

RAND WATER PRESENTATION

INTEGRATED ANNUAL REPORT

For the

FINANCIAL YEAR ENDING 30TH JUNE 2018



RAND WATER

Strategic Overview & Performance

Alignment to National Government

About Rand Water

National Development Plan

PRESIDENCY

HONOURABLE MINISTER

NATIONAL TREASURY

DWS NATIONAL DEPARTMENT

AUDITOR GENERAL

NATIONAL PARLIAMENT

SHAREHOLDER'S COMPACT

REPORTING FORMATS

CORPORATE BUSINESS PLAN

ANNUAL REPORT

ANNUAL ASSESSMENT OF WATER BOARDS

QUARTERLY REPORTS

RAND WATER STRATEGY
VISION
MISSION
STRATEGIC VALUES

KPIs

KPAs

The Shareholder's Compact, Corporate Business Plan and Budget are guided by:

- National Development Plan
- 14 Presidential Outcomes
- SONA
- Minister's Key Themes and DWS's Annual Performance Plan
- Rand Water's Strategic Themes

- Rand Water provides bulk water supply services to the municipalities
- Rand Water is the largest water utility in Africa existing now for 115 years
- Distribution network of over 3 056km of large diameter pipeline
- Feeding 58 strategically located service reservoirs
- Main customers are:
 - ✓ Municipalities (18)
 - ✓ Mines(49)
 - ✓ Industries and direct consumers (959)
- Rand Water supplies about 4508 Mℓ/d on average (with peak day demand close to 5008Mℓ/d)

Lesotho Highlands



Lesotho Highlands Scheme augments Vaal River System

Raw water from Vaal Dam purified and pumped to foothills of Witwatersrand ridge

Vaal Dam



Purification

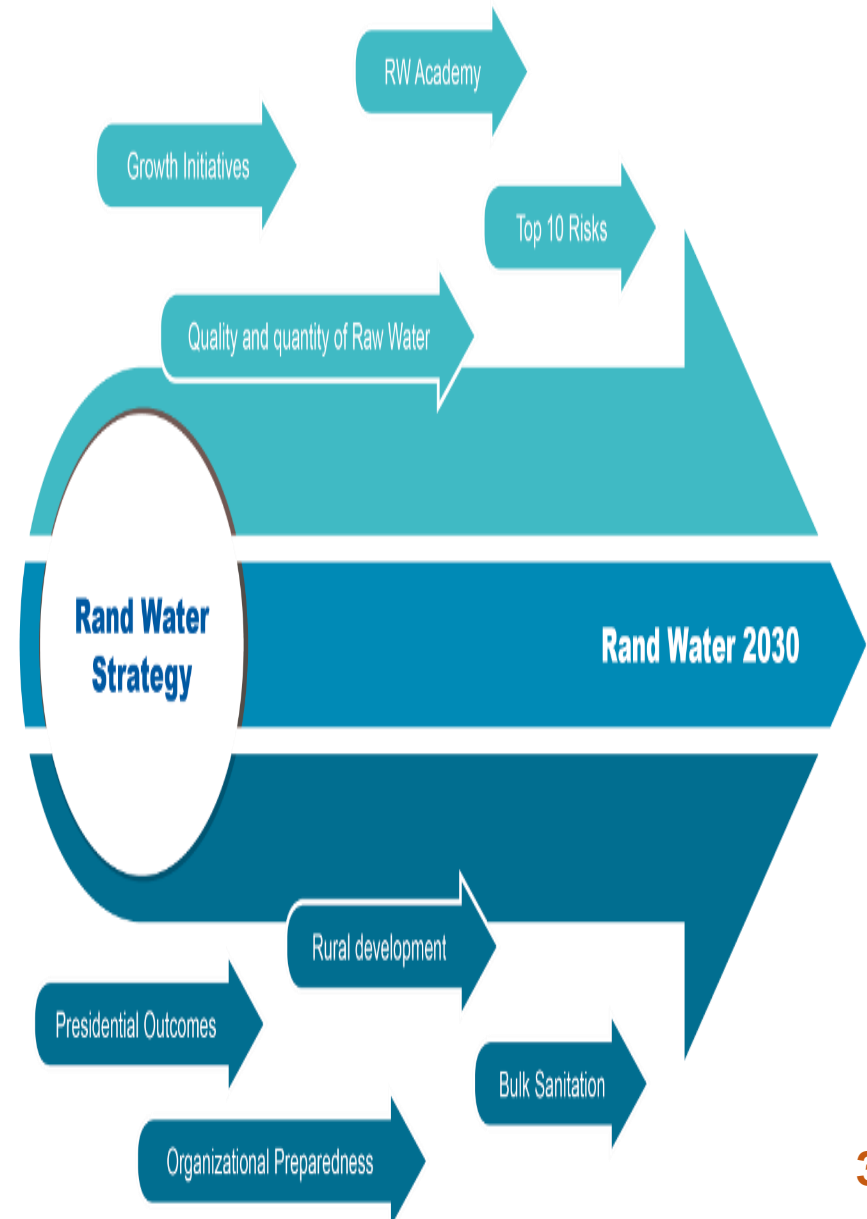


Strategic Overview & Performance

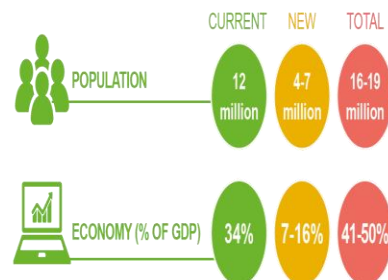
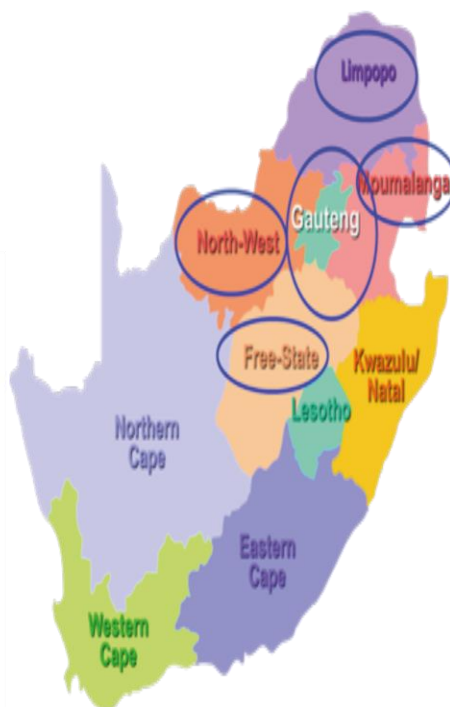
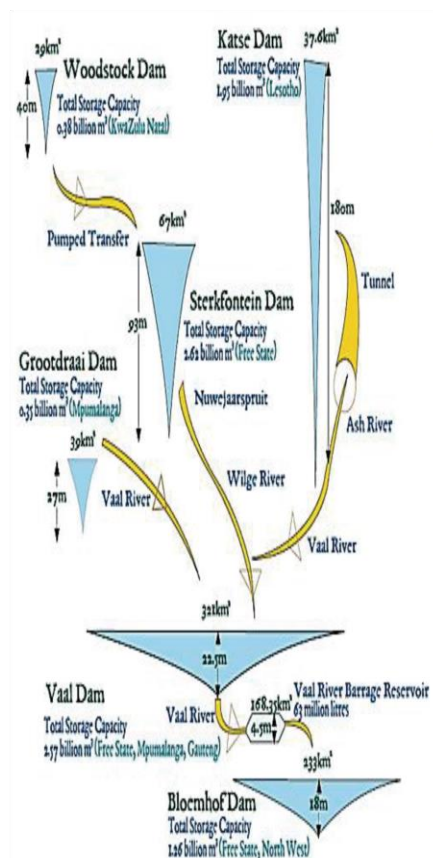
Rand Water Strategy



Priority Areas



Water Sources & Area of Supply



The exact numbers are difficult to calculate because the extended area incorporates portions of Limpopo, North West and Free State. Only Mpumalanga and Gauteng are included in total.

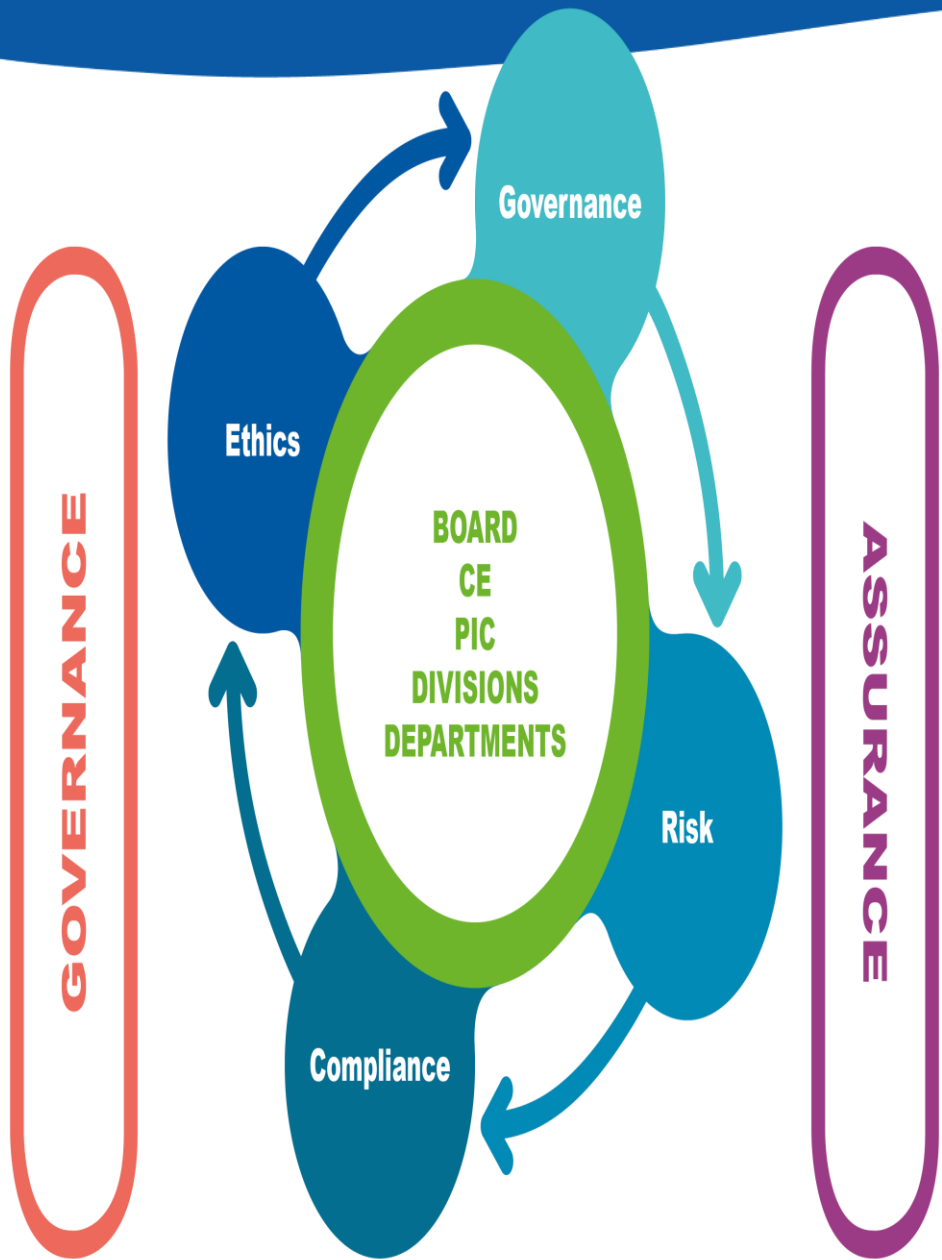
Combined Assurance

Sound Governance Mechanisms

Regulatory Compliance

In response to the dynamics of a changing regulatory landscape and environment, Group Governance Portfolio

- Adopted and embedded an integrated, **governance, risk, compliance and ethical behaviour (GRCE)** approach as an overarching business model to strengthen regulatory compliance in Rand Water,
- The governance model draws other Portfolios into taking part in the synergised approach of managing and reporting on governance, risk and compliance matters,
- Rand Water is dedicated to promoting ethical leadership through out the organisation.



The ever changing regulatory compliance, legal and governance requirements compelled the Portfolio to ensure:

GGP plays an oversight role and managed overall organisational governance

Continues to define and enforce corporate governance within the Rand Water Group

Adherence with regulatory and statutory frameworks

Appropriate corrective and preventative actions are taken to prevent recurrence of compliance failures

Identification and anticipation of key emerging businesses risk factors to the organisation

Implementation of mitigation measures to minimise risk impact

Provided combined assurance to Rand Water by integrating and aligning assurance processes to:

- Optimise overall assurance;
- Maximise risk and governance oversight and
- Control efficiencies.

Fraud Prevention Strategy

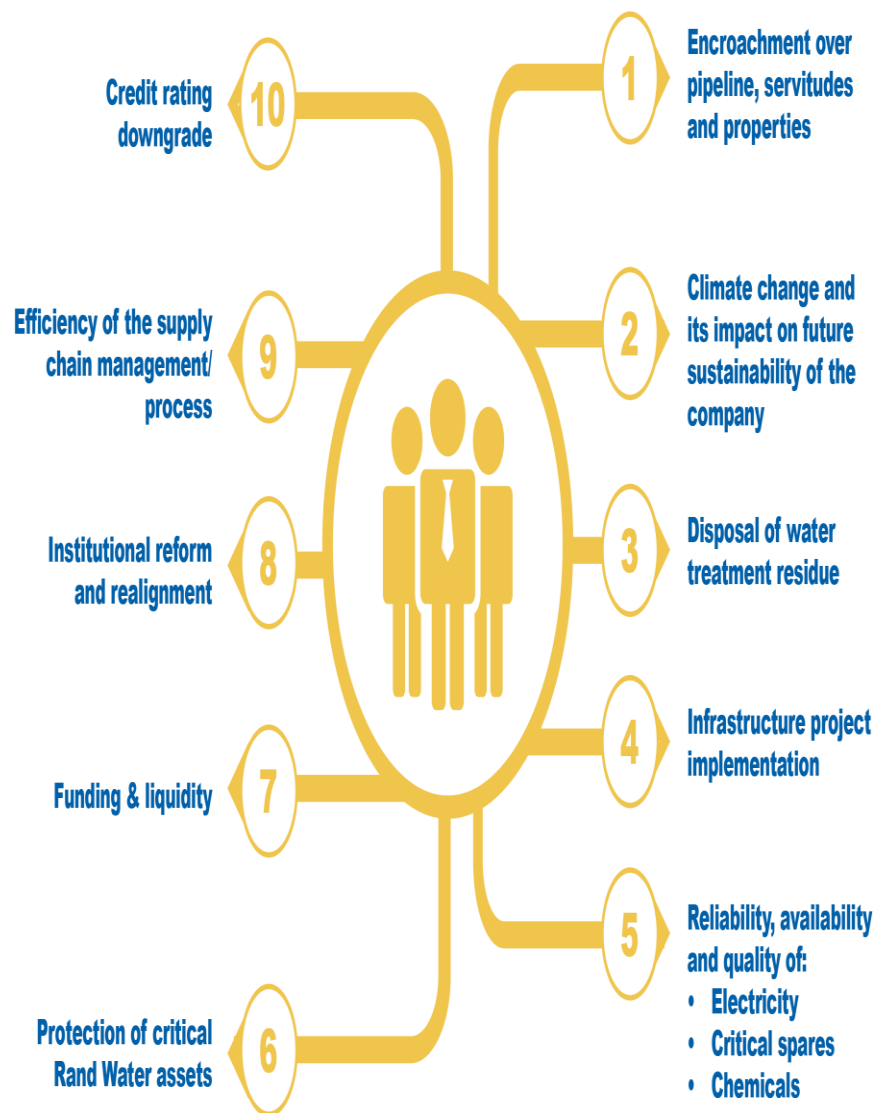


- Fraud Policy Statement: Getting Management Involved
- Staff Sensitization and Participation in Fraud Prevention
- Group Forensic Services and the Rand Water Fraud and Corruption Hotline
- Circulating the message via Road Shows
- Internal and External Publication

- Staff Vetting, the First Line of Defense
- Rand Water Code of Conduct and Ethics
- Registers of Interests and Gifts and a Fraudster Blacklist

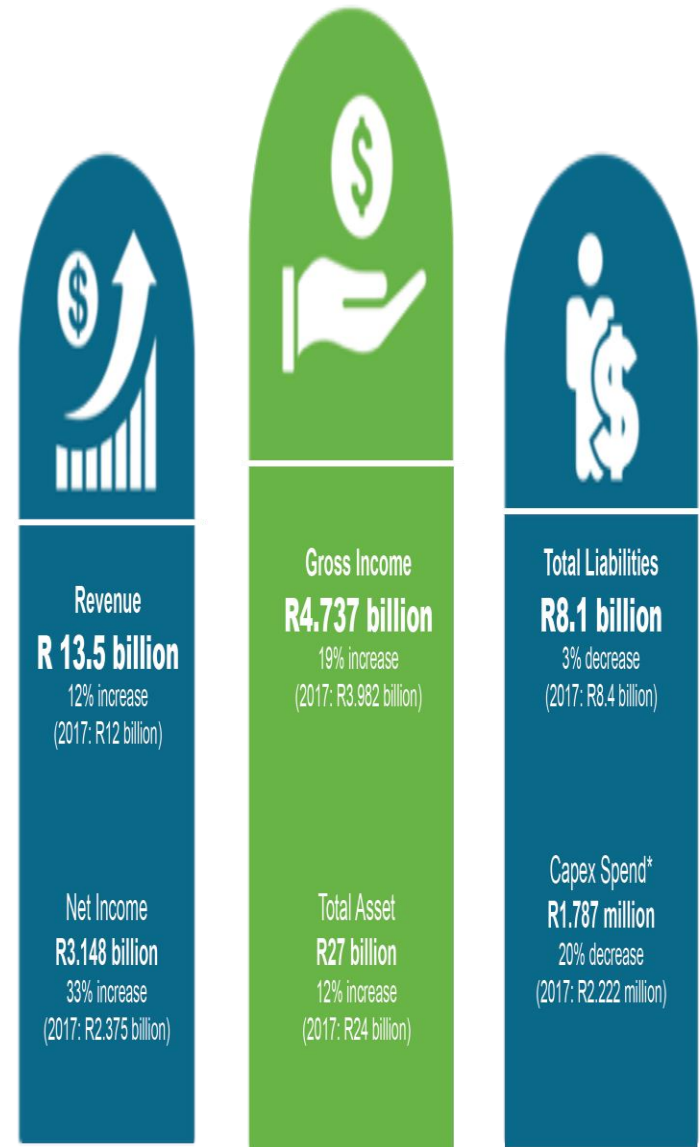
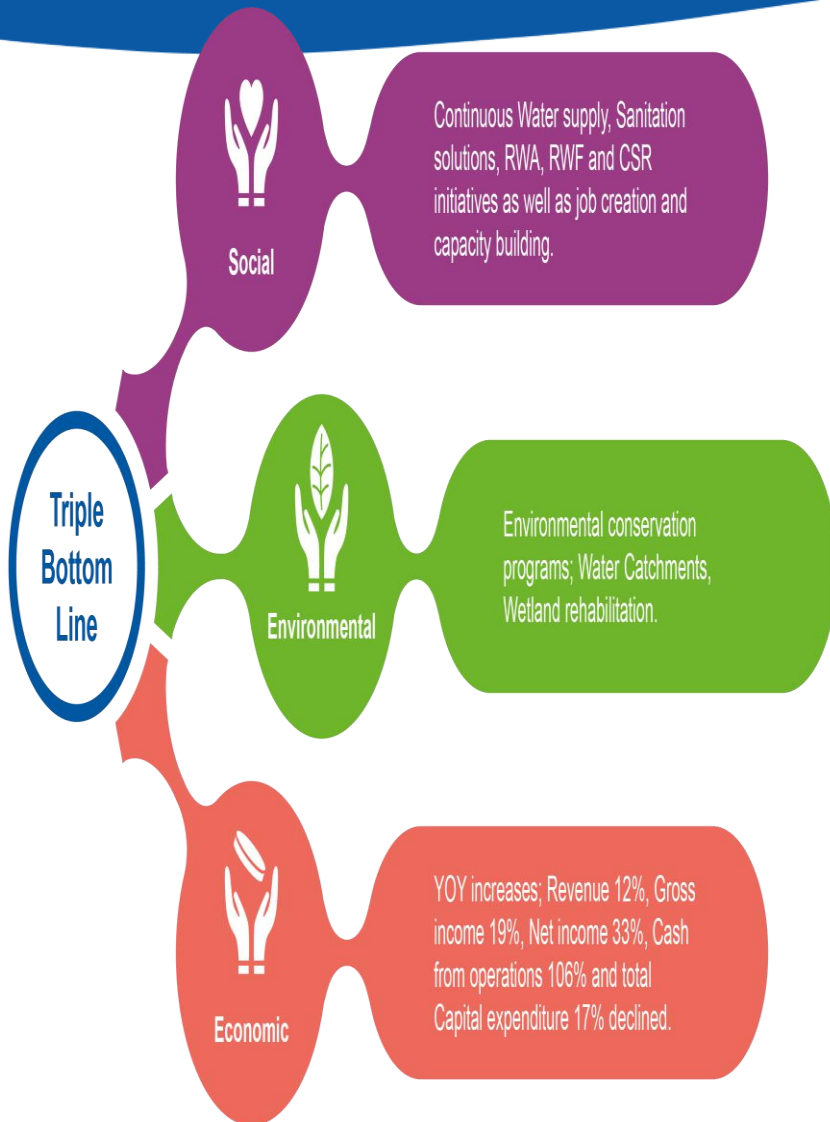
- Economic Crime, Fraud Risk Assessments and Grading of Positions
- Surprise Audits
- Procurement Procedures and Supplier and Trading Partner Awareness
- Fraud Training for Management
- Fraud Response Plan

Top Ten Risk



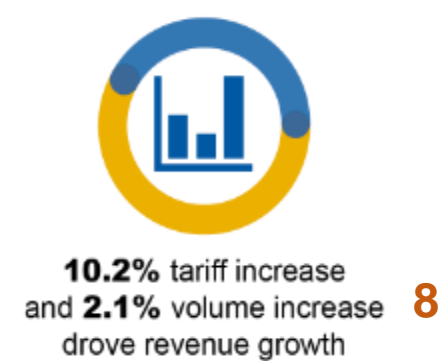
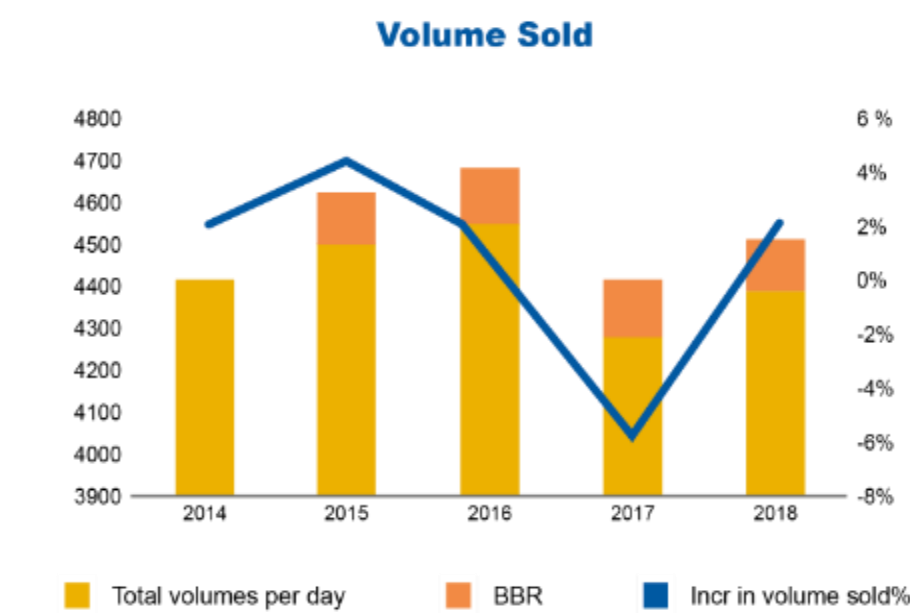
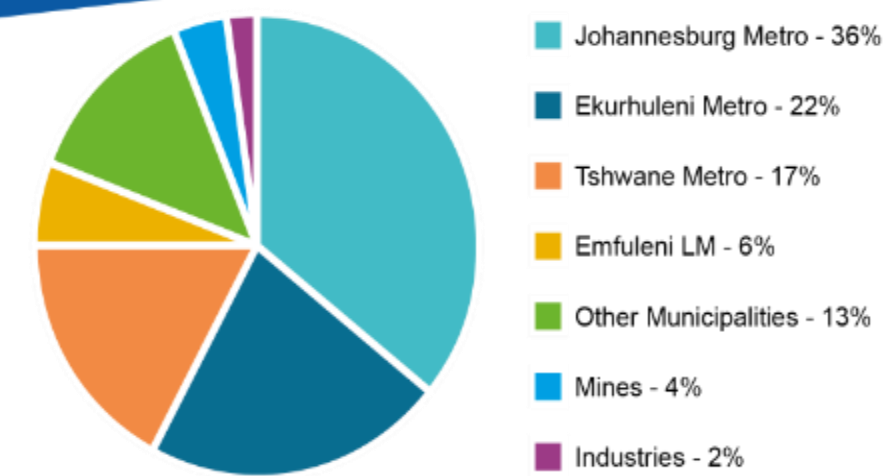
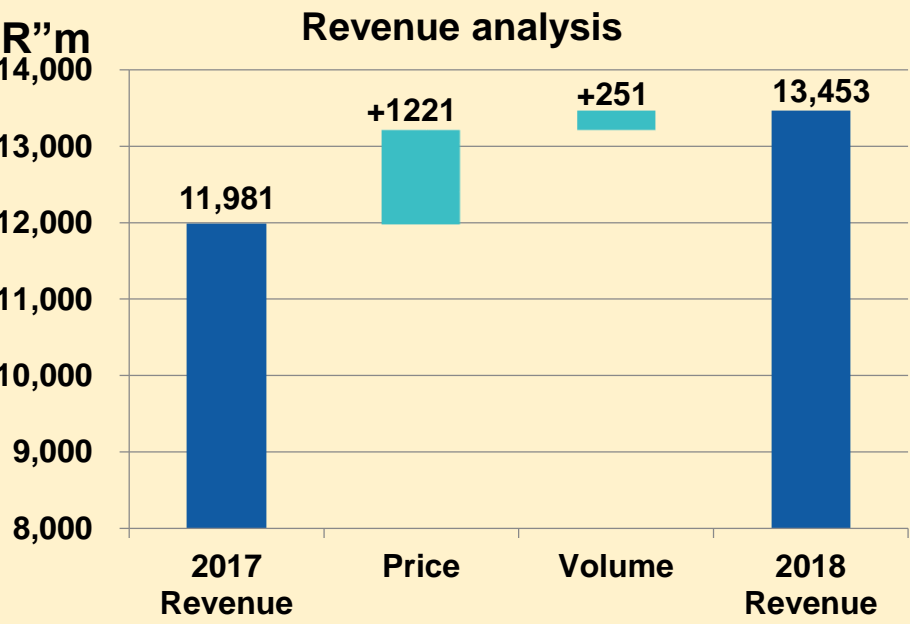
Strategic Overview & Performance

Financial performance overview



***Excluding borrowing costs**

Performance Snapshot

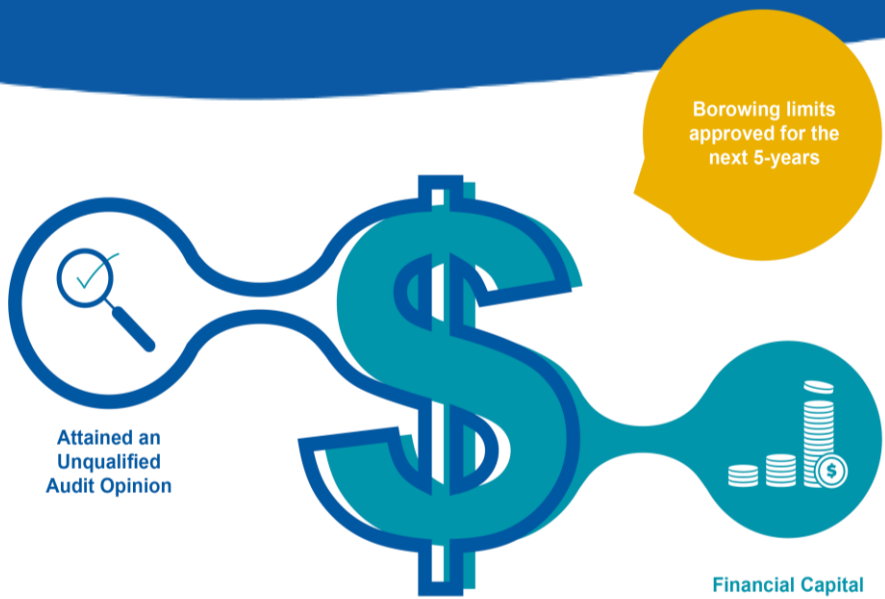


The background of the slide is a deep blue with a diagonal split. The top-left portion is a lighter blue and contains a high-speed photograph of a water splash, where droplets are frozen in mid-air, creating a symmetrical, butterfly-like shape. The bottom-right portion is a darker blue and features a similar water splash image, but with more pronounced ripples and a central column of water rising from the impact. A white diagonal line separates these two blue sections.

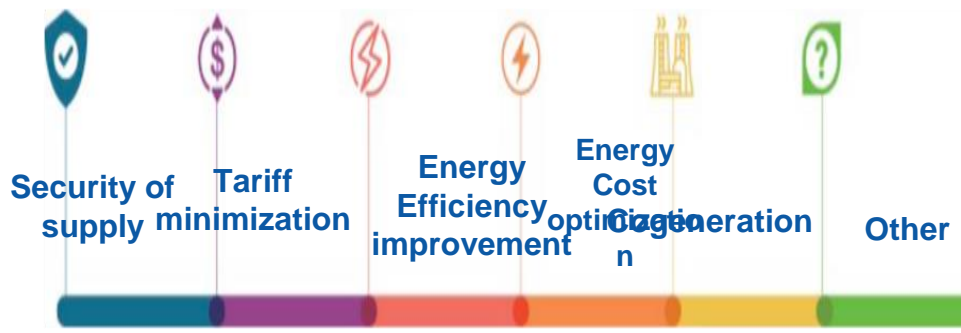
Operational Performance



RAND WATER



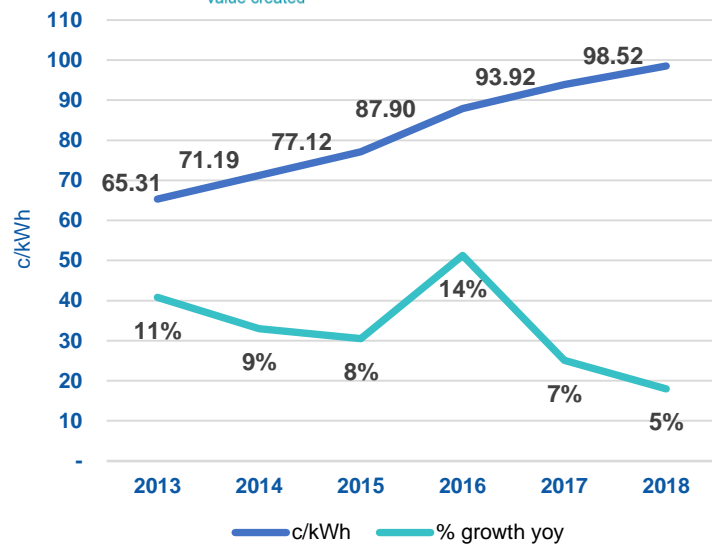
Energy Management



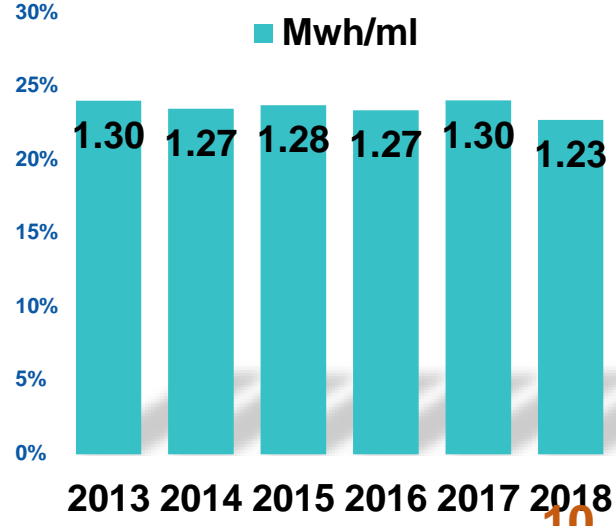
Financial Capital

Strong improvement in operating margins and returns in excess of weighted cost of capital value created

Cost of Energy



Energy Usage



Our Compliance



International
Organization for
Standardization

Quality Management Systems Maintained Certification



SHEQ Managem ent System



Work environment

- Work place standards
- Compliance to applicable legislation
- Safety equipment fit for purpose
- Cradle to grave practice – hazardous waste management
- Contract Management
- Equipment fit for purpose

SHE Systems

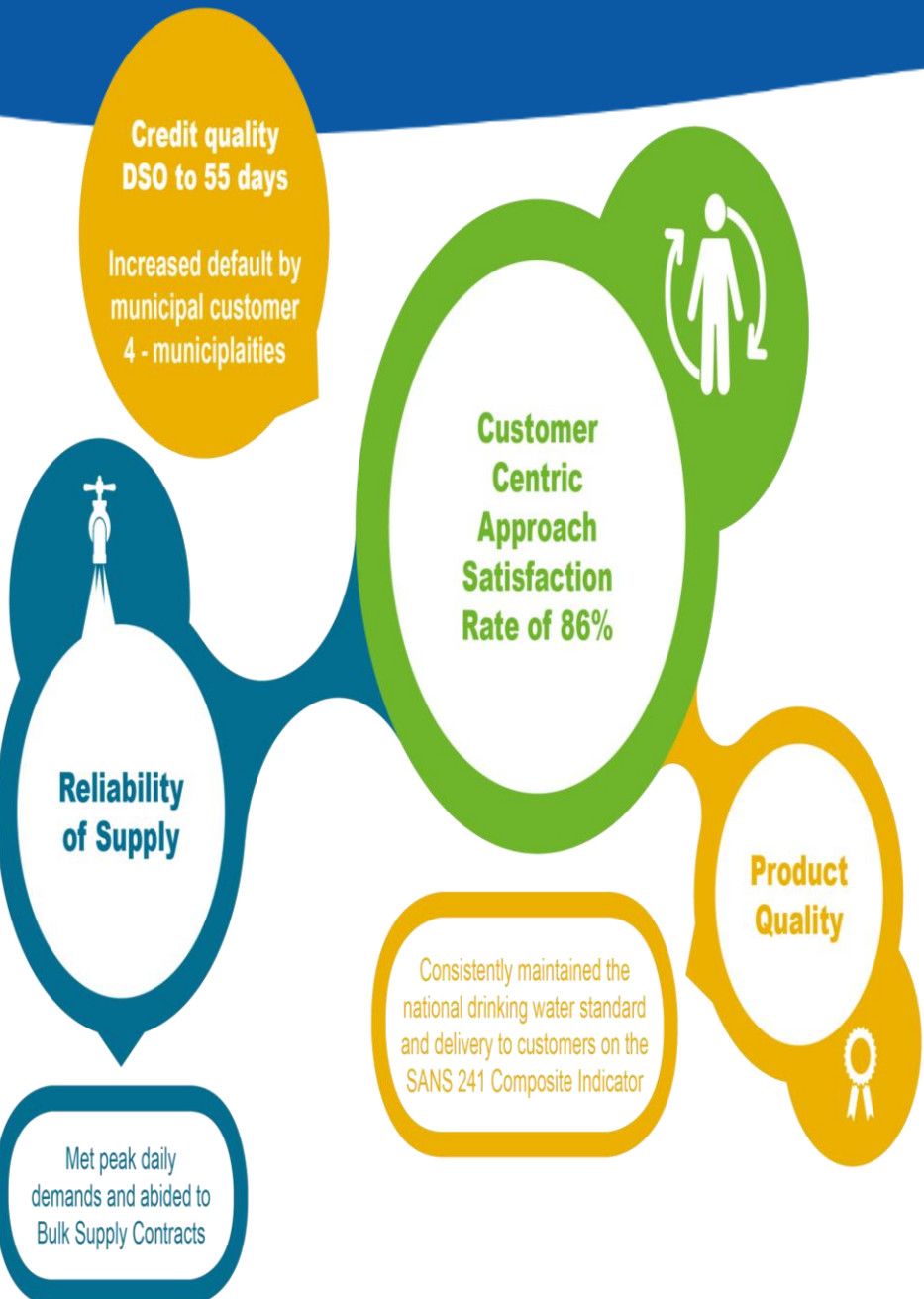
OHSAS 18001 upgraded to latest standards:

- ISO 14001
- ISO 9001
- Occupational Health Management Reporting

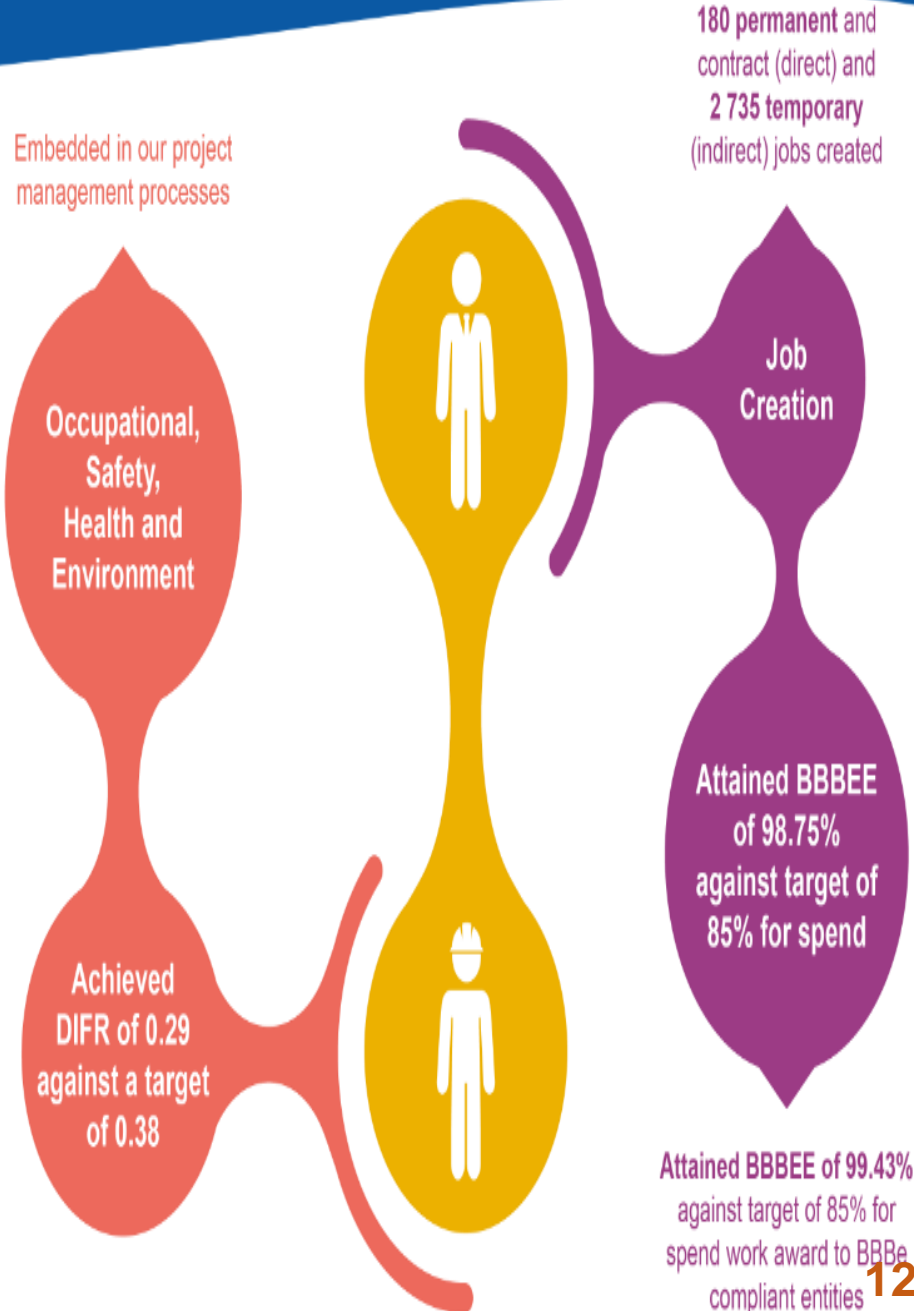
People Factor

- SHEQ Leadership commitment at all levels
- Occupational Health management
- Appropriate SHEQ training
- Effective communication across the board

Our Customers



Our People

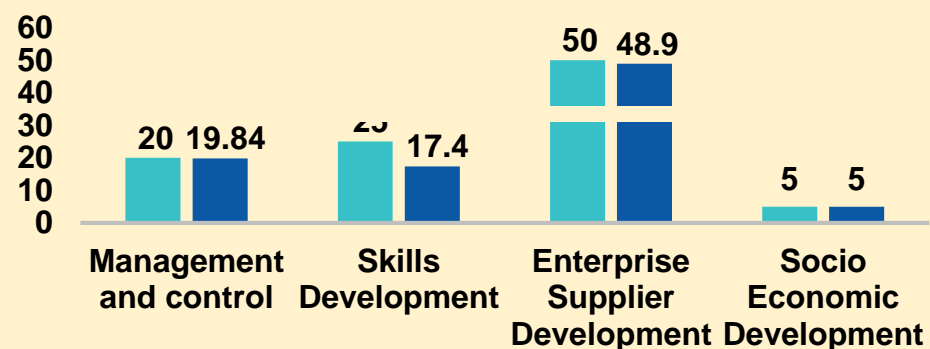


Compliance to B-BBEE Requirements

B-BBEE Report

Broad-Based Black Economic Empowerment

■ Target ■ Achievement



Maintained a **B-BBEE status level 3**

R12.4m

Spent on skills development for black employees

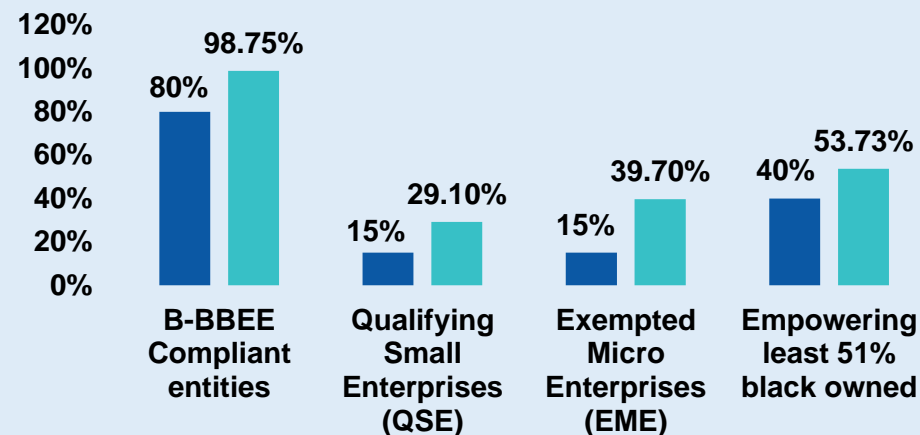
Skills development

R11.9m

Spent on unemployed black people through training initiatives

PREFERENTIAL PROCUREMENT

■ Target ■ 2018 Actual



*Target according to the B-BBEE codes of good practice of 2013

% of TMPS

The Group is committed to meeting the B-BBEE requirements. Rand Water is measured according to the Specialised Scorecard as outlined below:

ELEMENT	TARGET	ACHIEVED
Management and Control	20	19.84
Skills Development	25	17.40
Enterprise Supplier Development	50	48.90
Socio Economic Development	5	5
Overall Score		91.14
Achieved Level		Level 3



Rand Water maintained a B-BBEE status level 3 in the year under review up to 8 June 2018. The process of re-verification is underway.

Preferential Procurement

In the year under review,
Rand Water's total
measured procurement
spend was R3 483 million

**R3 483
million**

B-BBEE recognition
compliance of 98.75%

98.75%

The table below represents the spend in accordance with the preferential procurement element of B-BBEE requirements.



B-BBEE Compliant Entities	% OF TMPS	80%	98.75
Qualifying Small Enterprises	% OF TMPS	15%	29.10
Exempted Micro Enterprises	% OF TMPS	15%	39.70
Exempted Micro Enterprises	% OF TMPS	40%	53.73

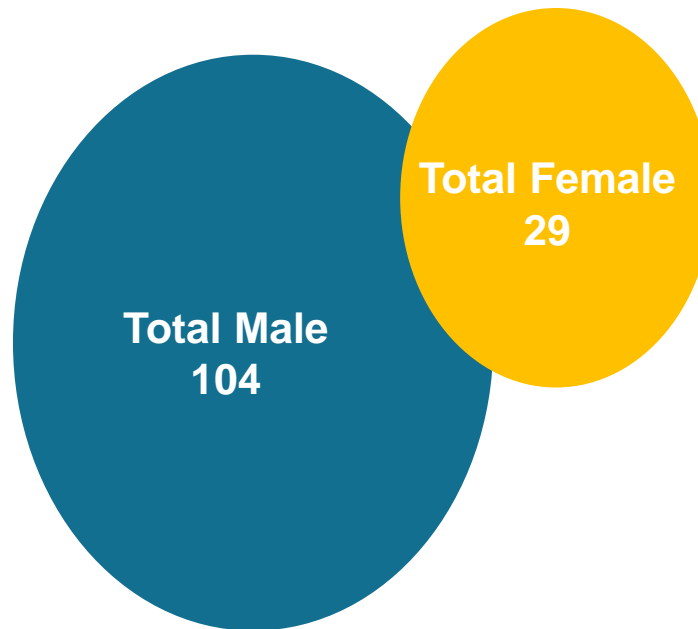


Suppliers that are at least 51% black women owned	% OF TMPS	7.49%
Suppliers that are at least 51% black youth owned	% OF TMPS	21.71%
Suppliers that are at least 51% owned by black people living in townships	% OF TMPS	0.33%

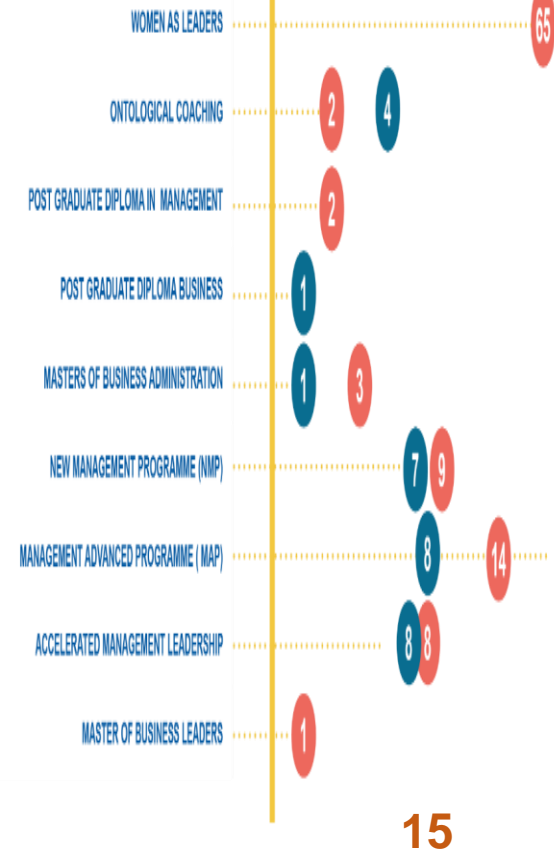
Employment Equity

- Female appointments at M-Q bands as per the KPI represented 68% against a target of 54%. 26 females got appointed against 38 appointments.
- The total percentage of females in the organization stood at 35.96%, represented by 1,131 females against a total permanent staff of 3,145.
- The total number of people with disabilities stood at 3.91%, against a target of 4.5%. However, this is way above the national minimum target of 2 percent across the public sector.

Leadership Development



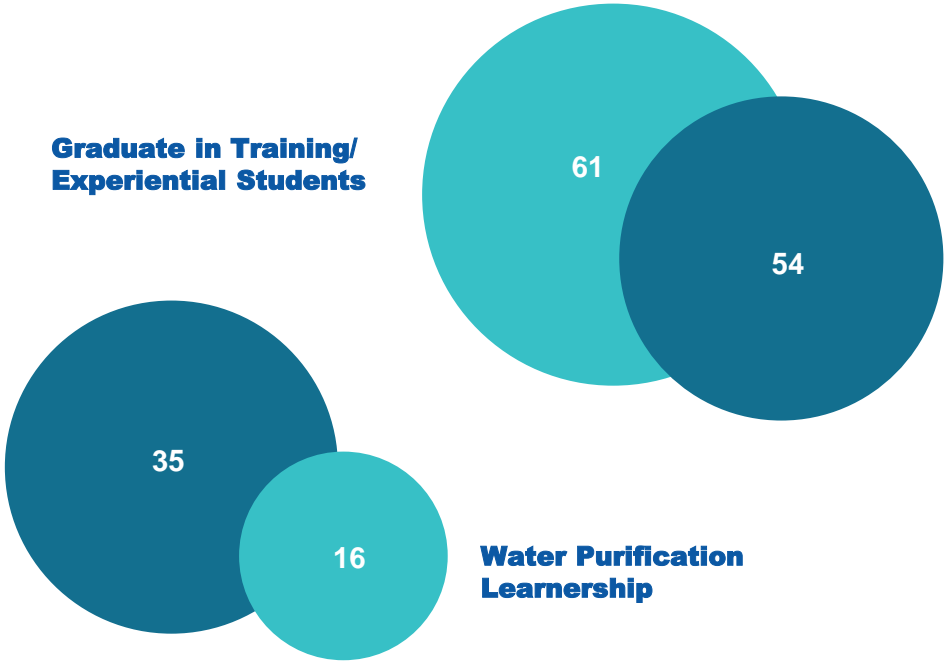
RW TRAINING PROGRAMMES LEADERSHIP PROGRAMMES



Community & Employment Equity

Learnership Programmes

Graduate in Training/ Experiential Students



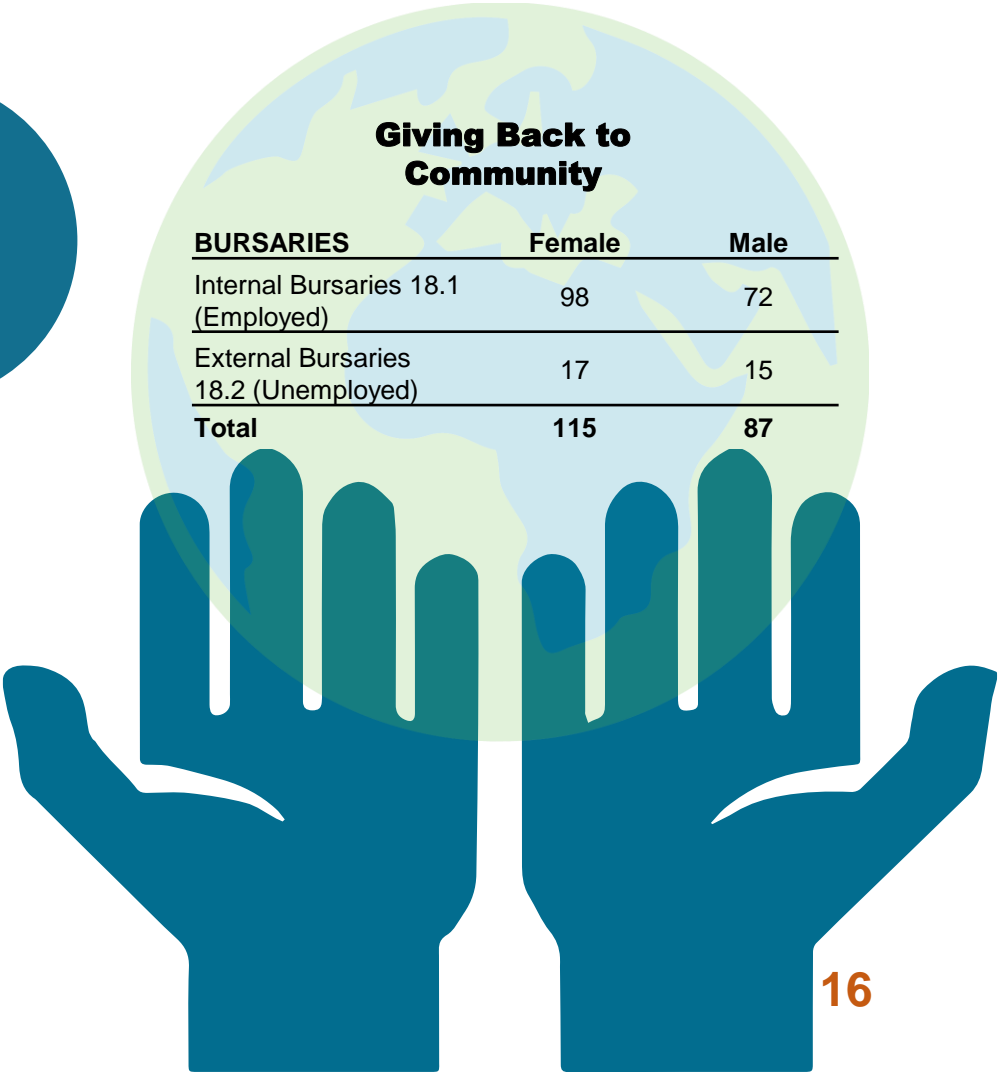
Water Purification Learnership

Legislative Training



Giving Back to Community

BURSARIES	Female	Male
Internal Bursaries 18.1 (Employed)	98	72
External Bursaries 18.2 (Unemployed)	17	15
Total	115	87



Human Capital Bottom Line

ABSENTEEISM MANAGEMENT

3.3% Target

3.14% Achieved



WELLNESS WEEK

HCT Services offered to Employees

RW Gauteng 1,850

RW Mpumalanga 131



SPORTS & RECREATION

RW Employees affiliated to sports 1,063

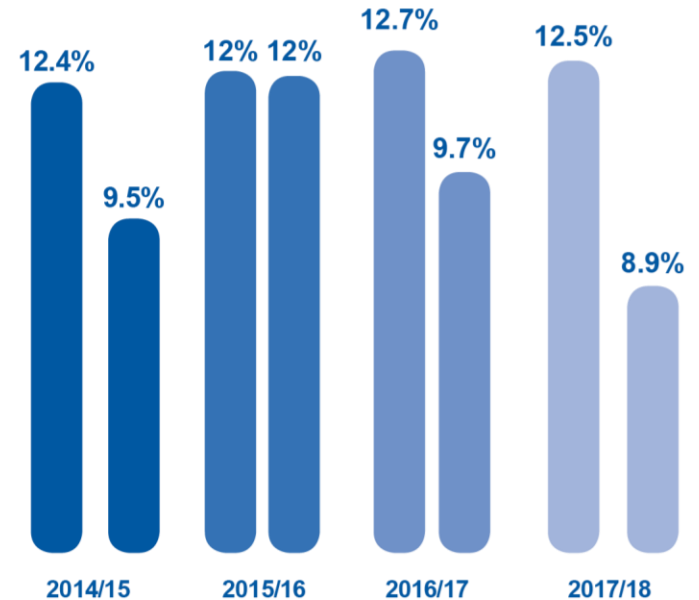


PARTICIPATION IN NATIONAL EVENTS

- Comrades Marathon
- Two Oceans Marathon
- Cape Cycling Tour
- Amashovha
- The Jock
- JP Morgan Corporate Challenge



RAND WATER HCT RESULTS

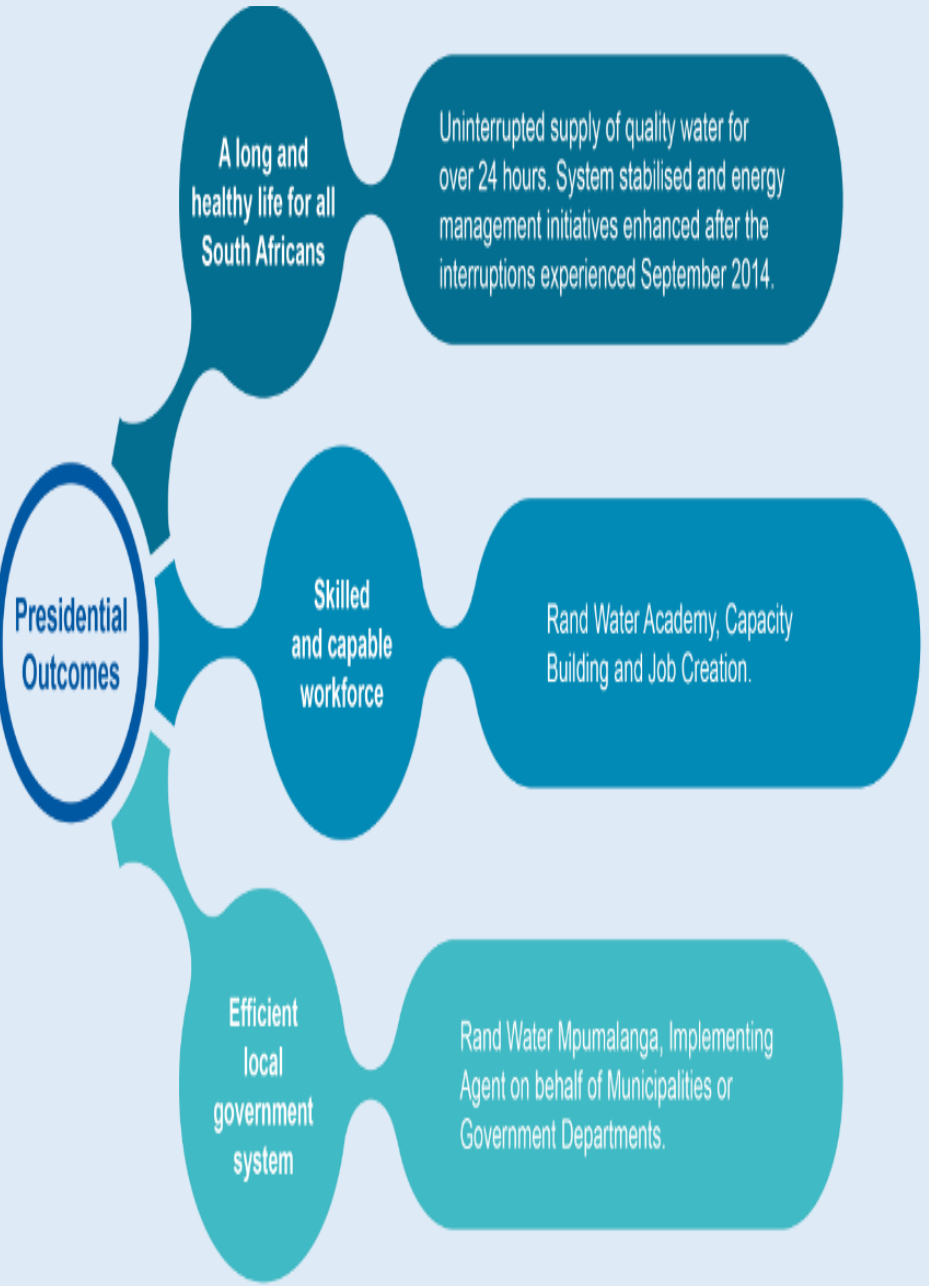


Contribution to Government and Minister's Performance Agreement



RAND WATER

Performance Snapshot

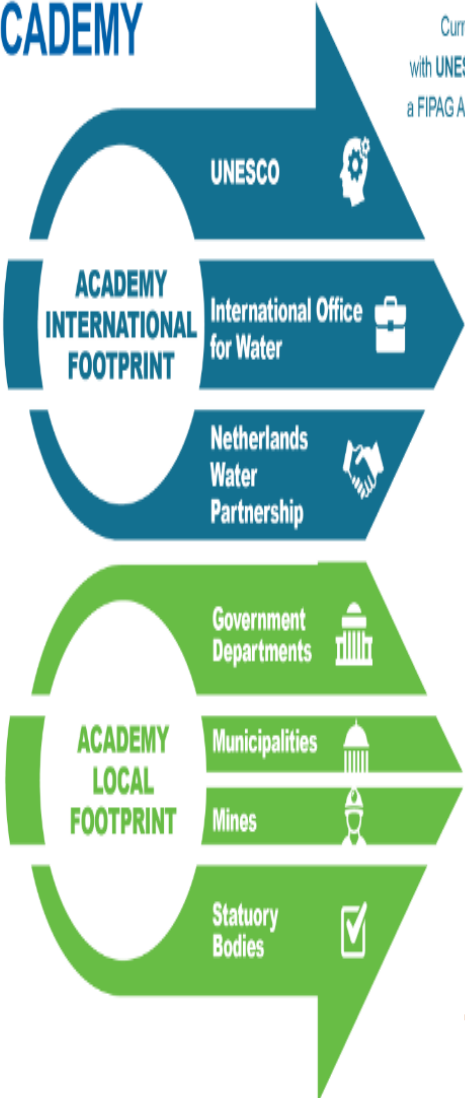


Outcome 5: Skills

RAND WATER ACADEMY

OUTCOME 5

SKILLS
A skilled and capable workforce to support an inclusive growth path



Currently executing a project with UNESCO – IHE to implement a FIPAG Academy for Professional Development in Water and Sanitation in Mozambique (Maputo)

Outcome 5: Skills

A skilled and capable workforce to support an inclusive growth path

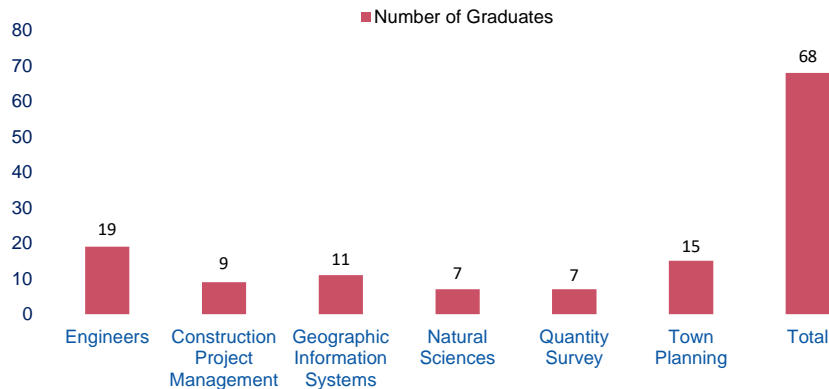
Rand Water Academy

Rand Water Academy Pillars:

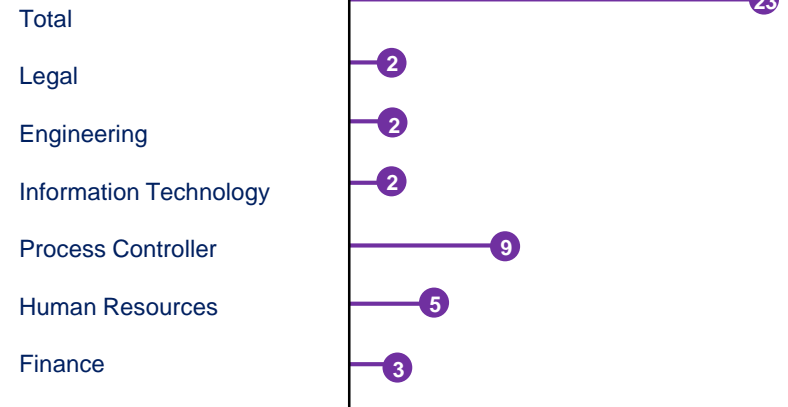
Research Platforms | Centre of Excellence | Centre of Competence | International Water Professionals Exchange Hub | WAT/SAN Solutions

NATIONAL TREASURY GRADUATE INTERNSHIP PROGRAMME

Graduate Intake (NT 2, NT 3 & NT 80)



RURAL DEVELOPMENT GRADUATE INTERNSHIP PROGRAMME



Intake: NT 2

Intake: NT 3

Intake: NT 80

Started May 2013-due to complete in December 2018 (period was extended from 3 to 5 years). Two learners resigned for permanent employment opportunities.

28 Apprentices who have completed the programme have been employed on War on Leaks programme on a fixed term contract.

Started June 2017- May 2020
All the other disciplines - Started June 2017- May 2020
10 more to be recruited to top up compliment to 80

Intake: RD 1

Intake: RD 2

Take: RD 3

Current progress

Started in 2014 to complete in 2018
Total of 10 graduates

Started in 2015 to complete in 2018
Total of 5 graduates

Started in 2015 to complete in 2018
Total of 8 graduates

42.5% Graduates are permanently employed.
9 Graduates are permanently employed by Rand Water and 8 are externally employed

20

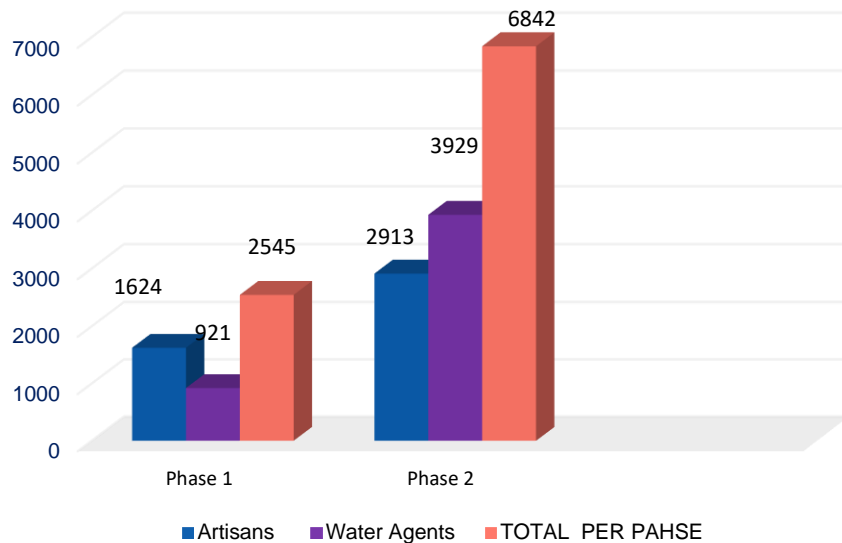
Outcome 5: Skills

A skilled and capable workforce to support an inclusive growth path

Rand Water Academy

WAR ON LEAKS PROGRAMME

WAR ON LEAKS TRAINEE HEADCOUNT (as at 30 June 2018)



Current Headcount:
Phase 1 = 2545
Phase 2 = 6842

TRIPARTITE AGREEMENT PARTNERS





Protect and enhance our environmental assets and natural resources

Rand Water Foundation

2017/18
R43.8 million

- Water and Sanitation Programme
- Environment and Conservation Programme
- Enterprise Development Programme
- NGO Support Programme
- Health, including HIV and AIDS Programme
- Educational & Training Programme
- Women, Youth and Children
- Community Relations Management

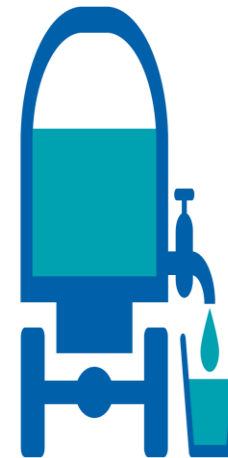
Rand Water Foundation External Funding

2017/18
R53.2 million

- Water and Sanitation Programme
- Environment and Conservation Programme
- Enterprise Development Programme
- Health including HIV and AIDS Programme
- Education and Training Programme

PROVIDERS OF EXTERNAL FUNDING INCLUDE

Independent development Trusts (IDT)
Department of Environmental Affairs (DEA)
City of Tswane Metropolitan Municipality (CTMM)
Mabibeng Local Municipality
Department of Water and Sanitation (DWS)
SASOL
Nhlengelo (NGO)
Metsi Naholo Trust
Cause Marketing (NGO)
Ruth First Memorial Trust for Jeppe High School for Girls



WATER AND SANITATION

Ensure community access to basic services by supporting the provision of water and basic sanitation in communities in need-maximise communities' access to water and proper sanitation.



Water and Sanitation – Projects Implemented

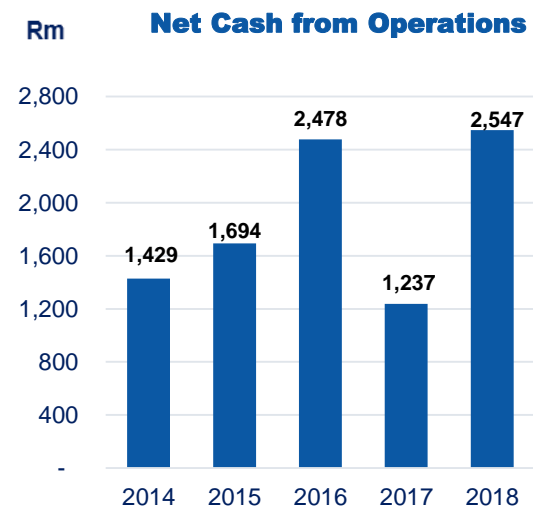
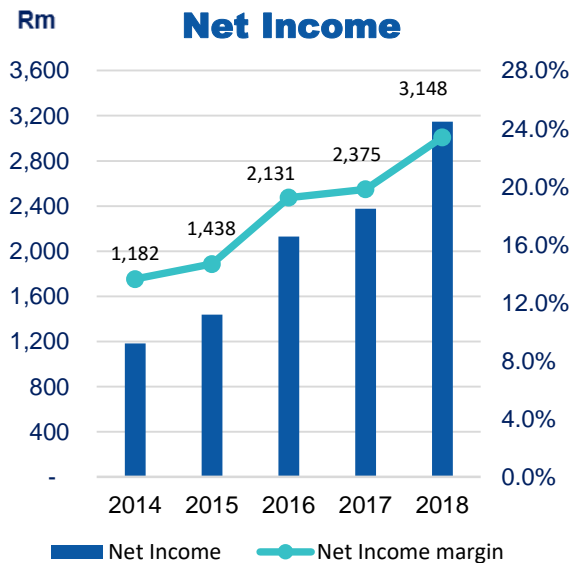
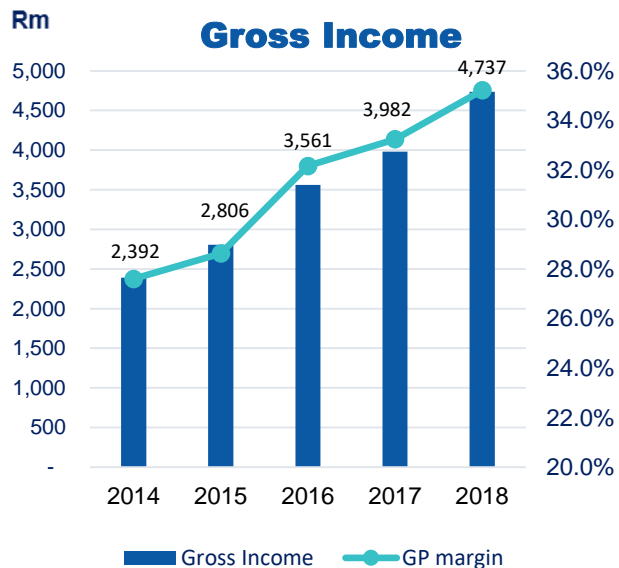
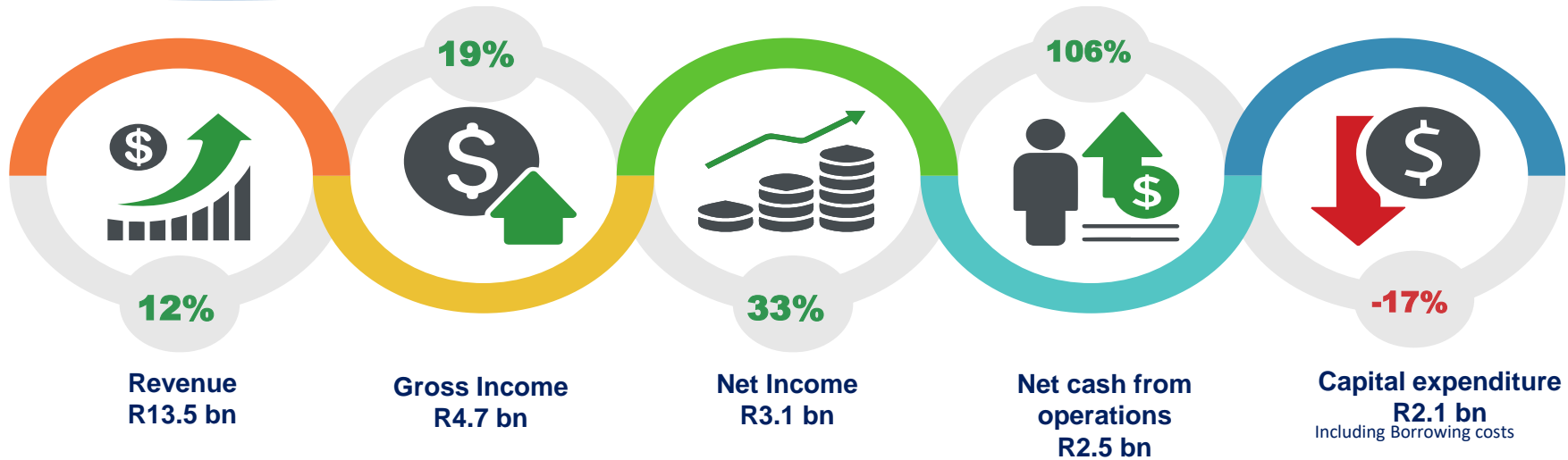
Schools Rainwater Harvesting. War on Water Leaks. Households Sanitation and Bucket Eradication. Rural Communities Water Supply and Municipal Support. Operations and Maintenance of Waste Water Treatment Plants

Financial Performance

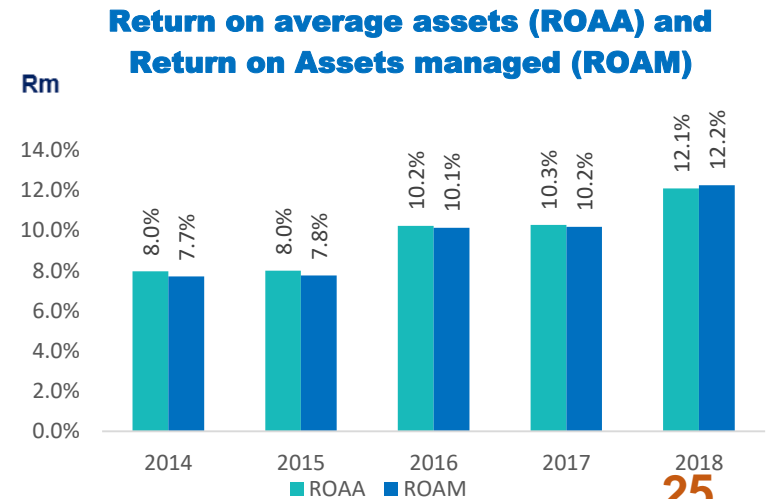
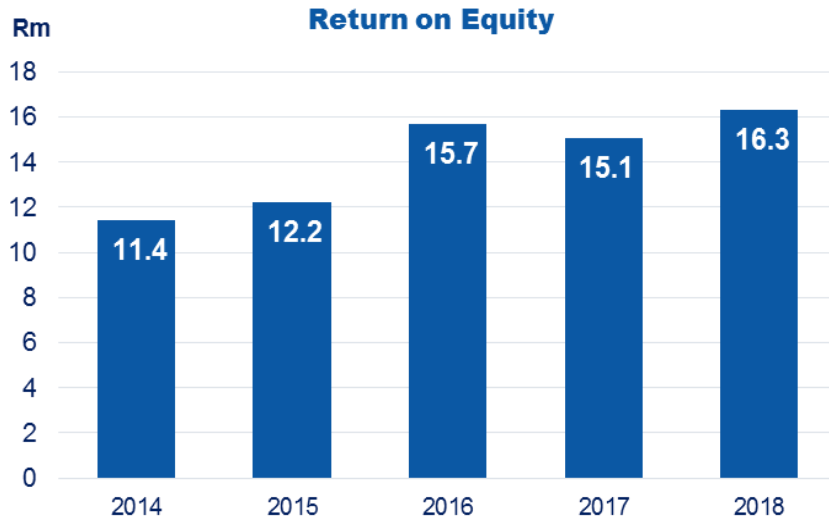
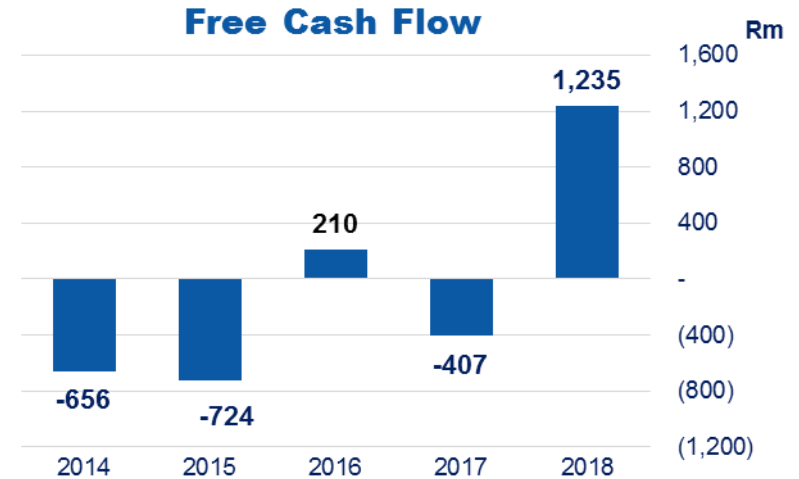
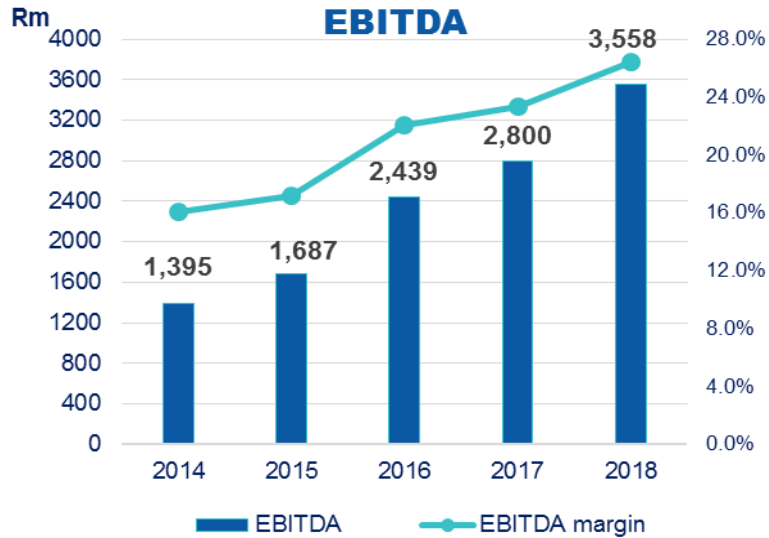


Financial Performance

Financial Performance Overview



Financial Performance



Financial Performance

Ploughing Back Our Net Income

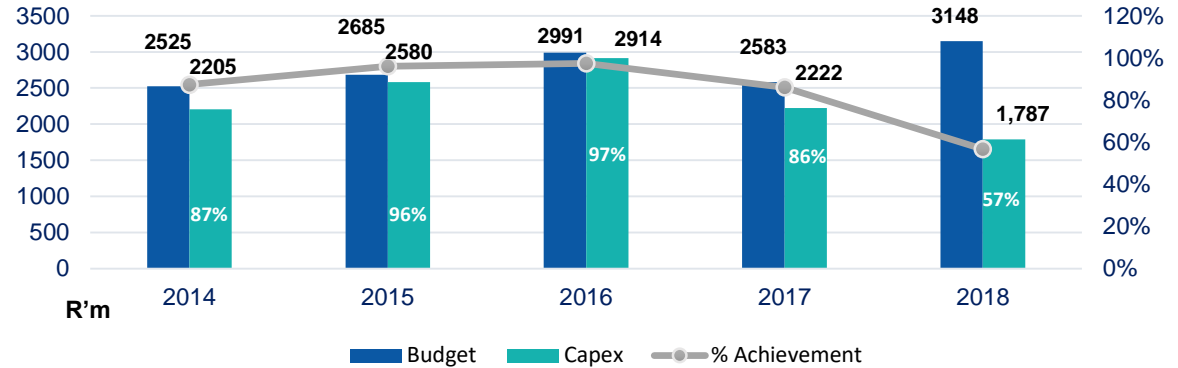
Delays on Capex programme due unforeseen delays in rolling out the new sourcing strategy.

Increased cash generated from operations resulted in no debt requirement

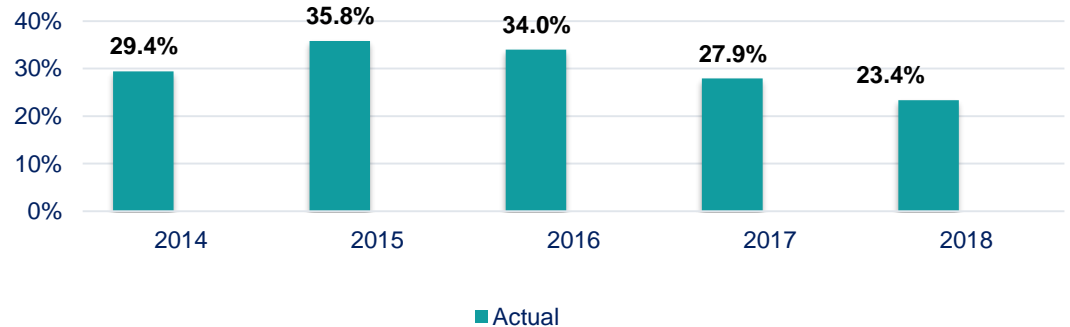
Remain focused on process efficiencies.

Cost Containment initiatives continued

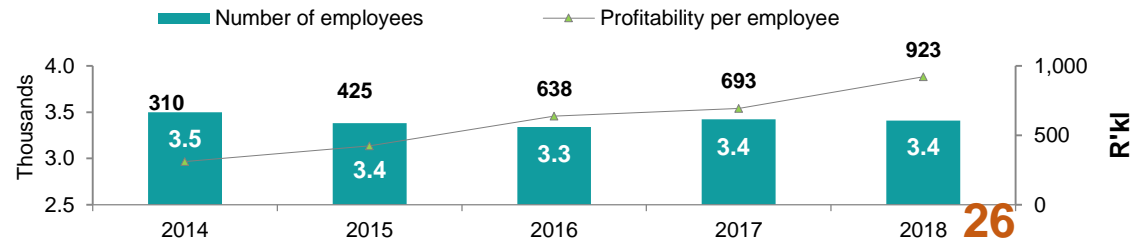
Capital Expenditure Performance



Debt to Equity



Profitability & Productivity

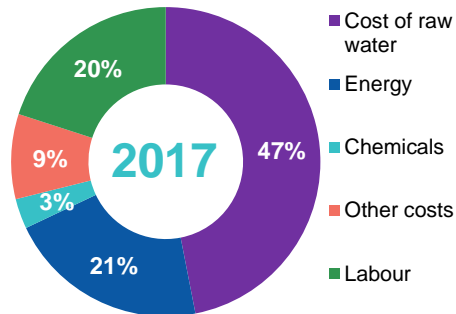
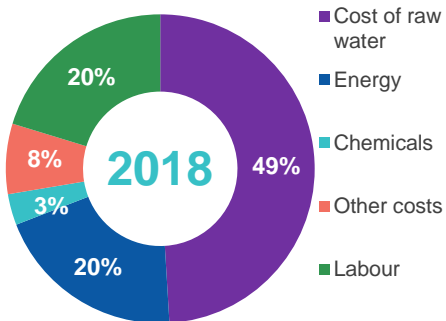


Financial Performance

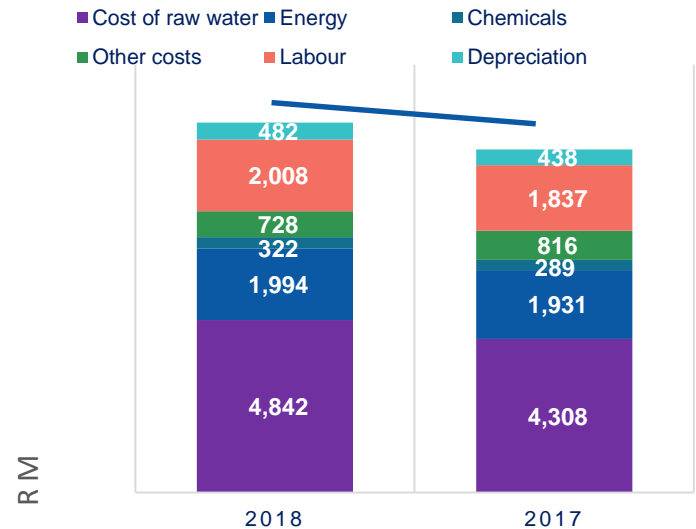
Consolidated Financial Results 2018 Cost Breakdown

For the year ended 30 June	2018 R million	2017 R million
Revenue	13 453	11 981
Operating expenses	9 895	9 182
Depreciation and Amortisation	482	438
Total operating expenses	10 377	9 620

Cost breakdown – Operating Expenses



Net Operating Expenses



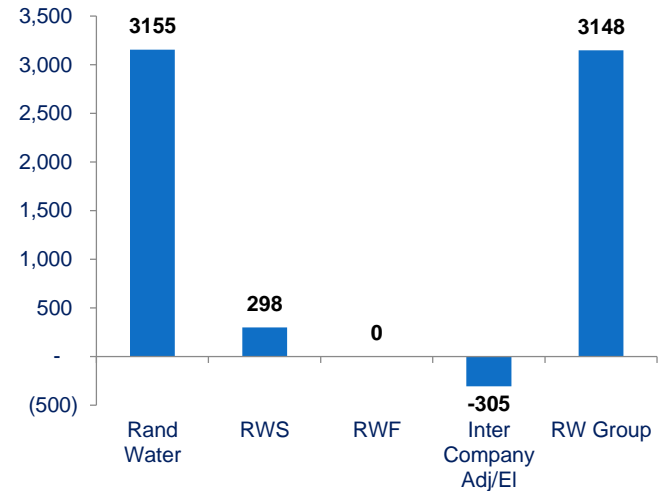
Financial Performance

Statement of Financial Performance

For the year ended 30 June	2018 R million	2017 R million
Revenue	13 453	11 981
Net operating expenses	(9 895)	(9 182)
EBITDA	3 558	2 799
Depreciation and amortisation	(482)	(438)
Income from operations before net finance costs	3 076	2 362
Net investment income	72	13
Taxation	-	-
Net income for the year	3 148	2 375

Net finance income	2018	2017
Total finance costs	463	489
Borrowing costs capitalised	(316)	(308)
Finance costs expensed	146	181
Total finance income	(218)	(194)
Net Investment Income	(72)	(13)

Net income contribution



- Other operating expenses reduced from R550m in 2017 to R446m in 2018 mainly attributable to:
 - Reduction in impairment of debtors by R105m;
- Included in the net investment income (finance income) is interest charges on trade receivables of R67m (2017:R41m), which have grown by 63.6%.

Financial Performance

Statement of Financial Position

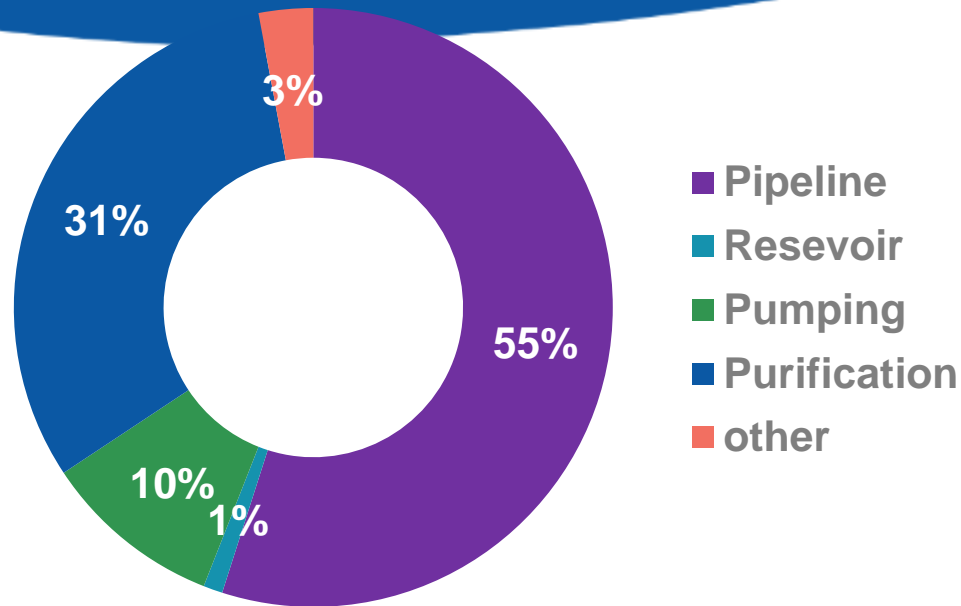
For the year ended 30 June	2018 R million	2017 R million
ASSETS		
Non-current assets	22 168	20 547
- Retirement benefit asset	15.6	10.4
Current assets	4 756	3 462
- Cash and cash equivalents	1 787	805
Assets of disposal groups	2.4	0.5
TOTAL ASSETS	26 927	24 010

Working capital movements	June 2018 R'm	June 2017 R'm	Movement R'm
Inventories	485	410	75
Trade and other receivables	2 481	2 244	237
Trade payables	(3 228)	(3 467)	239
Income received in advance	(409)	(409)	-
Working capital movements	(671)	(1 222)	551

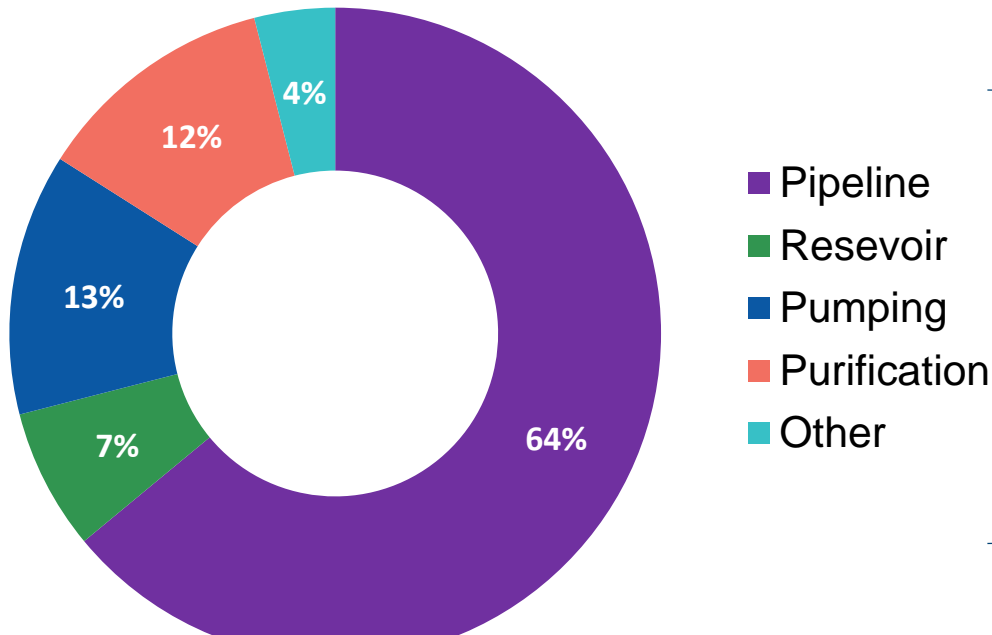
Provision for bad debts for the 2018 year increased by 9% to R512m (2017: R469m).

Financial Performance

Analysis of Capital Expenditure



Capital expenditure 2017/18
R 1.8 billion (excl. borrowing costs)

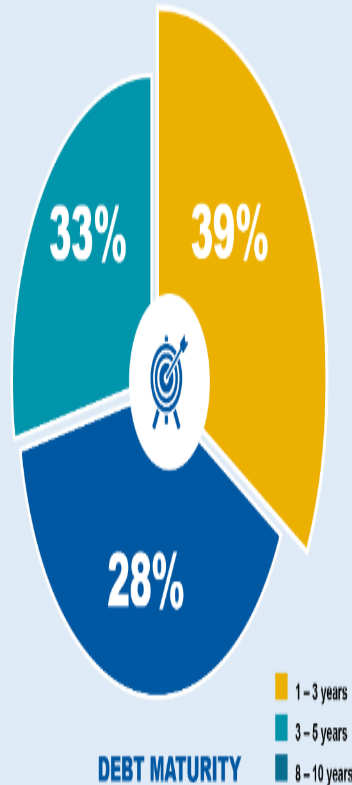
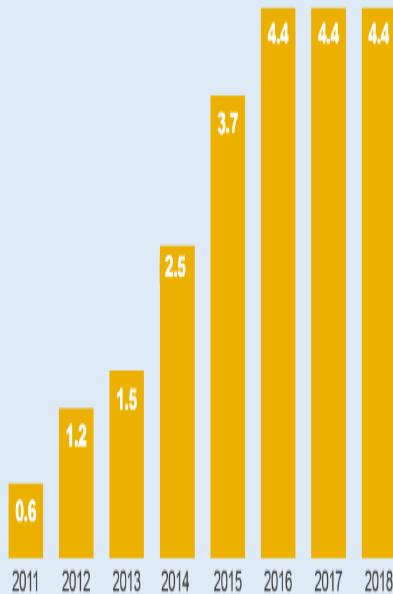


5-year Capital expenditure 2019 to 2023
R 25.7 billion

Financial Performance

Debt Profile

LONG TERM DEBT



DEBT MATURITY

1 - 3 years
3 - 5 years
8 - 10 years

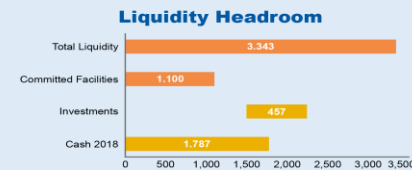
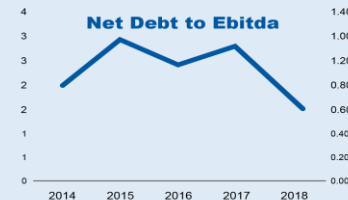
Debt and Investment management aimed to achieve optimal return on investments and minimization of carry costs.

The capital expenditure and operational expenditure was funded through internally generated cash.

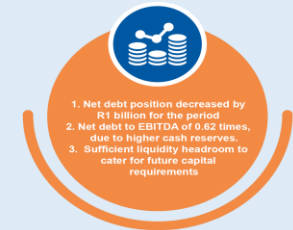


Bond	Nominal R'Million	Coupon %	Maturity Years
RW21	1.707	9.97	2021
RW23	1.231	9.51	2023
RW28	1.439	10.245	2028
R4.377			

Balance Sheet Flexibility



Undrawn Facilities



Rand Water Improved Cost of Debt

Reduction in Cost of Debt



Year	Cost of Debt
2010	13.00%
2011	12.63%
2012	11.48%
2013	10.02%
2014	9.98%
2015	9.95%
2016	9.94%
2017	9.93%
2018	9.93%



- Rand Water Cost of Debt managed at least cost for best advantage to cater for capital investment needs.
- As part of the redemption strategy executed in June 2018 to buy back bonds reduces debt as well as the finance costs which ultimately contributes to the reduction of the carry costs

Financial Performance

Delivering On Growth Strategy

RW MPUMALANGA

- Revenue limitations placed by extension of debt settlement agreement terms.
- Water volumes consistently exceed limits placed by debt settlement agreement.
- Severely strained cashflow as a result of non payment by major customers.
- City of Mbombela terminated the water supply contract with RW

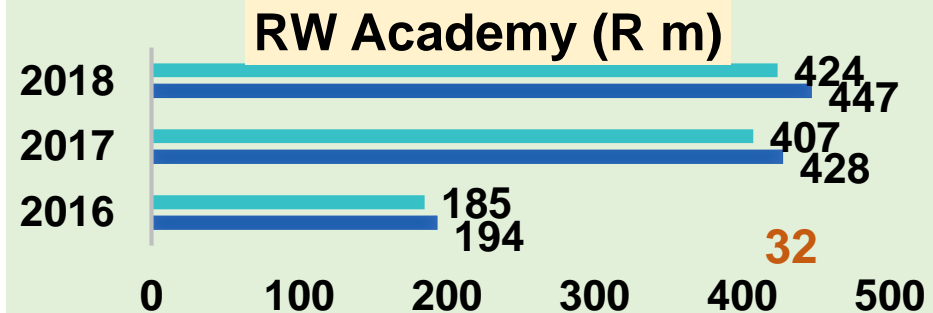
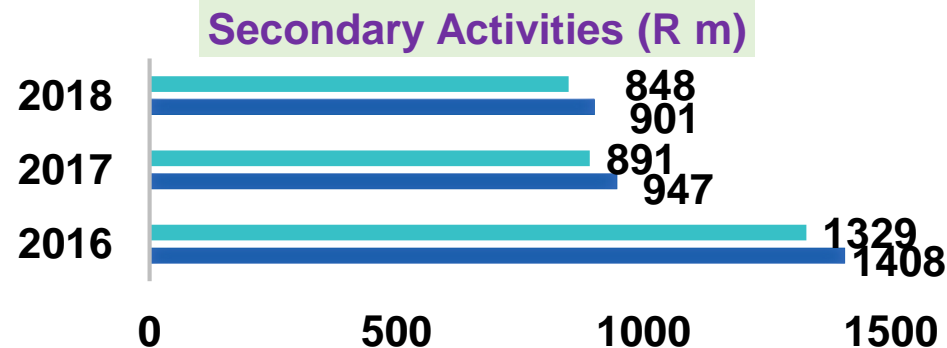
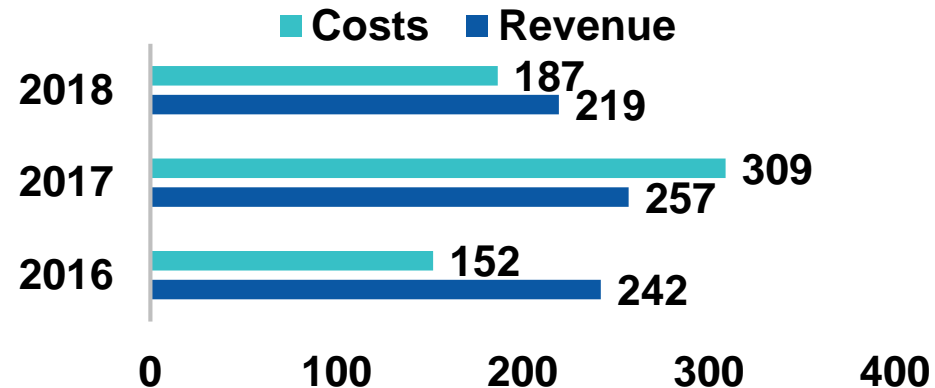
SECONDARY ACTIVITIES

- Continuation of Sanitation O&M projects, and infrastructure projects
- 78% of Secondary Activity revenue was from the Sedibeng RSS and the War on Leaks projects

RW ACADEMY

- Continuation of the National Treasury Graduate internship programme, and the Rural 40 project.
- Implementation of the National War on Leaks project

RW MPUMALANGA FORMER BUSHBUCKRIDGE (R M)



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Irregular, Wasteful & Fruitless Expenditure as at 30th June 2018

Irregular, Wasteful & Fruitless Expenditure

- For the year under review the Group recorded R117 million worth of expenditure incurred as a result of irregular expenditure and R11.8 million worth of fruitless and wasteful expenditure.
- No material cases of criminal conduct has been recorded for the year.
- R1.2 million of the irregular expenditure incurred in prior years has been condoned in the current financial year.
- R37.6 thousand has been recovered in the current year.
- The Group is still in process of obtaining approvals for the condonation of the remaining balance of R20.9 million for irregular expenditure incurred in prior years.

Irregular expenditure: R117m

Details of the current financial year movements are as follows:

- Employees attending training without following SCM processes R48 thousand:
- Five instances of variations for goods and services in contravention of SCM Instruction note 3 of 2016/17 (R3 million);
- Contractual Agreements reached expiration and were up for renewal or re-negotiated in contravention of supply chain management policy (R2.5 million);
- The Contravention of the Car Allowance and reimbursement policy by employees submitting improper travel claims and other services rendered to RW non-compliance to SCM policy (R200 thousand)
- Tender closing date extended without re-advertising (R11.5 million);
- Bid Splitting (R1.3 million) and
- Payments exceeded approved contract amount without variation approval (R99 million).
 - Security Contracts (R950 thousand)
 - Other contracts (R98 million)

Potential Irregular Expenditure

Potential irregular expenditure disclosed that requires further investigation, confirmation and quantification:

- Minor Works Contract (RW01155/14)
- Quotations not being advertised on the e-Tender Publication Portal as per National Treasury Instruction number 1 of 2015/2016.
- Potential Bid Splitting (Potential R2 million)
- ISS System (Potential R6 million)
- SCM Practice Note 3 of 2003 : Panel of Manufacturers - **34** rate based (Potential R188m)

Irregular, Wasteful & Fruitless Expenditure

Fruitless and Wasteful and Irregular expenditure and criminal conduct

Fruitless and wasteful expenditure: R11.8m

Details of the current financial year movements are as follows:

The appointed contractor instituted legal proceedings against Rand Water for damages and loss of profit suffered, resulting from inaccessibility to work on a site that was denied by the municipality (The municipality was the beneficiary). This was in order to proceed with the commissioned scope of work as per the concluded contract. Rand Water is in the process of claiming the monies from the Municipality, as it is the action of the Municipality that has led to the claim against Rand Water.

As per National Treasury – Updated Guideline on Irregular Expenditure, the following 2 paragraphs highlight the need for this note to be updated upon the financial statements being published.

RECORDING OF IRREGULAR EXPENDITURE IN THE ANNUAL FINANCIAL STATEMENTS

If such enquiries or investigations are not concluded by the date on which the annual financial statements are published, a narrative to this effect must be included in the irregular expenditure register.

If irregular expenditure occurred during the year under review and is only discovered during the audit, the validity thereof must be confirmed before the audit is finalised. If an investigation is still in progress after the audit is completed, then a narrative to this effect should be included in the irregular expenditure register.

Progress to date on potential Irregular Expenditure identified during 2018 Financial year

Potential Irregular Expenditure pertaining to the prior period

The details below indicates potential irregular expenditure identified in the prior year including details on the status to the current reporting period. The following matters were reported in the prior year as potential irregular expenditure:

Potential Minor Works

- Contract (RW01155/14) relates to awarding projects over the approved and budgeted limit of the BAC and stipulated thresholds. Awaiting the outcome of the ongoing investigation.

Potential quotations not being advertised on the e-Tender Publication Portal

- Quotations not being advertised on the e-Tender Publication Portal as per National Treasury Instruction number 1 of 2015/2016. The investigation on this matter is still in progress.

Potential Bid Splitting (Potential R2.0 million)

- The matter is being investigated in order to determine the validity of possible bid splitting by approximately four suppliers. The outcome of the investigation is still pending.

ISS System (Potential R6.0 million)

- Quotations awarded through the ISS system could not be verified, due to first time system application. The system was subsequently shut-down, however investigation is required to validate the quotations awarded. The investigation has not yet been concluded.

SCM Practice Note 3 of 2003 - rate based (Potential R188.0 million)

- The Panel/Term Contract awarded to manufacturers to supply and deliver steel pipes are under investigation and have been queried with National Treasury in terms of its validity and possible application of the said Practice Note. The contract was awarded through a normal tender process. Rand Water differs with the auditors on the applicability of the National Treasury Practice Note 3 of 2003 to this transaction. The matter is being investigated and National Treasury interpretation of this transaction is being sought.

Tariff Consultation Process

Tariff Consultation Process And Important Timelines

DWS / TCTA raw water pricing 2018	30 th September
Board Approval of Proposed Tariff	15 th October 2018
Customer consultation and information sharing with DWS and National Treasury	
National Treasury	22 nd October 2018
DWS	22 nd October 2018
SALGA	23 rd October 2018
Water Services Forum	24 th October 2018
Consulting with Mines and Industries	25 th October 2018
Submission to Treasury and SALGA for input	26 th October 2018
SALGA National Office	7 th November 2018
SALGA Gauteng Regional Office	27 th November 2018
DWS	26 th November 2018
National Treasury	6 th December 2018
National Treasury Response to Proposed Tariff	20 th December 2018
SALGA Response to Proposed Tariff	10 th January 2019
Board Approval of Submission to DWS	24 th January 2019
Submission to DWS for Parliamentary approval	25 th January 2019
Parliamentary approval	20 th March 2019
Implementation	1 st July 2019

Strategic Issues

- Rand Water's tariff is determined by the cost of doing business in the year that the tariff will be applicable
- The concern with the overall inflation is that most cost elements are way outside the 3% - 6% inflation targeting range.
- Over the past four years, CPI has continued to remain very close to the upper limit.
- It therefore becomes difficult to expect the bulk potable water tariff to be within this range.

	2019	2020	2021	2022	2023	2024
CPI (headline)	5.70%	5.40%	5.10%	5.10%	5.10%	5.38%
PPI	5.63%	5.23%	4.90%	4.90%	4.50%	5.88%
Exchange Rate (R/US\$)	14.24	14.32	14.44	14.52	14.74	15.73

Energy Impact on Tariff

- Eskom applies to NERSA for its energy tariff increments. The concern with these applications is the significant difference between Eskom's application and NERSA's eventual approved energy tariff increment.
- The other difficulty for Rand Water is that the Eskom tariff application is not aligned to the water sector tariff consultation cycle. In some years Eskom has applied for its tariff increment in November or December. As demonstrated above, Rand Water has had to adjust its tariff accordingly.
- The additional concern is that even though Eskom's tariff is significantly changed by NERSA, the regulator still gives Eskom an opportunity to resubmit during the financial year.
- On 2nd October 2018, NERSA approved an additional 4.41 per cent energy tariff increment.
- Rand Water also sources its energy from Emfuleni, Johannesburg and Ekurhuleni.

PROPOSED TARIFF

Rand Water Tariff = Rand Water Internal nancial Year Ending 30th June 2020

	%	Forecast	Percent	Weighted
Year-End ~ 30 June	Increase	2020	of total	
	%	R m	%	%
DWS	3.8%	1262	10.2%	0.4%
TCTA	8.7%	4583	37.0%	3.2%
Raw Water	7.6%	5845	47.2%	3.6%
Energy - Eskom	6.2%	1010	8.2%	0.5%
Energy - Municipalities	7.2%	1247	10.1%	0.7%
Chemicals	11.5%	539	4.4%	0.5%
Multi-Partnered Uncontrollable Costs		8641	69.8%	5.3%
Labour	7.25%	2089	16.9%	1.2%
Depreciation	18.6%	643	5.2%	1.0%
Other	4.8%	998	8.1%	0.4%
Total		12371	100.0%	7.9%
Target tariff increase				7.9%

Rand Water's current gazetted tariff is 958 cents per kilolitre. **Therefore Rand Water's new proposed gazetted price is 1009 cents per kl - a 7.9 per cent tariff increment.**

Municipalities	<i>Current Tariff (1 July 2018 – 30 June 2019)</i>	<i>New Tariff (1 July 2019 – 30 June 2020)</i>
Tariff Increment		7.9%
	<i>C/kl</i>	40 C/kl
Tariff	935.183669 <i>Excluding VAT at 15 per cent</i>	1009.063179 <i>Excluding VAT at 15 per cent</i>

Recommendations

- Rand Water submits a 7.9 per cent tariff increment.
- This tariff may be significantly affected by the energy tariff increment that is not yet finalised by NERSA. This is a pass-through cost that will affect Rand Water's proposed tariff if it is different from current energy tariff increment projections. The new energy tariff increments, when announced by NERSA, may also affect assumptions in the following 2 years.
- This tariff may be affected by a significant increase on the raw water for the remaining 3 months of the financial year ending 30th June 2020. Rand Water and National Treasury note the significantly low projected tariff of 3.87% which may change from such a low base thus affecting Rand Water's tariff and financial position.
- Rand Water is given an opportunity to implement a stepped tariff (or a package to manage exceeding set limits) in the event of a drought announced by the Honourable Minister.
- Rand Water starts engaging with local municipalities with regards to factors that may lead to the introduction of a stepped tariff, for example, limitations on the amount of raw water that Rand Water is able to abstract.
- With regard to Bushbuckridge Local Municipality (BLM), Rand Water had proposed a 5.4 per cent tariff increment (projected CPI) for the 2019 / 20 financial year for the Bushbuckridge Area of Operations. However, informed DWS that BLM intends to terminate its contract with Rand Water. Therefore, tariff consultations were not honoured by BLM. If the termination occurs before 1st July 2019, then BLM can apply their own tariff. On 1st July 2019, this tariff increment will be applicable until termination.

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Funding Strategy (2019 – 2022)



RAND WATER
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Funding Strategy (2019 – 2022)

FUNDING REQUIREMENT	2018	2019	2020	2021	2022
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Cash generated from operations	4,256	4,439	4,738	5,475	5,775
Finance costs	(353)	(398)	(505)	(818)	(845)

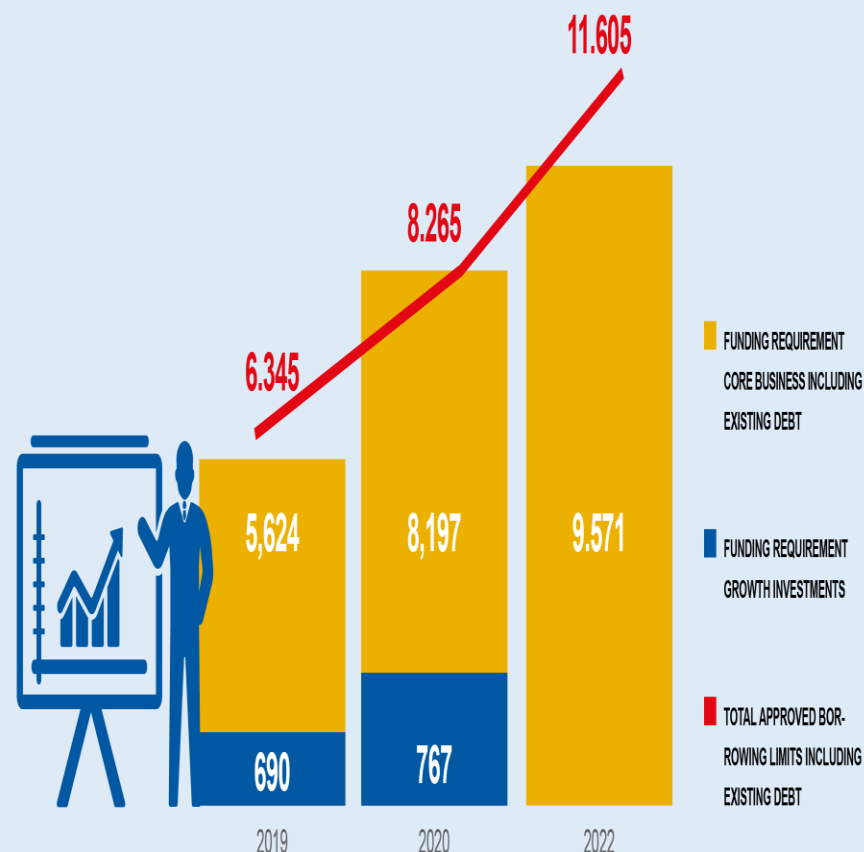
Net cash from operating activities	3,903	4,042	4,233	4,656	4,929
Capex – renewal projects	(2,312)	(2,825)	(2,842)	(2,959)	(2,397)
Redemptions	-	-	-	(1,724)	-
Rehabilitation fund	-	-	-	(88)	-

(Increase)/Decrease in available cash	1,591	1,217	1,391	(115)	2,533
Redemption portfolio reserve	(162)	(752)	(1,292)	(1,950)	(420)
Strategic & operational liquidity reserve	(1,153)	(1,063)	(1,956)	(1,337)	(2,591)
Rehabilitation reserve	(76)	(82)	(88)	-	-

Cash flow before bank balances	200	(680)	(1,946)	(3,402)	(478)
Opening bank balance	780	1,487	1,847	3,285	3,231
Hydro-power investment	(50)	(300)	(173)	(172)	-
Capex - Augmentation	(930)	(1,736)	(2,302)	(2,809)	(2,753)

Funding requirement	0	(1,230)	(2,573)	(3,098)	0
Growth Investments	0	(690)	(767)	-	-
Funding Requirements Incl. Growth investments	0	(1,920)	(3,340)	(3,098)	0

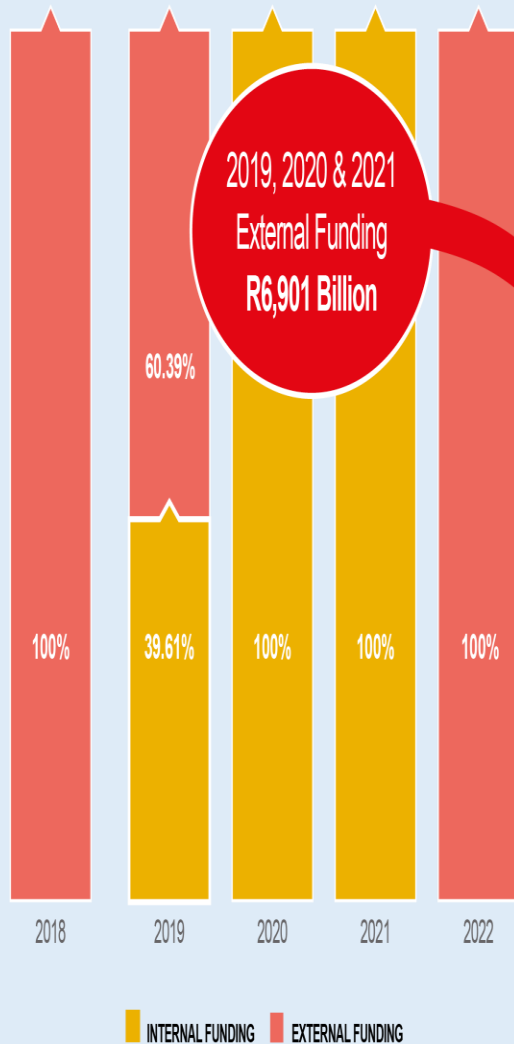
APPROVED BORROWING LIMITS TO SUPPORT FUNDING REQUIREMENTS 2019 – 2022 (Rm)



- 2019-2022 Borrowing Limits fully approved to support Core Business requirements.
- Borrowing limit approvals revised to include existing debt with no option to accumulate un-utilised limits to the following years
- Approvals obtained timeously due to stakeholder relationship management

Funding Strategy (2019 – 2022)

FUNDING SOURCE - CORE BUSINESS - AUGUMENTATION CAPEX INVESTMENTS

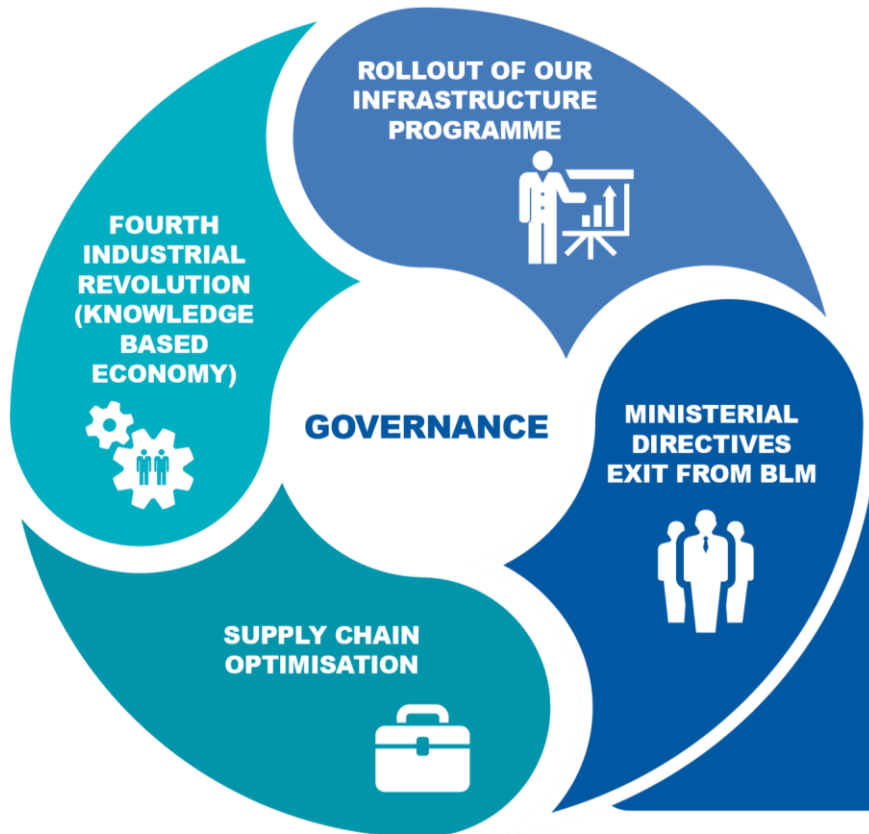


Debt Profile increasing to **R11,605 Billion**

Credit Ratings



Looking Forward



Rand Water is committed to:

- Rolling out the capital expenditure programme, which remains critical to Rand Water's success;
- Prudent application of the credit management policy to maintain financial health and sustainability;
- Building a resilient organisation for the future;
- Promote a strong culture of leadership continuity and sustainability within the organisation and the water sector
- A strong spirit of partnership with the water sector and South Africa

Thank You!



RAND WATER