



LIST OF ACRONYMS

SANS South African National Standards

ICT Information Communications and Technology

BCM Business Continuity Management

DWS Department of Water and Sanitation

PBWSS Pilanesburg Bulk Water Supply Scheme

ML/day Megalitre per day

IRS Implementation Readiness Studies

EWSETA Energy and Water Sector Training Authority

NQF National Qualifications Framework

EWP Employee Wellness Programme

DIFR Disabling Injury Frequency Rate

ISO International Standards Organisation

OHSAS Occupational Health and Safety Management Systems

CSI Corporate Social Investments

VIP Ventilated Improved Pit

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Ms N Mokonyane MP
Minister of Water and Sanitation

FOREWORD BY THE SHAREHOLDER

The Constitution of the Republic of South Africa encompasses the democratic values of human dignity, equality, human rights and freedom, as the cornerstone of moving the country forward. The Democratic values of the Constitution outline water and sanitation as one of the key socio-economic service delivery imperatives, which requires collaborative relationship between government and all the citizens in the country, irrespective of their status in the society. The Department of Water and Sanitation (DWS) and all the Water Service Institutions, such as Magalies Water, have been established to drive the government's business of water service delivery, in pursuance of achievement of these Constitutional values. The Annual Report of Magalies Water for the period 2017/18 financial year is therefore presented to stakeholders as the quest to continually advance the pace of water and sanitation service delivery to the people of South Africa.

Water for Sustainable Development

Globally, an emerging trend has been changing spatial development patterns due to rapid urbanisation and migration of people to the cities. This emerging trend has been identified as one of the worrying developments of the fourth industrial revolution, as rapid urbanisation is continually outpacing the infrastructure development. Access to water and water shortages are a global challenge, which affects millions of people and, has resulted in water being identified as a scarce resource and a critical social, economic and financial driver.

Infrastructure development gaps need practical interventions to ensure long term water security, and as a result the Department of Water and Sanitation together with its Entities embarked on a capital expansion drive to address this challenge. In response to these challenges, Magalies Water has implemented capital infrastructure programmes to ensure reliable supply of water to the mining industry, including the Moses Kotane, Rustenburg and Thabazimbi Local Municipalities. The capital expansions are aligned to the organisational masterplan which will be progressively implemented in the future until it is fully realised. Initiatives implemented towards addressing water infrastructure gaps are aligned to the Sustainable Development Goals to address key systematic barriers to sustainable development such as inequality, unsustainable consumption patterns, weak institutional capacity and environmental degradation.

Optimisation of service delivery

Configuration of water reforms and driving factors towards optimal service delivery vary across countries and is mostly driven by the following factors:

- Water scarcity
- Financial crises
- Macro-economic reforms
- Institutional pressures, and
- Political reforms

In South Africa, the National Development Plan articulates a process of institutional reforms in the water sector to devolve the existing Water Boards into Regional Water Utilities, which are to provide regionalised solutions in delivery of water and sanitation services. The Regional Water Utilities will be expected to supply a range of water and sanitation related services across the water value chain. Social factor is a driver towards optimisation of water services delivery models in South Africa as the Institutional Reforms and Realignment processes are intended towards addressing service delivery issues. Magalies Water is one of the Entities that plays a significant role in the achievement of institutional reforms and realignment in the water sector.

Increasing global water demand

Water is a scarce resource and has been identified as one of the key business disruptors due to the emergent concept of the water-food-energy nexus. The world population is increasing and there is also a corresponding increase in the demand of water for food security, irrigation, power generation and manufacturing. Water is un-substitutable and most of it is available as groundwater resource, and is being diminished at a rate which is more than at which it can be replenished. There is also a close relationship between water scarcity and pollution, largely due to population growth and climate change. South Africa faces serious challenges as far as water demand is concerned and, the mining, electricity and manufacturing industries are mainly affected. The Crocodile West and Marico, Olifants, Upper Vaal and Uthukela are the most affected, among others. Magalies Water has continually placed specific attention on the impacts of its operations on the natural resources through various activities through the value chain.

Appreciation

I would like to convey my sincere gratitude to the Board, Executive Management and the entire Staff of Magalies Water for the role played in the process of revolutionising water and sanitation sector.

Ms N Mokonyane MP

Minister of Water and Sanitation



STATEMENT OF THE CHAIRPERSON

Dear Stakeholders,

On behalf of the Board, I present to you the Annual Integrated Report of Magalies Water for the 2016/17 financial year. This report contextualises the performance of Magalies Water against its legislative mandate of water services delivery. It is against this legislated mandate that the performance of the organisation can be measured. The report is presented against the backdrop of socio-economic and other environmental impacts that cannot be ignored as they have a direct influence on the performance of Magalies Water.

Organisational performance

Magalies Water achieved the unprecedented surplus levels of R95million which was through inter-stakeholder collaborative efforts, among those, the Honourable Minister of Water and Sanitation, fellow members of the Board, Magalies Water employees and our customers. In addition to the financial performance of R95million as reflected, 88% percent of the pre-determined objectives set for the 2016/17 financial year were achieved. This has been a significant improvement compared to the previous financial years. The Board of Magalies Water has ensured compliance with principles of Corporate Governance and the above achievements were realised without incurring any fruitless and wasteful expenditure. Magalies Water will remain to pursue compliance with principles of good Corporate Governance in creation of value for the stakeholders and communities in our supply at large.

Efficiencies are being harvested due to our focus on effectiveness of operations, excellence in service quality and organisational growth. The historical challenges of poverty, unemployment and inequality stills remain as national challenges and this is reflected in the inability of some customers to pay their accounts. This further confirms our societal inequities as reflected through provision of water services.

The slow economic growth and financial dynamics of our service area impacts on the ability of Magalies Water to raise capital in funding of the required infrastructure expansions for provision of basic water services. This will require a novel approach and thinking in how some of the key projects, such as Pilanesberg Phase II and Phase III expansions are financed.

Stakeholder engagement and collaborations

The Board recognises that the various inter-governmental compacts including those between government and business are crucial in the advancement of economic growth. This is in addition to the fact that stakeholder engagement is driven to counter against reputational impacts. Stakeholder engagement was thus driven at a Board level to ensure that the relations and collaborations are advanced to position Magalies Water as a service provider of choice.

Sustainable services delivery

We have entered a new phase as an organisation, wherein we need to push hard the frontiers of poverty and ensure a sustainable supply of water in our area of supply. This noble goal need to be achieved in a self-funded manner, without reliance on the national fiscus and through collaborations with stakeholders for the benefit of communities in our supply area.

I would like to convey a special thank you to:

- Auditor-General, and the Parliamentary Portfolio Committee on Water and Sanitation for keeping us forever accountable;
- Mayors, Councillors and Officials of the Water Services Authorities including Traditional Authorities in the service area of Magalies Water for their strategic partnerships in services delivery;
- Industries and Private Sector partners for their collaborations in ensuring delivery of services;
- Fellow members of the Board for their continued support;
- Director General and the Staff in the Department of Water and Sanitation for their engagements; and lastly
- Executive Management and the entire Staff of Magalies Water for their efforts and commitment to the organisation.

Wene

Adv MM Petlane

Chairperson of the Board









Mr Sandile Mkhize Chief Executive (Acting)

STATEMENT OF THE CHIEF EXECUTIVE

Dear Stakeholders,

On behalf of the Executive collective of Magalies Water, I present to you the Annual Report which profiles the performance of the organisation for the 2016/17 financial year. The strategy and performance of Magalies Water was contextualised through interpretation of the mandate which is derived from Section 29 and 30 of the Water Services Act, 1997 (Act 108 of 1997).

Organisational performance

The strategic context of the organisational performance is grounded on the strategy which was unpacked from the following perspectives:

- Organisational effectiveness and efficiency;
- Finance and governance;
- Customer and Stakeholder interaction; and
- Organisational capacity.

It is through the perspectives reflected above that we appreciate that if the organisation recruits competent individuals, where a conducive climate has been created, those individuals will effectively carry out our processes. The resultant impact of that will thus be a pleased customer and stakeholder and a financially sustainable organisation.

All the relevant matters that influence the performance of Magalies Water were considered during the planning processes. This led to the achievement of the overall organisational performance of 88%. This performance compares favourably and is a significant improvement from the 62% reported in the previous financial year.

Notwithstanding the improved performance, the targeted water sales volumes were not achieved. The deviation from targeted performance was reported for the previous three financial years. However, it is envisaged that with the components of the upgraded infrastructure that was commissioned, further impetus will be derived.

In the financial year 2016/2017 an amount of R585 million was generated from water sales.. Efficiencies in operations and cost containment initiatives resulted in an unprecedented surplus to the amount of R95 million and it is expected that this performance will continue in the medium to long term. A strong balance sheet is boasted with income producing assets to the carrying value of R2 billion reflecting an organisation that is organically growing.

Magalies Water still produces water that is compliant to quality standards of SANS 241:2011 despite the deteriorating raw water quality. This was achieved through continuous optimisation of our processes and chemicals utilisation. Reliability of water supply has improved from the previous financial year as there was no continuous single supply interruption that exceeded 48 hours.

Challenges

Shortage of sufficient funding to implement capital expansions is a key challenge and a risk to our strategic execution process. Capital expansions remain a backbone of our strategic execution process as it defines how currently un-serviced areas will be reached in terms of water supply. We will continue our engagements with government and other strategic partners for mobilisation of resources to implement regional bulk infrastructure.

Audit matters

The Office of the Auditor-General expressed a financially unqualified audit opinion on the Financial Statements of Magalies Water. Other matters were however raised and an action plan was drafted to address these matters. There is however an overall improvement in financial management and management of performance information.

Appreciation

I would like to express my sincere thanks to:

- The Honourable Minister of Water and Sanitation, the Honourable Deputy Minister and Chairperson of the Parliamentary Portfolio Committee on Water and Sanitation for their enriching engagements;
- The Director General and the Colleagues at the Department of Water and Sanitation;
- The Water Services Authorities in our area of operation and the Stakeholders at large for their continued support of our efforts to deliver on our mandate;
- The Board for their collective leadership of the organisation; and lastly
- My colleagues in the Executive Management team and the entire staff of Magalies Water whose efforts sustain performance of the organisation.

S Mkhize

Chief Executive (Acting)

BUSINESS MODEL

Magalies Water value chain

The value chain of Magalies Water is contextualised within a vision that water is a business of "source to source" wherein a role is played across all the components of the water value chain. The business model posits how Magalies Water operates and provides a rationale of how various inputs are transformed through business activities into specific outcomes. The other key element of the business model of Magalies Water is the resultant impacts of the business activities and outcomes to its key stakeholders.

The value chain is posited as follows:

Inputs

Inputs to the business model is articulated in terms of various capitals as follows:

- Financial capital: The pool of funds available to Magalies
 Water for use in the provision of water services. These include
 financing, such as debt, grants or internal funding generated through
 investments for funding of capital expenditure.
- Manufactured capital: Treatment facilities owned and operated by Magalies Water for use in the production and distribution of water.
- Intellectual capital: Organisational knowledgebased intangibles such as software, servitudes including, systems, procedures and protocols.
- Human capital: Peoples competencies, capabilities and experience including the alignment of people to the organisational governance framework, Risk Management approach and the ability to implement organisational strategy.
- Social and relationship capital: This relates to the

- relationships with communities, groups of stakeholders and other networks. The organisation should be in a position to share information in enhancement of the collective societal well-being.
- Natural capital: All renewable and non-renewable environmental resources that provide goods or services to support the business activities of Magalies Water. In this case, water resources are a fundamental environmental resource that enables the business of Magalies Water.

Business activities

The business activities entail key processes of Magalies Water and treatment technologies utilised at the treatment facilities to transform inputs into outputs. The key processes are as follows:

- Pre-oxidation: pre-oxidation is used as a process before the usage of Water Treatment Plant to improve the removal of some chemical substances during treatment. It is also effective in reducing biological growths in the Water Treatment Plant;
- Pre-ozonation: this is an advanced oxidation process, involving the production of very reactive oxygen species (ozone) that is able to attack a wide range of organic compounds and all microorganisms;
- Lime Softening: this process entails addition of lime (Calcium Hydroxide) to remove hardness (calcium and magnesium) ions by precipitation;
- Adsorption: this process, also known as Powdered Activated Carbon (PAC) is used for the adsorption of contaminants and it is effective in removing certain organics, such as unwanted taste, odours and micro-pollutants from drinking water;
- Dissolved Air Flotation Filtration (DAFF): this is a compact water treatment process that involves the use of both Dissolved Air Flotation and a sand filter combined as one unit;

- **Post Chlorination:** process that occurs before water leaves the treatment plant. It is the addition of chlorine to the water in order to prevent harmful microbial growth; and
- **Chloramination:** treatment of drinking water by adding small amounts of ammonia to chlorinated water which react together to form Chloramine (also called combined Chlorine), a long-lasting disinfectant, typically used for long distribution systems.

Outputs

Potable water that complies with quality requirements of the SANS 241:2015.

Outcomes and impacts

The resultant key outcomes and impact of the value chain are as follows

Capital	Key outcomes and impacts
Financial	Revenue generation to an amount of R515 million and a surplus of R95 million.
	Operating surplus of R77 million indicating cash generating potential from operations.
Manufactured	R783 million invested in income producing assets.
	Carrying value of R2 billion on water production and distribution assets.
Intellectual	Intangible assets to the carrying value of R36 million in organisational knowledge, intangibles and servitudes.
Human	• Employee turnover ratio of less than 3% was achieved for the year. People are a critical input to the strategic management process and are being retained within the organisation.
	Enterprise wide Risk Management framework is being implemented, which includes Fraud and Corruption Management.
Social and relationship	100% achievement of engagement activities with an array of stakeholders. Groupings of stakeholders are Regulators, those that services are provided to and those that are services providers to Magalies Water.
	83 145 199 kilolitres of water supplied for social and economic use.
Natural	 A baseline for the Greenhouse Gas Emissions is Kg Co2e is 108 853 390 and set as a baseline for comparison for future impacts.

Value creation

At the centre of the business model of Magalies Water is the creation of long-term value to stakeholders. A total wealth to an amount of R201million was generated and an overall increase in creation of value to stakeholders by an amount of R67 million.

The Value-Added Statement is presented below:

R'000	2016/17	2015/16
Gross Income received	550 948	455 163
Paid to Suppliers	(368 033)	(338 428)
Value-Added	182 915	116 735
Income from Investments	18 363	16 651
Total Wealth created	201 278	133 386
Distributed as follows:		
Direct employee costs	59 631	52 992
Depreciation	46 220	29 413
Profit for the year	95 270	50 977
Interest paid	(157)	(4)
Total wealth distributed	201 278	133 386

Vision

"To be the leading provider of quality water services in South Africa"

Mission

Magalies Water Board provides water services to Water Services Authorities, Water Services Institutions and other users to positively impact the quality of life and economic growth for communities in our area of operation.

Strategic intent

The strategic intent of Magalies Water is to meet its mandate of sustainable water provision and this will be achieved through reliable provision of quality water services and contribution to the socio-economic development in the service area.

Core values

Magalies Water is guided by its values, which are used as anchor-points to establish the manner in which we approach our activities and how we relate to our stakeholders.

Our Value system is as follows:

Integrity	We do what we say we're going to do — ALWAYS!
Service Quality	We endeavour to meet customer requirements in all that we do.
Competence	We deliver services with high level of professionalism.
Eco-efficiency	Our practices reflect our care for the natural environment.
Good Corporate Citizenship	We strive for development of a sustainable economy and the wellbeing of our community.

Purpose of the Public Entity and legislative mandate

Magalies Water is a Water Board established in terms of Section 28 of the Water Services Act, (Act No 108 of 1997) and is classified as a Government Business Enterprise as per Schedule 3B of the Public Finance Management Act (Act No 1 of 1999) as amended. The Service Area of Magalies Water is as determined by the Minister of Water and Sanitation and is governed by among others, the following pieces of legislation:

- Bill of Rights, [Constitution of the Republic of South Africa (Act 108 of 1996), Chapter 2] which is a cornerstone of democracy in South Africa, enshrines the rights of all people in our country and affirm the democratic values of human dignity, equality and freedom. The State must respect, protect, promote and fulfil the rights in the Bill of Rights. According to the Bill of Rights, everyone has the right to human dignity (Section 10); and everyone has the right to life (Section 11).
- Public Finance Management Act (PFMA), (Act 1 of 1999), which classifies Magalies Water as a Schedule 3(B): National Government Business Enterprise.
- National Water Act, 1998 (Act 36 of 1998), and its Regulations which provides that the National Government is the public trustee of the
 National's water resources and acting through the Minister of Water and Sanitation, has the power to regulate the use, flow and control of all
 water in the Republic. This is also to ensure that water resources are protected, used, developed, conserved and managed in a sustainable and
 equitable manner for the benefit of all persons.

• Water Services Act, 1997 (Act 108 of 1997), provides for the right of access to the basic water supply and the right to basic sanitation services. The Act, also provides for the mandate of Water Boards and defines their primary and secondary functions in terms of Section 29 and Section 30, respectively. Magalies Water therefore articulates its strategy and performance in terms of the provisions prescribed in Section 29 and Section 30 of the Water Services Act (Act 108 of 1997).

Supply area and key customers

Magalies Water's service area covers 42 000 km² across the provinces of North West, Limpopo and Gauteng within the Crocodile and the Pienaars Rivers catchments. In terms of the legislation the Minister of Water and Sanitation is the custodian of water resources in the country. Magalies Water abstracts water from the dams owned and operated by the Department of Water and Sanitation and then channelled to water the treatment plants where water is treated before distribution through pipelines to Water Service Authorities and other clients. The service area of Magalies Water is shown below:



Potable water is provided to the following Water Service Authorities:

Municipality	Province	Bulk Water Supply Scheme
Rustenburg Local Municipality	North West	Vaalkop
Moses Kotane Local Municipality	North West	Vaalkop
Moretele Local Municipality	North West	Klipdrift
Thabazimbi Local Municipality	Limpopo	Vaalkop
Modimolle Local Municipality	Limpopo	Klipdrift
Bela Bela Local Municipality	Limpopo	Klipdrift
City of Tshwane Metro Municipality	Gauteng	Klipdrift, Wallmannsthal, Cullinan

Other major clients include the following:

Other Major Clients	
Bafokeng Rasimone Platinum Mine	Rhino Andalusite Mine
Bakubung Minerals	SA Ferrochrome (Pty)Ltd
Cullinan Diamond Mine	Union Section Joint Venture
Impala Platinum Mine	Royal Bafokeng Administration
Northam Platinum Limited	Pilanesberg Platinum Mines
Sun City	Carousel Casino

Magalies Water owns and operates the following Water Treatment Plants and associated pipelines:

- Vaalkop Water Treatment Plant: the plant has a design capacity of 270ML/day. Raw water is abstracted from the Vaalkop Dam in the Crocodile River catchment. Potable water produced from this plant is distributed to North West and Limpopo Provinces.
- Klipdrift Water Treatment Plant: the plant has a design capacity of 18ML/day and the water produced from this plant is supplied across Limpopo and Gauteng provinces. Raw water is abstracted from the Roodeplaat Dam in the Pienaars River catchment.
- Cullinan Water Treatment Plant: the plant has a design capacity of 16ML/day and supplies water to the Cullinan Diamond Mine and the City of Tshwane. Raw water is abstracted from the Bronkhorstspruit Dam in the Pienaars River catchment.
- Wallmannsthal Water Treatment Plant: the plant has a design capacity of 12ML/day and supplies water to the City of Tshwane and some individual customers. Raw water is abstracted from the Roodeplaat Dam in the Pienaars River catchment.



GOVERNANCE

Functioning of the Board

Members of the Board were appointed by the Honourable Minister of Water and Sanitation in terms of Schedule 1 of the Water Services Act (Act 108 of 1997) for a term not exceeding four years. The Board is made up of 13 Non-Executive and one Executive Member.

The mandate of the Board is outlined in the adopted Charter which defines its responsibilities as follows:

- Ensuring that the objectives of the shareholder are achieved
- Consider and adopt the strategy of the organisation
- Implementation of the effective systems of Risk Management
- Ensure that the organisation is run in a financially viable manner
- Responsiveness to the reputational impacts of the organisation
- Ensure that the organisation is, and is seen to be a responsible citizen

Shareholders Compact

Magalies Water concluded a Shareholders Compact with the Executive Authority as required by the Public Finance Management Act, 1999 (Act 1 of 1999). The compact set out the predetermined objectives and parameters of performance of Magalies Water for the financial year. Through the Shareholders Compact, the Board identified a number of objectives it intends to pursue, which forms a framework within which its effectiveness can be assessed. Quarterly reports on performance of the organisation against those predetermined objectives and performance parameters were compiled, considered by the Board and submitted to the Department of Water and Sanitation.

Activities of the Board

The Board leads the organisation and it is collectively responsible for its long terms success. It does so through provision of leadership which allows strategic aims, vision and values to be set within a framework of prudent controls that allows for risk to be appropriately assessed and managed. This is further achieved through a corporate compliance cycle against which the effectiveness of the Board can be appropriately assessed.

The table below shows the key activities that the Board undertook in accordance to the corporate compliance cycle:

Strategy and Shareholders Compact

- Consideration and approval of the Annual Budget, Strategy/ Corporate Plan, Shareholders Compact
- Approval of the capital expansion budget and its funding requirements
- Approval of tariff increases for the 2017/18 financial year

Stakeholder engagement

- Reviewed organization's ongoing relationship with its stakeholders
- Engaged with stakeholders and considered material matters that may have reputational impacts

Governance, internal control and risk

- Reviewed and approved the strategic risk register
- Considered progress against predetermined strategic objectives and targets as set out in the Shareholders Compact
- Reviewed functioning of the Board and governance arrangements through the establishment of the stakeholder engagement committee
- Reviewed development on Corporate Governance and received training and updates on the Corporate Governance codes

Operational performance

- Reviewed the operational performance of Magalies Water relative to the budget
- Considered and approved the quarterly production and financial reports

Attendance of Board meetings during the financial year is as follows:

Attendance
7/7
6/7
6/7
6/7
7/7
6/7
5/7
7/7
7/7
6/7
7/7
7/7
1/1

^{*-}Resigned 02 September 2016

Board Committees and how they support the Board

To effectively fulfil the roles and responsibilities in terms of the Charter, the Board established the following committees:

Capital Investments Committee

The roles and responsibilities of the Committee are among others, the following:

- Recommend approval of capital expansion programme to be undertaken by Magalies Water to the Board
- Recommend to the Board, the approval of additional infrastructure expansion programme
- · Bring to the attention of the Board any matter that warrants the Board's attention relating to the water infrastructure
- Ensure that the primary activity of Magalies Water is achieved in terms of Section 29 and 30 of the Water Services Act, 1997 (Act 108 of 1997)

Attendance at the Capital Investments Committee is set out in the table below:

Member	Attendance
FP Vilakazi (Chairperson)	5/5
MA Hlahla	5/5
TT Mohapi	5/5
F Saloojee	1/5
MS Lebeko-Ratlhagane	5/5

Attendance at the Capital Investment Committee by invitation is set out in the table below:

Member	Attendance
Adv MM Petlane	1/1
PN Nkwinika	3/3
DR Sibanda	1/1
TD Monewe	1/1
Kgosi SV Suping	1/1

Finance Committee

The roles and responsibilities of the Committee are among others, the following:

- Recommend the approval of financial information to the Board
- Recommend approval of the Annual Budget and its adjustments to the Board
- Assessment of the financial reports as per the Corporate and Annual Performance plans of Magalies Water
- Review of the quarterly financial reports as per the Corporate and Annual Performance plans of Magalies Water
- Advise on the investments, loan requirements and bank facilities of the entity
- Recommend the approval of water tariffs for each financial year to the Board

Attendance at the Finance Committee is set out in the table below:

Member	Attendance
DR Sibanda (Chairperson)	5/5
FP Vilakazi	5/5
MA Hlahla	5/5
TT Mohapi	5/5
TD Monewe	4/5

Attendance at the Finance Committee by invitation is set out in the table below:

Member	Attendance
Adv MM Petlane	1/1
PN Nkwinika	4/4

Risk Committee

The Committee fulfils an independent oversight role in management of key risks facing the organisation through implementation of the strategic Risk Management Plan. The roles of the Committee are as follows:

- Assist the Board in formulating a Risk Policy and Framework which facilitates implementation of a robust Strategic Risk Management Plan
- Make recommendations to the Board concerning risk tolerance levels and mitigation thereof
- Provide assurance to the Board on effectiveness of a risk management process
- Provide assurance that controls are in place and effective in addressing Information Technology risks

Attendance at the Risk Committee is set out in the table below:

Member	Attendance
F Saloojee (Chairperson)	4/4
TF Zondi	3/4
N Mufamadi	3/4
Kgosi SV Suping	3/4
MS Lebeko-Ratlhagane	4/4

Attendance at the Risk Committee by invitation is set out in the table below:

Member	Attendance
PN Nkwinika	2/2

Human Resources and Remuneration Committee

The roles and responsibilities of the Committee are among others, the following:

- Oversee implementation of remuneration policies that will promote the achievement of strategic objectives and encourage individual performance
- · Promotion of a channel of communication between the Board and the Executive Management team on remuneration matters
- Make recommendations to the Board regarding general annual salary adjustments within Magalies Water
- Ensure that appropriate processes are in place for training and succession planning
- · Review and recommend the terms and conditions for Executive Committee service agreements, including review of performance and rewards
- Regularly review Human Resource Management Policies relevant to the organization

Attendance at the Human Resources and Remuneration Committee is set out in the table below:

Member	Attendance
PN Nkwinika (Chairperson)	6/6
DR Sibanda	6/6
TD Monewe	6/6
Kgosi SV Suping	4/6
TD Monewe	6/6

Attendance at the Human Resources and Remuneration Committee by invitation is set out in the table below:

Member	Attendance
Adv MM Petlane	1/1
MA Hlahla	1/1
TD Mohapi	1/1
FP Vilakazi	1/1
MS Lebeko-Ratlhagane	1/1

Stakeholder Engagement Committee

The roles and responsibilities of the Committee are among others, the following:

- Identification of material stakeholders and addressing the material risks and opportunities they present
- Development and implementation of stakeholder strategies and policies
- Develop a mechanism for constructive Stakeholder Engagement with all material stakeholders
- Adopt communication guidelines for stakeholders covering the content of the report, publication of policies and the nature of interaction with the stakeholders

Attendance at the Stakeholder Engagement Committee is set out in the table below:

Member	Attendance
TD Monewe (Chairperson)	2/2
MS Lebeko-Ratlhagane	2/2
FP Vilakazi	2/2
Kgosi SV Suping	2/2

Attendance at the Stakeholder Engagement Committee by invitation is set out in the table below:

Member	Attendance
PN Nkwinika	1/1

Audit Committee

The roles and responsibilities of the Committee are set out in the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulation 27.1. The Committee plays an independent role in Corporate Governance, Integrated Reporting and management of internal controls. The Committee is also accountable to the Board and reports on its evaluation of Financial Statements and effectiveness of internal controls in the Annual Report. Furthermore, the roles of the Committee comprise the following:

- Risk areas of the entity to be covered in the scope of internal audit
- Adequacy, reliability and accuracy of financial information provided to users of financial information
- Accounting and Auditing concerns identified as a result of internal and external audit
- Entity compliance with the legal and statutory provisions

Attendance at the Audit Committee is set out in the table below:

Member	Attendance
TF Zondi (Chairperson)	7/7
N Mufamadi	5/7
N Maepa	2/3
N Baloyi	6/7
S Mamotheti	7/7
M Ramataboe	6/7
J Madikizela^	0/0
K Moodley^	0/0

^{^ - 1}st meeting was attended in July 2017

Attendance at the Audit Committee by invitation is set out in the table below:

Member	Attendance
Adv MM Petlane	2/2
PN Nkwinika	4/4
DR Sibanda	1/1
MA Hlahla	1/1
TT Mohapi	1/1
TD Monewe	1/1
FP Vilakazi	1/1
F Saloojee	1/1
MS Lebeko-Ratlhagane	1/1

Internal Audit

Internal Audit conducts its work through implementation of a 3year rolling Internal Audit Plan to provide assurance on the effectiveness of internal controls. The Audit Committee provides oversight to the Internal Audit function and is responsible for approval of the Internal Audit Plan and Charter. The Audit Committee also ensures that the audit function is sufficiently resourced and can be subjected to independent quality review as and when the Audit Committee deems appropriate.

External Audit

The Auditor-General of South Africa performs the external audit function for Magalies Water with the Audit Committee overseeing the external audit processes. The responsibility of the Auditor-General is to express an opinion on whether the Annual Financial Statements fairly presents in all material respects, the financial position, financial performance and that cash flows are in accordance with provisions of the Public Finance Management Act, 1999 (Act 108 of 1999). This is performed through collection of appropriate evidence to obtain reasonable assurance that the amounts disclosed are free from any material misstatements.

BOARD MEMBERS



Adv MM Petlane (Chairperson)

Advocate Petlane served in various leadership positions across public, academic and private sector entities. He also served as a Board Member before ultimately being appointed a Chairperson of the Board of Rand Water.



Ms PN Nkwinika
(Deputy-Chairperson)

Ms Nkwinika has a legal background as she served in various positions within the Justice Department. Her experience includes being a legal advisor and a Head of Department in Government. She possesses vast experience in the public sector.



Ms TF Zondi

Ms Zondi has a vast experience in SCM in both the private and public sector institutions. She has a wealth of knowledge in corporate governance.



Mr TT Mohapi

Mr Mohapi is an entrepreneur who also served in the Small Business Chamber and on the Tender Board of the Limpopo Province. He is an educator by profession and has a vast experience in local government. He was a Mayor of Modimolle Local Municipality.



Ms S Lebeko-Ratlhagane
Ms Lebeko-Ratlhagane is a pharmacist by
profession and has vast experience in the
local government and the water sector. She
was a Mayor of the Ramotshere Moiloa Local
Municipality and also a Board Chairperson of
Botshelo Water.



Ms M Hlahla

Ms Hlahla is a town planner by profession and has extensive experience in transportation planning, town planning and property management. She has corporate governance experience through involvement in various boards of public sector entities.



Kgosi SV SupingKgosi Suping is a Chief of the Bahurutshe Tribe in the village of Supingstad. He was a Board Member of Botshelo Water and also served in the National House of Traditional Leaders.



Mr FP Vilakazi
Mr Vilakazi has extensive experience in the public
sector. He formerly served as a Member of the
Executive Committee in the North West Province.
He was a special advisor to the Minister of Water
and Environmental Affairs.



Mr DR Sibanda
Mr Sibanda is experienced in the fields of
managerial and financial accounting with
exposure in breweries, manufacturing, medical
schemes and the public sector.



Ms TD Monewe

Ms Monewe is an educator by profession and was a Member of the Mayoral Committee responsible for Water and Sanitation in the Bojanala District Municipality.



Ms F Saloojee

Ms Saloojee is a former Councillor of Rustenburg
Local Municipality and served on the Board of
Rand Water. She brings a wealth of experience
in local government and also served in various
leadership roles within the private sector.



Ms N Mufamadi
Ms Mufamadi has experience in
accounting, auditing and forensic auditing.
She also holds other leadership positions
within the private and the public sector
corporations.

EXECUTIVE COMMITTEE MEMBERS



Mr Sandile Mkhize
Chief Executive (Acting)
Academic qualifications:
Bsc, BTech, MTech, Diploma in Advanced Project
Management, Management Advancement Programme,
MBA



Mr Mahlomola Mehlo
Acting Chief Operations Officer
Academic qualifications:
BTech: Project Management, MTech: Civil Engineering



Acting General Manager:
Customer and Stakeholder
BA Ed, B Ed, MBA, Graduate Diploma in Engineering
(Project Management), Executive Development
Programme



Mr Johnny Ndala
Acting General Manager:
Corporate Services
Academic qualifications:
Postgraduate Diploma in Public Management,
Presidential Strategic Leadership Development
Programme, Advanced Management Development
Programme



General Manager: Project
Management Unit
Academic qualifications:
National Diploma: Mechanical Engineering
BTech: Mechanical Engineering Project Management
Professional Certified Associate in Project
Management



Ms Lerato Morake
General Manager: Water Services
Academic qualifications:
BSc Ed: Chemistry and Biology Applied Science Hons:
Water Utilisation MBL



ENTERPRISE RISK MANAGEMENT

Magalies Water considers Risk Management as a discipline that needs to be embedded within the organisational culture. This is to be alert, transparent and responsive to changes and potential risks in the internal and external environments. The Risk Management processes of Magalies Water seeks to create value, explicitly address uncertainty, inform decision making and be an integral part of all internal processes in order to facilitate continual improvement.

Magalies Water has adopted an enterprise-wide risk management approach that is based on legislative requirements and other recognised best practices. Those include Section 51(a)(1) and Section 38(a)(1) of the Public Finance Management Act (Act 1 of 1999) including the King IV code on Corporate Governance. This places a responsibility on the Board to commit to appropriate management of risks that may adversely affect the ability of the organisation to meet its strategic objectives. Risk Management practises within Magalies Water also involves putting in place processes and systems to achieve an appropriate balance between risks and realisation of potential opportunities.

Enterprise Risk Management Policy

The Enterprise Risk Management policy of Magalies Water is derived from the Legislative imperatives of the Public Finance Management Act (Act 1 of 1999). The policy was approved during the 2016/17 financial year and articulates the following:

Risk Management

An Enterprise Wide approach to Risk Management was adopted by Magalies Water and means that every identified risk in each part of the organisation be included in a structured and systematic process of Risk Management. All key risks identified by Magalies Water should be managed in a unitary framework that is aligned to the corporate responsibilities of Magalies Water. Risk Management is thus approached in such a manner that realisation of the strategy of Magalies Water is dependent on calculation of risks, such that stakeholder interests are not jeopardized.

Risk Management is thus embedded throughout the organisation by management who are responsible for integration of Risk Management in their day to day activities. This was performed through a strategic risk analysis that was performed by management and submitted to the Board for their inputs and approval. Subsequently, conversations on risk were held on a quarterly basis by management in the Risk Management Committee, and escalated to the Risk Committee and the Board.

The risks were ranked on a residual basis taking into cognisance the magnitude of their potential impact, and the effectiveness of existing controls. The risk profile of Magalies Water at the end of the financial year was as follows:

Risk name	Risk description	Residual risk rating	Mitigation actions
Bulk water infrastructure constraints	Current bulk water infrastructure not meeting current demand	Moderate	This risk was mitigated through capacity enhancement of the Project Management Unit to be able to deliver on infrastructure upgrades. The inherent exposure of this risk changed from critical to moderate. The strategic targets related to implementation of project delivery milestones were however not met.
Potable water quality	Poor potable water quality	Moderate	Timeous implementation of action plans to optimise the treatment processes and chemicals utilisation mitigated this risk. The inherent risk exposure changed from critical to moderate due to optimisation interventions that led to potable water quality compliance to SANS 241:2015 standards.
Funding constraints	Inadequate financial reserves to implement capital expenditure	High	The exposure of this risk changed slightly and remains high from an inherent exposure of critical. Funding to implement capital projects in terms of the capital expansions Masterplan remains a key constraint. A request was lodged with the Minister of Water and Sanitation to approve borrowing limits for funding of capital expansions.
Reputation	Erosion of reputation	Low	The risk exposure in this instance changed from high at residual rating to an inherent exposure of low. Mitigating actions that were put in place are appropriate structures to effectively profile and manage relations with the key stakeholders. Conversations on material matters of engagement with stakeholders were held to proactively manage reputational impacts on Magalies Water.
Information and Communication Technology (ICT) systems	Information and Communication Technology systems failure	High	Mitigating actions that were put in place to manage this risk are approvals of any software, hardware and overall modifications to the ICT environment. Backups are also performed at regular intervals including preventative maintenance and proactive monitoring of ICT systems. All the mitigating actions were successfully deployed and the inherent risk exposure of critical, changed to a residual rating of high. This risk remains high as the disaster recovery site was commissioned but not yet implemented. This may pose potential significant impacts to the business of Magalies Water should ICT systems fail.
Infrastructure expansion	Inadequate resources to meet strategic objectives	Moderate	The inherent risk exposure of this risk changed from high to a residual rating of moderate. Mitigating actions put in place was to progressively upgrade the plants, carry out infrastructure expansions and minimisation of plant downtimes through implementation of infrastructure redundancy plan. This allowed for required operational effectiveness to enable delivery on the mandate of Magalies Water.

Risk name	Risk description	Residual risk rating	Mitigation actions
Water resources	Poor quality and inadequate quantity of water resources	High	Water availability is a critical component and any constraints to the resource could impact on the survival of the business of Magalies Water. This may ultimately have an impact on the water service delivery at large as raw water is a fundamental input to the supply chain. Magalies Water abstracts raw water in accordance to the licences to minimise the impact on water resources. Treatment processes were optimised to enable treatment of the deteriorating quality of raw water. Interactions were held with the Department of Water and Sanitation about the deteriorating water quality. The inherent exposure of this risk was critical and changed to a residual exposure of high as a result of implementation of the mitigation actions as reflected above.
Critical skills (knowledge, competence and attitude)	Inadequate systems to attract, develop and retain critical skills	Low	The inherent exposure of this risk changed from high, to a residual exposure of low. Mitigating actions that were put in place are filling the organisational structure with the required skills and competencies. Individual development plans were also put in place to ensure that competencies of employees match the required competencies required for their positions.

Fraud and corruption prevention

A fraud and corruption prevention plan is a component of the fraud and corruption prevention policy which seeks to detect and prevent misconduct due to fraud, theft and corruption. The policy was approved during the 2016/17 financial year as a measure to ensure that standards that are necessary to implement effective Risk Management are implemented in an integrated manner. A fraud hotline was established as a platform where internal and external stakeholders are encouraged to report any incidents of alleged fraud and corruption in an anonymous manner.

The fraud hotline is managed by an external service provider to facilitate, administer and report all the suspected cases of fraud and corruption. All the reported cases are investigated in a confidential manner so that the reputation of those suspected is not adversely impacted, in case those suspected may be found innocent of wrongdoing. A total of 11 cases were reported and investigations were performed in accordance to mechanisms of the fraud and corruption prevention policy. Workshops were also held throughout the entire organization to emphasise the stance of Magalies Water on fraud and corruption.

Promotion of ethical culture

Ethical culture is promoted within Magalies Water through management of conflict of interests by ensuring that employees, management and the Board members declare their interests. This is also to ensure that personal interests do not interfere with the objectivity of individuals in performance of their tasks for the organization. Annual declarations for the 2016/17 financial year were performed and there was a satisfactory declaration and submission.

Business Continuity Management

Magalies Water is committed to ensuring the continuity of its business operations and has adopted Business Continuity Management (BCM) best practices during the previous financial year. Components of those BCM practices are a policy, impact assessment, continuity plan, testing and a disaster recovery plan. BCM practises will enable Magalies Water to be more resilient and to effectively recover its operations with minimum disruption in the event of disaster. Implementation of these BCM practises will take place in the 2017/18 financial year.

Combined Assurance framework

The combined assurance plan was developed to indicate the activities that should be carried out to enable strengthening of assurance practises following recommendations of King IV. Magalies Water considers that improvement of assurance coverage can be achieved through better coordination of assurance providers. The framework will thus be a key source of evidence that links strategic objectives to risks and assurance to enable the Board to discharge its responsibilities of risk management. The combined assurance should be in a position to satisfy the Audit Committee and the Board that significant risk areas have been adequately addressed and suitable controls exist to mitigate and reduce those risks.

The lines of defence, such as Management, Board, Internal and External assurance providers, were identified to embrace all assurance activities in a coordinated approach. A combined assurance framework was developed in the 2016/17 financial year. The establishment of the combined assurance forum, development of a matrix and validation of assurance provided will be concluded in the 2017/18 financial year.

Materiality and significance framework

Magalies Water operates within a Materiality and Significance Framework which is within the ambits of its Risk Management Plan. Materiality is defined as the level of value at which a user of financial information would change a decision based upon such financial information. An item is considered material if its value exceeds 5% of turnover and total expenditure, or 2% of total assets. Significance is defined as the condition that a specific item or trend may adversely impact on the evaluation of the performance delivery by a key stakeholder. There were no deviations to the Materiality and Significance Framework during the 2016/17 financial year.

STAKEHOLDER ENGAGEMENT

The business of Magalies Water begins and ends with relationships with stakeholders and quality of those relationships is central to the successful delivery of the mandate of Magalies Water. Stakeholder Engagements enabled Magalies Water to understand the stakeholder's expectations in order to engage on material issues in a transparent, consistent and timely manner.

The approach to Stakeholder Engagement included putting appropriate mechanisms in place such as identification of Stakeholders and objectives for engagement, appropriate messaging, time frames for engagement and analysis of feedback from those engagements. A specific Stakeholder Engagement Committee was also established as a mechanism to oversee Stakeholder Engagement matters.

Stakeholder value propositions were further crafted and aligned to identified stakeholder groupings to communicate the vision, mission and strategic direction of Magalies Water. Stakeholder value propositions are as follows:

Stakeholder groupings	Value propositions				
Stakeholders who are Regulators	Compliance with Legislation and water policy				
	Input to the Shareholder on bulk water and sanitation supply policies				
Stakeholders whom Magalies Water provide services to	Quality water supply				
	Reliability of supply				
	Supply of water at an affordable tariff				
Stakeholders who provide services to Magalies Water	Professional competence				
	Sound business practises				
	Fair conditions of trade				

Stakeholders who are Regulators

Stakeholders belonging to this grouping have significant power to influence decisions made by Magalies Water and are as follows:

- The Minister of Water and Sanitation;
- Department of Water and Sanitation;
- National Treasury;
- South African Local Government Association; and
- Parliamentary Portfolio Committee on Water and Sanitation.

Material matters of engagement with the stakeholders are as follows:

- Strategy and performance of Magalies Water; and
- Water tariffs and associated price increases.

Stakeholders who receives Magalies Water services:

Stakeholders belonging to this grouping also have significant influence on the decision-making processes of Magalies Water and are as follows:

- Municipalities within the Bojanala and Waterberg Districts;
- Traditional Authorities within the North West Province; and
- Mining houses and industry.

Material matters of engagement with those Stakeholders are as follows:

- Intervention of Magalies Water to support Local Government;
- Expansion plans and the role of Magalies Water in provision of regionalised water solutions;
- Water tariffs and associated increases;
- Water quality, quantity and reliability of supply; and
- Water services opportunities and partnerships.

Stakeholders who provide services to Magalies Water

Stakeholders in this grouping provide essential services to Magalies Water and are as follows:

Employees and Labour Unions

Material matters of engagement with those Stakeholders are as follows:

• Fair labour practises and conditions of service.



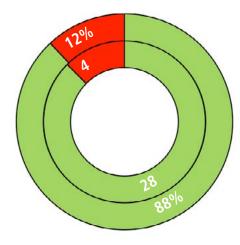
STRATEGY AND PERFORMANCE

The strategy of Magalies Water articulates a vision that seeks to create coherence between its operations, objectives of government as contained in the National Development Plan (NDP) and ultimately achievement of the Sustainable Development Goals (SDG). The water sector is one of the most inequitable in our society, hence the strategic vision of Magalies Water is underpinned by equitable and efficient distribution of water to address socio-economic challenges. The environment, within which articulation of a vision of Magalies Water is set, is characterised by among others; low economic growth, increasing fiscal constraints and declining availability of water resources.

Opportunities were further identified to grow the business of Magalies Water due to the increasing population levels, changing spatial patterns and service delivery backlogs in the service area through investments in infrastructure. The policy positions of government, particularly the Institutional Reforms and Realignment presented opportunities for Magalies Water to position itself to be relevant in the achievement of the government's service delivery mandate. A strategic response of Magalies Water is therefore expressed in the key pillars of strategy implementation as follows:

- Plan, design and deliver enhanced water treatment facilities within funding constraints;
- Deliver water services that comply with the required standards of water quality, reliability and client satisfaction;
- Enhance capacity for delivery of Section 30 activities such that supply and demand of those activities are aligned;
- Maintain financial sustainability within approved tariffs;
- Develop human resources of Magalies Water, supplier and communities through transformation, skills development, local employment and enterprise development;
- Provide efficient and effective business support in finance, supply chain management, Information Communication and Technology (ICT), Governance and Risk Management; and
- Engage the shareholders, clients and stakeholders to incorporate their appropriate influence on operations and planning.

To provide effect to the key pillars of the strategy that is identified above, the strategic objectives, performance indicators and targets are set on a predetermined basis. All the relevant matters that influence performance of Magalies Water were considered to derive the overall organisational performance as follows:



■Target has been achieved ■Target has not been achieved

Organisational effectiveness and efficiency

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances		
To provide quality potable water	Bulk potable water quality compliance	Acute 1 ≥ 97%	Acute 1 = 99.2%	8	Optimization of treatment processes and chemicals utilization at all the Water		
	to SANS 241:2015 standards	Acute 2 ≥ 97%	Acute 2 = 99.2%		Treatment Plants resulted in compliance with all the SANS 241:2015 water quality parameters.		
		Chronic ≥ 95%	Chronic = 99.3%		parameters.		
		Aesthetic ≥ 93%	Aesthetic = 96.8%	_			
		Operational ≥ 93%	Operational = 95.4%				
To provide sustainable water services to bulk	Percentage average water losses	Plants: <8%	Plants: = 3.35%	8	Planned and emergency maintenance were timeously carried out at all the Water		
customers		Distribution: <5 %	Distribution: = 3.38 %		Treatment Plants. The resultant effects of that was plant and distribution losses being within threshold.		
	Loss of service exceeding 48 hours	<15 days	0 days		Planned and emergency maintenance led to elimination of plant interruptions that could lead to continuous loss of service exceeding 48 hours. This resulted in assurance of supply to consumers.		

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances
Number of kilolitres sales volumes sold	84 036 891 Kilolitres	83 145 199 Kilolitres			Reasons for non-achievement: The overall number of kilolitres sales volumes sold is 1.06% below the budget due to the following factors: Restrictions of supply to Rand Water for 6 days by 198 000 kilolitres due to non-payment of demand management charges, Restrictions of supply to Thabazimbi Local Municipality for 172 days by 516 000 kilolitres due to non-payment of the water sales account, Power failures and plant breakdowns of 273 hours and 194 hours respectively, and Low demand in the supply area of the Cullinan Water Treatment Plant. Corrective actions: The following corrective steps were put in place: Engagements took place with the affected Stakeholders and restrictions were subsequently lifted, There are continuous engagements with ESKOM to upgrade the electricity supply to Wallmannsthal and Klipdrift Water Treatment Plants, A sales improvement plan was developed and implemented to harvest efficiencies in the system. A redundancy improvement plan was also developed and implemented to reduce occurrence of plant interruptions due to equipment failure. Improvements in sales volumes was evident in the fourth quarter as a result of implementation of the sales and redundancy improvements plans. Both plans will be continuously implemented in the 2017/18 financial year to harvest further efficiencies, and Engagements are taking place with the City of Tshwane to identify areas to be further supplied from the Cullinan Water Treatment Plant due to its utilised capacity.
	Percentage overall projects completion within target milestones	>90%	63%		Reasons for non-achievement: All the Vaalkop upgrades have been completed and although significant progress has been made for the construction of the Klipdrift upgrades, all the components were not completed. Corrective action: Construction of Klipdrift upgrades will continue for completion in the first quarter of the 2018 financial year.

Finance and Governance

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances		
To manage financial risks	Unqualified audit outcome for 2015/16 (with no matter of emphasis)	Unqualified audit outcome for 2015/16 (with no matter of emphasis)	Unqualified audit outcome for 2015/16 (with no matter of emphasis)		An unqualified audit opinion was expressed by the Auditor-General in the audit of the 2016 financial year.		
	Number of repeat and unresolved	Repeat – 0	Repeat – 0		Internal audit findings were progressively addressed during the financial year with implementation of		
	internal audit findings	Unresolved - 5	Unresolved - 5		key controls		
	Number of breaches to the materiality and significance framework	0	0		There were no deviations to the materiality and significance framework of the organisation.		
To achieve sustainable financial returns	Current Ratio	2	2	000	An amount equivalent to depreciation was transferred from the operational bank account to the investments. This is a strategy to bring investments to their optimal levels so that a capital base for future replacement and expansion of production specific Infrastructure can be progressively built.		
	Gross profit margin	16%	24%	000	The gross and net profit margins targets were exceeded due to optimal utilization of production specific assets. The resultant effect of that was that some of the customers exceeded their supply		
	Net profit margin	Net profit margin 10% 19%		000	allocation and a demand management charge was levied. Efficiencies were harvested in operations and cost containment measures were employed to derive costs savings.		
	Debt/Equity ratio	0%	0%	80	Magalies Water is currently not geared and a process to obtain approval of borrowing limits have commenced.		

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances
	Return on Assets	4%	5%	8	The Return on Assets and the working ratio targets were exceeded due to optimal utilization of production specific assets. The resultant effect of that was that some of the customers exceeded
	Percentage costs to revenue	80%	76%		their supply allocation and a demand management charge was levied. Efficiencies were harvested in operations and cost containment measures were employed to derive costs savings.
	Percentage staff costs to total operating costs	<30%	29%		Savings were realised as some of the vacant positions were not filled. The staff costs to total operating costs ratio is therefore within the benchmark.
	Repairs and maintenance as % of Property, plant and equipment	1,20%	3%		Planned and emergency maintenance was effectively carried out in terms of the Infrastructure Maintenance Plans.
	Average debtors days	50 days	55 days		Reasons for non-achievement: Average debtors collection period is exceeded by 5 days due to sluggish payments from some of the Municipalities in the service area. Stakeholder engagement sessions were held with those Municipalities and they revealed cash flow challenges as a reason for sluggish payments. Corrective actions: Further Stakeholder Engagements will be carried out with the affected Municipalities and restrictions applied if engagements are not effective in collection of outstanding debts. The extent of services provided to the Municipalities where secondary services are provided will be performed. All these measures are intended to curb the ever increasing debt by the affected Municipalities.
	Average creditors days	30 days	22 days		Payments to suppliers were made on time in alignment to terms laid down by the government.

Customer and Stakeholder interaction

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances
To manage customer and stakeholder relations	Percentage compliance with the Stakeholder engagement plan	80%	100%		All the planned scheduled engagement activities with the stakeholders were achieved.
Telations	Percentage compliance with bulk supply agreement scorecard	80%	69%		Reasons for non-achievement: The Water Service Authorities were generally satisfied with the performance of Magalies Water however concerns were raised in the following areas: - Water supply quantities, - Assurance of supply, - Communication. Corrective action: The issues raised will be corrected through continuous Stakeholder Engagement and implementation of plant capacity upgrades.
	Percentage achievement of statutory reporting compliance	100%	100%		All the reporting requirements in terms of the corporate compliance cycle were achieved.
	Number of Corporate Social Investments Initiatives implemented	4	8		All CSI projects were executed successfully to contribute towards socio - economic development in the supply area.
	Percentage Board Members attendance (Board and Committees)	85%	96%		Board meetings and committee attendance was satisfactory during the year.
	Percentage number of resolutions taken to total resolutions required	100%	100%		Key resolutions related to the corporate compliance cycle were made by the Board.

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances
To contribute towards transformation and developmental agenda	Percentage contracts awarded to black owned contractors to the CAPEX budget	40%	48%		A deliberate effort was made to appoint Black Owned companies in the implementation of capital projects. This contributes to the empowerment trajectory of the Government in implementation of Public Policy on Broad Based Black Economic Empowerment.
	Number of people appointed on the internship programme	10	11		All the skills development programmes were effectively implemented during the financial year. This also contributes to the socio economic development in the area of supply.
	Number of people appointed on the learnership programme	NQF level 2:10	NQF level 2:15	9	development in the died of Supply.
		NQF level 3:20	NQF level 3:15		
	Number of people employed	Direct:20	Direct:41	8	Efforts were made to fill vacancies in the organisational structure.
		Indirect:50	Indirect:90		The Tuschenkomst to Ruighoek pipeline contributed significantly to this achievement. This project was not initially budgeted for and funding for its execution was provided by the DWS during the financial year.
	Number of people appointed on the Graduate programme	3	4		The graduate programme was successfully implemented during the financial year. This programme aims to address shortages in the Engineering sector through provision of training in the Mechanical, Civil and Electrical Engineering spheres.
	Number of Bursaries awarded	10	10		The bursary programme was successfully implemented to contribute towards skills development in the supply area.

Organisational Capacity

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances
To maintain retention and safety of employees	Percentage staff turnover	<3%	1.63%		Magalies Water provides a conducive working environment, thus the staff turnover was within the target of 3%.
	Disabling Injury Frequency Rate	<1	0.85		Implementation of ISO 14000, OHSAS 18001 and mandatory training on safety led to reduction in the disabling injuries in the workplace thus the DIFR being within the benchmark of 1.

The following reflects performance on specific Key Performance Indicators and targets that the shareholder has got interest in and are specifically included in the Shareholders Compact.

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances
To provide sustainable water services to bulk customers	Actual CAPEX spend on expansion related projects (initiatives by the Minister) as % of budget	100% of funding provided by the DWS	61% of funding provided by the DWS		Reasons for non-achievement: The entire allocation could not be spent as a seven months' work stoppage was experienced at the Brits Water Treatment Plant. Corrective action: Community issues were resolved and construction at the plant resumed and will continue into the 2017/18 financial year.
To manage customer and stakeholder relations	Overall project expenditure within R target	0%	0%	Not measured during the financial year	This indicator was not measured during the financial year as systems were put in place to report on projects completion milestones.
	Percentage of Municipalities with bulk supply agreements	0%	0%	Not measured during the financial year	This indicator was not measured during the financial year as all the bulk supply agreements with Municipalities are in place.
	Total Number of identified rural Municipalities supported	3 Signed contracts, MOUs	0		Magalies Water is currently supporting the Madibeng and Moretele Local Municipalities. No new contracts were entered into with rural Municipalities during the 2016/17 financial year.

Strategic Objectives	Key Performance Indicator	Annual Target	Year to date Actual Performance	Status of Indicator	Reasons for variances
To achieve sustainable financial returns	Gross profit margin % (secondary activity)	0%	0%	Not measured during the financial	This indicator were not measured during the financial year as Magalies Water does not operate the secondary business as a trading activity. Secondary business is conducted on a
	Net profit margin (secondary activity)	0%	0%	year	management contract basis and management fees are earned.
	Progress against implementation plan (new Ministerial directives)	0%	0%		
	% of total turnover (growth in secondary activities)	0%	0%		

OPERATIONS

Water sales volumes

Sales volumes are a primary business drivers and essentially a sole base from which the organisational derives its revenue. Sales volumes sold during the financial year are 84 036 891 kilolitres and compares favourably by 2.54% to those sold during the previous financial year of 81 959 188 kilolitres. An adverse variance of 891 692 kilolitres is reported for the current year sales volumes which is 1.06% less than budget.

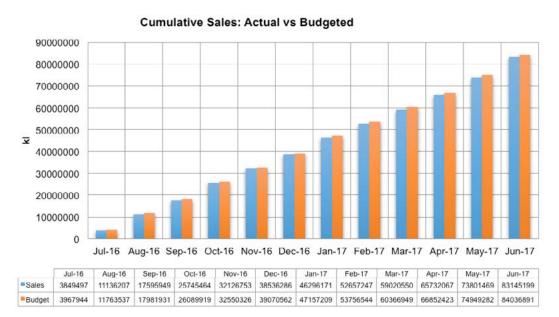
This deviation in performance is due to the following factors:

- Restrictions of water supply to various Customers by 714 000 due to non-payment of demand management charges and water sales accounts;
- Power failures and plant breakdowns of 273 hours and 194 hours respectively; and
- Low demand in the supply area of the Cullinan Water Treatment Plant.

Corrective actions to address this deviation are as follows:

- Engagements took place with the affected Stakeholders and restrictions were subsequently lifted;
- There are continuous engagements with ESKOM to upgrade the electricity supply to Wallmannsthal and Klipdrift Water Treatment Plants;
- A sales improvement plan was developed and implemented to harvest efficiencies in the system. A redundancy improvement
 plan was also developed and implemented to reduce occurrence of plant interruptions due to equipment failure. Improvements
 in sales volumes were evident in the fourth quarter as a results of implementation of the sales and redundancy improvements
 plans. Both plans will be continuously implemented in the 2017/18 financial year to harvest further efficiencies; and
- Engagements are taking place with the City of Tshwane to identify areas to be further supplied from the Cullinan Water Treatment Plant due to its unutilised capacity.

Total sales volumes against the set targets for the year are graphically presented below:



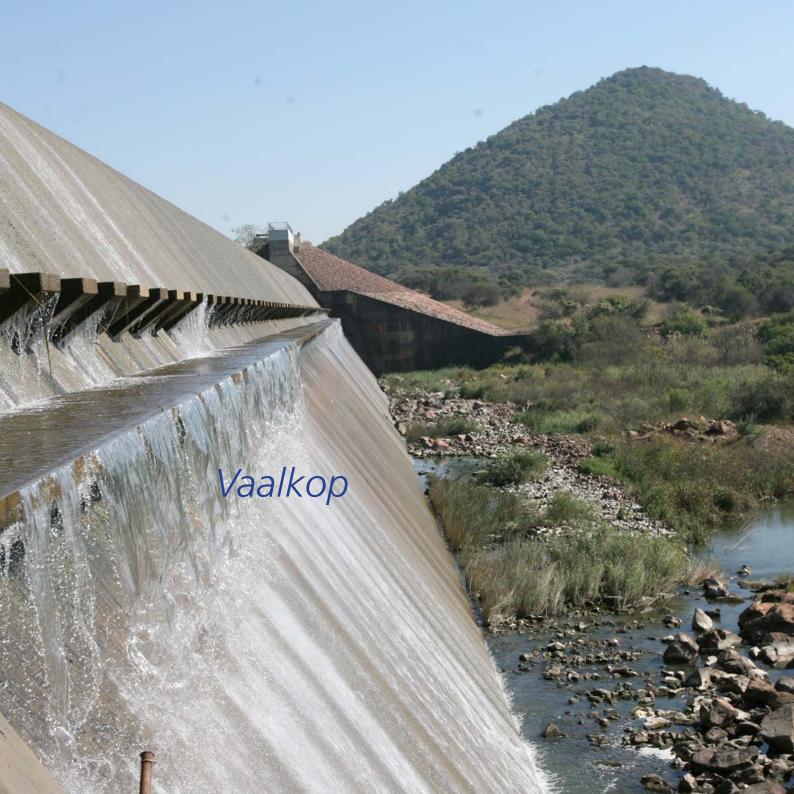
Water Quality

The water quality monitoring programme of Magalies Water is aligned to the South African National Standard 241-1:2011 (SANS 241:2011) which specifies the quality of acceptable drinking water defined in terms of microbiological, physical, aesthetic and chemical determinands. Water that complies with the SANS 241:2011 is deemed to present an acceptable health risk for lifetime consumption.

Water quality is therefore assessed across the following four determinands:

- Acute health: determinand that poses an immediate unacceptable health risk if present at contamination and exceed specified limits;
- Aesthetic: determinand that taints water with respect to taste, odour or colour and does not pose any unacceptable health risk if present at contamination and exceed specified limits;
- Chronic health: determinand that poses an unacceptable health risk if ingested over an extended period of time if present at contamination and exceed specified limits;
- Operational: determinand that is essential for assessment of the efficient operation of treatment systems and risk to infrastructure.
- The Magalies Water laboratory is ISO/IEC 17025 accredited in the fields of Microbiology and Chemistry and equipped with the most advanced equipment in analytical services.

The following tables reflect quality results of all the Water Treatment Plants:



Vaalkop WTW 1			Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute 1								
E. coli	Н	count/100mL	≤ 0	51	0	100,0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	51	0.7	100,0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	51	0.048	98,0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	12	57	100,0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	1	70	100,0%	≥ 97.0	Excellent
Average Compliance						99,6%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute 2						'		
Giardia cysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Average Compliance						100,0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chronic								
Chlorine Free*	0	mg/L	≤ 5.00	51	2.14	98,0%	≥ 95.0	Excellent
Fluoride	Н	mg/L F-	≤ 1.5	13	0.39	100,0%	≥ 95.0	Excellent
Antimony#	Н	ug/L Sb	≤ 20	1	1.0	100,0%	≥ 95.0	Excellent
Arsenic#*	Н	mg/kg As	≤ 10	1	1.0	100,0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	12	2.83	100,0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	12	7.6	100,0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	12	8.3	100,0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	43	25	100,0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	12	6.5	100,0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	43	46	100,0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	12	0.92	100,0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	12	7.4	100,0%	≥ 95.0	Excellent
Selenium#	Н	ug/L Se	≤ 40	1	2.0	100,0%	≥ 95.0	Excellent
Uranium#*		ug/L U	≤ 30	11	0.10	100,0%	≥ 95.0	Excellent
Organic Carbon Total*	А, Н	mg/L C	≤ 10.0	49	5.99	95,9%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	51	0.0697	100,0%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	51	0.00422	100,0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	51	0.0142	100,0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	51	0.0279	96,1%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	51	0.13	100,0%	≥ 95.0	Excellent
Average Compliance						99,5%	≥ 95	Excellent

Table 4-Risk-defined Health-Operation	al							
Total Coliform	O, IH	count/100mL	≤ 10	51	0.04	100,0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	51	99	96,1%	≥ 93.0	Excellent
Somatic coliphages*	Н	count/10mL	≤ 1	12	2	91,7%	≥ 93.0	Good
pH @ 25°C	Α, Ο	pH units	≥ 5.00 to ≤ 9.70	51	7.41	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	51	1.52	62,7%	≥ 93.0	Unacceptable
Aluminium*	Н	μg/L Al	≤ 300	48	16	100,0%	≥ 93.0	Excellent
Average Compliance						91,7%	≥ 93	Good
Table 5-Risk-defined Health-Aesthetic								
Colour	А	mg/L Pt-Co	≤ 15	51	13	66,7%	≥ 93.0	Unacceptable
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	51	56.21	100,0%	≥ 93.0	Excellent
Total Dissolved Solids at 180°C		mg/L	≤ 1200	51	346	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	51	1.52	96,1%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	12	57	100,0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	51	0.18	100,0%	≥ 93.0	Excellent
Chloride	А	mg/L CI-	≤ 300	12	70	100,0%	≥ 93.0	Excellent
Sodium*	A, H	mg/L Na	≤ 200	12	47	100,0%	≥ 93.0	Excellent
Zinc*	A, H	mg/L Zn	≤ 5.0	12	0.22	100,0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	43	25	100,0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	43	46	90,7%	≥ 93.0	Good
Average Compliance						95,8%	≥ 93	Excellent
Table 6- Other determinands								
Chlorine Total*	0	mg/L	≤ 5.00	51	2.96	90,2%	≥ 93.0	Good
Temperature*	А	°C	≤ 30	51	22	100,0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	51	103	100,0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	50	31	100,0%	≥ 93.0	Excellent
Magnesium*	А, Н	mg/L Mg	≥ 70to ≤ 100	50	20	100,0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	50	160	100,0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	50	-10	100,0%	≥ 93.0	Excellent
Cobalt*	Н	ug/L Co	≤ 500	12	6.9	100,0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	12	8	100,0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	51	10	98,0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	51	8	100,0%	≥ 93.0	Excellent
Pesticides as DDT/DDE*	Н	ug/L	≤ 0.50	11	0.072	100,0%	≥ 93.0	Excellent
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	50	0.1	100,0%	≥ 93.0	Excellent
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	51	0.09	100,0%	≥ 93.0	Excellent
Average Compliance						99,2%	≥ 93	Excellent
Total Number of Analyses				1809	Overall Compliance	97,9%		

Vaalkop WTW 2			Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute 1	<u>'</u>	•						
E. coli	Н	count/100mL	≤ 0	51	0	100,0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	50	0.5	100,0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	51	0.022	100,0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	12	53	100,0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	1	70	100,0%	≥ 97.0	Excellent
Average Compliance			1		ı	100,0%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute 2								
Giardia cysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Average Compliance					ı	100,0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chronic							I	ı
Chlorine Free*	0	mg/L	≤ 5.00	51	1.82	100,0%	≥ 95.0	Excellent
Monochloramines*	0	mg/L	≤ 3.00	51	0.78	96,1%	≥ 95.0	Excellent
Fluoride	Н	mg/L F-	≤ 1.5	13	0.37	100,0%	≥ 95.0	Excellent
Antimony#	Н	ug/L Sb	≤ 20	1	1.0	100,0%	≥ 95.0	Excellent
Arsenic#*	Н	mg/kg As	≤ 10	1	1.0	100,0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	12	2.83	100,0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	12	7.6	100,0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	12	8.6	100,0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	43	23	100,0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	12	6.5	100,0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	43	19	100,0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	11	0.91	100,0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	12	7.2	100,0%	≥ 95.0	Excellent
Selenium#	Н	ug/L Se	≤ 40	1	2.0	100,0%	≥ 95.0	Excellent
Uranium#*		ug/L U	≤ 30	11	0.10	100,0%	≥ 95.0	Excellent
Organic Carbon Total*	А, Н	mg/L C	≤ 10.0	49	5.60	100,0%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	51	0.0885	100,0%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	51	0.00451	100,0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	51	0.0219	100,0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	51	0.0455	82,4%	≥ 95.0	Unacceptable
Total microcystin*	Н	ug/L	≤ 1.0	51	0.13	100,0%	≥ 95.0	Excellent
Average Compliance						99,0%	≥ 95	Excellent

Table 4-Risk-defined Health-Operation	nal							
Total Coliform	O, IH	count/100mL	≤ 10	51	0.2	100,0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	51	29	98,0%	≥ 93.0	Excellent
Somatic coliphages*	Н	count/10mL	≤ 1	12	0	100,0%	≥ 93.0	Excellent
pH @ 25°C	Α, Ο	pH units	≥ 5.00 to ≤ 9.70	51	7.46	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	51	0.797	80,4%	≥ 93.0	Unacceptable
Aluminium*	Н	μg/L Al	≤ 300	48	11	100,0%	≥ 93.0	Excellent
Average Compliance						96,4%	≥ 93	Excellent
Table 5-Risk-defined Health-Aesthetic								
Colour	А	mg/L Pt-Co	≤ 15	51	7	92,2%	≥ 93.0	Good
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	51	53.95	100,0%	≥ 93.0	Excellent
Total Dissolved Solids at 180°C		mg/L	≤ 1200	51	331	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	51	0.797	100,0%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	12	53	100,0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	51	0.13	100,0%	≥ 93.0	Excellent
Chloride	А	mg/L CI-	≤ 300	12	62	100,0%	≥ 93.0	Excellent
Sodium*	А, Н	mg/L Na	≤ 200	11	43	100,0%	≥ 93.0	Excellent
Zinc*	A, H	mg/L Zn	≤ 5.0	12	0.18	100,0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	43	23	100,0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	43	19	100,0%	≥ 93.0	Excellent
Average Compliance						99,3%	≥ 93	Excellent
Table 6- Other determinands								
Chlorine Total*	0	mg/L	≤ 5.00	51	2.55	100,0%	≥ 93.0	Excellent
Temperature*	А	°C	≤ 30	51	22	100,0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	51	105	100,0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	49	30	100,0%	≥ 93.0	Excellent
Magnesium*	A, H	mg/L Mg	≥ 70to ≤ 100	50	19	100,0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	50	154	100,0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	49	-10	100,0%	≥ 93.0	Excellent
Cobalt*	Н	ug/L Co	≤ 500	12	6.9	100,0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	11	8	100,0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	51	8	100,0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	51	8	100,0%	≥ 93.0	Excellent
Pesticides as DDT/DDE*	Н	ug/L	≤ 0.50	11	0.064	100,0%	≥ 93.0	Excellent
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	51	0.2	100,0%	≥ 93.0	Excellent
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	51	0.10	100,0%	≥ 93.0	Excellent
Average Compliance						100,0%	≥ 93	Excellent
Total Number of Analyses				1855	Overall Compliance	99,1%		

Vaalkop WTW 3	/aalkop WTW 3		Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute	1	'						
E. coli	Н	count/100mL	≤ 0	51	0	100,0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	50	0.4	100,0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	51	0.021	100,0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	12	57	100,0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	1	70	100,0%	≥ 97.0	Excellent
Average Compliance						100,0%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute	2							
Giardia cysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Average Compliance						100,0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chron	ic							
Chlorine Free*	0	mg/L	≤ 5.00	51	1.70	98,0%	≥ 95.0	Excellent
Monochloramines*	0	mg/L	≤ 3.00	51	0.52	100,0%	≥ 95.0	Excellent
Fluoride	Н	mg/L F-	≤ 1.5	13	0.41	100,0%	≥ 95.0	Excellent
Antimony#	Н	ug/L Sb	≤ 20	1	1.0	100,0%	≥ 95.0	Excellent
Arsenic#*	Н	mg/kg As	≤ 10	1	1.0	100,0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	12	2.83	100,0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	12	7.5	100,0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	12	7.8	100,0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	43	22	100,0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	12	6.5	100,0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	43	20	100,0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	11	0.91	100,0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	12	7.3	100,0%	≥ 95.0	Excellent
Selenium#	Н	ug/L Se	≤ 40	1	2.0	100,0%	≥ 95.0	Excellent
Uranium#*		ug/L U	≤ 30	11	0.10	100,0%	≥ 95.0	Excellent
Organic Carbon Total*	A, H	mg/L C	≤ 10.0	49	5.72	98,0%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	51	0.0583	100,0%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	51	0.00461	100,0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	51	0.0213	100,0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	51	0.0351	96,1%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	50	0.14	100,0%	≥ 95.0	Excellent
Average Compliance						99,6%	≥ 95	Excellent

Table 4-Risk-defined Health-								
Operational								
Total Coliform	O, IH	count/100mL	≤ 10	51	0.04	100,0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	51	27	98,0%	≥ 93.0	Excellent
Somatic coliphages*	Н	count/10mL	≤ 1	13	0.2	100,0%	≥ 93.0	Excellent
pH @ 25°C	А, О	pH units	≥ 5.00 to ≤ 9.70	51	7.47	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	51	0.578	88,2%	≥ 93.0	Unacceptable
Aluminium*	Н	μg/L Al	≤ 300	48	14	100,0%	≥ 93.0	Excellent
Average Compliance		,				97,7%	≥ 93	Excellent
Table 5-Risk-defined Health-Aesthetic								
Colour	А	mg/L Pt-Co	≤ 15	51	7	96,1%	≥ 93.0	Excellent
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	51	52.72	100,0%	≥ 93.0	Excellent
Total Dissolved Solids at 180°C		mg/L	≤ 1200	51	322	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	51	0.578	100,0%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	12	57	100,0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	51	0.085	100,0%	≥ 93.0	Excellent
Chloride	А	mg/L Cl-	≤ 300	12	62	100,0%	≥ 93.0	Excellent
Sodium*	А, Н	mg/L Na	≤ 200	12	42	100,0%	≥ 93.0	Excellent
Zinc*	А, Н	mg/L Zn	≤ 5.0	12	0.20	100,0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	43	22	100,0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	43	20	97,7%	≥ 93.0	Excellent
Average Compliance						99,4%	≥ 93	Excellent
Table 6- Other determinands								
Chlorine Total*	0	mg/L	≤ 5.00	51	2.34	98,0%	≥ 93.0	Excellent
Temperature*	А	°C	≤ 30	51	22	100,0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	51	101	100,0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	49	27	100,0%	≥ 93.0	Excellent
Magnesium*	A, H	mg/L Mg	≥ 70to ≤ 100	49	19	100,0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	50	149	100,0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	49	-10	100,0%	≥ 93.0	Excellent
Cobalt*	Н	ug/L Co	≤ 500	12	6.9	100,0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	12	12	100,0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	51	8	100,0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	51	8	100,0%	≥ 93.0	Excellent
Pesticides as DDT/DDE*	Н	ug/L	≤ 0.50	11	0.030	100,0%	≥ 93.0	Excellent
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	50	0.08	100,0%	≥ 93.0	Excellent
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	51	0.08	100,0%	≥ 93.0	Excellent
Average Compliance						99,9%	≥ 93	Excellent
Total Number of Analyses				1855	Overall Compliance	99,5%		

Vaalkop WTW 4			Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute	1							
E. coli	Н	count/100mL	≤ 0	12	0	100,0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	11	0.5	100,0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	12	0.010	100,0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	2	44	100,0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	1	70	100,0%	≥ 97.0	Excellent
Average Compliance						100,0%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute	2							
Giardia cysts#*	Н	count/10L	≤ 1	1	0	100,0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	1	0	100,0%	≥ 97.0	Excellent
Average Compliance		<u> </u>		'		100,0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chroni	c						<u>'</u>	
Chlorine Free*	0	mg/L	≤ 5.00	12	1.92	91,7%	≥ 95.0	Unacceptable
Monochloramines*	0	mg/L	≤ 3.00	12	0.28	100,0%	≥ 95.0	Excellent
Fluoride	Н	mg/L F-	≤ 1.5	1	0.39	100,0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	1	2.74	100,0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	1	13	100,0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	1	4.0	100,0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	12	13	100,0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	1	1.1	100,0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	12	14	100,0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	2	1.0	100,0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	1	3.4	100,0%	≥ 95.0	Excellent
Organic Carbon Total*	A, H	mg/L C	≤ 10.0	12	4.85	100,0%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	12	0.0633	100,0%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	12	0.00	100,0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	12	0.0150	100,0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	12	0.0392	100,0%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	11	0.14	100,0%	≥ 95.0	Excellent
Average Compliance						99,5%	≥ 95	Excellent

Table 4-Risk-defined Health-Operation	ial							
Total Coliform	O, IH	count/100mL	≤ 10	12	0	100,0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	12	9	100,0%	≥ 93.0	Excellent
Somatic coliphages*	Н	count/10mL	≤ 1	1	0	100,0%	≥ 93.0	Excellent
pH @ 25°C	A, 0	pH units	≥ 5.00 to ≤ 9.70	12	7.40	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	12	0.503	91,7%	≥ 93.0	Good
Aluminium*	Н	μg/L Al	≤ 300	12	4.9	100,0%	≥ 93.0	Excellent
Average Compliance						98,6%	≥ 93	Excellent
Table 5-Risk-defined Health-Aesthetic								
Colour	А	mg/L Pt-Co	≤ 15	12	8	100,0%	≥ 93.0	Excellent
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	12	40.96	100,0%	≥ 93.0	Excellent
Total Dissolved Solids at 180°C		mg/L	≤ 1200	12	252	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	12	0.503	100,0%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	2	44	100,0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	12	0.029	100,0%	≥ 93.0	Excellent
Chloride	А	mg/L CI-	≤ 300	2	43	100,0%	≥ 93.0	Excellent
Sodium*	A, H	mg/L Na	≤ 200	2	28	100,0%	≥ 93.0	Excellent
Zinc*	A, H	mg/L Zn	≤ 5.0	1	0.01	100,0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	12	13	100,0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	12	14	100,0%	≥ 93.0	Excellent
Average Compliance						100,0%	≥ 93	Excellent
Table 6- Other determinands								
Chlorine Total*	0	mg/L	≤ 5.00	12	2.33	91,7%	≥ 93.0	Good
Temperature*	А	°C	≤ 30	12	21	100,0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	12	89	100,0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	12	28	100,0%	≥ 93.0	Excellent
Magnesium*	A, H	mg/L Mg	≥ 70to ≤ 100	11	13	100,0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	11	123	100,0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	12	-20	100,0%	≥ 93.0	Excellent
Cobalt*	Н	ug/L Co	≤ 500	1	2.4	100,0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	2	5	100,0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	12	6	100,0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	12	6	100,0%	≥ 93.0	Excellent
Pesticides as DDT/DDE*	Н	ug/L	≤ 0.50	1	0.42	100,0%	≥ 93.0	Excellent
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	12	-0.02	100,0%	≥ 93.0	Excellent
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	12	0.04	100,0%	≥ 93.0	Excellent
Average Compliance						99,4%	≥ 93	Excellent
Total Number of Analyses				415	Overall	99,5%		
					Compliance			



Klipdrift Final			Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
				or sumples		remeved	inequired	Supply System
		T	Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute							I	I
E. coli	Н	count/100mL	≤ 0	51	0	100,0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	50	3.5	100,0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	51	0.059	100,0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	12	35	100,0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	1	70	100,0%	≥ 97.0	Excellent
Average Compliance						100,0%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute	2	1					1	1
Giardia cysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	4	0	100,0%	≥ 97.0	Excellent
Average Compliance						100,0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chron	ic							
Chlorine Free*	0	mg/L	≤ 5.00	51	2.27	90,2%	≥ 95.0	Unacceptable
Fluoride	Н	mg/L F-	≤ 1.5	13	0.45	100,0%	≥ 95.0	Excellent
Antimony#	Н	ug/L Sb	≤ 20	1	1.0	100,0%	≥ 95.0	Excellent
Arsenic#*	Н	mg/kg As	≤ 10	1	10	100,0%	≥ 95.0	Excellent
Barium*		ug/L Ba	≤ 700	10	36	100,0%	≥ 95.0	Excellent
Boron*		ug/L B	≤ 2400	10	41	100,0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	12	2.83	100,0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	12	8.7	100,0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	12	7.8	100,0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	51	24	100,0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	12	6.5	100,0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	51	16	100,0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	11	0.91	100,0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	12	7.2	100,0%	≥ 95.0	Excellent
Selenium#	Н	ug/L Se	≤ 40	1	5.0	100,0%	≥ 95.0	Excellent
Uranium#*		ug/L U	≤ 30	10	0.11	100,0%	≥ 95.0	Excellent
Organic Carbon Total*	A, H	mg/L C	≤ 10.0	49	6.75	100,0%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	51	0.0675	100,0%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	51	0.00353	100,0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	51	0.00990	100,0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	51	0.0256	98,0%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	50	0.15	100,0%	≥ 95.0	Excellent
Average Compliance				I		99,5%	≥ 95	Excellent

Table 4-Risk-defined Health- Operational								
Total Coliform	O, IH	count/100mL	≤ 10	51	0.3	98,0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	51	111	96,1%	≥ 93.0	Excellent
Somatic coliphages*	Н	count/10mL	≤ 1	12	0	100,0%	≥ 93.0	Excellent
pH @ 25°C	Α, Ο	pH units	≥ 5.00 to ≤ 9.70	51	7.57	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	52	1.05	55,8%	≥ 93.0	Unacceptable
Aluminium*	Н	μg/L Al	≤ 300	42	14	100,0%	≥ 93.0	Excellent
Average Compliance						91,6%	≥ 93	Good
Table 5-Risk-defined Health-Aesthet	ic							
Colour	А	mg/L Pt-Co	≤ 15	51	7	96,1%	≥ 93.0	Excellent
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	51	49.59	100,0%	≥ 93.0	Excellent
Total Dissolved Solids at 180°C		mg/L	≤ 1200	50	303	100,0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	52	1.05	100,0%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	12	35	100,0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	51	0.14	100,0%	≥ 93.0	Excellent
Chloride	А	mg/L CI-	≤ 300	12	51	100,0%	≥ 93.0	Excellent
Sodium*	A, H	mg/L Na	≤ 200	11	44	100,0%	≥ 93.0	Excellent
Zinc*	A, H	mg/L Zn	≤ 5.0	12	0.19	100,0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	51	24	100,0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	51	16	100,0%	≥ 93.0	Excellent
Average Compliance						99,6%	≥ 93	Excellent
Table 6- Other determinands								
Temperature*	А	°C	≤ 30	51	22	100,0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	51	120	100,0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	49	30	100,0%	≥ 93.0	Excellent
Magnesium*	A, H	mg/L Mg	≥ 70to ≤ 100	50	16	100,0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	50	141	100,0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	49	-20	100,0%	≥ 93.0	Excellent
Cobalt*	Н	ug/L Co	≤ 500	3	5.1	100,0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	11	9.0	100,0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	51	8	100,0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	50	8	100,0%	≥ 93.0	Excellent
Pesticides as DDT/DDE*	Н	ug/L	≤ 0.50	11	0.12	100,0%	≥ 93.0	Excellent
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	51	0.3	98,0%	≥ 93.0	Excellent
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	50	0.73	100,0%	≥ 93.0	Excellent
Average Compliance						99,8%	≥ 93	Excellent
Total Number of Analyses				1770	Overall Compliance	98,9%		

Klipdrift Distribution			Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute 1								
E. coli	Н	count/100mL	≤ 0	97	0.01	99.0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	23	3.4	100.0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	23	0.056	100.0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	23	35	100.0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	2	70	100.0%	≥ 97.0	Excellent
Average Compliance						99.8%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute 2								
Giardia cysts#*	Н	count/10L	≤ 1	2	0	100.0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	2	0	100.0%	≥ 97.0	Excellent
Average Compliance		'				100.0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chronic								
Chlorine Free*	0	mg/L	≤ 5.00	97	0.51	100.0%	≥ 95.0	Excellent
Fluoride	Н	mg/L F-	≤ 1.5	23	0.37	100.0%	≥ 95.0	Excellent
Barium*		ug/L Ba	≤ 700	16	61	100.0%	≥ 95.0	Excellent
Boron*		ug/L B	≤ 2400	16	58	100.0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	21	2.99	95.2%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	21	8.6	100.0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	19	9.0	100.0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	23	21	100.0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	21	6.6	100.0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	23	17	100.0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	22	0.91	100.0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	21	7.5	100.0%	≥ 95.0	Excellent
Organic Carbon Total*	А, Н	mg/L C	≤ 10.0	23	6.51	100.0%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	23	0.0972	100.0%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	23	0.00370	100.0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	23	0.00913	100.0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	23	0.0265	100.0%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	2	0.080	100.0%	≥ 95.0	Excellent
Average Compliance						99.7%	≥ 95	Excellent

Table 4-Risk-defined Health-Operatio	nal							
Total Coliform	O, IH	count/100mL	≤ 10	97	0.2	100.0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	97	4957	61.9%	≥ 93.0	Unacceptable
Somatic coliphages*	Н	count/10mL	≤ 1	3	2	66.7%	≥ 93.0	Unacceptable
pH @ 25°C	Α, Ο	pH units	≥ 5.00 to ≤ 9.70	97	7.63	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	97	1.26	50.5%	≥ 93.0	Unacceptable
Aluminium*	Н	μg/L Al	≤ 300	21	11	100.0%	≥ 93.0	Excellent
Average Compliance						79.8%	≥ 93	Unacceptable
Table 5-Risk-defined Health-Aesthetic								
Colour	А	mg/L Pt-Co	≤ 15	97	8	95.9%	≥ 93.0	Excellent
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	97	49.96	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	97	1.26	100.0%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	23	35	100.0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	23	0.091	100.0%	≥ 93.0	Excellent
Chloride	А	mg/L CI-	≤ 300	23	51	100.0%	≥ 93.0	Excellent
Sodium*	A, H	mg/L Na	≤ 200	4	36	100.0%	≥ 93.0	Excellent
Zinc*	A, H	mg/L Zn	≤ 5.0	21	0.02	100.0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	23	21	100.0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	23	17	100.0%	≥ 93.0	Excellent
Average Compliance						99.6%	≥ 93	Excellent
Table 6- Other determinands								
Temperature*	А	°C	≤ 30	97	22	100.0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	24	123	100.0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	24	33	100.0%	≥ 93.0	Excellent
Magnesium*	A, H	mg/L Mg	≥ 70to ≤ 100	24	16	100.0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	23	146	100.0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	24	-8	100.0%	≥ 93.0	Excellent
Cobalt*	Н	ug/L Co	≤ 500	21	7.1	100.0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	10	8	100.0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	5	8	100.0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	5	8	100.0%	≥ 93.0	Excellent
Average Compliance						100.0%	≥ 93	Excellent
Total Number of Analyses				1546	Overall Compliance	97.4%		



Cullinan Final			Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute 1								
E. coli	Н	count/100mL	≤ 0	49	0	100.0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	49	0.6	100.0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	49	0.072	100.0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	12	29	100.0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	1	70	100.0%	≥ 97.0	Excellent
Average Compliance						100.0%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute 2								
Giardia cysts#*	Н	count/10L	≤ 1	4	0	100.0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	4	0	100.0%	≥ 97.0	Excellent
Average Compliance						100.0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chronic								
Chlorine Free*	0	mg/L	≤ 5.00	49	1.52	100.0%	≥ 95.0	Excellent
Fluoride	Н	mg/L F-	≤ 1.5	13	0.47	100.0%	≥ 95.0	Excellent
Antimony#	Н	ug/L Sb	≤ 20	1	1.0	100.0%	≥ 95.0	Excellent
Arsenic#*	Н	mg/kg As	≤ 10	1	10	100.0%	≥ 95.0	Excellent
Barium*		ug/L Ba	≤ 700	10	35	100.0%	≥ 95.0	Excellent
Boron*		ug/L B	≤ 2400	10	29	100.0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	12	2.83	100.0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	12	8.0	100.0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	12	8.9	100.0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	48	24	100.0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	12	6.5	100.0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	48	63	93.8%	≥ 95.0	Good
Mercury	Н	μg/L Hg	≤ 6.0	11	0.91	100.0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	12	7.1	100.0%	≥ 95.0	Excellent
Selenium#	Н	ug/L Se	≤ 40	1	5.0	100.0%	≥ 95.0	Excellent
Uranium#*		ug/L U	≤ 30	11	0.92	100.0%	≥ 95.0	Excellent
Organic Carbon Total*	А, Н	mg/L C	≤ 10.0	48	7.09	100.0%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	49	0.139	95.9%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	49	0.00357	100.0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	49	0.00786	100.0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	49	0.0249	98.0%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	49	0.13	100.0%	≥ 95.0	Excellent
Average Compliance						99.4%	≥ 95	Excellent

Table 4-Risk-defined Health- Operational								
Total Coliform	O, IH	count/100mL	≤ 10	49	0	100.0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	49	93	95.9%	≥ 93.0	Excellent
Somatic coliphages*	Н	count/10mL	≤ 1	12	0	100.0%	≥ 93.0	Excellent
pH @ 25°C	Α, Ο	pH units	≥ 5.00 to ≤ 9.70	49	8.16	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	49	0.584	93.9%	≥ 93.0	Excellent
Aluminium*	Н	μg/L Al	≤ 300	45	17	100.0%	≥ 93.0	Excellent
Average Compliance						98.3%	≥ 93	Excellent
Table 5-Risk-defined Health-Aestheti	ic							
Colour	А	mg/L Pt-Co	≤ 15	48	9.5	85.4%	≥ 93.0	Unacceptable
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	49	38.99	100.0%	≥ 93.0	Excellent
Total Dissolved Solids at 180°C		mg/L	≤ 1200	49	256	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	49	0.584	100.0%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	12	29	100.0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	49	0.19	95.9%	≥ 93.0	Excellent
Chloride	А	mg/L CI-	≤ 300	12	30	100.0%	≥ 93.0	Excellent
Sodium*	A, H	mg/L Na	≤ 200	12	22	100.0%	≥ 93.0	Excellent
Zinc*	A, H	mg/L Zn	≤ 5.0	12	1.7	91.7%	≥ 93.0	Good
Iron*	Α, Ο	ug/L Fe	≤ 300	48	24	100.0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	48	63	85.4%	≥ 93.0	Unacceptable
Average Compliance						96.2%	≥ 93	Excellent
Table 6- Other determinands								
Temperature*	А	°C	≤ 30	49	22	100.0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	49	122	100.0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	48	32	100.0%	≥ 93.0	Excellent
Magnesium*	A, H	mg/L Mg	≥ 70to ≤ 100	48	14	100.0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	48	135	100.0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	48	0.1	89.6%	≥ 93.0	Unacceptable
Cobalt*	Н	ug/L Co	≤ 500	2	2.7	100.0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	12	11	100.0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	49	8	100.0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	49	8	100.0%	≥ 93.0	Excellent
Pesticides as DDT/DDE*	Н	ug/L	≤ 0.50	11	0.045	100.0%	≥ 93.0	Excellent
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	48	0.3	93.8%	≥ 93.0	Excellent
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	49	0.56	100.0%	≥ 93.0	Excellent
Average Compliance						98.7%	≥ 93	Excellent
Total Number of Analyses				1718	Overall Compliance	98.6%		
					l .		J	

Cullinan Distribution			Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute 1			<u> </u>					
E. coli	Н	count/100mL	≤ 0	287	0	100.0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	44	0.4	100.0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	44	0.063	100.0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	42	29	100.0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	6	70	100.0%	≥ 97.0	Excellent
Average Compliance			ı	J		100.0%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute 2							J	
Giardia cysts#*	Н	count/10L	≤ 1	5	0	100.0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	5	0	100.0%	≥ 97.0	Excellent
Average Compliance				J.		100.0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chronic						ı		
Chlorine Free*	0	mg/L	≤ 5.00	287	0.45	100.0%	≥ 95.0	Excellent
Fluoride	Н	mg/L F-	≤ 1.5	44	0.40	100.0%	≥ 95.0	Excellent
Barium*		ug/L Ba	≤ 700	30	48	100.0%	≥ 95.0	Excellent
Boron*		ug/L B	≤ 2400	30	29	100.0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	42	2.90	100.0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	42	8.1	100.0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	39	10	100.0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	46	19	100.0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	42	6.6	100.0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	45	41	100.0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	40	0.90	100.0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	42	7.5	100.0%	≥ 95.0	Excellent
Organic Carbon Total*	А, Н	mg/L C	≤ 10.0	44	7.57	97.7%	≥ 95.0	Excellent
Chloroform*		mg/L	≤ 0.300	44	0.138	100.0%	≥ 95.0	Excellent
Bromoform*		mg/L	≤ 0.100	44	0.00375	100.0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	44	0.00943	100.0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	44	0.0277	97.7%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	6	0.061	100.0%	≥ 95.0	Excellent
Average Compliance						99.7%	≥ 95	Excellent

Table 4-Risk-defined Health-Operation	nal							
Total Coliform	O, IH	count/100mL	≤ 10	287	0.5	99.3%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	287	401	90.2%	≥ 93.0	Good
Somatic coliphages*	Н	count/10mL	≤ 1	6	0	100.0%	≥ 93.0	Excellent
pH @ 25°C	Α, Ο	pH units	≥ 5.00 to ≤ 9.70	288	8.45	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	288	0.697	89.2%	≥ 93.0	Unacceptable
Aluminium*	Н	μg/L Al	≤ 300	42	18	100.0%	≥ 93.0	Excellent
Average Compliance						96.5%	≥ 93	Excellent
Table 5-Risk-defined Health-Aesthetic								
Colour	А	mg/L Pt-Co	≤ 15	288	11	85.8%	≥ 93.0	Unacceptable
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	288	39.19	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	288	0.697	99.7%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	42	29	100.0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	44	0.17	100.0%	≥ 93.0	Excellent
Chloride	А	mg/L CI-	≤ 300	44	30	100.0%	≥ 93.0	Excellent
Sodium*	А, Н	mg/L Na	≤ 200	9	17	100.0%	≥ 93.0	Excellent
Zinc*	А, Н	mg/L Zn	≤ 5.0	42	0.01	100.0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	46	19	100.0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	45	41	86.7%	≥ 93.0	Unacceptable
Phenolic compounds*	А, Н	ug/L	≤ 10	6	0.1	100.0%	≥ 10.0	Excellent
Average Compliance						97.5%	≥ 93	Excellent
Table 6- Other determinands								
Temperature*	А	°C	≤ 30	287	22	100.0%	≥ 93.0	Excellent
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	46	121	100.0%	≥ 93.0	Excellent
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	46	32	100.0%	≥ 93.0	Excellent
Magnesium*	А, Н	mg/L Mg	≥ 70to ≤ 100	46	14	100.0%	≥ 93.0	Excellent
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	42	138	100.0%	≥ 93.0	Excellent
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	43	13	69.8%	≥ 93.0	Unacceptable
Cobalt*	Н	ug/L Co	≤ 500	42	7.1	100.0%	≥ 95.0	Excellent
Potassium*	Н	mg/L K	≥ 50to ≤ 100	19	7	100.0%	≥ 97.0	Excellent
2-Methylisoborneol*	A,O	ng/L	≤ 10	11	8	100.0%	≥ 93.0	Excellent
Geosmin*	A,O	ng/L	≤ 10	11	8	100.0%	≥ 93.0	Excellent
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	6	-0.07	100.0%	≥ 93.0	Excellent
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	2	0.18	100.0%	≥ 93.0	Excellent
Average Compliance	1	1	97.5%	≥ 93	Excellent			
Total Number of Analyses	3908	Overall	98.4%		1			
•		Compliance						



Wallmannsthal Final		Specifications (based on SANS 241:2015)	Total number of samples	Average result	% Compliance Achieved	% Compliance Required	Quality of Water Supply System	
			Standards Limits					
Analysis	Risk	Units						
Table 1-Risk-defined Health-Acute 1								
E. coli	Н	count/100mL	≤ 0	50	0	100.0%	≥ 97.0	Excellent
Nitrate	Н	mg/L N	≤ 11	49	2.6	100.0%	≥ 97.0	Excellent
Nitrite	Н	mg/L N	≤ 0.90	50	0.12	100.0%	≥ 97.0	Excellent
Sulphate	Н	mg/L SO	≤ 500	12	34	100.0%	≥ 97.0	Excellent
Cyanide*	Н	ug/L CN-	≥ 50to ≤ 70	1	70	100.0%	≥ 97.0	Excellent
Average Compliance						100.0%	≥ 97	Excellent
Table 2-Risk-defined Health-Acute 2								
Giardia cysts#*	Н	count/10L	≤ 1	4	0	100.0%	≥ 97.0	Excellent
Cryptosporidium oocysts#*	Н	count/10L	≤ 1	4	0	100.0%	≥ 97.0	Excellent
Average Compliance						100.0%	≥ 97	Excellent
Table 3-Risk-defined Health-Chronic								
Chlorine Free*	0	mg/L	≤ 5.00	50	1.06	100.0%	≥ 95.0	Excellent
Monochloramines*	0	mg/L	≤ 3.00	0			≥ 95.0	
Fluoride	Н	mg/L F-	≤ 1.5	13	0.44	100.0%	≥ 95.0	Excellent
Antimony#	Н	ug/L Sb	≤ 20	1	1.0	100.0%	≥ 95.0	Excellent
Arsenic#*	Н	mg/kg As	≤ 10	1	10	100.0%	≥ 95.0	Excellent
Barium*		ug/L Ba	≤ 700	10	37	100.0%	≥ 95.0	Excellent
Boron*		ug/L B	≤ 2400	10	54	100.0%	≥ 95.0	Excellent
Cadmium*	Н	ug/L Cd	≤ 3.00	12	2.83	100.0%	≥ 95.0	Excellent
Chromium*	Н	ug/L Cr	≤ 50	12	7.9	100.0%	≥ 95.0	Excellent
Copper*	Н	ug/L Cu	≤ 2000	12	9.0	100.0%	≥ 95.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 2000.0	49	54	100.0%	≥ 95.0	Excellent
Lead*	Н	ug/L Pb	≤ 10	12	6.5	100.0%	≥ 95.0	Excellent
Manganese*	А	ug/L Mn	≤ 400	49	22	100.0%	≥ 95.0	Excellent
Mercury	Н	μg/L Hg	≤ 6.0	11	0.91	100.0%	≥ 95.0	Excellent
Nickel*	Н	ug/L Ni	≤ 70	12	7.3	100.0%	≥ 95.0	Excellent
Selenium#	Н	ug/L Se	≤ 40	1	5.0	100.0%	≥ 95.0	Excellent
Uranium#*		ug/L U	≤ 30	11	0.10	100.0%	≥ 95.0	Excellent
Organic Carbon Total*	А, Н	mg/L C	≤ 10.0	50	8.85	90.0%	≥ 95.0	Unacceptable
Chloroform*		mg/L	≤ 0.300	50	0.0415	98.0%	≥ 95.0	Excellent

Bromoform*		mg/L	≤ 0.100	50	0.00360	100.0%	≥ 95.0	Excellent
Dibromochloromethane*		mg/L	≤ 0.100	50	0.00610	100.0%	≥ 95.0	Excellent
Bromodichloromethane*		mg/L	≤ 0.0600	50	0.0147	98.0%	≥ 95.0	Excellent
Total microcystin*	Н	ug/L	≤ 1.0	49	0.16	100.0%	≥ 95.0	Excellent
Average Compliance						99.4%	≥ 95	Excellent
Table 4-Risk-defined Health-Operation	onal							
Total Coliform	O, IH	count/100mL	≤ 10	50	0.4	98.0%	≥ 93.0	Excellent
Total Plate Count	O, IH	count/1mL	≤ 1000	50	125	98.0%	≥ 93.0	Excellent
Somatic coliphages*	Н	count/10mL	≤ 1	12	0	100.0%	≥ 93.0	Excellent
pH @ 25°C	Α, Ο	pH units	≥ 5.00 to ≤ 9.70	50	7.82	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 1.00	50	0.881	80.0%	≥ 93.0	Unacceptable
Aluminium*	Н	μg/L Al	≤ 300	40	13	100.0%	≥ 93.0	Excellent
Average Compliance						96.0%	≥ 93	Excellent
Table 5-Risk-defined Health-Aestheti	C						<u>'</u>	<u>'</u>
Colour	А	mg/L Pt-Co	≤ 15	50	15	66.0%	≥ 93.0	Unacceptable
Electrical Conductivity @ 25°C	А	mS/m	≤ 170.0	50	50.84	100.0%	≥ 93.0	Excellent
Total Dissolved Solids at 180°C		mg/L	≤ 1200	49	320	100.0%	≥ 93.0	Excellent
Turbidity	A,O, IH	NTU	≤ 5.00	50	0.881	100.0%	≥ 93.0	Excellent
Sulphate	Н	mg/L SO	≤ 250	12	34	100.0%	≥ 93.0	Excellent
Ammonium	0	mg/L N	≤ 1.50	50	1.39	50.0%	≥ 93.0	Unacceptable
Chloride	А	mg/L CI-	≤ 300	12	54	100.0%	≥ 93.0	Excellent
Sodium*	A, H	mg/L Na	≤ 200	12	42	100.0%	≥ 93.0	Excellent
Zinc*	А, Н	mg/L Zn	≤ 5.0	12	0.19	100.0%	≥ 93.0	Excellent
Iron*	Α, Ο	ug/L Fe	≤ 300	49	54	100.0%	≥ 93.0	Excellent
Manganese*	А	ug/L Mn	≤ 100	49	22	100.0%	≥ 93.0	Excellent
Phenolic compounds*	А, Н	ug/L	≤ 10	0			≥ 10.0	

Average Compliance						92.4%	≥ 93	Good	
Table 6- Other determinands									
Chlorine Total*	0	mg/L	≤ 5.00	0			≥ 93.0		
Temperature*	А	°C	≤ 30	50	22	100.0%	≥ 93.0	Excellent	
Alkalinity Total	А	mg/L CaCO3	≥ 250to ≤ 300	50	129	100.0%	≥ 93.0	Excellent	
Calcium	A,O	mg/L Ca	≥ 150to ≤ 300	48	33	100.0%	≥ 93.0	Excellent	
Magnesium*	A, H	mg/L Mg	≥ 70to ≤ 100	49	15	100.0%	≥ 93.0	Excellent	
Hardness Total*	A,O	mg/L CaCO3	≥ 250to ≤ 300	49	147	100.0%	≥ 93.0	Excellent	
Calcium precipitation potential*	0	mg/L CaCO3	≥ 5 to ≤ 20	48	-2	97.9%	≥ 93.0	Excellent	
Cobalt*	Н	ug/L Co	≤ 500	3	5.1	100.0%	≥ 95.0	Excellent	
Potassium*	Н	mg/L K	≥ 50to ≤ 100	12	9	100.0%	≥ 97.0	Excellent	
2-Methylisoborneol*	A,O	ng/L	≤ 10	50	10	98.0%	≥ 93.0	Excellent	
Geosmin*	A,O	ng/L	≤ 10	50	8	100.0%	≥ 93.0	Excellent	
Pesticides as DDT/DDE*	Н	ug/L	≤ 0.50	11	0.047	100.0%	≥ 93.0	Excellent	
Chlorophyll - a	A,O, IH	ug/L	≤ 1.0	50	0.6	86.0%	≥ 93.0	Unacceptable	
Orthophosphate	А	mg/L P	≥ 1.0 to ≤ 10.0	49	0.73	100.0%	≥ 93.0	Excellent	
Chemical Oxygen Demand		mg/L	≤ 0.0	0			≥ 93.0		
Total Phosphate*		mg/L P	Not specified	0			≥ 93.0		
Free & Saline Ammonia*	0	mg/L N	≤ 2.0	0			≥ 93.0		
Total Suspended Solids at 105°C		mg/L	Not specified	0			≥ 93.0		
Total Solids at 105°C*			Not specified	0			≥ 93.0		
Suspended Solids at 105°C*		mg/L	Not specified	0					
Average Compliance						98.6%	≥ 93	Excellent	
Total Number of Analyses					Overall Compliance	97.6%			

Capital Expansions

The capital expansion masterplan provided a trajectory for the organic growth of Magalies Water through implementation of water services infrastructure. Expansions of infrastructure were carried out to enhance operational capacity and infrastructure resilience in response to the increasing demand of water supply. The outcome of that, was an increase in the asset base and geographical reach of Magalies Water in water services provision.

The following key projects were implemented in the 2016/17 financial year:

Pilanesberg Bulk Water Supply Scheme

Construction of the Pilanesberg Bulk Water Supply Scheme (PBWSS) commenced in August 2013 to meet the growing demand of water for domestic and industrial use in the Moses Kotane, Rustenburg and Thabazimbi Local Municipalities. The industrial customers who benefit 55% from the PBWSS include; Platmin, Wesizwe and Maseve platinum mines. The domestic component jointly to benefit 45% of the scheme is made up of the Rustenburg, Thabazimbi and Moses Kotane Local Municipalities.

The following components of the PBWSS were implemented during the 2016/17 financial year:

Upgrade of the Vaalkop Water Treatment Plant

This upgrade entailed a civil, electrical and mechanical construction of the additional 30 ML/day module to bring the Vaalkop Plant to a treatment capacity of 270ML/day. The upgrade was completed in November 2016 and will provide the necessary production efficiencies at the Vaalkop Water Treatment Plant.

High lift pump-station at Vaalkop Water Treatment Plant

The 70ML/day high lift pump station was constructed as part of the Vaalkop Water Treatment Plant upgrades and was completed in January 2017.

Tuschenkomst to Ruighoek pipeline

This project will increase the supply of water and cater for the demand of the Mabeskraal cluster. It entails construction of a 16kilometer pipeline with a booster pump station from the Tuschenkomst terminal reservoir to the Ruighoek pipeline. The project is 92% complete with the expected practical completion in December 2017.

Zeekoegat pipeline

This project entails extension of the Zeekoegat gravity main to the South African Police Services dog school. The project is 40% complete and it is expected that the practical completion will be in October 2017.

Klipdrift Water Treatment Plant upgrades

The Klipdrift upgrade is intended to provide for current and future water requirements of the Moretele, Bela-Bela and Modimolle-Mokgophoong Local Municipalities. The plant is being upgraded to a capacity of 42ML/day and progress is as follows:

- Refurbishment of civil, mechanical and electrical instrumentation is 93% complete with an expected completion in November 2017;
- Installation of mechanical works is 96% complete with the expected completion in November 2017;
- The pumping main and pump-station refurbishments at the plant are 96% complete.

Moretele South rising main and reservoir

The construction of this bulk pipeline will enable provision of water from the Klipdrift Water Treatment Plant to Moretele Local Municipality. Water demand of the City of Tshwane Metropolitan Municipality will be catered for through supply into the Babelegi reservoir in the Greater Temba/ Hammanskraal area. Construction of a pipeline to connect Carousel View and Makapanstad from the Klipdrift Water Treatment Plant has already commenced. Implementation of this infrastructure will occur over a 3year period and is 10% complete.

Klipvoor Bulk Water Supply Scheme

Klipvoor is a Regional Bulk Infrastructure Scheme constructed to address current and future water demand of the Moretele North area, Bela-Bela and Modimolle-Mokgophoong Local Municipalities. It is expected that the supply will also extend to Mogalakwena Local Municipality due to the mining explorations in that area. The project is to be implemented over a long term with construction of the new Water Treatment Works downstream the Klipvoor Dam. In the short term, bulk supply of water will be sourced from ground water well-fields and the Klipdrift Water Treatment Works.

Sondela booster pumpstation

This project entails construction of a booster pump station at Sondela, and a 300mm diameter pipeline to provide assurance of current and future water demand of the Modimolle-Mokgopong Local Municipality.

Baviaanspoort rising main and pump station

The development entails the construction of a new pump station at the Wallmannsthal reservoir and refurbishment of the Zonderwater Pump Station. This also includes functional replacement of the existing 400 mm diameter steel pipeline with a new steel rising main to provide assurance of current and future water demand of users in the Wallmannsthal area.

Brits Water Treatment Plant upgrades

The current poor quality of raw water from the source, and condition of the current infrastructure necessitated an upgrade from 60ML/d to 80ML/d. The upgrades comprises of among others, the following components:

- Re-route Raw Water Pipeline;
- New Inlet Works (Pre-Ozone);
- Expansion of Flocculation;
- Expansion of Clear Water Tank; and
- Pipelines and appurtenances.

Koster Waste Water Treatment Plant

This entails construction of a new 3 Ml/day Waste Water Treatment Works as well as the associated outfall sewers. The plant is designed for an upgrade of its operational processes and construction of an additional clarifier to a capacity of 6 ML/d in the future. The Waste Water Treatment system is old and the sewage is being pumped directly into the river without being treated. This construction project seeks to eliminate that and is it 66% complete. The practical completion thereof is expected in September 2018.

Implementation Readiness Studies

Implementation Readiness Studies (IRS) was performed for some of the projects, however, financial resources still need to be mobilised for implementation to commence.

That entails construction of the following:

- Bulk pipeline from La Patrie reservoir to Moruleng to address the increasing water demand of the Moses Kotane Local Municipality;
- Pipeline and pump-station between Padda junction and Thabazimbi to augment the current bulk supply to the Thabazimbi Local Municipality;
- Gravity pipeline from La Patrie reservoir to Sandfontein to replace the current pipeline in order to meet the existing and future water demand:
- A pipeline that connects Padda junction to Swartklip to replace the currently stressed and aged pipeline; and
- Pipeline and pump-station from Mafenya to Tlhabane reservoir to provide for sufficient capacity to meet the long - term water demand of the Rustenburg Local Municipality and the Royal Bafokeng Administration.



HUMAN RESOURCES

Introduction

The operating model of Magalies Water enables continued deepening of human resources plan implementation. Through the human resources plan, it is realised that employees are key input to the strategic management process of Magalies Water and is based on the following 5 pillars:

- Remuneration and rewards system that is consistent with the strategic objectives and value drivers of Magalies Water;
- Succession plan and career pathing leading to effective performance of Magalies Water through development of employees to grow into key positions;
- Recruitment and selection of employees to ensure retention of people with expertise, experience and skills within a framework that ensures diversity and skills;
- Incentives to recognise and reward performance that is geared towards achievement of the strategic objectives and targets; and
- Creation of an environment that is free of discrimination and removal of barriers to actively appoint employees from previously disadvantaged backgrounds.

Skills development programmes

Internship

In accordance with the Skills Development Act (no 97 of 1998), every employer should use the workplace as an active learning environment. Magalies Water has complied with that imperative by providing unemployed graduates and potential entrants to the labour market with opportunities to acquire new skills and gain work experience through its internship programme which provide the

learners with practical work experience. A total of 10 learners were recruited into the Internship programme during the 2016/17 financial year and placed in the following departments:

Department	Number
Supply Chain Management	3
Human Resources	1
Risk Management	1
Production: Klipdrift	1
Production: Wallmannsthal	1
Laboratory: Micro Biology	1
Laboratory: Analytical Chemistry	1
Stakeholder and Communication	1

Learnership

Magalies Water implements Learnership programmes for both internal employees and learners recruited from the communities in the service area on Water Treatment and Process Control. These learners were subjected to practical work experience which took place at the Vaalkop Water Treatment Plant. Mentoring and coaching was performed by the senior process controllers in all the water treatment processes. Once certified by the Energy and Water Sector Training Authority (EWSETA), internal and external learners will be accredited with NQF Level 3 and 2 qualifications, respectively, to stand an opportunity of being considered for existing positions available in the water sector. A total of 10 employees were trained internally and 15 unemployed youth learners were recruited from the community.

Engineers' capacity building

In order to address the scarce and critical skills in energy and water sector, Magalies Water utilizes the capital expansions programme to expose engineering graduates to the practical work experience. A total number of 4 graduates were recruited and allocated to senior engineers for training and mentorship. Practical training was provided at the construction of the Brits Water Treatment Plant in the following disciplines:

Engineering discipline	Number
Civil	2
Electrical	1
Mechanical	1

External bursaries

Magalies Water honoured its social responsibility mandate through offering bursaries to students to further their studies at the ORBIT TVET College. A total of 10 bursaries were awarded to learners in pursuance of their studies in the electrical and mechanical engineering fields for a period of 3 years. These learners are expected to complete their N6 studies at the end of the December 2017 and once completed, Magalies Water plans to provide them with the experiential learning opportunity. Qualifications and experience will advance employability of learners in the labour market.

Internal bursaries

As part of the retention strategy, Magalies Water awarded bursaries to its employees to pursue studies at various institutions of learning. A total of 30 employees are bursary recipients who are developing themselves to acquire the necessary qualifications to play an effective role in service delivery.

Employment equity status - Male

Levels	MALE								
	African	African		Coloured		Indian			
	Current	Target	Current	Target	Current	Target	Current	Target	
Top Management	3	-	-	-	-	-	0	-	
Senior Management	6	-	1	-	1	-	-	-	
Professional qualified	6	-	-	-	-	-	1	-	
Skilled	22	-	-	-	-	-	5	-	
Semi-Skilled	59	-	1	-	-	-	7	-	
Unskilled	50	-	-	-	-	-	-	-	
Total	146	-	2	-	1	0	13	-	

Employment equity status - Female

Levels		FEMALE							
	African	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target	
Top Management	3	-	-	-	-	-	-	-	
Senior Management	2	2	-	-	-	1	-	-	
Professional qualified	6	2	0	1	-	1	1	1	
Skilled	9	2	-	-	-	1	1	-	
Semi-Skilled	52	15	1	2	-	2	6	3	
Unskilled	23	4	0	2	-	1	-		
Total	95	25	1	5	-	6	8	4	

Disabled employees

Levels		Disabled Staff					
		Male		Female			
	Current	Target	Current	Target			
Top Management	-	-	-	-			
Senior Management	-	-	-	-			
Professional qualified	1	-	-	1			
Skilled	-	-	-	-			
Semi-skilled	2	2	-	-			
Unskilled	-	-	-	-			
Total	3	2	0	1			

Disciplinary actions

Nature of disciplinary action	Number
Verbal warning	0
Written warning	1
Final written warning	3
Dismissal	1

Personnel costs by item

Item	Total expenditure for the entity (R'000)	Personnel expenditure (R'000)	Personnel expenditure as a % of total expenditure	Number of employees	Average Personnel costs (R)
Direct employee costs	473 884	59 631	13%	61	978
Support services		102 597	22%	205	500
Total	471 884	162 228	34%	266	609

Personnel costs by salary band

Level	Personnel expenditure	% of personnel expenditure to total personnel	Number of employees	Average Personnel costs per employee (R)
Top Management	11 764	7%	7	1 680
Senior Management, Professional qualified, Skilled, semi-skilled and unskilled	150 464	93%	259	580
Total	162 228	100%	266	609

Provision for performance rewards

Item	Performance rewards (R'000)	Personnel expenditure (R'000)	% of performance rewards to total personnel costs
Top Management	1 993		
Senior Management	925		
Professional qualified	2 241		
Skilled, semi-skilled and unskilled	7 461		
Total	12 622	162 228	8%

Staff turnover and vacancy rate

An employee turnover benchmark of 3% was set for the 2016/17 financial year and Magalies Water provided a conducive working environment such that an actual average performance of 1.63% was achieved. This resulted in a vacancy rate of 13% wherein vacant posts will be progressively filled to the 2018/19 financial year.

An employee turnover profile for the year is as follows:

Туре	Number
Resignation	10
Retirement	5
Dismissals	1
Abscondment	1

Employee wellness

The Employee Wellness Programme (EWP) was established during the financial year and employees of Magalies Water accessed the following range of services:

- Face-to-face counselling;
- Legal telephone counselling;
- Financial telephone counselling;
- Managerial referrals;
- Managerial telephonic consultation; and
- Group trauma intervention.

EWP high-level problems dealt with during the financial year are categorised as follows:

Problem	Magalies Water - average	Government sector – average
Couple and family related	20%	18%
Psychosocial	20%	32%
Legal issues	18%	10%
Financial issues	16%	6%
Work related	13%	12%
Managerial referral	6%	11%
Group trauma	2%	1.8%
Dependency problems	2%	2.8%

The table above reflected government averages for comparative purposes. Stress was identified as a key problem due to a large number of referred cases classified within the couple, family related and psychosocial problems. Conflict with management and peer relationship difficulties in the workplace were some of the problems identified which will require specific interventions in order to facilitate optimal workplace functioning. Managers were further provided with managerial consultations on management and support of employees going forward. Interventions such as exposure of employees to conflict management, communication skills and grievance procedures within Magalies Water are required.

Monitoring and Evaluation of the programme

The overall utilization rate of the EWP within Magalies Water is 12.75% for the 2016/17 financial year and is above the Government sector utilisation rate of 8.43%. This is indicative that employees are willing and able to use the programme. A total of forty-four cases were dealt with during the 2016/17 financial year.

Following the utilization of the EWP, the following recommendations are made:

- Company values of Magalies Water must be further communicated and demonstrated;
- Current energy levels must be leveraged on through provision of timely feedback to employees;
- Rewards and recognition system not linked to monetary rewards be implemented; and
- Develop a business strategy on the well-being of human resources, which will structure, guide and direct how
 well-being issues are managed within the organization.

SAFETY HEALTH AND ENVIRONMENT

Disabling Injury Frequency Rate

The Disabling Injury Frequency Rate (DIFR) is utilized as a proxy indicator to assess the extent of safety in the workplace. A DIFR of 0.85 was achieved for the 2016/17 financial year and is within the target of 1 that was set for the year. This is due to mandatory training that took place including implementation of ISO 14001 and OSHAS 18001 standards.

Environmental Management

Magalies Water has embarked on an initiative to compute, assess and record its carbon footprint during the financial year. This initiative was geared towards contribution to a low carbon economy and reduction of the Greenhouse Gas Emissions. This will contribute towards improvement in reduction of the long-term effects of climate change to support the Government's mitigation and adaptation strategies. The results obtained will be used as a baseline and utilised for comparability with future emissions.

A baseline for the Greenhouse Gas emissions was computed as follows:

Aspect	Total Kg Co ₂ e
Water	24 528 070
Energy consumption	82 802 911
Travel	1 522 408
Total	108 853 390

Enhancements to the ISO 14001 Management Systems

ISO 14001 Management System is an international standard that specifies requirements for an effective environmental management system. It also provides a framework for improvement of environmental performance through more efficient use of resources.

Magalies Water is currently enhancing its ISO 14001 system to align with the recent amendments to the standards. The enhancements are required to all the organisations that are ISO 14001 certified by June 2018.

The following enhancements will be made:

- Infuse environmental aspects into Magalies Waters' strategic management processes;
- Place a greater focus on leadership as far as environmental management is concerned;
- Proactive initiatives to protect the environment from harm and degradation such as sustainable resource use and climate change mitigation;
- Improvement of environmental performance through business process management;
- Life cycle thinking in consideration of all the environmental aspects;
 and
- Inclusion of Stakeholder Engagement as an imperative in environmental management.

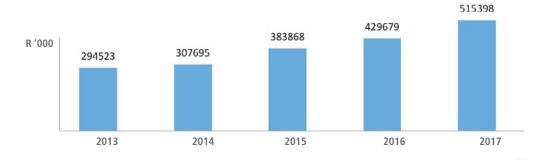
FINANCIAL REVIEW

Abridged financial statements

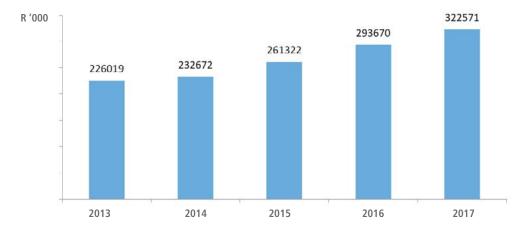
Abridged financial performance	2017	2016	2015	2014	2013
Water sold (KL'000)	83 146	81 959	82 357	75 503	79 364
Revenue	515 398	429 679	383 868	307 695	294 523
Cost of sales	(322 571)	(293 670)	(261 322)	(232 672)	(226 019)
Gross profit	192 827	136 009	122 546	75 023	68 504
Other income	35 550	25 484	27 667	24 241	24 251
Operating expenses	(151 313)	(127 163)	(115 053)	(99 012)	(92 297)
Operating (loss)/surplus	77 064	34 330	35 160	252	458
Net finance income	18 363	16 647	26 134	33 890	28 653
Net surplus	95 270	50 977	61 294	34 142	29 111
Abridged financial position					
Assets	2 665 540	1 934 455	1 579 514	969 796	753 991
Investments	115 191	110 220	193 650	453 442	480 202
Loans and receivables					518
Trade and other receivables	279 281	231 088	336 315	301 916	107 948
Inventories	22 380	23 153	22 037	15 938	10 185
Cash and cash equivalents	30 174	36 412	17 130	39 407	39 830
Total assets	3 149 106	2 376 205	2 168 033	1 780 499	1 392 674
Non-current Liabilities	1 508 880	867 517	735 511	649 411	295 368
Equity	1 338 989	1 243 719	1 192 742	1 131 448	1 097 306
Total equity and liabilities	3 149 106	2 376 205	2 168 033	1 780 499	1 392 674

Financial Performance

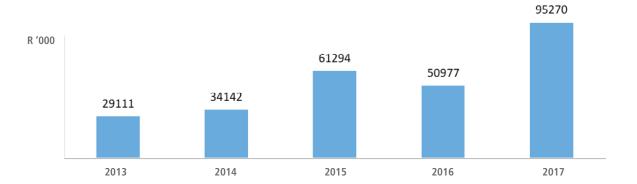
A revenue of R515 million was generated from water sales and is an increase of 20% compared to the 429 million reported in the previous financial year. A 20% increase in revenue is attributable to tariff increases, sales volumes increases and a demand management charge levied on customers that did not consume within their allocations.



The cost of producing water has increased by 10% which is attributable to the increase in the prices of input production commodities such as electricity, chemicals and raw water.



In overall, strong financial performance is reported as Magalies Water profitably traded notwithstanding the constrained sales volumes growth. Operating profit of R77 million is generated and this is an increase of 124% compared to R34 million in the previous financial year. This is reflective of the ability of Magalies Water to generate cash and profits from its own operations. Cost containment measures were implemented and efficiencies were also harvested at the operational level to avoid a potential of costs outstripping the revenue. Net surplus to an amount of R95 million is generated, which is an increase of 87% as compared to the previous financial year.



Net finance income

R18 million was earned as finance income and is an increase of 10% compared to R16 million earned in the previous financial year. Surplus funds were transferred to investments which is a strategy to bring invested funds to their optimal levels.

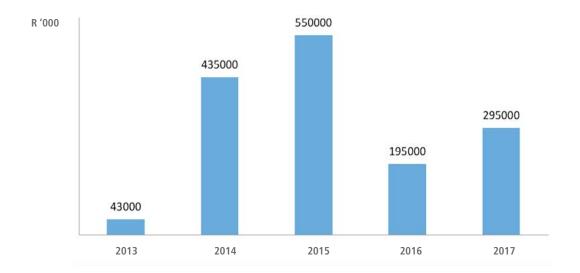
Assets and working capital

The net asset value of property, plant and equipment increased by 38% to R2, 6 billion from R1, 9 billion in the previous financial year. This is attributed to robust capital expansion projects that resulted in considerable increase in the value of income producing assets. Current assets have increased by R47 million primarily due to increased investments and debtor's balances. Current liabilities have increased with an amount of R35million due to an increase in the creditors' balances. A positive net working capital of R147 million is therefore reported reflecting that Magalies Water is in a position to meet its short-term obligations.

Capital expenditure

Capital expenditure of R295 million was made during the 2016/17 financial year within the confines of scarce resources in terms of priority.

Capital expenditure for the previous five years is as follows:



Cash flows

Magalies Water generated positive cash flows from its operations. There was a net cash outflow of R788 million from investing activities due to acquisition of income producing assets. A net cash inflow of R197 million from financing activities was generated due to grants received from the National Government to implement capital expansions. The cash and cash equivalents as at the end of the financial year is R30 million reflecting an outflow of R6 million compared to the previous financial year.

Tariff management

Tariffs for the 2017/18 financial year were determined in consultation with the Municipalities and stakeholders at the inter-governmental level. Magalies Water adopted a scheme based a tariff methodology thus all the economic variables having an impact on the cost drivers of each bulk water scheme were taken into account.

The following scheme based tariffs and associated increases are proposed for the 2017/18 financial year:

Plant	2016/17	%increase	2017/18	%increase
Vaalkop	R5,28	12%	R5,79	9%
Wallmannsthal	R8,38	12%	R9,19	9%
Klipdrift	R6,33	12%	R6,98	10%
Cullinan	R6,02	10%	R6,57	9%

Customers did not raise objections to the above tariffs and the associated increases.

REPORT OF THE AUDIT COMMITTEE

The Audit Committee (the Committee) hereby presents its report for the year ended 30 June 2017. The Committee is an independent statutory Committee appointed by the Board in compliance with the Public Finance Management Act, 1999 (Act 1 of 1999) (PFMA) and the Treasury Regulations.

Responsibilities of the Audit Committee

The Committee reports that it has complied with its responsibilities in accordance to Section 51 of the PFMA and the provisions paragraph 27.1 of the Treasury Regulations. The Committee also reports that it has discharged its responsibilities and regulated its affairs in accordance to its Charter.

The Committee has assisted the Board in the fulfilment of its oversight role through review of financial reporting processes, internal controls, audit processes, monitoring compliance with accounting policies, compliance to applicable Legislation and Regulations.

The Committee has reviewed the enclosed Annual Financial Statements, the Performance Information, Management Letter and the Auditor General's Report for the 2016/17 Financial Year.

Composition and attendance to meetings

The Committee consists of 6 independent non-executive members of which 3 are members of the Board.

The Chief Executive, Chief Finance Officer, Chief Operations Officer, outsourced Internal Audit Head, Office of the Auditor-General, Strategy Manager and the Risk Manager attended the Committee meetings by invitation only.

Meetings were held as follows during the 2016/17 financial year:

Member	Attendance
TF Zondi (Chairperson)	7/7
N Mufamadi	5/7
N Maepa*	2/3
N Baloyi	6/7
S Mamotheti	7/7
M Ramataboe	6/7
J Madikizela	0/0 (1st meeting July 2017)
K Moodley	0/0 (1st meeting July 2017)

^{* -} Resigned on 2 September 2016.

Effectiveness of internal control

The systems of controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In accordance with the PFMA and corporate governance requirements of King IV, Internal Audit provides provide the Committee, management and the Board with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process including identification of corrective actions and enhancements to controls and processes from various reports of Internal Audit, the Audit Report and the management letter of the Auditor-General. There are however continuous improvements of general controls systems within Magalies Water and the Committee has reviewed the responses and undertakings by Management to mitigate against control weaknesses and is satisfied with the proposed actions for the 2017/18 financial year.

Quality of management quarterly reports submitted in terms of the PFMA

Quarterly reports on performance against the Shareholders Compact were presented at meetings of the Committee, and is satisfied with the content and quality of reports issued and submitted by Magalies Water.

Evaluation of Annual Financial Statements

The Committee has:

- Reviewed and discussed the draft Annual Financial Statements to be included in the Integrated Annual Report with the Auditor-General,
 Management and the Accounting Authority;
- Reviewed changes in Accounting Policies and practises;
- Noted adjustments made as a result of the audit process;
- Reviewed the Entities compliance with legal and regulatory provisions; and
- The Committee concurs with and accept the report of the Auditor-General on the Annual Financial Statements.

Internal Audit

The Internal Audit plan was approved during the financial year and the Committee is satisfied that the Internal Audit function is effectively operating.

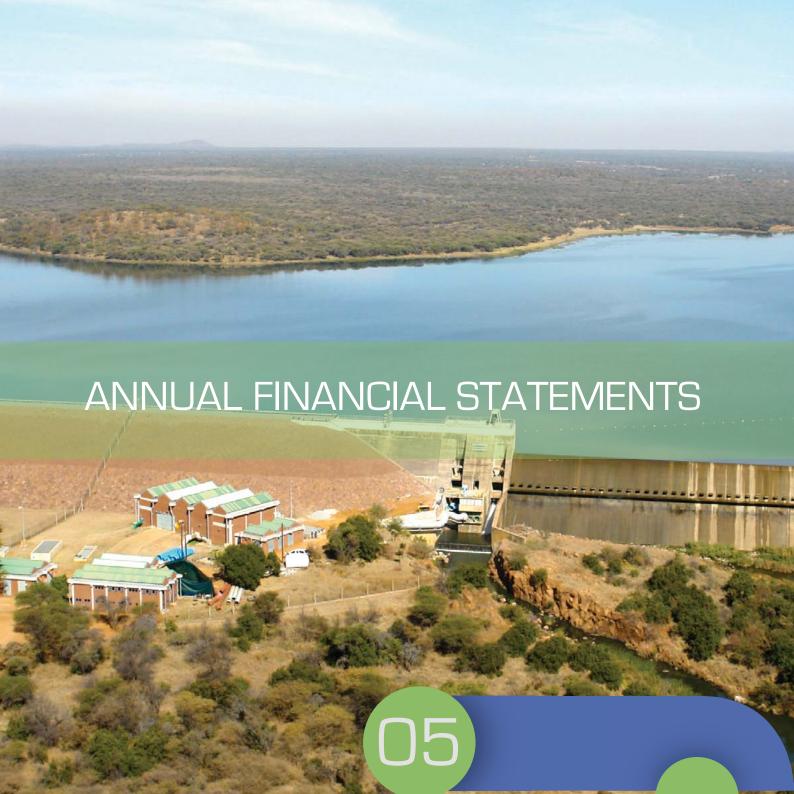
External Audit

The Committee met with the Auditor-General to ensure that there were no unresolved issues and we concur with the issues they have raised in their report.

4

Ms TF Zondi

Chairperson of the Audit Committee



Report of the Auditor-General to Parliament on Magalies Water Board

REPORT ON THE FINANCIAL STATEMENTS

Opinion

- 1. I have audited the Financial Statements of the Magalies Water Board set out on pages 104 to 141, which comprise statement of financial position as at 30 June 2017 and the statement of comprehensive income statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the Financial Statements, including a summary of significant accounting policies.
- 2. In my opinion, the Financial Statements present fairly, in all material respects, the financial position of the Magalies Water Board as at 30 June 2017, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Context for the opinion

- 3. I have conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor-General's responsibilities for the audit of the Financial Statements section of my report.
- 4. I am independent of the public entity 3(B) in accordance with the International Ethics Standards Board for Accountants 'Code of ethics for professional accountants (IESBA code) together with the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
- 5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority

- 6. The Accounting Authority, is responsible for the preparation and fair presentation of the Financial Statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and for such internal control as the Accounting Authority determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.
- 7. In preparing the Financial Statements, the Accounting Authority is responsible for assessing the Magalies Water Board's ability to continue as a going concern, disclosing, asapplicable, matters relating to going concern and using the going concern basis of accounting unless the Accounting Authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor general's responsibilities for the audit of the financial statements

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

Introduction and scope

- 10. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the Annual Performance Report. I have performed procedures to identify findings but not to gather evidence to express assurance.
- 11. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
- 12. I have evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the Annual Performance Report of the public entity for the year ended 30 June 2017:

Objectives	Pages in the Annual Performance Report
Objective i- To provide quality portable water	42
Objective ii - To provide sustainable water services to bulk customers.	42
Objective iii- To manage customer and stakeholder relations	46

13. I have performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I have performed further procedures to determine

whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

I did not identify any material findings on the usefulness and reliability of the reported performance information for any of the objectives listed on the table in paragraph 12 above.

Other matters

I draw attention to the matters below.

Achievement of planned targets

15. Refer to the Annual Performance Report on pages 42 to 49, for information on the achievement of planned targets for the year.

Adjustment of material misstatements

16. I have identified material misstatements on the Annual Performance Report submitted for auditing. These material misstatements were on the reported performance information of the following objectives: to provide sustainable water services, to manage customer and stakeholder relations and to provide quality portable water objectives. As management subsequently corrected these misstatements, I did not report any material findings on the usefulness and reliability of the reported performance information.

REPORT ON AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

- 17. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the public entity with specific matters in key legislation. I have performed procedures to identify findings but not to gather evidence to express assurance.
- 18. The material findings in respect of the compliance criteria for the applicable subject matters are as follows:

Annual financial statements, performance and annual reports

19. The Financial Statements submitted for auditing were not prepared in all instances in accordance with the prescribed financial reporting framework, as required by section 55{1) (a) of the PFMA. Material misstatements of the commitment disclosure note identified by the auditors in the submitted Financial Statement were corrected, resulting in the Financial Statements receiving an unqualified audit opinion.

Expenditure Management

20. Effective steps were not taken to prevent irregular expenditure amounting to R5.06million as disclosed in note 28 to the Annual Financial

Statements, as required by Section38(1)(c)(ii) of the PFMA and treasury regulation 9.1.1. The majority of the irregular expenditure was caused by non-compliance with the preferential procurement regulations.

Procurement and contract management

- 21. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by Section 51(1)(a)(iii) of the PFMA.
- 22. Some contracts were awarded to bidders that had not scored the highest points in the evaluation process, as required by Section 2(1)(f) of Preferential Procurement Policy Framework Act and Preferential procurement regulations.
- 23. Some contracts were awarded to bidders based on functionality criteria that were not stipulated in the original invitation for bidding, in contravention of Preferential Procurement Regulation 4
- 24. Some bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by Preferential Procurement Regulation 9(1).

Consequence management

25. Investigations were not conducted into all allegations of financial misconduct committed by officials as required by treasury regulation 33.1.1

Other information

- 26. The public entity accounting authority is responsible for the other information. The other information comprises the information included in the Annual Report. The other information does not include the Financial Statements, the auditor's report thereon and those selected objectives presented in the Annual Performance Report that have been specifically reported on in the auditor's report.
- 27. My opinion on the Financial Statements and findings on the reported performance information and compliance with legislation do not cover the other information and do not express an audit opinion or any form of assurance conclusion thereon.
- 28. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements and the selected objectives presented in the Annual Performance Report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated. IBased on the work I have performed on the other information obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. material inconsistencies were identified.

INTERNAL CONTROL DEFICIENCIES

29. I have considered internal control relevant to my audit of the Financial Statements, reported performance information and compliance with applicable

legislation; however, my objective was not to express any form of assurance thereon. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the Annual Performance Report and the findings on compliance with legislation included in this report.

Leadership

30. The resignation of the CFO during the process of compiling the Financial Statements and the vacancy of the finance manager resulted in material misstatements identified in the Financial Statements.

Financial and performance management

31. Management did not ensure that policies, procedures and internal controls were updated regularly with changes within the supply chain environment.





Auditing to build public confidence

Annexure - Auditor. General's responsibility for the audit

1. As part of an audit in accordance with the ISA,,I exercise professional judgement and maintain professional skepticism throughout my audit of the Financial Statements, and the procedures performed on reported performance information for selected objectives and on the public entities compliance with respect to the selected subject matters.

Financial Statements

- 2. In addition to my responsibility for the audit of the Financial Statements as described in the auditor's report, I also:
- identify and assess the risks of material misstatement of the Financial Statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting
 Officer.
- conclude on the appropriateness of the Accounting Authority's use of the going concern basis of accounting in the preparation of the Financial Statements.

 I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Magalies Water Board's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the Financial Statements about the material uncertainty or, such disclosures are inadequate, to modify the opinion on the Financial Statements. My conclusions are based on the information available to me at the date of the auditor's report. However, future events or conditions may cause a public entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

- 3. I communicate with the Accounting Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit
- 4. I also confirm to the Accounting Authority that I have complied with the relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and here applicable, related safeguards.





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

Index	Page
Board Responsibilities and Approval	103
Statement of Financial Position	104
Statement of Comprehensive Income	105
Statement of Changes in Equity	106
Statement of Cash Flows	107
Accounting Policies	108 - 117
Notes to the Annual Financial Statements	118 - 141

for the year ended 30 June 2017

Board Responsibilities and Approval

The Board is required in terms of the Water Services Act No 108 of 1997 and the Public Finance Management Act No1 of 1991 (as amended) to maintain adequate accounting records and is responsible for the content and integrity of the Annual Financial Statements and related financial information included in this report. It is the Board's responsibility to ensure that the Financial Statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the Annual Financial Statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. In order to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and

adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of Risk Management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Board has reviewed the entity's cash flow forecast for the year to 30 June 2018 and, in the light of this review and the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The Annual Financial Statements set out on pages 104 to 141, which have been prepared on the going concern basis, were approved by the Board on 31 August 2017 and were signed on its behalf by:

Adv MM Petlane

Chairperson of the Board

S Mkhize

Chief Executive (Acting)

for the year ended 30 June 2017

Statement of Financial Position as at 30 June 2017

		2017	2016
	Note(s)	R '000	R '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	2 665 540	1 934 455
Intangible assets	4	36 540	40 877
		2 702 080	1 975 332
Current Assets			
Financial Assets	5	115 191	110 220
Inventories	7	22 380	23 153
Trade and other receivables	8	279 281	231 088
Cash and cash equivalents	9	30 174	36 412
		447 026	400 873
Total Assets		3 149 106	2 376 205
Equity and Liabilities			
Equity			
Retained income		1 338 989	1 243 719
Liabilities			
Non-Current Liabilities			
Deferred income	10	580 751	126 730
Capital Contributions	11	91 407	93 884
Government Grant	12	836 722	646 903
		1 508 880	867 517
Current Liabilities			
Deferred income	10	13 909	3 306
Capital Contribution	11	1 564	-
Government Grant	12	11 500	3 212
Operating lease liability	13	24	53
Trade and other payables	14	274 240	258 398
		301 237	264 969
Total Liabilities		1 810 117	1 132 486
Total Equity and Liabilities		3 149 106	2 376 205

for the year ended 30 June 2017

Statement of Comprehensive Income

	Note(s)	2017	2016
		R '000	R '000
Revenue	15	515 398	429 679
Cost of sales	16	(322 571)	(293 670)
Gross profit	_	192 827	136 009
Other income	17	35 550	25 484
Operating expenses		(151 313)	(127 163)
Operating profit	18	77 064	34 330
Finance Income	19	18 363	16 651
Finance costs	20	(157)	(4)
Profit for the year		95 270	50 977
Total comprehensive income for the year		95 270	50 977

for the year ended 30 June 2017

Statement of Changes in Equity

	Note(s)	Retained income	Total equity
		R '000	R '000
		1 192 742	1 192 742
Profit for the year			
Other comprehensive income		50 977	50 977
Total comprehensive income for the year		50 977	- 50 977
Balance at 01 July 2016		1 243 719	1 243 719
Profit for the year		95 270	95 270
Other comprehensive income		-	-
Total comprehensive income for the year		95 270	95 270
Balance at 30 June 2017		1 338 989	1 338 989

for the year ended 30 June 2017

Statement of Cash Flows

		2017	2016
	Note(s)	R '000	R '000
Eash flows from operating activities			
Cash generated from operations	21	566 802	200 505
inance Income Finance costs		18 363 (157)	16 651 (4)
Net cash from operating activities	_	585 008	217 152
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(783 712)	(390 156)
Proceeds on sale of property, plant and equipment	3 4	421	5
Purchase of other intangible assets Movement in other financial assets	•	(178) (4 971)	(24 465) 83 430
let cash from investing activities	_	(788 440)	(331 186)
Cash flows from financing activities			
Movement in capital contributions		(913)	-
Novement in deferred government grant Novement in deferred income		198 107	136 622 (3 306)
let cash from financing activities	_	197 194	133 316
otal cash movement for the year	_	(6 238)	19 282
Cash at the beginning of the year		36 412	17 130
otal cash at end of the year	9	30 174	36 412

for the year ended 30 June 2017

Accounting Policies

1. Basis of Preparation

Magalies Water is a Water Board established in terms of Section 28 of the Water Services Act, (Act No 108 of 1997) and Public Entity as per Schedule 3B of the Public Finance Management Act (Act No 1 of 1999), as amended. The address of its registered office, principal place of business and principal activities of the entity are described in the Accounting Authority's report.

(a) Statement of Compliance

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards and the Public Finance Management Act of 1999 as amended. In terms of section 79 of the PFMA, the National Treasury issued the entity with the approval authorising the use of IFRS as the accounting reporting framework.

(b) Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

(c) Functional and Presentation Currency

The Financial Statements are presented in South African Rands, which is the entity's functional currency. All information presented has been presented to the nearest thousand Rands.

These accounting policies are consistent with those applied in the previous period.

1.1 Significant judgments and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates. Estimates and assumptions are reviewed on an annual basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Management has made the following significant judgments that have a significant risk of causing material adjustment to the amounts recognised in the Financial Statements:

for the year ended 30 June 2017

Accounting Policies

Impairment of trade receivables and other receivables

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

The entity considers evidence of impairment at two levels, specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed with receivables that are not individually significant. In assessing collective impairment, the entity uses historical trends of the probability of default and timing of recoveries.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Losses are recognised in profit or loss and reflected against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease is reversed through profit or loss.

Allowance for slow moving, damaged and obsolete stock

Obsolete, slow moving and redundant stock items are identified and written off in profit/loss.

Useful lives and residual values

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

1.2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Land is not depreciated.

Costs include expenditure incurred initially to acquire or construct an item of property, plant and equipment and expenditure incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

for the year ended 30 June 2017

Accounting Policies

Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

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

Item	Average useful life
Buildings	40 - 45 years
Pipelines & Reservoirs	45 - 65 years
Plant and machinery	18 - 25 years
Furniture and fixtures	6 - 10 years
Motor vehicles	4 - 10 years
Office equipment	3 - 10 years
IT equipment	3 - 10 years
Laboratory equipment	5 - 10 years

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.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset is depreciated separately. The depreciation charge for each period is recognised in profit or loss.

The carrying amount of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss.

Assets under construction are carried at cost less any accumulated impairment loss. Costs include the cost of materials, direct labour costs, professional fees, direct project overheads and any costs which are directly attributable to bringing the asset to its present location and condition.

1.3 Intangible assets

An intangible asset is recognised when it is probable that the expected 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 costs incurred to acquire and bring into use the specific software. Costs associated with maintaining computer software programs and acquisition of licences are recognised as an expense when they are incurred.

for the year ended 30 June 2017

Accounting Policies

Servitudes are rights granted to Magalies Water 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.

Amortisation

Amortisation is charged to the Income Statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite.

The estimated useful lives are as follows:

ItemUseful lifeComputer software3 - 5 yearsServitudesIndefinite

1.4 Impairment of assets

The entity assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests intangible assets with an indefinite useful life. The impairment test is performed during the annual period and at the same time every period.

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 the Income Statement.

1.5 Inventories

Inventories are measured at a 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 costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories held by the entity comprises of water, chemicals, maintenance spares and consumables.

for the year ended 30 June 2017

Accounting Policies

1.6 Financial Instruments

Classification of Financial Assets and Financial Liabilities

The entity classifies Financial Assets and the Financial Liabilities into the following categories:

- Loans and receivables
- 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. The entity classifies the 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. Classification is re- assessed on an annual basis.

Initial recognition and subsequent measurement

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at a cost and are classified as available-for-sale Financial Assets.

Loans and receivables are subsequently measured at a amortised cost, using the effective interest method, less accumulated impairment losses.

The entity classifies Financial Liabilities as subsequently measured at amortised cost, using the effective interest method.

Derecognition of Financial Assets

Financial Assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

At each reporting date the entity 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 entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

for the year ended 30 June 2017

Accounting Policies

1.6 Financial instruments (continued)

Impairment of Financial Assets

Where Financial Assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account.

Subsequent recoveries of amounts previously written off are credited against operating expenses. Reversals of impairment losses are recognised in profit or loss. Trade and other receivables and loans receivables

Trade and other receivables and loans receivables are measured at initial recognition 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 entity will not be able to recover the amount due. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances and are initially measured at fair value and subsequently measured at amortised cost.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a Financial Asset or Financial Liability and of allocating interest income or expense over the relevant period.

for the year ended 30 June 2017

Accounting Policies

1.7 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of performance bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plan

The entity contributes towards Magalies Water Retirement Fund and the fund is registered and controlled in terms of the Pensions Fund Act 24 of 1956. The entity is under no obligation to cover any unfunded benefits.

1.8 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

for the year ended 30 June 2017

Accounting Policies

1.9 Revenue

The entity recognises revenue when the amount of revenue can be reliably measured and it is probable that the economic benefits will flow to the entity. Revenue is measured at the fair value of the consideration received or receivable net of discounts and value-added taxation (VAT). Revenue from sale of goods and services is recognised as follows:

- Revenue from sale of water is recognised when significant risks and rewards are passed to the customer.
- Revenue from services is recognised in the period in which the services are rendered.
- Management fees are recognised in the period in which the services are rendered in accordance with the substance of the relevant agreements.

Interest is recognised, in profit or loss, using the effective interest rate method.

1.10 Cost of sales

Cost of sales includes the cost of raw water, chemicals, electricity and all other direct operating costs associated with the production of water.

1.11 Government grant

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the entity will comply with the conditions associated with the grant. The grant is related to the construction of an asset and has been presented in the statement of financial position by setting up the grant as deferred income. The grant will be recognised as revenue on a systematic basis over the useful life of the related asset when it is brought into use.

1.12 Transfer of assets from customers

Transferred assets from customers are measured on initial recognition at fair value. The corresponding amount is recognised as deferred income. Revenue is recognised on a systematic basis over the useful life of the assets.

1.13 Capital Contributions

The contributions are recognised as revenue on a systematic basis over the useful life of the assets when the assets are brought into use.

for the year ended 30 June 2017

Accounting Policies

1.14 Related Parties

Magalies Water is a state controlled entity and has related party relationships with all other entities within the sphere of government. Unless otherwise disclosed, all transactions with related parties are on arm's length basis at market related prices.

1.15 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose events will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and liabilities are disclosed in note 25.

1.16 Irregular, fruitless and wasteful expenditure Irregular expenditure

For the purposes of determining whether irregular expenditure has taken place, there must have been a transgression of a provision contained in any applicable legislation which shall include:

- PFMA
- Treasury Regulations and National Treasury Instructions
- SCM Policy

All instances of irregular expenditure are investigated and disciplinary action is taken against the employees who have transgressed the regulations.

Fruitless and wasteful expenditure

Expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the year that the expenditure is incurred. When the expenditure is recovered, it is subsequently accounted for as income in the income statement.

1.17 Offsetting

Financial Assets and Liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and the entity intends either to settle or a net basis, or to realise the asset and settle the liability simultaneously.

for the year ended 30 June 2017

Accounting Policies

2. New Standards and Interpretations

2.1 Standards and interpretations that are not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2017 or later periods:

		Effective date:	Expected impact:
S	tandard/ Interpretation:	Years beginning on or after	
٠	IFRS 9 - Financial Instruments: A final version of IFRS 9 has been issued which replaces IAS 39 Financial Instruments.	01 January 2018	Impact is currently being assessed
•	IFRS 15 - Revenue from contracts from customers	01 January 2018	Unlikely there will be a material impact
•	IAS 7 Statement of Cash Flows	01 January 2017	Unlikely there will be a material impact
•	IFRS 16 Leases	01 January 2019	Unlikely there will be a material impact

for the year ended 30 June 2017

Notes to the Annual Financial Statements

3. Property, plant and equipment

2017

2016

	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Land	4 564	-	4 564	4 564	-	4 564
Buildings	175 888	(63 103)	112 785	146 103	(59 712)	86 391
Plant and machinery	347 551	(112 860)	234 691	235 357	(97 825)	137 532
Furniture and fixtures	8 141	(4 504)	3 637	6 353	(3 856)	2 497
Motor vehicles	22 761	(18 924)	3 837	23 926	(19 258)	4 668
IT equipment	19 661	(10 470)	9 191	16 765	(9 007)	7 758
Pipelines and reservoirs	1 825 822	(348 515)	1 477 307	891 049	(317 792)	573 257
Capital work in progress	819 528	-	819 528	1 117 788	-	1 117 788
Total	3 223 916	(558 376)	2 665 540	2 441 905	(507 450)	1 934 455

Reconciliation of property, plant and equipment - 2017

	Opening	Additions	Disposals	Transfers	Depreciation	Impairment	Total
	balance					loss	
Land	4 564	-	-	-	-	-	4
							56
Buildings	86 390	715	-	29 075	(3 392)	(3)	112 78
Plant and machinery	137 532	3 603	(110)	109 163	(15 455)	(42)	234 69
Furniture and fixtures	2 498	1 784	-	-	(639)	(6)	3
							63
Motor vehicles	4 669	-	(47)	-	(783)	(2)	3
							83
IT equipment	7 757	2 860	-	-	(1 390)	(36)	9
							19
Pipelines and Reservoirs	573 257	-	-	934 773	(30 723)	-	1 477 30
Capital Work In Progress	1 117 788	774 750	-	(1 073 010)	-	-	819 52
	1 934 455	783 712	(157)	1	(52 382)	(89)	2 665 54

for the year ended 30 June 2017

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

2017	2016
R '000	R '000

Reconciliation of property, plant and equipment - 2016

	Opening	Additions	Transfers	Depreciation	Total
	balance				
Land	4 564	-	-	-	4 564
Buildings	50 228	683	38 644	(3 165)	86 390
Plant and machinery	111 674	8 229	28 434	(10 805)	137 532
Furniture and fixtures	2 408	473	-	(383)	2 498
Motor vehicles	1 861	3 561	-	(753)	4 669
IT equipment	8 191	969	98	(1 390)	7 757
Pipelines and Reservoirs	561 982	-	29 883	(30 723)	573 257
Capital Work In Progress	838 606	376 241	(97 059)	-	1 117 788
	1 579 514	390 156	-	(35 215)	1 934 455

Other information

Fully depreciated property, plant and equipment still in use 27 338 8 243

for the year ended 30 June 2017

Notes to the Annual Financial Statements

4. Intangible assets

Computer software Servitudes Total

	2017			2016	
Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
50 733	(14 193)	36 540	49 786	(9 678)	40 108
-	-	-	769	-	769
50 733	(14 193)	36 540	50 555	(9 678)	40 877

Reconciliation of intangible assets - 2017

Computer software Servitudes

Opening balance	Additions	Amortisation	Impairment loss	Total
40 108	178	(4 461)	(5)	35 820
769	-	-	-	769
40 877	178	(4 461)	(5)	36 589

Reconciliation of intangible assets - 2016

Computer software Servitudes

Opening balance	Additions	Amortisation	Total
18 820	24 263	(2 975)	40 108
567	202	-	769
19 387	24 465	(2 975)	40 877

for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R ′000	2016 R '000
5. Financial Assets		
Loans and receivables - current portion		
Loans and receivables consist of short term deposits held with various financial institutions	115 191	110 220
The carrying amount approximates the fair value of the financial assets.		
Current assets		
At amortised cost - Loans and receivables	115 191	110 220

6. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables	Total
Short term investments	115 191	115 191
Cash and cash equivalents	30 174	30 174
Trade and other receivables	279 281	279 281
	424 646	424 646

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

6. Financial assets by category (continued)

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Z	U	•	b

2016	Loans and receivables	Total
Short term investments	110 220	110 220
Cash and cash equivalents	36 412	36 412
Trade and other receivables	231 088	231 088
	377 720	377 720
7. Inventories		
Water inventory	2 083	1 333
Spares, consumables etc	17 141	17 178
Chemicals	3 188	4 674
Inventories (write-downs)	22 412 (32)	23 185 (32)
	22 380	23 153
7.1 Inventory Schedule		
Water inventory	2 083	1 333
Chemicals	3 188	4 674
Spares, consumables etc	17 141	17 178
Inventories (write-downs)	22 412	23 185

for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R '000	2016 R ′000
8. Trade and other receivables		
Trade receivables	276 257	221 963
Impairment of receivables	(15 683)	(11 559)
Prepayments	1 224	1 552
Deposits	1 994	1 979
VAT	-	10 915
Sundry debtors	15 489	6 238
	279 281	231 088

Trade and other receivables are classified as loans and receivables and are carried at amortised cost and the carrying amount approximates the fair value. Trade debtors are granted credit terms of 30 days from the date of invoice to settle outstanding debts.

Trade and other receivables past due but not impaired

Trade and other receivables which are 30 days and 60 days past due are not considered to be impaired. On the 30th June 2017, R96 388 473 (2016: R19 631 000) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

5 5			
30 days		93 309	13 426
60 days		3 079	6 205

Trade and other receivables impaired

As of 30 June 2017, trade and other receivables were assessed for impairment and the allowance for impairment has been provided for.

The amount of the provision is R15 683 203 as of 30 June 2017 (2016: R 11 558 750).

The ageing of these receivables is as follows:

3 to 6 months	15 104	23 861
Over 6 months	73 286	46 783

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

8. Trade and other receivables (Continues)

Reconciliation of impairment loss of trade and other receivables

Opening balance	11 558	8 793
(Reversal of impairment)/Impairment loss	4 125	3 449
Amounts written off as irrecoverable		(684)
	15 683	11 558

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	30 174	36 412
Bank balances	30 165	36 403
Cash on hand	9	9

10. Deferred income

Deferred income consists of assets transferred by the mines to Magalies Water. These assets consist of the following:

Pipelines and reservoir constructed by Platmin Mine in line with the off-take agreement that was signed in 2008 - R123.4M

Pipelines and reservoir from Platmin, Barrick, and Maseve & Wesizwe Mines transferred in the 2016/2017 financial year to the value of R457.3M

Current liabilities	13 909	3 306
	594 660	130 036

Transferred assets from customers are measured on initial recognition at fair value. The corresponding amount is recognised as deferred income. Revenue is recognised on a systematic basis over the useful life of the assets.

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
2017	2016
R '000	R '000

11. Capital Contributions

Capital contributions consist primarily of contributions received from the Department of Public Works (R23.4m), Maseve Investments (R35.2m) and Bakubung Minerals (R35.2m). These contributions benefit specific projects.

The contributions are recognised as revenue when the assets are brought into use over the useful life of the assets.

Capital contributions

	92 971	93 884
Current Portion	1 564	
Non-current portion	91 407	93 884

12. Government Grant

Government grant consists primarily of the grant received from the Department of Water and Sanitation for the construction of the Pilanesberg Scheme and Klipdrift Upgrade. The grant will be recognised as revenue when the asset is brought into use over the useful life of the asset. Phase 1 of the Pilanesberg Scheme and the Klipdrift Contract 1 and 2 have been completed, and a portion of deferred income is recognised as revenue over the useful life of the asset.

Department of Water & Sanitation

Non-current portion	836 722	646 903
Current portion	11 500	3 212
	848 222	650 115

13. Operating lease

Operating lease payments represent rentals payable by the entity for premises and office equipment. Leases are negotiated for an average term of three years. Rentals for premises escalate on an annual basis at 10%. The rental periods is in accordance with the contracts per service provider expiring on 31 July 2017.

Lease payments are recognised as an expense on a straight-line basis over the lease term.

Lease smoothing

Operating lease accrual	24	53
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for the year ended 30 June 2017

Notes to the Annual Financial Statements

274 240

258 398

	2017 R ′000	2016 R ′000
	K 000	K 000
14. Trade and other payables		
Trade payables and accruals	174 635	148 966
Amounts received in advance	17 168	29 475
Retentions	50 725	57 569
Accrual for bonuses	21 412	14 362
Deposits received	2 021	605
Accrual for leave pay	8 238	7 387
Unknown deposits	41	34

Trade and other payables are carried at amortised cost and the carrying amount approximates fair value. Trade payables are normally settled within 30 days from the date of receipt of invoice.

15. Revenue

Sale of Water 51!	15 398	429 679
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16. Cost of sales

Cost of sales is made up as follows:

Raw water purchases	77 425	77 527
Chemicals	28 540	32 885
Direct employee costs	59 631	52 992
Electricity	86 644	84 119
Depreciation	46 220	29 413
Other production overheads	24 111	16 734
	322 571	293 670

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

17. Other income

264	5
9 904	16 006
505	371
21 511	6 221
1 108	839
1 751	1 584
290	274
217	184
35 550	25 484
	9 904 505 21 511 1 108 1 751 290 217

Other income comprises of re-connection and connection fees paid by customers and EWSETA refunds on training costs incurred.

18. Operating Profit

Operating profit for the year is stated after accounting for the following:

t						

Deferred income	21 511	6 221
Management fees	9 904	16 006
	31 415	22 227
Operating lease charges		
Equipment		
Contractual amounts	1 732	1 610
Consulting fees	10 551	9 111
Impairment on property, plant and equipment	93	-
Amortisation on intangible assets	4 509	2 975
Provision for slow moving and obsolete stock	-	32
Inventory recognised as an expense	1 510	2 730
Depreciation on property, plant and equipment	52 469	35 215
Employee costs	135 485	119 634

for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R ′000	2016 R ′000
19. Finance Income		
nterest earned on:		
nvestments	9 018	9 464
Banks	1 373	1 431
nterest charged on trade and other receivables	7 972	5 756
	18 363	16 651
20. Finance costs		
rade and other payables	157	4
21. Cash generated from operations		
	95 270	50 977
Profit before taxation Adjustments for:	95 270	50 977
Profit before taxation Adjustments for: Depreciation, amortisation	56 892	38 190
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets	56 892 (264)	38 190 (5
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment	56 892 (264) (18 363)	38 190 (5 (16 651
rofit before taxation Adjustments for: Depreciation, amortisation rofit/loss on sale of assets Interest received - investment inance costs	56 892 (264) (18 363) 157	38 190 (5 (16 651
rofit before taxation Adjustments for: Depreciation, amortisation rofit/loss on sale of assets Interest received - investment inance costs Inpairment of assets	56 892 (264) (18 363) 157 93	38 190 (5 (16 651
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment Innance costs Innance costs Inpairment of assets Deprating lease accrual	56 892 (264) (18 363) 157	38 190 (5 (16 651
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment Inance costs Impairment of assets Deprating lease accrual Changes in working capital:	56 892 (264) (18 363) 157 93 (29)	38 190 (5 (16 651
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment Profit/loss on sale of asse	56 892 (264) (18 363) 157 93 (29)	38 190 (5 (16 651 49 (1 116
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Profit/loss on sale of assets Interest received - investment Inte	56 892 (264) (18 363) 157 93 (29) 773 (48 193)	38 190 (5 (16 651 49 (1 116 105 227
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment Prinance costs Impairment of assets Impairment of	56 892 (264) (18 363) 157 93 (29)	38 190 (5 (16 651 49 (1 116 105 227
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment Finance costs Impairment of assets Impairment of	56 892 (264) (18 363) 157 93 (29) 773 (48 193) 15 842	50 977 38 190 (5) (16 651) 4 49 (1 116) 105 227 23 830
Profit before taxation Adjustments for: Depreciation, amortisation Profit/loss on sale of assets Interest received - investment Finance costs Impairment of assets Deprating lease accrual Changes in working capital: Inventories Irrade and other receivables Irrade and other payables	56 892 (264) (18 363) 157 93 (29) 773 (48 193) 15 842 464 624	38 190 (5 (16 651 49 (1 116 105 227 23 830

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

23. Emoluments Board

Board

	Board fees	Committee fees	Other fees*	Expenses^	Total
Adv. M.M. Petlane (Chairperson)	72	44	237	266	619
Ms P.N.Nkwinika (Deputy Chairperson)	45	178	116	304	643
Ms M. Hlahla	37	77	8	137	259
Mr D.R.Sibanda	31	94	22	146	293
Ms T.F.Zondi	40	99	41	141	321
Ms T.D. Monewe	37	76	67	137	317
Mr T.T. Mohapi	43	107	54	204	408
Ms F. Saloojee	33	92	-	142	267
Mr F.P. Vilakazi	33	95	88	148	364
Ms M.M. Mufamadi	30	53	-	127	210
Mr S.V. Suping	40	65	59	167	331
Ms M.S. Ratlhagane	40	127	52	178	397
Mr A.N. Maepa	6	10	-	31	47
	487	1 117	744	2 128	4 476

^{*} Other fees consist of all other meetings attended by Board Members

 $[\]land$ Expenses comprise of stipend, travel & accomodation and general refunds

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

23. Emoluments Board (continues)

	Board fees	Committee	Other Fees*	Expenses^	Total
		fees			
Adv M.M. Petlane (Chairperson)	110	48	339	312	809
Ms P.N. Nkwinika (Deputy Chairperson)	43	113	106	219	481
Ms M. Hlahla	52	78	38	153	321
Mr D.R. Sibanda	54	95	43	160	352
Ms T.F. Zondi	41	59	101	145	346
Ms T.D. Monewe	46	62	53	146	307
Mr T.T. Mohapi	50	80	47	195	372
Ms F. Saloojee	24	80	29	140	273
Mr F.P. Vilakazi	48	113	136	185	482
Ms M.M. Mufamadi	56	45	30	131	262
Kgosi S.V. Suping	48	49	52	196	345
Ms M.S. Ratlhagane	43	56	69	180	348
Mr A.N. Maepa	33	59	33	129	254
	648	937	1 076	2 291	4 952

^{*} Other fees consist of all other meetings attended by Board Members

[^] Expenses comprise of stipend, travel & accomodation and general refunds

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

23. Emoluments (continued)

Executive Management

	Salaries	Acting allowance	Expenses^	Performance bonus	Other expenses^^	Total
Mr S Mkhize - Acting Chief	1 263	107	293	-	291	1 954
Executive*						
Ms K Kgatuke - GM Finance	1 200	-	371	-	46	1 617
Mr C Mohalaba - GM Corporate Services**	865	32	208	180	394	1 679
Ms A Raphela - GM Finance	-	-	-	213	2	215
Mr R Le Roux - GM Engineering Services	-	-	-	41	261	302
Mr M Mehlo - Acting Chief						
	1 010	106	186	59	212	1 573
Operating Officer***						
Ms T Radebe - GM PMU	1 013	-	167	-	185	1 365
Ms L Morake - GM Water Services****	850	62	185	204	215	1 516
Mr PS Lebogo - GM Stakeholder	833	85	209	220	196	1 543
& Communications						
_	7 034	392	1 619	917	1 802	11 764

^{*} Mr S Mkhize was appointed as Acting Chief Executive with effect from 1 October 2016.

^{**} GM Corporate Services resigned on 5 May 2017.

^{***} Mr M Mehlo was appointed as Acting Chief Operating Officer with effect from 01 October 2016.

^{****} Ms L Morake was appointed as GM Water Services with effect from 01 February 2017.

 $^{^{\}wedge}$ Expenses comprise of cell phone allowances, travel & accommodation, refunds and bonus

^{^^} Other expenses comprise leave pay out and company contributions

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

23. Emoluments (continued)

2016

873 180 -	106 - 474 26	74 93 -	68 - -		1 121 273 474 26
180	-	93			273
180	-	93			273
	106		68	-	
873	106	74	68	_	1 121
835	90	74	-	-	999
1 421	-	64	512	2	1 999
1 354	-	209	-	-	1 563
885	-	77	498	164	1 624
1 238	129	163	210	-	1 740
364	allowance -	11	bonus -	expenses 284	659
Salaries	Acting	Expenses^	Performance	Other	Total
	364 1 238 885 1 354 1 421	allowance 364 - 1 238 129 885 - 1 354 - 1 421 -	allowance 364 - 11 1 238 129 163 885 - 77 1 354 - 209 1 421 - 64	allowance bonus 364 - 11 - 1 238 129 163 210 885 - 77 498 1 354 - 209 - 1 421 - 64 512	allowance bonus expenses 364 - 11 - 284 1 238 129 163 210 - 885 - 77 498 164 1 354 - 209 - - 1 421 - 64 512 2

24. Commitments

Capital Commitments

Already contracted but not provided for

Property, plant and equipment 354 415 284 138

The committed capital expenditure will be financed through existing cash resources and capital contributions.

for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R ′000	2016 R ′000
24. Commitments (continued)		
Operating lease commitments		
Minimum lease payments due		
- within one year	170	516
- in second to fifth year inclusive	94	198
	264	714

Operating lease payments represent rentals payable by the entity for office equipment and premises. Leases are negotiated for an average term of three years. Rentals for premises escalate on an annual basis at 10%. The rental periods are in accordance with the contracts per service provider expiring 31 July 2017. No contingent rent is payable

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
2017	2016
R '000	R '000

24. Contingent Liabilities and Assets

Contingent Liabilities

- 1. Guarantees of R401 778 were issued by Standard Bank in respect of payments to Eskom.
- 2. Legal proceedings have been instituted against Magalies Water by ex-employees. The entity's legal advisors have advised that Magalies Water has reasonable defence and the probability of loss is minimal. There are currently no estimates on legal fees and no provision has been made in the Financial Statements.
- 3. 13 Magalies Water employees working shifts issued summons against Magalies Water arising out of a dispute on the calculation of overtime for employees working shifts. Magalies Water is defending the claim. Further particulars were requested on the 27th August 2017 from the plaintiff Attorneys to enable Magalies Water to fully respond to the claim. To date, Magalies Water has not received any response on the request for further particulars. The amount claimed by the plaintiffs is R1 702 700.00. The case was initiated in August 2016.
- **4.** Ya-Rena Civils (Pty) Ltd was contracted to build a 20-mega litre reservoir for the Pilanesberg Scheme. The contractor failed to complete the work on time and penalties were imposed by Magalies Water. Magalies Water withheld the payment of the invoice from the contractor pending the finalisation of such penalties imposed. The contractor is suing for the last invoice submitted for payment despite penalties imposed for the delays which are higher than the invoice submitted. Magalies Water is defending the claim. The amount claimed by the plaintiff is R3 275 891.29. The case was initiated in September 2016.

Contingent Assets

- Magalies Water is expecting transfer of assets from the mines in terms of off take agreement signed by the mining ventures and the entity. In terms of the
 agreement, the ownership and risk of the Works shall only vest in Magalies Water after the completion, successful commissioning and proper handover by the
 mines As at 30 June 2017 handover of the assets has not yet taken place. The total cost incurred by the mines for the construction of the assets has not yet
 been reconciled and finalised. These assets have therefore not been accounted for in the Annual Financial Statements.
- 2. Magalies Water has servitudes that are not yet registered in the entity's name. The process to negotiate the value of the land with the owners is in progress. As at 30 June 2017, this process has not yet been finalised. As a result, Magalies Water is uncertain as to the amount of these servitudes. These servitudes have not been accounted for in the Annual Financial Statements.
- Magalies Water took legal action against a member of the community for disruption of the construction work at Klipdrift Water Treatment Works. The costs
 were awarded against the respondent. The bill of costs of R360 000 has been submitted for taxing as at 30 June 2017. The case was initiated in February
 2017.

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

26. Related parties

Relationships

Ultimate holding company National Government

Shareholder Minister of Water and Sanitation

The entity has elected to adopt the provisions of IAS 24 that provides the entity an exemption from disclosure requirements for related party transactions and outstanding balances with other government related entities.

The Board and Executive Management are considered as key management and there were no related party transactions between the entity and key management during the year under review.

for the year ended 30 June 2017

Notes to the Annual Financial Statements

	2017 R '000		2016 R '000	
26. Related parties (continued)				
Related party balances				
Amounts included in trade payables				
Department of Water & Sanitation		43 595	25	5 472
Amounts included in trade receivables				
Rand Water		17 673	13	3 481
Department of Water & Sanitation		92 719	65	5 173
Amounts included in government grant				
Department of Water & Sanitation		853 342	651	079
Amounts included in capital contributions				
Department of Public Works		23 484	23	3 484
Amounts included in cost of sales		25 .6 .		
Department of Water & Sanitation		74 580	71	1 797
Amounts included in revenue		, , , , ,		, , ,
Rand Water		165 762	170	928
Compensation to the Board and Executive Management		103 702	120	J20
Short-term employee benefits		13 617	15	5 430

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

27. Post-retirement benefits

Defined contribution plan

Irregular expenditure

Magalies Water contributes towards Magalies Water Retirement Fund. The fund is registered and controlled in terms of the Pensions Fund Act 24 of 1956.

Employees make a 7.5% contribution and the employer contributes 10%. The entity is under no obligation to cover any unfunded benefits.

The total contribution to the Fund 14 243 12 965

28. Irregular Expenditure

	4 616	145
Expenditure condoned during the year	(41 767)	(104 659)
	46 383	104 804
Irregular expenditure identified during audit	4 616	-
Irregular expenditure related to procurement policy	466	3 039
Irregular expenditure related to capital expenditure	41 156	63 094
Opening balance - 01 July	145	38 671
megalar experiancia		

Details of the opening balance are as follows:

Irregular expenditure reported in the previous years but not condoned - R145 000

(a) Non-compliance with Preferential Procurement Regulations Section 4 - R41 million

The irregular expenditure relating to capital expenditure was identified and reported in 2014/2015 financial year. According to the National Treasury Guidelines, an expenditure is classified as irregular when a payment is made. Payments made in the current financial year relating to these contract is R41 million.

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

28. Irregular Expenditure (continues)

(b) Non-compliance with procurement policy - R466 000

The irregular expenditure of R466 000 relates to various transactions on procurement of goods and services without following proper procurement policy. The employees who transgressed the policies have been subjected to disciplinary process.

- (c) Irregular expenditure identified during the audit
- 1. An amount of R3.19 million relating to deviations was not approved by National Treasury as per the National Practice note 3 of 2016/2017.
- 2. An amount of R1.07 million was identified as irregular as the process of award to the preferred bidder was found to be unfair.
- 3. An amount of R343 130 relates to the quotations where comparitive schedules were done on amounts exclusive of VAT.

Investigation will be done in accordance with the National Treasury guideline and action will be taken against the employees who transgressed the regulations.

29. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure

Opening balance - 01 July	4	-
Expenditure incurred during the year	- 	4
	4	4

Fruitless and wasteful expenditure incurred in the previous financial year was erroneously omitted for condonation.

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

30. Risk Management

Capital Risk Management

Magalies Water's objective for managing capital is to enhance shareholder value and generate sufficient surplus to meet the required capital expenditure programmes, thus sustaining future development of the entity and its ability to continue as a going concern. This objective has remained consistent with prior years.

The entity's retained income at 30 June 2017 is R1 338 989 (2016: R1 243 719).

There were no changes to what the entity manages as capital and the strategy for capital maintenance from the previous year.

Financial Risk Management

The principal financial risks to which Magalies Water is exposed as a result of its financial instruments are: liquidity risk, credit risk and market risk (interest rate risk).

The entity 's overall Risk Management Strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. Risk Management is carried out by the entity's investment advisors under policies approved by the Board. The investment policy provides guide for overall Risk Management, as well as investment of excess liquidity.

Liquidity risk

Liquidity risk is a risk that the entity will encounter difficulties in meeting the obligations associated with its Financial Liabilities. Magalies Water's approach to managing liquidity risk is to ensure that the entity will always have sufficient liquidity to meet its liabilities when they fall due.

Magalies Water monitors its risk to shortage of funds using projected cash flows from operations and has provision for cash buffer investment. The entity also manages liquidity risk through an ongoing review of future commitments.

Cash flow forecasts are prepared.

The table below reflects Magalies Water's maximum exposure to liquidity risk, which equals the carrying value of trade and other payables at reporting date:

Trade and other payables

Current 274 240 258 398

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

30. Risk Management (continued)

Interest rate risk

As the entity has no interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates. Magalies Water is exposed to interest rates as a result of investments held with various financial institutions. The entity has variable interest rate facilities which are reset on changes in prime interest rate, and therefore exposed to cash flow interest rate risk.

A sensitivity analysis to a change in interest rates has been performed based on the exposure to interest rates on investments at reporting date. A 1% increase or decrease has been used and represent management's assessment of the reasonable

possible change in interest rates. The sensitivity analysis has been performed on the same basis as the previous year.

The following table illustrates the sensitivity of the entity to interest rate changes by 1%.

1% decrease		
Decrease in Financial Assets	(1 686)	(1 809)
Decrease in comprehensive income	(1 686)	(1 809)
	(3 372)	(3 618)
1% increase		
Increase in Financial Assets	2 536	2 763
Increase in comprehensive income	2 536	2 763
	5 072	5 526

Credit Risk

for the year ended 30 June 2017

Notes to the Annual Financial Statements

2017	2016
R '000	R '000

30. Risk Management (continued)

Credit risk consists mainly of cash deposits, cash equivalents, financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Magalies Water minimises loss by default of customers through implementation of policies and procedures relating to debt collection. All known risks are disclosed to the Board. Interest is charged at a prime rate on debt over 30 days from the date of invoice.

The Board does not expect any of the counterparties to fail to meet their obligations, hence no investment has been impaired during the current and prior year.

Financial Assets exposed to credit risk at year end were as follows:

Financial instruments

Loans and receivables
Trade and other receivables
Cash and cash equivalents

115 191 279 281	110 220 231 088
30 174	36 412
424 646	377 720

31. Going concern

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

32. Events after the reporting period

No subsequent events were identified by management.

