



ANNUAL REPORT 2021/2022



ABOUT US

VISION

CHANGING LIVES THROUGH THE PROVISION OF
SUSTAINABLE BULK WATER SERVICES.

MISSION

PROVISION OF QUALITY WATER SERVICES AT SUSTAINABLE
LEVEL TO THE NEEDS OF OUR CUSTOMERS.

VALUES

Lepelle Northern Water (LNW) upholds the values underpinned by the eight Batho Pele principles in the management of its operations and the way it conducts its business.

VALUE	DEFINITION
Excellence	PERFORMING RESPONSIBILITIES ABOVE EXPECTATION AS SET OUT IN THE CORPORATE PLANS
Integrity	ACTING AND CONDUCTING OURSELVES WITH HONESTY
Accountability	WILLINGNESS TO ACCEPT RESPONSIBILITY FOR OUR ACTIONS
Agility	OUR RESPONSE TO CHANGE OR OPERATIONAL CHALLENGES WILL BE ACTED UPON PROMPTLY
Redress	PROVIDE OUR SERVICES IN AN EQUITABLE MANNER
Innovation	LOOKING AT NEW WAYS TO PROVIDE SERVICES



CONTENTS

1	VISION.....	I
2	MISSION.....	I
3	VALUES	I
	ACRONYMS	III
	ABOUT THIS REPORT.....	V
	FOREWORD BY THE MINISTER.....	VII
	CHAIRPERSON'S OVERVIEW	IX
	CHIEF EXECUTIVE'S REPORT	XIII
4	ORGANISATIONAL PROFILE	1
5	CORPORATE GOVERNANCE.....	5
6	ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL	15
7	BOARD'S REPORT	17
8	STAKEHOLDER RELATIONS.....	23
9	PERFORMANCE REVIEW	29
10	INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)	36
11	OPERATING ENVIRONMENT.....	40
12	PEOPLE EMPOWERMENT	67
13	FINANCIAL SUSTAINABILITY.....	74
14	ENTERPRISE RISK MANAGEMENT	80
15	INTERNAL AUDIT	84
16	REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON LEPELLE NORTHERN WATER.....	87
17	RISK & AUDIT COMMITTEE REPORT	97
18	FINANCIAL STATEMENTS	101
19	EXPENDITURE TRENDS (HISTORICAL INFORMATION).....	174



ACRONYMS

ACRONYM	DEFINITION
ABC	Amanzi Bargaining Council
AGSA	Auditor-General South Africa
BBBEE	Broad-Based Black Economic Empowerment
CIDB	Construction Industry Development Board
COGHSTA	Department of Cooperative Governance, Human Settlements and Traditional Affairs
COS	Centre of Specialisation
COVID-19	Coronavirus Disease 2019
CSI	Corporate Social Investment
DoRA	Division of Revenue Act
DWS	Department of Water and Sanitation
EEP	Employment Equity Plan
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FET	Further Education and Training
GRAP	Generally Recognised Accounting Practice
HET	Higher Education and Training
ICT	Information and Communications Technology
IDP	Integrated Development Plan
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing
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 Fund
OPEX	Operating Expenditure
PAA	Public Audit Act of South Africa
PFMA	Public Finance Management Act
PPI	Producer Price Index
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



ACRONYM	DEFINITION
TVET	Technical and Vocational Education and Training
WSAs	Water Services Authorities
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 Report 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 yearly prepared annual reports as required by the Public Finance Management Act (PFMA).

This specific report covers the period from 1 July 2021 to 30 June 2022. 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 (AG) audit process for the year under review.

The entity's financial statements are prepared in accordance with 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, is 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 improvement based on the AG's audit outcome and/or recommendations.

The scope covered by the 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



SENZO MCHUNU, MP
MINISTER OF WATER AND SANITATION

It is my great pleasure to present the 2021/2022 Annual Report for Lepelle Northern Water. It is one of the strategic vehicles that supports my infrastructure programmes within Limpopo.

My constant visit to Limpopo, specifically the Nandoni/Nsami and Giyani Water Services projects has assisted in fast-tracking the implementation of these projects. I was able to unlock the long outstanding issues that happened during the construction of Nandoni Dam. The issues are related to access to certain parts where the raw and potable water pipelines must pass through.

I also monitored the implementation of the Nandoni/Nsami and Giyani Water Services projects recovery plans with keen interest through the invaluable support from the two Deputy Ministers, Ms Dikeledi Magadzi and Mr David Mahlobo. The project has remarkably progressed and Lepelle Northern Water together with the Limpopo provincial office have done a sterling work in unlocking the administrative bottlenecks.

I also dealt with the mushrooming of the business forums that were going to delay the progress of the projects by establishing a multi-stakeholders forum at political level (chaired by the Executive Mayors) and technical level (chaired by the Technical Directors of the municipalities) to resolve both political and technical issues respectively at the appropriate levels and it has worked well so far.

I was told that Polokwane Municipality has been on a business development moratorium for more than ten years due to inadequate water supply. This has led me to support Lepelle Northern Water in accessing funding of about R4,5 billion from National Treasury through the Development Bank of Southern Africa's (DBSA) Infrastructure Fund Unit for the upgrade of Ebenezer/Olifantspoort schemes to ensure that Capricorn District and Polokwane Local municipalities receive adequate water supply. My department is working on the processes that will allow a smooth transfer of the tranches to Lepelle Northern Water together with all the relevant institutions to avoid delays of the project implementation, commencing in the 2022/23 financial year.



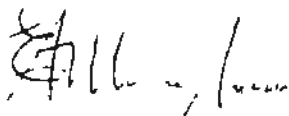
During the reconfiguration of the Water Boards, I have expanded the area of operation for Lepelle Northern Water to cover the entire province so that we have one entity accountable and nothing falls in between the cracks. This means that all the areas in the Waterberg District municipal area are covered under Lepelle Northern Water unlike the current status.

Our people's needs take priority and water is a basic human right as per our slogan being "Water Is Life". We made a commitment to our people that their lives will be better, and we must live up to the promises we made. The people of Limpopo have been denied this basic human right for a longer period and we need to all come together and join hands to unlock bottlenecks.

Cabinet has approved the appointment of the Chief Executive Officer position to strengthen the governance of the entity. This position will assist the board to fast track the completion of certain key projects in providing water services to the people of Limpopo.

The financial viability and sustainability of Lepelle Northern Water, among other water boards, is threatened by the persistent non-payment for water services by municipalities. We are continuously engaging the relevant ministries to come up with an amicable solution to resolve it as this situation impedes the effective delivery of services to communities.

My appreciation to Lepelle Northern Water's Board, executive management and staff members for their effort and I urge them to pursue excellence and good governance. I would also like to thank Parliament's Portfolio Committee on Water and Sanitation for their oversight and guidance.



SENZO MCHUNU, MP
MINISTER OF WATER AND SANITATION



CHAIRPERSON'S OVERVIEW



DR NF MPHEPHU
CHAIRPERSON OF THE BOARD

Limpopo is a water-scarce province that leads to extended moratoriums on economic growth and development within the provincial capital and major towns labelled as growth points.

The province is further hit by an unemployment rate of 35,6%, which means that the number of people who can pay for the water services rendered are insufficient considering that even some employed residents are below the poverty line.

This situation described above makes it more difficult for LNW to sustain the services rendered to consumers. The mandate of LNW is to provide both potable and industrial (semi-treated) bulk water to water services institutions and other users, such as industries in the province of Limpopo. This was one of the difficult journeys that the board has to endure considering it being faced by a plethora of challenges, ranging from governance to projects implementation that need to be resolved.

PFMA No 29 of 1999 (Section 40 and 55), as amended, and the Water Services Act (WSA) No 108 of 1997 (Section 44), as amended, require that a water board prepares a comprehensive annual report that will allow all the stakeholders to evaluate its performance. The legislative requirements have been clearly stipulated, as indicated below:

- Good quality data relevant to performance in service delivery;
- Implementation of capital projects;
- Extent of achievement of economies of scale; and
- Financial performance in the audited reports.

I am pleased to indicate that as a board we have complied with these legislative requirements, among others.

As a board that was appointed in the second month of the first quarter, it was imperative that we assess the status quo of the organisation and quickly identify key interventions that would, among others, deal with the reputation of the organisation. This meant looking at both strategic and operational priorities that would stabilise the entity.



The strategic priorities that were re-emphasised include:

- Focusing on our primary mandate which is bulk water services provision by ensuring that the entity effectively performs exactly what it was established to do;
- Re-engineering the entity to be a regional water utility that provides bulk water to the entire province of Limpopo, semi-treated water to industries (mines) and extends to areas where it has not, for every square inch of the province is covered by the delivery of bulk water services; and
- Raising funding for infrastructure development and in so doing ensuring good governance that will result in investors and stakeholders having confidence in LNW.

The operational priorities that were identified as part of stabilising the entity are highlighted as follows:

- Human resources management where there was a need to review and capacitate the entity with the appropriate skills to support the board in performing its mandate;
- Supply chain management where we ensured fair procurement practices that acquire the services or products of competent service providers that are capable of completing projects and preventing irregular appointments at all costs;
- Ensure sound financial management with no irregular expenditure and zero wasteful expenditure and working towards a clean audit;
- Ensure operational efficiency in terms of project implementation, operations and maintenance and infrastructure; and
- Strengthening of project management for the entity to complete projects on time within budget, of the required quality and within scope.

The above priority interventions have yielded an unqualified audit opinion with reduced matters of emphasis as well as realising surplus as compared to a deficit in the previous financial year.

The Board reviewed the organisational structure to ensure that it responds to the business strategy of the entity in line with re-engineering the entity towards a regional bulk water utility. All the policies of the entity were reviewed to ensure that they are aligned with the strategic intent of the entity. The Board also appointed the Chief Executive Officer and ensured that the newly created position of the General Manager for Engineering Services is filled as a first step towards stabilisation of the entity. The Board also ensured that the process of appointing the Chief Financial Officer is accelerated to ensure that the top structure of the entity is fully capacitated.

We have seen a remarkable improvement in the implementation of some of the long outstanding project programmes, such as Nandoni/Nsami and Giyani Water Services projects. This has not



been achieved without challenges. The tribal authorities, communities and business forums have more than once stopped the projects. However, these challenges were amicably resolved with the intervention of the Ministry of Water and Sanitation. This led to the establishment of a multi-stakeholder forum where all the project matters were deliberated, and decisions taken together with the representatives of each constituent.

The board raised R1,4 billion to upgrade the Ebanazer/Olifantspoort schemes that will bring relief to three municipalities, i.e. Polokwane Local Municipality, Capricorn and Sekhukhune District municipalities. The entity has already received the additional water licence of 60 Mℓ/day from the Olifants River Catchment system so that Olifantspoort Scheme can be upgraded to 120 Mℓ/day. Once the upgrade is completed, it will bring much-needed relief to the above-mentioned municipalities in terms of bulk water supply.

The Board rigorously engaged stakeholders to build strong partnerships. As a chairperson, I directly met with Executive Mayors and Mayors of all the institutions that we have bulk water agreements with to understand their challenges, followed by development of plans to respond to the challenges raised by each municipality. This has improved the confidence and trust on the part of the municipalities.

The Board also realised that the common challenge for both the municipalities and the entity is the ageing infrastructure that requires urgent attention. Furthermore, the entity's sustainability is negatively affected by non-payment by some of the municipalities. This has led us to review the payment agreements with defaulting municipalities to ensure adequate payments that will assist us to stabilise our ageing infrastructure for reliable supply of bulk water to our clients.

LNW has supported WSAs in terms of participating in their District Development Model and Integrated Development Planning (IDP) processes. This always provides an opportunity for LNW to continuously give input in the municipal planning processes and get information to 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 Development Plan (LDP).

The Board continuously implements water demand and conservation management to address a situation where the available resources are exceeded by water consumption. This is not sufficient, especially when the end users do not apply water conservation and demand principles. We have, among other measures, augmented our existing water resources with boreholes, although this is not sustainable. As a result we need to persistently instil a culture of



maximising the little water that we have through awareness campaigns on various media platforms and municipal imbizos. We also note and appreciate the efforts being made to maximise the utilisation of the Olifants River Water Resources Development Programme (known as De Hoop Dam) and Nandoni Dam in the province.

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 PFMA, 1999 as amended prescribes 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 remain 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 2021/22 Annual Financial Statements. We are mindful of the few matters that were identified and require exclusive attention for the organisation to close them. The Board has already developed a programme of action towards the achievement of a clean audit report.

I thank all employees and the management team for their contribution, commitment and tireless work in an effort to fulfil the organisation's mandate. Special thanks go to all our stakeholders and customers for their perseverance under the difficult circumstances they encountered as and when there were major breakdowns that interrupted their water supply.

The board also thank the Minister of Water and Sanitation, Honourable Senzo Mchunu, in his relentless efforts to ensure that the people of Limpopo have drinking water by unlocking all the impediments that needed his attention, especially on the Giyani Water Services and Nandoni/Nsami projects.



DR NF MPHEPHU
CHAIRPERSON OF THE BOARD



CHIEF EXECUTIVE'S REPORT



DR C RUITERS
CHIEF EXECUTIVE OFFICER

LNW's mandate is to provide bulk water services to other water management institutions and users, namely, municipalities, mining and industry in the gazetted areas of supply. To this end, we have ensured that we have 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 wastewater, potable water and wastewater quality monitoring, asset management, water demand and conservation management, infrastructure master planning, and project and contract management expertise.

The support functions of Finance, ICT 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 Limpopo. The training programmes, development programmes, internal promotions, appointments, competitive remuneration and succession planning measures have ensured that we retain the best skills and contain a staff turnover rate at a low level of 1,08% 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 amid 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 an especially 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, during which strategic objectives of the organisation were agreed to with clear priorities to be achieved over the five-year period as highlighted below:

- Infrastructure development and provision of equitable and sustainable water services;
- Financial viability and sustainability;
- Effective human capital management and development; and
- 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 in the province full, however, Doorndraai and Middle Letaba Dams have not reached 50% capacity, being at 40% and 9,5% respectively. This has led to LNW focusing on ground water exploration and sand water extraction pilot projects. While the boreholes displayed instability, sand water extraction technology brought some hope to the province and the country. The two pilot sand water extraction projects in Skhiming and Ga-Kuranta yielded 700 000 l/s and 300 000 l/s respectively during a very dry season and they were successfully launched by the then Minister of Human Settlements, Water and Sanitation.

Natural environment

LNW is implementing the ISO 14001 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 discharge into natural ecosystems remained a firm guide for LNW to continuously ensure that its activities protect the natural ecosystem within its area of operation.

Infrastructure refurbishment

LNW has undertaken several 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 the Department of Water and Sanitation (DWS) and Water Services Authorities (WSAs). While project milestones and completion targets were naturally set, unfortunate incidents of delays were encountered on several 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

Production-related infrastructural deterioration has seen water losses increase to 6,78% when compared to 4,58% in the 2020/21 financial year against a target of 5%. Optimal maintenance of infrastructure throughout its entire life cycle is critical to optimising return on production assets. Plant availability remained unchanged at 96% compared to 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 (WTW) to conduct independent tests, performed by its Scientific Water Services Unit. We conduct internal tests to establish if the final water quality produced by our water treatment works adhere to SANS 241 requirements. LNW has set stringent internal control systems 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

LNW's human capital management and development agenda of human resources capacity remained a top priority. Ninety-eight (98) 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-related fields of study.

Financial performance

The sustainability of LNW is threatened by non-payment by municipalities with whom it has entered into Service Level Agreements (SLAs), even though there are payment agreements signed with some of the municipalities.



The water board recorded a surplus of R93,5 million, a remarkable achievement when comparing with a restated deficit of R43,6 million of the previous financial year (2020/21). Revenue increased to R689,7 million when compared to R599 million of 2020/21 financial year.

Other income from cost recovery relating to management fees amounts to R22 million, down from R23 million in 2021. Generally, the decrease in management fees over the past three years is due to the decrease in the number of projects the board implemented on behalf of DWS.

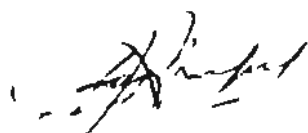
LNW has annually kept its tariff increase below 10% for the past five years, considering the socio-economic factors within the province. The entity's average tariff (potable) is R8,28 per kilolitre for the year under review. The main cost drivers have been electricity, raw water and salaries. The entity's gross profit percentage increased from 41% to 53% in the period under review.

Supply chain management

The continuous 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 of the organisation.

Through the improvement of the SCM systems, the entity has been able to improve the acquisition of goods and services to uphold a fair, equitable, transparent, competitive and cost-effective principles, although still dealing with legacy contracts from the past. LNW always strive to procure goods and services locally and from Broad-based Black Economic Empowerment (BBBEE) Service Providers. A procurement target of 80% for the services to enhance Broad-based Black Economic Empowerment (BBBEE) was set and 94% (R90 million worth of projects) was achieved.

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.



DR C RUITERS
CHIEF EXECUTIVE OFFICER



4 ORGANISATIONAL PROFILE

4.1 LEGISLATIVE MANDATE

LNW is a public water entity, wholly owned by the state and 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 PFMA 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 Water and Sanitation.

4.2 KEY ACTIVITIES

Section 29 of the WSA 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 WSA 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 cooperation 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.



4.3 AREA OF SUPPLY



Figure 4-1: 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 an estimated 56% of the size of the province.

Municipal customers serviced by LNW are:

- Polokwane Local Municipality (PLM)
- Capricorn District Municipality (CDM)
- Sekhukhune District Municipality (SDM)
- Waterberg District Municipality (WDM) (partially)
- Mopani District Municipality (MDM); and



LNW regional representation within its service area

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



Mr Precious Moshokane
Regional Manager
Sekhukhune



Ms Leah Musetha
Acting Regional Manager
Mopani



Mr Tshiamo Kwati
Acting Regional Manager
Capricorn

4.4 INFRASTRUCTURAL CAPACITY

LNW operates 20 bulk water schemes ranging in capacity from 1,0 to 175 Ml/day, some of which are conventional, package and borehole systems. Of these bulk water schemes, five are owned by LNW and the remainder are operated on behalf of municipalities. LNW's assets are currently valued at an estimated R4,05 billion.



4.5 EXECUTIVE MANAGEMENT STRUCTURE

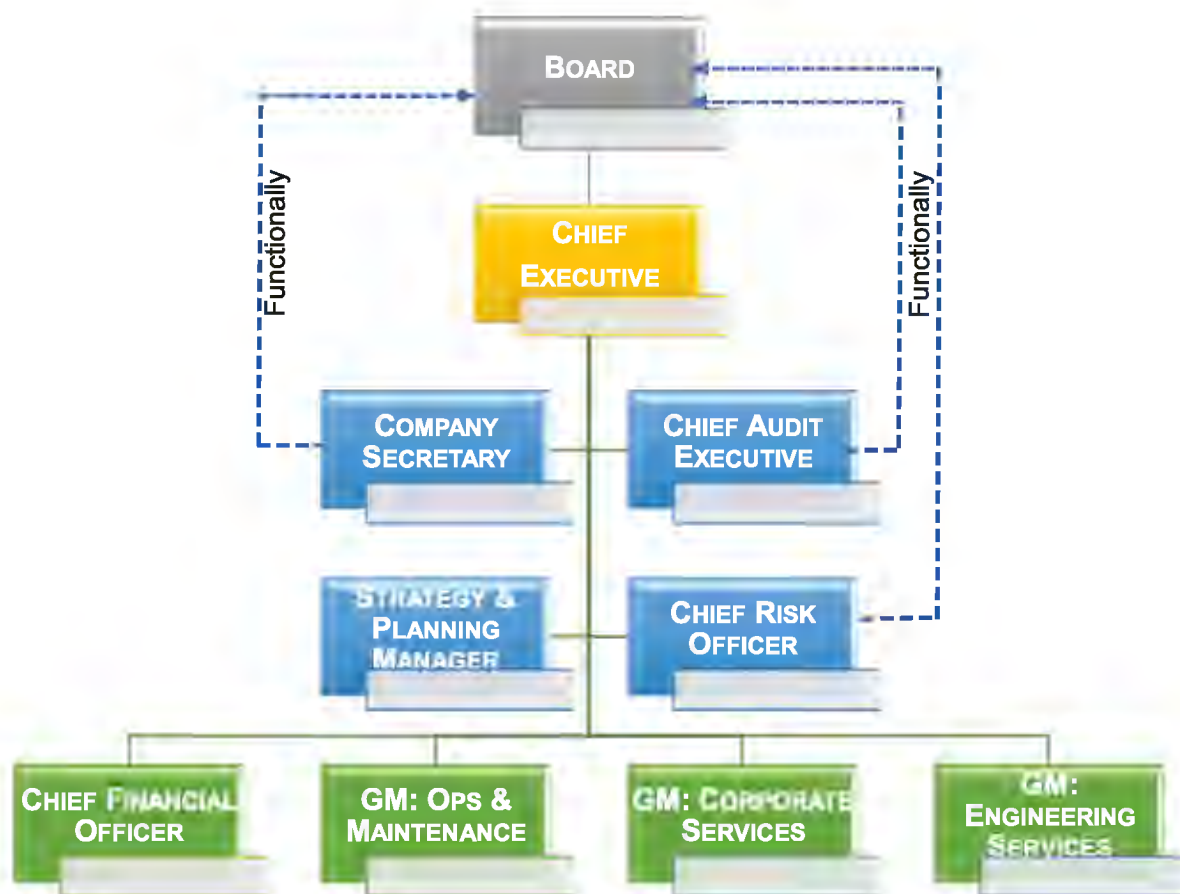


Figure 4-2: Management structure

LNW remains ready for operational expansion due to institutional realignment, leading to the entity becoming a regional water utility for the entire province of Limpopo. This initiative by the Minister of Water and Sanitation necessitated a revision of the composition of the executive management, hence the introduction of the position of General Manager: Engineering Services and appointment thereafter. This position is vital for the organisation to have a dedicated department for projects implementation instead of the current situation where the General Manager has been responsible for both production and projects.



5 CORPORATE GOVERNANCE

5.1 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 WSA No 108 of 1997, until termination by the Minister. On 1 August 2021 the Board was appointed to provide oversight for the next four years.

5.2 DETAILS OF THE BOARD MEMBERS AND EXECUTIVE MANAGEMENT

5.2.1 Board Members

Dr NF Mphephu (Chairperson)



Dr Mphephu brings to the Board leadership, technical and business experience in Environmental, Social and Governance (ESG), research and development, stakeholder management, strategy and business management. He is a registered member of the South African Council for Natural Scientific Professions (SACNASP).

He holds the qualifications of Doctor of Philosophy (PhD) in Environmental Science and Master of Business Administration (MBA) Degree and has obtained Certificates in Advanced Labour Law, Certificate Programme in Management Development, SAMTRAC and Environmental Law. He has served extensively in the capacity as executive member of various institutions.

Dr P Molokwane



Dr Molokwane is a registered nuclear physicist with SACNASP) and a water and environmental engineering professional. She boasts over eighteen (18) years of expertise and experience in groundwater remediation, research in nuclear process and solid waste strategies, solutions and technologies, petroleum and energy industry.

She has worked in both the public and private sector. She has an extensive corporate governance experience. She serves on the advisory body to the President of South Africa, the National Planning Commission (NPC) as a Commissioner and Chair of Active Citizenry Capable State and Leadership Workstream. She is the commissioner responsible for Science and Technology and Chairperson of the Water Task Team.



She served/s on the boards of South African Forestry Company SOC Limited (SAFCOL), the Inkomati-Usuthu Catchment Management Agency (IUCMA), Sedibeng Water Board, the Nuclear Energy Corporation of South Africa (NECSA) and ESKOM SOC Limited, South African National Biodiversity Institute (SANBI), National Forestry Advisory Council (NAFC) as Deputy-Chairperson, Public Investment Corporation (PIC), Nominee Director to Siyanda Resources, Sublime Technologies and steering committees and panels within the Science and Innovation and Water departments. She has authored over thirty-eight (38) scientific/engineering peer reviewed papers and four (4) chapters.

She holds a Ph.D. Degree in Chemical Technology (Chemical Engineering), an M.Sc. Applied Radiation Sciences and Technology (ARST) Degree, a Postgraduate Diploma in ARST and a B.Sc. (Physics and Chemistry).

Dr M Soni



Dr Soni's experience is in the construction sector where he has occupied various senior positions in both the private and the public sector for more than 25 years. He has worked for organisations such as Group Five, Murray & Roberts, the National Department of Public Works, the Housing Development Agency, the National Home Builders Registration Council (NHBRC) and related institutions in construction project management, construction management, infrastructure development and management, business administration and management, corporate governance, and general management-related positions.

He holds a Ph.D. in Construction Management, a M.Sc. in the Built Environment specialising in Project Management, an MBA, a B.Sc. (Hons) Construction Management, BTech Construction Management, N. Dipl Building, a Certificate in the Municipal Financial Management as well as a Public Service Senior Management Service Pre-Entry Programme Certificate. He is registered as a Professional Construction Manager (Pr CM), a Professional Construction Project Manager (Pr CPM), a Chartered Construction Manager (FCIOB), a Chartered Project Management Surveyor (FRICS), a Project Management Professional (PMP), PRINCE2 and as a Certified Director (Cert. Dir).

Dr F Munyai



Dr Munyai is a seasoned professional researcher and strategist on business operations with experience honed through a career of more than three decades spanning both the public and private sectors contributing to several senior management roles in Government and working for key institutions, including a public entity, a university and a college. Apart from overseeing the non-financial performance of six



State-Owned Entities (SOEs), Dr Munyai has held directorships in the SOE and public sector as an advisory panel member.

She holds tertiary qualifications that include an MBA, Ph.D. (Agriculture), M.Sc. Agriculture, BSc Agriculture (Hons) and a B.Sc. Agriculture Degrees earned at diverse South African institutions of higher learning. Her extensive corporate governance expertise applying Institute of Directors of Southern Africa-gained knowledge adds to her professional contribution in diverse industries and sectors.

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), a Master of Laws (LLM) in Corporate Law and a Certificate in Public Finance for Non-Financial Managers. She is a qualified mediator and a member of the non-governmental organisation (NGO) Mediation in Motion.

Adv RT Ramashla



Advocate RT Ramashla is an admitted advocate of the High Court of South Africa. He is a skilled corporate lawyer with extensive knowledge of company law and business law. Adv Ramashla holds a Bachelor of Laws Degree from the University of Limpopo and a Master of Laws Degree from the University of South Africa, with specialisation in company law. Adv Ramashla has received specialised training in various areas of labour law, including legislative drafting.

He has vast experience working in the public sector. His career highlights include working as a legal advisor for Capricorn District Municipality. He is currently working as researcher and speech writer in the Limpopo Provincial Government. As part of community service, Adv Ramashla is currently serving as Chairperson of the School Governing Body of Laerskool Pietersburg-Noord. He is also a deputy chairperson of the Limpopo Consumer Affairs Court.

Mr TJ Mathebula



Mr 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 has experience in business, politics, mining and property development. He has further served as President of The Black Management Forum Limpopo and the Polokwane Golf Club. He has held directorships in both the business and public sectors.



He has a Bachelor of Administration Degree and Certificate in Marketing from UNISA and recently obtained a Postgraduate Diploma in Business Administration from the UNISA Graduate School of Business Leadership. He holds an Executive Development Programme from Wits Business School. Mr Mathebula is currently enrolled for a Master's Degree in Development Finance with the University of Stellenbosch Business School.

Mr MM Magoele



Mr Magoele is a qualified chartered accountant (CA (SA)) and an expert in financial management, specialising in technical IFRS, annual financial statements, cash flow, investments, revenue, and audit coordination at group level.

He has also completed technical programmes in Enterprise Risk Management with National Treasury and Outcome-Based Monitoring and Evaluation with the University of Pretoria.

He is currently serving in a non-executive role at South-West Gauteng TVET College as Council member, Finance Committee Chairperson and Audit and Risk Committee member. He previously served as an Independent Audit and Risk Committee member at Letaba TVET College.

Ms FJ Mudau



FJ Mudau has more than 11 years of experience and a wealth of knowledge in public finance, auditing, risk management, public sector procurement and compliance with various prescripts.

She has also served in the Limpopo Government's shared service cluster of the Departments of Treasury, Social Service and Education as a member of the Audit Committee. She is serving as a member of the Audit and Risk Committee of the national Department of Transport and as Chairperson of the Shared Audit and Performance Committee of Nkangala District Municipality.

She holds a degree in Management Business Leadership (MBL), has a Bachelor of Commerce Degree as well as Certificates in Risk Management: Principles and Practices, Government Finance and Programme Management Development. She is a registered member of the South African Institute of Public Accountants (SAIPA).



Ms S Chiloane-Nwabueze



Ms Salome Chiloane-Nwabueze is presently working for DBSA, being responsible for providing technical support to under-resourced municipalities and providing the Non-Lending Development Subsidy to unlock grant funding, economic development, and revenue enhancement of under-resourced municipalities. She worked as a Technical Group Leader for Research and Development, providing strategic direction and leadership in the research and development of non-standardised construction products and systems. Her experience also stems from working for various local and national government departments as well as Rand Water. Her area of expertise is in the fields of water, sanitation, civil engineering, project management, monitoring and evaluation, research, governance as well as strategy formulation and implementation.

She holds a Master of Science in Civil and Environmental Engineering (MSc Eng.) Degree and a Master of Business Administration (MBA) Degree. She has over 10 years of experience within the water sector and further serves on public and private sector boards.

Ms B Mahlutshana



Ms B Mahlutshana has held CEO positions in the public transport space and has spent the past 20 years in various leadership and executive positions, having been involved in the development finance and public transport sectors. She has gained critical experience in financial management and administration for municipalities from various institutions in advisory roles on debt restructuring and overall financial assessment and viability.

She gained critical skills in BBBEE financing and advisory as well as private equity investing. She is non-executive director of several companies.

She holds a Bachelor of Commerce in Business Management Degree, a Bachelor of Commerce Honours in Financial Management and a Postgraduate Diploma in Municipal Governance.



5.3 EXECUTIVE MANAGEMENT

5.3.1 Executive Management

Dr C Ruiters (Chief Executive)



Dr Ruiters boasts extensive experience and expertise in the water sector through the application of his engineering and science knowledge. He has extensive experience in environment and water resources and supply services engineering and management. His vocational work experience includes water resources infrastructure, water supply management, water distribution infrastructure and operations and maintenance, water and wastewater treatment as well as solid waste management. In addition, he has a strong background in integrated environmental management and sustainable development. He further boasts an extensive record of approximately 300 citations and more than 50 publications in the fields of science and engineering.

He holds degrees in Science, Engineering and Business Administration from various Universities within the country. He has completed PhD studies and research through San Diego State University in California. He is a registered Professional Natural Scientist and Civil Engineer who has been actively working in the academic, private and public sectors.

Mr ES Moeng (GM Corporate Services)



He has 27 years of experience in human capital, gained in the National and Provincial government and at parastatals. He is a member of the South African Board for People Practices (SABPP), the professional body for HR Practitioners in South Africa as well as the quality assurance body for HR learning provision.

He holds a Master's Degree in Public Management, a Bachelor of Law (LLB) and a B-Tech degree in Human Resources Management. He has also completed programmes in coaching essentials, expert negotiation and labour dispute resolution practice.

Ms LP Sebola (Acting General Manager: Operations and Maintenance)



She is a professional registered Scientist in the Biological field. With 24 years' experience gained in water and algal biotechnology, quality management systems and operations and maintenance. She is a member of Water Institute of South Africa (WISA) and serving member of the SANS 241 Technical Committee and a technical assessor for



SANAS. Committed to uplift others and in her career she has mentored 9 who registered as professional scientists and 4 candidate scientists.

She holds a B.Tech in Biotechnology and a Masters in Business Administration. She is a qualified ISO 17025 Internal Auditor.

Mr AE Netshidaulu (GM: Operations) on precautionary suspension



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. Having been in the field for more than 22 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 has been a member of the Advisory Board (Applied Chemistry) of the University of Johannesburg since February 2017.

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

Ms SP Mathevula (Chief Financial Officer) – resigned



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

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

Mr MS Ramalatso (acting Chief Financial Officer)



Mr Ramalatso brings extensive experience and skills in the financial environment. He started in the organisation as a senior financial accountant, was later promoted to financial manager and is currently acting as CFO. He holds multiple memberships of professional bodies i.e. the Independent Regulatory Board for Auditors (IRBA) as a



registered auditor, South African Institute of Chartered Accountants (SAICA) as a qualified chartered accountant and is recognised by SARS as a tax practitioner. He holds multiple qualifications in the accounting and auditing industry, i.e. a Bachelor of Commerce Degree, a Bachelor of Commerce Honours and Postgraduate Diploma in Applied Accounting Sciences/CTA.

Ms DG Manzini (Chief Audit Executive)



She has extensive experience in internal auditing, financial management, risk management and corporate governance. Her experience of 20 years was gained 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 on the Limpopo Committee as the Regional Governor and as Deputy-Regional Governor.

She holds a National Diploma in Internal Auditing, a BTech Degree in Internal Auditing and a Postgraduate Diploma in Internal Auditing. She is also qualified as a Certified Internal Auditor (CIA) and a 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 vastly contributed to his understanding of the local government sphere. Being in the water sector for 30 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 Master's Degrees in Sanitary Engineering, Water Care Technology and Business Administration (MBA).

Ms MS Satekge (Chief Risk Officer)



She has vast experience in risk management, auditing, corporate governance, and finance with over ten years' experience acquired in both the public and private sectors in bridging operational and strategic management functions. She holds a B.Com Degree in Financial Management and a Bachelor of Accounting Sciences and is designated as Associate General Accountant (SA) by SAICA. She also holds a Certificate in Strategic Leadership.



Ms M Sebela (Committee Secretary)



Ms M Sebela boasts 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 BTech Degree in Public Management.

5.3.2 Board Committees

Table 5-1: Board committee composition and responsibilities

HR, SOCIAL AND ETHICS COMMITTEE	INFRASTRUCTURE, OPERATIONS AND STAKEHOLDER COMMITTEE	AUDIT & RISK COMMITTEE	FINANCE COMMITTEE
Mr TJ Mathebula Adv MM Makgopa-Madisa Dr F Munyai Chief Executive (Ex Officio) Invitees GM: Corporate Services Chief Financial Officer Chief Risk Officer	Dr M Soni Ms S Chiloane-Nwabusza Dr P Molokwane Chief Executive (Ex Officio) Invitees Chief Financial Officer GM: Operations & Maintenance Manager: Strategy & Planning	Mr I Vally (External Chairperson) Mr S Ngobeni (External Member) Ms FJ Mudau Adv RT Ramashia Invitees Chief Executive (Ex Officio) Chief Financial Officer Chief Risk Officer Chief Audit Executive Manager: Strategy & Planning	Mr M Magoole (CA) (SA) Ms B Mhlatshane Ms Y Pamla (External Member) Chief Executive (Ex Officio) Invitees Chief Financial Officer
Role To review and recommend for approval to the Board, amongst other matters relating to recruitment, remuneration, human resource policies, and employee benefits, labour-related issues and social and ethics-related issues in terms of the King III and IV reports.	Role To ensure execution of LNw's legislative mandate and the fulfilment of its mission. The Committee is also responsible for the development and maintenance of LNw's 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 monitor compliance with the relevant Acts, ICT, review annual report, financial statements and that financial information and practices are in compliance with GRAP.	Role To ensure, among others, effective and efficient financial management, a fair, equitable, transparent, competitive and cost-effective procurement and provisioning system, budgeting process, coordinate financial inputs into strategic plans and oversee the development of the Annual Financial Statements. Ensure compliance with the PFMA and Treasury regulations.



Table 5-2: Board (August 2021)

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
N Mphphu	4	20
M Magoele	4	20
B Mahlutshana	4	19
M Soni	4	20
P Molokwane	4	18
S Chiloane-Nwabueze	4	20
J Mathebula	4	14
M Makgopa-Madisa	4	19
R Munyai	4	20
F Mudau	4	19
RT Ramashia	4	17
I Vally (Independent Member)	4	20

Table 5-3: Audit and Risk Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
I Vally	4	17
S Ngobeni	4	17
F Mudau	4	17
RT Ramashia	4	14

Table 5-4: Finance Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
M Magoele	4	9
B Mahlutshana	4	7
Y Pamla	4	8

Table 5-5: Human Resources, Social and Ethics Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
J Mathebula	4	10
MM Makgopa-Madisa	4	10
R Munyai	4	10

Table 5-6: Infrastructure, Operations and Stakeholder Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
M Soni	4	7
P Molokwane	4	5
S Chiloane-Nwabueze	4	7



6 ACCOUNTING AUTHORITY'S RESPONSIBILITIES AND APPROVAL

The Board of LNW is required by the Public Finance Management Act (Act 1 of 1999) to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Board to ensure that the annual financial statements fairly present the state of affairs of LNW 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 annual financial statements and were given unrestricted access to all financial records and related data.

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

The 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 LNW and places considerable emphasis on maintaining a strong control environment. To enable the members 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 entity and all employees are required to maintain the highest ethical standards in ensuring LNW's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in LNW is on identifying, assessing, managing and monitoring all known forms of risk across the water 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 of LNW 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 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 LNW's cash flow forecast for the year to 30 June 2023 and, in the light of this review and the current financial position, is satisfied that LNW has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

Although the Board is primarily responsible for the financial affairs of LNW, they are supported by the water board's external auditors.

The external auditors are responsible for independently reviewing and reporting on LNW's annual financial statements. The unaudited annual financial statements will be examined by the water board's external auditors and their report will be presented on page 87.

The annual financial statements set out on pages 101 to 172, which have been prepared on the going concern basis, were approved by the Board on 31 October 2022 and were signed on its behalf by:



DR NF MPHEPHU
CHAIRPERSON OF THE BOARD



7 BOARD'S REPORT

The members submit their report for the year ended 30 June 2022.

7.1 REVIEW OF ACTIVITIES

7.1.1 Main business and operations

The entity is engaged in provision of bulk water services and operates principally in Limpopo, South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Surplus of the entity was R93,501 (2021: deficit R43 644).

7.2 GOING CONCERN

We draw attention to the fact that at 30 June 2022 the entity had an accumulated surplus of R3 177 702 and that the entity's total assets exceed its liabilities.

The annual financial statements have been prepared 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 entity to continue as a going concern is dependent on several factors. The most significant of these is that the members continue to procure funding for the ongoing operations.

7.3 SUBSEQUENT EVENTS

The members of the Board appointed the Chief Executive Officer, Dr Cornelius Ruiters with effect from 1 July 2022.



7.4 ACCOUNTING POLICIES

The annual financial statements prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such statements issued by the Accounting Practices Board, and in accordance with the prescribed Standards of GRAP, issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7.5 BOARD

The members of the Board appointed after the reporting period are as follows:

NAME	NATIONALITY	CHANGES
Dr NF Mphephu	RSA	Appointed Sunday, 1 August 2021
Mr TJ Mathebula	RSA	Appointed Sunday, 1 August 2021
Mr MM Magoele	RSA	Appointed Sunday, 1 August 2021
Ms FJ Mudau	RSA	Appointed Sunday, 1 August 2021
Ms B Mahlutshana	RSA	Appointed Sunday, 1 August 2021
Adv RT Ramashia	RSA	Appointed Sunday, 1 August 2021
Adv MM Makgopa-Madisa	RSA	Appointed Sunday, 1 August 2021
Dr P Molokwane	RSA	Appointed Sunday, 1 August 2021
Dr F Munyai	RSA	Appointed Sunday, 1 August 2021
Ms S Chiloane-Nwabueze	RSA	Appointed Sunday, 1 August 2021
Dr M Soni	RSA	Appointed Sunday, 1 August 2021

7.6 CORPORATE GOVERNANCE

General

The Board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the Board supports the highest standards of corporate governance and the ongoing development of best practice.

The entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The board discusses the responsibilities of management in this respect at board meetings and monitor the entity's compliance with the code on a three-monthly basis.

The salient features of the entity's adoption of the Code are outlined below:



Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities with regards to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors as defined in the Code; and
 - executive directors; and
- has established a board directorship continuity programme.

Chairperson and Chief Executive

The Chairperson is a non-executive and independent director (as defined by the Code).

The roles of Chairperson and Chief Executive are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Executive meetings

The Board has met on nineteen (19) separate occasions during the financial year. The Board is scheduled to meet at least four times per annum.

Non-executive directors have access to all members of management of the entity.

Audit and Risk Committee

The Audit and Risk Committee has consistently been chaired by I Vally, who is an independent audit committee member. The committee met seventeen times (17) during the financial year to review matters necessary to fulfil its role.



The annual financial statements set out on page 98 – 169, which have been prepared on the going concern basis, were approved by the Board on 31 October 2022 and were signed on its behalf by:



DR NF MPHEPHU
CHAIRPERSON OF THE BOARD



7.7 REMUNERATION OF THE BOARD MEMBERS AND SENIOR MANAGEMENT

Table 7-1: Remuneration of Board Members

2022

Name	Stipend	Board members' claims	Subsistence and travel	Total
NF Mphephu	609	399	74	1,082
J Mathebula	433	68	11	512
YD Mbane	39	13	-	52
JL Matlala	34	8	-	42
MM Makgopa-Madisa	415	151	4	570
MC Twalo	35	5	-	40
M Mabi	35	11	-	46
B Mahlulushana	381	99	5	485
FR Munyal	381	123	10	514
MSM Soni	381	132	19	532
MM Magoele	381	154	23	558
RT Ramashia	-	-	5	5
S Chiloane-Nwabuze	381	155	27	563
FJ Mudau	381	127	4	512
PE Molokwane	297	24	-	321
	4,183	1,469	182	5,834
Independent members			Members' fees	Total
IAS Vally			294	294
SA Ngobeni			99	99
Y Pamla			73	73
			466	466

2021

Name	Stipend	Board members' claims	Subsistence and travel	Total
J Mathebula	626	176	33	835
YD Mbane	474	155	10	639
J Matlala	415	140	5	580
MM Makgopa-Madisa	415	138	11	584
MC Twalo	415	89	51	555
M Mabi	415	132	51	598
B Gaorekwe	346	57	5	408
GP Ritshuri	42	30	8	80
NF Mphephu	372	98	18	486
	3,520	1,013	192	4,725
Independent members			Member fees	Total
IAS Vally			183	183
SA Ngobeni			78	78
Y Pamla			5	5
			266	264

The current Board was appointed by the Minister of Water and Sanitation with effect from August 2021.



Table 7-2: Remuneration of executive management**2022**

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
AE Netshidaulu	1,157	682	203	2,042
PE Molokwane	130	9	-	139
SP Mathevula	1,029	890	180	2,099
ES Moeng	666	989	126	1,781
GD Manzini	893	757	189	1,819
N Nokeri	913	610	173	1,696
RM Sebola	476	526	90	1,092
M Satekge	466	319	88	873
M Mantsho	57	-	-	57
MS Ramalatsa	216	-	-	216
MPD Tolo	252	-	-	252
ME Mphachoe	137	-	-	137
LP Sebola	174	-	-	174
MC Zenzile	11	-	-	11
	6,577	4,782	1,029	12,388

2021

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Termination benefits	Total
AE Netshidaulu	1,108	577	194	-	1,879
PK Legodi**	203	114	48	727	1,092
SP Mathevula	1,030	936	190	-	2,156
RJ Mathebula~	759	463	-	130	1,352
GD Manzini	851	863	161	-	1,875
N Nokeri	871	713	185	-	1,749
NM Mashamaite**	237	191	44	227	699
RM Sebola	453	504	86	-	1,043
ES Moeng	159	150	30	-	339
M Satekge	148	106	28	-	280
MS Ramalatsa	-	111	-	-	111
MPD Tolo	-	400	-	-	400
ME Mphachoe	-	319	-	-	319
	5,817	5,447	946	1,084	13,294

Notes:

Remuneration of key management excludes any consideration provided solely as reimbursement for expenditure incurred by those persons for the benefit of the entity, such as the reimbursement of accommodation costs associated with work-related travel.

** Mr PK Legodi and Ms Mashamaite resigned in 2021.

~ Mr RJ Mathevula retired in 2021.



8 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.



Figure 8-1: LNW Stakeholders

8.1 CUSTOMER SATISFACTION

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





Figure 8-2: Comparison of overall customer satisfaction

Figure 8-2 depicts that customer satisfaction has improved to 81% in 2021/22 when compared to 80% of the previous year, 2021. LNW responds to the needs of its bulk customers through engagements on a quarterly basis or as required. Of these many vital engagements, few are highlighted below:

8.1.1 Meetings with WSAs

Quarterly and monthly technical performance review meetings were held with the WSAs in line with the bulk water services contracts during the period under review. The importance of such meetings, among others, to assess operational performance with the objective of timeously and most efficiently delivering water services and addressing identified gaps and concerns. At high level the Accounting Officers get information that assist them to take decisions that enhance service delivery.

8.1.2 Media engagements

LNW values the media as one of its stakeholders, providing accessibility, engagement and accountability to the public by communicating messages via a variety of channels. Media monitoring remains crucial and continuously enables LNW to speedily react to water-related service matters within its area of operation.

Liaison with the media is regarded as key and response to media enquiries receives priority. During the period under review engagement with the media entailed the hosting of a media open day for two-way discussion. Media prominence during the period under review was maintained



through television and radio interviews and response provided to mainstream and local publications and media statements being issued.

LNW continues to timely provide correspondence to stakeholders to notify them of any planned and unplanned service disruptions to inform their customers accordingly and in this regard LNW posts alerts on all available platforms in advance. This is done in close liaison with the Operations and Maintenance Department and follows prior correspondence to the clients in advance.

8.1.3 Online and social media platforms

Interaction with the community and our stakeholders through the official organisational online and social media platforms remains key. Continuous communication and updates on several issues are continuously posted, including on the organisational website. During the period under review Facebook, Twitter, Instagram and LinkedIn as well as YouTube were active.

8.1.4 Communications

Messages directed at external stakeholders as well as employees are communicated via the website, Intranet, email distribution, on all the available online and social media platforms and further on the electronic outdoor electronic screen at the head office. As part of communication with external stakeholders and employees, monthly electronic newsletters were distributed. As with the newsletters, all production work such as audio-visual clips, gets produced in-house.

8.1.5 Outdoor electronic screen

The electronic screen at the head office is effectively applied for distribution of electronic banners that are continuously revisited for relevance and refreshed in conjunction with the service provider. In addition, new stills get designed in-house to convey support for calendar events or important messages, such as the ongoing anti-theft/vandalism awareness campaign. Artwork for use on the outdoor screen is continuously augmented by the service provider.



8.2 CORPORATE SOCIAL INVESTMENT (CSI)

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

Phulanibylhola Primary School

Donation of items for food garden items that include gardening tools, seedlings and seed packs were donated to the primary school as part of a project in collaboration with Palabora Foundation on 9 December 2021. The food garden approach was chosen to inculcate the notion of growing a sustainable food source among young learners. The project created further opportunity to impart entrepreneurial knowledge on the youth.



Tank donation to Matlebjane Aged Centre, Apèl Village

LNW donated a water storage tank to the elderly members of Matlebjane Aged Centre in Apèl Village on 22 February 2022. The project was steered in conjunction with Sekhukhune District Municipality. The water storage tank was intended to augment water supplies to the facility occupied by the NGO at times of water scarcity.



Water storage tank donation to family at Mokomene Village, Botlokwa

On 15 February 2022 LNW handed over a water storage tank to a family headed by young women residing in a sparse dwelling at Mokomene Village in the Botlokwa area. The family was affected by their mother having passed away during the Covid-19 pandemic. The project was steered in conjunction with the Department of Women, Youth and Persons with Disability, the Office of the Premier and the Charlotte Maxeke Foundation.



Soccer kit donation to Reboile Soccer Club, Mamaolo section in Ga-Mphahlele Village

A donation of a soccer kit to Reboile Football Club in Mamaolo section of Ga-Mphahlele Village was made in collaboration with Nedbank in Limpopo on 13 May 2022. The club approached LNW for assistance in the form of a soccer kit, whereupon LNW banking partner, Nedbank, was approached to be on board. The joint venture further led to participation in a soccer tournament hosted by Reboile Football Club at their sportsgrounds on Youth Day. For the event LNW and Nedbank joined forces to take on a team from Reboile Football Club in a match that formed part of the tournament.



A dynamic background featuring a large, central splash of water that forms a wide, shallow bowl shape. Numerous smaller water droplets and bubbles are scattered throughout the scene, particularly concentrated around the edges of the main splash and in the upper and lower portions of the frame. The overall color palette is a range of blues, from light sky blue to deeper cerulean tones.

PERFORMANCE REVIEW



9 PERFORMANCE REVIEW

The organisation's performance reviewed against the Corporate Plan is depicted briefly in Figure 9.1 below, illustrating an improved performance during the reporting period at 77% as compared to 67% achievement in the previous year.



Figure 9-1: Performance comparison between 2020/21 and 2021/22 financial years

9.1 PERFORMANCE REVIEW AGAINST THE CORPORATE PLAN

1. PROVISION OF EQUITABLE AND SUSTAINABLE BULK WATER SERVICES

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL	ACHIEVED / NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
1.1. Infrastructure Efficiency and Effectiveness	1.1.1. Number of days' supply interrupted as a % of possible supply days	3%	0,41%	😊		
1.2. Water Loss Management	1.2.1. Avoidable water lost as a percentage of water sold	5%	6,78%	😞	Olifantspoort – aging Infrastructure leaking. Phelaborwa scheme is experiencing aging infrastructure which lead to pipe leaks/bursts.	Repair the leaks as and when occurs Medium to long term: Fastrack Implementation of refurbishment and replacement programme. The contractor is appointed during the 2021/22 financial year to replace non-functional components (Isolating and Scour Valves) and focus for 2022/23 will be



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET	ACTUAL	ACHIEVED / NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
					Furthermore, Phalaborwa has illegal connections on the 800mm and 350mm lines which aggravates the high-water loss.	on the 580mm bulk line. In the process of installing the zonal meters for balancing and billing purposes along the lines including the water consumed through illegal connections.
					Politsi schemes are experiencing aging infrastructure which lead to pipe leaks/bursts.	Repair the leak as and when occurs
						Replacement of asbestos pipeline to steel pipeline will reduce the pipe burst and sustain the water supply. This project is part of the Politsi upgrade which are halted due to WULA suspension. Regular follow ups with Water Tribunal.
					Illegal connections on the Bulk Infrastructure and lack of capital budget to refurbish bulk infrastructure at Burgersfort and Flag Boshele bulk distribution system.	Regular repairs pipeline leaks and bursts as they occur. Finalise the Water Services Authority Business Plan (showing all the Capex needs) and submit to Sekhukhune District Municipality for approval.
1.3. Drinking Water Quality Compliance	1.3.1. % Compliance to SANS 241 for Drinking Water (bulk)	Microbiological compliance	98%	98,7%	😊	
		Acute chemical compliance	95%	99,3%	😊	
		Operational compliance	95%	93,4%	😞	Current shortage of chlorine gas in the country is the main contributor to schemes not meeting the
						Most schemes have installed chlorinators so that they have back up disinfection system when they run out of



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET		ACTUAL	ACHIEVED / NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
		Chronic chemical compliance	95%	99,5%	😊	required operational compliance.	chlorine. The programme is ongoing.
1.4. ISO certification	1.4.1. 14001 Certification	Valid certificate		Valid certificate	😊		
	1.4.2. ISO 45001 certification	Legal compliance report		Legal compliance report	😊		

2. BULK WATER SERVICES INFRASTRUCTURE PLANNING AND DEVELOPMENT

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET 2021/22	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
2.1. Expansion and renewal of infrastructure	2.1.1. Average % completion of LNW infrastructure projects per approved project execution plan	75%	89,8%	😊		
	2.1.2. Average % completion of ministerial directives per approved project execution plan	65%	66,2%	😊		
	2.1.3. Actual Capex spend on expansion-related projects as % of budget (initiative by the Minister)	65%	74,0%	😊		
	2.1.4. Overall project completion dates within targets	N/A	N/A	N/A	N/A	N/A



3. EFFECTIVE FINANCIAL VIABILITY AND SUSTAINABILITY

KEY PERFORMANCE OUTCOME	KEY PERFORMANCE INDICATOR	TARGET 2021/22	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
3.1. Sound Financial Management	3.1.1. % Variance of actual revenue and budgeted revenue	10%	2%	😊		
	3.1.2. % Variance of actual operational expenditure (fixed costs) versus operational budget	10%	19%	😞	Great maintenance variances observed on telemetry, instrumentation & CMI. Stalling progress on installations of telephone system, billing on IT related projects delayed. Slow progress on contracted services such as internal audit and legal. Insurance savings.	Operational expenditure may not be rolled-forward into the new financial year. Monitor projects implementation. Monitor accrual transactions.
	3.1.3. % Variance of actual capital expenditure versus capital budget	10%	5%	😊		
	3.1.4. % Debt recovered	54%	41%	😞	The target was not achieved due to customers regressing on the agreed milestones per payment contracts with MDM and SDM. DWS only managed to pay Nandoni O & M debt.	Request the political intervention because the IGR structures are very slow. Implementation of credit control policy to recover 90% of the current debt. A reconciliation of both DWS and LNW accounts is underway, as agreed between the two parties.
	3.1.5. Audit opinion	Unqualified	Unqualified	😊		
	3.1.6. % BBEE expenditure	80%	94%	😊		
	3.1.7. Number of new entrants awarded with contracts in the financial year	14	4	😞	Most of the new entrant Service Providers have shut down during COVID as a result those that are in LNW database have worked before or	Embark on encouraging new Service Providers in the market to register in the LNW database.



KEY PERFORMANCE OUTCOME	KEY PERFORMANCE INDICATOR	TARGET 2021/22	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
					were given opportunities elsewhere and once they have been given opportunity anywhere, they are not regarded as new entrants anymore.	
	3.1.8. % Income from secondary activities on turnover	5%	9%	😊		
	3.1.9. Gross profit margin (primary activity)	49%	53%	😊		
	3.1.10. Gross profit margin (secondary activity)	5%	98%	😊		
	3.1.11. Net profit margin (primary activity)	0%	20%	😊		
	3.1.12. Net profit margin (secondary activity)	5%	74%	😊		
	3.1.13. Debt equity	20%	27%	😞	28% of Moutse project is payable. There was no movement on R18m payable to DWS as dependant on resolving overall account. Retention withheld for CAPEX rose by 6% year-on-year. Trade payables increased by 21% year-on-year, with the major account payable being DWS raw water account.	Completion of Moutse project, Overall account on projects implemented behalf of DWS requires intervention. The raw water account is being serviced for current year invoices.
	3.1.14. Return on assets	1%	3%	😊		
	3.1.15. Debtors' days	250	479	😞	Receivables from DWS, MDM and SDM.	Continue to implement approved LNW credit policy and approved regulations.
	3.1.16. Current ratio	1.0	1,79	😊		



KEY PERFORMANCE OUTCOME	KEY PERFORMANCE INDICATOR	TARGET 2021/22	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
	3.1.17.Repairs and maintenance as a % of Property Plant and Equipment	1.5%	1,65%	😊		

4. EFFECTIVE AND EFFICIENT ORGANISATIONAL DEVELOPMENT PROCESSES AND PRACTICES

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET 2021/22	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
4.1. Staff levels	4.1.1. % Staff turnover	2%	0,78%	😊		
4.2. Training and skills development	4.2.1. Number of learnerships (beneficiaries)	0	0	😊		
	4.2.2. Number of bursary employees enrolled for development	70	98	😊		
	4.2.3. Number of employees on graduates programmes	29	44	😊		
4.3. Jobs Created	4.3.1. Number of permanent and fixed term jobs created	3	3	😊		
	4.3.2. Number of temporary jobs created	60	465	😊		
4.4. Staff Remuneration	4.4.1. Staff remuneration as % of total Opex	35%	34%	😊		
4.5. Information Technology Infrastructure utilisation	4.5.1. % Network Availability of IT infrastructure	95%	97%	😊		
	4.5.2. % System Availability of IT infrastructure	95%	97%	😊		



5. GOOD GOVERNANCE AND CLEAN ADMINISTRATION

KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET 2021/22	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
5.1. Compliance	5.1.1. Number of breaches of materiality and significance framework	0	0	😊		
	5.1.2. % Statutory reports submitted on time	100%	100%	😊		
5.2. Effective Internal controls and Risk Management	5.2.1. Maximum number of repeat internal audit findings	0	3	😞	Three (3) findings that were previously closed were not continuously implemented and during the follow-up they were identified again.	It was agreed in the Executive Support Committee that where possible all the audit findings that do not depend on budget be closed by end of the 1st quarter of 2022/23.
	5.2.2. Maximum number of unresolved internal audit findings	25	37	😞	An amount of 37 audit findings were not resolved because not all the action plans were implemented.	It was agreed in the Executive Support Committee that where possible all the audit findings that do not depend on budget be closed by end of the 1st quarter of 2022/23.
	5.2.3. Tolerable organisational residual risk	7	8,6	😞	Nine (9) New risks were added in risk register. Not all mitigation measures were implemented in the fourth quarter	We have reviewed the risk registers with new and revised mitigation measures, controls, and time frames. It was agreed in the Executive Support Committee that where possible all the risks that do not depend on budget be reduced to low by end of the 1st quarter.



KEY PERFORMANCE AREA	KEY PERFORMANCE INDICATOR	TARGET 2021/22	ACTUAL	ACHIEVED/ NOT ACHIEVED	REASONS FOR NON-ACHIEVEMENT	REMEDIAL ACTION
5.3. Corporate Image and Stakeholder management	5.3.1. Number of municipalities supported on rural development programmes	N/A	N/A	N/A		
	5.3.2. % Stakeholder satisfaction	80%	81%	😊		
	5.3.3. Number of municipalities or other customers with bulk supply agreements	1	0,0	😞	Postponement of SLA discussion meeting by Vhembe District municipality.	Arranged a meeting with VDM to present the due diligence report requested by the Mayoral Committee previously.
	1.4.3. Number of CSI initiatives undertaken	4	8,0	😊		
5.4. Board Effectiveness	5.4.1. % Board members' attendance of all board and committee meetings	95%	97%	😊		
	5.4.2. Decision making: % number of resolutions taken by the Board versus number of resolutions required	95%	100%	😊		

10 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

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.

10.1 NETWORK AVAILABILITY

Network availability is very important in the day-to-day running of the business of any organisation, especially with ICT recently having become part of the backbone of any business. In line with the Fourth Industrial Revolution (4IR), LNW also ensures that there is reliable network available for all its employees to conduct their respective business. The graphs below depict how the organisation has fared in relation to network availability.



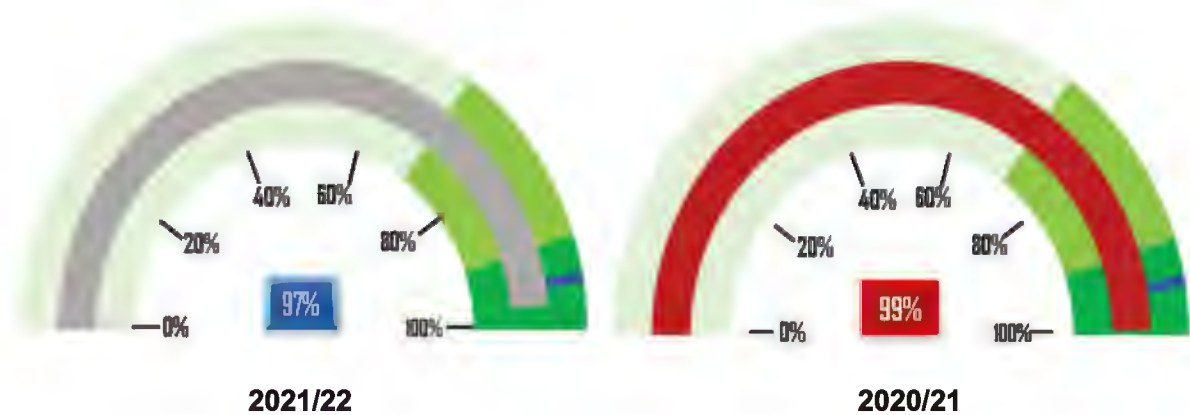


Figure 10-1: Network availability comparison

Figure 10 shows that there has been a slight regression considering above target(95%) on network availability at 97% when compared to 99% of the previous financial year (2020/21).

10.2 SYSTEM AVAILABILITY

In the 2021/22 financial year the organisation has introduced an additional Key Performance Indicator (KPI) to regularly measure the availability of all the systems that are utilised daily for the purpose of conducting business. The graph below highlights how the systems have on average been available for use.

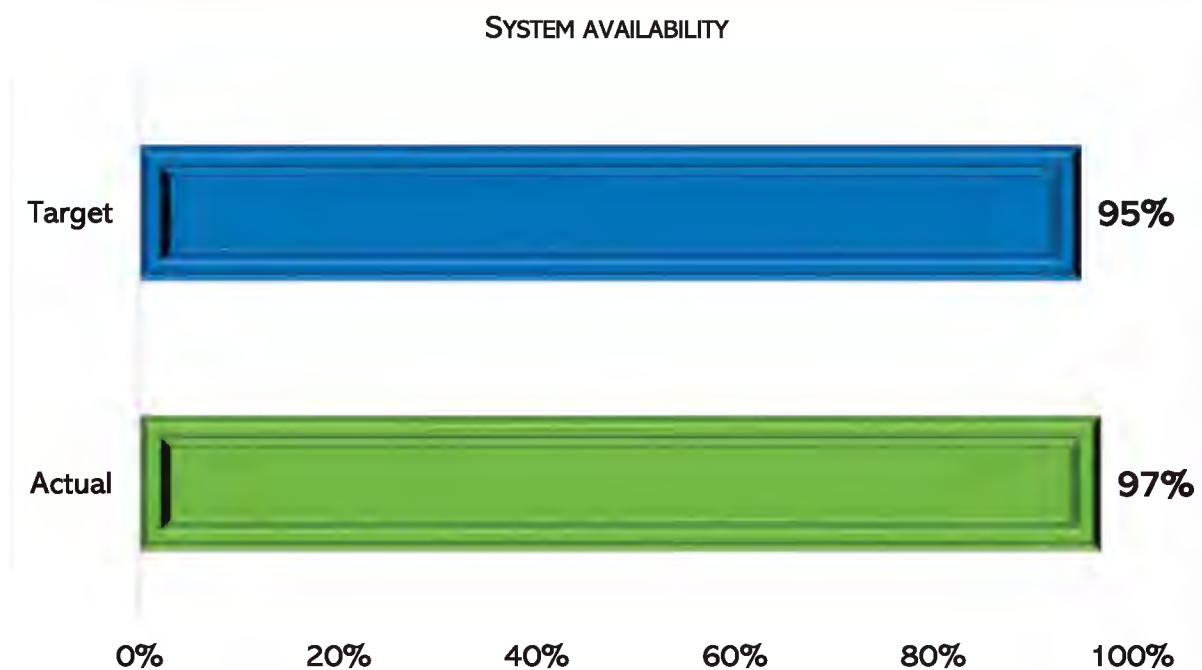


Figure 10-2: System availability



Figure 10-2 above shows that a secure and reliable systems applications infrastructure with an average availability of 97% was provided against the target of 95%.

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 revolution.

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 because over and above the firewall that has been installed, Mimecast email solution was also installed to intercept spam and phishing emails which intensifies the security of the entity's ICT infrastructure.

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



OPERATING ENVIRONMENT



11 OPERATING ENVIRONMENT

11.1 PRODUCT STATUS

11.1.1 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 entity chose the minimum requirement for microbiological compliance to be 98% as a target, although in terms of SANS 241 95% is the minimum allowable limit for Chemical Non-Health Aesthetic, Chemical Chronic Health and Operational compliance is 95%. The entity has not complied to all four (4) categories of water quality requirements as per SANS 241 drinking water standard. Figure 11-1 below highlights the water quality results achieved.

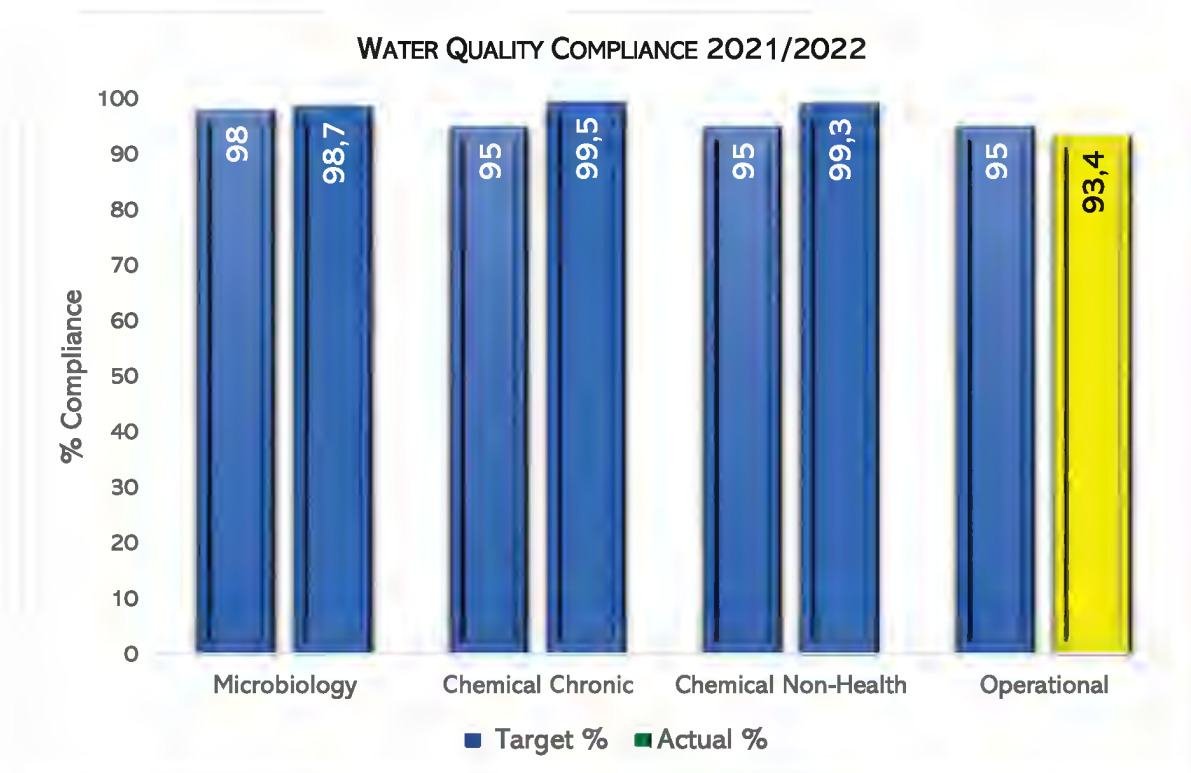


Figure 11-1: Overall water quality compliance



SANS 241: 2015 assesses the suitability and acceptability of water for drinking purposes on the consideration of four risk-based categories. The categories are microbiological, chemical non-health (aesthetics), chemical chronic health and operational. 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 11-2 to 11-5 below depicts the results achieved on various categories of water quality compliance.

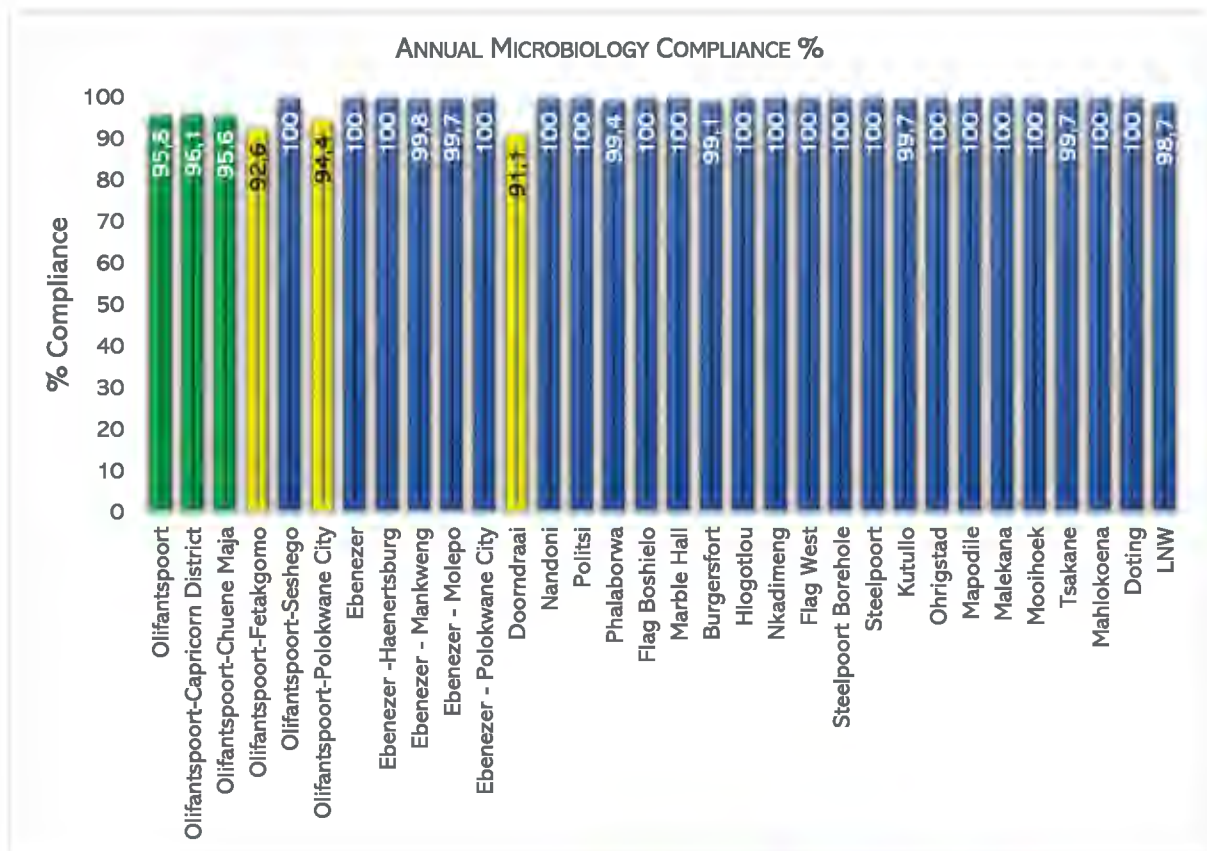


Figure 11-2: Microbiology Compliance



Figure 11-2 shows that on average the microbiological compliance for the organisation is 98,7%, which is above the set target. Olifantspoort Scheme in Fetakgomo municipal area, Capricorn, Chuene, Maja and Polokwane City experienced microbiological challenges due to pipe bursts along the Specon pipeline. There is a Capex project underway to address such pipe bursts. Doorndraai Scheme experienced microbiological challenges as well. The shortage of chlorine gas in the country also had an impact. Chip dozers are installed at schemes for alternative disinfection.



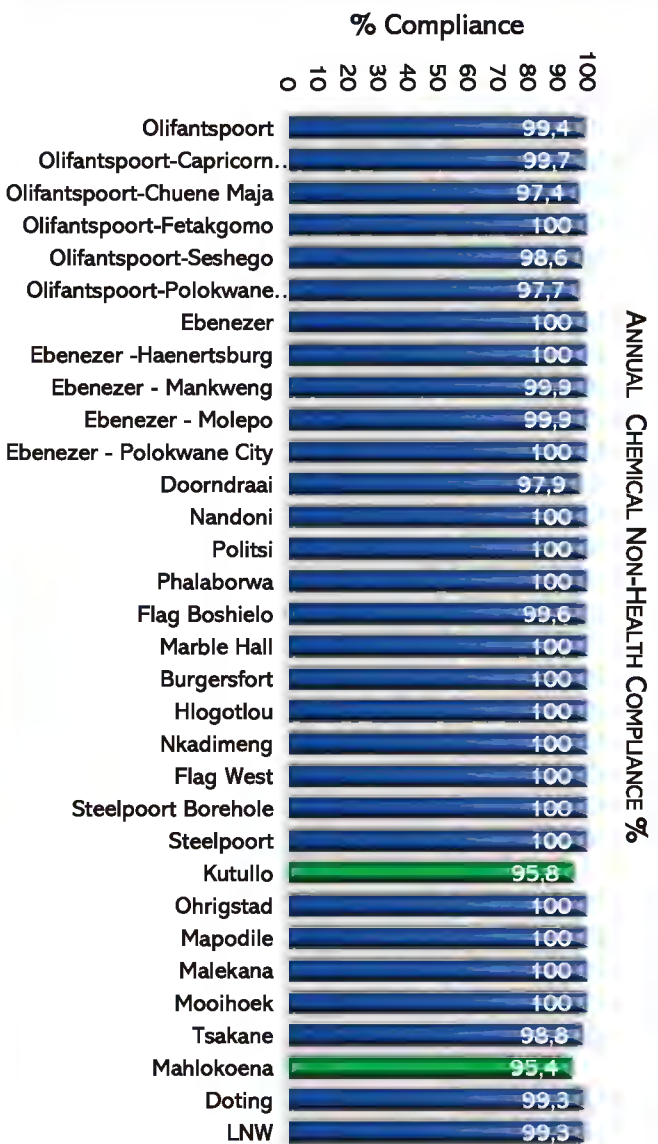


Figure 11-3 above highlights that the overall non-health compliance of water provided by LNW is in an excellent state with none of the results being below 95%

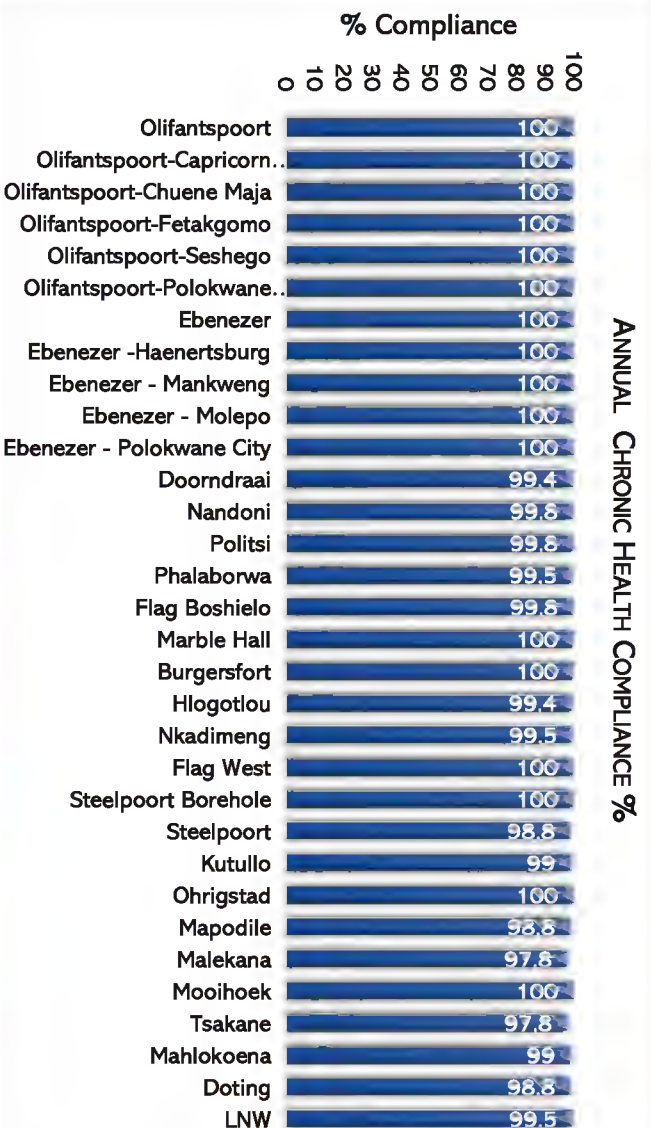


Figure 11-4: Chemical Chronic Health Compliance

Figure 11-4 above indicates that the overall chemical chronic health compliance of water provided by LNW is in an excellent state and no challenges were experienced

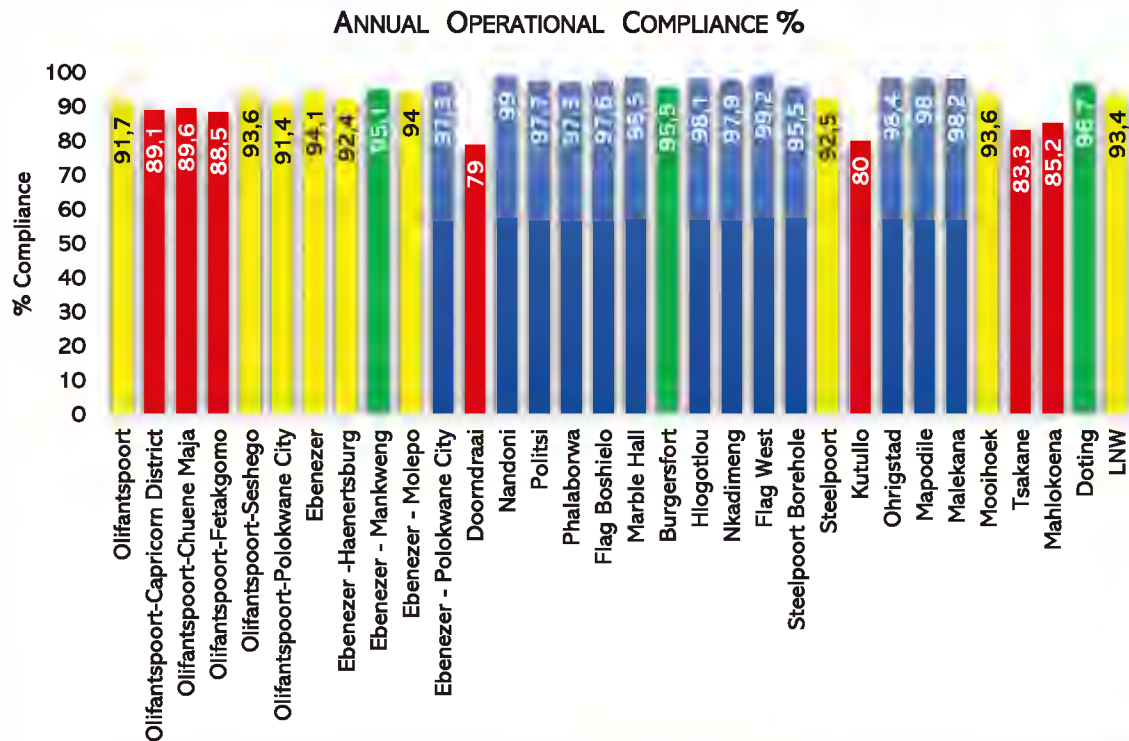


Figure 11-5: Operational Compliance



Figure 11-5 shows that there are challenges in achieving the operational compliance, especially where alert levels have been reached in more than one area and the challenges and the remedial actions are highlighted below

Challenges and plans towards full operational compliance

Residual chlorine in the distribution and the final turbidity above the limit contributed to compliance values being less than the requirement during 2021/22. There was a general challenge within the country with regards to the distribution of chlorine gas from NCP (the only chlorine gas manufacturer in South Africa). Doorndraai, Kutullo, Tsakane and Mahloakoena package plants experienced final turbidity above the limit. At Doorndraai Scheme the challenge is the new package plant yielding high final turbidity. At Kutullo, Tsakane and Mahloakoena the challenge is the design of the package plants. The settling tanks of these package plants are unable to desludge. It resulted in sludge build-up in the settling tanks, which also resulted in reducing the capacity of the tanks.



11.1.2 Product Scientific Service

River monitoring is conducted through biomonitoring methodology and bioaccumulation (South African Scoring System Version 4). LNW appointed a competent service provider to conduct the biomonitoring of the rivers which Marble Hall, Groblersdal, Steelpoort and Burgersfort WWTWs discharges into, such as Elands, Olifants, Spekboom and Steelpoort rivers during dry and wet seasons. Biomonitoring involves the use of organisms to assess environmental contamination of surrounding air or water by observing or measuring the effects the environment has on its resident organisms where pollution may be suspected or inferred. The reports are presented to the regional meetings for implementation and used as a baseline for the biomonitoring survey and will be utilised as stipulated in the water licence.

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.

11.1.3 Accreditation: ISO 17025

During the financial year 2021/2022 the central laboratory successfully retained accreditation status of the new ISO 17025: 2017 version. This allows LNW to produce credible water quality results from the laboratory. Recommendation was awarded for eight (8) chemistry methods and three (3) microbiology methods. The laboratory is currently working on increasing the scope of accreditation to two (2) methods in the next financial. Over 5 000 samples were analysed during the 2021/22 period. Analysed samples were provided by both internal and external clients.

The laboratory is also participating in the National Treasury Graduate programme that aims to enhance the skills of university and university of technology students with a qualification and have them registered with professional bodies. Thus far the laboratory has assisted three graduates to register as professional scientists and nine as certificated scientist in biological, environmental and chemical fields.



11.2 RESEARCH AND DEVELOPMENT

11.2.1 Water supply augmentation/water availability

South Africa is a water-scarce country, and this affects Limpopo as a drought-prone province. LNW's exploration of groundwater sources continued during the period under review. This led to DWS issuing a 1,5 Mℓ/day Water Use License for boreholes in the Mogalakwena area to increase water supply. There are ongoing negotiations between LNW and the Mogalakwena Municipality to complete the 2 Mℓ/day Grass Vally groundwater scheme.

11.2.2 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 on the project very negatively. The results from the study were, however, favourable as there were no challenges with accuracy when comparing the physical meter reading with what was transmitted electronically. 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.

11.2.3 Innovation and technology

Visionary Project Management and Civils (Pty) Ltd was appointed to conduct a trial at Ohrigstad Reservoir (0.2Mℓ/d). A patented 60/40 epoxy was used to seal off the leaks on the reservoir. Since the leaks have been sealed, there has been an improvement on the water loss. In April 2022, 33,82% water loss was reported and in April 2022, 7,79% water loss was reported.

A trial using the Afripride bioremediation solution at Marble Hall and Groblersdal WWTW was conducted and there has been an overall improvement in the effluent. The bioremediation solution assisted in sludge breakdown and eventually reduction in Chemical Oxygen Demand (COD).

Water quality data from Olifantspoort WTW has been submitted to Zambezi Analytics for modelling of an early warning detecting system. A trial is due to start in September 2022.



Samples from Marble Hall WWTW, Groblersdal WWTW and Steelpoort WWTW have been submitted to Mintek for assessment for developing membranes for wastewater treatment.

Benchmarking was conducted against the practices of Knysna and George municipalities to understand glass filter media in use. The glass media is more effective and more cost-effective than the sand media used at LNW. TSU has recommended that it must be trialled at Olifantspoort and Ebenezer WTW.

Waterreserve Project

A WADER-funded Waterreserve project was piloted in Capricorn and Mopani regions. The Waterreserve tank (70l) is installed in high density urban and peri-urban areas that have problems with intermittent water supply. A total of 155 tanks were given to LNW to install. Eight (8) tanks were installed in the ablution facilities at LNW's head office, 130 were installed in Lulekani households (Mopani Region) and 17 tanks in households in Flore Park in Polokwane (Capricorn Region).

11.3 ENVIRONMENTAL SUSTAINABILITY

11.3.1 ISO 14001 Certification

ISO 14001 2015 certification assessments took place in August 2021 with one major finding of starting a sludge lagoon project in Phalaborwa without an Environmental Impact Assessment (EIA). The EIA was applied and ISO14001 certification was issued.

11.3.2 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 that it is done in a legally compliant manner. Hazardous waste at LNW facilities is handled in such a way that it complies to regulations and standards, e.g. the National Environmental Management Act (NEMA), National Environmental Management Waste Act (NEMWA) 59 of 2008 and SANS 10228. A competent service provider is appointed to collect and dispose of the hazardous waste at a registered landfill site.



11.3.3 Emergency Incidents

Section 30 of the NEMA of 107 of 1998 provides for the control of emergency incidents. This is a measure to protect the environment so that the rights enshrined are mitigated. There was an incident report at Burgersfort WWTW of an overflow of sewage due to loadshedding, however, there is no containment which makes it a reportable incident.

LNW has developed a Preparedness Emergency Plan which assists during incidents.

11.3.4 Water use license

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

- Ebenezer Scheme – 44 Ml/day;
- Olifantspoort Scheme – 120 Ml/day;
- Politsi Scheme – 5Ml/day (4,8 Ml/day is revoked due to dispute between LNW and the neighbouring farmers);
- Malekana Scheme - 12 Ml/day;
- Moordrift boreholes - 1,5 Ml/day;
- Doorndraai WTW – 12 Ml/day;
- Flag Boshielo WTW - 30 Ml/day (waiting for validation and verification process from DWS);
- Phalaborwa – 98 Ml/day from Olifants River and 139 Ml/day waiting for the validation and verification process of DWS;
- Nkadimeng Scheme – 2,5 Ml/day from Nkadimeng Dam;
- Hlogotlou Scheme – 2,0 Ml/day from Mahlangu Dam;
- Marble Hall WWTW to discharge 5 Ml/day into the Crocodile River;
- Burgersfort WWTW to discharge 10Ml/day into the Olifants River;
- Burgersfort water treatment works- 5 Ml/day expired (currently in the process of renewing the license); and
- Nandoni WTW (no authorised license due to lack of SLA between LNW and the district municipality).



11.3.5 Occupational Health and Safety

To ensure that LNW continued compliance to the provisions of the Occupational Health and Safety Act 85 of 1993 and its applicable regulations, a legal compliance management system is implemented and maintained. Legal compliance audits are being scheduled for October/November 2022 to determine the level of legal compliance and to ensure that all non-conformance raised during the audit are closed.

The implementation of ISO 45001: 2018 has been moved to 2023/24 as budget allocations will be made for the successful implementation of the ISO 45001: 2018 management system.

11.3.6 Covid-19 impact

LNW had continued to comply with Section 8 of the Occupational Health and Safety Act (OHSA) to, where reasonably practicable, provide and maintain a safe, healthy working environment that is without risk to employees. In response to that the LNW Covid-19 Steering Committee was established at the onset of the pandemic and had their meetings monthly and reported to board committees on a quarterly basis and finally to the Board.

The existing risk register was updated on a quarterly basis to cater for new developments in the country and across the globe. The committee ensured that all Covid-19 PPEs were procured, and other health and safety requirements were adhered to, to continue to protect all the stakeholders that have access to our offices and facilities. LNW continued to comply with Government's requirements in terms of the National Disaster Management Act relating to the Covid-19 global pandemic during the state of disaster and the national lockdown. All employees are encouraged to continuously comply with Covid-19 protocols.

The organisation introduced a work-from-home system where employees worked in the office on a rotation basis and those with comorbidities and over 60 years of age worked from home on a full-time basis. This enabled continued service delivery. The ICT Unit played a huge role in ensuring that all employees working from home were always easily contactable and responsive through the supply of all necessary resources and ensured availability of system access for all employees.



Since the beginning of the pandemic the organisation had continued to operate without any business disruptions and service delivery targets were met through the implementation of the mitigation measures for the risks identified.



Covid-19 cases were and are still being managed and monitored by the LNW Covid-19 Steering Committee and the Occupational Health Medical Practitioner service provider. Since July 2020 to 30 June 2022 LNW had recorded a total of 110 Covid-19 cases and all 110 employees have recovered and none was positive at the end of the third quarter. The following graph illustrates the current situation at LNW:

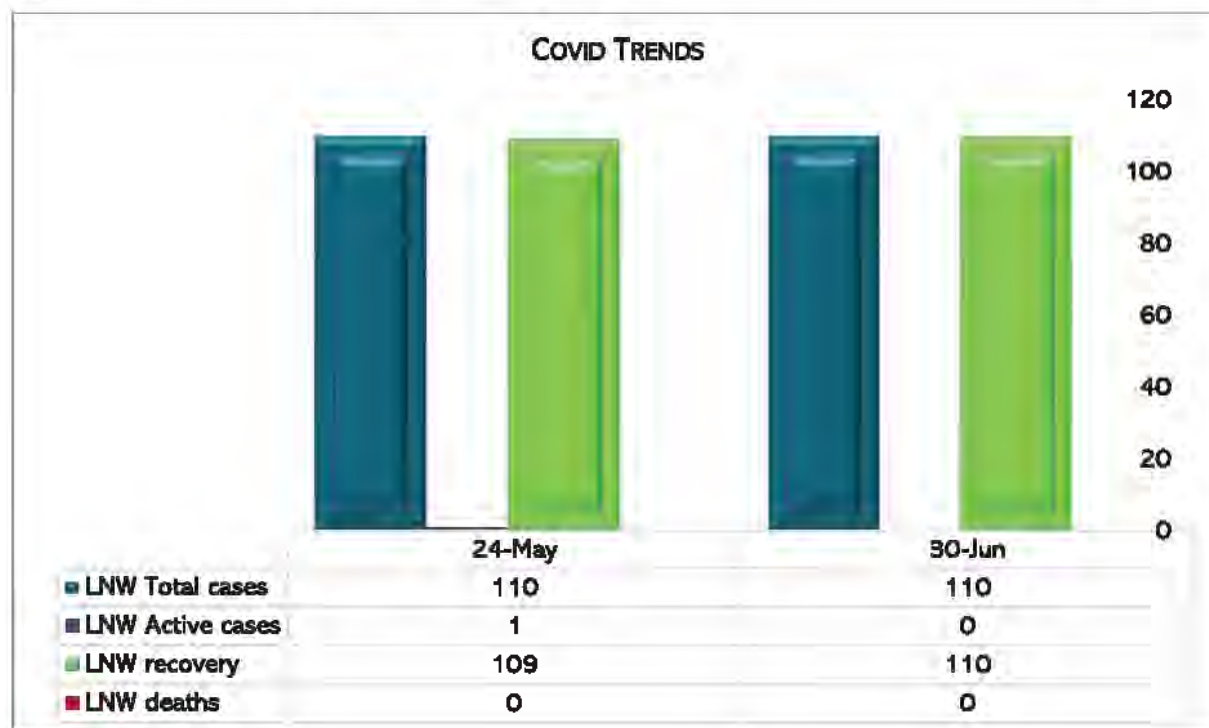


Figure 11-8: Status of Covid-19 cases

All Covid-19 management requirements and protocols were implemented in all LNW work areas to ensure the safety of employees and visitors. Figure 11-6 displays that all the Covid-19 cases where applicable were followed by a total recovery and the entity did not experience any death case

11.3.7 Vaccination preparedness

The organisation has developed a database of employees that have vaccinated and continuously encouraged employees to get vaccinated to reduce the severity of the disease should they be infected or get reinfected. The total number of employees that have vaccinated as at 30 June 2022 is 136.



11.4 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 2022.

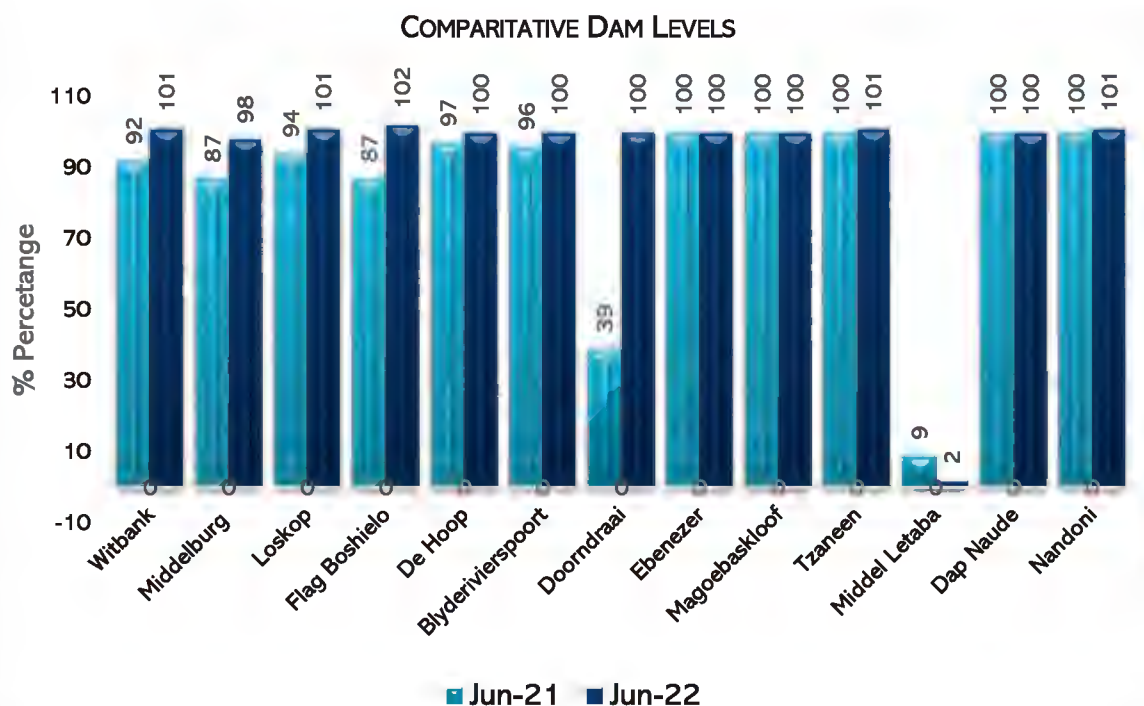


Figure 11-7: Dam levels

During the 2021/22 period above average rainfall was received in all the catchments except that of the Middle Letaba Dam. Apart from Middle Letaba the levels of the other dams were more than satisfactory at the end of the rainy season. According to meteorological information the La Niña phenomenon will still be present for the coming year, but it will not be as strong as in the previous year. Higher rainfall in the catchment of the Olifants River may have negative consequences on raw turbidity at schemes such as Olifantspoort and Phalaborwa.

Impact of theft and vandalism on service delivery

LNW is experiencing a continuous increase of theft and vandalism of infrastructure associated with the supply and delivery of water services. The theft of copper cables and transformers is on the top of this list. Four (4) schemes within LNW's operating area have been declared Critical Infrastructure Sites, formerly known as National Key Points and more are to follow. LNW has expanded its network to monitor infrastructure via CCTV systems as well of upgrading other security features.



11.4.1 Surety of supply

The project viability and detailed design for the upgrade of Olifantspoort and Ebenezer schemes are at advance stages. The project plan is to increase surety of supply to the City of Polokwane and Capricorn District Municipality thus circumventing the severe water shortages within the municipal area. The project is aimed at increasing supply from Olifantspoort Scheme by 40 Ml/day and refurbishing the existing infrastructure for assurance of supply by both Olifantspoort and Ebenezer Water Supply Schemes in terms of phase 1A of the project at a cost of R4,5 billion.

Similar plans are in place for Politsi Scheme located in Mopani District, but the availability of sufficient raw water remains a major challenge to execute this project. Further engagements with the interested and affected parties are ongoing with the assistance of the Department of Water and Sanitation.

The project to increase the capacity of Flag Boshielo Scheme from 8 to 16 Ml/day is completed. LNW is currently exploring methods to fund the bulk schemes to optimise supply within the scheme.

Major refurbishments are underway at Phalaborwa Scheme to improve surety of supply to the Phalaborwa Industrial Complex as well as to consumers of potable water.

The initial low levels of Ebenezer and Doonadraai dams resulted in the reduction of abstraction volumes from these two dams to prevent the dams from failing altogether. This, however, has a negative impact on the supply of water to Polokwane and Mogalakwena municipalities. The situation improved during the second half of the year when the dam levels significantly increased.

LNW has started to do emergency repairs to parts of the line between Olifantspoort Scheme and Lebowakgomo, which resulted in a reduction of major failures along 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 respective tables on the situation analysis of Ebenezer, Olifantspoort, Politsi and Phalaborwa schemes (i.e. which are LNW-owned schemes), 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				
				2021	2022	2023	2024	2025
Ebenezer	52	74	2021	287	292	298	304	310

PLANT/SYSTEM Ml/DAY	DESIGN CAPACITY (Ml/D)	PROPOSED DESIGN CAPACITY Ml/D	PROPOSED YEAR OF AUGMENTATION	*PROJECTED PEAK DAY DEMAND Ml/D				
				2021	2022	2023	2024	2025
Olifantspoort	Conventional 60 Package Plant 10	180	2024	287	292	298	304	310

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

PLANT/SYSTEM Ml/DAY	DESIGN CAPACITY Ml/D	PROPOSED DESIGN CAPACITY Ml/D	PROPOSED YEAR OF AUGMENTATION	PROJECTED PEAK DAY DEMAND Ml/D				
				2021	2022	2023	2024	2025
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				
				2021	2022	2023	2024	2025
Doorndraal	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				
				2021	2022	2023	2024	2025
*Phalaborwa Potable	76	90	2022	85	86	88	91	94
Phalaborwa Industrial	60	80	Not applicable	45	45	45	45	45
Total	136	150		130	131	133	136	139

Note: The average litre per capita per day (ℓ/c/d) in the Ba-Phalaborwa municipal area is more than 380 ℓ/c/d and water conservation/demand management and cost recovery should be implemented before any scheme augmentation is considered.

11.4.2 % Plant availability of production-related infrastructure

LNW views maintenance management as a proactive way of avoiding interruptions in the supply of service by developing plans that define the methods to be used to repair and maintain physical



assets through their entire life cycle. Maintaining infrastructure through its entire lifespan is significant for optimising return on investment spent on assets.

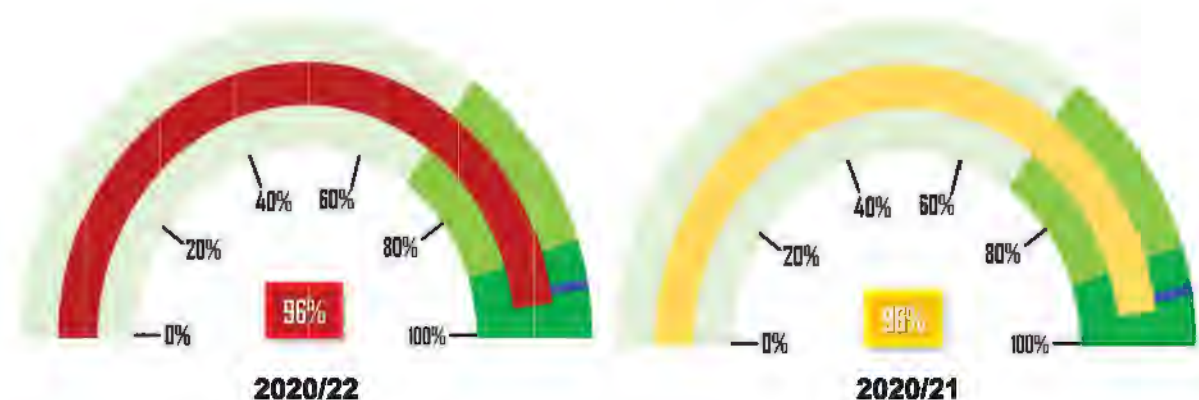


Figure 11-8: Plant availability of production related infrastructure

Figure 11-8 shows that for the period 2021/22 the average the organisation managed to achieve 96% against the set annual target of 95% and no movement when comparing 2021 performance on plant availability.

11.4.3 Capital and refurbishment programme

During the period 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 LNW implemented during the period under review, including both those of DWS and WSAs.

Table 11-1: LNW major capital projects

PROGRAMME NAME	PROJECT NAME	PROJECT NUMBER	% COMPLETION
Flag Boshielo Phase 1	Upgrading of Flag Boshielo Water Scheme: electro-mechanical works phase 2.	LNW 16/14/15	96%
	Upgrade of plant - main upgrade and refurbishment: civil and structural works phase 3	LNW 17/18/19	97%
Flag Boshielo Phase 2	Flag Boshielo Scheme upgrade: Phase 2 bulk supply upgrade (planning phase) - Flag Boshielo Plant	LNW 10/14/16	100%
	Olifantspoort 10 M ³ /day packaged plant	LNW 52/14/15	99%



PROGRAMME NAME	PROJECT NAME	PROJECT NUMBER	% COMPLETION
Upgrade of Olifantspoort	Upgrade of Olifantspoort and Ebenezer Schemes: Specon pipeline Replacement phase 2 within Olifantspoort system	LNW 09/18/19	99%
Ebenezer Refurbishment	Replacement of non-functional valves, construction of chambers & installation of new valves and check meter on mainline	LNW 14/16/17	93%
Doomdraai upgrade	Design, manufacture, supply, installation, and commissioning of a 5 Ml/day package plant at Doomdraai Scheme	LNW 13/16/17	100%
Phalaborwa Refurbishment	Refurbishment of sludge lagoons and disinfection facilities at Phalaborwa Scheme	LNW 13/19/20	68%
Phalaborwa Refurbishment	Refurbishment of cathodic protection system within Phalaborwa Scheme on the potable water pipeline	LNW 21/19/20	100%
Phalaborwa Refurbishment	Supply, delivery, installation and commissioning of Palabora Mining Company Ltd (PMC) non-return, isolating valves, flow meters and pipe fittings	LNW 31/18/19	99%
Burgersfort WWTW upgrade	Design, refurbishment, construction, manufacture, supply, installation, testing, commissioning and maintenance of 10 Ml/day WWTW package plant at Burgersfort WWTW on a turnkey basis	LNW 30/18/19	69%
OVERALL PROGRESS - 89,8 %			

All projects have generally performed well given the various challenges. There is room for improvement and enhancement.

However, projects with very low progress and where significant time elapsed needs to be considered for a detailed risk analysis. Alert Level 5 lockdown restrictions had an impact on some projects.

Burgersfort WWTW upgrade and refurbishment project



Ebenezer installation of a new balancing flow meter and manhole within the Ebenezer Water Scheme



Installation of the Olifantspoort Scheme Service tank



PMC valves replacement project at the Phalaborwa Scheme



Replacement of the Specon Phase 2 – 2,4 km bulk pipeline within the Olifantspoort Scheme



11.4.4 Ministerial directives

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

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; and
- Albasini Dam Augmentation.

Bulk water supply to Giyani and its surrounding villages is currently rendered through the various sub-schemes, with treatment works at Nsami WTW. The Giyani System is supplied mainly by the Nsami WTW. The current capacity of the plant is 30 Ml/day.

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 11-2: Nandoni–Nsami progress report

Programme name	Project name	Overall %
Nandoni Nsami Bulk Water Pipeline	Mopani District Municipality Water and Sanitation Revitalisation Programme: (Nandoni - Nsami Potable Bulk Pipelines and Pump Station)	59,1%

Progress on the project should have been completed by this reporting period, however, due to various challenges, which include access to site, financials as well as social issues, the project has been delayed. The engineering review of the project is the major highlight of the project, where certain unforeseen and misfortunes were identified which, if discovered at the end of the project, would not have been catastrophic. Although the progress has since been adjusted to 37,5 % after detailed review, more can still be completed by end of August 2022.



The project team has made some progress, leaving a lot of room for improvement during the 2020/21 financial year and plans to address most of the engineering review matters done. In the 2021/22 financial year, plans are in place to accelerate the project and to seek intervention for the various challenges identified above.

11.4.4.1 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. MDM (in collaboration with the provincial and national Government) undertook a string of measures to address the crisis.

The directive as received from the then 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; and
- Other project milestones.

Refurbishment of boreholes

Refurbishment of 146 boreholes in 68 villages in the Giyani municipal area and bringing them to full operation form part of the emergency works. Some of the scope fell outside of the terms of reference, thus requiring an approval for scope increase of the new tender. DWS has not allocated enough funds for the project. LNw managed to commission and handover of 20 boreholes to MDM after completion.

Figure 11-9: Physical progress

Programme name	Project name	Overall %
Giyani Water Services	Refurbishment of boreholes in Giyani	47%

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 324 km in total.



Table 11-3: Physical progress report

Programmename	Project name	Overall %
Giyani Water Services	Giyani Water Services Project - completion of 324 km of bulk potable water pipeline network covering 55 villages within the Giyani area	59%

During the financial year an engineering review was also done on the project which dealt with various gaps and mismeasurements done on the works. The review report outlined items and material required for the completion of the project and the capacity of the contractor on site. The contractor developed a recovery plan, which indicates a planned completion date of the end of September 2022 and is subject to availability of support tenders to complete other pipelines.

LNW appointed supporting subcontractors during the last quarter of the 2020/21 financial year for the supply of materials and pipe jacking services in support of DWS Construction North. The remaining commercial contractor on pipelines is still under supply chain management processing.



Other project milestones (commonly known as Phase 2)

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

11.4.4.2 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 the Ritavi 1 Water Scheme (the overall Nkambako N'wamitwa area). The project will provide more sustainable water supply systems to villages and complement the existing supply system.

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



Table 11-4: Scope for the project

ITEM	DESCRIPTION	STATUS
Refurbishment works	The refurbishment of approximately 37 km-long existing pipelines north of Xihoko, raw water pump station, flocculation channels, sand filters, balancing dam and chemical dosing plant at Nkambako WTW	Complete
Improvement works	The construction of pump station, 3Ml clear water tank, raw water inlet works, and sludge dams at Nkambako WTW	In progress
Xihoko Distribution System	The construction of approximately 45 km uPVC pipelines north of Xihoko, construction of five reservoirs and construction of two booster pump stations	In progress
Babanana pipeline	Construction of 13 km steel pipeline	Not yet started – awaiting environmental impact assessment (EIA) approval

Table 11-5: Physical progress

Programme name	Project name	Overall %
Babanana/Nkambako	Bambanana/Nkambako Regional Bulk Infrastructure project: Upgrade of Nkambako WTW and refurbishment of Bambanana bulk water pipeline	52%

In conjunction with DWS the implementation of various other support tenders in support of DWS Construction North and scope review was done within the financial year 2020/21. LNW will be putting out a tender for the Phase 1 aspect of the scope of work within the first quarter of the 2021/22 financial year. This will assist in addressing the backlog and delays on the project planned completion and the workload on DWS Construction North.

Other project milestones (commonly known as Phase 2)

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



11.4.4.3 Polokwane Intervention Project

Background

The upgrade of the Olifantspoort and Ebenezer Water Schemes project involves the refurbishment and upgrade of the bulk water supply infrastructure of the two schemes to reduce water services backlogs and meet the current and future water needs of the areas supplied by the two schemes until 2036.

The supply areas for the two schemes include the PLM, Lepelle-Nkumpi Local Municipality in Capricorn District, the north-western part of Fetakgomo, Greater Tubatse Local Municipality in Sekhukhune District, and Haenertsburg settlement and farming communities around Ebenezer Dam in the western part of Greater Tzaneen municipal area in Mopani District.

Project planning started in 2015 when LNW had appointed a principal consultant and thereafter appointed a service provider for the detail design and implementation for Implementation Phase 1 of the project. The full spectrum of required upgrades to meet the 2036 water needs for the two schemes has been identified.

To alleviate the ongoing water crisis in the supply areas serviced by Olifantspoort and Ebenezer water schemes at the earliest opportunity and in view of the magnitude of the proposed upgrades, LNW has adopted a phased approach for the implementation of the required upgrades and refurbishments. A first phase has been planned which will utilise available funds to maximise the increase in water supply within the shortest possible time and will provide an infrastructure backbone for subsequent upgrades going forward.

Priority work packages have been identified as an interim stopgap measure to be implemented as Implementation Phase 1, and to increase water supply to the Polokwane urban cluster by approximately 55 Ml/day within the shortest possible time. The priority work packages are particularly focused on enabling the City of Polokwane to lift the moratorium on new developments which was imposed in May 2013 due to water supply constraints. The moratorium has had a very negative impact on the quality of life in and economic growth of the city. Implementation of the identified priority work packages can be completed within a period of three (3) years and will bring much needed relief to Polokwane before the rest of the required upgrades are completed. It must however be stressed that the priority work packages will not fully address the current water shortages within the project area but will lessen the critical water shortages experienced. The current and projected future water needs of the project area will only be fully addressed by the full implementation of all the required refurbishments and upgrades that have been identified.



The current estimated capital cost for all the proposed upgrades of Olifantspoort and Ebenezer water schemes was estimated at R11,8 billion in March 2018, including professional fees and VAT, but excluding the acquisition of land, compensation for servitudes or the upgrading of bulk power supply by ESKOM. Due to the envisaged phased implementation of the project, the capital cost is expected to escalate to R18,4 billion by the time of project completion. The duration for the implementation of all the required upgrades will depend on the availability of funding. The project can be implemented over a period of five (5) to nine (9) years.

The total capital cost for the priority work packages is estimated at R4,54 billion, including professional fees, escalation and VAT but excluding the acquisition of land and compensation for servitudes. The estimated escalation costs are based on a 3-year implementation.

Benefits of the project

Water demands and moratorium on new developments

One of the main priorities is to supply water to Polokwane Local Municipality. The municipality is experiencing a water supply crisis, and this is preventing the municipality to meet its socio-economic goals. The proposed first phase of the Refurbishment and Upgrade of the Ebenezer WSS and Olifantspoort WSS project is particularly focussed on enabling the City of Polokwane to lift the moratorium on new developments and expansion of commercial development which was imposed in May 2013 due to water supply constraints. This moratorium has effectively stopped most of the economic activity in the city for the past eight (8) years, and this undoubtedly influenced local economic development, unemployment, small business opportunities and many other growth opportunities that are direly needed in South Africa.

Revenue enhancement to LNW

PLM is one of the key consumers of LNW. The municipality is consistently servicing its current water account. The upgrade of Olifantspoort and Ebenezer schemes will not only be beneficial to PLM by providing additional water for new developments and fulfil the current and future water demands but will provide additional revenue to LNW.

Progress

The status to date is for priority work packages that have been identified as an interim stopgap measure to be implemented as Implementation Phase 1 of the overall project, to increase water supply and bring some relief to the Polokwane urban cluster within the shortest possible time. Completion of these priority work packages will deliver an additional 40Mℓ/day to the Polokwane



urban cluster (40Mℓ/day from Olifantspoort Scheme and 15Mℓ/day from Ebenezer Scheme). LNW will upgrade Ebenezer Scheme to be able to accommodate extra 15Mℓ/day supply such that when there is a breakdown in Olifantspoort Scheme, Ebenezer Scheme is able to augment and close the gap until Olifantspoort scheme is brought back to normal operation. This will ensure that the City of Polokwane achieve their anticipated metro status in future. The total capital cost for Implementation Phase 1A is estimated at R4,54 billion, including professional fees, escalation and VAT but excluding the acquisition of land and compensation for servitudes.

Progress on Phase 1A is currently at 91% of the detailed designs. The feasibility, preliminary design reports and implementation readiness study (IRS) reports are being updated as per the comments from the Department of Water and Sanitation Planning Directorate. The social funding on the project has been made available in the form of Budget Facility for Infrastructure (BFI) of National Treasury to an amount of R1,407 billion. Upon approval of the IRS, DWS will be able to make available a budget of R1,197 billion for the project. The total social funding contribution by Government will amount to R2,604 billion before a borrowing limit condition is met for approval by the Minister of Finance to take a commercial loan from the market amounting to R1,959 billion. This overall project plan requires a total of R4,5 billion for Phase 1A to increase supply to the City of Polokwane and Capricorn District Municipality with an additional 40 Mℓ/day from Olifantspoort Scheme and refurbishment of Ebenezer Scheme. The project is planned to commence in February 2023 after all the necessary legislative compliance is finalised.

A project steering committee was established by DWS, LNW, Infrastructure Fund (DBSA) and Polokwane Local and Capricorn District municipalities for project governance and steering the project towards successful completion.

Project funding

Infrastructure Fund (DBSA)

LNW engaged with the Infrastructure Fund (DBSA) concerning funding of Phase 1A of the Olifantspoort and Ebenezer project which requires a budget allocation of R4,5 billion. On the eve of the BFI closing date, they assisted LNW in developing project preparations for submission. A letter of request for their assistance was issued to them for the purposes forming a partnership between state entities. The BFI of National Treasury was approved in December 2021 to a total of R1,407 billion since this partnership started.

The Infrastructure Fund (IF) contract needs to be finalised within the month of October 2022 because the unit is a critical member of the Project Steering Committee, after the necessary



compliance process in supply chain is resolved. Their contract is currently based on a mutual partnership and shall be resolved.

As part of the plan and the major involvement of the Infrastructure Fund, LNW shall upon receipt of the IRS which is critical to the progress of the project, commence with the process of acquiring the borrowing limit from National Treasury with the assistance of the IF. The borrowing limit include the commercial loans to make up the balance of R4,5 billion of the Phase 1A project. This activity is planned to commence from the beginning of December 2022 towards the month of January 2023 before the target date of receiving approval of Regional Bulk Infrastructure Grant (RBIG) fund in April 2023 and the commencement of major upgrade works.

Moutse Drought Relief project

The Moutse area has experienced water crises for an extended period. After a visit to the area the then Minister of Human Settlements, Water and Sanitation tasked LNW to restore water supply to affected villages and put in place temporary measures to supply water while in the process of refurbishment. The area consists of 19 wards spanning across Elias Motsoaledi municipal area (13 wards) and Ephraim Mogale (6) municipal area. 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 in various villages within Moutse. Medium to long term intervention involves the refurbishment of existing boreholes, development of new boreholes and associated infrastructure.

To date 20 new water tankers were procured and delivered to SDM. The vehicles have been handed over to the WSA on instruction from the DWS and are now the property of SDM. Water supply to Moutse communities was completed on 30 October 2020 by the appointed service providers. This is now being done by the WSA.

Borehole refurbishment and development of new boreholes are still ongoing and the project has been extended to be completed on 30 November 2021.



Table 11-5: Refurbishment of the boreholes

Programme name	Project name	Overall %
Moutse Drought Relief Intervention	Development and refurbishment of boreholes, Installation of water tanks on turnkey basis in Moutse area	93%
	Supply, delivery, registration and operation and maintenance of water tankers in Sekhukhune District (Moutse area)	100%



A dynamic background featuring a large, central splash of water that forms a wide, shallow bowl shape. Numerous smaller water droplets and bubbles are scattered throughout the scene, particularly concentrated around the edges of the main splash and floating in the air above and below it. The overall color palette is a range of blues, from light sky blue to deeper cerulean tones.

PEOPLE EMPOWERMENT



12 PEOPLE EMPOWERMENT

12.1 HUMAN CAPITAL MANAGEMENT

LNW has a total staff complement of 385. Our priority in managing human capital is based on attracting competent employees and ensure continuous engagement, development and compensate market-related remuneration to enhance uninterrupted supply of bulk water services.

A critical skills shortage within the water and energy sector has a negative impact on ensuring effective and efficient business performance. LNW adopted an employees' retention strategy that encourages business stability and maximum performance.

12.2 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.

12.3 EMPLOYMENT EQUITY

The Department of Labour acknowledged our Employment Equity Report of 2021, including a three-year 2019/20 – 2021/22 Employment Equity Plan (EEP) 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 55/45 was exceeded during the year under review. The male/female ratio was 57%/43% as at 30 June 2022.



12.4 WORKFORCE PROFILE

Table 12-1: Employment Equity Plan 2022

Occupational levels	Male				Female				Foreign nationals		Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	
Top management	1	0	0	0	0	0	0	0	0	0	1
Senior managers	1	0	0	0	2	0	0	0	0	0	3
Professionals/middle management	16	0	1	4	16	0	1	0	0	0	38
Skilled/qualified technicians	88	1	2	13	81	1	1	2	0	0	199
Semi-skilled	104	1	0	1	70	0	0	1	0	0	177
Unskilled	15	0	0	0	19	0	0	0	0	0	34
Total permanent	225	2	3	18	198	1	2	3	0	0	452

The table below indicates the occupational levels variances against government targets in addressing the employment equity occupational levels imbalance in the country. A plan to address under-representation of race 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 EEP.

Table 12-2: 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	0	0	0	0	0	0	0	0	0	0	0
Variance	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
	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	2	0	0	0	1	0	0	0	0	0	3



Top management level	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	MALE	FEMALE	
Variance	0,87%	0%	0%	0%	0,33%	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	18	0	0	1	13	0	0	1	0	0	33
Variance	55%	0%	0%	3%	39%	0%	0%	3%	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%	35,00%	0,40%	1,10%	4,00%	0,00%	0,00%	
Actual	81	0	1	11	82	0	0	2	0	0	178
Variance	46%	0%	1%	6%	47%	0%	0%	1%	0%	0%	
SEMI-SKILLED 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%	35,00%	0,40%	1,10%	4,00%	0,00%	0,00%	
Actual	98	0	0	1	87	0	0	1	0	0	185
Variance	58%	0%	0%	1%	41%	0%	0%	1%	0%	0%	
UNSKILLED 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%	35,00%	0,40%	1,10%	4,00%	0,00%	0,00%	
Actual	7	0	0	0	1	0	0	0	0	0	8
Variance	88%	0%	1%	8%	13%	0%	0%	0%	0%	0%	



12.4.1 Employee wellness management

LNW's nature of operations is dominated by a highly stressful environment and our employees have benefited through the implementation of wellness support services. Employee wellness was continuously managed through disease management, medical testing and sports activities to ensure that employees manage their health and lifestyle. Online wellness initiatives were also introduced to meet the new technological demands from remote working.

12.5 TRAINING AND CAPACITY DEVELOPMENT

Employees are the greatest asset in LNW achieving its strategic objectives. In achieving this, skills development programmes were developed to enhance internal capacity in addressing skills shortages. The figure below highlights the various categories regarding capacity development.

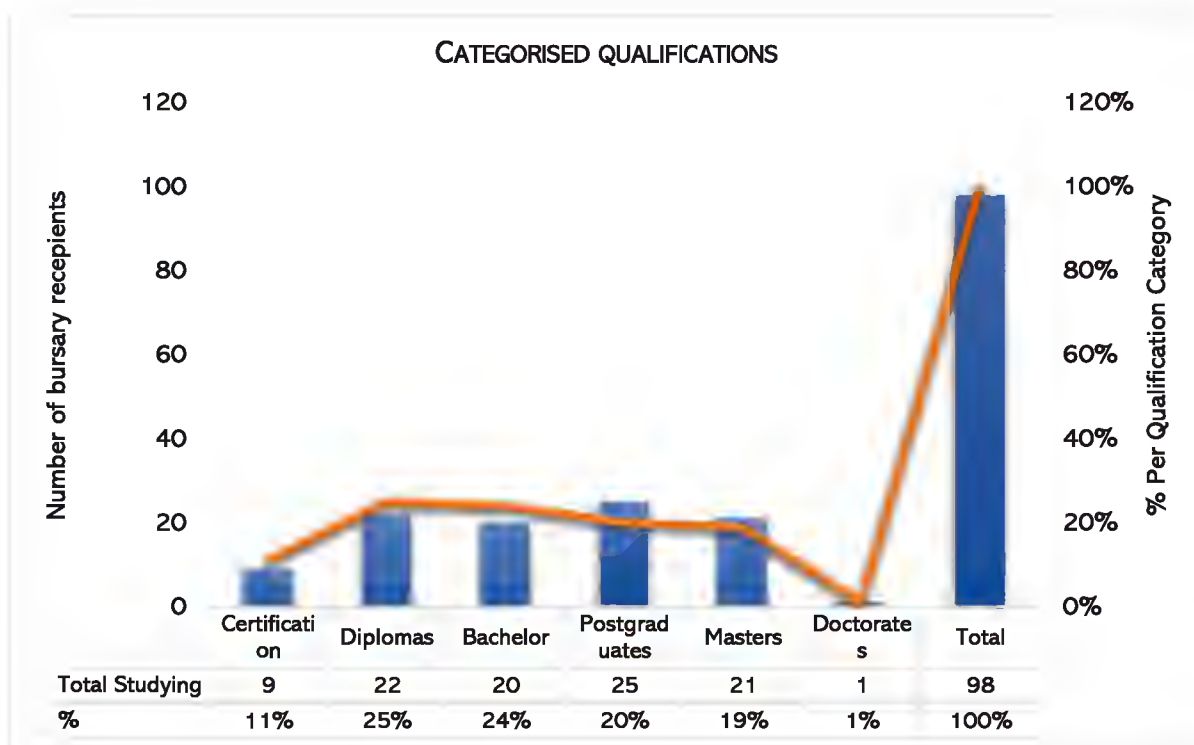


Figure 12-1: Employees qualification profile

Figure 12-1 indicates that of the total 98 employees who are studying, 31 are upgrading their Technical Vocational Certificates to diploma level. This figure represents 32% of the learning workforce.



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

LNW continued to develop and train 27 trainees to avail specialised mechanical skills within the water sector to empower unemployed youth to join the labour market to maintain water infrastructure. Their final trade test is planned to be concluded by 31 December 2022 for certification award.

National Treasury: Engineering and 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 PLM on the implementation of the National Infrastructure Skills Grant guided by the Division of Revenue Act (DORA) Schedule 3 supported the organisation to ensure skills development and capacity programmes. Fourteen (14) candidates are currently benefiting from the ranging project from technician, technologist to professional scientist and engineering candidate levels.



12.6 LABOUR RELATIONS

The salary agreement for bargaining employees for the 2022/23 financial year was reached between the South African Association of Water Utilities (SAAWU), the employer party and the South African Municipal Workers Union (SAMWU) and the National Education Health and Allied Workers Union (NEHAWU) at the Amanzi Bargaining Council.

Precautionary suspensions

Nine of ten employees were placed on precautionary suspension in the financial year under review, pending finalisation of their disciplinary cases. One suspension was uplifted after the employee opted to resign upon settlement.

General misconduct

Ten employees were charged with misconduct for allegedly flouting the Disciplinary Code of Conduct of LNW. One case was settled with the employee resigning. Nine employees are currently undergoing disciplinary action for allegedly flouting the Disciplinary Code of Conduct of LNW.

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.



A dynamic background featuring a large, central splash of water that forms a wide, shallow bowl shape. Numerous smaller water droplets and bubbles are scattered throughout the scene, particularly concentrated around the edges of the main splash and in the upper and lower portions of the frame. The overall color palette is a range of blues, from light sky blue to deeper cerulean tones.

FINANCIAL SUSTAINABILITY



13 FINANCIAL SUSTAINABILITY

The entity has streamlined its financial and supply chain management processes to ensure that it operates within the prescripts of 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 No1 of 1999 (PFMA);
- Water Services Act, Act No.108 of 1997;
- Supply Chain Management Framework;
- Preferential Procurement Policy Framework Act; and
- Municipal Finance Management Act.

13.1 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.

13.2 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 reviewing the entity's financial policy and procedure manual to ensure effective internal control processes.

- The entity complies with its 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 controls 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 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.

13.3 OVERVIEW OF FINANCIAL STATEMENTS

13.3.1 Delivering solid financial performance

LNW's sustainability lies in the ability of the tariff to recover all operational costs as set by Government. The financial results as of 30 June 2022 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 financial results improved compared to prior year as a surplus of R93,5 million was realised compared to a restated net deficit of R43,6 million. Revenue improved by 15.2% compared to prior year as R689 million was reported compared to R 598 million.

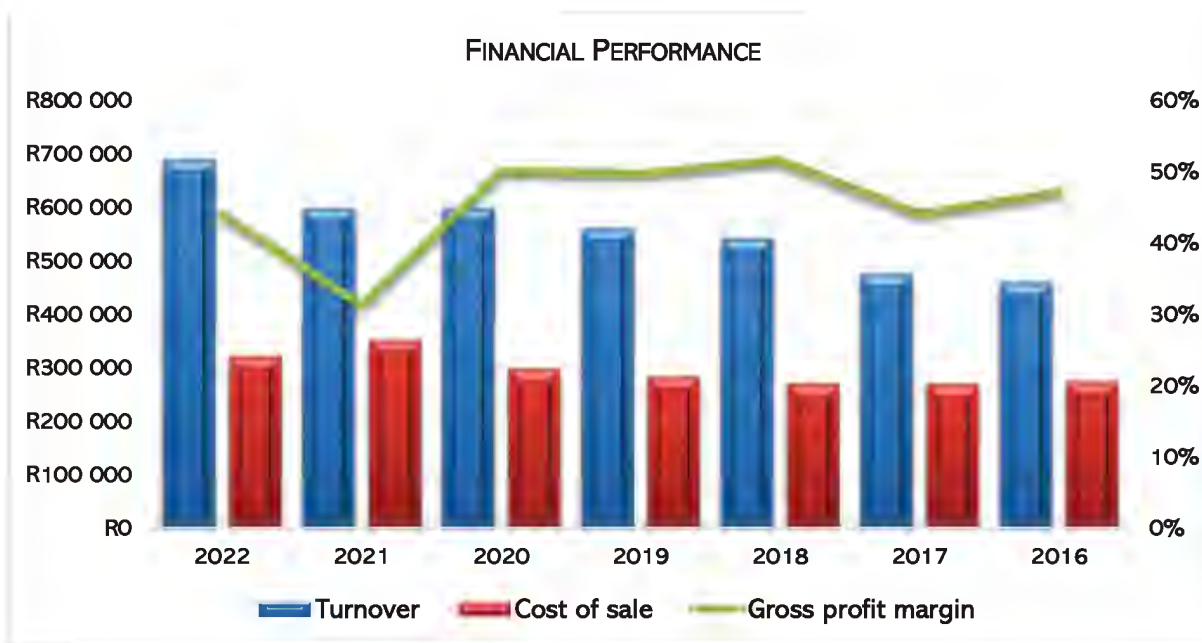


Figure 13-1: Seven-year financial performance

13.3.2 Supply quality water at an affordable rate

The entity's average tariff (potable) increased by 6,30% compared to the prior year and is currently at R8,28 per kilolitre, which represents the first increase post the restriction imposed by government in the last two financial years.





Figure 13-2: Average tariff for the past seven years

13.3.3 Other Income

Income from cost recovery relating to plants operated on behalf of municipalities and DWS as well as the management fee amounted to R81 million, opposed to R100 million in 2021. The general decline in other income is due to the delays in projects implementation, reduced number of operation and maintenance schemes and improved settlement of debt by customers' accounts which usually attract interest.

13.4 INPUT AND OPERATIONAL COSTS

The entity's gross profit percentage increased to 53% from 41% due to a decrease in variable costs. When compared to revenue growth, input cost decreased by 8,78%. Raw water increased by 8,26% while electricity and direct labour decreased by 12%. An increase of 26,82% of fixed cost is due to allocation of depreciation.

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

13.4.1 Energy costs

National load shedding resulted in less electricity consumption compared to the prior year's electricity consumption as evident by a decrease of 6%, which resulted in R130 million (2021: R138 million).



13.4.2 Depreciation

Depreciation and amortisation of assets decreased from R120 million to R117 million, due to a re-assessment of useful life which was performed at the year end. It is expected that a significant rise will ensue in the next year as capitalisation of infrastructure investments is anticipated.

13.4.3 Salary mix

The remuneration cost is at R252 million, including direct labour (R82 million). In the year under review, the decrease can be attributed to staff turnover.

13.4.4 Other operational costs

Other operating expenses have significantly decreased from R402 million compared to that of the previous financial year totalling R378 million.

Table 13-1: Financial performance at a glance

Financial ratios	2022	2021	2020	2019	2018	2017	2016
Gross margin %	53%	41%	50%	50%	52%	44%	47%
Current ratio	1,8	1,6	1,7	2,0	1,8	1,5	2,4
Acid test ratio (liquidity ratio)	1,6	1,5	0,1	0,1	0,1	0,2	0,3
Asset turnover	17%	15%	16%	15%	14%	13%	34%
Debt-equity ratio	27%	26%	24%	19%	20%	26%	33%
Gearing ratio	2%	2%	2%	2%	2%	2%	5%
Net profit margin	13,56%	-7%	-15%	11%	0%	7%	34%
Debtors' days	518	565	593	633	612	641	448
Interest cover (times)	8,87	-2,74	0,00	0,00	0,00	4,83	63,37
Return on assets	2,31%	-1%	-1%	1%	0%	1%	4%
EBITA	182,747	66,842	20,351	160,096	60,959	144,317	193,055

13.5 FINANCIAL POSITION

13.5.1 Infrastructure

Capital expenditure investment amounts to R80 million for the year under review. Low spending was due to budget cuts. The Board embarked on projects prioritisation to ensure increase in capital investment towards projects that would increase or maintain scheme capacity, which is expected to be rolled out during 2022/23 financial year. The entity undertook to advance capital



projects to meet the demand for water within the area of operation and to replace old infrastructure.

13.5.2 Current liabilities

Short-term obligations have increased by 7% to R718 million (2021: R670 million).

13.5.3 Increasing cash generated from operations

Net cash generated from operating activities decreased to R137 million (2021: R155 million), with the amount of net cash utilised in investing activities also decreasing in the year to -R82 million (2021: -R112 million). Total cash at end of the year is R184 million (2021: R129 million).

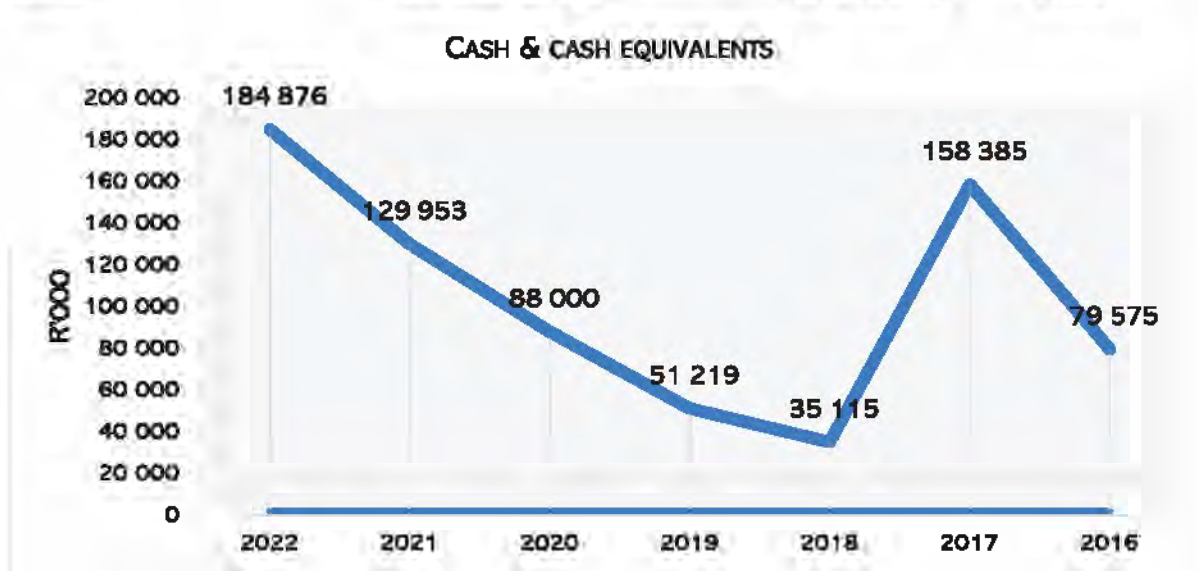


Figure 13-3: Cash and cash equivalents trends for the past seven (7) years

The entity debt to equity level at year end was 27%, indicating that significant capacity is still available to fund future expenditure.

13.6 SUPPLY CHAIN MANAGEMENT

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

- Supply chain management policy and procedures that are aligned to the PFMA and its regulations;
- Procedures that clearly define the procurement processes and how these are managed;



- Allocation of roles and responsibilities;
- Delegations of authority and its sub-delegations;
- Monitoring supply chain performance;
- Bid-Committee Charter that gives guidance on the functioning of the bid committees; and
- Code of Conduct for Supply Chain Management Unit officials and other role-players.

13.6.1 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 94% (R90 million worth of projects) on BBBEE procurement, had at least four (4) new entrants (R225 000 worth of projects) and utilised most of the locally based companies. LNW believes that as the economy improves in the wake of the Covid-19 pandemic, new businesses will emerge and therefore be given an opportunity to render service to LNW for a first time.

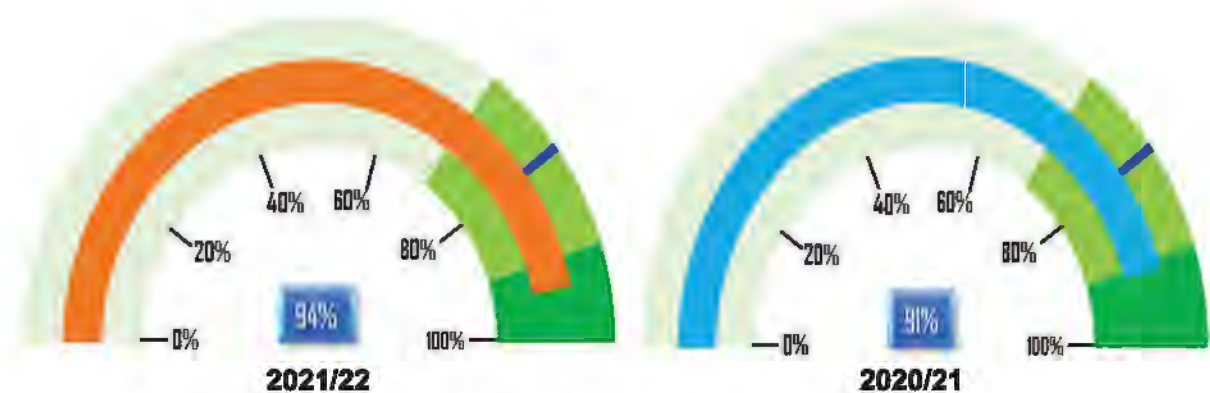


Figure 13-4: BBBEE procurement benefit from LNW projects

Figure 13:4 shows that there is an improvement in BBBEE utilisation at 94% against the target of 80% when compared to 91% of the previous financial year.

13.6.2 Best supply chain practices

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 taxation, Construction Industry Development Board (CIDB) and 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.



14 ENTERPRISE RISK MANAGEMENT

Effective risk management is fundamental to the business activities of the organisation. While we remain committed to increasing shareholder value by developing and growing our business within our board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

LNW adopted an Enterprise Risk Management ERM approach which seeks to identify, evaluate, monitor and report all actual and potential risks within the shortest possible time. This exercise remained inherent throughout the organisation via the risk assessments periodically conducted 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; and
- measure, report, monitor and refine risks as needed.

Responsibility and accountability for risk management reside at all levels within the organisation, from the Board down to management and employees.

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 and monitoring and the integration into the daily activities of the organisation.

From the beginning of the financial year the organisation had identified six (6) key strategic risks, of which five (5) were rated high in terms of the risk residual level and of the five (5) high risks three (3) risks were accepted by the organisation. However, management continuously implement internal controls and mitigation measures against the accepted risks. Two (2) of the risks remained at moderate level. These risks were monitored by the oversight committees respectively on a quarterly basis.



Table 14-1: Strategic risks progress report

Risk Ref	Risk description	RR	Mitigating measure	Progress report
SR1	Water demands that exceed available raw water allocation (Over-abstraction)	16	Risk is accepted in line with the DWS and thus implementation of projects on LNW's corporate plan will address it	No new WULA applications for additional water, however the Olifantspoort Scheme licence was increased from 80 Mℓ/d to 120 Mℓ/d
SR2	Fragmented project implementation (DWS projects)	23	Sign service level agreements with DWS prior implementation of projects	No new directive received in quarter 4
SR3	Negative effects and consequences of climate change	16	Adopt and implement the climate change policy	Implement the rehabilitation and replacement programmes in line with the policy and approved budget
SR4	Ageing infrastructure	13	Implement the rehabilitation and replacement programme in line with the approved budget	We started implementing the recommendations of Infrastructure conditional assessment in the 2021/22 financial year and proceeding with the budget for 2022/23. Ongoing until all recommendations are of the assessment are met. Furthermore, repairs, replacement, and refurbishment of ageing infrastructure are addressed by the scheme under the capital budget procurement plan. The program is reviewed annually
SR5	Non-payment by WSAs for bulk water services	10	The risk is accepted and current controls will be continuously implemented	LNW implemented 20% water restrictions on MDM and as result we were able to collect R63 million in the 4th quarter. R35 million was received from SDM after we issued a letter of intention to limit water supply. We continued to implement the credit control policy and to monitor the account of less problematic customers
SR6	Changes in all spheres of government leadership (administratively and politically)	18	The current risk is accepted and LNW will continue engaging all spheres of Government	Had a meet-and-greet between the Chairperson and the Executive Mayor of SDM as an Intro after her appointment



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.

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

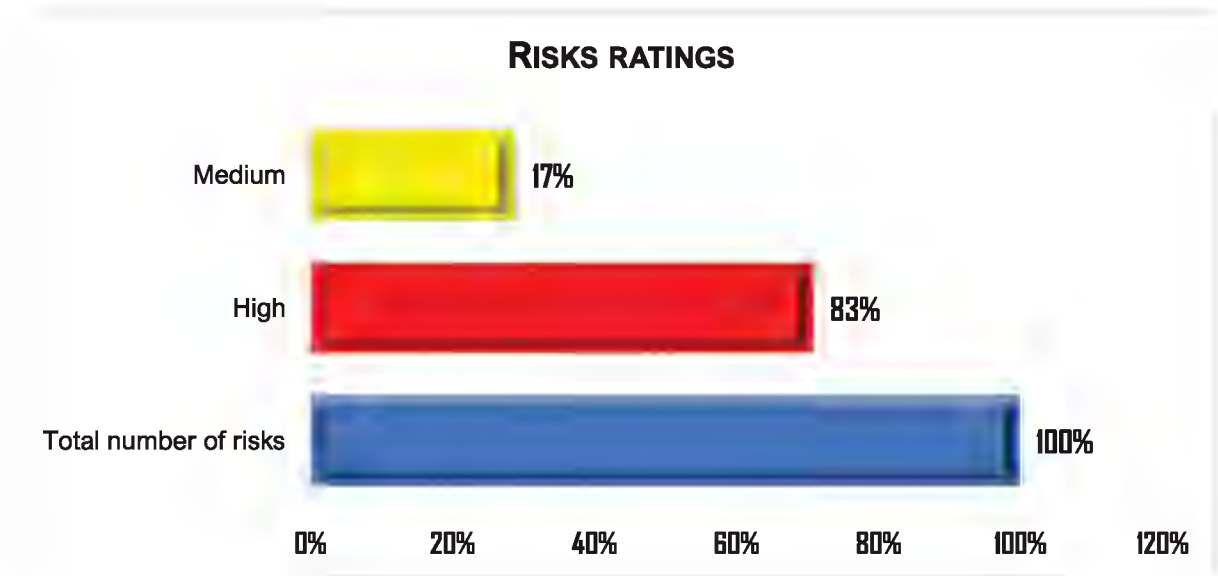


Figure 14-1: Overall risk rating for the six organisational strategic risks

Figure 14-1 depicts 83% of the strategic risks remaining high while medium risks are at 17% and no risk level is acceptable at strategic level. A focused approach will be required in the next financial year to reduce the high risks to medium or low.

The organisation had determined its overall risk appetite, which was then compared to the actual appetite level at the end of the financial year:



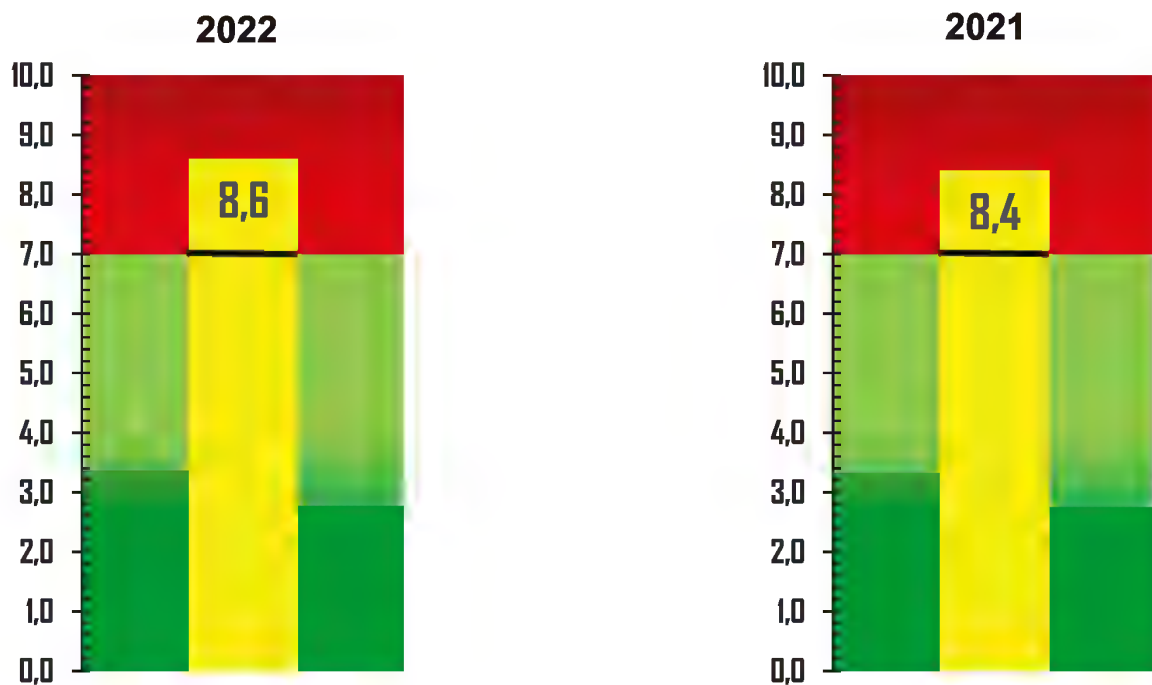


Figure 14-2: Risk appetite status

Figure 11-2 highlights that the maximum target of seven (7) was not met because it was exceeded in both years with a slight deterioration of 0,2 when compared to the year 2021. A more focused approach will be required in the coming financial year to meet the risk appetite set by the Board.

14.1 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 and business continuity management);
- Risk maturity reassessment rate and monitoring report;
- ICT risk reporting;
- Ethics/fraud risk reporting;
- Strategic risk reporting; and
- Risk management implementation plan approval and progress reporting.



14.2 PREVENTION OF FRAUD AND CORRUPTION

One of the goals of LNW is to achieve and maintain an ethical culture in the workplace. Awareness sessions are provided to employees on a quarterly basis and on the one hand there is protective mechanisms in place for whistle blowers. We have appointed Deloitte & Touche to administer the anonymous tip-off hotline to prevent fraud and corruption in the organisation.

The organisation has recorded a total of eight (8) cases for the 2021/22 financial year compared to four (4) cases that were reported in the previous financial year (2020/21).

14.3 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 and social responsibility reporting);
- Progress reporting on the ethics management plan; and
- Fraud risk register monitoring.

15 INTERNAL AUDIT

In terms of section 51(1)(ii) of the PFMA, LNW has and maintained a system of internal audit under the direction and control of its 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 LNW provided an independent, objective assurance and consulting service that adds value and improves the organisation's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

15.1 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 the plan to the Audit and Risk Committee for review and approval. The plan included the following:
 - Internal Audit 3-year Rolling Plan;
 - Internal Audit Annual Plan;



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

15.2 EFFECTIVENESS OF INTERNAL CONTROLS

During the period under review there was no material breakdown in the risk management and control environment in general. However, in 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 271 Internal Audit findings and 42% (114) of these findings were still in the process of being addressed by management.

There were 31 unresolved findings and 3 repeat findings for the duration of the 2021/22 financial year.



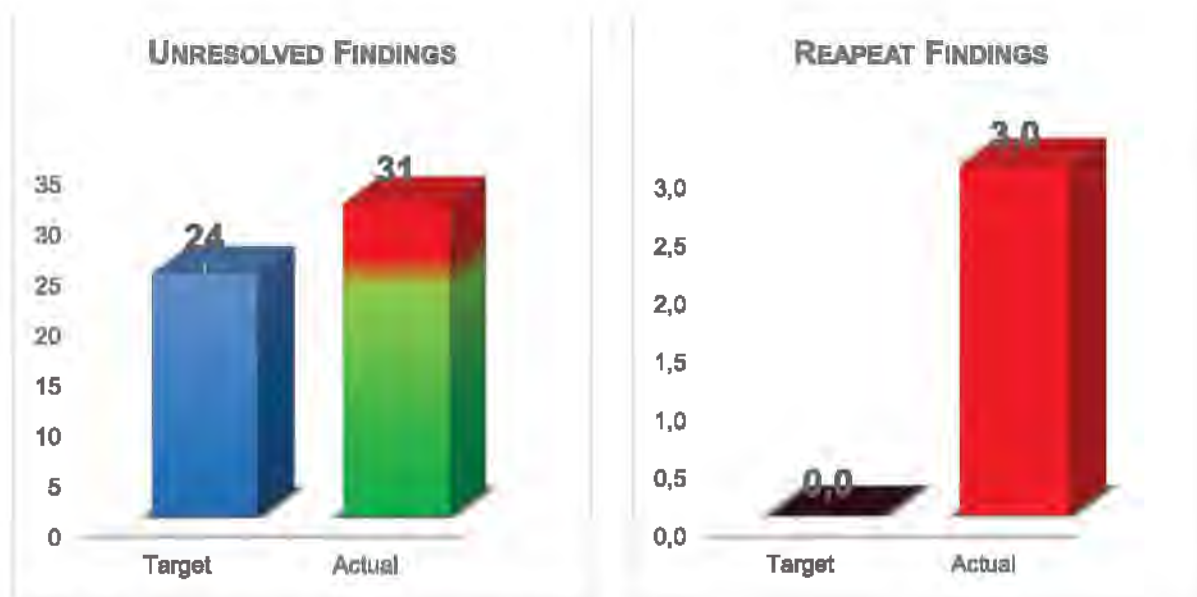


Table 15-1: Unresolved and repeat findings as at 30 June 2022

Figure 15-1 above indicates that the organisation exceeded the maximum number of unresolved audit findings that was set as a target of 24 and has accumulated a total of 31 unresolved findings. The organisation has also exceeded the maximum number of repeat findings allowed by three (3) on a target of zero (0).

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; and
- Covid-19 Steering Committee.



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

Report on the audits of the financial statements

Opinion

1. I have audited the financial statements of Lepelle Northern Water set out on pages 101 to 172, which comprise the statement of financial position as at 30 June 2022, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as 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 2022, and its financial performance and cash flows for the year then ended in accordance with the 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 my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.



Emphasis of matter

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

Receivables from exchange transactions

7. As disclosed in note 7 to the financial statements, material provision for impairments of receivables from exchange transactions of R265 481 000 was incurred.

Water losses

8. As disclosed in note 19 to the financial statements, water losses of R23 162 000 was incurred as a result of illegal connections.

Contingencies

9. With reference to note 26 to the financial statements, the entity is involved in various cases. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Responsibilities of the accounting authority for the financial statements

10. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
11. 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

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

Report on the audit of the annual performance report

Introduction and scope

14. In accordance with the Public Audit Act 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 objective presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.
15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the public entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the public entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.
16. 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 objectives presented in the public entity's annual performance report for the year ended 30 June 2022:

Objectives	Pages in the annual performance report
Strategic objective 01 – Provision of equitable and sustainable bulk water services	29 –31

17. 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.
18. The material findings on the usefulness and reliability of the performance information of the selected objectives are as follows:

Strategic objective 01 – Provision of equitable and sustainable bulk water services

19. 1.3.1 % Compliance to SANS 241 for Drinking Water (Bulk)

The achievements reported in the annual performance report for the listed targets, materially differ from the supporting evidence provided:

Planned Target	Reported achievement
95% Acute Chemical compliance	99.3%
95% Operational Compliance	93.4%
95% Chronic Chemical Compliance	99.5%

Other matters

20. I draw attention to the matters below.

Achievement of planned targets

21. Refer to the annual performance report on pages 29 to 36, 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 usefulness and reliability of the reported performance information in paragraph 19 of this report.

Adjustment of material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Strategic Objective 01– Provision of equitable and sustainable bulk water 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.

Report on the audit of compliance with legislation

Introduction and scope

23. 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.

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

Annual financial statements

25. 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.
26. Material misstatements of current assets, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

27. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.



Expenditure management

28. Effective and appropriate steps were not taken to prevent fruitless and wasteful expenditure amounting to R505 000 as disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by late submission of a SARS return and supporting documents.

Other information

29. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected objectives 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 on it.
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.



Internal control deficiencies

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. Review processes within the finance department and performance management unit were inadequate and resulted in misstatements being identified in the reporting of the performance results and annual financial information.
35. The lack of monitoring and implementation of action plans by key officials to address significant control deficiencies resulted in findings similar to those reported in the prior year being identified.
36. Management did not develop adequate measures to monitor compliance with key legislation, which resulted in material findings on compliance.

Other reports

37. 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.
38. The Minister of Water and Sanitation appointed a service provider to investigate Lepelle Northern Water's operations in previous years. The investigation report had been issued to the minister and the public entity responded to the findings in the report. Every quarter, management reports on the progress of the implementation of action plans from the ORCA report.



39. Numerous other investigations into Lepelle Northern Water are still in progress by various service providers including the Special Investigation Unit.

Auditor - General

Pretoria

31 October 2022



**AUDITOR - GENERAL
SOUTH AFRICA**

Auditing to build public confidence



Annexure – Auditor-general's responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with respect to the selected subject matters.

Financial statements

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:
 - identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
 - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
 - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors, which constitutes the accounting authority
 - conclude on the appropriateness of the accounting authority use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Lepelle Northern Water to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern



- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



17 RISK & AUDIT COMMITTEE REPORT

We are pleased to present our report for the financial year ended 30 June 2022.

Audit committee members and attendance

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 17 meetings were held as highlighted in table 14-1 below:

Table 17-1: Attendance of the audit and Risk Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
I Vally	4	17
S Ngobeni	4	17
F Mudau	4	17
RT Ramashia	4	14

Audit committee responsibility

The audit committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Effectiveness of the internal controls

The system of internal controls applied by the entity over financial and risk management is effective, efficient, and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-



General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA

The audit committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the board of the entity during the year under review.

Evaluation of annual financial statements

The audit committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the board,
- reviewed the Auditor-General of South Africa's management report and management's response thereto,
- reviewed the entities compliance with legal and regulatory provisions,
- reviewed significant adjustments resulting from the audit.
- reviewed the Annual Financial Statements and recommended that they be adopted

Internal audit

The audit committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity and its audits.

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.

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.

Fraud prevention

The Committee reviewed:

- The mechanisms used to report fraud and corruption related activities and ensured that all allegations reported were dealt with appropriately.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.



Chairperson: Risk & Audit Committee

Mr. Imtiaz Ahmed Vally

Date: 31 October 2022



A dynamic background image featuring a large, clear water droplet or splash in the center, surrounded by numerous smaller droplets and bubbles. The overall color palette is light blue and white, giving it a fresh and clean appearance.

FINANCIAL STATEMENTS



Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2022

18 FINANCIAL STATEMENTS**Statement of Financial Position as at 30 June 2022**

Figures in Rand thousand	Note(s)	2022	2021
Assets			
Current Assets			
Inventories	6	147,003	78,656
Receivables from exchange transactions	7	989,282	878,802
VAT receivable	8	58,515	51,129
Cash and cash equivalents	9	184,876	129,953
		1,379,676	1,138,540
Non-Current Assets			
Property, plant and equipment	2	2,602,727	2,841,168
Intangible assets	3	1,019	1,209
Other financial assets	4	63,790	61,782
Receivables from exchange transactions	7	-	57,068
		2,667,536	2,761,227
Total Assets		4,047,212	3,899,767
Liabilities			
Current Liabilities			
Finance lease obligation	10	-	141
Payables from exchange transactions	12	717,920	670,104
Provisions	11	53,919	58,039
		771,839	728,284
Non-Current Liabilities			
Employee benefit obligation	5	97,671	87,430
Total Liabilities		869,510	815,714
Net Assets		3,177,702	3,084,053
Accumulated surplus		3,177,702	3,084,053
Total Net Assets		3,177,702	3,084,053



Lepelle Northern Water

Annual Financial Statements for the year ended June 30, 2022

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2022	2021
Revenue	13	689,655	598,616
Cost of sales	20	(321,786)	(352,761)
Gross surplus		367,869	245,855
Other income	14	104,374	121,763
Operating expenses	19	(378,195)	(402,109)
Operating surplus (deficit)		94,048	(34,491)
Investment revenue	15	8,808	5,956
Fair value adjustments	21	(811)	1,481
Actuarial gains/losses	5	1,927	(3,322)
Gain on sale of Property, plant and equipment		98	-
Finance costs	18	(10,789)	(13,268)
Surplus (deficit) for the year		93,501	(43,644)



Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2022

Statement of Changes in Net Assets

Figures in Rand thousand	Accumulated surplus	Total net assets
Opening balance as previously reported	3,097,621	3,097,621
Adjustments		
Prior year adjustments	30,076	30,076
Balance at 1 July 2020 as restated*	3,127,697	3,127,697
Changes in net assets Surplus for the year	(43,644)	(43,644)
Total changes	(43,644)	(43,644)
Balance at 1 July 2021	3,084,201	3,084,201
Changes in net assets Surplus for the year	93,501	93,501
Total changes	93,501	93,501
Balance at 30 June 2022	3,177,702	3,177,702



Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2022

Cash Flows Statement

Figures in Rand thousand	Note(s)	2022	2021
Cash flows from operating activities			
Receipts			
Sale of goods and services		730,516	626,398
Interest income		8,808	5,956
		<u>739,326</u>	<u>834,354</u>
Payments			
Employee costs		(233,664)	(261,505)
Suppliers		(388,111)	(414,978)
Finance costs		(61)	(2,803)
		<u>(601,836)</u>	<u>(679,286)</u>
Net cash flows from operating activities	23	<u>137,490</u>	<u>155,068</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(79,958)	(138,829)
Proceeds from sale of property, plant and equipment	2	157	-
Proceeds/(purchase) of financial assets		(2,619)	25,939
Net cash flows from investing activities		<u>(82,420)</u>	<u>(112,890)</u>
Cash flows from financing activities			
Finance lease payments		(146)	(225)
Net increase/(decrease) in cash and cash equivalents		<u>54,924</u>	<u>41,953</u>
Cash and cash equivalents at the beginning of the year		129,953	88,000
Cash and cash equivalents at the end of the year	9	<u>184,877</u>	<u>129,953</u>



Lepelle Northern Water

Annual Financial Statements for the year ended 30 June 2022

Budget on Cash Basis						
	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Statement of Financial Performance Revenue						
Revenue from exchange transactions						
Sale of goods	676,026	-	676,026	669,655	13,629	note 36
Administration and management Fees	30,997	370	31,367	22,245	(9,122)	note 36
Section 30 Income	28,289	2,470	30,759	37,803	7,044	note 36
Rental Income	1,297	-	1,297	1,122	(175)	
Recoveries	-	-	-	20,015	20,015	
Interest Received -Water Sales	37,837	-	37,837	22,739	(15,098)	note 36
Sundry Income	3,072	2,094	5,166	450	(4,716)	
Interest received - investment	5,444	-	5,444	8,808	3,364	note 36
Total revenue from exchange transactions	782,962	4,834	787,896	802,837	14,841	
Expenditure						
Personnel	(190,086)	18,679	(171,407)	(169,872)	1,535	
Depreciation and amortisation	(101,134)	49	(101,085)	(77,206)	23,879	note 36
Impairment loss/ Reversal of Impairments	-	-	-	(1,272)	(1,272)	
Finance costs	(9,494)	-	(9,494)	(10,769)	(1,275)	
Lease rentals on operating lease	-	-	-	(913)	(913)	
Debt Impairment	(23,256)	-	(23,256)	-	23,256	
Cost of sale	(343,288)	4,016	(339,272)	(321,786)	17,486	note 36
General Expenses	(134,759)	(37,667)	(172,426)	(128,932)	43,494	note 36
Total expenditure	(802,017)	(14,923)	(816,940)	(710,750)	106,190	
Operating surplus	(19,055)	(9,989)	(29,044)	92,087	121,131	
Fair value adjustments	1,796	-	1,796	(611)	(2,407)	
Actuarial gains/losses	17,259	-	17,259	1,927	(15,332)	
Gain on non-current assets held for sale or disposal groups	-	-	-	98	98	
	19,055	-	19,055	1,414	(17,641)	
Surplus before taxation	-	(9,989)	(9,989)	93,501	103,490	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(9,989)	(9,989)	93,501	103,490	

The accounting policies on pages 103 to 139 and the notes on pages 140 to 169 form an integral part of the annual financial statements.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1. Presentation of Annual Financial Statements

The annual 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 annual 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 annual financial statements, are disclosed below.

1.1. Presentation currency

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

1.2. Going concern assumption

These annual financial statements have been prepared based on the expectation that the Water 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.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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

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 Water Board is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Water Board uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The 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 Water Board for similar financial instruments.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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

Impairment Testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value.

The Water Board reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use are inherently uncertain and could materially change over time.

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.

Useful lives of waste and water network and other assets

The Water Board's management determines the estimated useful lives and related depreciation charges for the water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures In Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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

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 Water 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 medical obligations.

In determining the appropriate discount rate, the Water 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 medical liability.

Other key assumptions for medical obligations are based on current market conditions. Additional information is disclosed in Note 5.

Effective Interest rate

The Water Board used the prime interest rate to discount future cash flows.

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.

Recognition and Derecognition of Land

In some instances, the Water Board is not the legal owner, or the custodian of land appointed in terms of legislation but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are as follow:

The entity has the right to direct access to and restrict access of others to the land.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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

The entity can make improvements to the land without a prior approval by the third party.

Accounting by principals and agent

The Water Board makes assessments on whether it is the principal or agent in principle-agent relationships. Significant judgement.

Additional information is disclosed in Note .

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 Water Board; 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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.5. Property, plant, and equipment (continued)

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, its 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.

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.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.5. Property, plant, and equipment (continued)

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
Land	Straight-line	Infinite
Buildings	Straight-line	9 - 50 years
Machinery and Equipment	Straight-line	3 - 15 years
Furniture and fixtures	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.

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 Water 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 Water Board assesses at each reporting date whether there is any indication that the entity 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 Water Board revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.5. Property, plant, and equipment (continued)

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.

The Water Board separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 2).

The Water Board discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 2).

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 Water Board 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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.6. Intangible Assets (continued)

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 Water Board; and
- the cost or fair value of the asset can be measured reliably.

The Water Board 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.
- 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.



Accounting Policies

Figures in Rand thousand	Notes(s)	2022	2021
--------------------------	----------	------	------

1.6. Intangible Assets (continued)

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

1.7. Financial instruments

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



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.7. Financial Instruments (continued)

A concessionary loan is a loan granted to or received by a Water 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 a Water Board'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.

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, an Water 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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.7. Financial Instruments (continued)

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 Water 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 Water Board; or
- a contractual right to:
 - receive cash or another financial asset from another Water Board; or
 - exchange financial assets or financial liabilities with another Water Board under conditions that are potentially favourable to the Water 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.

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

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



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.7. Financial Instruments (continued)

Liquidity risk is the risk encountered by Water Board 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.

A residual interest is any contract that manifests an interest in the assets of an Water 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 a Water 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 a Water 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 Water Board had not acquired, issued or disposed of the financial instrument.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.7. Financial Instruments (continued)

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 Water 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:

- derivatives
- contingent consideration of an acquirer in a transfer of functions between entities not under common control to which the Standard of GRAP on Transfer of Functions Between Entities Not Under Common Control (GRAP 106) applies
- 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
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.7. Financial instruments (continued)

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Other financial asset ¹	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade and other payables	Financial liability measured at fair value

Class	Category
Residual interest	Measured at fair value

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.

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.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.8. Leases (Continued)

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

Operating leases - lessee

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

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.

Current replacement cost is the cost the Water Board 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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.9. Inventories (continued)

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 Water 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).

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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.10. Impairment of cash-generating assets (continued)

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 Water Board; or
- the number of production or similar units expected to be obtained from the asset by the Water Board.

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

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The Water Board assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the Water Board estimates the recoverable amount of the asset.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.10. Impairment of cash-generating assets (continued)

Irrespective of whether there is any indication of impairment, the Water Board also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the Water Board estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the Water Board applies the appropriate discount rate to those future cash flows.

1.11. Impairment of non-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.

Non-cash-generating assets are assets other than cash-generating assets.

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).

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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.11. Impairment of non-cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed 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 service amount is the higher of a non-cash-generating asset's 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 Water Board; or
- the number of production or similar units expected to be obtained from the asset by the Water Board.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.11. Impairment of non-cash-generating assets (continued)**Reversal of an Impairment loss**

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12. Employee benefits

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



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.12. Employee benefits (continued)

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 entity, 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 entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, 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 entity to reimburse it for employee benefits already paid.

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

- an entity'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.

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



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.12. Employee benefits (continued)**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, salaries and social security contributions.
- 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 recognises 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 entity recognises 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
- 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 entity 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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.12. Employee benefits (continued)

The entity recognises the expected cost of bonus, incentive, and performance related payments when the entity 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 entity 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.

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.

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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.12. Employee benefits (continued)

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.

1.13. Provisions and contingencies

Provisions are recognised when:

- the entity 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 the reporting date.

Where the affect 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

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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 entity 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 reporting date 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

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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 entity

No obligation arises as a consequence of the sale or transfer of an operation until the entity 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 nota 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 entity 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

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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 entity 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 entity considers that an outflow of economic resources is probable, an entity 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.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

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 entity 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.

Measurement

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

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non- contractual) arrangement (see the accounting policy on Statutory Receivables).

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods.
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- the amount of revenue can be measured reliably.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.15. Revenue from exchange transactions (continued)

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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. Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.18. Accounting by principals and agents**Identification**

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.18. Accounting by principals and agents (continued)**Assessing which entity benefits from the transactions with third parties**

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

1.19. Comparative figures

Comparative figures have not been reclassified to conform to changes in presentation in the current 9 months.

1.20. Expenses

Expenses are recognised in the statement of financial performance upon utilisation of the service or as incurred.



Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.21. Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure is accounted for in line with all relating requirements, including, but not limited to, ruling Legislation, Regulations, Frameworks, Circulars, Instruction Notes, Practice Notes, Guidelines etc (as applicable).

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.

1.22. 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 Instruction 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.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.22. Irregular expenditure (continued)

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.

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.

1.23. Segment information

A segment is an activity of an entity:

that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.24. Budget Information

Entity is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1/7/2021 to 30/6/2022.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.25. 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

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.25. 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 entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

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

The entity 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 entity 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 entity is exempt from the disclosures in accordance with the above, the entity 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 annual financial statements.

1.26. 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).



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022.

Accounting Policies

Figures in Rand thousand	Note(s)	2022	2021
--------------------------	---------	------	------

1.26. Events after reporting date (continued)

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

The entity 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 based on the financial statements.



Notes to the Annual Financial Statements

Figures in Rand thousand

2. Property, plant and equipment

	2022			2021		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	26,831	-	26,831	26,831	-	26,831
Buildings	258,211	(153,608)	104,603	256,827	(143,974)	112,853
Machinery and equipment	673,319	(373,923)	299,396	668,087	(332,512)	335,575
Furniture and fixtures	11,939	(10,220)	1,719	11,854	(9,601)	2,053
Motor vehicles	41,456	(33,785)	7,671	40,649	(31,324)	9,325
Computer – Hardware	7,136	(5,406)	1,730	7,101	(4,784)	2,317
Assets Under Construction	352,439	-	352,439	281,968	-	281,968
Telemetry	10,104	(5,287)	4,817	10,078	(4,631)	5,447
Water network	2,918,220	(1,114,699)	1,803,521	2,917,093	(1,052,294)	1,864,799
Total	4,299,655	(1,696,928)	2,602,727	4,220,288	(1,579,120)	2,641,168

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	26,831	-	-	-	-	-	26,831
Buildings	112,853	-	-	1,385	(9,352)	(283)	104,603
Machinery and Equipment	335,575	3,810	-	1,623	(40,548)	(866)	299,396
Furniture and fittings	2,053	271	-	14	(514)	(105)	1,719
Motor vehicles	9,325	1,396	(288)	-	(2,762)	-	7,671
Computer Hardware	2,317	35	-	-	(613)	(9)	1,730
Assets under construction	281,968	74,620	-	(4,149)	-	-	352,439
Telemetry	5,447	26	-	-	(656)	-	4,817
Water network	1,864,799	-	-	1,127	(62,396)	(9)	1,803,521
	2,641,168	79,958	(288)	-	(116,839)	(1,272)	2,602,727



Notes to the Annual Financial Statements

Figures in Rand thousand

2. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2021

	Opening balance	Additions	Additions through transfer of functions / mergers	Depreciation	Impairment loss	Total
Land	26,831					26,831
Buildings	120,958	-	1,252	(9,270)	(87)	112,853
Machinery and Equipment	362,950	4,147	11,802	(41,785)	(1,539)	335,575
Furniture and fittings	3,078	71	-	(1,090)	(6)	2,053
Motor vehicles	13,779	-	-	(4,454)	-	9,325
Computer Hardware	2,337	883	-	(901)	(2)	2,317
Assets Under Construction	196,756	133,728	(48,516)	-	-	281,968
Telemetry	6,178	-	-	(700)	(31)	5,447
Water network	1,892,181	-	35,462	(62,287)	(557)	1,864,799
	2,625,048	138,629	-	(120,487)	(2,222)	2,641,188

Assets under investigation

Carrying value of assets under investigation amounting to R4 million; (2021) R6,5 million is as follows:

Buildings	7	10
Furniture and Fixtures	38	142
Hardware IT	16	106
Machinery and Equipment	3,572	5,326
Motor Vehicles	71	383
Software	69	317
Telemetry	215	277
Waterworks	25	27



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

2. Property, plant and equipment (continued)

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

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Water network	352,439	281,968
---------------	---------	---------

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Sludge lagoon: Phalaborwa	8,612	8,612
---------------------------	-------	-------

Poor Performance by the constructor Upgrade of Flag Boshieho plant	96,827	93,469
--	--------	--------

Poor Performance by the constructor	105,439	102,081
-------------------------------------	---------	---------

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

LNW 45/12/13 Upgrade of Politsi water treatment works	12,083	12,083
---	--------	--------

There is a dispute on water use licence between LNW and Tzaneen Irrigation Board

LNW 33/15/16 Politsi raining main pipeline installation	5,407	5,407
---	-------	-------

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 33/15/16 Supply and delivery of pipes for Politsi	8,187	8,787
---	-------	-------

Pipes were delivered on site. There is a dispute on 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 installation	459	459
---	-----	-----

Pipes were delivered on site. There is a dispute on water use licence between LNW and Tzaneen Irrigation Board

No impairment losses have been recognised in relation to the project.

26,136	28,736
--------	--------

Reconciliation of Work-in-Progress 2022

	Included within Infrastructure	Total
Opening balance	281,968	281,968
Additions/capital expenditure	74,620	74,620
Transferred to completed items	(4,149)	(4,149)
	352,439	352,439

Reconciliation of Work-in-Progress 2021

	Included within Infrastructure	Total
Opening balance	196,756	196,756
Additions/capital expenditure	133,728	133,728
Transferred to completed items	(48,516)	(48,516)
	281,968	281,968



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

2. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	33,818	38,266
---------------------	--------	--------

Land appointed in terms of legislation which entity controls without legal ownership or custodianship

In some instances, Lepelle Northern Water is not the legal owner, or the custodian of land appointed in terms of legislation but assessed that it controls such land. Key judgements made and assumptions applied to conclude that it controls such land, are disclosed in Note 1.4.



Notes to the Annual Financial Statements

Figures in Rand thousand

3. Intangible assets

	2022			2021		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	8,499	(8,261)	238	8,499	(8,071)	428
Servitudes	781	-	781	781	-	781
Total	9,280	(8,261)	1,019	9,280	(8,071)	1,209

Reconciliation of Intangible assets - 2022

	Opening balance	Amortisation	Total
Software	428	(190)	238
Servitudes	781	-	781
	1,209	(190)	1,019

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Computer software, other	908	(478)	428
Servitudes	781	-	781
	1,687	(478)	1,209



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

4. Other financial assets

Designated at fair value		
Unit trusts	63,790	61,782
Non-current assets		
Designated at fair value	63,790	61,782
Financial assets at fair value		

The Water Board's other financial assets as of the balance sheet date, are amounts set aside for long-term investing intended to mirror the post-retirement medical obligations.

5. Employee benefit obligations

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

Carrying value

Present value of the defined benefit obligation-wholly unfunded	(97,671)	(87,430)
---	----------	----------

The above balance of R97 million (R87 million: 2021) takes into account the net expense recognition in the statement of Financial Performance.

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

Opening balance	87,430	73,636
Benefits paid	(1,838)	(2,686)
Net expense recognised in the statement of financial performance	12,079	16,480
	97,671	87,430

Net expense recognised in the statement of financial performance

Current service cost	3,299	2,693
Interest cost	10,707	10,465
Actuarial (gains)/losses	(1,927)	3,322
	12,079	16,480

Calculation of actuarial gains and losses

Actuarial (gains)/losses	(1,927)	3,322
--------------------------	---------	-------



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

5. Employee benefit obligations (continued)

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	13.08 %	12.38 %
Medical cost trend rates	10.09 %	9.11 %
Expected increase in healthcare costs	8.59 %	7.61 %
Real rate Gap	2.72 %	3.00 %

The basis on which the discount rate has been determined is by taking the average yields from zero-coupon SA Government bond curve over a 15 to 20-year term which is consistent with the duration considered in 2022. The recommended discount rate as at 30 June 2022 is 13.08%. The source is the Johannesburg Stock Exchange through IReSS data service. The previous valuation had a discount rate of 12.38%.

The future inflation assumption was estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of between 15 and 20 years. The implied inflation assumption is therefore 8.56% per annum. The source is the Johannesburg Stock Exchange through Inet BFA data service. The inflation assumption used for the previous valuation was 7.61%.

Other assumptions

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	19 753	14 324
Effect on defined benefit obligation	(113 534)	(84 707)

Amounts for the current and previous four years are as follows:

	2022	2021	2020	2019	2018
	'000	'000	'000	'000	'000
Defined benefit obligation	(97,671)	(87,430)	(73,636)	(80,041)	(77,382)



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

5. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the Water Board to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The Water Board is under no obligation to cover any unfunded benefits.

The total entity contribution to such schemes	35,811	34,654
---	--------	--------

Included in defined contribution plan information above, is the following plans which are Provident and Pension fund.

6. Inventories

Chemicals	972	1,592
Water Inventory: Work in Progress	40,836	18,732
Assurance Inventory	1,421	1,421
Maintenance Inventory	3,224	3,370
Water Inventory: Clean water	100,550	53,541
	147,003	78,656



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
7. Receivables from exchange transactions		
Trade debtors	481,891	484,528
Employees Loans	3,995	3,157
Provision for doubtful debt	(285,481)	(116,224)
Sundry debtors	7,470	5,577
DWS Projects	364,645	338,878
Plant claims	396,762	380,898
Provision for bad debts- long-term	-	(180,942)
	989,282	935,870
Non-current assets	-	57,068
Current assets	989,282	878,802
	989,282	935,870

Trade and other receivables impaired

As of 30 June 2022, trade and other receivables of R265 million (2021: R277 million) were impaired and provided for.

The amount of the reversal for provision was R11 million as of 30 June 2022 (2021: R12 million).

Below is the analysis of financial assets that are individually assessed for impairment:

Trade debtors	392,392	391,873
Plant claims	396,544	380,898
DWS Projects	362,872	337,475

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(277,166)	(289,950)
Provision for impairment	11,666	12,784
	(265,500)	(277,166)

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

Receivables that meet the maximum exposure to credit risk at the reporting date were assessed for impairment. Lepelle Northern Water does not hold any collateral as security.

8. VAT receivable

VAT	58,515	51,129
-----	--------	--------



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	491	472
Bank	184,385	129,481
	184,876	129,953

10. Finance lease obligation

Minimum lease payments due		
- within one year	-	145
	-	145
less: future finance charges	-	(4)
Present value of minimum lease payments	-	141
 Present value of minimum lease payments due		
- within one year	-	141

It is Lepelle Northern Water's policy to lease certain equipment under finance leases.

The average lease term was 3-5 years, and the average effective borrowing rate was 18%. The lease term ended under the year under review.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and include additional charges for contingent rent based on copies made.

The water board's obligations under finance leases are secured by the lessor's charge over the leased assets.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

11. Provisions**Reconciliation of provisions - 2022**

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision - 13th cheque	4,709	12,903	(12,807)	-	4,805
Provision - Leave	33,139	26,749	(20,866)	-	39,022
Provision - Performance bonus	20,191	-	-	(10,099)	10,092
	58,039	39,652	(33,673)	(10,099)	53,919

Reconciliation of provisions - 2021

	Opening Balance	Additions	Utilised during the year	Total
Provision - 13th cheque	4,862	4,763	(4,916)	4,709
Provision - Leave	28,376	65,941	(61,178)	33,139
Provision - Performance bonus	19,803	588	-	20,191
	52,841	71,292	(66,084)	58,039

12. Payables from exchange transactions

Trade payables	504,282	431,243
Payments received in advanced - contract in process	25,703	60,553
Other Payables	2,383	1,799
Retention	166,896	157,855
Customer - Deposits received	290	288
Receivables with credit balances	18,366	18,366
	717,920	670,104

13. Revenue

Water sales – Potable	814,244	531,867
Water sales – Industrial	75,411	66,749
	889,655	598,616

14. Other Income

Administration and management fees received	22,245	23,286
Section 30 Income	37,803	58,641
Fines, Penalties, and Forfeits	-	1,017
Rental income	1,122	1,075
Debt Impairment recovered	9,918	10,866
Reversal of provision	10,099	-
Interest received - Water sales	22,739	26,531
Sundry Income	450	347
	104,374	121,763



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

14. Other Income (Continued)

The amount included in Other Income arising from exchange transactions amounted to R104 million; R121 million (2021)

The amount included in Other Income arising from non-exchange transactions amounted to R10 million (2021: R1 million).

15. Investment revenue

Interest received	8,808	5,956
-------------------	-------	-------

16. Employee related costs

Allowances	13,114	11,499
Basic	87,274	83,841
Bonus	37	588
Car allowance	13,348	12,398
Defined contribution plans	15,076	14,428
Leave pay provision charge	9,118	15,404
Long-term benefits - incentive scheme	3,462	2,826
Medical aid - company contributions	12,752	11,716
Other payroll levies	87	86
Overtime payments	4,955	4,186
Travel, motor car, accommodation, subsistence and other allowances	4,139	3,328
UIF	508	344
13th Cheques	8,002	5,886
	169,872	166,528

17. Impairment of assets

Impairments

Property, plant and equipment	1,272	2,223
-------------------------------	-------	-------

The main events and circumstances that led to the recognition of the aggregate impairment losses and reversals are:

The main classes of assets affected by impairment losses are furniture and fixtures, IT hardware, machinery and equipment, telemetry, and waterworks.



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

17 Impairment of assets (continued)

The main classes of assets affected by reversals of impairment losses are buildings, furniture and fixtures, IT hardware, machinery and equipment, telemetry, and waterworks.

The main events and circumstances that led to the recognition of these impairment losses are that they are not in use, and that they are in poor and very poor condition.

The main events and circumstances that led to the reversals of these impairment losses are that the assets are still in use and were found to be in poor and very poor condition.

18. Finance costs

Retirement benefit interest	10,707	10,485
Other interest paid	57	2,781
Finance leases	5	22
	10,769	13,288

19. Operating expenses

Auditors' remuneration	4,207	4,171
Bank charges	332	346
Board Members Remuneration	6,389	5,084
Consulting and professional fees	16,053	27,896
Depreciation, amortisation, and impairments	78,478	97,218
Employee costs	169,872	166,528
Fines and penalties	447	984
Fuel and oil	6,687	5,113
Insurance	2,889	4,410
IT expenses	4,881	3,439
Lease rentals on operating lease	913	802
Other operating expenses	9,518	26,282
Protective clothing	278	2,161
Repairs and maintenance	37,331	39,909
Safety & Security	12,247	13,857
Water losses	23,162	-
Telephone	1,398	1,750
Training	1,970	1,530
Travel	1,143	629
	378,195	402,109



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

20. Cost of sales**Sale of goods**

Raw Water	63,615	58,764
Electricity	130,390	138,738
Pumping and purification	9,293	11,975
Depreciation	30,770	24,262
Repairs and Maintenance	5,507	15,848
Direct Labour	82,211	103,174
	321,786	352,761

21. Fair value adjustments**Other financial assets**

• Other financial assets (Designated at FV through P&L)	(611)	1,481
---	-------	-------

22. Auditors' remuneration

Fees	4,207	4,171
------	-------	-------

23. Cash generated from operations

Surplus (deficit)	93,501	(43,644)
Adjustments for:		
Depreciation, Impairment, and amortisation	118,301	123,187
Loss on discontinued operations	(98)	-
Fair value adjustments Finance costs	611	(1,481)
Movements in retirement benefit liabilities	10,241	13,794
Movements in provisions	(4,120)	5,198
Other non-cash items Changes in working capital: Inventories	382	4
	(68,347)	(8,179)
Receivables from exchange transactions	(53,412)	39,822
Payables from exchange transactions	47,817	51,248
VAT	(7,386)	(24,881)
	137,490	155,068



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

24. Financial instruments disclosure**Categories of financial instruments****2022****Financial assets**

	At fair value	At amortised cost	Total
Other financial assets	63,790	-	63,790
Trade and other receivables from exchange transactions	-	989,282	989,282
Other receivables from non-exchange transactions	-	58,515	58,515
Cash and cash equivalents	184,878	-	184,878
	248,668	1,047,797	1,296,463

Financial liabilities

	At fair value	Total
Other financial liabilities	97,871	97,871
Trade and other payables from exchange transactions	717,919	717,919
Provisions	53,919	53,919
	869,509	869,509

2021**Financial assets**

	At fair value	At amortised cost	Total
Other financial assets	61,782	-	61,782
Trade and other receivables from exchange transactions	-	878,802	878,802
Other receivables from non-exchange transactions	-	51,129	51,129
Other receivables from exchange transactions	-	57,068	57,068
Cash and cash equivalents	129,953	-	129,953
	191,735	986,999	1,178,734

Financial liabilities

	At fair value	Total
Other financial liabilities	87,430	87,430
Trade and other payables from exchange transactions	670,104	670,104
Provisions	58,039	58,039
Finance lease obligations	141	141
	815,714	815,714



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

25. Commitments**Authorised capital expenditure****Already contracted for but not provided for**

• Property, plant and equipment	59,064	91,905
• Prior period adjustment	-	69
	59,064	91,974

Total capital commitments

Already contracted for but not provided for	59,064	91,974
---	--------	--------

Total commitments**Total commitments**

Authorised capital expenditure	59,064	91,974
--------------------------------	--------	--------

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, funds internally generated.

Operating leases - as lessee (expense)**Minimum lease payments due**

- within one year	3,165	371
- in second to fifth year inclusive	6,990	46
	10,155	417

Operating lease payments represent rentals payable by the Lepelle Northern Water for certain office equipment and properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

26. Contingencies**Contingent liabilities**

There is a dispute relating to interest charged and invoices billed by a supplier amounting to R67.4 million and R9.7 million respectively.

Arbitration is in process to resolve wage increase dispute equivalent to R7.1 million.

Arbitration is in process following an award review relating to a labour dispute. The award was valued at R2.6 million.



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

26. Contingencies (continued)

The water board is involved in a litigation case with a service provider for not paying invoices. The service provider outsourced services from a third party. The third party has instituted legal action against the water board for non-payment of invoices. The matter is pending, and financial exposure is largely estimated to be R3.1 million.

The water board was served with summons for a claim of R10 million. A child drowned in an abandoned open pit in Giyani due to negligence of a service provider. The case is still pending.

The water board is involved in a litigation case with a service provider for not paying invoices. The matter is pending, and financial exposure is estimated to be R720 000.

The water board is involved in a litigation case with a service provider for an invoice billed by the supplier without following the SCM processes. The matter is pending, and financial exposure is estimated to be R856 765.

The water board is involved in ongoing litigation regarding the preparation of a tender document, in doing so the service provider omitted information which led to the water board incurring a variation. National Treasury approved the variation but directed that the variation amount be recovered from the service provider. The service provider instituted a claim against the water board for outstanding invoices amounting to R444 336, which the water board issued a counterclaim against the service provider.

Contingent assets

The Water Board is involved in ongoing litigation regarding the preparation of a tender document, in doing so the service provider omitted information which led to the water board incurring a variation of the amount of R1,4 million. National Treasury approved the variation but directed that the variation amount should be recovered from the service provider. The service provider instituted a claim against the water board for outstanding invoices, which the water board issued a counterclaim against the service provider. The value of the claim is estimated to be R1.4 million.



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

26. Contingencies (continued)

The board awarded water reticulation project to two entities in 2016 for emergency drought relief. There is contractual obligation as the entities claimed all money due for work not completed. The matter has been referred to LNW attorneys for legal dispute of R1.5 million.

Proceedings for a claim amounting to R35 million have commenced against a contractor that was appointed to install and commission a 10 ML/day conventional wastewater treatment plant. The water board terminated the contract due to contractual disputes. The adjudicator was in favour on the contractor and the contractor took the water board to court to implement decision of the arbitration. The court dismissed the application. Subsequently, the water board instituted a counter claim against the contractor for payment made to the contractor for materials.

The Water Board is involved in ongoing litigation regarding the recovery of monies owed by the former executives. The matter has been referred to the state attorney for further processing. The value of the claim is estimated to be R1.2 million.

A service provider contracted for upgrading of infrastructure claimed money for remedial work amounting to R3.5 million. The remedial work was a result of damages caused by storms and heavy rain. The claim was found to be in contravention of clause 8.2.2.1 of the General Conditions of Contract. There is a potential inflow of resources to the board arising from this unduly benefit to the service provider.

27. Related parties

The Water Board is a controlled entity, wholly owned by the Government of South Africa as represented by the Department of Water and Sanitation. Lepelle Northern Water is a Schedule 3B Enterprise in terms of Public Finance Management Act.

Key management is defined as individuals who are charged with authority and responsibility for planning, directing, and controlling the activities of Lepelle Northern Water. The Water Board considers the key management personnel to be the board members and executives as detailed in the remuneration report below.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

27 Related parties (continued)

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

The Water Board is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity 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.

Relationships

Controlling entity

Key Management: Members

Key Management: Management

The Department of Water and Sanitation

Board members

Executive management (EXCO)



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand 2022 2021

27 Related parties (continued)

Remuneration of management

Management class: Board members

2022

Name	Stipend	Board members' claims	Subsistence and travel	Total
NF Mphephu	609	399	74	1,082
J Mathebula	433	68	11	512
YD Mbane	39	13	-	52
JL Matlala	34	8	-	42
MM Makgopa-Madisa	415	151	4	570
MC Twalo	35	5	-	40
M Mabi	35	11	-	46
B Mahlutshana	381	99	5	485
FR Munyal	381	123	10	514
MSM Soni	381	132	19	532
MM Magoele	381	154	23	558
RT Ramashia	-	-	5	5
S Chiloane-Nwabuze	381	155	27	563
FJ Mudau	381	127	4	512
PE Molokwane	297	24	-	321
	4,183	1,469	182	5,834

Independent members

	Members' fees	Total
IAS Vally	294	294
SA Ngobeni	99	99
Y Pamla	73	73
	466	466

2021

Name	Stipend	Board members' claims	Subsistence and travel	Total
J Mathebula	626	176	33	835
YD Mbane	474	155	10	839
J Matlala	415	140	5	560
MM Makgopa-Madisa	415	138	11	564
MC Twalo	415	89	51	555
M Mabi	415	132	51	598
B Gaorekwa	348	57	5	408
GP Ritshuri	42	30	8	80
NF Mphephu	372	98	18	488
	3,520	1,013	192	4,725

Independent members

	Member fees	Total
IAS Vally	183	183
SA Ngobeni	76	76
Y Pamla	5	5
	264	264

The current Board was appointed by the Minister of Water and Sanitation with effect from August 2021.



Lepelle Northern Water

Financial Statements for the year ended 30 June 2022

Notes to the Annual Financial Statements

Figures in Rand thousand

2022

2021

27 Related parties (continued)

Management class: Executive management

2022

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Total
AE Netshidaulu	1,157	682	203	2,042
PE Molokwane	130	9	-	139
SP Mathevula	1,029	890	180	2,099
ES Moeng	666	989	126	1,781
GD Manzini	893	757	189	1,819
N Nokeri	913	810	173	1,696
RM Sebela	476	526	90	1,092
M Satekge	466	319	88	873
M Mantsho	57	-	-	57
MS Ramaleiso	216	-	-	216
MPD Tolo	252	-	-	252
ME Mphachoe	137	-	-	137
LP Sebola	174	-	-	174
MC Zenzile	11	-	-	11
	6,577	4,782	1,029	12,388

2021

Name	Basic salary	Other short-term employee benefits	Post-employment benefits	Termination benefits	Total
AE Netshidaulu	1,108	577	194	-	1,879
PK Legodi**	203	114	48	727	1,092
SP Mathevula	1,030	936	190	-	2,156
RJ Mathebula~	759	463	-	130	1,352
GD Manzini	851	863	181	-	1,875
N Nokeri	871	713	165	-	1,749
NM Mashamaite**	237	191	44	227	699
RM Sebela	453	504	86	-	1,043
ES Moeng	159	150	30	-	339
M Satekge	146	106	28	-	280
MS Ramaleiso	-	111	-	-	111
MPD Tolo	-	400	-	-	400
ME Mphachoe	-	319	-	-	319
	5,817	5,447	948	1,084	13,294

Remuneration of key management excludes any consideration provided solely as reimbursement for expenditure incurred by those persons for the benefit of the entity, such as the reimbursement of accommodation costs associated with work-related travel.

** Mr PK Legodi and Mrs. Mashamaite resigned in 2021.

~Mr RJ Mathevula retired in 2021.



Notes to the Annual Financial Statements

Figures in Rand thousand

2022

2021

28. Change in estimate**Property, plant and equipment**

The useful lives for Property plant and equipment were assessed during the financial year to ensure a more reliable and relevant presentation. The revision of useful lives was accounted for prospectively. The effect of this revision has decreased the depreciation charges for the current and future periods by R4.7 million.

29. Prior-year adjustments

During the current financial year, management identified transactions that appeared to have been omitted or processed incorrectly in the prior period, thus impacting on various topics, including assets measurement, the recognition of liabilities.

In assessing whether the identified adjustments should be processed as prior period errors, management considered whether the facts that gave rise to the adjustments existed in prior year, or whether those events only arose due to information that came to light in the current year. As a result, the balances reported as at 30 June 2021 Annual Financial Statements have been restated and grouped according to the nature of these errors.

Payables

Retention payable to a contractor was reversed due to termination of the contract following contravention of contractual terms and conditions. A decision to terminate the contract for upgrade of water treatment works was taken in the prior year but payables was not adjusted. Retention is a percentage of contract payment value which is withheld as a security for the quality of workmanship. Retention is payable after the lapse of a determined timeframe after successful completion of the project.

Management has identified certain transactions relating to expenses incurred on behalf of a principal, per GRAP 109, that were not accounted for in the prior year. These expenses have reduced the amounts previously reported as payables.



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

29. Prior-year adjustments (continued)**Property, Plant and Equipment**

During the current financial year's asset verification assessment, management discovered that there were assets that were omitted and/or required corrections to how they are reflected on the Fixed Asset Register and the Annual Financial Statements. These assets had a cost of R1 194 562 and an accumulated depreciation of R560 730, resulting in an increase of R633 832 in retained earnings adjusted on 1 July 2020.

Assets under construction were incorrectly expensed in 2020 which resulted in understatement of PPE and overstatement of accumulated surplus.

During the current financial year's asset verification assessment, management discovered that there were assets that were incorrectly impaired in the prior year and that assets were not assessed for impairment. There was also a restatement of zero value assets in use.

Receivables from exchange transactions

The impairment loss was reversed due to an error noted on the inputs used to calculate the impairment provision. The net effect resulted in the adjustment of VAT receivable.

The correction of the error(s) results in adjustments as follows:

Statement of financial position**2020**

	Note	As previously reported	Correction of error	Restated
Property, plant and equipment		2,596,990	28,059	2,625,049
Receivables from exchange transactions		974,987	725	975,692
Payables from exchange transactions		(620,149)	1,292	(618,857)
Accumulated surplus		(3,097,619)	(30,076)	(3,127,695)
		<u>(145,811)</u>	<u>-</u>	<u>(145,811)</u>



Notes to the Annual Financial Statements

Figures in Rand thousand

2022

2021

29. Prior-year adjustments (continued)**2021**

	As previously reported	Correction of error	Restated
Property, plant and equipment	2,611,806	29,362	2,641,168
Receivables from exchange transactions	877,135	58,735	935,870
Payables from exchange transactions	(672,100)	1,996	(670,104)
VAT Receivable	58,155	(7,026)	51,129
	2,874,996	83,067	2,958,063

Statement of financial performance**2021**

	As previously reported	Correction of error	Restated
Other income	108,880	11,883	121,763
General expenses	(175,250)	36,852	(138,398)
Employee related costs	(167,481)	963	(166,518)
Depreciation, amortisation, and Impairments	(124,445)	1,735	(122,710)
Finance costs	(14,823)	1,555	(13,268)
Surplus for the year	(372,129)	52,988	(319,141)

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 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. Risk and Audit committee identifies and evaluates financial risks in close cooperation with the board's operating units. The board provides written principles for the overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk and investment of excess liquidity.



Notes to the Annual Financial Statements

Figures in Rand thousand

2022

2021

30. Risk management (continued)**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 markets instruments such as call deposits and fixed call deposits. To mitigate liquidity risk exposure. The Board has committed facilities with various financial institutions.

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, and 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 defaulting in 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.

Financial instrument	2022	2021
Receivables from exchange transactions	989,282	878,802
Other financial assets	83,790	61,782
Payables from exchange transactions	717,919	670,104
Cash and cash equivalent	184,876	129,953
VAT receivables	58,515	51,129



Notes to the Annual Financial Statements

Figures in Rand thousand

2022

2021

31. Going concern

We draw attention to the fact that at 30 June 2022, the entity had an accumulated surplus of R3 177 702 and the Water Board reported a net assets of R3 177 702.

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

The ability of the water board to continue as a going concern is dependent on a number of factors. The most significant of these is that the members continue to procure funding for the ongoing operations for Water Board.

32. Events after the reporting date

Non-adjusting events after the reporting date:

The Members of the Board appointed Chief Executive Officer, Dr Cornelius Ruiters with effect from 1 July 2022.



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

33. Fruitless and wasteful expenditure

Opening balance as previously reported	15,142	12,324
Opening balance as restated	15,142	12,324
Add: Expenditure identified - current	505	4,374
Less: Amounts recoverable - prior period	-	(1,556)
Closing balance	15,647	15,142

34. Irregular expenditure

Opening balance as previously reported	78,494	50,655
Opening balance as restated	78,494	50,655
Add: Irregular Expenditure - current	3,037	2,385
Add: Irregular Expenditure - prior period	-	26,000
Less: Amounts condoned - current period	-	(546)
Closing balance	81,531	78,494

Amounts written-off

There were no amounts written-off in the current period. The National Treasury condoned an amount of R0.546m (2021) from the total irregular expenditure amount as it was proven without reasonable doubt that the value for money was received.

Partitioning of Offices	-	150
Provision of Security Services	-	396
	-	546

35. Segment Information**General information****Identification of segments**

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



Notes to the Annual Financial Statements

Figures in Rand thousand

2022

2021

35. Segment information (continued)

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. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Aggregated segments

The Water Board operates throughout the Limpopo Province in four regions. Segments were aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Limpopo were sufficiently similar to warrant aggregation.

Segment surplus or deficit**2022**

	Sale of bulk water services	Section 30 income	Total
Revenue			
Revenue from exchange transactions	689,655	-	689,655
Section 30 Income	19,397	40,851	60,048
Total segment revenue	709,052	40,851	749,703
Interest revenue			8,808
Other unallocated revenue			36,435
Reversal of provision for bad debts			9,916
Total revenue reconciling items			55,159
Entity's revenue			804,862
Expenditure			
Cost of sales	321,786	-	321,786
Segment labour costs	159,601	9,515	169,116
Other segment expenses	125,558	6,448	132,006
Depreciation & Amortisation	77,446	236	77,684
Interest expense	10,769	-	10,769
Total segment expenditure	695,160	16,201	711,361
Total segmental surplus			38,342
Total revenue reconciling items			93,501

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.



Notes to the Annual Financial Statements

Figures in Rand thousand	2022	2021
--------------------------	------	------

36. Segment information (continued)**2021****Revenue**

	Water sales	Section 30 Income	Total
Revenue from exchange transactions	598,616	-	598,616
Section 30 Income	-	81,926	81,926
Interest revenue	28,531	-	28,531
Total segment revenue	625,147	81,926	707,073
Interest revenue			5,958
Other unallocated revenue			2,903
Reversal of provision for bad debts			10,668
Total revenue reconciling items			19,725
Entity's revenue			726,798

Expenditure

Cost of sale	352,761	-	352,761
Segment labour costs	154,174	11,352	165,526
Other segment expenses	142,899	7,218	150,117
Depreciation and Amortisation	88,560	190	88,770
Interest expense	13,268	-	13,268
Total segment expenditure	751,662	18,760	770,442
Total segmental deficit			(63,369)
Total revenue reconciling items			19,725
Total revenue reconciling items			(43,644)

Management currently reviews the surplus and deficit results of the segments and does not review the segment assets and liabilities.

36. Budget differences**Material differences between budget and actual amounts**

The underspending of actual expenditure over the final budget of 27% for general costs was due to improved budget control measures and the reversal of impairment.

The underperformance of secondary activities income over the final budget is due to the exit from Giyani scheme operations and delays in projects implemented on behalf of the Department of Water and Sanitation.



Notes to the Annual Financial Statements

Figures in Rand thousand

2022

2021

36. Budget differences (continued)

For details on these changes please refer to the Statement of Comparison of Budget and Actual.

Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The unaudited annual financial statements for the water board are prepared on the accrual basis using a classification based on the function of expenses in the statement of financial performance.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters and additional budget.



The background of the slide features a light blue gradient with numerous small, clear water droplets of varying sizes scattered throughout. A large, stylized, glowing white shape resembling a water droplet or a lens flare is centered behind the text.

SEVEN YEAR REVIEW TREND (HISTORICAL INFORMATION)



EXPENDITURE TRENDS (HISTORICAL INFORMATION)

	2022	2021	2020	2019	2018	2017	2016
Water Sales (in megalitres)	91 873	88 505	84 148	89 526	93 820	89 388	97 809
Potable water	77 536	72 576	71 168	78 195	81 140	77 819	72 787
Industrial water	14 337	15 929	12 980	11 331	12 680	11 569	25 022

FINANCIAL PERFORMANCE	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Turnover	689 655	598 616	599 579	561 140	541 945	474 747	459 199
Portable water sales	614 244	531 867	542 719	510 928	492 882	429 626	414 485
Industrial water sales	75 411	66 749	56 860	50 212	49 063	45 121	44 714
Sundry income	106 398	123 244	159 341	153 488	177 250	188 162	189 388
Total Revenue	796 053	721 860	758 920	714 628	719 195	662 909	648 587



CASH FLOW STATEMENT

	2022	2021	2020	2019	2018	2017	2016
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash flow from operations	137 489	155 068	122 171	106 244	(46 350)	214 867	(22 727)
Net cash outflow from investing	(82 420)	(112 890)	(88 194)	(92 713)	(70 854)	(136 057)	(115 493)
net cash inflow from financing	(146)	(225)	(207)	573			-
Net cash and cash equivalent	54 923	41 953	35 770	16 104	(117 204)	78 810	(136 220)
Cash at beginning of year	129 953	88 000	52 230	35 115	152 319	79 575	217 798
Cash retained for the year	184 876	129 953	88 000	51 219	35 115	158 385	79 575



BALANCE SHEET

	2022	2021	2020	2019	2018	2017	2016
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Capital and reserves	3 177 702	3 084 053	3 097 816	3 171 248	3 105 400	2 789 426	1 016 895
Long-term liabilities	97 671	87 430	73 795	80 407	77 382	67 528	65 558
short-term liabilities	771 839	728 284	673 197	536 456	559 191	667 168	273 048
Equity and liabilities	4 047 212	3 899 767	3 844 808	3 788 111	3 741 973	3 524 122	1 355 501
Property, plant and equipment	2 602 727	2 641 168	2 596 990	2 618 684	2 642 810	2 417 135	634 911
Intangible assets	1 019	1 209	1 686	2 348	2 344	3 215	3 611
Investments	63 790	61 782	86 240	84 313	78 476	72 143	68 228
Non-current receivables	-	57 068					
Current assets	1 379 876	1 138 540	1 159 692	1 082 768	1 018 343	1 031 629	648 751
Total assets	4 047 212	3 899 767	3 844 808	3 788 111	3 741 973	3 524 122	1 355 501



TARIFF STATISTICS

	2022	2021	2020	2019	2018	2017	2016
	R/kl	R/kl	R/kl	R/kl	R/kl	R/kl	R/kl
Potable tariff							
Phalaborwa	5,71	5,11	5,11	4,71	4,25	3,91	3,63
Doomdraai	9,00	7,91	7,91	7,29	6,75	6,22	5,76
Politsi	9,34	8,12	8,12	7,49	6,93	6,39	5,92
Ebenezer	8,73	8,05	8,05	7,42	6,86	6,33	5,86
Olifantspoort	8,73	8,05	8,05	7,42	6,86	6,33	5,86
Flag Boshielo	9,48	8,75	8,75	8,05	7,46	6,88	6,37
Marble Hall	10,10	8,73	8,73	8,05	7,45	6,87	6,36
Tubatse	8,24	7,59	7,59	7,00	6,48	5,97	5,53
Industrial tariff							
Industry - Foskor	5,25	4,57	4,57	4,21	3,90	3,59	3,29
Industry - PMC	5,25	4,57	4,57	4,21	3,90	3,59	3,29
Industry - Bosveld	5,25	4,57	4,57	4,21	3,90	3,59	3,29
Financial statistics per megalitres							
Average tariff (Industrial)	5,25	4,19	4,38	4,43	3,87	3,90	1,79
Average tariff (potable)	8,28	7,79	7,79	7,18	6,63	6,11	5,66
Average tariff (consolidated)	7,51	6,76	7,13	6,27	5,78	5,31	4,69
Raw water charge	63 615	58 764	45 570	34 694	47 117	49 111	44 332
Total cost per megalitre	8,44	9,38	10,77	8,13	7,81	10,70	8,41
Operating expenditure per megalitre	4,12	4,58	6,56	4,48	4,34	7,07	5,14
Cost of raw water (per kl)	0,69	0,68	0,54	0,39	0,50	0,55	0,45
Cost of sales (per kl)	3,50	3,99	3,56	3,17	2,89	3,01	2,80
Finance cost (per kl)	0,12	0,15	0,11	0,09	0,07	0,07	0,02



Seven Year Review

OPERATING EFFICIENCY

Figures in Rand thousand where applicable

	2022	2021	2020	2019	2018	2017	2016
Personnel costs (Rands)	252 093	269 702	269 940	257 254	221 601	217 516	182 631
Number of employees	452	393	403	384	359	352	353
Turnover per employee (Rands)	1 526	1 523	1 488	1 461	1 510	1 349	1 301
Salaries as % of turnover	37%	45%	45%	46%	41%	46%	40%
Total costs as % of turnover	55%	67%	92%	71%	75%	133%	112%
Interest paid as % of turnover	2%	2%	2%	1%	1%	1%	0%

FINANCIAL RATIOS

	2022	2021	2020	2019	2018	2017	2016
Gross margin %	44%	31%	50%	50%	52%	44%	47%
Current ratio	1,8	1,6	1,7	2,0	1,8	1,5	2,4
Acid test ratio (Liquidity ratio)	1,6	1,5	0,1	0,1	0,1	0,2	0,3
Asset turnover	17%	15%	16%	15%	14%	13%	34%
Debt-equity ratio	27%	26%	24%	19%	20%	26%	33%
Gearing ratio	2%	2%	2%	2%	2%	2%	5%
Net profit margin	13,56%	-7%	-15%	11%	0%	7%	34%
Debtors days	518	565	593	633	612	641	448
Interest cover (times)	8,87	-2,74	0,00	0,00	0,00	4,83	63,37
Return on assets	2,31%	-1%	-1%	1%	0%	1%	4%





Get in touch!

Head office + Capricorn Region

Lepelle House, 1 Landdros Maré Street, Polokwane, 0699
015 295 1800

Sekhukhune Region

Shop 19B, Bareki Mall, Groblersdal
013 262 4516

Mopani Region

1 Thiem Street, Arbor Park, Tzaneen
015 307 1428/34

General email

info@lepelle.com

Follow us

www.lepellewater.com

Lepelle Northern Water on Facebook/LinkedIn/Insta
@LepelleW on Twitter

