307	**27,816**	**(12,229)**	**202,894**

Transfers
Transfers includes the transfer of assets between property, plant and equipment and intangible assets and assets held for sale.

Indefinite useful lives
Servitudes are rights granted to the Group for an indefinite period of time. These servitudes consist of land expropriated by Rand Water containing infrastructure owned by the Group and used in the production of revenue. The life of the servitude will remain in force as long as the relevant infrastructure is still in use. Servitudes are not amortised but are assessed by means of an annual impairment test. The recoverable amount is determined through the results of the value in use and fair value less costs to sell impairment tests. The results of which have indicated that no impairment is required.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENTS

	Group		Rand Water	
Figures in Rand thousand	2015	2014	2015	2014
Available-for-sale				
Bonds	482,264	483,193	482,264	483,193
Non-current assets				
Available-for-sale	482,264	483,193	482,264	483,193

Fair value information

Rand Water holds an investment of R350 million in the Republic of South Africa R186 stock. Fair values were estimated using the Johannesburg Stock Exchange formerly known as the Bond Exchange of South Africa market rates. The coupon rate is 10.5% which is paid bi-annually. The final tranche of the investment will mature on 21 December 2026.

During 2014 Rand Water invested R100 million in the Republic of South Africa R209 stock. Fair values were estimated using the Bond Exchange of South Africa market rates. The coupon rate is 6.25% which is paid bi-annually. The final tranche of the investment will mature on 31 March 2036.

Fair value hierarchy of available for sale financial assets

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements. Currently all available for sale financial assets are categorised as Level 1 which represents those assets which are measured using unadjusted quoted prices for identical assets.

	Group		Rand Water	
Figures in Rand thousand	2015	2014	2015	2014
Level 1				
Bonds	**482,264**	**483,193**	**482,264**	**483,193**

During 2015 the financial year a fair value adjustment gain of R4.2 million (2014: loss R1.26 million) was recognised in other comprehensive income

Reconciliation of available for sale investments - Group 2015

Figures in Rand thousand	Opening balance	Amortisation	Fair value adjustment	Closing balance
Bonds	483,193	(5,198)	4,269	482,264

Reconciliation of available for sale investments - Group 2014

Figures in Rand thousand	Opening balance	Fair value adjustment	Purchases	Closing balance
Bonds	300,878	(1,258)	183,573	483,193

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

12. INVESTMENTS (CONTINUED)

Reconciliation of available for sale investments - Rand Water 2015

Figures in Rand thousand	Opening balance	Amortisation	Fair value adjustment	Closing balance
Bonds	483,193	(5,198)	4,269	482,264

Reconciliation of available for sale investments - Rand Water 2014

Figures in Rand thousand	Opening balance	Fair value adjustment	Purchases	Closing balance
Bonds	300,878	(1,258)	183,573	483,193

13. INVESTMENTS IN SUBSIDIARY

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Equity investment	–	–	12,500	12,500
	–	–	12,500	12,500
Impairment of investment	–	–	(8,026)	(8,026)
	–	**–**	**4,474**	**4,474**

The equity investment in subsidiary represents the 100% shareholding in Rand Water Services (Pty) Ltd.

At 30 June 2015 the investment remained impaired using the Net Asset Value method. The impairment was calculated utilising net asset and liabilities figures derived from the annual financial statements of Rand Water Services.

14. LOANS RECEIVABLE

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Employee loans:				
- Non-current portion	956	2,020	956	2,020
- Current portion	3,621	2,968	3,621	2,968
	4,577	**4,988**	**4,577**	**4,988**

The employee loans represents micro loans granted to employees and is shown net of impairments of R0.4 million (2014: R0.4 million). The loans are unsecured with repayment periods varying from 1 to 3 years, and the closing interest rate is 11,25% (2014: 11,5%). Rand Water is registered with the National Credit Regulator as a credit provider in terms of Section 40 of the National Credit Act, Act 34 of 2005.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

15. INVENTORIES

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Raw materials, chemicals and water inventory	75,360	79,187	75,360	79,187
Maintenance and consumable stores	47,110	165,628	47,110	165,628
	122,470	**244,815**	**122,470**	**244,815**

Inventories are shown net of impairment losses amounting to R0 (2014: R49 942) recognised in the year.

16. TRADE AND OTHER RECEIVABLES

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Water debtors	1,190,465	984,013	1,190,813	984,361
Prepayments	120,505	104,117	120,505	104,117
VAT	9,027	10,003	–	–
Recoverable project debtors	392,686	184,356	392,686	184,356
Other receivables	51,792	102,918	50,916	103,309
	1,764,475	**1,385,407**	**1,754,920**	**1,376,143**

Trade receivables are shown net of impairments amounting to R325 million (2014: R340 million) recognised during the year determined by reference to past default experience.

17. CASH AND CASH EQUIVALENTS

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Bank and cash balances	126,148	86,514	100,729	69,279
Short term investments	1,028,000	785,000	1,028,000	785,000
Cash and cash equivalents	**1,154,148**	**871,514**	**1,128,729**	**854,279**

Bank and cash balances include positive bank balances, cash on hand and call deposits.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

18. DISCONTINUED OPERATIONS

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Profit and loss				
Expenses	(90)	(67)	–	–
Net loss before tax	(90)	(67)	–	–
Tax	(13)	(539)	–	–
Net loss for the year	**(103)**	**(606)**	**–**	**–**
Assets and liabilities				
Assets of disposal groups and non- current assets held-for-sale				
Trade and other receivables	34	–	34	–
Cash and cash equivalents	1,462	1,589	–	–
	1,496	**1,589**	**34**	**–**
Liabilities of disposal groups				
Trade and other payables	650	637	–	–
Current tax payable	1,333	1,413	–	–
VAT payable	736	773	–	–
	2,719	**2,823**	**–**	**–**

The five year Ghana Urban Water management contract held by Aqua Vitens Rand Limited the 100% owned subsidiary of Vitens Rand Water Services BV concluded on 5 June 2011. The contract has not been renewed therefore the company has ceased operations and is the process of winding up.

On 22 January 2014 the Board resolved that Rand Water Services would sell its 49% share in the Joint Venture, Vitens Rand Water Services to Vitens Evides International B.V for 1 Euro. On 7 July 2015, the sale of the 49% shares in Vitens-Evides International B.V, held by Rand Water Services (Pty) Ltd was finalised and registered with the deeds of transfer in Netherlands. The shares were sold to the 51% shareholder, Vitens-Evides International BV.

Other assets includes items of property, plant and equipment in Rand Water which will be sold during the 2016 financial year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

19. INTEREST-BEARING BORROWINGS

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Held at amortised cost				
Unsecured bond issues	3,670,495	2,505,715	3,670,495	2,505,715
Mortgage bond	2,051	2,115	2,051	2,115
Finance lease liabilities	2,355	4,721	2,355	4,721
	3,674,901	**2,512,551**	**3,674,901**	**2,512,551**

The Group has a registered Domestic Medium Term Note programme of R10 billion and currently holds unsecured bond issues against the programme as follows:

The RW21 bond issued at a nominal value of R1 484 million redeemable at nominal value on 21 April 2021. The interest payable is fixed at coupon 9,97% and payable bi-annually.

During the 2014 financial year the Group raised two bonds as follows:

- RW23 bond was issued at a nominal value of R335 million which matures on 10 December 2023; and
- RW28 bond issued at a nominal value of R665 million which matures on 10 December 2028.

The interest payable is fixed at coupon 9,51% and 10,245% respectively and payable bi-annually.

During the 2015 financial year, the Group raised additional capital funding against the existing bonds as follows:

- RW23 bond was issued at a nominal values of R201 million on 18 March 2015 and R380 million on 30 June 2015; and
- RW28 bond which was issued at nominal value of R559 million on 18 March 2015.

The interest payable is fixed at coupon 9,51% and 10,245% respectively and payable bi-annually.

The bonds are listed on the Johannesburg Stock Exchange formerly the Bond Exchange of S.A.

The mortgage bond formed part of the liabilities assumed with the inclusion of the Bushbuckridge Water Board into Rand Water (refer to note 38). The Standard Bank mortgage bond is repayable in monthly instalments of R23 thousand. The interest is payable at the prime lending rate minus 2%. The mortgage bond is secured by Portion 1 of farm Bellevue no 104 JU, White River (carrying value of R1.8 million).

The finance lease liabilities consist of leased equipment which are secured by property, plant and equipment to the value of R2.3 million (2014: R4.7 million). The average lease term is 36 months and the interest rate is fixed at 17.09% over the lease term. All leases have fixed repayments and no contingent rents are payable.

Breaches

During the year under review there were no breaches or defaults in respect of interest bearing borrowings. All contractual obligations have been met.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

19. INTEREST-BEARING BORROWINGS (CONTINUED)

Amortised cost hierachy of financial liabilities

All financial liabilities are categorised as Level 1 liabilities which represents liabilitities measured at amortised cost and differences between cost and the respective value being recognised in profit and loss.

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Non-current liabilities				
At amortised cost	3,672,432	2,510,093	3,672,432	2,510,093
Current liabilities				
At amortised cost	2,469	2,458	2,469	2,458

Debt repayment schedule

The terms and conditions of outstanding loans were as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Face value				
Unsecured bonds	3,670,495	2,505,715	3,670,495	2,505,715
Standard Bank mortgage bond	2,051	2,115	2,051	2,115
Finance lease liability	2,355	4,721	2,355	4,721
	3,674,901	**2,512,551**	**3,674,901**	**2,512,551**
Carrying amount				
Unsecured bonds	3,670,495	2,505,713	3,670,495	2,505,713
Mortgage bond	2,051	2,115	2,051	2,115
Finance lease liability	2,355	4,720	2,355	4,720
	3,674,901	**2,512,551**	**3,674,901**	**2,512,551**

	Nominal interest rate	Year of maturity
Finance lease liability	17.09%	2016
Unsecured bond: RW21	9.97%	2021
Unsecured bond: RW23	9.51%	2023
Unsecured bond: RW28	10.245%	2028
Secured Mortgage bond: Standard Bank	7.25%	2032

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

20. FINANCE LEASE LIABILITIES

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Minimum lease payments due				
- within one year	2,533	2,937	2,533	2,937
- in second to fifth year inclusive	-	2,533	–	2,533
	2,533	**5,470**	**2,533**	**5,470**
Interest				
- within one year	178	572	178	572
- in second to fifth year inclusive	–	178	–	178
	178	**750**	**178**	**750**
Principal				
- within one year	2,355	2,365	2,355	2,365
- in second to fifth year inclusive	–	2,355	–	2,355
	2,355	**4,720**	**2,355**	**4,720**

The Group's finance leases consist of equipment leased under a finance lease agreement. The average lease term is 36 months and the interest rate is fixed at 17.09% over the lease term. All leases have fixed repayments and no contingent rents are payable.

21. INCOME RECEIVED IN ADVANCE

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Non-current liabilities	170,242	200,742	146,915	187,513

Income received in advance consists primarily of capital contributions received from customers for the construction of assets. Capital contributions to the value of R2 583 thousand (2014: R2 583 thousand) have been recognised in other income for projects where the construction of the asset has been completed.

22. RETIREMENT BENEFITS

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Carrying value				
Balance as at 1 July	345,922	325,420	345,922	325,420
Interest cost	27,708	26,997	27,708	26,997
Service cost	9,385	9,681	9,385	9,681
Employer contributions	(12,650)	(12,635)	(12,650)	(12,635)
Actuarial gain	(40,044)	(3,541)	(40,044)	(3,541)
Balance as at 30 June	**330,321**	**345,922**	**330,321**	**345,922**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

22. RETIREMENT BENEFITS (CONTINUED)

Liability for defined benefit obligation

Rand Water has an obligation to continue to fund a portion of employees' contributions to the Rand Water Medical Scheme after retirement. The liability is actuarially calculated each year in accordance with the stated accounting policy.

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Movements in the net liability for defined benefit obligation recognised in the statement of financial position				
Net liability for defined benefit obligation at beginning of the year	345,922	325,420	345,922	325,420
Net (income)/expense recognised in profit or loss	(15,601)	20,502	(15,601)	20,502
Net liability for defined benefit obligation	**330,321**	**345,922**	**330,321**	**345,922**
Expense/(income) recognised in profit or loss				
Staff costs	(15,601)	20,502	(15,601)	20,502
Liability for defined benefit obligations				
Principal actuarial assumptions:				
Discount rate	8.74 %	8.06 %	8.74 %	8.06 %
Health care cost inflation	7.29 %	6.87 %	7.29 %	6.87 %
Membership continued at retirement	100.00 %	100.00 %	100.00 %	100.00 %

Sensitivity analysis

Figures in Rand thousand	Increase	Decrease
1% increase/decrease in the health care cost assumption	51,622	42,161
A 50% decrease in withdrawal assumptions	8,992	–
A 1 year reduction in post retirement mortality	11,713	–

The above displays the effect on the liability should the above mentioned assumptions change.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

23. TRADE AND OTHER PAYABLES

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Trade payables	1,432,117	1,752,397	1,437,469	1,752,398
Amounts received in advance	206,734	11,067	206,734	11,067
VAT	55,931	24,863	55,931	24,863
Water demand management fee	149,785	61,165	149,785	61,165
Accrued leave pay	72,838	67,738	72,838	67,738
Accrued bonus	324,970	298,523	324,970	298,523
Other payables	725,051	251,673	718,706	249,519
	2,967,426	**2,467,426**	**2,966,433**	**2,465,273**

The water demand management fee of R149.7 million (2014: R61.2 million) represents the project funds that have been ring-fenced to be used for projects undertaken to reduce water losses on behalf of customers.

24. RECONCILIATION OF NET INCOME TO CASH GENERATED FROM OPERATIONS

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Net income before taxation	1,436,121	1,181,805	1,436,775	1,183,925
Adjustments for:				
Depreciation and amortisation	323,706	282,737	323,669	282,712
Loss on sale of assets	372	234	288	234
Loss on foreign exchange	52	–	–	–
Interest income	(79,786)	(75,182)	(79,562)	(74,901)
Finance costs	387	4,543	387	4,543
Movements in retirement benefit obligation	(15,601)	20,502	(15,601)	20,502
Gain on forex translation	–	(117)	–	–
Changes in working capital:				
Inventories	122,345	(5,370)	122,345	(5,370)
Trade and other receivables	(379,068)	(306,466)	(378,777)	(308,729)
Trade and other payables	476,727	438,756	477,551	438,345
Income received in advance	(30,500)	18,560	(40,598)	13,539
	1,854,755	**1,560,002**	**1,846,477**	**1,554,800**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS

Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board has also established a Treasury Committee to oversee the operations of the treasury function including, guiding treasury policies, assisting with the overall treasury strategy and objectives while ensuring that the risks concomitant to the treasury function are monitored and managed within the constraints of the treasury policies. The Treasury Committee monitors the liquidity risk, credit risk, investment risk and interest rate risk exposures by evaluating both the internal and external market strengths and weaknesses in order to identify opportunities and mitigate any threats as a result of market conditions. The Treasury Committee ensures that treasury activities are in compliance with all regulatory bodies and acts. The Board of Rand Water undertakes the ultimate responsibility of approving any recommendations made by the Treasury Committee related to risk, policies, procedures and strategies.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. Credit risk arises primarily through the provision of water services and centralised treasury activities.

Credit risks can also arise from cash and cash equivalents, trade receivables, investments and derivative financial instruments. These risks are effectively managed in terms of the Board-approved financial risk management framework that specifies the investment and counterparty policies.

The overall objective of the Group's approach to credit risk management is:

- to minimise any losses that could result from counterparty or issuer failure, ensuring the protection of current and future cash reserves; and
- to enhance liquidity by investing in liquid instruments, project and maximise the rate of return on investments.

Trade and other receivables

Exposure to credit risk is influenced mainly by the individual characteristics of the Group's customers.

Water debtors:

The Group's main source of income is derived from the sale of bulk potable water to local municipalities. These customers have entered into a Bulk Water Supply Agreement with the Group and are not required to provide any security. Approximately 84% of the Group's revenue is attributable to sales transactions with six major customers.

Other medium to large entities such as mines and industries have also entered into a Water Supply Agreement with the Group. As water is considered a basic need and a critical resource, no credit limits are set on the accounts. These customers are required to provide security. The value of the security is based on the following criteria: the type of customer, the size of the customer meter and the value of an average month's consumption. The security is made up of deposits and demand guarantees from financial institutions that can be exercised against overdue invoices. The collateral held amounts to R14 million (2014: R12 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

Recoverable project debtors:

These debtors comprise mainly government institutions, which fund the various projects. Each project has its own contractual obligations, which are negotiated and agreed upon by the contracting parties before commencement of the project. The Group currently holds an amount of Rnil million (2014: R11 million) worth of prepayments from funders.

Other debtors:

Other debtors consist mainly of leases, encroachments, staff and sundry debtors, which are incidental to the nature of the business and its operations. Applicants enter into agreements with the Group. Debtors who do not have agreements in place transact with the Group on a prepayment or cash-on-delivery basis.

The Group has well established credit control procedures to monitor activity on customer accounts and allow for remedial action, should the customer not comply with payment terms. The Group's standard payment terms are 30 days from date of invoice.

The following table reflects the number of years that the water and recoverable project customers have transacted with the Group, the number of customers per ageing category and the relevant carrying amounts before impairment.

	No of active customers	Carrying amounts	
		2015	2014
0-5 years	233	862,654	268,458
6-10 years	698	28,803	28,664
>10 years	605	1,021,758	883,613
	1,536	**1,913,215**	**1,180,735**

More than 85% of the Group's customers have been transacting with the Group for more than 6 years. In terms of value, these customers make up more than 55% (2014: 77%) of the balance due at the reporting date. Based on past experience, losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including customer type, ageing profile and existence of previous financial difficulties. Customers that are graded as "high risk" are placed on a restricted customer list. Methods used to encourage timely settlement include the negotiation of payment arrangements, discontinuation or limitation of water supply and the charging of interest on overdue accounts.

Loans receivable

Loans receivable consist of micro loans granted to employees. These loans are unsecured however the credit quality of the loan book has been assessed as a low risk by reference to historical default rates, as loan repayments are deducted directly from the employees salaries. Employees are also required to take out an insurance policy which covers the balance due to the Group in the instance of death or retrenchment.

Investments

The Group limits its treasury counterparty exposure by dealing only with well-established financial institutions with high credit ratings assigned by international credit-rating agencies. The Group's exposure to counterparty is managed within approved credit limits that are reviewed and approved by the Board on an annual basis.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

The counterparty limits are expressed as a percentage of the lower of the limits set from; credit rating from rating agencies; or that of the counterparty's Tier One Capital Reserves; or a percentage of the surplus cash.

The Group limits its exposure to credit risk by investing only with counterparties with a minimum long-term rating of "A+" and short-term rating of "F1".

The maximum exposure to credit risk per long term rating at the reporting date was as follows:

Classification	Long Term Rating	2015	2014
Available-for-sale investments	AAA/F1+	482 264	483 193
Cash and cash equivalents	AAA/F1+	100 000	104 000
Cash and cash equivalents	AA+/V1+	364 000	493 000
Cash and cash equivalents	AA/F1+	564 729	7 279
Cash and cash equivalents	A+/F1+	100 000	150 000
Cash and cash equivalents	F1+ (conduits)	–	100 000

Management does not expect any counterparty to fail to meet its obligations and hence no investment has been impaired, during the current and prior years.

Exposure to credit risk:
The carrying amount of financial assets (including disposal groups) represents the maximum credit exposure that the entity is exposed to.

	Group		Rand Water	
Figures in Rand thousand	2015	2014	2015	2014
Available for sale financial assets	482,264	483,193	482,264	483,193
Loans and receivables	1,602,883	1,203,391	1,608,193	1,204,130
Cash and cash equivalents	1,155,611	873,103	1,128,729	854,279
	3,240,758	**2,558,098**	**3,219,186**	**2,541,602**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

The maximum exposure to credit risk for trade receivables by type of customer is:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
- Municipalities	1,356,306	1,257,993	1,356,306	1,257,993
- Mines	30,428	32,510	30,428	32,510
- Industries	4,980	1,474	4,980	1,474
- Direct consumers	17,663	25,449	17,663	25,449
Non-potable water consumers	11,416	11,544	11,416	11,544
Recoverable project customers	485,725	212,497	485,725	212,497
Sundry debtors	6,697	7,900	6,697	5,200
	1,913,215	**1,549,367**	**1,913,215**	**1,549,367**

The above balances are shown before impairments.

The Group's most significant customer, a local municipality, constitutes R332 million (2014: R299 million) of the trade receivables carrying amount.

The tables below reflect the ageing and impairments in respect of water and recoverable project debtors. The Group numbers include the subsidiaries trade debtors.

Group	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Current	1,113,849	–	873,473	–
Past due 31-60 days	208,899	–	199,727	–
Past due 61-120 days	93,288	–	19,760	–
Past due >121 days	497,179	(325,183)	421,046	(340,750)
Total	**1,913,215**	**(325,183)**	**1,514,006**	**(340,750)**

Rand Water	Gross 2015	Impairment 2015	Gross 2014	Impairment 2014
Current	1,113,849	–	873,473	–
Past due 31-60 days	208,899	–	199,727	–
Past due 61-120 days	93,288	–	19,760	–
Past due >121 days	497,179	(324,845)	421,046	(340,412)
Total	**1,913,215**	**(324,845)**	**1,514,006**	**(340,412)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

The movement in the allowance account for impairment in respect of trade and other receivables during the financial year is as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Balance at 1 July	340,750	32,963	340,412	32,963
Impairment allowance adjustment	113,899	5,348	113,899	5,010
Bad debts written off	(129,466)	–	(129,466)	–
Transfer of function	–	302,439	–	302,439
Balance at 30 June	**325,183**	**340,750**	**324,845**	**340,412**

The allowance account is used to record impairment losses until the Group is satisfied that no recovery of the amount owing is possible. At that point, the amount considered irrecoverable is written off against the trade receivables account directly.

Impairment losses are recognised based on experience with customers where the Group has sufficient reason to believe that the amounts may not be recovered or who have already been handed over to the legal department for recovery.

The Group believes that no impairment allowance is necessary in respect of all other trade receivables past due as these customers have a good track record.

Liquidity risk
Liquidity risk is defined as the risk of failure to meet all financial obligations on a timely basis, when due, and in the right currency without incurring above normal costs. The Group's approach to managing liquidity risk is to ensure it will always have sufficient liquidity lines to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity is held primarily in the form of money market instruments such as call deposits, negotiable certificates of deposit, as well as liquid debt issues from government. Investments are guided by instrument, tenure and duration limits aimed at ensuring sufficient liquidity, consistent with the Group's liquidity requirements from time to time.

The Group's policy is to ensure that it has sufficient cash on demand, in a form of cash and near cash equivalents, to meet expected operational and capital expenses for a period of 90 days, including the servicing of financial obligations. In addition to holding a minimum level of liquidity in the form of cash and near cash equivalents (liquid market securities) as described above, the Group has at its disposal a variety of funding sources should the need arise. These include uncommitted credit lines with reputable financial institutions and committed facilities with financial and development finance (DFI) institutions.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

As at 30 June 2015 the Group had committed and uncommitted facilities of R13.8 billion (2014: R7.0 billion):

Committed Institutions Unutilised	Expiry	Facility Amount	Total Utilised	Total
Banks	July 2015	1 000 000	–	1 000 000
DMTN	–	10 000 000	3 614 027	6 385 973
Uncommitted Institutions Unutilised	**Expiry**	**Facility Amount**	**Total Utilised**	**Total**
DFI	–	1 000 000	–	1 000 000
Banks	July 2015	1 800 000	–	1 800 000

Uncommitted facilities represent undrawn lines of credit where the bank has an agreement with the Group to make available an amount (up to the maximum specified) in loans on demand from the Group. The Group is under no obligation to actually take out a loan at any particular time.

Committed facilities are those lines of credit where the Group and the bank have clearly defined terms and conditions which bind the bank to lend the Group up to the amounts stated in the agreement. Interest would be payable at a rate of prime minus 100 basis points or alternatively negotiated through the money market.

The liquidity requirement of the Group is reviewed on an ongoing basis in order to ensure that necessary steps can be taken to secure access to cash at the right time. The Group uses cash flow forecasts and maturity gap analysis to assess and monitor its liquidity requirements and risk levels. A cash flow forecasts and maturity gap reports forms part of the financial risk report which is reviewed and analysed by the Treasury Committee on a periodic basis.

The disclosure for Rand Water are the same as the Group with the exception of trade and other payables which are R2 678 785 (2014: R2 382 483). The following are the contractual maturities of financial liabilities for the Group, including interest payments and excluding the impact of netting agreements:

At 30 June 2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Unsecured bond issues: RW21	–	–	–	1,530,495	1,530,495
Unsecured bond issues: RW23	–	–	–	916,000	916,000
Unsecured bond issues: RW28	–	–	–	1,224,000	1,224,000
Secured bond issues: Standard Bank mortgage bond	122	132	460	1,337	2,051
Finance lease liabilities	2,355	–	–	–	2,355
Trade and other payables	2,680,428	–	–	–	2,680,428

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

At 30 June 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Unsecured bond issues: RW21	–	–	–	1,505,713	1,505,713
Unsecured bond issues: RW23	–	–	–	335,000	335,000
Unsecured bond issues: RW28	–	–	–	665,000	665,000
Secured bond issues: Standard Bank mortgage bond	113	122	591	1,289	2,115
Finance lease liabilities	2,365	2,355	–	–	4,720
Trade and other payables	2,385,273	–	–	–	2,385,273

Effective interest rate (%)	2015	2014
Unsecured bond issues: RW21	9.97%	9.97%
Unsecured bond issues: RW23	9.51%	9.51%
Unsecured bond issues: RW28	10.245%	10.245%
Secured bond issues: Standard Bank mortgage bond	7.25%	7.25%
Finance lease liabilities	17.09%	17.09%

Market risk

Market risk is the risk that the Group's income and capital will be adversely affected by movements in the level or volatility of market rates or prices such as interest rates and foreign exchange rates. The overarching objective of market risk management is to protect the Group's net income against adverse market movements through containing the innate interest rate and foreign currency risks within acceptable parameters.

Market risk management within the Group is centralised in the Treasury Department and is governed by the Treasury policy, incorporating interest rate and currency risk parameters. As with all risk management policies of the Group, the market risk management policy resides under the authority of the Board.

Currency risk

The Group is exposed to currency risk on management fees, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Euro. Interest on borrowings is denominated in currencies that match the cashflows generated by the underlying operations of the Group, primarily Euro. The Group's investment in related parties is not hedged as this currency position is considered to be of long term in nature.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

The Group's exposure to currency risk was as follows, based on notional amounts:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Current assets				
Bank and cash, Euro 106 480 (2014 : Euro 110 028)	1,462	1,589	–	–
Liabilities				
Trade and other payables, Euro 198 025 (2014 : Euro 99 946)	(2,719)	(1,443)	–	–

The following significant exchange rates applied during the year:

	Average rate		Spot rate at reporting date	
	2015	**2014**	**2015**	**2014**
EURO	13.71	14.15	13.73	14.44

Sensitivity analysis for exposure to currency risk

A 10% strengthening of the Euro against the following currencies at 30 June would have increased/(decreased) equity and profit or loss by the following:

	2015		2014	
	10% increase	**10% decrease**	**10% increase**	**10% decrease**
Bank and cash, Euro 106 480 (2014 : Euro 110 028)	1,609	1,316	1,747	1,430
Trade and other payables, Euro 198 025 (2014 : Euro 99 946)	(2,990)	(2,448)	(1,587)	(1,298)
Rates:				
Euro spot rate	15.10	12.36	15.88	12.99
Euro average rate	15.08	12.34	15.57	12.73

A 10% weakening of the Euro against the above currencies would have had the equal but opposite effect on both currencies, on the basis that all other variables remain constant.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

Interest rate risk

The Group manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate investments. The borrowings are at fixed interest rates and consists of the RW21 bond and the new issue of the RW23 and RW28 during the financial year. The interest rate profile of the Group's interest bearing financial instruments, including financial instruments of disposal groups, is as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Fixed rate instruments				
Financial assets	482,264	483,193	482,264	483,193
Financial liabilities	(3,672,850)	(2,510,434)	(3,672,850)	(2,510,434)
	(3,190,586)	**(2,027,241)**	**(3,190,586)**	**(2,027,241)**
Variable rate instruments				
Financial assets	1,370,373	985,221	1,349,813	966,745
Financial liabilities	(2,051)	(2,115)	(2,051)	(2,115)
	1,368,322	**983,106**	**1,347,762**	**964,630**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

The sensitivity analysis below includes only financial assets as the variable rate financial liabilities are immaterial. A change of 50-150 (2014: 50-100) basis points in interest rates at the reporting date would have increased or decreased equity and profit by the amounts shown below. This analysis assumes that other variables remain constant.

Group

	Profit				Equity			
	Increase of 1,5%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1,5%	Increase of 1,5%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1,5%
30 June 2015								
Financial assets	20,556	6,852	(6,852)	(20,556)	20,556	6,852	(6,852)	(20,556)

	Profit				Equity			
	Increase of 1%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1%	Increase of 1%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1%
30 June 2014								
Financial assets	4,397	2,199	(2,199)	(4,397)	4,397	2,199	(2,199)	(4,397)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

Rand Water

	Profit				Equity			
	Increase of 1,5%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1,5%	Increase of 1,5%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1,5%
30 June 2015								
Financial assets	20,556	6,852	(6,852)	(20,556)	20,556	6,852	(6,852)	(20,556)

	Profit				Equity			
	Increase of 1%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1%	Increase of 1%	Increase of 0,5%	Decrease of 0,5%	Decrease of 1%
30 June 2014								
Financial assets	4,397	2,199	(2,199)	(4,397)	4,397	2,199	(2,199)	(4,397)

26. FINANCIAL ASSETS BY CATEGORY

The fair values of assets, including assets of disposal groups, approximates their carrying amounts, for the Group and Rand Water are as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Available for sale financial assets				
- Investment in bonds	482,264	483,193	482,264	483,193
Loans and receivable				
- Cash and cash equivalents	1,155,611	873,103	1,128,729	854,279
- Loans receivable	4,576	4,988	4,576	4,988
- Trade and other receivable	1,598,308	1,198,403	1,603,618	1,199,142
	3,240,759	**2,559,687**	**3,219,187**	**2,541,602**

The following summarises the major instruments methods and assumptions used in estimating the fair values of financial instruments.

Securities
The fair value of available-for-sale financial assets is based on quoted market prices on the Johannesburg Stock Exchange formerly known as the Bond Exchange of South Africa at the reporting date without any deduction for transaction costs. Held-to-maturity investments are quoted at amortised cost.

Trade and other receivables
For receivables with a remaining life of less than one year, the nominal amount is deemed to reflect their fair value. All other receivables are discounted to determine the fair value.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

26. FINANCIAL ASSETS BY CATEGORY (CONTINUED)

Interest rates used for determining fair value
The interest rate used to discount estimated cash flows, where applicable, are based on the government yield curve at reporting date plus an adequate constant credit spread to discount financial instruments.

Receivables
2,0%-15,5% (2014: 2,0%-15,5%)

27. FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts and fair values of liabilities, including liabilities of disposal groups, for the Group and Rand Water are as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Financial liabilities measured at fair value				
- Unsecured bond issues	3,670,495	2,505,713	3,670,495	2,505,713
Financial liabilities at amortised cost				
- Finance lease liabilities	2,355	4,720	2,355	4,720
- Trade payables	2,680,428	2,385,273	2,678,785	2,382,483
- Secure mortgage bond	2,051	2,115	2,051	2,115
	6,355,329	**4,897,821**	**6,353,686**	**4,895,031**

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

Trade payables
For payables with a remaining life of less than one year, the nominal amount is deemed to reflect the fair value. All other payables are discounted to determine the fair value.

Interest rates used for determining fair value
The interest rate used to discount estimated cash flows, where applicable, are based on the government yield curve at reporting date plus an adequate constant credit spread to discount financial instruments.

Loans and borrowings
9.90% - 17.09% (2014: 9.90% - 17.09%)

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

28. CAPITAL MANAGEMENT

The overall objective of the Group's capital management strategy is to maintain a strong capital base so as to maintain stakeholder and market confidence and to sustain future development of the business. The Group considers long-term loans, cash reserves and accumulated income as its capital. Long-term loans and cash reserves are managed through the process of reviewing all associated risks, including liquidity and credit and interest rate risk. The detail of how these risks are managed is disclosed in note 25. It is also the policy of the Group to maintain a strong debt : equity and interest cover ratio as this plays an important role in the Group's credit rating which impacts positively on the cost of funding. Accumulated income is managed through a number of initiatives and processes including planning and budgeting for long-term operational growth, capital expansion and maintaining or improving cost efficiencies.

The Group manages the planning of the water revenue process closely as it is the Group's policy to reasonably recover all current and future operational and capital expenditure for its operational existence. The water tariff is regulated by the processes as determined by the Department of Water and Sanitation. The tariff is developed from sound financial principles and takes into consideration cost drivers as well as the difficult environment of the water industry including a financial analysis of previous trends and current and future environmental and economic conditions.

A comprehensive capital expenditure programme has been developed which indicates that the Group will require funding of approximately R12.4 billion over the next five years. It is the Group's policy to fund the capital expenditure programme through internal resources, that being accumulated incomes and cash reserves after providing for the Group's liquidity requirements. Additional funding requirements will be funded through the debt capital market and other external funding. The Group's focus is to re-establish itself in the domestic capital markets. The funding plan will also place more emphasis on moving towards an active portfolio management strategy. This strategy should see the Group introducing new funding instruments that will lead to the achievement of the following objectives:

- establishing liquid benchmark bonds;
- lengthening the maturity profile of the debt portfolio;
- diversifying the investor base;
- matching asset and liabilities' cash flows and maturities; and
- minimising the cost of borrowing within an acceptable level of risk.

In 2010, the Board approved the establishment of the Domestic Medium Term Note (DMTN) programme, which would be used to raise funds through the issuing of commercial paper and medium- to long-term bonds at different rates and terms in the domestic bond market as and when it is required. The programme was registered for R5 billion and subsequently increased to R10 billion.

The Group's Funding Plan, together with the required borrowing limits of R12.4 billion pertaining to the core business requirements for the five years ending 2020, have been approved by the Shareholder (Department of Water and Sanitation) and the National Treasury.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

29. COMMITMENTS

Operating leases

Operating lease rentals are payable as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Group as lessee				
Minimum lease payments due				
- within one year	1,206	1,597	1,206	1,597
- in second to fifth year inclusive	2,271	3,108	2,271	3,108
- later than five years	970	2,668	970	2,668
	4,447	**7,373**	**4,447**	**7,373**

The Group leases a number of office and residential facilities under operating leases. The leases run for periods of between one and three years, with an option to renew the lease after that date. Lease payments are subject to an annual escalation to reflect market rentals. None of the leases include contingent rentals.

Operating lease rentals are payable as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Group as lessor				
The future minimum lease payments are as follows:				
- within one year	2,864	2,609	2,864	2,609
- in second to fifth year inclusive	8,528	8,907	8,528	8,907
- later than five years	14,525	16,722	14,525	16,722
	25,917	**28,238**	**25,917**	**28,238**

The Group leases out a number of properties under operating leases. These property leases do not qualify as investment property as the properties were purchased for future operational use and the related income is incidental in nature. During the year ended 30 June 2015 R1.2 million (2014: R1 million) was recognised as rental income in profit or loss. Property leases consist mainly of vacant land and therefore little or no cost has been realised for repairs and maintenance.

Included in the disclosures above are the commitments that have arisen from those arrangements that contain deemed operating leases.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

29. COMMITMENTS (CONTINUED)

	Group		Rand Water	
Figures in Rand thousand	2015	2014	2015	2014
Capital commitments				
Contracted for but not provided	7,075,482	9,539,598	7,075,482	9,539,598
Authorised but not contracted for	2,756,688	6,094,058	2,756,688	6,094,058
	9,832,170	**15,633,656**	**9,832,170**	**15,633,656**

The Group is committed in respect of capital expenditure including expected contract price adjustments. This expenditure will be financed from internal resources and out of loans.

30. RETIREMENT BENEFIT INFORMATION

Employees are members of the Rand Water Superannuation Fund; the Rand Water Provident Fund or the South African Municipal Workers' Union National Provident Fund.

On 1 July 1997, the Rand Water Retirement Fund was merged with the Rand Water Superannuation Fund.

The superannuation fund is a defined benefit fund, which requires an actuarial valuation every three years. The last actuarial valuation of the fund was conducted as at June 2005 as the superannuation fund is in the process of voluntary liquidation.

31. CONTINGENCIES

Other Matters:
Potential contingent liability of uncertain timing and amount due to a non-compliance to Value Added Tax (VAT) Act in respect of the payment versus invoice basis of accounting on certain input transactions, arisen as a result of an anomaly in the VAT Act, Section 15(2) read with Section 15(2A). A Section 72 application has been lodged with SARS to request condonation of the application of invoice basis of accounting.

Legal claims
General claims:
Various proceedings were instituted against the Group during the 2015 financial year. The amounts being claimed from the Group total approximately R78.5 million. The Group's legal advisors believe that the Group has reasonable defences and that the probability of loss will be minimal. Accordingly, no provision has been made in the annual financial statements.

Detail of the claims are as follows:

- R10 million in respect of property expropriated by Rustenburg Municipality on behalf of Rand Water.
- R36 million claim for alleged infringement of a patent in respect of Rand Water's co-generation tender.
- Two claims totaling R6.9 million being an alleged breach of contract by Rand Water resulting in damages incurred by the claimants. Rand Water has instituted a counter claim.
- R10 million claim against Rand Water for removal of pipeline and rental from 1972.
- Two claims totalling R16.5 million for work done by suppliers under dispute.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

31. CONTINGENCIES (CONTINUED)

Guarantees

At 30 June 2015, the Group has contingent liabilities in respect of guarantees given to third parties that amount to R5.7 million (2014: R7.9 million).

32. RELATED PARTIES

The Group has a related party relationship with its subsidiaries and with its executives and board members. As Rand Water is a state-controlled entity, it also has a related party relationship with all other entities within the same sphere of government. Unless otherwise disclosed, all transactions with related parties are on an arms length basis at market related prices.

Transactions with key management personnel

Key management personnel compensations are detailed in the Board Report (point 16) and total remuneration for the board members and executives are included under staff costs (see note 3).

None of the key management personnel had or has any significant influence within any entity with whom the Group has had significant transactions with.

Subsidiaries	Country of incorporation	Ownership interest
Rand Water Services (Pty) Ltd	South Africa	100%
Rand Water Foundation	South Africa	100%
Joint Venture		
Vitens Rand Water Services BV	Netherlands	49%

Rand Water Services (Pty) Ltd is a 100% owned subsidiary of Rand Water.

Rand Water Foundation is a non-profit company. The company is a special purpose entity as defined.

Vitens Rand Water Services BV is a jointly controlled entity, based in the Netherlands, of which Rand Water Services (Pty) Ltd holds 49%.

The following transactions were carried out with the subsidiaries:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Transactions with related parties				
Contribution to subsidiaries	–	–	46,561	43,503
Year-end balances arising from transactions				
Receivables	–	–	5,351	940

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

32. RELATED PARTIES (CONTINUED)

Group entities

The Group is 100% controlled by the government of South Africa represented by the Department of Water and Sanitation. Rand Water and its subsidiaries are schedule 3B Enterprises in terms of the Public Finance Management Act. The related parties of Rand Water consist mainly of government departments and state-owned enterprises and other public entities in the national sphere of government.

Department of Water and Sanitation Transactions with related parties:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Sales of goods and services	409,824	438,931	409,824	438,931
Purchases of goods and services	4,391,465	4,023,265	4,391,465	4,023,265
Year-end balances arising from transactions				
Allowance for doubtful debts	29,701	–	29,701	–
Receivables	132,351	108,079	132,351	108,079
Payables	764,525	657,145	764,525	657,145

Payables and receivables are due within 30-60 days from date of invoice. Interest receivable/payable is in accordance with normal market practice.

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Other public entities				
Transactions with related parties:				
Sales of goods and services	9,619,076	8,116,036	9,619,076	8,116,036
Purchases of goods and services	1,362,365	1,201,919	1,362,365	1,201,919
Statutory liabilities	725,818	318,008	725,818	318,008
Interest received	407	393	407	393
Year-end balances arising from transactions				
Allowance for doubtful debts	–	18,420	–	18,420
Receivables	1,550,160	1,051,014	1,550,160	1,051,014
Payables	145,729	130,787	145,729	130,787

All receivables/payables are due within 30 days from date of invoice. Interest receivable / payable is in accordance with normal market practice.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

33. SUBSEQUENT EVENTS

Sale of shares

On 7 July 2015, the sale of the 49% shares in Vitens-Evides International B.V, held by Rand Water Services (Pty) Ltd was finalised and registered with the deeds of transfer in Netherlands. The shares were sold to the 51% shareholder, Vitens-Evides International BV. The share price and the outstanding loan have since been recovered.

34. PROVISION FOR REHABILITATION COSTS

Reconciliation of provision for rehabilitation costs - Group - 2015

Figures in Rand thousand	Opening balance	Interest	Change in estimate	Total
Environmental rehabilitation	57,462	4,200	(800)	60,862

Reconciliation of provision for rehabilitation costs - Group - 2014

Figures in Rand thousand	Opening balance	Interest	Change in estimate	Total
Environmental rehabilitation	50,423	3,823	3,216	57,462

Reconciliation of provision for rehabilitation costs - Rand Water - 2015

Figures in Rand thousand	Opening balance	Interest	Change in estimate	Total
Environmental rehabilitation	57,462	4,200	(800)	60,862

Reconciliation of provision for rehabilitation costs - Rand Water - 2014

Figures in Rand thousand	Opening balance	Interest	Change in estimate	Total
Environmental rehabilitation	50,423	3,823	3,216	57,462

The rehabilitation cost relates to the sludge waste disposal site at Panfontein. The Group has an obligation to undertake restoration, rehabilitation and environmental work at the end of the sludge disposal sites useful life.

During the current financial year, the useful life of the sludge waste disposal site was reviewed and the useful life was increased by an additional 3 years to early 2020. The review of the useful life effectively reduced the provision by R0.8 million.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

35. REVENUE

	Group		Rand Water	
Figures in Rand thousand	2015	2014	2015	2014
Sale of water	9,802,542	8,664,894	9,802,542	8,664,894

36. COST OF SALES

	Group		Rand Water	
Figures in Rand thousand	2015	2014	2015	2014
Sale of goods				
Opening water inventory	35,806	30,703	35,806	30,703
Water purchases	3,910,551	3,614,695	3,910,551	3,614,695
Labour	677,871	577,264	677,871	577,264
Energy	1,647,820	1,457,441	1,647,820	1,457,441
Chemicals	298,157	258,041	298,157	258,041
Depreciation	257,561	212,394	257,561	212,394
Amortisation	3,118	3,153	3,118	3,153
Other direct expenses	223,176	175,314	223,176	175,314
Other direct income	(18,091)	(19,886)	(18,091)	(19,886)
Closing water inventory	(37,370)	(35,806)	(37,370)	(35,806)
	6,998,599	**6,273,313**	**6,998,599**	**6,273,313**

37. CASH FLOWS OF DISCONTINUED OPERATIONS

	Group		Rand Water	
Figures in Rand thousand	2015	2014	2015	2014
Cashflows from operations	127	90	–	–

38. TRANSFER OF FUNCTIONS

Bushbuckridge Water Board

In the Government Gazette No.37342 issued on 14 February 2014, the Minister of Water and Sanitation extended the service area for Rand Water to include the upper Vaal Water Management area and the entire area of the Province of Mpumalanga overlapping with the operational area of the Bushbuckridge Water Board.

Effective 1 April 2014 Bushbuckridge Water Board was intergrated into Rand Water. As of 30 June 2014, only provisional carrying amounts were taken onto the books of Rand Water for the purposes of disclosure. From these provisional results a surplus of R58 million arose and was accounted for in accumulated reserves, applying the provisions of GRAP 105.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

38. TRANSFER OF FUNCTIONS (CONTINUED)

During the first year of the two year measurement period, Rand Water assessed the fair value of assets and liabilities of the previous Bushbuckridge Water Board, which has resulted in an adjustment in the fair values assumed at 1 April 2014. Numerous activities were embarked on by Rand Water to ascertain fair value of assets and liabilities, as a result, the surplus previously recognised was adjusted to R26 million. The Group is expecting further adjustments to the fair values as further activities will be undertaken in the second year of the two year measurement period to finalise the fair value assessment of the assets and liabilities of the disestablished Bushbuckridge Water Board.

The adjusted fair values of assets and liabilities have been reflected below:

Adjusted fair value of assets acquired and liabilities assumed

Description Figures in Rand thousand	Balances previously reported	Adjustment	Restated
Property plant and equipment	55,789	88	55,877
Inventories	1,944	–	1,944
Trade and other receivables	97,090	(25,917)	71,173
Cash and cash equivalents	5,472	–	5,472
Interest-bearing borrowings	(2,185)	–	(2,185)
Trade and other payables	(99,703)	(6,597)	(106,300)
Surplus on transfer	**58,407**	**(32,426)**	**25,981**

39. RECLASSIFICATIONS

Rand Water assessed the fair values of assets and liabilities of the disestablished Bushbuckridge Water Board, which resulted in a restatement of the fair values of assets and liabilities assumed at 1 April 2014 and as previously reported (refer to note 38 for further details).

Based on the assessment performed and in applying the provisions of GRAP 105, the fair values of assets and liabilities assumed were adjusted retrospectively.

The restatement has resulted in an adjustment to the following items in the statement of financial position of Rand Water and would have the same effect Group. The below depicts the balances as they were reported in the Intergrated Annual Report for Rand Water at 30 June 2014 and the adjusted figures as now disclosed in these financials for 30 June 2014.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

39. RECLASSIFICATIONS (CONTINUED)

Reconciliation of the effects of the adjustment as at 30 June 2014

Figures in Rand thousand	As previously reported	Adjustment	Restated as at 30 June 2014
Property plant and equipment	12,150,837	88	12,150,925
Trade and other receivables	1,402,058	(25,916)	1,376,142
Trade and other payables	(2,458,674)	(6,598)	(2,465,272)
Accumulated reserve	(9,785,416)	32,426	(9,752,990)

40. ACCOUNTING FRAMEWORKS

As from 1 December 2012 the South African Generally Accepted Accounting Practice (SA GAAP) framework was withdrawn for year ends beginning after 1 December 2012.

During July 2015, the Accounting Standards Board (ASB) approved the application of Exposure Draft 130 (ED 130): Directive on the selection of an appropriate Reporting Framework by Public Entities. ED 130 sets the criteria to be applied by public entities in determining the reporting framework to be adopted, that is International Financial Reporting Standards (IFRS) or Generally Recognised Accounting Practice (GRAP).

The directive is effective for financial years commencing on or after 1 April 2018, with earlier adoption permitted.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (CONTINUED)

41. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE AND CRIMINAL CONDUCT

For the year under review the Group recorded R1.7 million of expenditure incurred as a result of irregular expenditure. No material cases of criminal conduct or any fruitless and wasteful expenditure has been recorded for the year.

Irregular expenditure: R1.7m

Details of the current financial year movement is as follows:

Over expenditure on order placed: R1 767 687

During the previous financial year the bottled water plant overspent against the original order placed to the value of R1.7 million. Investigations were undertaken by the assurance auditors and confirmed accordingly. The irregular expenditure is in process of being condoned by the relevant authority.

During the year, National Treasury issued a guideline which clarified the disclosure requirements in terms of Section 55(2)(b)(i). All immaterial cases of criminal conduct have therefore been adjusted for accordingly.

The reconciliation of the balance of the expenditure is as follows:

	Group		Rand Water	
Figures in Rand thousand	**2015**	**2014**	**2015**	**2014**
Opening balance	26,816	11,259	25,384	9,827
Amounts condoned /recovered/cases closed	(1,046)	(111)	(913)	(111)
Adjustment for immaterial criminal conduct	(4,676)	–	(4,676)	–
Current year movements	1,767	15,668	1,767	15,668
	22,861	**26,816**	**21,562**	**25,384**
The expenditure is included in the following line items:				
Other expenditure	1,767	15,644	1,767	15,644
Inventory	–	6	–	6
Property, plant and equipment	–	18	–	18
	1,767	**15,668**	**1,767**	**15,668**

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