LEPELLE NORTHERN WATER

- Excellent water and sanitation services for socio-economic development and prosperity

OUR MISSION

- Delivering cost-effective, equitable, sustainable and quality water and sanitation services

- Lepelle Northern Water (LNW) upholds the values underpinned by the Batho Pele principles in the management of its operations and the manner in which it conducts its business. These values guiding our business are:
  - Excellence
  - Integrity
  - Loyalty
  - Team Spirit
  - Respect
  - Innovation

CONTENTS

ACRONYMS

ACRONYM	DEFINITION
ABC	Amanzi Bargaining Council
AGSA	Auditor General South Africa
BBBEE	Broad-Based Black Economic Empowerment
CCMA	Commission for Conciliation, Mediation and Arbitration
CIDB	Construction Industry Development Board
COGHSTA	Department of Cooperative Governance, Human Settlements and Traditional Affairs
COS	Centre of Specialisation
COVID	Coronavirus disease
CSI	Corporate Social Investment
DoRA	Division of Revenue Act
DWS	Department of Water and Sanitation
EEP	Employment Equity Plan
EIA	Environmental Impact Assessment
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
Eskom	Electricity Supply Commission
FET	Further Education and Training
GRAP	Generally Recognised Accounting Practice
HET	Higher Education and Training
ICT	Information Communication Technology
IDP	Integrated Development Plan
IESBA	International Ethics Standards Board for Accountants
ISAs	International Standards on Auditing
ITIL	Information Technology Infrastructure Library
LEGDP	Limpopo Employment Growth and Development Plan
LGWS	Luvuvhu River Government Water Scheme
LNW	Lepelle Northern Water
NEMA	National Environmental Management Act
NSF	National Skills Funds
OPEX	Operating Expenditure
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act
PPI	Producer Price Inflation
SANAS	South African National Accreditation System
SANS 241	South African National Standards for Drinking Water
SCM	Supply Chain Management
SETA	Sector Education and Training Authority
SLA	Service Level Agreement
TVET	Technical and Vocational Education and Training
WSA	Water Services Authority
WSA	Water Services Act
WTW	Water Treatment Works

ABOUT THIS REPORT

Our Audience

Our primary audience is comprised of key stakeholders such as statutory bodies, municipalities, investors as well as the public at large.

Reporting Frameworks

The Generally Recognised Accounting Practice (GRAP), the report on Corporate Governance for South Africa, and the King IV on Corporate Governance for South Africa, are among the frameworks that the entity has used to prepare the annual financial statements.

Report Scope and Boundary

Since its establishment LNW has annually prepared annual reports as required by the public finance management act (PFMA).

This specific report covers the period from 1 July 2019 to 30 June 2020. It reflects on progress made with the predetermined strategic objectives and key performance indicators as per LNW's approved Corporate Plan, which has undergone the Auditor-General's (AGSA) audit process for the year under review.

The entity's financial statements are prepared in accordance with the Generally Recognised Accounting Practice (GRAP) unless otherwise stated.

Disclosure

LNW endeavours to achieve the highest standard of disclosure by providing meaningful, accurate and balanced information to all its stakeholders.

Assurance

The financial information in this report has been prepared according to GRAP and together with material non-financial indicators are independently assured by our external auditors. As a public entity, LNW has been audited by the AG on both the financial and performance information.

LNW has developed processes for identifying, collecting, collating, validating and storing information used in its performance management system, however, these will require continuous improvements based on the AG's audit outcome and/or recommendations.

The scope covered by external auditors has been provided in the Corporate Governance section of the annual report. The report has been designed to provide appropriate information about LNW's performance and ongoing progress to a myriad of stakeholders.

FOREWORD BY THE MINISTER

LN Sisulu, MP
Minister of Human Settlements, Water and Sanitation

I am pleased that Lepelle Northern Water has achieved an unqualified audit opinion in the 2019/20 financial year. I would like to see all institutions under my watch obtain a clean audit and am confident that in the coming financial years this will be achieved.

On assuming office as Minister of Human Settlements, Water and Sanitation one of the challenges that I inherited in the water sector was the corruption that marred some of the institutions including Lepelle Northern Water. Years of malfeasance and maladministration led me to institute forensic investigations to unearth the illegal dealings in order to first deal with the perpetrators and secondly develop a programme of action that will lead the institution into a clean audit.

Our people's needs are primary. We made a promise to them more than twenty years ago that their lives will be better and we must live up to the promises we made. The people of Limpopo can no longer be denied this basic human right. The Interim Board has committed itself to respond positively to my directives by ensuring that they do everything possible to execute its mandate in providing water services to the people of Limpopo.

The fact that the Limpopo Province is naturally dry/water scarce, led to exploration of alternative avenues such the sand water extraction pilot implemented by Lepelle Northern Water in Mopani District Municipality to augment the available ground and surface water. it was exciting to see this technology bringing water to the people of Skhimming and Ga-Kuranta villages. Implementation by water boards of alternative technologies that will bring lasting solutions to water challenges of our communities are encouraged.

Non-payment for water services rendered to municipalities remains a persistent challenge which adversely affects the financial viability and sustainability of the water boards. We are continuously engaging the relevant ministries to come up with an appropriate way to resolve it as this situation impedes the effective delivery of services to communities.

My appreciation to the Lepelle Northern Water's Interim Board, Executive Management and Lepelle Northern Water staff members for their sterling work. I would also like to thank Parliament's Portfolio Committee on Human Settlements, Water and Sanitation for their oversight and guidance.

LN Sisulu, MP
Minister of Human Settlements, Water and Sanitation

CHAIRPERSON'S OVERVIEW

TJ Mathebula
Chairperson Of The Interim Board

South Africa is a water-scarce country, particularly in its inland regions and provinces.

LNW's service area is among the driest of all the provinces. Compounding the problem are the historical challenges of lack of infrastructure to deliver bulk water to the majority of citizens in the province. It is worth noting that there are competing needs among water users, being industries, agricultural and society.

The initiatives to grow and develop the province requires a sustainable water development, use and management strategy. It is imperative that we have strategic capacity to manage this limited resource. In this regard it is imperative that the Department of Water and Sanitation (DWS), the Limpopo Provincial Government and municipalities ensure that there is a sustainable strategy. To this end we as the interim board are rather pleased to note that there is a provincial water master plan and there are ongoing water infrastructure projects by DWS. Furthermore, we note the ongoing projects in the province including efforts to resolve the issues in Nandoni/Giyani project by the Ministry.

One of the critical roles that we were supposed to act upon when joining LNW, was to stabilise the institution and provide the oversight required to achieve its mandate as per the Water Services Act. I joined LNW at the end of the financial year as the chairperson of the interim board that was in essence replacing the outgoing board at the end of its term. It was not smooth sailing I must say, however, with the fellow-board members we had to steer the ship under difficult conditions. We were met with interdictions and being barred from smoothly executing our fiduciary duties, which led to the former chief executive placed on precautionary suspension, whereby he later resigned.

The interim board familiarised itself with the operations of the entity. This led to the development of a programme which allowed us to visit all the existing projects that were being implemented by LNW in all the municipal districts. We also learnt that the entity had challenges ranging from ageing/aged infrastructure to non-payment of bulk water services by some water services authorities that negatively affect the reliability of bulk water supply. However, LNW managed to contribute to the delivery of good quality and safe water to drink for our communities and suitable water to use by our industrial customers.

One of the most important roles played by the interim board was to engage stakeholders in order to build strong partnerships. Once again all the municipalities within the area of operation were engaged to understand their challenges. Plans were developed, categorised into short, medium and long-term solutions and implemented. This has brought confidence and regained trust from the municipalities with whom relationships were dented beyond repair.

Furthermore, business forums were engaged to ensure that their needs were understood and deal with such needs where applicable.

Traditional leaders were also engaged on water supply issues and among them was the meeting with the King of the Bapedi nation, the late King Victor Thulare where I indicated that innovative ways of supplementing water supply are being looked into and piloted in various areas within the province. For example, LNW is already exploring/piloting sand water extraction for an alternative water source to surface water (dams and rivers). I further indicated the need for intensive water conservation and demand management strategies. Also that some of the new demands will be met by building new infrastructure and venturing into wastewater effluent reclamation – water reuse.

With Covid-19 pandemic burdening the entire world, the board has handed over three borehole systems in Matsila and Njhaka-njhaka villages to ensure that they comply with one of the Covid requirements of regularly washing hands to prevent further spread of this communicable virus. Furthermore, storage tanks with taps were donated and installed to the communities within the Makhado municipal area. Storage tanks and garden tools were donated to day care centres to ensure that fresh vegetables are grown and utilised as part of improving the quality life of the people of Limpopo.

LNW has supported Water Services Authorities (WSAs) in terms of participating in their Integrated Development Planning (IDP) processes. This provided an opportunity for LNW to continuously update the Water Master Plan for the province since it is a living document and along with other strategies seek to reinforce the achievement of priorities in the IDPs and the Limpopo Employment Growth and Development Plan (LEGDP).

Our provincial population continues to grow and our economic activities continue to expand. The board has implemented water demand and conservation management as attempts to address a situation where the available resources are exceeded by water consumption although this was not enough, especially when the end users do not apply the water conservation and demand principles. We have, among other measures, augmented our existing water resources with boreholes although this is not sustainable and was crippled by the fact that the groundwater table levels have drastically declined due to drought. As a result of these, we need to continue to persistently instil a culture of maximising the little water that we have. We also note and appreciate the efforts being made to maximise the utilisation of Olifants River Water Resources Development Programme (known as De Hoop Dam), Nandoni and Mokolo Dams in the province.

It is imperative that we move urgently to establish LNW as a regional water utility. It is our view that going forward we need a purpose-driven entity that is able to deliver efficiently. Cooperation with institutions like Lebalelo Water User Associations and taking over the R100 millions or more schemes are being looked into in order to harmonise the bulk water supply in the province. This approach is being supported by the National Development Plan and the New Water Policy Review.

The completion of the current projects is utmost priority to the board. It is our view that going forward projects must be completed on time and within budget. We have already resolved on a plan to improve governance and delivery of the projects timely.

The board as the accounting authority has submitted quarterly reports to DWS on its performance towards the accomplishment of the objectives as stated in the Corporate Plan and the shareholder compact. Section 51 (1)(a) of the Public Finance Management Act, 1999 as amended provides that the accounting authority of the water board must ensure that the entity has and maintains effective, efficient and transparent systems of financial and risk management and internal control.

We support the highest standards of corporate governance and to this end the board subscribes to the King IV report on Corporate Governance. Complying with the letter of the Act and keeping it remains a priority and all efforts are put in place to ensure we meet this priority. The review of policies and procedures is a continuous process. The board has established governance committees which are functioning well and we are pleased with the work done by the chairpersons of these committees in their respective oversight roles.

The external auditors have expressed an unqualified audit opinion on the 2019/20 Annual Financial Statements. We are mindful of the matters emphasised that were identified and require undivided attention for the organisation to achieve a clean audit report.

The period under review has been a challenging period in the history of the entity.

I wish to thank all employees and the management team for their contribution, commitment and tireless work in their endeavours to fulfil the organisation's mandate. Special thanks go to all our stakeholders and customers for their support.

On behalf of the board and staff I want to also extend sincere gratitude to the outgoing board for most of the work they have done and Minister of Human Settlement, Water and Sanitation, Honourable MP L Sisulu for her support during the year under review.

TJ MATHEBULA
CHAIRPERSON OF THE INTERIM BOARD

CHIEF EXECUTIVE'S REPORT

AE Netshidaulu
Chief Executive (Acting)

LNW's mandate is to provide bulk water services to other water institutions in the gazetted areas of supply. To this end, we have ensured that we engage a balanced and experienced staff component with key competencies to service the requirements of bulk water services.

The professional technical expertise of the organisation is mainly found in the Operations and Maintenance Department, which involves managing the raw water abstraction, alien vegetation control, dam management, treatment and the distribution of potable bulk water, the collection and treatment of waste water and effluent, potable and waste water quality monitoring, asset management, water demand and conservation management, infrastructure master planning, and project and contract management expertise.

The support functions of finance and corporate services lay a solid foundation that enables the organisation to respond to the rapidly changing environment in all spheres of government so that LNW can continue to play a pivotal role in solving the water services-related problems and challenges in the province. The training programmes, development programmes, internal promotions, appointments, competitive remuneration and succession planning measures have ensured that we retain the best skills and contain the staff turnover rate at the lowest level of 1.01% during the reporting period.

Organisational resilience

The test of the organisational resilience is measured by what it stands for in times of challenge. It is not what an organisation does when it is comfortable that matters. During difficult times, organisations require effective leadership that will be able to paint an optimistic vision of achieving the organisational objectives in the midst of challenges.

LNW leadership required a level-headed approach, perseverance and determination to execute the mandate of the entity as per the Water Services Act, i.e. provide uninterrupted bulk water supply to municipalities and industries. Despite all the distractions LNW continued to optimise the utilisation of the existing infrastructure and equipment to sustainably provide bulk water supply even though most of the infrastructure has reached its operating limits. This coupled with the drought period and Covid-19 made the year a difficult one as expansion projects meant to increase water services coverage came to a halt.

As part of this leadership and continuous improvement of the organisation, a review of the corporate business plan was undertaken during the period under review, at which strategic objectives of the organisation were agreed to with clear priorities to be achieved over the five-year period as highlighted below:

- Provision of equitable and sustainable water and sanitation services
- Plan, develop and maintain water resources, water distribution and sanitation infrastructure
- Financial viability and sustainability
- Effective human capital management and development
- Effective corporate governance

These objectives continued to serve as a base from which performance agreements were entered into between the Chief Executive and Senior Executive Management, and cascaded down to all staff members of the organisation.

Surety of supply

The year under review has seen all the major dams of the province dropping in levels, ranging from 50 to 5% in extreme cases, which made it difficult to meet the obligations made to LNW's clients. Water restrictions by DWS became common on abstraction from various dams in the province and the country at large, forcing LNW, among other water boards, to reduce its water supply to 50% and below depending on the sources where raw water was abstracted. This has led to LNW focusing on the ground water exploration and sand water extraction pilot project. While the boreholes displayed some kind of instability, the sand water extraction technology brought some hope to the province and the country. The two pilot sand water projects in Skhiming and Ga-Kuranta yielded 700 000 l/s and 300 000 l/s respectively during a very dry season. This technology will be duplicated elsewhere within the province whenever drought-hit.

Natural environment

LNW is implementing the ISO 14001 in an effort to ensure due preservation of the natural environment. The efforts have paid off in that not only has the environment kept to its state but for the past five years LNW has also received the ISO 14001 certificates. The general legal requirement in water use licenses for any discharges into natural ecosystems remained a firm guide for LNW to continuously ensure that its activities protect the natural ecosystem within its areas of operation.

Infrastructure refurbishments

LNW has undertaken a number of major capital and refurbishment projects. Apart from upgrading and extending its own infrastructure, some of the work is done in its capacity as a project implementing agent of DWS and WSAs. While project milestones and completion targets were naturally set, unfortunate incidents of delays were encountered with a number of projects. These delays were a result of, among others, cash flow challenges and availability of capital budgets experienced during the project implementation stages, which resulted in revised milestone timelines and consequently completion dates on almost all the projects that were under execution. In fact, some projects have stopped after the design phases. These challenges led to extension of time and standing time costs, contract price adjustments, interest on non-payment of claims and community unrest and protests.

Optimisation of production related infrastructure

Improved maintenance of production-related infrastructure has seen water losses reduced to 3.69% (2019/20) when compared to 3,97% (2018/19) against a target of 5%. Optimal maintenance of infrastructure throughout its entire life cycle is critical to optimising return on production assets. Plant availability of 95% was maintained for the entire financial year, a little lower than 96% of the previous financial year against a target of 95%.

SANAS-Accredited Water Services Laboratory

LNW recognises the significance of drinking water quality and has therefore established a SANAS-accredited laboratory at its Ebenezer Water Treatment Works to conduct independent tests, performed by its Scientific Water Services Unit. We internally test to establish if the final water quality produced by its water treatment works adheres to SANS 241 requirements. LNW has set stringent internal control system and targets for both potable and effluent discharge quality. The services from the LNW laboratory are available to external clients on a commercial basis.

People empowerment

The development of internal human resources capacity remained top on LNW's human capital management and development agenda. Ninety-five employees were offered bursaries to register with various Further Education and Training (FET) and Higher Education and Training (HET) institutions for the purpose of obtaining diplomas, degrees and certificates in various water fields of study.

Financial position of the entity

Non-payment by LNW clients had a very negative impact on the financial viability and sustainability of the organisation.

The water board recorded a net deficit of R98,6million for the year ending 30 June 2020 compared to a restated net surplus of R65,2 million. Revenue increased by 7% from R561,1 million in the prior year to R 602 million for the year ending 30 June 2020 with sales volumes of 84.1 megalitres (2019; 89,5 megalitres)

Other income from cost recovery relating to management fees amount to R20,8 million from R20,7 million in 2020. The decrease in management fees over the past three years is due to the decrease in the number of projects the board implements on behalf of DWS.

LNW has annually kept its tariff increase below 10% for the past five years considering the socio-economic factors within the province. The entity's average tariff (potable) is R7,79 for the year under review.

The main cost drivers have been electricity and salaries. The entity's gross profit percentage decreased from 50% to 47% in the period under review due to increase in variable costs.

The continued support received from and various fruitful engagements with both the national DWS and provincial Department of Cooperative Governance, Human Settlements and Traditional Affairs (CoGHSTA) as well as the local government structures remains sincerely appreciated.

Supply chain management

The continued streamlining of the Supply Chain Management (SCM) system and the performance management system has steadily entrenched a culture of accountability and responsibility among all staff in the organisation.

Through the improvement of the SCM system, we have been able to improve our acquisition of goods and services to uphold the fair, equitable, transparent, competitive and cost-effective principles, although some teething problems still occurred in the unit. LNW adopted an aggressive procurement of services policy from previously disadvantaged companies. We set ourselves a target of 80% for our services to enhance Broad-based Black Economic Empowerment (BBBEE) and we achieved 88% (R207 million worth of projects) and targeted nine new entrants and procured eighteen new entrants (worth R34 million worth of projects).

I wish to further extend appreciation to the executive management, staff, all LNW customers, service providers and suppliers through ensuring that the task of bulk water service delivery is progressively achieved. Lastly, our utmost gratitude also goes to our board for the oversight and guidance.

AE NETSHIDAULU
CHIEF EXECUTIVE (ACTING)

1 ORGANISATIONAL PROFILE

1.1 Legislative Mandate

LNW is a public water entity, wholly owned by the state, established in terms of the Water Services Act, Act No. 108 of 1997. Its mandate is to provide bulk water services (i.e. water and sanitation services) to other water institutions. It is regulated by, among others, the Water Services Act, Act No. 108 of 1997, the Public Finance Management Act No.1 of 1999 and to some extent the Municipal Finance Management Act No. 56 of 2003. LNW reports directly to the Department of Water and Sanitation through the Accounting Authority and the Chief Executive. The Executive Authority of the water board is the Minister of Human Settlements, Water and Sanitation.

1.2 Key Activities

Section 29 of the Water Services Act stipulates that the primary activity of a water board is to provide bulk water services (i.e. water and sanitation) to other water services institutions within its service area.

Furthermore, Section 30 of the Water Services Act enables a water board to perform an activity other than its primary activity only if it is not likely to limit the water board's capacity to perform its primary activity, it is not likely to be to the financial prejudice of itself, any water services institution, existing consumers and other users serviced by it within its service area; it is in accordance with the board's policy statement; and it is provided for in a business plan. Such activities may include:

- providing management services, training and other support services to water services institutions, to promote co-operation in the provision of water services;
- supplying untreated or non-potable water to end users who do not use the water for household purposes;
- providing catchment management services to or on behalf of the responsible authorities;
- with the approval of the water services authority having jurisdiction in the area
    - supplying water directly for industrial use;
    - accepting industrial effluent; and
    - acting as a water services provider to consumers;
- providing water services in a joint venture with water services authorities; and
- performing water conservation functions.

1.3 Area of Supply

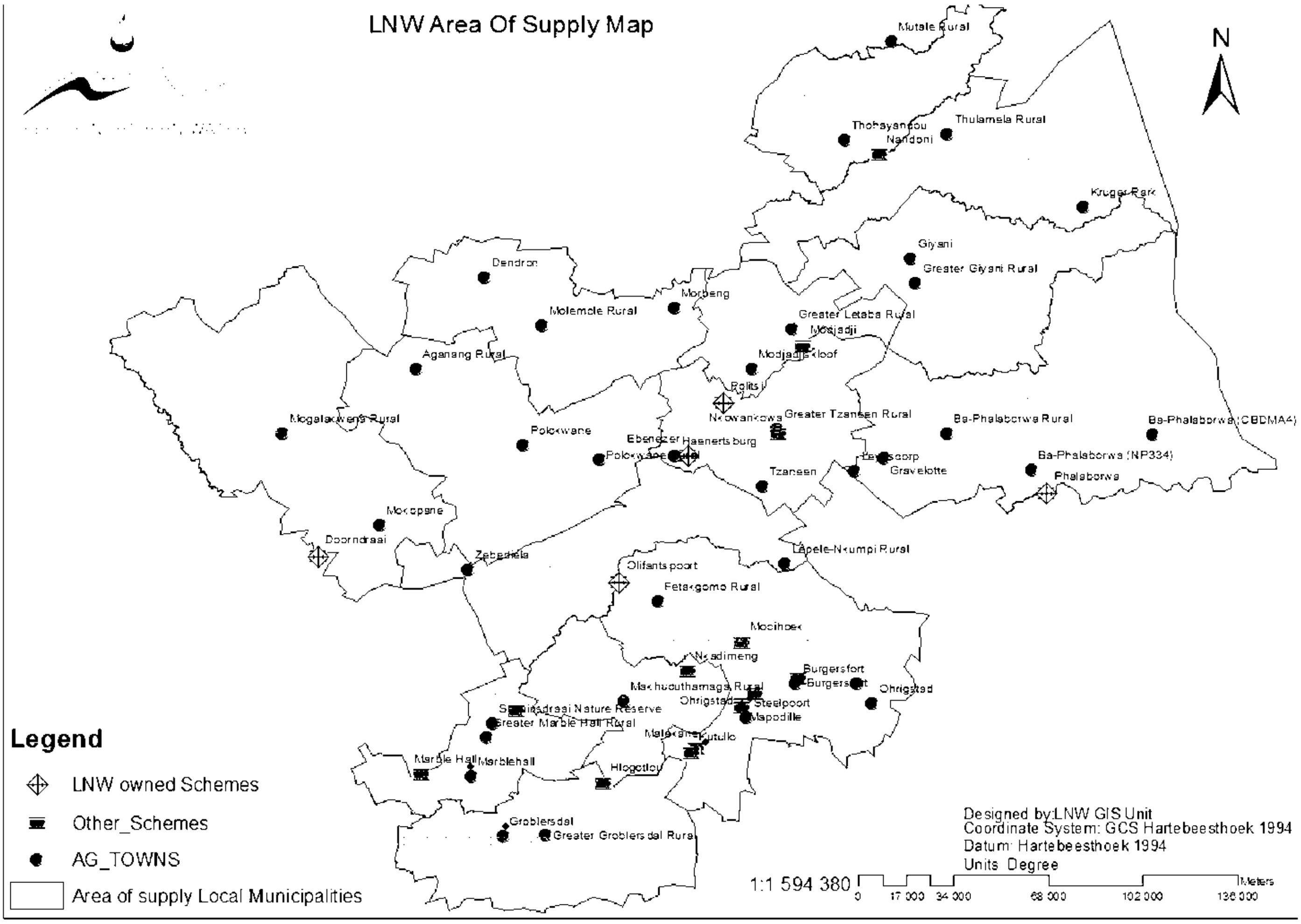


Figure11: LNW Coverage

LNW's area of supply covers approximately 80 000 square kilometres within the 125 754 square kilometres of Limpopo's surface area of 64%. LNW is currently providing bulk water in 42% of its mandated 80 000 square kilometres, which is equivalent to about 56% of the size of the province.

Municipal customers serviced by LNW are:

- Polokwane Local Municipality;
- Capricorn District Municipality;
- Sekhukhune District Municipality;
- Waterberg District Municipality (partially);
- Mopani District Municipality and
- Vhembe District Municipality

LNW regional representation within its service area

While the head office of the organisation is in Polokwane, regional management is maintained at various district municipalities to ensure strategic oversight and maintenance of close interactions with respective municipal technical teams.

Ms Motlalepula Mphachoe: Regional Manager – Mopani

Mr Precious Moshoane: Regional Manager - Sekhukhune

Mr Mpho Chokolo: Regional Manager – Capricorn

1.4 Infrastructural Capacity

LNW operates about 20 bulk water schemes ranging from 1,0 to 175 Mℓ/day, some of which are conventional, package and borehole systems. Of these bulk water schemes, 5 are owned by LNW and the remainder are operated on behalf of municipalities.

LNW's assets are currently valued at about R3,79 billion. It is foreseen that when the organisation is ultimately converted to a regional water utility, it will operate and oversee assets worth over R30 billion.

1.5 Executive Management Structure

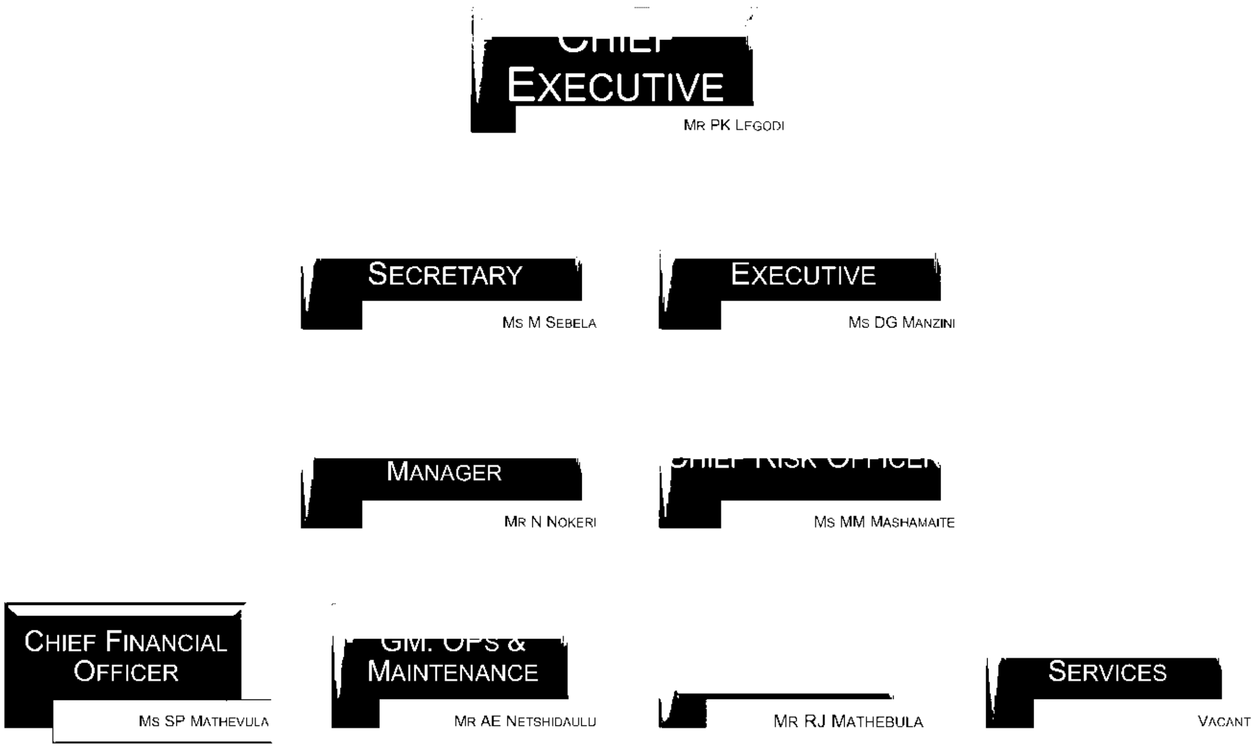


Figure 1 - 2: Management structure

LNW remains ready for operational expansion due to institutional realignment which also necessitated a relook and consequently revision of the composition of the executive management, hence the introduction of the positions of General Manager: Engineering Services. These positions are vital for the organisation to execute balanced and quality discharge of its mandate.

Previous Board Members (Term Ended 29 May 2020)

Mr NH Matsepe
(Interim Chairperson)

Mr MI Phasha
(Deputy-Chairperson)

Mr MPK Tshivhase

Ms JM Letsoalo

Ms LLC Malamba

Ms MA Mphahlele

Ms MM Ntsaba

Mr BP Sebola

Mr PK Legodi
(Chief Executive)

Ms M Sebela
(Company Secretary)

Interim Board Members (Term Started 29 May 2020)

Mr TJ Mathebula (Chairperson)

Ms YD Mbane (Deputy-Chairperson)

Adv MM Makgopa-Madisa

Mr B Gaorekwe

Ms M Mabi

Mr JL Matlala

Mr MC Twalo

Mr GP Ritshuri

Mr Ahuiwi Netshidaulu (Acting Chief Executive)

Ms M Sebela (Company Secretary)

2.1 The Board

The board is comprised of nine non-executive members and the Chief Executive as ex-officio member in terms of Schedule 1 of the Water Services Act No.108 of 1997, until termination by the Minister. On the 29th May 2020 the interim board was appointed to provide oversight while the process to appoint a new board was being implemented.

2.2 Details of the Board Members and Executive Management

2.2.1 Board members (term ended 29 May 2020)

Mr NH Matsepe (Interim Chairperson)

Mr Matsepe brings to the board legal expertise obtained from the various positions he held in the legal fraternity, including the Department of Justice and Commission for Conciliation, Mediation and Arbitration (CCMA). He is currently serving as a practising attorney and labour practitioner of Harold Matsepe Attorneys. He possesses B. IURIS and LLB degrees.

Mr MI Phasha (Deputy-Chairperson)

Mr MI Phasha brings to the board experience in Information Technology (IT) and Operations. He formally holds the qualifications B. Com Honours in Information Systems (UWC), B. Com – General majoring in Accounting and Information Systems (UWC) as well as certificates in Project Management (Stellenbosch Business School) and Introduction to Information Security (UNISA). He is in the process of completing his Masters Business Administration (MBA) with MANCOSA. He serves on various boards in both public and private entities.

Mr MPK Tshivhase (under suspension)

Mr MPK Tshivhase brings to the board experience on legal, governance and traditional affairs. He holds the following formal qualifications: BA Law and Juris Diploma and has served extensively as an executive member of various local government structures, corporate and state-owned entities.

Ms JM Letsoalo

Ms JM Letsoalo brings to the board a background in Environmental Sciences research. She is also involved in community projects and is a member of various organisations and trusts. She is in possession of BSc (Zoology & Geography), B.A Hons (Geography), Diploma in Tertiary Education, Diploma in Bookkeeping, MBA (Tourism Management), and PhD (Geography) qualifications.

Ms LLC Malamba

Ms Malamba has vast experience in social development and advocacy, action research and skills in social mobilisation and mass media campaigning. She possesses a BA Social Work (Hons). MBA, (registered with University of South Wales, MA SW).

Ms MA Mphahlele

Ms Mphahlele brings to the board experience in law and in particular litigation in civil and labour disputes. She holds the following formal qualifications: LLB, MBA. She has completed the Board Leadership Core Programme from the Gordon Institute of Business Sciences (GIBS).

Ms MM Ntsaba

Ms Ntsaba boasts experience in geography, environmental science and water resources management. She holds the following formal qualifications: BSc. (Environmental Management), BSc Hons, and MSc. She is also a management training facilitator at the National School of Government. She has completed the Board Leadership Core Programme from the Gordon Institute of Business Sciences (GIBS).

Mr BP Sebola

Mr Sebola has extensive experience in business and projects administration. He possesses the following formal qualifications: Certificate in Office Administration, Management Development Programme, Community Based Development, Business Studies, Development Management.

Mr PK Legodi (Chief Executive)

Mr Legodi brings invaluable knowledge, skills and experience in legal practice, administration and corporate governance with him. After his admission as an attorney of the High Court of the Republic of South Africa, he joined and served several State organisations as a legal advisor and executive management. He is currently responsible for the strategic leadership of the organisation. He holds the LLB, LLM qualifications, Certificate in Legal Practice and Postgraduate Diploma in Corporate Law. Current Studies: MPMA (University of Limpopo).

Ms M Sebela (Company Secretary)

Ms M Sebela has invaluable knowledge, skills and experience in board, board committees and executive management-related administration, which entails, among others, ensuring proper compilation and timely circulation of relevant board, board committee and executive management meeting packs, monitoring and raising matters that may warrant the board's attention and assisting the board with their yearly evaluations (including its directors). She holds a National Diploma and B-Tech degree in Public Management.

2.2.2 Interim Board Members (started 29 May 2020)

Mr TJ Mathebula (Chairperson)

Mr TJ Mathebula brings to the board experience in business administration, development planning and management. He also serves as Executive Director of Vibrant Veterans Mineral Resources (Pty) Ltd. He also has experience in mining and property development. He has also served as President of The Black Management Forum Limpopo, and the Polokwane Golf Club. Mr. Joe Mathebula has experience in Business and Politics. He has held directorships in both business and public sectors.

He has a Bachelor of Administration and Certificate in Marketing from UNISA and recently obtained the Post Graduate Diploma in Business Administration from the UNISA Graduate School of Business Leadership. He holds an Executive Development Program from Wits Business School.

Ms YD Mbane (Deputy-Chairperson)

Ms YD Mbane, who brings with her experience in the fields of human Resources, audit and risk management, served extensively as a board and executive member of various corporate entities. She holds the qualifications of Masters of Business Administration (MBA), Masters Diploma in Human Resource Management, Bachelor of Education: Psychology of Education, Bachelor of Arts: History and Psychology, and Secondary Teachers Diploma.

Adv MM Makgopa-Madisa

Advocate MM Makgopa-Madisa offers extensive experience in legal and regulatory services, ethics and governance in the public sector and public entities. She holds a Bachelor of Laws Degree (LLB); Master of Laws (LLM) in Corporate Law; Certificate in Public Finance for Non-Financial Managers; she is a qualified Mediator and a member of Mediation in Motion (MiM - NGO).

Mr B Gaorekwe

Mr B Gaorekwe boasts experience in the legal field and administration and governance. He holds the qualifications of Bachelors of Arts, Masters in Public Administration.

Ms M Mabi

Ms M Mabi brings to the board experience in agriculture and rural development. She holds a Master's degree in Agriculture and Rural Development and a Certificate in Poultry Production.

Mr JL Matlala

Mr JL Matlala has vast experience in governance, public leadership and management. He holds a Postgraduate Diploma in Management, Advanced Certificate in Governance and Public Leadership and a Diploma in Leadership Development and Management.

Mr MC Twalo

Mr MC Twalo brings to the board experience in business administration, governance and science. He holds a Senior Teachers Diploma, a Bachelor of Education, B-Tech in Business Administration degree and a Certificate in Theology

Mr GP Ritshuri

Mr GP Ritshuri brings to the board experience in business leadership acquired as the chairperson and later as a president of the Giyani Business Forum. He further brings the knowledge on the development of strategies and project management. Experienced in interfacing with the communities at various levels.

Mr Ahuiwi Netshidaulu (Acting Chief Executive)

He has experience in business strategic planning and execution in the water sector. His experience in research and development has significantly contributed to new knowledge, technology and management systems in the sector. Being in the water sector for more than 20 years has afforded Mr Netshidaulu immense experience in the optimisation, operation and maintenance of water and wastewater infrastructure, treatment processes and distribution systems, water quality management, implementation and management, project planning and engineering management.

He is also a member of the Advisory Board (Applied Chemistry) in the University of Johannesburg since February 2017.

He holds a Master of Science in Civil Engineering: Water (MSc. Eng), Master of Business Administration (MBA). He has also trained in the areas of project management, health and safety, supply chain and financial management and corporate governance.

Ms M Sebela (Company Secretary)

Ms M Sebela brings invaluable knowledge, skills and experience in the administration of boards, board committees and executive management, which entails among others, ensuring proper compilation and timely circulation of relevant board, board committee and executive management meeting packs, monitoring and raising matters that may warrant the board's attention and assisting the board with their yearly evaluations (including its directors). She holds a National Diploma in Public Management and a B-Tech also in Public Management.

Executive Management

Mr Ahuiwi Netshidaulu (Acting Chief Executive)

Ms SP Mathevula (Chief Financial Officer)

Mr RJ Mathebula (Acting GM: Corporate Services)

Ms DG Manzini (Chief Audit Executive)

Mr N Nokeri (Manager: Strategy and Planning)

Ms MM Mashamaite (Chief Risk Officer)

Ms M Sebela (Company Secretary)

2.2.3 Executive Management

Mr PK Legodi (Chief Executive – resigned)

He has invaluable knowledge, skills and experience in legal practice, administration and corporate governance. After his admission as an attorney of the High Court of the Republic of South Africa, he joined and served several State organisations as legal advisor and part of executive management.

He is currently responsible for the strategic leadership of the organisation. He holds the LLB, LLM qualifications, Certificate in Legal Practice and Postgraduate Diploma in Corporate law and is currently studying MPMA.

Ms SP Mathevula (Chief Financial Officer)

She brings extensive experience of the financial environment. She started in the organisation as a SCM Manager and was later promoted to a Finance Manager and recently to Chief Finance Officer.

She holds a B.Compt degree, Master's degree in Business Administration (MBA) and Master programme in Supply Chain Management. She also serves as member of the Risk and Audit Committee of Capricorn TVET College.

Mr AE Netshidaulu (GM: Operations & Maintenance)

He has experience in business strategic planning and execution in the water sector. His experience in research and development has significantly contributed to new knowledge, technology and management systems in the sector. Being in the water sector for more than 20 years has afforded Mr Netshidaulu immense experience in the optimisation, operation and maintenance of water and wastewater infrastructure, treatment processes and distribution systems, water quality management, implementation and management, project planning and engineering management.

He is also a member of the Advisory Board (Applied Chemistry) in the University of Johannesburg since February 2017.

He holds a Master of Science in Civil Engineering: Water (MSc. Eng.), Master of Business Administration (MBA). He is further trained in the areas of project management, health and safety, supply chain and financial management and corporate governance.

Mr RJ Mathebula (Acting GM: Corporate Services)

He has extensive knowledge and experience in labour relations and human resources management. Since joining Lepelle Northern Water, he was appointed to the positions of Human Resources Officer, Labour Relations Officer and Human Resources Manager between 2000 and 2017. He has completed an Industrial Relations Development Programme with Stellenbosch School of Business Management.

Ms DG Manzini (Chief Audit Executive)

She has extensive experience in internal auditing, financial management, risk management and corporate governance. Her experience of 16 years is in provincial and local governments, parastatals, tertiary institutions and banking. She is a member of the Institute of Internal Auditors South Africa (IIASA) and served in the Limpopo Committee as the Regional Governor and as Deputy-Regional Governor

She holds a National Diploma in Internal Auditing; a B Tech in Internal Auditing and a Post Graduate Diploma in Internal Auditing. She is also qualified as a Certified Internal Auditor (CIA) and Certified Government Audit Professional (CGAP). She further completed Chief Audit Executive Leadership and Senior Management Development courses.

Mr N Nokeri (Manager: Strategy and Planning)

He has experience in business development management, development of policies, corporate plans and strategies in the water sector. Rigorous engagements with various municipalities have contributed a lot to his understanding of the local government sphere. Being in the water sector for 28 years has afforded him experience in the operation and maintenance of water and wastewater systems, water quality monitoring, project monitoring and evaluation and management in general.

He holds a Master's Degree in Sanitary Engineering, Master's Degree in Water Care Technology and Master's Degree in Business Administration (MBA).

Ms MM Mashamaite (Chief Risk Officer)

She brings vast experience in risk management, auditing, corporate governance and finance with over ten years' experience acquired in both the public and private sectors. She is an Associate Member of the Institute of Risk Management South Africa (IRMSA), a member of both the South African Institute of Chartered Accountants (SAICA) and The Ethics Institute (TEI).

She holds a B Com degree, a B Com Honours and Post Graduate Diplomas in Accounting Sciences, and Applied Accounting Sciences (CTA). She is also a qualified Chartered Accountant - CA (SA) and a Certified Ethics Officer.

She also serves on the following committees:

- Audit & Risk Committee for the Limpopo Gambling Board – Co-Opted Member
- Risk & Fraud Management Committee for the Limpopo Gambling Board - Chairperson
- IRMSA Limpopo Regional Committee - Member.

Ms M Sebela (Company Secretary)

Ms M Sebela brings invaluable knowledge, skills and experience in board, board committees and executive management-related administration, which entails among others, ensuring proper compilation and timely circulation of relevant board, board committee and executive management meeting packs, monitoring and raising matters that may warrant the board's attention and assisting the board with their yearly evaluations (including its directors). She holds a National Diploma in Public Management and a B-Tech also in Public Management.

2.2.4 Board Committees

Figure 2 - 1: Board committee composition and responsibilities

Human Resource and Remuneration		Finance and Infrastructure		Audit and Risk	
Committee Members		**Committee Members**		**Committee Members**	
BP Sebola	Chairperson	MM Ntsaba	Chairperson	MA Mphahlele	Chairperson
LLC Malamba	Member	JM Letsoalo	Member	BP Sebola	Member
JM Letsoalo	Member	MA Mphahlele	Member	LLC Malamba	Member
MI Phasha	Member	MI Phasha	Member	MM Ntsaba	Member
PK Legodi	Ex-Officio	PK Legodi	Ex-Officio		
Role To review and recommend for approval to the board, among others, matters relating to recruitment, remuneration, and human resource policies, employee benefits, labour-related issues.		**Role** To ensure, among others, effective and efficient financial management, a fair, equitable, transparent, competitive and cost-effective procurement and provisioning system, budgeting processes, coordinate financial inputs into strategic plans, review annual report and financial statements. To ensure the development and maintenance of infrastructure		**Role** To ensure adequacy and effectiveness of systems of internal control, accounting practices, information systems and auditing processes applied in the day-to-day management of LNW; and to ensure compliance with the relevant Acts, and that financial information and practices are in compliance with GRAP.	

Table 2 - 1: Board attendance (Term ended 29 May 2020)

Name of Director	No of Board Meetings	Audit & Risk Including Special Meetings	HR & REMCO Including Special Meetings	FINFRACO Including Special Meetings
Approved Schedule Meetings	4	4	4	4
MPK Tshivhase (Chairperson) Suspended	0	0	0	0
NH Matsepe (Interim Chair-person)	9	0	0	0
MI Phasha (Deputy-Chairperson)	8		5	6
LLC Malamba	4	4	3	
MA Mphahlele	6	4		6
MM Ntsaba	6	3		6
BP Sebola	8	2	2	
JM Letsoalo	6		3	4

Table 2 - 2: Interim Board (appointed 29 May 2020)

Name of Director	Total No of Meetings	Corporate Services and social and ethics Including Special Meetings	Finance Committee Including Special Meetings	Infrastructure, Operations and Stakeholders Meeting
TJ Mathebula	**3**			
YD Mbane	**3**			
J Matlala	**3**			
MM Makgopa-Madisa	**3**			
C Twalo	**3**			
M Mabi	**3**			
GP Ritshuri	**3**			
B Gaorekwe	**2**			

3 ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The board is required by the PFMA (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the audited annual financial statements and related financial information included in this report. It is the responsibility of the board to ensure that the audited annual financial statements fairly present the state of affairs of the board as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the audited annual financial statements and was given unrestricted access to all financial records and related data.

The audited annual financial statements have been prepared in accordance with GRAP, including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The audited annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The board acknowledges that it is ultimately responsible for the system of internal financial control established by the board and places considerable importance on maintaining a strong control environment. To enable the board to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit 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 board and all employees are required to maintain the highest ethical standards in ensuring the board's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the board is on identifying, assessing, managing and monitoring all known forms of risk across the board. While operating risk cannot be fully eliminated, the board endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The 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 audited annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The board has reviewed the entity's cash flow forecast for the year to June 30, 2021 and, in the light of this review and the current financial position, it is satisfied that the board has or has access to adequate resources to continue operational existence for the foreseeable future.

The board is wholly dependent on the board for continued funding of operations. The audited annual financial statements are prepared on the basis that the board is a going concern and that the board has neither the intention nor the need to liquidate or curtail materially the scale of the board.

The external auditors are responsible for independently reviewing and reporting on the board's audited annual financial statements. The audited annual financial statements have been examined by the board's external auditors and their report is presented on page 78.

The audited annual financial statements set out on pages 78 to 136, which have been prepared on the going concern basis, were approved by the board on February 4, 2021 and were signed by:

TJ MATHEBULA
CHAIRPERSON OF THE INTERIM BOARD

4 BOARD'S REPORT

The board has pleasure in submitting the report on financial statements of LNW for the year ending 30 June 2020.

4.1 Review of Financial Results and Activities

The financial statements have been prepared in accordance with Generally Recognised Accounting Practice and the requirements of the Water Services Act, (Act no 108 of 1997). The accounting policies have been applied consistently compared to the prior year.

The water board recorded a deficit of R98,6 million for the year ending 30 June 2020. This represented a 251% decrease from a net surplus of the prior year of R65.3 million.

Water board revenue increased by 7% to R602 million from R561,1 million in the prior year ending 30 June 2020.

4.2 Subsequent Events

The previous board's term was terminated on 29 May 2020, a month prior to the financial year-end. The interim board was immediately appointed on 29 May 2020 in order to bring stability to LNW's Board. These led to court proceedings pertaining to the legitimacy of the appointment of the interim board by the previous board and the former Chief Executive, which were later withdrawn. The interim board eventually placed the then Chief Executive on precautionary suspension pending the investigation, which was to be followed by a disciplinary hearing. The former Chief Executive then resigned before the hearing could commence.

4.3 Auditors

The Office of the Auditor General (AGSA) had taken over as external auditors of the water board since 2017.

4.4 Remuneration of the Board Members and Senior Management

Table 4 - 1: Remuneration of Board Members

Name	Fees for services as a member of management	Basic remuneration	Other benefits received	Total
TJ Mathebula (Interim Board)	-	52	-	52
YD Mbane (Interim Board)	-	40	-	40
J Matlala (Interim Board)	-	35	-	35
MM Makgopa-Madisa (Interim Board)	-	35	-	35
MC Twalo (Interim Board)	-	35	-	35
M Mabi (Interim Board)	-	35	-	35
B Gaorekwe (Interim Board)	-	35	-	35
GP Ritshuri (Interim Board)	-	35	-	35
NH Matsepe	186	574	3	763
MI Phasha	57	435	2	494
J Letsoalo	29	380	-	409
MA Mphahlele	61	380	-	441
MM Ntsaba	24	380	15	419
LLC Malamba	12	381	6	399
BP Sebola	64	381	8	453
MPK Tshivhase	-	469	-	469
	433	3,682	34	4,149

Table 4 - 2: Remuneration of executive management

Name	Basic salary	Bonuses and performance related payments	Other employee benefits	Travel and subsistence	Total
PK Legodi	1,534	-	1,056	63	2,653
RJ Mathebula	870	257	923	9	2,059
AE Netshidaulu	1,037	-	763	111	1,911
SP Mathevula	964	-	1,165	23	2,152
GD Manzini	814	303	1,008	-	2,125
N Nokeri	815	282	845	53	1,995
MM Mashamaite	682	174	685	4	1,545
RM Sebela	433	179	602	-	1,214
	7,149	1,195	7,047	263	15,654

5 STAKEHOLDER RELATIONS

Due to the nature of LNW's operations it is granted that the organisation will have a myriad of stakeholders, all of whom are key. Below is a summarised representation of their composition.

STATUTORY

Minister of Water & Sanitation

Department of Water & Sanitation

National Treasury

NON-CONTRACTED

Communities

Non governmental entities

Schools

Media

LNW STAKEHOLDERS

STRATEGIC STAKEHOLDERS

Limpopo Office of the Premier

Coghsta

SALGA

SAAWU

Professional bodies ie CIDB, SA Institute of Civil Engineering

CONTRACTED

Municipalities

Staff

Suppliers

Service Providers

Figure 5 - 1: LNW Stakeholders

5.1 Customer Satisfaction

The customer satisfaction questionnaire has been developed for the purpose of measuring the satisfactory state of LNW's customers. The questionnaire is therefore circulated to the main clients of LNW to complete. The responses are therefore captured on a five-point Likert scale. The average of all the questionnaires that were returned resulted in the score of 82% against the target of 80% as depicted in Figure 5-2 below:

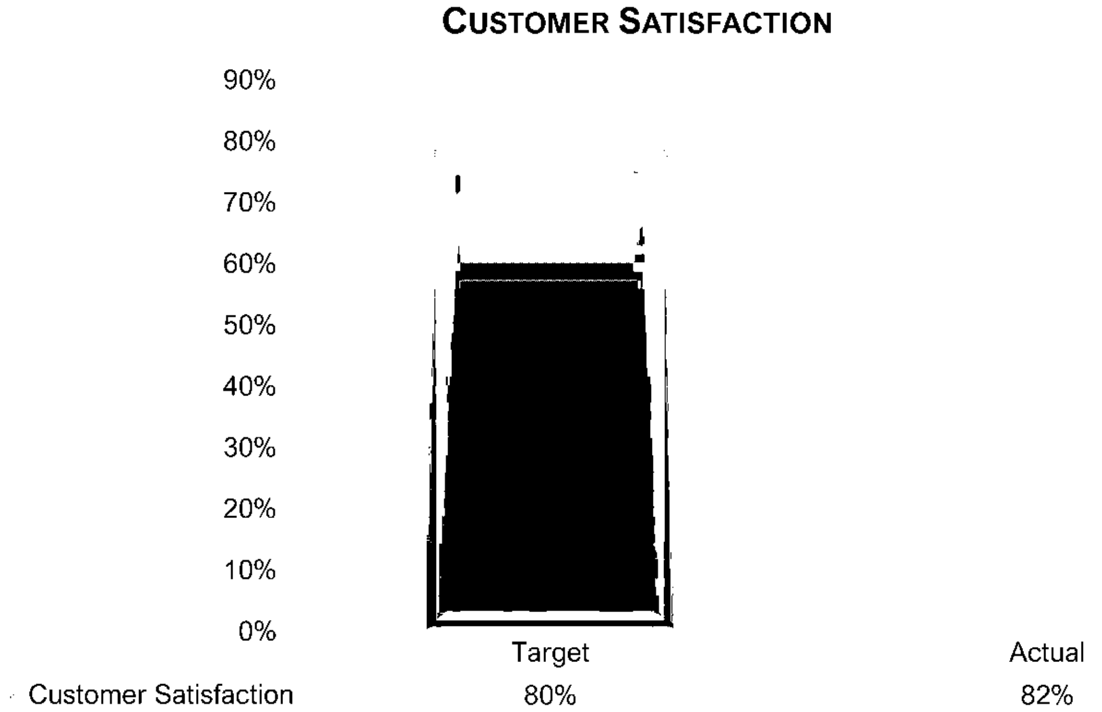


Figure 5 - 2: Overall customer satisfaction

LNW responds to the needs of its customers through engagements on a quarterly basis or as required. Of these many vital engagements few are highlighted below:

5.1.1 Meetings with WSAs

LNW held several quarterly performance review meetings as per concluded bulk water services contracts with the water services authorities during the period under review. The importance of such meetings, among others, is for parties to assess operational performance with the objective of timeously and most efficiently delivering water services and addressing identified gaps.

5.1.2 Media engagements

LNW values the media as one of its stakeholders providing accessibility, engagement and accountability to the public. Media monitoring has been instrumental in LNW being able to speedily pick up and provide due assurance on water-related service matters within its area of operations. LNW arranged a media briefing in relation to the raid of its offices by the Special Investigating Unit. LNW continued to secure opportunities for interviews and engagements with various media representatives, to communicate the challenges and successes of water supply by its water schemes. LNW further timely provides notices to respective water services on any planned and unplanned service disruptions for them to notify their customers accordingly.

5.1.3 Social media platforms

Interaction with our stakeholders, such as contracted stakeholders, and DWS through the organisational official social media sites remains core. Continuous communication and updates on several issues are immediately discussed. During the period under review the following sites were active i.e. WhatsApp, Facebook, Twitter and LinkedIn where various water-related issues are discussed and or clarified.

5.2 Corporate Social Investment (CSI)

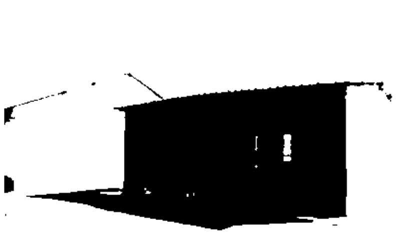
LNW's area of operation is predominantly rural. To this end from time to time during execution of its mandate, the organisation encounters devastating living conditions which some communities are subjected to. Through CSI initiatives LNW attempts to provide some relief in such circumstances to complement the work of its various municipal customers.

5.2.1 Kalleegate Primary

LNW participated in Mandela Day celebration projects. Under the period review, LNW painted a kitchen and constructed a small veranda at the kitchen entrance (about 2m x 2m), cleaned classrooms and trimmed trees as part of honouring the legacy of Nelson Mandela and his values through volunteering and community service at Kalleegate Primary School situated within the Mogalakwena municipal area.

5.2.2 Ramopai Day Care Centre

The second project focussed on Ramopai Day Care Centre within the Letaba District, where LNW painted a classroom (10m x 8m) and donated a water storage tank (2500L tank).






















5.2.3 DWS Clear River campaign in partnership with LNW

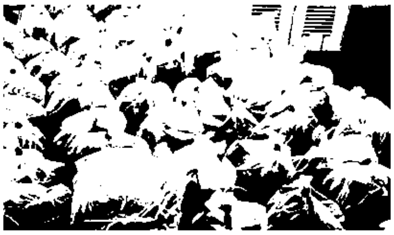
For the third project forming part of the Mandela Day celebrations, LNW partnered with DWS on the Clear River Campaign by cleaning Seshego Dam, which is situated within the Polokwane municipal area.


5.2.4 Hand-over of borehole system

The entity has identified three dilapidated boreholes at Matsila villages (1 & 2) and Njaka-Njaka, in conjunction with the municipality and the traditional leader of the village, for refurbishment purposes. The boreholes were refurbished and fitted with 10 000 litres of storage tanks each and their respective taps where communities would be able to fetch water. This project was handed over by the chairperson of the interim board, Mr Joe Mathebula, on 19 June 2020.

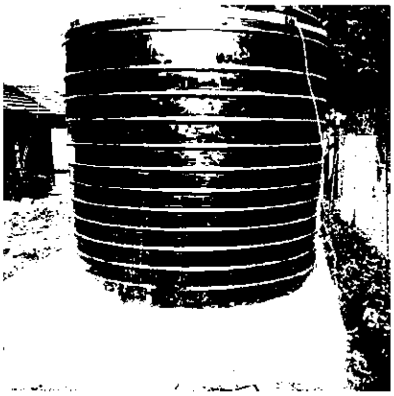

5.2.5 Donation of food parcels

In support of the call by the President for assistance to needy communities during the Covid-19 pandemic, the entity was able to procure food parcels, packaged for 300 households and distributed to Matsila villages as per request by the traditional authority.



5.2.6 Storage tanks

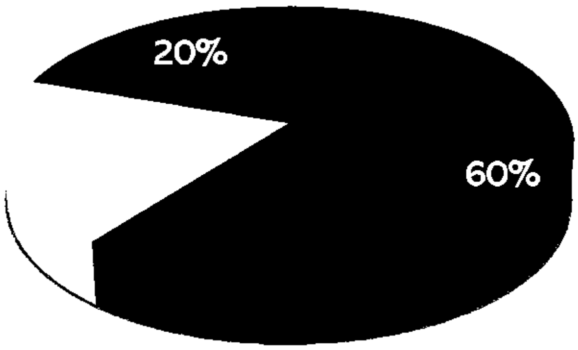
One of the requirements of preventing the effects of COVID-19 is to thoroughly sanitise hands by washing with water and soap. LNW saw it fit to procure, distribute and install 25 storage tanks within the Makhado municipal area in line with the requirements by the local municipality in conjunction with its community structures.



6 PERFORMANCE REVIEW

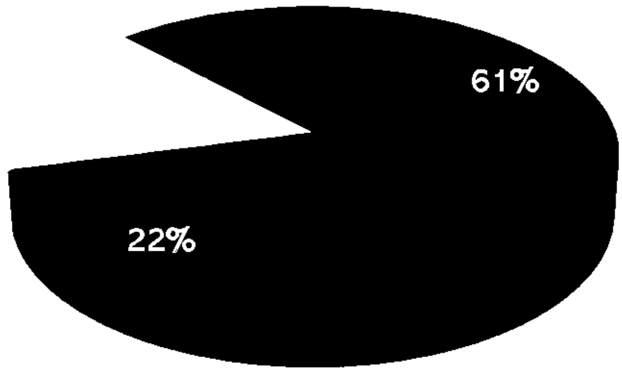
The organisation's performance (detailed in 6.1) reviewed against the Corporate Plan is depicted at a glance in Figure 6.1 below, illustrating a regressed performance during the reporting period at 60% as compared to 61% achievement in the previous year.

2019/20



■ Achieved   Partially Achieved   ■ Not Achieved

2018/19



■ Achieved   ■ Not Achieved   Partially Achieved

Figure 6 - 1: Performance comparison between 2018/19 and 2019/20 financial years.

Figure 6.1 illustrates a regress in performance at 60% (2019/20) when compared to 61% (2018/19).

6.1 PERFORMANCE REVIEW AGAINST THE CORPORATE PLAN

1. Provision of equitable and sustainable water and sanitation services

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET 2019/20	ACTUAL	ACHIEVED/ NOT ACHIEVED
1.1. Infrastructure Utilisation	1.1.1. % Average availability of production related equipment	95%	95%	Achieved
	1.1.2. Number of days' supply interrupted as a % of possible supply days	2%	0.48%	Achieved
1.2. Information Technology Management	1.2.1. % Availability of IT infra-structure	95%	97.42%	Achieved
1.3. Security Management	1.3.1. % Provision of security	95%	98%	Achieved
1.4. Water Loss Management	1.4.1. Avoidable water lost as a percentage of water produced	5%	3,69%	Achieved

Key Performance Area	Key Performance Indicator	Target 2019/20	Actual	Achieved/ Not Achieved
1.5. Drinking Water Quality Compliance	1.5.1. % Compliance to SANS 241 for drinking water (bulk)	Micro compliance 98%	98.7%	Achieved
		Chemical non-health aesthetic compliance 95%	99.8%	Achieved
		Operational compliance 95%	95.1%	Achieved
		Chemical acute health compliance 95%	99.6%	Achieved
1.6. Compliance to ISO 14001	1.6.1. ISO 14001 Certification	Valid Certificate	Valid Certificate	Achieved
1.7. Compliance to ISO 55001	1.7.1. % progress of implementing ISO 55001 requirements	90%	0%	Not Achieved
1.8. OHS Act Compliance	1.8.1. OHSAS 18001 certification	Valid Certificate	Valid Certificate	Achieved
1.9. Electrical efficiency	1.9.1. Minimum power factor maintained at all installed schemes	0.95	0,97	Achieved
1.10. Laboratory Services	1.10.1. Number of accredited methods	11	11	Achieved

2. Plan, develop and maintain regional water resource, water distributionand sanitation infrastructure

Key Performance Area	Key Performance Indicator	Target 2019/20	ACTUAL	ACHIEVED/ NOT ACHIEVED
2.1. Equipment Efficiency	2.1.1. % Accuracy electromagnetic meters verified	95%	108%	Achieved
2.2. Expansion of Infrastructure	2.2.1. Average % Completion of infrastructure projects per approved project execution plan	75%	74%	Not Achieved
	2.2.2. Average % Completion of Ministerial Directives per approved project execution plan	75%	53%	Not Achieved
	2.2.3. Actual capex spent on expansion related projects as % of budget (initiative by the Minister)	75%	23%	Not Achieved
	2.2.4. Overall % project completion dates within targets	10%	24%	Not Achieved
2.3. Ground Water Augmentation	2.3.1. Overall borehole water quantity in Mℓ abstracted	1 825 Mℓ/a	2168,34	Achieved

3. Financial viability and sustainability

Key Performance Area	Key Performance Indicator	Target 2019/20	Actual	Achieved/ Not Achieved
3.1. Sound Financial Management	3.1.1. % Variance of actual revenue and budgeted revenue	5%	-4%	Achieved
	3.1.2. % Variance of actual operational Expenditure (fixed costs) versus operational budget	10%	9%	Achieved
	3.1.3. % Variance of actual Capital Expenditure versus Capital budget	10%	57%	Not Achieved
	3.1.4. % Implementation of cost containment plan	60%	58%	Not Achieved
	3.1.5. % Debt Recovered (Water Sales)	75%	70%	Not Achieved
	3.1.6. % Debt Recovered (Plant Claims)	60%	48%	Not Achieved
	3.1.7. % Debt Recovered – Water Sales (of the closing balance of previous year)	55%	41%	Not Achieved
	3.1.8. %Debt Recovered – Plant Claims (of the closing balance of previous year)	55%	16%	Not Achieved
	3.1.9. % Debt collected from Ministerial Directive & sec 29 projects	50%	20%	Not Achieved
	3.1.10. Minimum cash reserves	90m	88m	Not Achieved
	3.1.11. Audit opinion	Unqualified	Unqualified	Achieved

Key Performance Area	Key Performance Indicator	Target 2019/20	Actual	Achieved/ Not Achieved
	3.1.12. % of BBBEE expenditure	80%	88%	Achieved
	3.1.13. Number of new entrants awarded with contracts in the financial year	9	18	Achieved
	3.1.14. % Contracted for specialized goods and services	70%	40%	Not Achieved
	3.1.15. % income from secondary activities on turnover	5%	5%	Achieved
	3.1.16. % of projects awarded as per procurement plan	80%	100%	Achieved
	3.1.17. Turnaround time (calendar days) in awarding a tender	90	44	Achieved
	3.1.18. Gross profit margin (primary)	52%	47%	Not Achieved
	3.1.19. Gross profit margin (secondary activities)	5%	5%	Achieved
	3.1.20. Net profit margin (primary)	5%	-16%	Not Achieved
	3.1.21. Net profit Margin (secondary Activities)	5%	5%	Achieved
	3.1.22. Debt equity	20%	23%	Not Achieved
	3.1.23. Return on assets	0,5%	-1%	Not Achieved
	3.1.24. Debtors days	300	591	Not Achieved
	3.1.25. Current ratio	1,6	1.8	Achieved
	3.1.26. Staff remuneration as % of total OPEX	35%	30%	Achieved
	3.1.27. Repairs and maintenance as a % of Property Plant and Equipment	1,5%	-1%	Not Achieved

4. Effective human capital management and development

Key Performance Area	Key Performance Indicator	Target 2019/20	Actual	Achieved/ Not Achieved
4.1. Talent Acquisition	4.1.1. % staff recruited with minimum job requirements	**100%**	100%	Achieved
4.2. Talent Management, Development & Retention	4.2.1. Number of existing employees who acquired minimum job requirements	**2**	2	Achieved
	4.2.2. Number of bursary employees enrolled for development	**60**	95	Achieved
	4.2.3. Number of Learnerships (beneficiaries)	**200**	250	Achieved
	4.2.4. Number of graduates programmes	**70**	102	Achieved
	4.2.5. % Staff Turnover	**2%**	0.74%	Achieved
4.3. Jobs Created	4.3.1. Number of permanent and contracts jobs created	**10**	33	Achieved
	4.3.2. Number of temporary jobs created	**200**	152	Not Achieved
4.4. Employment Relations	4.4.1. Maximum number of internal labour unrests	**2**	0	Achieved
4.5. Employee Wellness	4.5.1. % Improved workforce wellbeing profile	**1%**	0%	Not Achieved
4.6. Employment Equity Achievement	4.6.1. Male/Female Ratio	**63:37**	57:43	Achieved

5. Effective corporate governance

Key Performance Area	Key Performance Indicator	Target 2019/20	Actual	Achieved/ Not Achieved
5.1. Compliance	5.1.1. % Compliance to laws, regulations and standards	**98%**	98%	Achieved
	5.1.2. Number of breaches of materiality and significance framework	**0**	2	Not Achieved
	5.1.3. % Statutory reports submitted on time	**100%**	82%	Not Achieved
5.2. Management Effectiveness	5.2.1. % Adherence to management committee meeting schedule	**90%**	84%	Not Achieved
5.3. Effective Internal controls and Risk Management	5.3.1. Maximum number of repeat internal audit findings	**0**	0	Achieved
	5.3.2. Maximum number of unresolved Internal audit findings	**20**	32	Not Achieved
	5.3.3. Tolerable organisational residual risk	**7**	8,9	Not Achieved

Key Performance Area	Key Performance Indicator	Target 2019/20	Actual	Achieved/ Not Achieved
5.4. Corporate Image/ Stakeholder Engagement	5.4.1. Number of municipalities supported on rural development programmes.	**0**	N/A	N/A
	5.4.2. % Stakeholder satisfaction	**80%**	82%	Achieved
	5.4.3. % municipalities or other customers with bulk supply agreements	**90%**	78%	Not Achieved
	5.4.4. Number of CSI initiatives	**3**	4	Achieved
5.5. Board Effectiveness	5.5.1. Number of board meetings held	**4**	4	Achieved
	5.5.2. % of Board members' attendance of all board and committee meetings	**80%**	81%	Achieved
	5.5.3. Decision making: % number of resolutions taken by the board versus number of resolutions required	**95%**	99%	Achieved
5.6. Service Contract Administration	5.6.1. Maximum % SLAs signed within ten (10) working days	**5%**	-58%	Achieved

7 INFORMATION TECHNOLOGY

Information Communication Technology (ICT) continued to deliver value through a reliable and secure platform for business enablement, an effective and efficient service, a well-governed environment, and exploiting best-fit digital technology innovation.

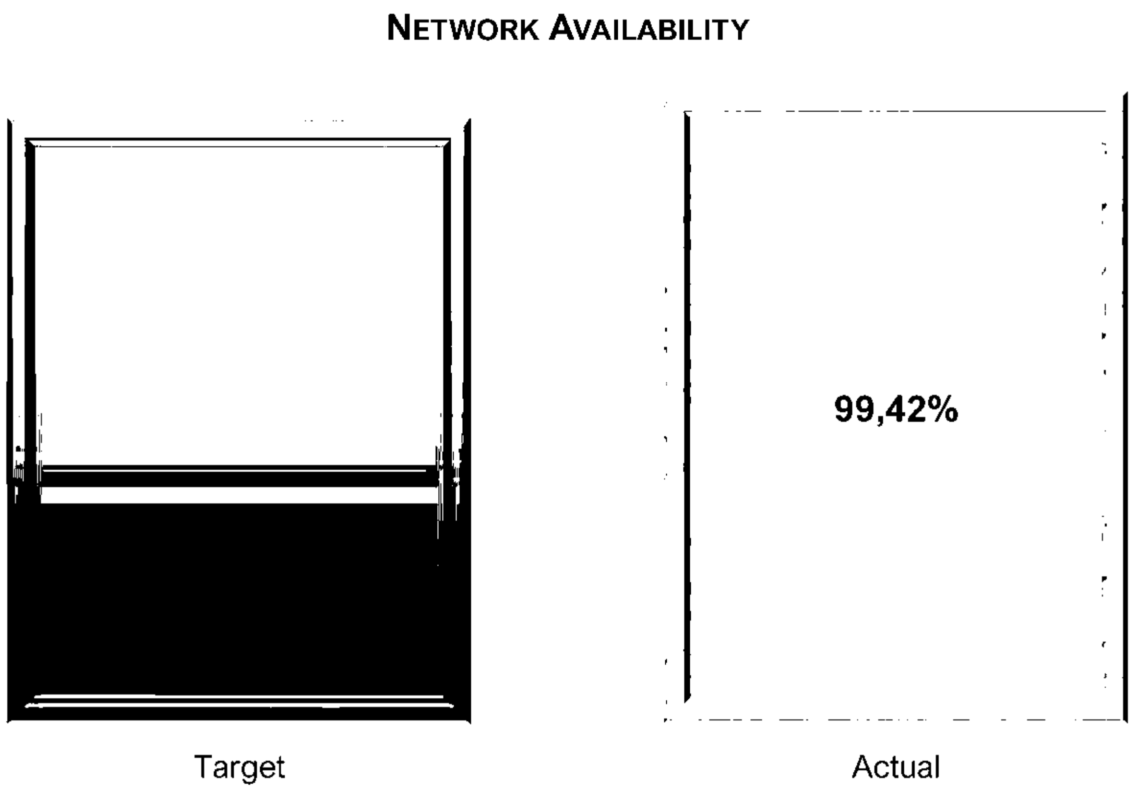


Figure 7 - 1: Network availability

Figure 7-1 shows that a secure and reliable infrastructure with an average availability of more than 99% was provided.

ICT realised the benefits of significant strides taken and collective efforts made in building new partnerships, fostering innovation and improving its support services by adopting trends in the industry to ensure the organisation remains aligned to the technology evolution.

As prescribed by Information Technology Infrastructure Library (ITIL), communication systems have been unified and telecommunications were integrated.

Amid the challenges that the global pandemic brought with regards to business continuity, and with a number of users working from home during the lockdown period, LNW operations were not affected and business continued as normal due to the technology that has been put in place to address remote connectivity.

Cyber threats continue to be an ever-increasing challenge that any institution is prone to, however, in the year under review LNW was never impacted by such. This is due to the fact that over and above the firewall that we have installed, we have also installed Intercept-X which intensifies the security of our Integrated Computer Technology (ICT) infrastructure.

Continuous ICT Steering Committee and board oversight on ICT ensured the deployment of secure, reliable and adequate ICT solutions throughout the period under review.

8 OPERATING ENVIRONMENT

8.1 Product Status

8.1.1 Overall Water Quality Performance

The primary mandate of LNW is to supply potable water with quality that complies with SANS 241 drinking water standards. The minimum requirement for microbiological compliance is 98%, for Chemical Non-Health Aesthetic, Chemical Chronic Health and Operational compliance is 95%. The entity has complied to all four categories of water quality requirements as per SANS 241 drinking water standard. Figure 8-1 below highlights the water quality results achieved.

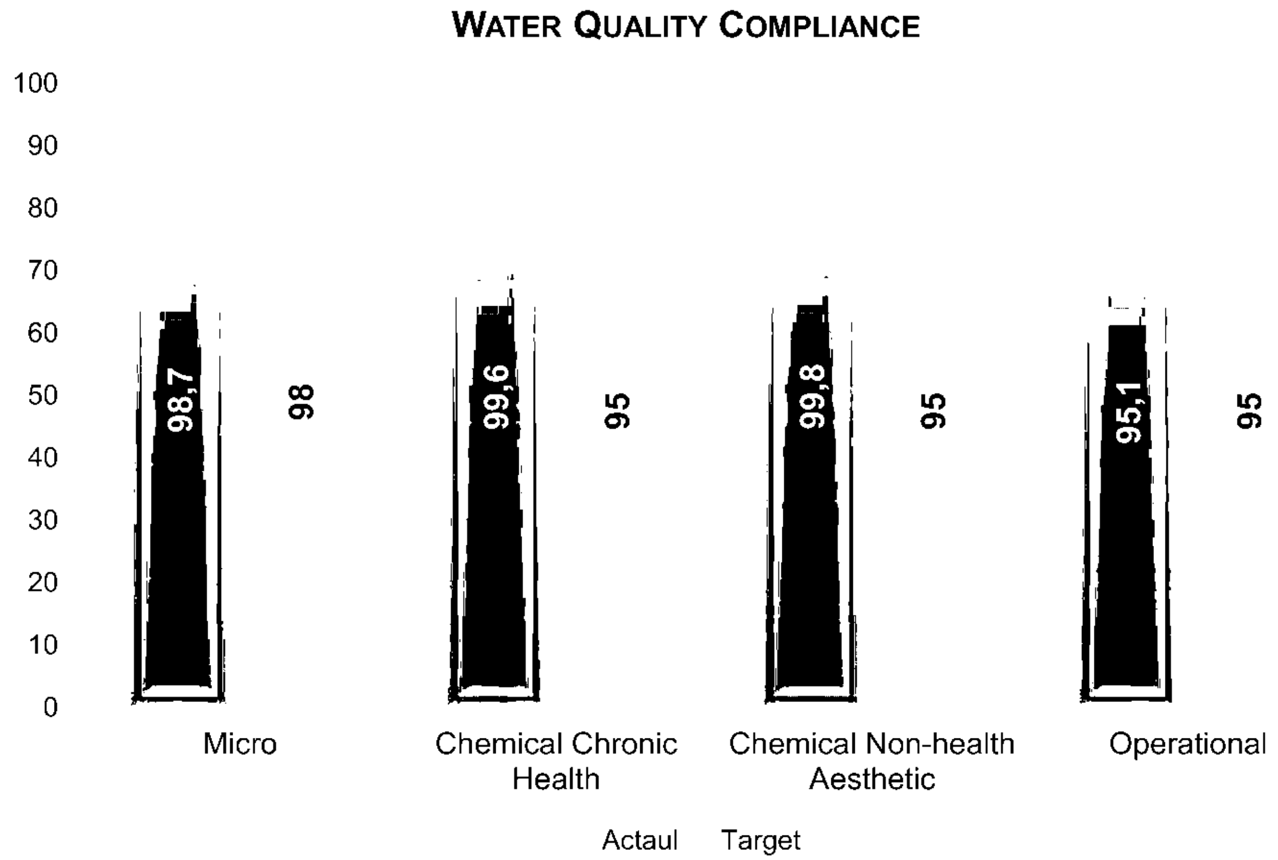


Figure 8 - 1: Overall water quality compliance

The Integrated Regulatory Information System of DWS has four categories that are used to determine the water quality status of each water compliance category. The water quality result that is >97% is deemed to be excellent, >95% but <97% is deemed to be of good quality, >90% but <95% is deemed to be acceptable but requires attention as it is closer to failure and <90% is deemed to be a total failure requiring urgent attention. Figure 9-2 to 9-5 below depicts the results achieved on various categories of water quality compliance.

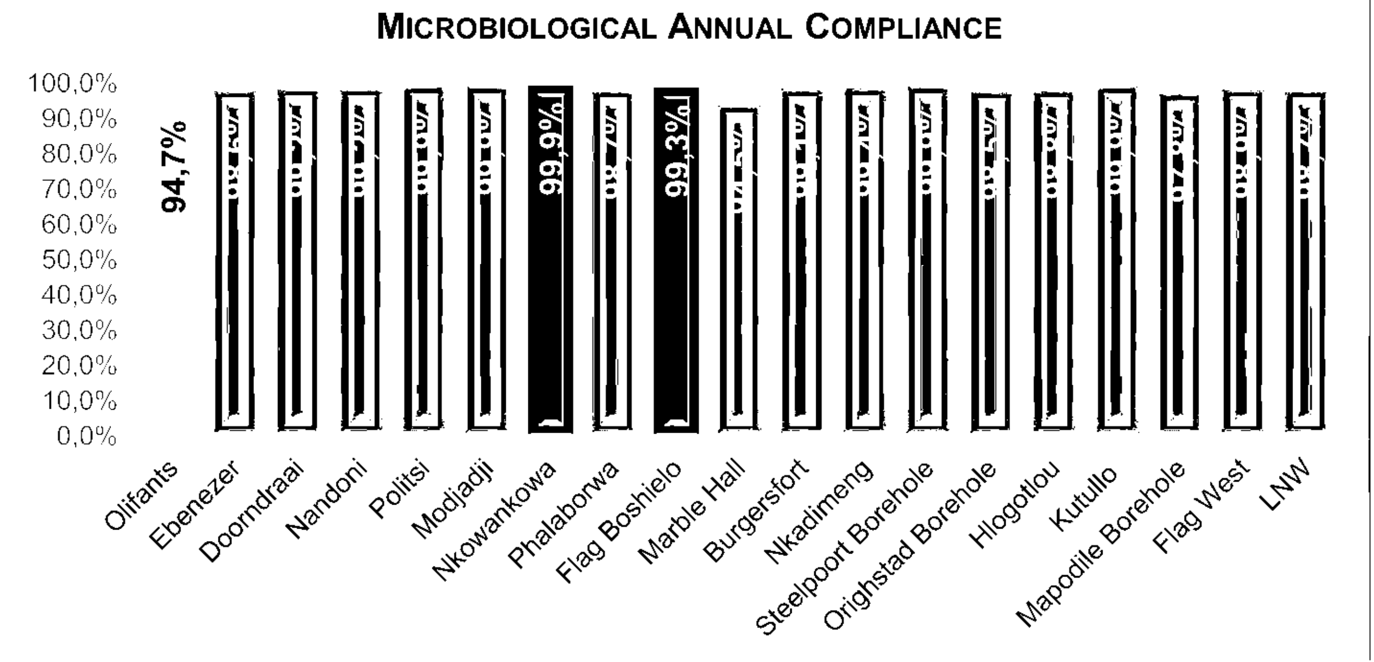


Figure 8 - 2: Microbiology Compliance

		>90 <95%	
Excellent	Good	Acceptable	Alert

In general the microbiological compliance for the organisation has improved compared to previous years. Olifantspoort Scheme in Fetakgomo, Capricorn experienced microbiological challenges due to pipe bursts.

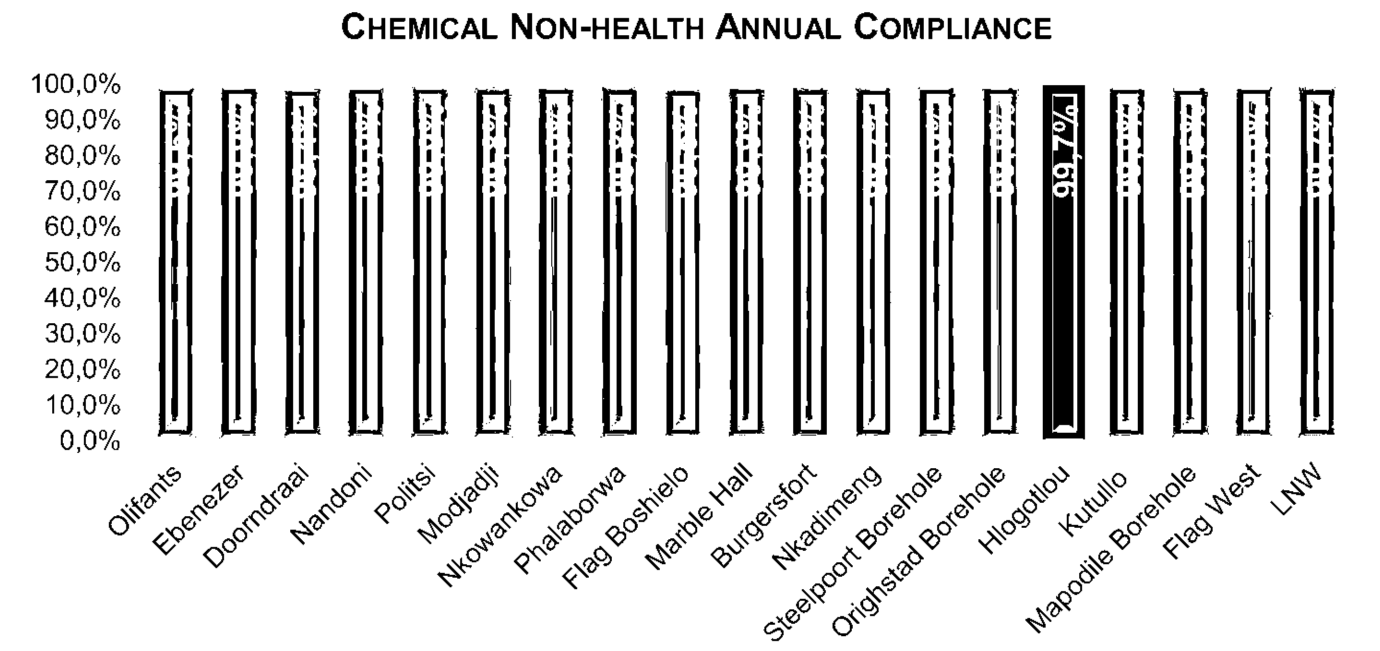


Figure 8 - 3: Chemical Non Health Compliance

		>90 <95%	
Excellent	Good	Acceptable	Alert

The overall Non-Health Compliance of water provided by LNW is in an excellent state. This was achieved at a high chemical cost to produce water that is aesthetically appealing.

CHEMICAL CHRONIC HEALTH ANNUAL COMPLIANCE

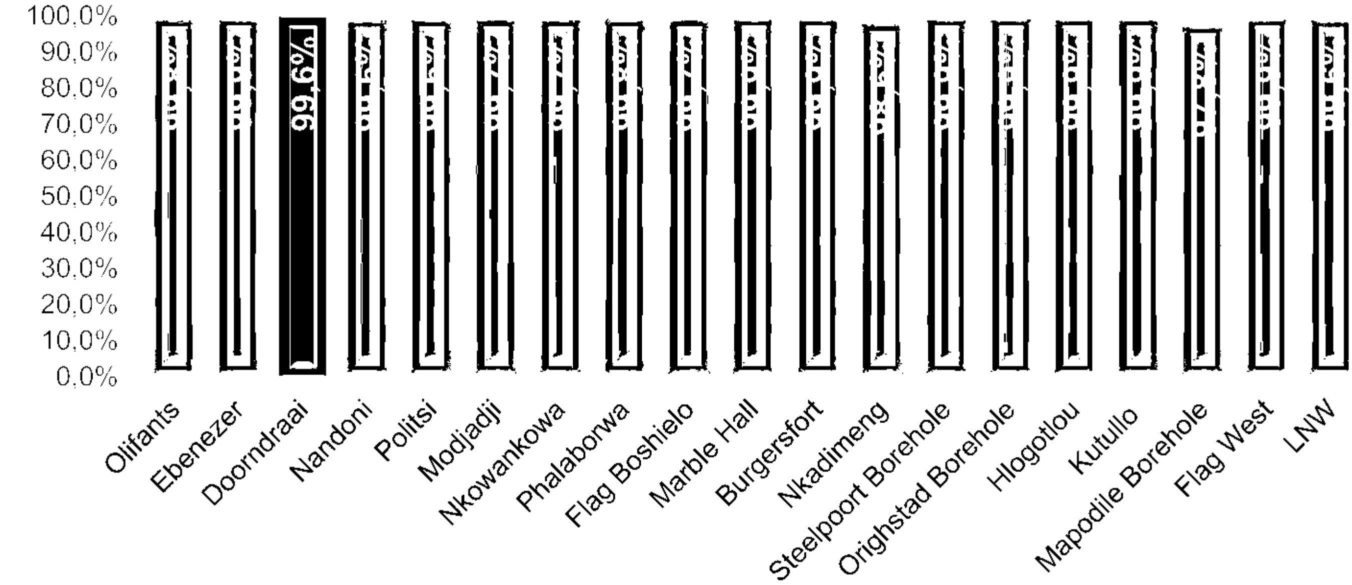


Figure 8 - 4: Chemical Chronic Health Compliance

[redacted]		>90 <95%	[redacted]
Excellent	Good	Acceptable	Alert

The overall Chemical Chronic Health Compliance of water provided by LNW is in an excellent state and no challenges were experienced.

OPERARIONAL ANNUAL COMPLIANCE

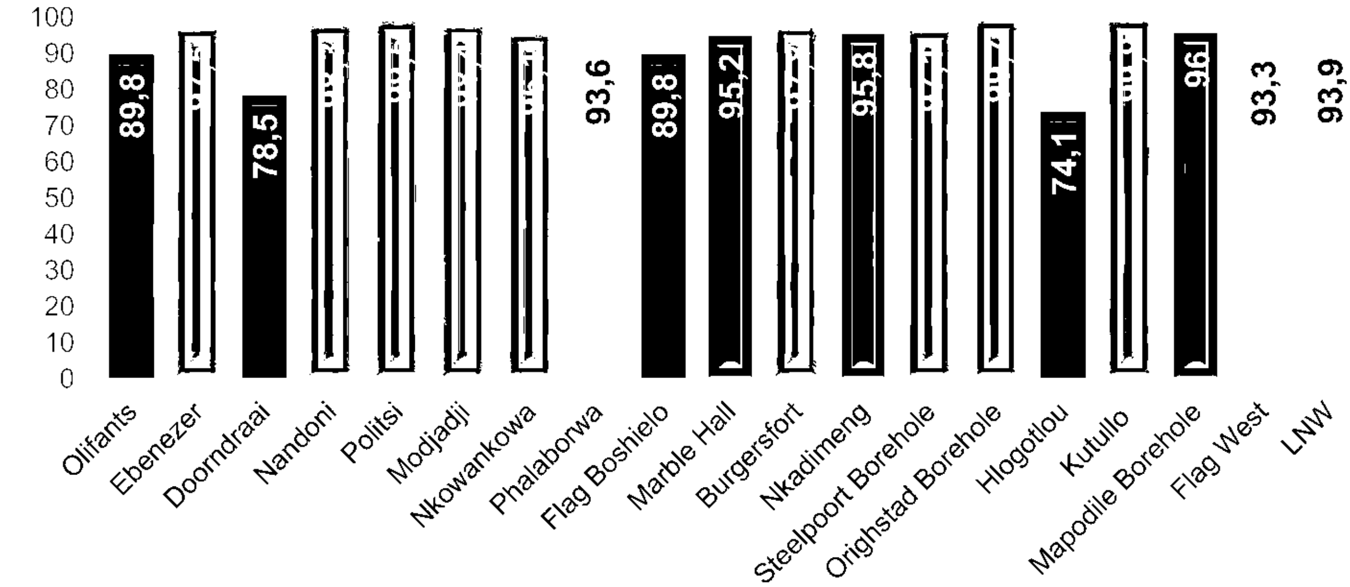


Figure 8 - 5: Operational Compliance

[redacted]		>90 <95%	[redacted]
Excellent	Good	Acceptable	Alert

Challenges and plans towards full operational compliance

Turbidity and residual chlorine in the distribution contributed to compliance values being less than the requirement during the period under review. Recommendations from the study conducted by TUT on various coagulants in treating moderate to high turbidity in all schemes was implemented and this yielded an average improvement of compliance from 89% in 2018/19 to 93,9% in 2019/20, which is still 1,1% less that the SANS 241 target of 95% and above.

8.1.2 Product Scientific Service

River monitoring is conducted through (South African Scoring System version 4) biomonitoring methodology and bio-accumulation. LNW appointed a competent service provider to conduct the biomonitoring to the river during dry and wet season which LNW abstracts water from, such as Olifants, Spekboom, Steelpoort River. Biomonitoring involves the use of organisms to assess environmental contamination, such as of surrounding air or water by observing or measuring the effects the environment has on its resident organisms, pollution may be suspected or inferred. The reports are presented at the regional meetings for implementation and used as a baseline for the biomonitoring survey and will be utilised as stipulated in the water license.

The findings and recommendations of the biomonitoring report have been incorporated in the risk profiles of the schemes and implemented to reduce impact of the abstraction and/or receiving water systems, where necessary process improvements are implemented within the water and or wastewater treatment schemes.

8.1.3 Accreditation: ISO 17025

The financial year 2019/20 saw the successful Central Laboratory migration into the new ISO 17025: 2017 version. This allows us to produce credible water quality results from the laboratory.

The matrix tested for at the laboratories includes potable, borehole, river and effluent water for microbiological, chemical and physical parameters.

8.2 Research and Development

8.2.1 Water supply augmentation/water availability

South Africa is a water-scarce country and this affects Limpopo as a drought-prone province. Lepelle Northern Water's exploration of ground water sources continued during the period under review This led to DWS issuing a 1.5 Ml/day Water Use License for boreholes in Mogalakwena area to increase water supply.

New Sand Water Extraction technology is currently demonstrated and implemented in Mopani Region. The technology entails abstracting water from the Molototsi River and treating it before distribution to the people of Sekhiming and Ga-Kurata villages as beneficiaries of the demonstration.

8.2.2 Automated Bulk Water Meter-Reading System

LNW's pilot project to automate its meter readings has come to an end and it can be reported that challenges such as vandalism and data connectivity impacted very negatively on the project. LNW is once again reading all meters manually but has improved and standardised the latter and it is working satisfactorily. Plans to roll out a fully automated meter reading system will only be considered once challenges with vandalism and data connectivity have been resolved.

8.3 Environmental Sustainability

8.3.1 ISO 14001 Certification

ISO 14001 surveillance and legal audits took place in June 2019, LNW was able to maintain its ISO 14001:2015 certification for a further three years until April 2021. Certification is maintained at all LNW-operated schemes.

8.3.2 Waste management

LNW subscribes to the 'cradle to grave' concept with regards to waste management, and therefore ensures awareness of the eventual disposal of all waste streams and ensure that it is done in a legally compliant manner.

LNW has put in place plans that ensure that the environment within which we are operating is unpolluted and managed in a sustainable manner. The plans include waste management whereby general waste such as paper, plastic and glass are collected and disposed of by municipality upon removal from LNW's premises. Hazardous waste (i.e. biological and chemical waste) are disposed of through a service provider competent to handle, transport and dispose of hazardous waste. The service provider disposes of the hazardous waste at a licensed hazardous landfill site and issues LNW with disposal certificates. Sludge is treated and classified before disposal by a competent service provider.

8.3.3 Emergency incidents

Section 30 of the National Environmental Management Act, 1988 (NEMA) provides for the control of emergency incidents. This is a measure to protect the environment so that the rights enshrined in Section 24 of the Constitution can be realised. No emergency incidents have been reported since financial year 2018/19 to date. As part of emergency preparedness, LNW has developed a Preparedness Emergency Plan.

8.3.4 Water Use License

LNW is complying with the National Water Act 36 of 1998 and applied for a water use license. The following water use licenses have been authorised from DWS:

- Ebenezer Scheme – 44 Mℓ/day,
- Olifantspoort Scheme - 89 Mℓ/day,
- Politsi Scheme – 9,8 Mℓ/day,
- Malekana Scheme - 12 Mℓ/day and
- Moordrift Boreholes - 1,5 Mℓ/day.
- Doorndraai WTW - 18 Mℓ/day has been declined due to shortage of water in the dam, but the appeal has been applied at the tribunal authorities.
- Flag Boshielo WTW - 30 Mℓ/day and
- Phalaborwa – 98 Mℓ/day from Olifants River and 139 Mℓ/day waiting for the validation and verification process from DWS.
- Nkadimeng Scheme – 2,5 Mℓ/day from Nkadimeng Dam.
- Hlogotlou Scheme – 2,0 Mℓ/day from Mahlangu Dam.
- Marble Hall Wastewater Treatment Works, to discharge 5 Mℓ/day into the Crocodile River.

For some of the unlisted schemes, water use licenses have been applied for and are pending outcome while other schemes are still in the process of preparing the applications.

8.4 Water Resources and Infrastructure Stability

The graph below indicates the levels of dams shared by residents of Limpopo and Mpumalanga as at the end of June 2020.

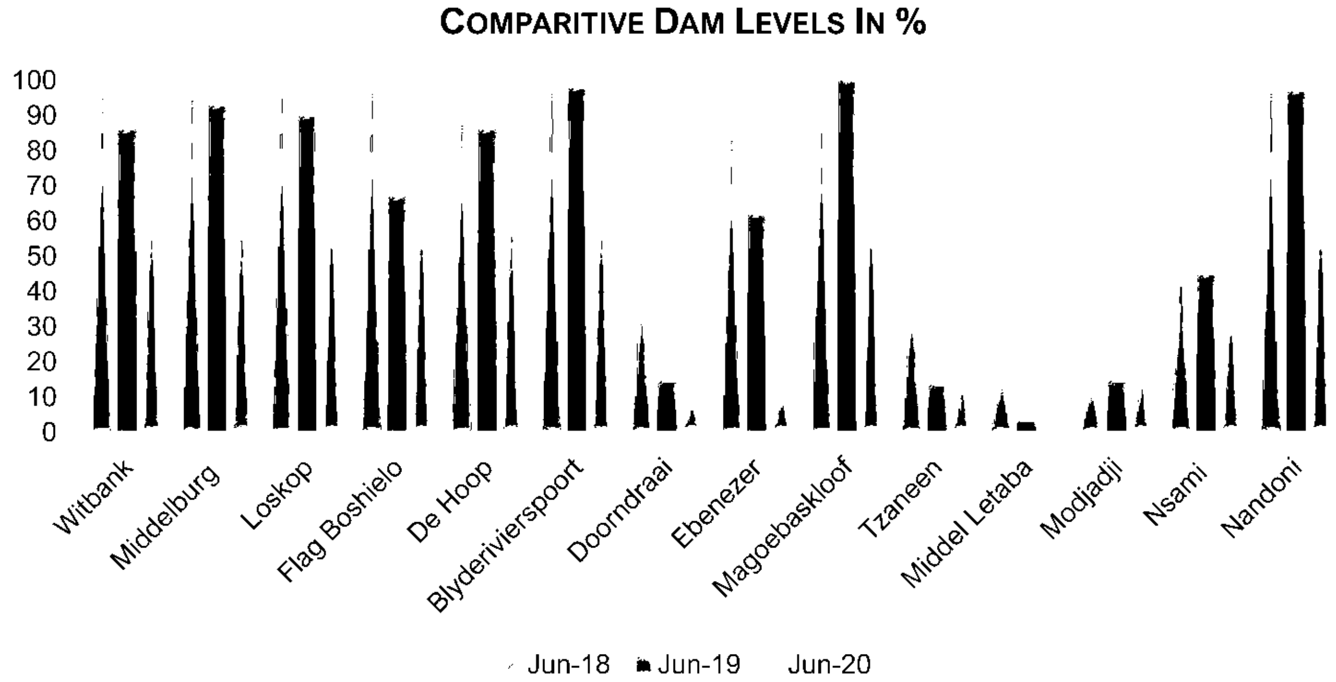


Figure 8 - 6: Dam levels

During the 2019/20 period, the levels of dams in the Olifants River catchment were satisfactory to ensure the continuous operations of all plants within this catchment. However, the majority of dams within the Limpopo River Catchment dropped to an alarmingly low level as can be seen in the graph above. These low levels necessitated the introduction of water restrictions in areas such as Mokopane, Tzaneen, Modjadjiskloof and Giyani that negatively affected the supply of water to end users living in those areas. The level of Nandoni Dam was also in a good state as it was above 50% compared to the rest of the other Dams.

Should the rainfall be late, or below average for the coming 2020/21 season, the situation will deteriorate even further.

8.4.1 Surety of supply

The project viability and preliminary designs to upgrade Olifantspoort and Ebenezer Schemes have been completed. LNW is currently in negotiations with DWS, National Treasury and the affected WSAs on how the project will be phased and funded.

It should be noted that without a substantial level of subsidy this project will not be deemed to be feasible due to the magnitude of the project and the costs associated.

Similar plans are in place for the Politsi Scheme located in Mopani District, but the availability of sufficient raw water remains a major challenge to execute these projects.

The project to increase the capacity of Flag Boshielo Scheme from 8 -16 Mℓ/day is completed and progress is ongoing to complete phase 2.

Parallel to extending schemes, major refurbishments are underway at schemes such as Phalaborwa and Politsi to improve the surety of supply to the Phalaborwa Industrial Complex as well as to the consumers of potable water.

The low levels of Ebenezer and Doorndraai Dams resulted in the reduction of abstraction volumes from these two dams in an attempt to prevent the dams from failing altogether. This, however, has a negative impact on the supply of water to Polokwane and Mogalakwena Municipalities. This situation will continue until the levels of the dams have recovered.

LNW has started to do emergency repairs to parts of the line between the Olifantspoort Scheme and Lebowakgomo and this resulted in a reduction of major failures in this part of the line. LNW was subsequently able to improve both the surety of supply and limit water losses but it should be noted that this is a temporary stop gap measure.

Below are separate tables on Ebenezer, Olifantspoort, Politsi and Phalaborwa Schemes (i.e. which are LNW-owned schemes) situation analysis highlighting the availability of water supply versus long-term water demand:

Plant/System Ml/day	Design Capacity	Proposed Design Capacity	Proposed year of Augmentation	*Projected peak day demand Ml/d				
				2020	2021	2022	2023	2024
Ebenezer	52	74	2021	283	287	292	298	304

Plant/System Ml/day	Design Capacity (Ml/d)	Proposed Design Capacity Ml/d	Proposed year of Augmentation	*Projected peak day demand Ml/d				
				2020	2021	2022	2023	2024
Olifantspoort	Conventional 60 Package Plant 10	180	2024	283	287	292	298	304

*Note: The projected peak demands for Ebenezer and Olifantspoort are shared and should not be added together or twice.

Plant/System Ml/day	Design Capacity Ml/d	Proposed Design Capacity Ml/d	Proposed year of Augmentation	Projected peak day demand Ml/d				
				2020	2021	2022	2023	2024
Politsi	Conventional 5.5 Package Plant 5	10.5	2022	13	13	13	13	13

Plant/System Ml/day	Design Capacity Ml/day	Design Capacity	Proposed year of Augmentation	Projected peak day demand Ml/d				
				2020	2021	2022	2023	2024
Doorndraai	Conventional 7 Package 2 x 5	17	Complete	15	17	17	17	17

Plant/System Ml/day	Design Capacity	Proposed Design Capacity	Proposed year of Augmentation	Projected peak day demand Ml/d				
				2020	2021	2022	2023	2024
Phalaborwa Potable	76	90	2022	83	85	86	88	91
Phalaborwa Industrial	60	60	Not Applicable	45	45	45	45	45
Total	136	150		128	130	131	133	136

8.4.2 % Plant availability of production related infrastructure

LNW views maintenance management as a proactive way of avoiding interruptions in the supply of services. Maintaining through their entire lifespan is significant to optimising return on assets. For the period 2019/20,

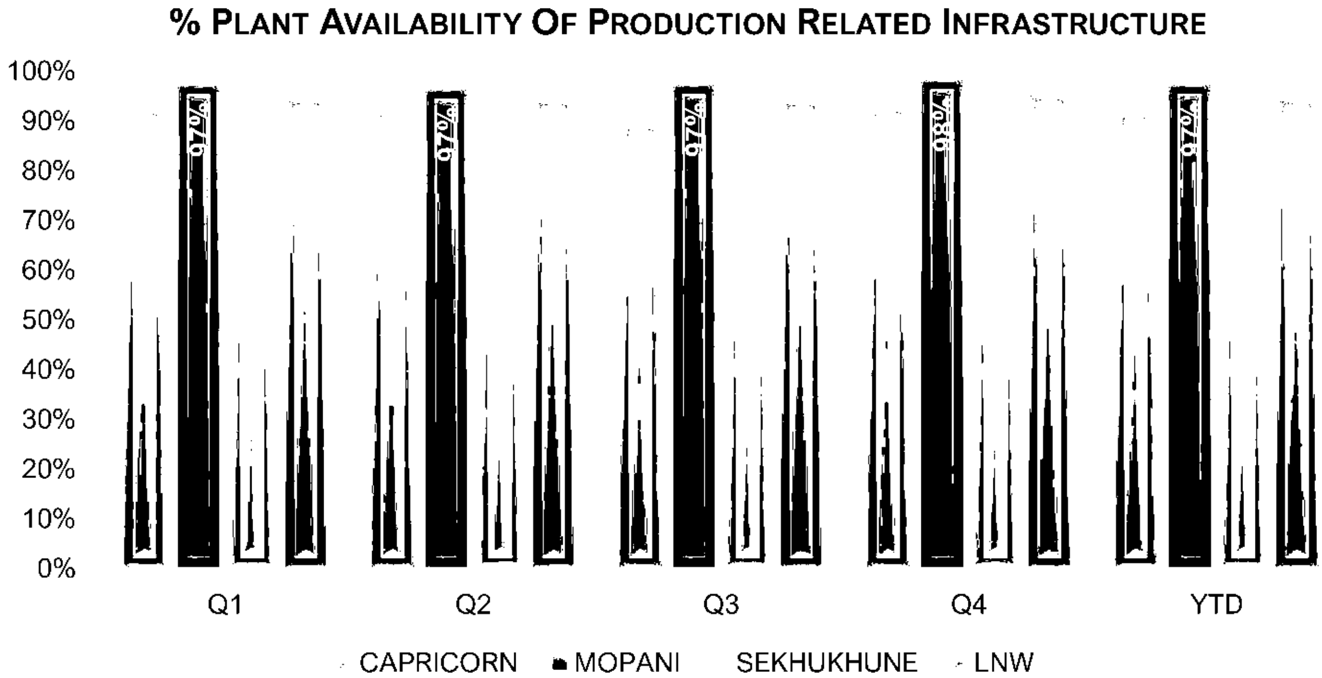


Figure 8 - 7: Plant availability of production related infrastructure

8.4.3 Capital and refurbishment programme

LNW undertook several major capital and refurbishment projects. Apart from upgrading and extending its own infrastructure, it also acted as a project implementing agent for DWS and WSAs.

The table below depicts the list of projects which Lepelle Northern Water implemented during the period under review including both the DWS and WSAs.

Table 8 - 1: LNW major capital projects

Program Name	Project Name	Project Number	% Completion	Overall % Completion
Flag Boshielo Phase 1	Upgrading of Flag Boshielo Water Schemes: Electro-Mechanical works Phase 2	LNW 16/14/15	89%	71%
	Upgrade of Plant - Main Upgrade and Refurbishment: Civil and Structural Works Phase 3	LNW 17/18/19	53%	
Flag Boshielo Phase 2	Flag Boshielo Scheme Upgrade: Phase 2 Bulk Supply Upgrade (Planning phase) -Flag Boshielo Plant	LNW 10/14/16	60%	60%
Upgrade of Olifantspoort	Olifantspoort 10Mℓ/Day Packaged Plant	LNW 52/14/15	99%	99%
	Upgrade of Olifantspoort and Ebenezer water schemes: Specon pipeline Replacement Phase 2 within Olifantspoort System	LNW 09/18/19	55%	55%
Phalaborwa refurbishment of radial gates	Refurbishment of Phalaborwa Radial Gates and Stop Logs	LNW 24/16/17	100%	100%
Doorndraai upgrade	Design, manufacture, supply, installation and commissioning of a 5 Mℓ/day package plant at Doorndraai.	LNW 13/16/17	98%	98%
Burgersfort WWTW upgrade	Design, refurbishment, construction, manufacture, supply, installation, testing, commissioning and maintenance of 10 Ml/ day WWTW Package Plant at Burgersfort WWTW on turnkey basis.	LNW 30/18/19	10%	10%
Infrastructure conditional assessment and development of master plans	Infrastructure conditional assessment and development of master plans	LNW 12/16/17	99%	99%
OVERALL				**73.7%**

The delays were caused by, among others, cash flow challenges experienced during the project implementation stages. Service providers appointed and the internal project management unit did reasonably well, given the financial constraints the organisation is going through, in that most of the project are completed or nearing completion.

The above did not only impact on progress but also affected other project milestone areas such as:

a. Extension of time with costs
b. Contract price adjustment
c. Interest on non-payment of claims
d. Standing time with cost
e. Water Use License disputes
f. Community unrest and protests

8.4.4 Ministerial directives

LNW received Ministerial Directives from DWS to assist with planning, design and implementation of the following current running projects:

8.4.4.1 Giyani drought relief bulk infrastructure project (Nandoni–Nsami bulk pipeline)

Project history

The Luvuvhu River Government Water Scheme (LGWS) was developed in the Nineties following a feasibility study in the years 1994 to 1998. It involved the development of Nandoni Dam and the Xikundu weir, and the bulk infrastructure from these sources. Nandoni Dam was developed to cover the following areas of supply:

- Malamulele East
- Malamulele West
- Tshifudi Lambani
- Augmentation of Vondo Regional Water Scheme
- Albasini Dam Augmentation.

Bulk water supply to Giyani and the surrounding villages is currently rendered through the various sub-schemes, with treatment works at Nsami Water Treatment Works. The Giyani System is supplied mainly from the Nsami Water Treatment Works. The capacity of the plant is currently at 36,7 Mℓ/d.

Progress for the reporting period

The implementation of the Nandoni–Nsami bulk pipeline project is progressing on site and the summary of project progress is as follows:

Table 8 - 2: Nandoni-Nsami progress report

	Description of the Project	Detailed Progress	Progress In Percentage (%)
Pipeline	Construction 49,113 km bulk pipeline from Nandoni to Nsami	Pipeline laid to date 26,188 km	56,52%

8.4.4.2 Mopani District water and sanitation revitalisation programme

The Mopani District was declared a disaster area due to the acute shortage of water and sanitation services in the area. Giyani Local Municipality, which is one of the five local municipalities in Mopani District was hardest hit. Mopani District Municipality (in collaboration with the Provincial and National Government) took a string of measures to address the crisis.

The directive as received from the Minister of Human Settlements, Water and Sanitation pays special attention to regularising water and sanitation crises in the Mopani District with the focus on 55 villages. The implementation of the projects guided by the business plan were categorised and prioritised as follows:

- Short-term project milestones
- Medium-term project milestones
- Other project milestones

The critical emergency projects were completed sometime back and the process of handing over to the WSA is underway.

Medium–term project milestones (commonly referred to as Phase 1)

The implementation of medium-term Phase 1 project milestones which are basically the bulk pipeline project milestones approximately 325 km in total and 154 boreholes with package plants currently progressing on site.

Table 8 - 3: The project progress

Pipeline	Total Length	Length Installed	Unit	%
A	37,908	35,318	m	99%
B	82,104	76,208	m	99%
C1/D1	12,581	12,581	m	100%
C2	10,280	6,219	m	79%
D2	7,074	2,770	m	62%
D Outlaying	107,719	96,643	m	94%
F1	45,327	29,474	m	70%
F2	21,798	21,759	m	100%
Total	**324,791**	**280,972**	m	**93%**

Boreholes	Total number	Construction progress (%)
154 boreholes with package plants	137 completed. The balance (17) to be completed by end September 2018.	95%

Table 8 - 4: Refurbishment of minor defect boreholes: Giyani Intervention

Name Of Project	Project Stage (Planning / Construction / Completed)	Business Plan Scope Of Work	Physical Progress
Refurbishment of 45 boreholes in 17 villages in cluster one	Scoping completed, attending to 11 boreholes	- Assessment and Scoping completed. - Refurbishment as per scoping currently in progress - Commissioning and Handing over of 11 completed boreholes to Mopani District Municipality after completion	95 % refurbishment
Refurbishment of 31 boreholes in 19 villages in cluster four	Planning (Scoping)	- Assessment and Scoping completed - Refurbishment as per scoping - Commissioning and Handing over to WSA after completion	100% assessment and scoping
Refurbishment of 35 boreholes in 12 villages in cluster three	Planning (Scoping)	- Assessment and Scoping - Refurbishment as per scoping - Commissioning and Handing over to WSA	100% assessment and scoping
Refurbishment of 35 boreholes in 20 villages in cluster two	Planning (Scoping)	- Assessment and Scoping completed. - Refurbishment as per scoping - Commissioning and Handing over of 9 completed boreholes to Mopani District Municipality after completion	95 % refurbishment

Physical progress report by the DWS: Construction North

Below table illustrates completion percentages of the work done based on the current progress by the DWS: Construction North;

Table 8 - 5: Physical progress report

Item No	SECTION	% COMPLETE	Remarks
Overall Progress		22%	
1	Site Establishment	99%	Site establishment progress has stalled due to community unrest. A new site is being sourced.
2	PIPELINES CONSTRUCTION		
2.1	Pipeline A	23%	Supplies 5 villages with 9000 people. Fittings for a temporary connection have been received on site, waiting for municipality green light to do the connection. Opening of manhole connections, wrapping and backfilling.

ITEM NO	SECTION	% COMPLETE	REMARKS
2.2	Pipe line B	11%	Supplies 11 villages. Fittings for the temporary connection have been received on site, waiting for municipality green light to do the connection. Opening of manhole connections, wrapping and backfilling.
2.3	Pipe line C1/D1	97%	Water is currently running on pipeline C1. Water connected on Pipeline D1 for testing. Leaks has been discovered on Pipeline D1. Wrapping of chamber connection has commenced. The pipeline is serving Giyani Town with an estimated population of 55 400.
2.4	Pipe line F2	97%	Supplies 04 villages Water is currently running on the line and repairing leaks at the same time, leak No 17 was detected and repaired. Concrete preparations on chambers done, Brickwork to follow. 6 air valve chambers and manhole rings assembling completed. Backfilling around Manhole rings completed. The pipeline is serving 4 villages with an estimated population of 13 859.

Other project milestones (commonly known as Phase 2)

The planning designs and tender documents for the Phase 2 project milestones has been completed. The procurement of the contractor and implementation of the project milestones will commence on confirmation of budget/funding by DWS.

8.4.4.3 Babanana/Nkambako bulk water project

The principal objective of the Babanana/Nkambako Water Scheme is to improve water supply to all villages which form part of Ritavi 1 Water Scheme (the overall Nkambako N'wamitwa area). The project will provide more sustainable water supply systems to villages and complement existing supply system.
The planning designs and the tender documents for the bulk pipeline have been completed and the appointment of the contractor and construction are to commence on confirmation of funding/budget from the Department of Water and Sanitation.

Table 8 - 6: Scope for the project

ITEM	DESCRIPTION	STATUS
Refurbishment Works	The refurbishment of approximately 37km-long existing pipelines North of Xihoko, Raw Water Pump Station, Flocculation Channels, Sand Filters, Balancing dam and Chemical dosing plant within Nkambako WTW	Complete
Improvement Works	The construction of Pump Station, 3ML Clear Water Tank, Raw Water Inlet Works and sludge dams at Nkambako Water Treatment Works	In progress – 70% complete
Xihoko Distribution System	The construction of approximately 45km Upvc pipelines North of Xihoko, Construction of 5 Reservoirs and Construction of two Booster Pump Stations.	In progress – 20% complete
Babanana pipeline	Construction of 13km steel pipeline	Not yet started – Awaiting EIA approval

Table 8 - 7: current physical progress

Description	Planned Completion Date	% Complete
Overall progress		**46%**
Refurbishment of Nkambako Water Treatment Works	30 June 2015	100%
Refurbishment of the various existing Xihoko distribution pipelines approximately 37km long	18 August 2015	100%
Refurbishment of the existing Nwamitwa distribution pipelines	31 March 2022	0%
Construction of Raw Water Inlet Works (Pre-Treatment) Structure	15 November 2020	85%
Construction of the Pump Station at Nkambako WTW	29 January 2021	62%
Construction of 3ML Clear Water Tank at Nkambako WTW	30 November 2020	97%
Construction of Sludge dams at Nkambako WTW	15 January 2021	0%
Construction of 600mm diameter X 13km long Babanana Steel pipeline	25 March 2022	0%
Construction of 300mm diameter X 7.4km long Musiphana Steel pipeline	31 March 2021	0%
Construction of 350mm X 7km long Mawa 8 to Hlohlokwe pipeline	04 December 2020	49%
Construction of 110mm X 2.7km long Hlohlokwe to Sekhula pipeline	30 July 2021	0%
Construction of 110mm X 3.9km long Sekhula to Taulome pipeline	30 October 2021	0%
Construction of 140mm 7.2km long Gawale to Miragoma pipeline	14 May 2021	0%
Construction of 160mm X3.1km long Mookgo 7 to Mookgo 6 pipeline	23 October 2020	9%
Construction of 200mm X 7.6km long Mookgo 6 to Morapalala pipeline	02 April 2021	0%
Construction of 160mm X 2.6km long Morapalala to Maunatlala pipeline	20 July 2021	0%
Construction of 125mm X 2.1km long Maunatlala to Mabyepelong pipeline	03 September 2021	0%
Construction of 5000kl Hlohlokwe Command Reservoir	16 September 2021	33%
Construction of 800kl Ga-Mokgwathi Reservoir	12 December 2020	39%
Construction of 200kl Mookgo 6 Reservoir	19 October 2020	10%
Construction of 600kl Maunatlala Reservoir	02 September 2021	0%
Construction of Mawa 8 Booster Pump Station	19 March 2021	20%
Construction of Mookgo 6 Booster Pump Station	19 March 2021	5%

Other project milestones (commonly known as Phase 2)

The planning designs and tender documents for the Phase 2 project milestones has been completed. The procurement of the Contractor and implementation of the project milestones will commence on confirmation of budget/funding by DWS.

8.4.4.4 Babanana/Nkambako bulk water project

The principal objective of the Babanana/Nkambako Water Scheme is to improve water supply to all villages which form part of Ritavi 1 Water Scheme (the overall Nkambako N'wamitwa area). The project will provide more sustainable water supply systems to villages and complement existing supply system.

The planning designs and the tender documents for the bulk pipeline have been completed and the appointment of the contractor and construction are to commence on confirmation of funding/budget from DWS.

8.4.4.5 Polokwane Intervention Project

The Polokwane Intervention Project has now reached the stage where detailed engineering can commence as soon as what project funding can be obtained.

Once started this project will be the biggest water project not only in the history of LNW but also within Limpopo to date and will pave the way for much needed economic development and improved service delivery.

Following initial ministerial intervention, issued to LNW in August 2016, detailed and comprehensive assessments and studies were completed that determined the current and future water needs (up to 2036) of the areas served by the Olifantspoort and Ebenezer Schemes.

The condition and capabilities of the existing schemes, as well as the extent of new infrastructure required to provide sufficient and reliable services to communities within Tubatse/Fetakgomo Local Municipalities, Lepelle Nkumpi Local Municipality, Tzaneen Local Municipaliity as well as Polokwane Local Municipality were determined and various options analysed.

With all the information acquired it soon became evident that the project is far bigger than initially anticipated and that certain “emergency interventions” would have to be instituted to keep the supply of water to Polokwane as stable as possible. This led to the construction of by-pass lines, parallel to the existing main supply line between the Olifantspoort Treatment Works and Specon Reservoir on the outskirts of Lebowakgomo. The last +/- 6km of this line is in a very poor state and subject to major bursts leading to high water losses and interruptions. The first phase of this project is 100% complete. Construction of the second phase has started and is anticipated to be finished towards the end of 2020.

Based on the extent of the project the estimated cost amounts to R11,7 billion (excluding escalation) and it will take three years to complete the Ebenezer upgrade and five years for Olifantspoort.

Funding applications have been made to National Treasury and DWS.

Obtaining increased water licenses for both Ebenezer and Olifantspoort Schemes and additional electrical power supply are some of the important matters still outstanding. As soon as design commences in all earnest ESKOM will be engaged

Moutse Drought Relief project

Moutse area has experienced water crises for a long period whereby the Minister of Human Settlements, Water and Sanitation visited the area and tasked LNW to restore water supply to the affected villages and to put in place temporary measures to supply water while in the process of refurbishment. The area consists of 19 wards spanning between Elias Motsoaledi (13 wards) and Ephraim Mogale (6) Local Municipalities.

LNW was issued with a directive on 17 March 2020 to attend to the project on an urgent basis.

As part of short-term intervention, supply of water through water tankers was proposed together with the installation of new tanks at various villages within Moutse. Medium-long term intervention involves the refurbishment of existing boreholes, development of new boreholes and associated infrastructure.

As at June 2020, twenty (20) new water tankers were procured and delivered to Sekhukhune District Municipality. Registration of water tankers was not completed but the process was continuing, LNW details were issued to the contractors for registration of the water tankers and 50% were registered at the time. As part local economic development the local based drivers were hired. Water supply to Moutse communities has been taking place since 24 May 2020.

9 PEOPLE EMPOWERMENT

9.1 Human Capital Management

LNW has a total staff complement of 403. Our priority in managing human resources capital is based on attracting competent employees and ensure continuous engagement, development and compensate market-related remuneration and to uninterrupted supply of bulk water services.

Critical skills shortages within the water and energy sector have negative impact on ensuring effective and efficient business performance. LNW adopted an employees' retention strategy that encourages business stability and maximum performance.

9.2 Performance Management System

LNW will continuously implement this invaluable tool to measure and monitor the organisational performance targets to achieve the Annual Performance Plan. We recognise a performance management system for creating the culture of accountability and ownership to adhere to our strategic objectives and values.

Our organisational performance management system is addressed through the employees' development, mentorship, coaching and reward management system to ensure an effective performance culture.

9.3 Employment Equity

A study was conducted to investigate non-compliance with reference to the appointment of designated groups for the achievement of the employment equity targets. The recommendations impacted positively in demonstrating employment equity targets satisfactory progress performance.

The Department of Labour acknowledged our Employment Equity Report 2019 including a three-year 2019/20 – 2021/22 Employment Equity Plan with a plan to attract designated groups especially from top to skilled levels focusing on Indian and Coloured races without overlooking the current workforce. The target of 63/37 was exceeded during the year under review. The male/female ratio was 57% males to 43% females.

9.4 Workforce Profile

Table 9 - 1: Year EE Report 2020

	Male				Female				Foreign Nationals		
Occupational Level	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	**TOTAL**
Top Management	1	0	0	0	0	0	0	0	0	0	**1**
Senior Management	2	0	0	0	1	0	0	0	0	0	**3**
Professionally Qualified and Experienced Specialists and Mid-Management	17	0	0	4	17	0	0	0	0	0	**38**
Skilled Technical and Academically Qualified Workers, Junior Management, Supervisors, Foremen and Superintendents	92	0	1	11	89	0	0	2	0	0	**195**
Semi-skilled and Discretionary Decision Making	94	0	0	1	66	0	0	1	0	0	**162**
Unskilled and Defined Decision Making	3	0	0	0	1	0	0	0	0	0	**4**
Total Permanent	209	0	1	16	174	0	0	3	0	0	**403**

The tables below indicate the occupational levels variances against government targets in addressing employment equity occupational levels imbalance in the country. A plan to address under-representation of races and gender, guided by our human resources policies, procedures and plan was adopted during the year under review. This was accompanied by a three-year Employment Equity Plan (EEP).

Table 9 - 2: EE Variance Comparing to Economic Active Population

Top Management Level	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
EAP	**42,70%**	**5,20%**	**1,70%**	**5,10%**	**35,80%**	**0,40%**	**1,10%**	**4,00%**	**0,00%**	**0,00%**	
Actual	1	0	0	0	0	0	0	0	0	0	1
Variance	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	

Senior Management Level	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
EAP	**42,70%**	**5,20%**	**1,70%**	**5,10%**	**35,80%**	**0,40%**	**1,10%**	**4,00%**	**0,00%**	**0,00%**	
Actual	1	0	0	0	1	0	0	0	0	0	2
Variance	50%	0%	0%	0%	50%	0%	0%	0%	0%	0%	

Middle Management Level	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
EAP	**42,70%**	**5,20 %**	**1,70%**	**5,10%**	**35,80%**	**0,40%**	**1,10%**	**4,00%**	**0,00%**	**0,00%**	
Actual	17	0	0	4	17	1	1	1	0	0	41
Variance	41%	0%	0%	10%	41%	2%	2%	2%	0%	0%	

Skilled Management Level	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
EAP	**42,70%**	**5,20%**	**1,70%**	**5,10%**	**35,80%**	**0,40%**	**1,10%**	**4,00%**	**0,00%**	**0,00%**	
Actual	92	0	11	12	89	1	0	2	0	0	207
Variance	44%	0%	5%	6%	43%	0%	0%	1%	0%	0%	

9.4.1 Employee Wellness Management

LNW's nature of operations is charactered by highly stressful environments and our employees have benefited through the implementation of wellness support services. Employee wellness was continuously managed through diseases management, medical testing, sports activities and educational workshops to ensure that the employees manage their health and lifestyle.

9.5 Training and capacity development

LNW's skills development programmes also impacted positively in addressing the country's skills shortage as well as ensuring that the labour market has suitable skills available to meet the water sector skills needs. LNW programmes are designed to address the development employees and non-employees through the ongoing relationship with the National Skills Strategic Projects in partnership with National Treasury, the Department of Higher Education and Training, the Energy and Water Sector for Training and Education Authority and the Local Government Sector for Education and Training Authority.

Figure 9 - 1 below indicate an overall qualification profile across all occupational levels.

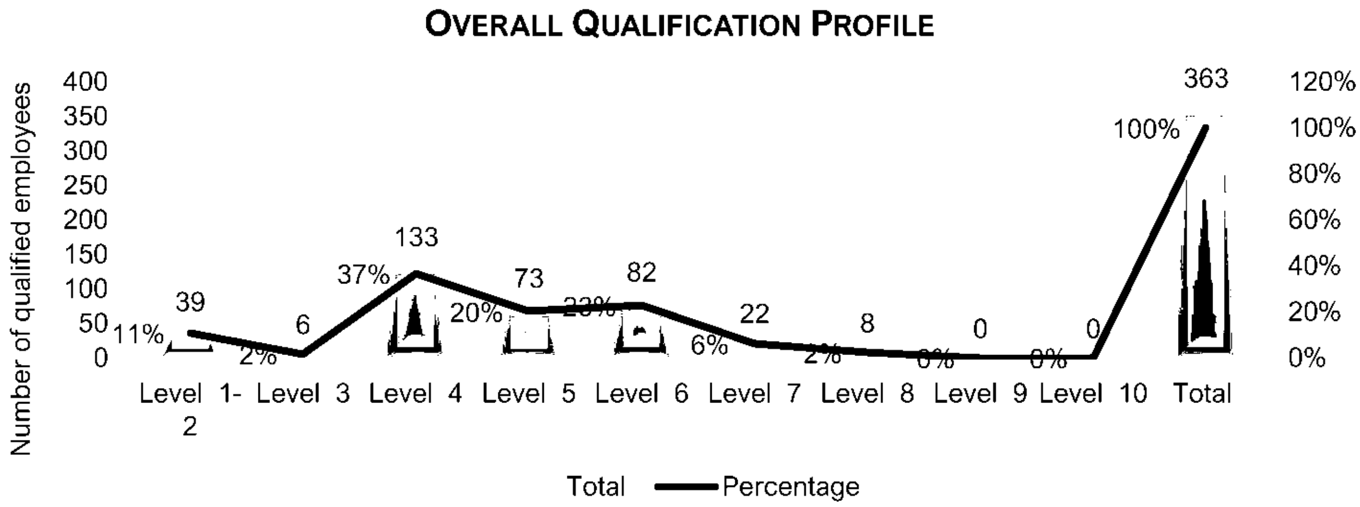


Figure 9 - 1: Employees Qualification Profile

Apprenticeship: National Skills Funds & Local Government SETA: Centre of Specialisation (COS)

LNW continued to develop and train 30 trainees to avail specialised mechanical skills within the water sector to empower unemployed youth to join the labour market to maintain water infrastructure.

National Treasury: Engineering & Scientists Professionalisation

LNW continued to implement the National Strategic Engineering and Scientist programme to avail qualified incumbents to maintain and operate water industry infrastructure to ensure sustainable water and sanitation provision.

LNW's standing relationship with Polokwane Municipality for the implementation of the National Infrastructure Skills Grant guided by DORA schedule 3 supported the organisation to ensure skills development and capacity programmes.

To date 35 candidates benefited from the programme and eleven obtained their professional registration certificates while some were absorbed by the market prior to their completion.

War on Leak: National Certificate Learnership Level 4 Programme.

The organisation continued to implement the War on Leak Programme in partnership with the Department of Higher Education and Training. Five-hundred trainees benefited from the programme and the training was concluded in April 2020.

9.6 Labour Relations

Successful negotiations on wages and conditions of employment took place at the Amanzi Bargaining Council (ABC) for the financial year 2019/20. A sub-committee was appointed by the council and tasked with the responsibility of investigating the extent to which conditions of employment within the sector could be harmonised.

General misconduct

One employee was dismissed for misconduct during the period under review.

Precautionary suspensions

Six employees were placed on precautionary suspension for various offences during the period under review.

Non-occupational health and safety

Working collectively with the Health, Safety and Environment Unit, the Human Resources Unit by means of conducting pre-, periodic and post-medical examinations cases of non-occupational health and safety were identified and addressed accordingly.

OV W

10. FINANCIAL SUSTAINABILITY

The entity has streamlined its financial and supply chain management processes to ensure that it remains in the current reporting frameworks and supply chain frameworks. It is guided by the following legislative prescripts in the execution of its duties:

- Public Finance Management Act, Act No.1 of 1999 (PFMA)
- Water Services Act, Act No.108 of 1997
- Supply Chain Management Framework
- Preferential Procurement Policy Framework Act
- Municipal Finance Management Act

10.1 ECONOMIC MANAGEMENT

This section focuses on maintaining and implementing sound financial processes and controls and ensuring compliance with relevant legislation. Key performance areas include financial administration, accounting, treasury management and reporting.

10.2 PFMA COMPLIANCE

The PFMA focuses on financial management with related outputs and responsibilities. The entity has established an ongoing process of awareness, education and advice regarding the PFMA within the business. This also involved developing the entity's financial policy and procedure manual to ensure effective internal control processes.

- The entity complies with their fiduciary duties as the accounting authority, as set out in the PFMA. The entity's responsibilities, in terms of the PFMA, include taking appropriate action to ensure:

    - economic, efficient, effective and transparent systems of financial and risk management and internal control are in place;
    - a system for properly evaluating all major capital projects, prior to a final decision on each project, is maintained.
    - the implementation of appropriate and effective measures to prevent unauthorised, irregular or fruitless and wasteful expenditure, expenditure not complying with legislation or losses from criminal conduct;
    - that all revenue due is collected;
    - the economic and efficient management of available working capital; and
    - the definition of objectives and the allocation of resources in an economic, efficient, effective and transparent manner.

10.3 Overview of Financial Statements

10.3.1 Delivering a solid financial performance

LNW's sustainability lies in the ability of the tariff to recover all operational costs as set by the government. The financial results as of 30 June 2020 demonstrate the entity`s efforts to ensure financial viability and sustainability to enable the entity to accelerate service delivery by re-investing its earnings in critical water infrastructure to ensure constant supply and increase in production. This enabled the entity to continuously deliver on critical services.

The water board recorded net deficit of R98,6 million for the year ended on 30 June 2020 compared to a net surplus of R65,2 million for the year ended on 30 June 2019. Revenue increased by 7% from R561,1 million in the prior year to R602 million for the year ended on 30 June 2020.

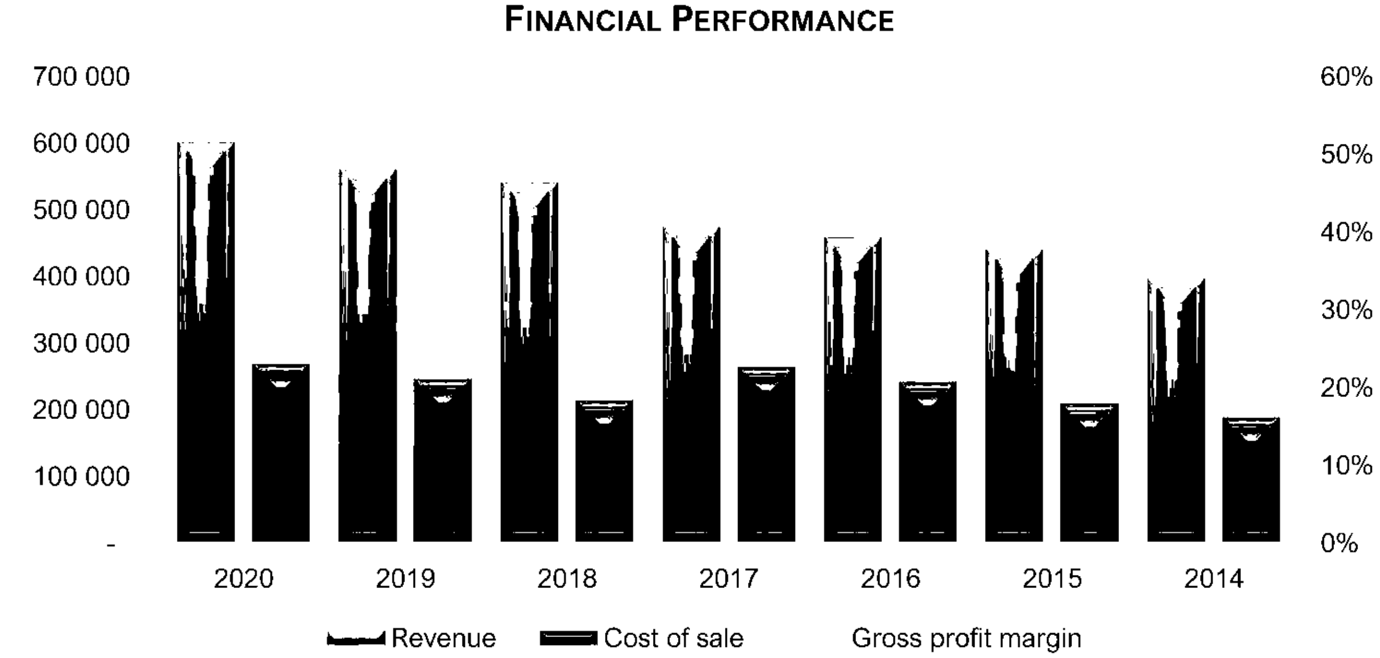


Figure 10 - 1: Seven-year financial performance

10.3.2 Supply quality water at an affordable rate

The entity has annually kept its tariff increase below 10% for the past 5 years considering the socio-economic factors within the province. The entity's average tariff (potable) is R7,79 per kilolitre, for the year under review moving from R7,18 per kilolitre in the previous financial year

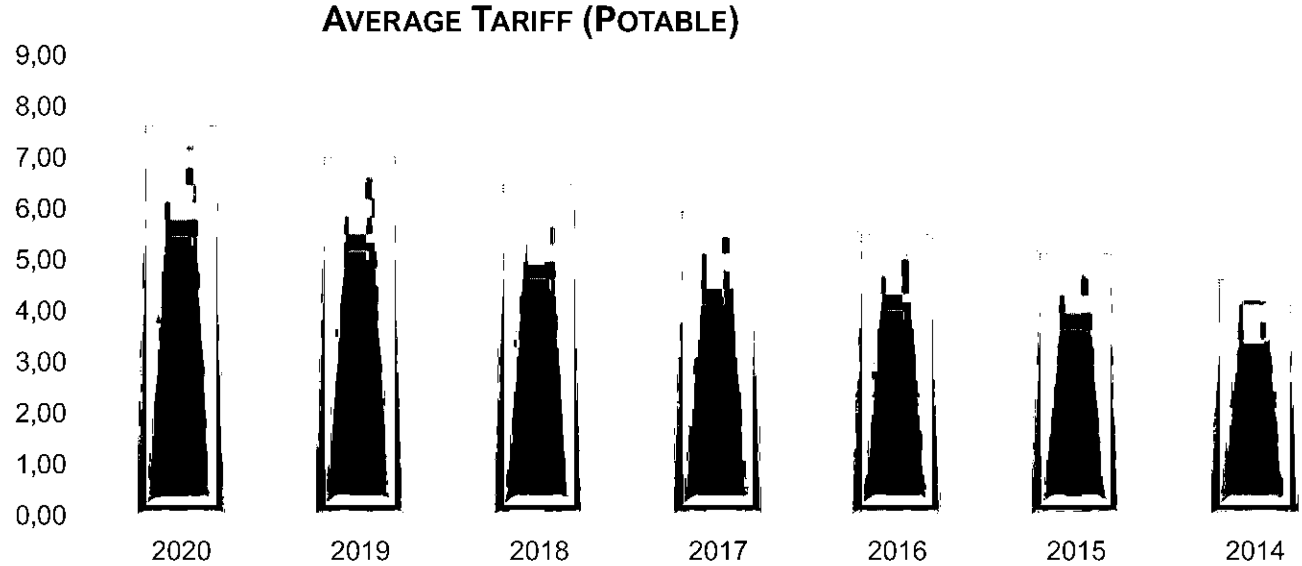


Figure 10 - 2: Average tariff for the past seven years

10.3.3 Other income

Other income was received from property rentals to employees situated at some of the plants owned by LNW. The rental fee charged to employees is for maintenance of the houses.

Income from cost recovery relating to plants operated on behalf of the municipalities as well as the management fee amounted to R100,2 million, opposed to R115 million in 2019. The decline in management fee is due to decrease in the number of projects that LNW implements on behalf of DWS.

10.4 Input and Operational cost

The entity's gross profit percentage decreased from 50% to 47% due to an increase in variable costs. When compared to a 7% revenue growth, input cost such as raw water increased by 40% while electricity and direct labour increased by 15% and 12% respectively. An increase on fixed costs was as a result of an 82% hike on overheads and 46% and 43% increases in professional services and security services respectively.

The cost of raw water is determined by DWS's pricing strategy which is linked to the Producer Price Inflation (PPI).

10.4.1 Energy Costs

Electricity increased by 15% to R127,2 million (2019: R110,6 million)

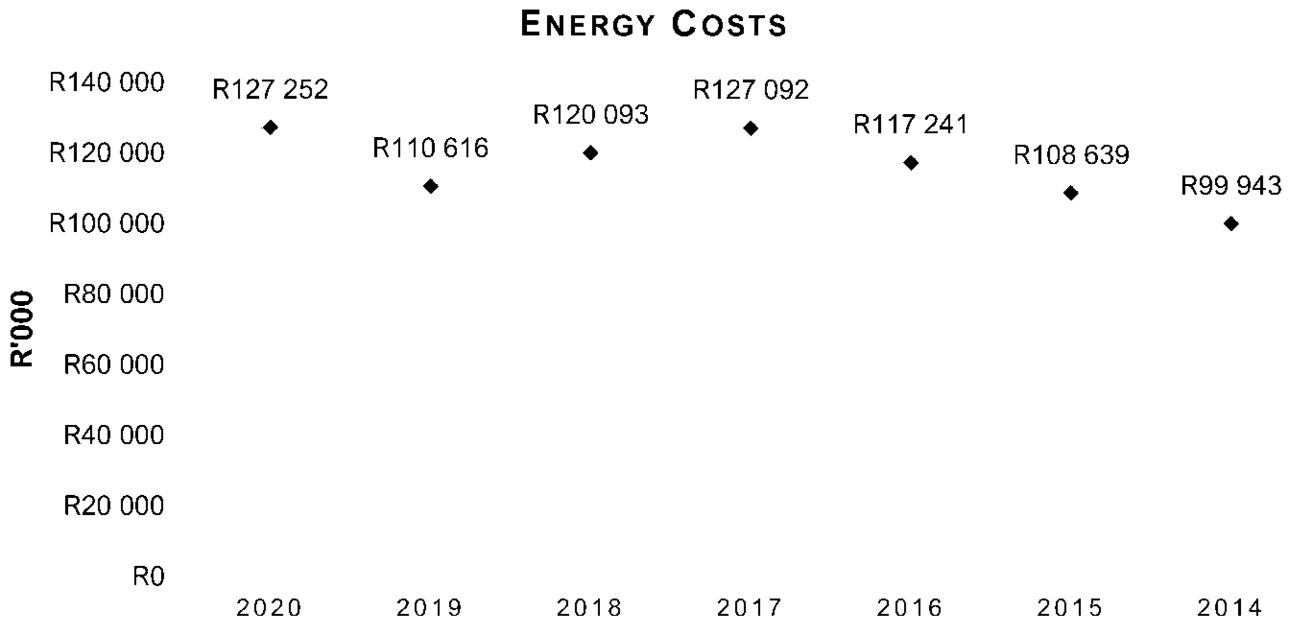


Figure 10 - 3: Energy costs for the past seven years

10.4.2 Chemical Costs

Chemical costs decreased by 6% due to low dam levels during the year under review and price. LNW's strategy on contract terms for purification supplies contributes to increased efficiencies on chemical cost.

10.4.3 Depreciation

Depreciation and amortisation of assets increased by 11% totalling R123 million (2019: R111 million) mainly due to assets capitalised during the year under review. The trend is expected to grow significantly in the next year due to anticipated growth in capital expenditure and finalisation of the major capital investments.

10.4.4 Salary mix

Remuneration cost is at R275,7 million, including direct labour (R94,5 million). In the year under review, salaries increased by 7%.

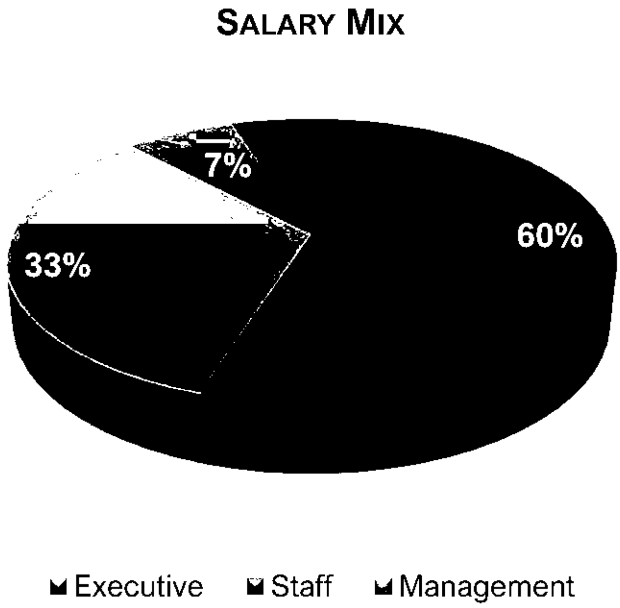


Figure10 - 4: Remuneration at various categories

10.4.5 Other operational costs

Other operating expenses have insignificantly increased from R540.2 million compared to that of the previous financial year totalling R366.6 million. Included in other operating expenses is a provision for doubtful debt estimated at R50 million.

Table 10 - 1: Financial performance at glance

Financial Ratios	2020	2019	2018	2017	2016	2015	2014
Gross margin %	47%	50%	52%	44%	47%	52%	53%
Current ratio	1.8	2.0	1.8	1.5	2.4	2.7	2.3
Acid test ratio (Liquidity ratio)	0.1	0.1	0.1	0.2	0.3	1.3	1.4
Asset turnover	16%	15%	14%	13%	34%	41%	37%
Debt-equity ratio	23%	19%	20%	26%	33%	21%	29%
Gearing ratio	2%	2%	2%	2%	5%	2%	2%
Net profit margin	-16%	12%	0%	-4%	25%	16%	4%
Debtors days	591	633	612	641	448	423	422

10.5 Financial Position

10.5.1 Infrastructure

Capital expenditure investment amounts to R82,5 million for the year under review. The board embarked on projects prioritisation to ensure increase on capital investment towards projects that would increase or maintain scheme capacity. The entity undertook to advance capital projects to meet the demand for water within the area of operation and to replace old infrastructure.

10.5.2 Current liabilities

Short-term obligations year have increased by 19% to R640,5 million (2019: R536,4 million). The current ratio is 1.8 compared to 2.0 in the 2019 financial year.

10.5.3 Increasing cash generated from operations

Net cash generated from operating activities increased to R122,2 million (2019: R107,2 million), with the amount of net cash utilised in investing activities also decreasing in the year to –R86,3 million (2019: -R92,7 million). Total cash at end of the year is R88 million (2019: R52 million).

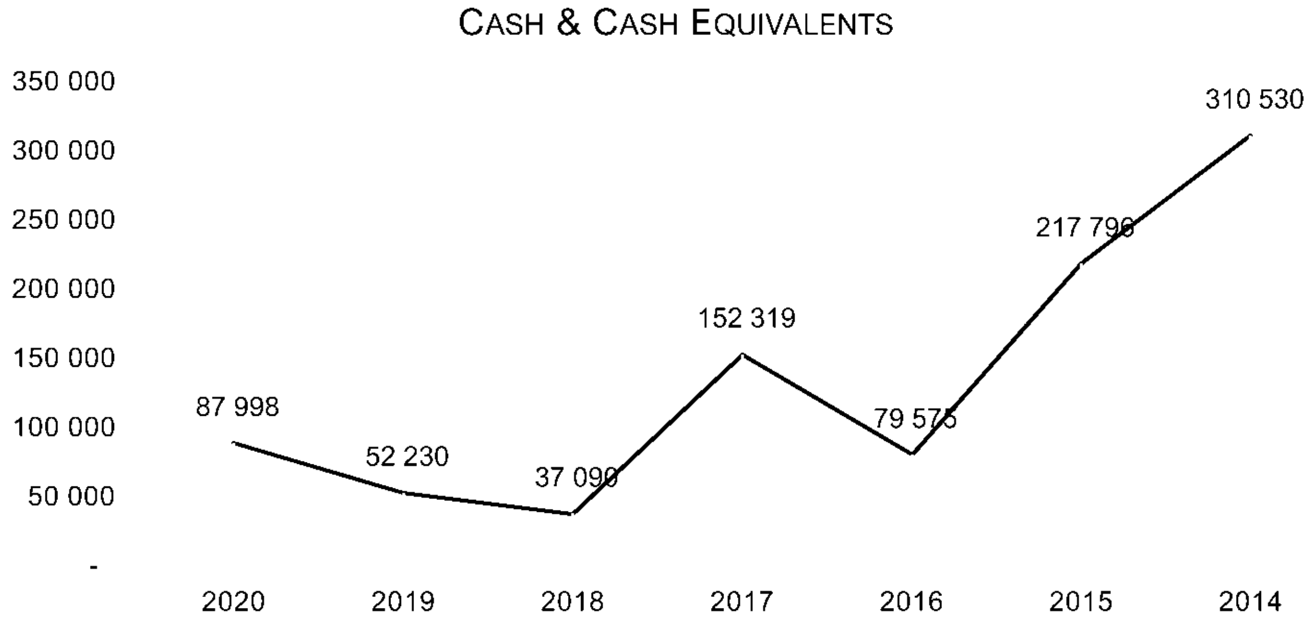


Figure 10 - 5: Cash and cash equivalents trends for the past seven years

The entity debt to equity level at year end was 23%, indicating that significant capacity is still available to fund future expenditure.

10.6 Supply Chain Management

The entity continues to subscribe to the best practises of supply chain management and it further continues to comply with the prevailing legislations. This includes ensuring that supply chain management processes are aligned to appropriate regulatory framework with the following key components:

- Supply chain management policy and procedure that are aligned to PFMA and its regulations.
- Procedures that clearly define the procurement processes and how it is managed
- Allocation of roles and responsibility
- Delegations of authority and its sub-delegations
- Monitoring supply chain performance
- Bid-Committee Charter that gives guidance on the functioning of the bid committees
- Code of Conduct for supply chain management officials and other role players

10.6.1 Broad-Based Black Economic Empowerment

The entity strives to uplift businesses that are Broad-Based Black Economic Empowerment (BBBEE) compliant and locally based. The entity achieved or spent 88% (equivalent to R207 million) on BBBEE procurement, had at least 18 new entrants (equivalent to R34 million) and utilised majority of the local based companies

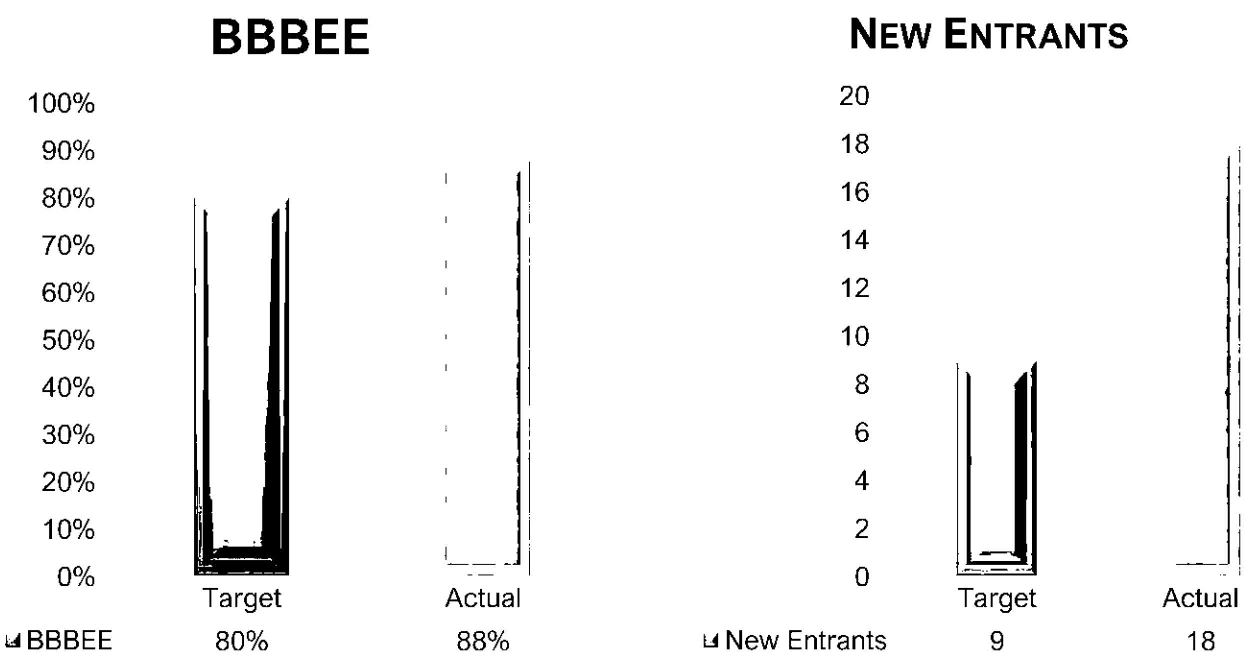


Figure 10 - 6: BBBEE procurement and the new entrants benefited in LNW projects

10.6.2 Best practise of supply chain

The entity ensures that it contributes to encouraging its stakeholders to comply with legislative requirements that affect the economy of the country. It is a requirement that all service providers are compliant with the taxation, Construction Industry Development Board (CIDB), National Treasury regulations and any other legislative requirements. We also allow fair market competition in ensuring that all awards of contracts are not found to be contravening or defeating the principles within the supply chain management guidelines and legislation.

11. ENTERPRISE RISK MANAGEMENT

LNW adopted an Enterprise Risk Management (ERM) approach, which seeks to identify, evaluate, monitor and report all actual and potential risks at the earliest possible time. This exercise remained inherent throughout the organisation via the risk assessments conducted periodically within the organisation as well as monitoring of the risk mitigation measures as outlined in the risk register.

LNW has put measures in place to:
identify and prioritise key risks

- determine appropriate levels of risk tolerance and risk appetite
- implement a risk management strategy in accordance with the risk management policy
- measure, report, monitor and refine risks as needed

Risk tolerance levels were established for each of the organisation's strategic objectives and were considered for decision-making within the organisation. The board of LNW contributed significantly to the process of risk management by consistently overseeing its implementation, monitoring and integration into the daily activities of the organisation.

From the beginning of the financial year the organisation had identified eight key strategic risks, four of which were rated high. These risks were managed and monitored by management and the oversight committees respectively.

The organisation had determined its overall risk appetite which was then compared to the actual overall average residual risk:

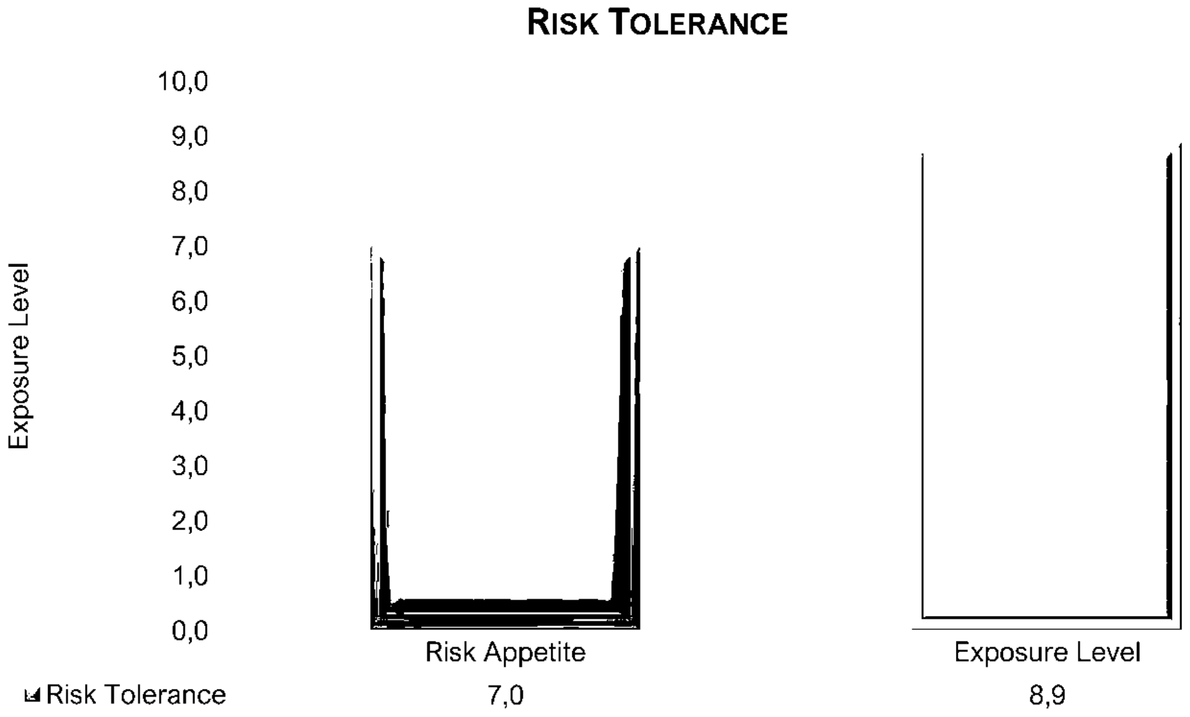


Figure 11 - 1 Risk tolerance status

Figure 11-1 highlights that the maximum target of 7 was not met because it was exceeded by 1,9. More focused approach will be required in the coming financial year in order to meet the risk appetite set by the board.

The overall strategic risk rating is displayed in Figure 11 - 2 below:

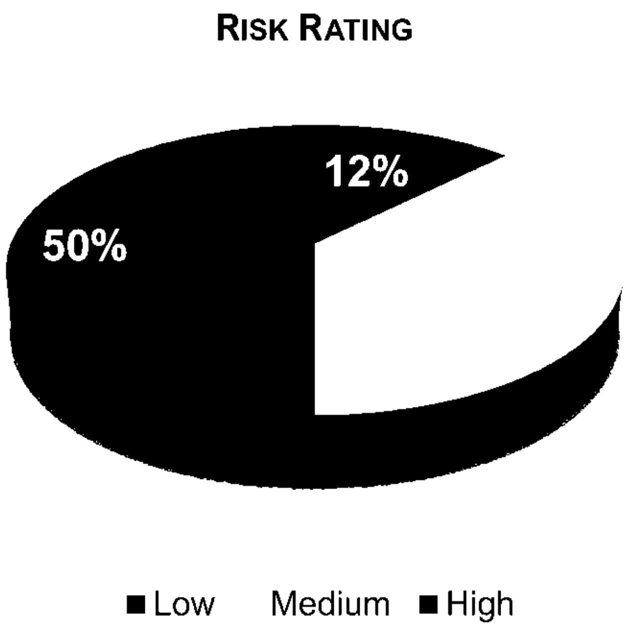


Figure 11 - 2: Overall risk rating for the eight (8) strategic risks

Figure 11 - 2 depicts that 50% of the strategic risks remain high at 50% while medium and low risks are 38% and 12% respectively. Focused approach will be required in the next financial year to reduce the high risk to medium or low. Below is the detailed progress report on the eight strategic risks:

Table 11 - 1:Strategic Risks progress report

Risk Ref	Risk Description	RR	Mitigating Measure	Progress Report
SR1	Negative effects and consequences of climate change	[redacted]	- Continue implementing current controls	- The risk was merged with other risks, and reassessed to high with the mitigating measures highlighted under SR4 adopted. - Key to the merge was the effects of climate change in South Africa (i.e. drought)
SR2	Ageing infrastructure	13	- Conduct a detailed conditional assessment for all LNW schemes - Develop a long-term rehabilitation and replacement programme	- Current controls and mitigation measures are in place and implemented
SR3	Water demands that exceed available raw water allocation (over-abstraction)	[redacted]	- Risk is accepted in line with the DWS and thus implementation of projects on LNW business plan will address it.	- Different service providers have been appointed to facilitate the application of abstraction licenses applicable to the plants in need. - Water resource studies have been conducted by DWS and reports are available. - LNW do participates in catchment management initiatives and activities in the province on invitation by the Agency and DWS
SR4	Deteriorating raw water quality	10	- Develop water safety plans - Develop risk abatement plans '(WWRAP) for 2019/2020 - Conduct bio-monitoring of rivers to identify potential hazards	- The risk was merged with other risks (including SR1 above and the merged risk reassessed to high with the mitigating measures highlighted here. Key to the merge was the effects of climate change in South Africa (i.e. drought)
SR5	Fragmented project implementation (DWS IA projects)	[redacted]	- Integrate project planning with the DWS	- There are on-going engagements with DWS on affected projects
SR6	Non-payment by the Water Service Authorities for Bulk Water Services	[redacted]	- The risk is accepted and current controls will be continuously implemented.	- Mopani District Municipality is paying as per the repayment agreement entered into and Sekhukhune is paying the current account

Risk Ref	Risk Description	RR	Mitigating Measure	Progress Report
SR7	High operational cost	10	- Finalise the rationalisation exercise	- The process of finalizing the rationalization exercise is still in progress and will be finalised In the next financial year
SR8	Changes in all spheres of government leadership (administratively and politically)	[redacted]	- The current risk is accepted and LNW will continue engaging all spheres of government	- Continuously engaging the new municipal staff as and when newly appointed

LNW regularly reviews its internal and external environment with a view to identify emerging risks which are monitored by the organisation's risk management oversight committees.

11.1 Risk Management Committee (RMC)

All four quarterly Risk Management Committee meetings were held to ensure effective management of risks throughout the organisation overseeing inter alia:

- Risk management overview reporting (i.e. progress report on implementation of action plans, ethics management, business continuity management etc.)
- Risk maturity reassessment rate and monitoring report
- IT risk reporting
- Ethics/fraud risk reporting
- Strategic risk reporting
- Risk management implementation plan approval and progress reporting

11.2 Prevention of Fraud and Corruption

In the year under review, eleven cases were reported (twelve in 2018/2019), ten through the tip-off anonymous hotline which is administered by Deloitte & Touche and one reported internally to the Internal Audit Unit. Relevant measures were taken accordingly per each case reported.

A total 116 findings were issued on the ORCA report, management undertook to implement the recommendations and action plans. Progress on the implantation of the action plans will be reported to organisational sub-committees on a quarterly basis for monitoring.

11.3 Ethics Management Committee

All four quarterly Ethics Management Committee meetings were held to ensure the effective management of ethics throughout the organisation overseeing inter alia:

- Ethics management overview (i.e. New or emerging ethical risks, declaration of interests, cases of misconduct, gifts declarations, social responsibility reporting etc.)
- Progress reporting on the ethics management plan
- Fraud risk register monitoring

12. INTERNAL AUDIT

In terms of section 51(1)(ii) of the PFMA, Lepelle Northern Water has and maintained a system of internal audit under the direction and control of Risk & Audit Committee complying with and operating in accordance with the regulations and instructions prescribed in terms of section 76 and 77.

The Internal Audit Unit of Lepelle Northern Water provided an independent, objective assurance and consulting services that adds value and improves an organisation's operations. Internal Audit helps LNW to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

12.1 Internal Audit discharged its role as follows:

For the period under review, the Internal Audit Unit:

• Developed a flexible Internal Audit Plan using the risk-based methodology, including any risks or control concerns identified by management and submitted that plan to the Risk and Audit Committee for review and approval. The plan included the following:

Internal Audit Three-year Rolling Plan

- o Internal Audit Annual Plan
- o Staffing
- o Annual Budget

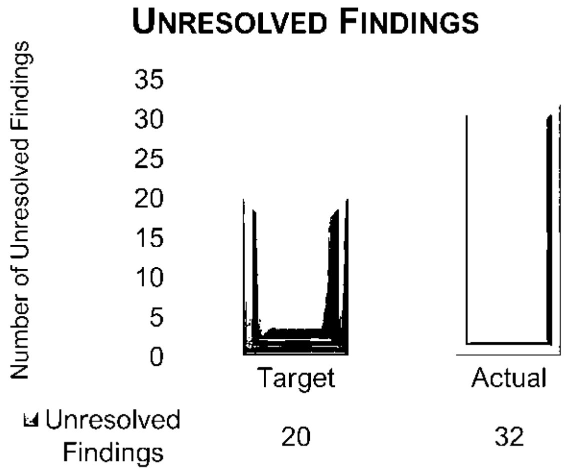
• Had all the changes to the Internal Audit Annual Plan approved by the Risk and Audit Committee.
• Implemented the Internal Audit Annual Plan, as approved, including conducting the investigations and the special tasks/projects requested by management and the Audit Committee.
• Reported on the implementation progress of the Internal Audit Annual Plan to the Risk and Audit Committee on a quarterly basis.
• Assisted in the investigation of significant suspected fraudulent activities in the organisation and notified management and the Audit Committee of the results.
• Reported administratively to the Chief Executive and functionally to Risk and Audit Committee of the board.
• Kept the chairperson of the Risk and Audit Committee informed of all the line function developments in LNW to ensure that the independence and integrity of the Internal Audit Unit is maintained.

12.2 Effectiveness of Internal Controls

During the period under review, there has not been material breakdown in the risk management and the control environment in general. However, from the various internal audit and investigation reports, several areas were highlighted that required immediate control improvements. Management undertook to implement the audit recommendations and action plans to mitigate against the control weaknesses identified and thus improving the effectiveness of risk management.

The organisation closed off the year with a total of 138 Internal Audit Findings and 35% of these findings were still in the process of being addressed by management.

There were 32 unresolved findings and zero repeat findings for the duration of 2019/2020 financial year.



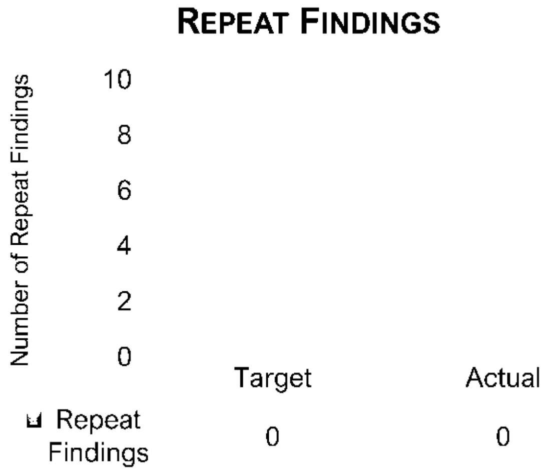


Figure 12 - 1: Unresolved and repeat findings as at 30 June 2020

Figure 12-1 above indicates that the organisation exceeded the maximum number of Unresolved Audit Findings that was set as a target of 20 and has accumulated a total of 32 Unresolved Findings. The organisation has exceeded the maximum number allowed by 12 while it managed to maintain the repeat findings to the zero as planned.

Without assuming management responsibility, the Internal Audit Unit also contributed to improvements in governance, risk management and controls processes by playing the advisory role within the following management committees:

- Executive Committee
- Risk Management Committee
- Ethics Committee
- IT Steering Committee.
- Covid-19 Steering Committee

10 REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON LEPELLE NORTHERN WATER

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Lepelle Northern Water set out on pages 78 to 136, which comprise the statement of financial position as at 30 June 2020, statement of financial performance, statement of changes in net assets and cash flow statement 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 Lepelle Northern Water as at 30 June 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act of South Africa (Act no. 1 of 1999) (PFMA).

Basis for opinion

3. I 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 this auditor's report.

4. I am independent of the public entity in accordance with sections 290 and 291 of the *Code of ethics for professional accountants* and parts 1 and 3 of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* of the International Ethics Standards Board for Accountants (IESBA codes), as well as 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 codes.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

6. I draw attention to the matters below. My opinion is not modified in respect of these matters.

7. As disclosed in note 7 to the financial statements, there is material provision for impairments of receivables from exchange transactions amounting to R290 million. Further to that the value of receivables that are older than 6 months amounts to R290 million.

8. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2019 have been restated as a result of an error in the financial statements of the public entity at, and for the year ended, 30 June 2020.

Responsibilities of the accounting authority for the financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the 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.

10. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure 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

11. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

12. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Introduction and scope

13. 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 on the usefulness and reliability of the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

14. My procedures address the usefulness and reliability of 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 / measures included in the planning documents.

My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures also do 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.

15. I 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 objective presented in the annual performance report of the public entity for the year ended 30 June 2020:

Objective	Pages in the annual performance report
Strategic objective 01 – Provision of equitable and sustainable regional water and sanitation services	26 – 27

16. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I 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.

17. The material findings in respect of the usefulness and reliability of the selected objective are as follows:

18. The achievements reported in the annual performance report materially differed from the supporting evidence provided for the targets listed below:

Target description	Reported achievement
98% Micro compliance	98.7%
95% Chemical non- health aesthetic compliance	99.8%
95% Operational compliance	95.1%

Other matters

19. I draw attention to the matters below.

20. Refer to the annual performance report on pages 25 to 31 for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the reliability of the reported performance information in paragraph 18 of this report.

21. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective 01 – Provision of equitable and sustainable regional water and sanitation services. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information. Those that were not corrected are reported above.

Introduction and scope

22. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the public entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

23. The material findings on compliance with specific matters in key legislation are as follows:

24. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(b) of the PFMA.

25. Material misstatements of current assets, current liabilities, other income, disclosures and cash flow statement identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

26. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R11 886 003 as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The irregular expenditure disclosed in the financial statement was caused by non-compliance with supply chain management regulations.

27. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R799 000, as disclosed in note 32 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

28. Prepayments were made before services were received, in contravention of treasury regulation 31.1.2(c).

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the Board's report, Chief executive's report and the audit and risk committee's report. The other information does not include the financial statements, the auditor's report and the selected objective presented in the annual performance report that have been specifically reported in this auditor's report.

30. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

31. 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.

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

33. I 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 on it. 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.

34. The lack of monitoring within the performance management unit resulted in misstatements being identified in the reporting of the performance results.

35. The lack of monitoring and implementation of action plans by key officials to address significant control deficiencies resulted in similar findings being identified to those reported in the prior year.

36. The lack of proper review of the financial statements and performance information resulted in misstatements being identified in the reported financial and performance results.

37. Management did not develop adequate measures to monitor compliance with key legislation, which resulted in material non-compliance findings.

38. I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the public entity's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

39. Commission of enquiry into state capture: During the 2018 financial period the President of South Africa instituted a commission of enquiry into state capture to investigate, among other issues, allegations of corruption and fraud involving several public entities and other organs of state, pursuant to the commission's terms of reference. During the prior year, the commission has indicated that several water boards (including Lepelle Northern Water) are within the scope of its terms of reference and subsequently the commission requested certain documents to be submitted to the commission. The outcome of any investigation or enquiry is not yet known as of the date of signing this report.

40. The Minister of Human Settlements, Water and Sanitation appointed a service provider to investigate the operations of Lepelle Northern Water. The investigation report has been issued to the Minister and the public entity has responded to the findings in the report.

41. Various entities, including the Special Investigating Unit, are currently conducting a number of other investigations into Lepelle Northern Water that are still underway.

Auditor-General

Pretoria

11 February 2021

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

14 RISK & AUDIT COMMITTEE REPORT

The Risk & Audit Committee of LNW assisted the Board in fulfilling its oversight responsibility as recommended by the Public Finance Management Act, Act 1 of 1999, as amended, for the fiscal year under review.

Audit committee responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 51 (1) (a) (ii) of the Public Finance Management Act of 1999 and Treasury Regulations 27.1. The Committee also reports that it has adopted appropriate formal terms of reference as per the charter dealing with membership, structure and levels of authority and duties that were approved by the board and has regulated its affairs in compliance with this charter and has fulfilled its responsibilities as contained therein.

We have assisted the Board in fulfilling its oversight responsibilities by reviewing the financial reporting process, the system of internal control, management of business and financial risk, the audit processes and LNW's process for monitoring compliance with accounting policies, legal requirements, legislation and regulations applicable to LNW and its own code of conduct.

Attendance of meetings

The Risk & Audit Committee consists of the members listed hereunder and should meet four times per annum as per its approved terms of reference (Charter). The following meetings were held by the committee to provide oversight on processes relating to the 2019/20 financial year:

Figure 14 - 1: Members of Risk and Audit Committee

Name of Director	Audit & Risk Including Special Meetings
LLC Malamba	2
MA Mphahlele	3
MM Ntsaba	2
BP Sebola	2

NB: Other meetings were not fulfilled as term of the board expired

Internal control systems and compliance

There has not been any material breakdown in the control environment. However, several deficiencies in the system of internal control and/or deviations from there were reported by the internal auditors and the external auditors. Management undertook to implement the audit recommendations in order to mitigate against the control weaknesses identified.

Internal audit

The Committee reviewed:

- The risk areas of the entity's operations covered in the scope of internal and external audits.
- The internal audit reports concerning the adequacy and effectiveness of the internal control systems; detailing concerns arising out of audits and ensured there are appropriate responses from management, which will result in the concerns being addressed.
- The internal audit function and its effectiveness.
- The activities of internal audit, including its annual plan, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

Risk Management

The committee reviewed:

- Disclosure on matters of risk and risk management in the annual report
- The adequacy and effectiveness of risk management in the Institution, including recommendations for improvement
- Internal and external audit plans and ensured that they are aligned to the risk profile of the Institution
- The following areas:
    - Financial reporting risks, including the risks of fraud
    - IT risks as they relate to financial reporting, and ensured that they were appropriately addressed
    - Ethical risks
- Critiqued the risk appetite and risk tolerance and recommended this for approval by the Board.

Evaluation of the financial statements

The Committee reviewed:

- The audited annual financial statements to be included in the annual report, with external auditors and the Accounting Authority;
- The external auditor's management letter and management responses thereto;
- Changes in accounting policies and practices;
- Significant adjustments resulting from the audit;
- The Annual Financial Statements and recommended that they be adopted
- The entity's compliance with legal and regulatory provisions;

We concur with and accept the External Auditors' report on the annual financial statements, and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the External Auditors.

Ethics and fraud prevention

The Committee reviewed:

- The adequacy and effectiveness of ethics management in the Institution, including recommendations for improvement
- The ethics management processes
- The mechanisms used to report fraud and corruption related activities and ensured that all allegations reported were dealt with appropriately.

External Auditors

We have met with the External Auditors to ensure that there are no unresolved issues.

Chairperson: Risk & Audit Committee
Mr. Imtiaz Ahmed Vally

Date: 04 February 2021

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15 FINANCIAL STATEMENTS

Statement of Financial Position as at June 30, 2020

	Note(s)	2020 R '000	2019 Restated* R '000
Assets			
Current Assets			
Inventories	6	51,196	36,399
Receivables from exchange transactions	7	974,455	972,756
VAT receivable	8	7,554	21,383
Cash and cash equivalents	9	88,000	52,230
		1,121,205	**1,082,768**
Non-Current Assets			
Property, plant and equipment	2	2,577,814	2,618,684
Intangible assets	3	1,686	2,346
Other financial assets	4	86,240	84,313
		2,665,740	**2,705,343**
Total Assets		**3,786,945**	**3,788,111**
Liabilities			
Current Liabilities			
Finance lease obligation	10	247	207
Payables from exchange transactions	12	620,689	517,068
Provisions	11	19,603	19,181
		640,539	536,456
Non-Current Liabilities			
Finance lease obligation	10	160	366
Employee benefit obligation	5	73,636	80,041
		73,796	80,407
Total Liabilities		**714,335**	**616,863**
Net Assets		**3,072,610**	**3,171,248**
Accumulated surplus		**3,072,610**	**3,171,248**

Statement of Financial Performance

	Note(s)	2020 R '000	2019 Restated * R '000
Revenue	13	602,039	561,140
Cost of sales	21	(318,496)	(281,765)
Gross surplus		**283,543**	**279,375**
Other income	14	143,597	143,263
Operating expenses	20	(540,273)	(366,646)
Operating (deficit) surplus		**(113,133)**	**55,992**
Investment revenue	15	9,022	6,997
Fair value adjustments		(1,886)	3,654
Actuarial gains / (losses)	5	16,000	6,571
Finance costs	18	(8,641)	(7,961)
(Deficit) surplus for the year		**(98,638)**	**65,253**

Lepelle Northern Water
Audited Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

	Accumulated surplus R'000	Total net assets R'000
Balance at July 1, 2018	**3,105,995**	**3,105,995**
Changes in net assets		
Surplus for the year	65,253	65,253
Total changes	65,253	65,253
Balance at July 1, 2019	**3,171,248**	**3,171,248**
Changes in net assets		
Surplus for the year	(98,638)	(98,638)
Total changes	(98,638)	(98,638)
Balance at June 30, 2020	**3,072,610**	**3,072,610**

Cash Flows Statement

	Note(s)	2020 R '000	2019 Restated* R '000
Cash flows from operating activities			
Receipts			
Sale of goods and services		745,636	704,403
Interest income		9,022	6,997
		754,658	**711,400**
Payments			
Employee costs		(237,795)	(222,529)
Suppliers		(394,497)	(381,549)
Finance costs		(86)	(42)
		(632,378)	(604,120)
Net cash flows from operating activities	23	**122,280**	**107,280**
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(82,533)	(90,012)
Purchase of other intangible assets	3	-	(518)
Loss from sale of financial assets		(3,813)	(2,183)
Net cash flows from investing activities		**(86,346)**	**(92,713)**
Cash flows from financing activities			
Finance lease payments		(166)	573
Net increase/(decrease) in cash and cash equivalents		**35,768**	**15,140**
Cash and cash equivalents at the beginning of the year		52,230	37,090
Cash and cash equivalents at the end of the year	9	**87,998**	**52,230**

Accounting Policies

1. Presentation of Audited Financial Statements

The audited financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These audited financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these audited financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

1.1. Presentation currency

These audited financial statements are presented in South African Rand, which is the functional currency of the board.

1.2. Going concern assumption

These audited financial statements have been prepared based on the expectation that the board will continue to operate as a going concern for at least the next 12 months.

1.3. Materiality

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users.

1.3 Materiality (continued)

The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

1.4. Significant judgements and sources of estimation uncertainty

In preparing the audited financial statements, management is required to make estimates and assumptions that affect the amounts represented in the audited financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

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

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

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

Accounting Policies

1.4. Significant judgements and sources of estimation uncertainty (continued)

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - Provisions.

Post retirement benefits

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

The board determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the board considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting Policies

1.5. Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs 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.

Accounting Policies

1.5. Property, plant and equipment (Continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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	Depreciation method	Average useful life
Buildings	Straight line	9 - 50 years
Machinery and equipment	Straight line	3 - 15 years
Furniture and fittings	Straight line	3 - 10 years
Motor vehicles	Straight line	2 - 15 years
Computer hardware	Straight line	3 - 8 years
Waterworks	Straight line	3 - 52 years
Telemetry	Straight line	3 - 15 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Accounting Policies

1.5. Property, plant and equipment (Continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the board. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The board assesses at each reporting date whether there is any indication that the board expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the board revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

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

1.6. Intangible Assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.

Accounting Policies

1.6 Intangible Assets (continued)

- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight line	3 - 10 years

Accounting Policies

1.7. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one board and a financial liability or a residual interest of another board.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or non-collectability.

A concessionary loan is a loan granted to or received by an board on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

Accounting Policies

1.7 Financial instruments (Continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the board shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the board shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another board under conditions that are potentially favourable to the board.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Accounting Policies

1.7 Financial instruments (Continued)

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the board.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

1.7 Financial instruments (Continued)

A residual interest is any contract that manifests an interest in the assets of the board after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of the board's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of the board.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the board had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the board designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and

1.7 Financial instruments (Continued)

- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means

1.8. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.8. Leases (Continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.9. Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Accounting Policies

1.9. Inventories (Continued)

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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.

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.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the board.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.10. Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Accounting Policies

1.10. Impairment of cash-generating assets (Continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use. Useful life is either:

- the period of time over which an asset is expected to be used by the board; or
- the number of production or similar units expected to be obtained from the asset by the board.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash- generating assets, are as follows:

1.11. Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of a Board after deducting all of its liabilities.

1.12. Employee benefits

Employee benefits are all forms of consideration given by the Board in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting Board, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting Board's own creditors (even in liquidation) and cannot be paid to the reporting Board, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting Board to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- the board's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post- employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

1.12. Employee benefits (Continued)

A constructive obligation is an obligation that derives from an board's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the board has indicated to other parties that it will accept certain responsibilities and as a result, the board has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages and salaries;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the board recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

Accounting Policies

1.12. Employee benefits (Continued)

- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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 board measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the board has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an Board provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

1.12. Employee benefits (Continued)

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the board recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting board) that are held by an board (a fund) that is legally separate from the reporting board and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting board's own creditors (even in liquidation), and cannot be returned to the reporting board, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting board; or
- the assets are returned to the reporting board to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

1.12. Employee benefits (Continued)

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the board's informal practices. Informal practices give rise to a constructive obligation where the board has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the board's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The board measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.12. Employee benefits (Continued)

The board determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the audited financial statements do not differ materially from the amounts that would be determined at the reporting date.

The board recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost; interest cost;
- the expected return on any plan assets and on any reimbursement rights; actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The board uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an board shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an board shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Accounting Policies

1.12. Employee benefits (Continued)

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The Board recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the board re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The board offsets an asset relating to one plan against a liability relating to another plan when the board has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

Accounting Policies

1.12. Employee benefits (continued)

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Termination benefits

The board recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The board is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;

Accounting Policies

1.12. Employee benefits (Continued)

- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

1.13. Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at June, 30 2020.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting Policies

1.13. Provisions and contingencies (Continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the board settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each June 30 2020 and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of an activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Accounting Policies

1.13. Provisions and contingencies (continued)

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the board

No obligation arises as a consequence of the sale or transfer of an operation until the board is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 26.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The board recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor,
- defaults or delinquencies in interest and capital repayments by the debtor,

Accounting Policies

1.13. Provisions and contingencies (continued)

- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the board for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the board considers that an outflow of economic resources is probable, an board recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

1.14. Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

1.15. Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the board receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

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

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Accounting Policies

1.15. Revenue from exchange transactions (continued)

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates

1.16. Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.17. Comparative figures

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

Accounting Policies

1.18. Fruitless and wasteful expenditure

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

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.19. Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

(a) this Act; or
(b) the State Tender board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 2 of 2019/2020 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 17 May 2020):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Accounting Policies

1.19. Irregular expenditure (continued)

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20. Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Accounting Policies

1.20. Related parties (continued)

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the board, including those charged with the governance of the water board in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the Board.

The board is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the board to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the board is exempt from the disclosures in accordance with the above, the board discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its audited financial statements.

1.21. Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

Accounting Policies

1.21. Events after reporting date (continued)

The board will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The board will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Annual Financial Statements

	2020	2019
	R'000	R'000

2. Property, plant and equipment

	2020			2019		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Buildings	254,607	(134,625)	119,982	254,607	(125,268)	129,339
Machinery and equipment	626,195	(275,267)	350,928	590,582	(233,185)	357,397
Furniture and fixtures	11,043	(8,152)	2,891	10,906	(7,053)	3,853
Motor vehicles	40,344	(26,781)	13,563	35,282	(22,700)	12,582
Computer - Hardware	5,312	(3,300)	2,012	5,107	(2,524)	2,583
Assets Under Construction	194,077	-	194,077	152,494	-	152,494
Telemetry	8,838	(3,036)	5,802	8,838	(2,300)	6,538
Water network	2,873,578	(985,019)	1,888,559	2,873,578	(919,680)	1,953,898
Total	**4,013,994**	**(1,436,180)**	**2,577,814**	**3,931,394**	**(1,312,710)**	**2,618,684**

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Buildings	129,339	-	-	(9,225)	(132)	119,982
Machinery and Equipment	357,397	1,569	34,039	(39,390)	(2,687)	350,928
Furniture and fittings	3,853	135	-	(1,074)	(23)	2,891
Motor vehicles	12,582	5,004	-	(4,023)	-	13,563
Computer Hardware	2,583	203	-	(770)	(4)	2,012
Assets under construction	152,494	75,622	(34,039)	-	-	194,077
Telemetry	6,538	-	-	(656)	(80)	5,802
Water network	1,953,898	-	-	(62,275)	(3,064)	1,888,559
	2,618,684	**82,533**	**-**	**(117,413)**	**(5,990)**	**2,577,814**

Notes to the Annual Financial Statements

	2020	2019
	R'000	R'000

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers received	Transfers	Depreciation	Impairment loss	Total
Buildings	132,214	-	(166)	6,609	-	(9,198)	(120)	129,339
Machinery and Equipment	347,056	2,536	(643)	45,321	-	(36,840)	(33)	357,397
Furniture and fittings	4,932	30	(18)	-	-	(1,068)	(23)	3,853
Motor vehicles	16,393		(145)	-	-	(3,652)	(14)	12,582
Computer Hardware	1,515	1,147	(17)	446	-	(505)	(3)	2,583
Assets Under Construction	193,754	86,299	-	-	(127,559)	-	-	152,494
Telemetry	5,385		(35)	1,784	-	(579)	(17)	6,538
Water network	1,941,561		(7)	73,398	-	(61,054)	-	1,953,89
	2,642,810	**90,012**	**(1,031)**	**127,558**	**(127,559)**	**(112,896)**	**(210)**	**2,618,68**

Property, plant and equipment in the process of being constructed or

	2020	2019
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Water network	194,077	152,494
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
LNW 32/15/16 Supply and delivery of pipes for Politsi scheme Pipes were delivered on site. There is a dispute on the Water Use Licence between LNW and Tzaneen Irrigation Board. No impairment losses have been recognised in relation to the project LNW 04/15/16 Construction of raw water pipeline for Politsi scheme	8,787 459	8,787 459
LNW 33/15/16 Politsi raising main pipeline installation Pipes were delivered on site. There is a dispute on the Water Use Licence between LNW and Tzaneen Irrigation Board. No impairment losses have been recognised in relation to the project	5,407	5,407
	14,653	**14,653**

Notes to the Annual Financial Statements

	2020 R'000	2019 R'000

2. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	**Total**
Opening balance	152,494	152,494
Additions/capital expenditure	75,622	75,622
Transfers	(34,039)	(34,039)
	194,077	**194,077**

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Intangible assets

	2020			2019		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
Computer software, other	8,499	(7,594)	905	8,499	(6,934)	1,565
Servitudes	781	-	781	781	-	781
Total	**9,280**	**(7,594)**	**1,686**	**9,280**	**(6,934)**	**2,346**

Reconciliation of intangible assets – 2020

	Opening balance	Amortisation	Total
Software	1,565	(660)	905
Servitudes	781	-	781
	2,346	**(660)**	**1,686**

Reconciliation of intangible assets – 2019

	Opening balance	Additions	Amortisation	Total
Computer software, other	1,563	518	(516)	1,565
Servitudes	781	-	-	781
	2,344	**518**	**(516)**	**2,346**

4. Other financial assets

Designated at fair value		
Unit trusts	86,240	84,313

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

4. Other financial assets (continued)

Non-current assets

	2020 R'000	2019 R'000
Designated at fair value	86,240	84,313

Financial assets at fair value

5. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

	2020 R'000	2019 R'000
Present value of the defined benefit obligation-wholly unfunded	(73,636)	(80,041)

Changes in the present value of the defined benefit obligation are as follows:

The above balance of R73 million (R80 million:2019) takes into account the net expense recognised In the statement of financial performance as detailed below:

Net expense recognised in the statement of financial performance

	2020 R'000	2019 R'000
Current service cost	3,250	3,322
Interest cost	8,555	7,919
Actuarial (gains) losses	(16,001)	(6,571)
	(4,196)	**4,670**

Calculation of actuarial gains and losses

	2020 R'000	2019 R'000
Actuarial (gains) losses – Obligation	(16,001)	(6,571)
Actuarial (gains) losses – Plan assets	-	-
	(16,001)	**(6,571)**

Key assumptions used

Assumptions used at the reporting date:

	2020	2019
Discount rates used	14,21%	10.68%
Medical cost trend rates	10,46%	8.49%
Expected increase in health care costs	8,96%	6.99%
Real rate (Gap)	3,40%	2.01%

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

5. Employee benefit obligations (continued)

The basis used to determine the overall expected rate of return on assets is as follow:

Discount Rate Assumptions

The discount rate is set by taking the average yields from the zero coupon SA Government bond curve over a 15 to 20 year term, which is consistent with the duration considered in 2019. The recommended discount rate as at 30 June 2020 is 14.21%. The source is the Johannesburg Stock Exchange through Inet BFA data services..

Future Inflation Assumption:

The future inflation assumption was estimated by comparing the yields on nominal bonds to yield on real bonds on the yield curve for bonds with a duration of between 15 and 20 years. The implied inflation assumption is therefore8.96% per annum. The source is the Johannesburg Stock Exchange through Inet BFA data service.

6. Inventories

	2020	2019
Chemicals	2,105	2,737
Water Inventory: Work in Progress	8,894	12,425
Assurance Inventory	1,421	1,421
Maintenance Inventory	3,008	2,348
Water Inventory: Clean water	35,768	17,468
	51,196	**36,399**

7. Receivables from exchange transactions

	2020	2019
Trade debtors	575,746	510,468
Employees Loans	2,686	1,545
Provision for doubtful debt	(290,025)	(235,972
Sundry debtors	4,121	2,715
DWS Projects	338,318	337,635
Plant claims	343,609	356,365
	974,455	**972,756**

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

7. Receivables from exchange transactions (continued)

Trade and other receivables impaired

As of June 30, 2020, trade and other receivables of R 290 million (2019: R 235 million) were impaired and provided for .

The amount of the provision was R 54 million as of June 30, 2020 (2019: R 54 million).

The ageing of these loans is as follows:

	2020	2019
3 to 6 months	-	6,248
Over 6 months	290,025	229,725

Reconciliation of provision for impairment of trade and other receivables

	2020	2019
Opening balance	(235,972)	(290,103)
Provision for impairment	(54,053)	54131
Unused amounts reversed	-	-
	(290,025)	**(235,972)**

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 20). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The board does not hold any collateral as security.

8. VAT receivable

	2020	2019
VAT	7,554	21,383

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2020	2019
Cash on hand	399	271
Bank	74,536	17,372
Short-term deposits	13,065	34,587
	88,000	**52,230**

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

10. Finance lease obligation

	2020 R'000	2019 R'000
Minimum lease payments due		
- within one year	248	248
- in second to fifth year inclusive	165	392
	413	**640**
less: future finance charges	29	67
Present value of minimum lease payments	**442**	**707**
Present value of minimum lease payments due		
- within one year	224	207
- in second to fifth year inclusive	160	366
	384	**573**
Non-current liabilities	160	366
Current liabilities	247	207
	407	**573**

The lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default. The carrying amount of leased assets is R346 (2019: R565).

The average lease term was 3 to 5 years and the average effective borrowing rate is 8% (2019: 8%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

None of the finance lease liabilities have purchase options. The lease premiums have zero % escalation rates

11. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision – Bonuses	19,181	19,603	(17,573)	(1,608)	19,603

Reconciliation of provisions – 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision – Bonuses	18,339	19,181	(16,542)	(1,797)	19,181

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

12. Payables from exchange transactions

Trade payables		391,934	261,223
Leave and Bonus		32,195	30,239
Retention		125,739	127,291
GRIR		1,702	29,518
Customer - Deposits received		287	287
Other payables		68,832	68,510
		620 689	**517,068**

13. Revenue from exchange transactions

Water Sales – Potable		542,719	510,928
Water Sales- Industrial		59,320	50,212
		602,039	**561,140**

14. Other Income

Administration and management fees received		20,733	20,841
Section 30 Income		79,531	94,218
Rental income		1,133	1,150
Interest Received - Water Sales		41,285	26,389
Sundry Income		915	665
		143,597	**143,263**

15. Investment revenue

Interest – Bank		9,022	6,997

16. Employee related costs

Basic		83,635	81,746
Bonus		17,573	16,542
Medical aid - company contributions		11,425	10,141
UIF		59	549
Other payroll levies		95	74
Leave pay provision charge		11,016	8,974
Short term benefit 2		11,939	10,500
Defined contribution plans		14,784	13,688
Travel, motor car, accommodation, subsistence and other allowances		3,659	3,578
Overtime payments		4,876	4,821
13th Cheques		6,083	5,887
Car allowance		12,680	12,830
Long-term benefits - incentive scheme		3,385	3,478
		181,209	**172,808**

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

17. Depreciation and amortisation

	2020 R'000	2019 R'000
Property, plant and equipment	98,633	88,403
Intangible assets	659	516
	99,292	**88,919**

18. Finance costs

	2020 R'000	2019 R'000
Retirement Benefit interest cost	8,555	7,919
Other interest paid	86	42
	8,641	**7,961**

19. Debt impairment

	2020 R'000	2019 R'000
Debt impairment	54,053	(54,131)

20. Operating expenses

	2020 R'000	2019 R'000
Auditors remuneration	4,357	4,090
Bank charges	268	355
Cleaning	47	93
Consulting and professional fees	79,735	54,724
Consumables	3	5
Employee costs	181,209	172,808
Donations	-	1
Entertainment	349	425
Fines and penalties	657	-
Gifts	6	2
Insurance	2,212	5,376
IT expenses	4,244	4,399
Debt impairment	54,053	(54,131)
Lease rentals	990	941
Marketing	-	54
Promotions and sponsorships	538	283
Levies	-	15
Magazines, books and periodicals	-	226
Motor vehicle expenses	475	594
Packaging	4,158	4,680
Fuel and oil	2,902	6,046
Postage and courier	23	283
Printing and stationery	205	312
Protective clothing	1,971	2,900
Repairs and maintenance	31,508	25,634
Royalties and license fees	207	215
(Gain) or loss on disposal of assets and liabilities	-	1,031
Safety & Security	10,610	7,421
Staff welfare	154	235
Subscriptions and membership fees	119	138
Telephone and fax	1,841	1,803
Training	2,218	3,951
Travel – local	1,688	2,939
Depreciation, amortisation, and impairments	99,292	88,919
Other operating expenses	54,234	29,879
	540,273	**366,646**

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

21. Cost of Sales

	2020 R'000	2019 R'000
Sale of goods		
Raw Water	48,537	34,694
Electricity	127,252	110,618
Chemicals	11,232	11,919
Other Production Expenses: Depreciation	23,726	22,147
Other Production Expenses: Repairs and Maintenance	13,241	17,941
Direct Labour	94,508	84,446
	318,496	**281,765**

22. Auditors' remuneration

	2020 R'000	2019 R'000
Fees	4,357	4,090

23. Cash generated from operations

	2020 R'000	2019 R'000
(Deficit)Surplus	(98,638)	65,253
Adjustments for:		
Depreciation and amortisation	124,063	113,622
Loss on sale of assets and liabilities	-	1,031
Fair value adjustments	1,886	(3,654)
Impairment deficit	-	120
Debt impairment	54,053	(54,131)
Movements in retirement benefit assets and liabilities	(6,405)	2,659
Movements in provisions	422	842
Other non-cash items	-	(124)
Changes in working capital:		
Inventories	(14,797)	(8,260)
Receivables from exchange transactions	(1,699)	(137,053)
Consumer debtors	(54,053)	54,131
Payables from exchange transactions	103,619	50,881
VAT	13,829	21,963
	122,280	**107,280**

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

24. Financial instruments disclosure

2020

Financial Assets

	At fair value	At amortised cost	Total
Other financial assets	86,240	-	86,240
Trade and other receivables from exchange transactions	-	974,455	974,455
Other receivables from non-exchange transactions	-	7,554	7,554
Cash and cash equivalents	88,000	-	88,000
	174,240	**982,009**	**1,156,249**

Financial liabilities

	At fair value	Total
Other financial liabilities	73,636	73,636
Trade and other payables from exchange transactions	620,688	620,688
Provisions	19,603	19,603
Finance lease obligation	407	407
	714,334	**714,334**

2019

Financial Assets

	At fair value	At amortised cost	Total
Other financial assets	84,313	-	84,313
Trade and other receivables from exchange transactions	-	972,756	972,756
Other receivables from non-exchange transactions	-	21,383	21,383
Cash and cash equivalents	52,230	-	52,230
	136,543	**994,139**	**1,130,682**

Financial liabilities

	At fair value	Total
Other financial liabilities	80,041	80,041
Trade and other payables from exchange transactions	517,069	517,069
Provisions	19,181	19,181
Finance lease obligation	573	573
	616,864	**616,864**

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

25. Commitments

Authorised capital expenditure

Already Contracted for but not provided for accounting officer.

Property, plant and equipment	165,740	91,234

Total capital commitments

Already contracted for but not provided for	165,740	91,234

Total commitments

Authorised capital commitments	165,740	91,234

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	1,952	888
- in second to fifth year inclusive	82	346
- later than five years	-	-
	2,034	**1,234**

Operating lease payments mainly represent leases payable by the board for equipment and premises . Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

26. Contingencies

Contingent liabilities

Dispute with a supplier: There is a dispute relating to interest charged and invoices billed by a supplier amounting to the value of R32,818m.

Contingent assets

Land Claim: The board purchased a farm which became a subject of successful land claim in 2003. The value of the farm was R2.7m. Land claim commissioner took possession of

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

the farm in 2005 and did not pay any money to LNW. The matter is currently under legal dispute and the board believes the claim is probable.

Legal Claim: The board awarded water reticulation project to two entities in 2016. The projects were for emergency draught relief. There is contractual obligation as the entities claimed all the money due for work not completed. The matter has been referred to LNW attorneys for legal dispute of R1.5 m and the likelihood of receiving the money is probable.

27. Related parties

Board Members	Refer to Remuneration of Management, Management class: Board Members.
Executive Committee	Refer to Remuneration of Management, Management class: Executive Management.
Controlling entity	Department of Human Settlement, Water and Sanitation

Lepelle Northern Water is a state-controlled entity with the Minister of Human Settlement, Water and Sanitation as executive authority. As a schedule 3B Enterprise in terms of the Public Finance Management Act no.1 of 1999, Lepelle Northern Water is related to public entities under the same Ministerial Control.

Key management comprises of those persons responsible for planning, directing, and controlling the activities of the entity. Lepelle Northern Water considers key management as Board members and Executive Committee as detailed in the Remuneration of Management report.

Close members of the family of key management individuals are those family members who may be expected to influence or be influenced by that person in their dealings with the entity.

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

28. Related parties (continued)

Remuneration of management

Management class: Board members

2020

Name	Fees for services as a member of management	Basic remuneration	Other benefits received	Total
J Mathebula (Interim Board)	-	52	-	52
YD Mbane (Interim Board)	-	40	-	40
J Matlala (Interim Board)	-	35	-	35
MM Makgopa-Madisa (Interim Board)	-	35	-	35
MC Twalo (Interim Board)	-	35	-	35
M Mabi (Interim Board)	-	35	-	35
B Gaorekwe (Interim Board)	-	35	-	35
GP Ritshuri (Interim Board)	-	35	-	35
NH Matsepe	186	574	3	763
MI Phasha	57	435	2	494
J Letsoalo	29	380	-	409
MA Mphahlele	61	380	-	441
MM Ntsaba	24	380	15	419
LLC Malamba	12	381	6	399
BP Sebola	64	381	8	453
MPK Tshivhase	-	469	-	469
	433	3,682	34	4,149

2019

Name	Fees for services as a member of management	Basic remuneration	Back Pay	Other benefits received	Total
MPK Tshivase	79	613	14	19	725
MI Phasha	73	464	10	4	551
TTC Hlongwa	18	303	9	15	345
J Letsoalo	30	406	9	-	445
MA Mphahlele	87	406	9	-	502
MM Ntsaba	36	406	9	24	475
LLC Malamba	36	406	9	21	472
BP Sebola	96	406	9	21	532
NH Matsepe	108	513	9	1	631
	563	**3,923**	**87**	**105**	**4,678**

The Minister of Human Settlements, Water and Sanitation appointed an interim board with effect from May 29, 2020 following a lapsed term of the outgoing board.

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

28. Related parties (continued)

Management class: Executive management

2020

Name	Basic salary	Bonuses and performance related payments	Other employee benefits	Travel and subsistence	Total
PK Legodi	1,534		1,056	63	2,653
RJ Mathebula	870	257	923	9	2,059
AE Netshidaulu	1,037	-	763	111	1,911
SP Mathevula	964	-	1,165	23	2,152
GD Manzini	814	303	1,008	-	2,125
N Nokeri	815	282	845	53	1,995
MM Mashamaite	682	174	685	4	1,545
RM Sebela	433	179	602	-	1,214
	7,149	**1,195**	**7,047**	**263**	**15,654**

2019

Name	Basic Salary	Bonuses and Performance Related Payments	Other Employee Benefits	Travel and Subsistence	Total
PK Legodi	1,534	463	1,517	216	3,730
RJ Mathebula	813	224	886	11	1,934
AE Netshidaulu	1,004	306	874	98	2,282
SP Mathevula	934	268	1,261	15	2,478
GD Manzini	760	264	890	6	1,920
N Nokeri	707	245	776	49	1,777
MM Mashamaite	641	152	695	8	1,496
RM Sebela	405	156	650	-	1,211
	6,798	**2,078**	**7,549**	**403**	**16,828**

29. Prior Period Error

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Management fee income invoices relating to prior year period were recognised in the 2019/20 financial year.

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

29. Prior Period Error (continued)

Statement of financial position

	Note	As previously reported	Correction of error	Restated
Receivables from exchange	7	972,104	652	972,756
Vat receivable	8	21,731	(348)	21,383
		993,835	**304**	**994,139**

Statement of financial performance
2019

	Note	As previously reported	Correction of error	Restated
Other Income	14	143,563	(300)	143,263

30. Risk management

Financial risk management

The board's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The board's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the board's financial performance. Risk management is carried out by Risk and Audit committee under policies approved by the Board. Board Risk and Audit committee identifies and evaluates financial risks in close co-operation with the Board's operating units.

The board provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

The board defines liquidity risk as the risk of failure to meet all financial obligations on a timely basis when due. The board's approach to managing liquidity risk is to ensure it will always have sufficient committed facilities to meet its liabilities when they fall due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the board's reputation. The board's liquidity comprises of money market instruments such as call deposits and fixed call deposits. To mitigate liquidity risk exposure. The board has committed facilities with various financial institutions.

30. Risk management (continued)

The board's liquidity requirements are reviewed on a regular basis to ensure the organisation funding requirements are met timeously. This is monitored using cash flow forecasts (weekly , monthly quarterly , yearly forecasts) and maturity gap analysis to assess and monitor its liquidity requirements and risk level.

Credit risk

As a bulk water provider, being a basic commodity, it is not possible for the water board to select customers to whom sales are made and to determine their credit worthiness before sales are made. This increases the risk of customer defaults in their water accounts.

Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and foreign currency risk. The objective of market risk management is to protect the board's net income against adverse market movements through active management of interest rate, foreign currency and price risks within approved policy parameters.

Interest rate risk

The interest rate risk refers to the susceptibility of the board's financial positions to adverse fluctuations in market interest rates. Interest rate risk management objective is to protect its funding plan and Assets and Liability Management (ALM) strategies from adverse fluctuations in market interest rates. To achieve this objective, it is the policy of the board to measure and manage its interest rate exposure both over the short and long term in order to protect and ensure continued financial sustainability.

30. Risk management (continued)

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

31. Going concern

We draw attention to the fact that at June 30, 2020, the board had an accumulated surplus of R3 072 610 billion and that the board's total liabilities is R714 335 million.

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

The ability of the board to continue as a going concern is dependent on several factors. The most significant of these is that the Board continue to procure funding for the ongoing operations for the board and that the subordination agreement referred in the audited annual financial statements will remain in force for so long as it takes to restore the solvency of the board.

32. Events after the reporting date

The board has moved its services from Modjadji and Nkowankowa schemes under Mopani District Municipality with effect from August 1, 2020.

Accordingly, the financial position and results of operations as of and for the year ended June 30, 2020 have not been adjusted to reflect the impact.

The board is not aware of any other material events or circumstance subsequent to the end of the financial year and up until the authorisation of the annual financial statements.

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

33. Fruitless and wasteful expenditure

		2020 R'000	2019 R'000
Opening balance as previously reported		2,474	2,454
Opening balance as restated		**2,474**	**2,454**
Interest and penalties		799	20
Closing balance		**3,273**	**2,474**

34. Irregular expenditure

		2020 R'000	2019 R'000
Opening balance as previously reported		38,768	31,213
Add: Irregular Expenditure		11,886	7,555
Opening balance as restated		**50,654**	**38,768**
Closing balance		**50,654**	**38,768**
Incidents/cases identified in the current year include those listed below:			
Disciplinary steps proceedings taken/criminal			
Awaiting condonation		9,102	38,768
Awaiting write-off		41,554	-
		50,656	**38,768**

The above irregular expenditure of R50 million (R38 million: 2019) was incurred as a result of non-compliance to supply chain management regulations.

35. Segment information

General information

Identification of segments

The board identifies all schemes operated by the board as reportable segments. Lepelle Northern Water operates throughout Limpopo Province in four regions. The segments were organised around the type of service delivered, the target market and the method used to provide the services. Management uses these same segments for determining strategic objectives. Segments were aggregated for reporting purposes due to the similarity of their economic characteristics.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources.

Notes to the Annual Financial Statements

	Notes	2020 R'000	2019 R'000

35. Segment information (continued)

Segment surplus or deficit

2020

Revenue		
Revenue from external exchange	602,039	602,039
transactions Inter-segment transfers	-	-
Other segment income	121,303	121,303
Interest revenue	9,022	9,022
Total segment revenue	**732,364**	**732,364**
Entity's revenue		**732,364**

Expenditure		
Segment cost of sales	223,988	223,988
Segment labour costs	94,508	94,508
Other segment expenses	123,713	123,713
Expected credit losses	54,053	54,053
Segment depreciation and amortisation	96,308	96,308
Interest expense.	8,641	8,641
Total segment expenditure	**601,211**	**601,211**
Total segmental surplus/(deficit)		**131,153**
Total net surplus/(deficit) for reportable segments		134,258
Other segment surplus/(deficit)		(232,896)
Entity's surplus (deficit) for the period		**(98,638)**

Management currently only reviews the surplus and deficit results of the segments and does not review the segment assets or segment liabilities other than the Trade and other receivables from exchange transactions.

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EXPENDITURE TRENDS (HISTORICAL INFORMATION)

	2020	2019	2018	2017	2016	2015	2014
	Audited	*Audited*	*Audited*	*Audited*	*Audited*	*Audited*	*Audited*
Water Sales (in megalitres)	**84 148**	**89 526**	**93 820**	**89 388**	**97 809**	**97 596**	**97 637**
Potable water	71 168	78 195	81 140	77 819	72 787	72 615	72 615
Industrial water	12 980	11 331	12 680	11 569	25 022	25 022	25 022
INCOME STATEMENT	**R`000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Turnover	602 039	561 140	541 945	474 747	459 199	441 549	398 416
Portable water sales	542 719	510 928	492 882	429 626	414 485	400 454	353 922
Industrial water sales	59 320	50 212	49 063	45 121	44 714	41 095	44 494
Sundry income	159 597	153 488	177 250	188 162	189 388	97 330	79 976
Total Revenue	**761 636**	**714 628**	**719 195**	**662 909**	**648 587**	**538 879**	**478 392**
Expenditure							
Operating expenditure	590 696	401 340	407 599	631 538	502 806	434 707	441 991
Net operating expenditure	491 404	312 421	353 750	525 201	468 259	406 611	415 814
Raw water charge	48 537	34 694	47 117	49 111	44 332	46 840	36 108
Depreciation	99 292	88 919	53 849	106 337	34 547	28 096	26 177
Cost of sales	318 496	281 765	262 173	265 286	242 898	210 193	189 245
Gross profit	283 543	279 375	279 772	209 461	216 301	231 356	209 171
Operating income	(99 019)	66 217	2 306	31 371	145 781	104 172	36 401
Net Financing costs	381	(964)	(1 975)	543	11 126	11 959	18 052
Interest paid	8 641	7 961	6 779	6 066	1 601	1 416	19
Interest received	9 022	6 997	4 804	6 609	12 727	13 375	18 071
Profit for the year	**(98 638)**	**65 253**	**331**	**31 914**	**156 907**	**115 585**	**53 907**

CASH FLOW STATEMENT

	2020	2019	2018	2017	2016	2015	2014
	R`000	R'000	R'000	R'000	R'000	R'000	R'000
Cash generated from trading	762 053	725 110	634 654	642 840	(33 853)	(7 860)	6 994
Change in net working capital	(639 685)	(616 864)	(681 062)	(427 973)			
Cash generated from operations	122 366	108 244	(46 350)	214 867	(22 727)	(7 860)	6 994
Net interest paid	(86)	(964)	1 975	(6 066)	11 126	(11 959)	(18 052)
Cash flow from operations	122 280	107 280	(44 375)	208 801	(33 853)	4 099	25 046
Net cash outflow from investing	(86 346)	(92 713)	(70 854)	(136 057)	(115 493)	(96 833)	(76 976)
net cash inflow from financing	(166)	573			-	-	-
Net cash and cash equivalent	35 768	15 140	(115 229)	72 744	(149 346)	(92 734)	(51 930)
Cash at beginning of year	52 230	37 090	152 319	79 575	217 796	310 530	362 460
Cash retained for the year	87 998	52 230	37 090	152 319	79 575	217 796	310 530

BALANCE SHEET

	2020	2019	2018	2017	2016	2015	2014
	R`000	R'000	R'000	R'000	R'000	R'000	R'000
Capital and reserves	3 072 610	3 171 248	3 105 400	2 789 426	1 016 895	896 179	826 689
Long-term liabilities	73 796	80 407	77 382	67 528	65 558	17 584	16 439
short-term liabilities	640 539	536 456	559 191	667 168	273 048	166 267	221 294
Equity and liabilities	**3 786 945**	**3 788 111**	**3 741 973**	**3 524 122**	**1 355 501**	**1 080 030**	**1 064 422**
Property, plant and equipment	2 579 500	2 621 030	2 645 154	2 420 350	638 522	564 126	499 333
Investments	86 240	84 313	78 476	72 143	68 228	59 310	51 724
Current assets	1 121 205	1 082 768	1 018 343	1 031 629	648 751	456 594	513 365
Total assets	**3 786 945**	**3 788 111**	**3 741 973**	**3 524 122**	**1 355 501**	**1 080 030**	**1 064 422**

TARIFF STATISTICS

	2020	2019	2018	2017	2016	2015	2014
Potable tariff	**R/kl**	**R/kl**	**R/kl**	**R/kl**	**R/kl**	**R/kl**	**R/kl**
Phalaborwa	5,11	4,71	4,25	3,91	3,63	3,35	3,10
Doorndraai	7,91	7,29	6,75	6,22	5,76	5,33	4,92
Politsi	8,12	7,49	6,93	6,39	5,92	5,48	4,91
Ebenezer	8,05	7,42	6,86	6,33	5,86	5,53	5,24
Olifantspoort	8,05	7,42	6,86	6,33	5,86	5,53	5,20
Flag Boshielo	8,75	8,05	7,46	6,88	6,37	6,01	5,54
Marble Hall	8,73	8,05	7,45	6,87	6,36	5,89	4,53
Tubatse	7,59	7,00	6,48	5,97	5,53	5,22	4,81
Industrial tariff							
Industry - Foskor	4,57	4,21	3,90	3,59	3,29	2,75	2,34
Industry - PMC	4,57	4,21	3,90	3,59	3,29	2,75	2,34
Industry - Bosveld	4,57	4,21	3,90	3,59	3,29	2,75	2,34
Financial statistics per megalitres							
Average tariff (Industrial)	4,57	4,43	3,87	3,90	1,79	2,74	2,34
Average tariff (potable)	7,79	7,18	6,63	6,11	5,66	5,29	4,78
Average tariff (consolidated)	7,15	6,27	5,78	5,31	4,69	4,52	4,08
Operating expenditure per megalitre	7,02	4,48	4,34	7,07	5,14	3,57	3,57
Total cost per megalitre	7,02	4,47	4,32	7,07	5,25	3,96	3,96
Cost of raw water (per kl)	0,58	0,39	0,50	0,55	0,45	0,48	0,37
Finance cost (per kl)	0,00	-0,01	-0,02	0,01	0,11	0,12	0,18

OPERATING EFFICIENCY

	2020	2019	2018	2017	2016	2015	2014
Personnel costs (Rands)	275 569	257 254	221 601	217 516	182 631	169 460	149 798
Number of employees	403	384	359	352	353	324	310
Turnover per employee (Rands)	1 494	1 461	1 510	1 349	1 301	1 363	1 285
Salaries as % of turnover	46%	46%	41%	46%	40%	38%	38%
Total costs as % of turnover	98%	71%	75%	133%	112%	101%	115%
Interest paid as % of turnover	1%	1%	1%	1%	0%	0%	0%

Financial Ratios

	2020	2019	2018	2017	2016	2015	2014
Gross margin %	47%	50%	52%	44%	47%	52%	53%
Current ratio	1,8	2,0	1,8	1,5	2,4	2,7	2,3
Acid test ratio (Liquidity ratio)	0,1	0,1	0,1	0,2	0,3	1,3	1,4
Asset turnover	16%	15%	14%	13%	34%	41%	37%
Debt-equity ratio	23%	19%	20%	26%	33%	21%	29%
Gearing ratio	2%	2%	2%	2%	5%	2%	2%
Net profit margin	-16%	12%	0%	7%	34%	26%	14%
Debtors days	591	633	612	641	448	423	422
Interest cover (times)	0,00	0,00	0,00	4,83	63,37	76,39	4343,79
Return on assets	-1%	1%	0%	1%	4%	5%	4%
EBITA	9 295	162 133	60 959	144 317	193 055	145 097	80 103

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