



# INTEGRATED ANNUAL REPORT

---

2023/24

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# Acronyms

| ACRONYM  | DEFINITION                                           |
|----------|------------------------------------------------------|
| ABC      | Amanzi Bargaining Council                            |
| AGSA     | Auditor-General South Africa                         |
| BBBEE    | Broad-Based Black Economic Empowerment               |
| CIDB     | Construction Industry Development Board              |
| COS      | Centre of Specialisation                             |
| CSI      | Corporate Social Investment                          |
| DoRA     | Division of Revenue Act                              |
| DWS      | Department of Water and Sanitation                   |
| EEP      | Employment Equity Plan                               |
| ERM      | Enterprise Risk Management                           |
| GRAP     | Generally Recognised Accounting Practice             |
| ICT      | Information and Communications Technology            |
| IDP      | Integrated Development Plan                          |
| IESBA    | International Ethics Standards Board for Accountants |
| ISA      | International Standards on Auditing                  |
| 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                              |
| WSA      | Water Services Act                                   |
| WSAs     | Water Services Authorities                           |
| WTW      | Water Treatment Works                                |

# **ABOUT THIS INTEGRATED ANNUAL 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 prepared annual reports on a yearly basis as required by the Public Finance Management Act (PFMA).

This specific report covers the period from 1 July 2023 to 30 June 2024. 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.

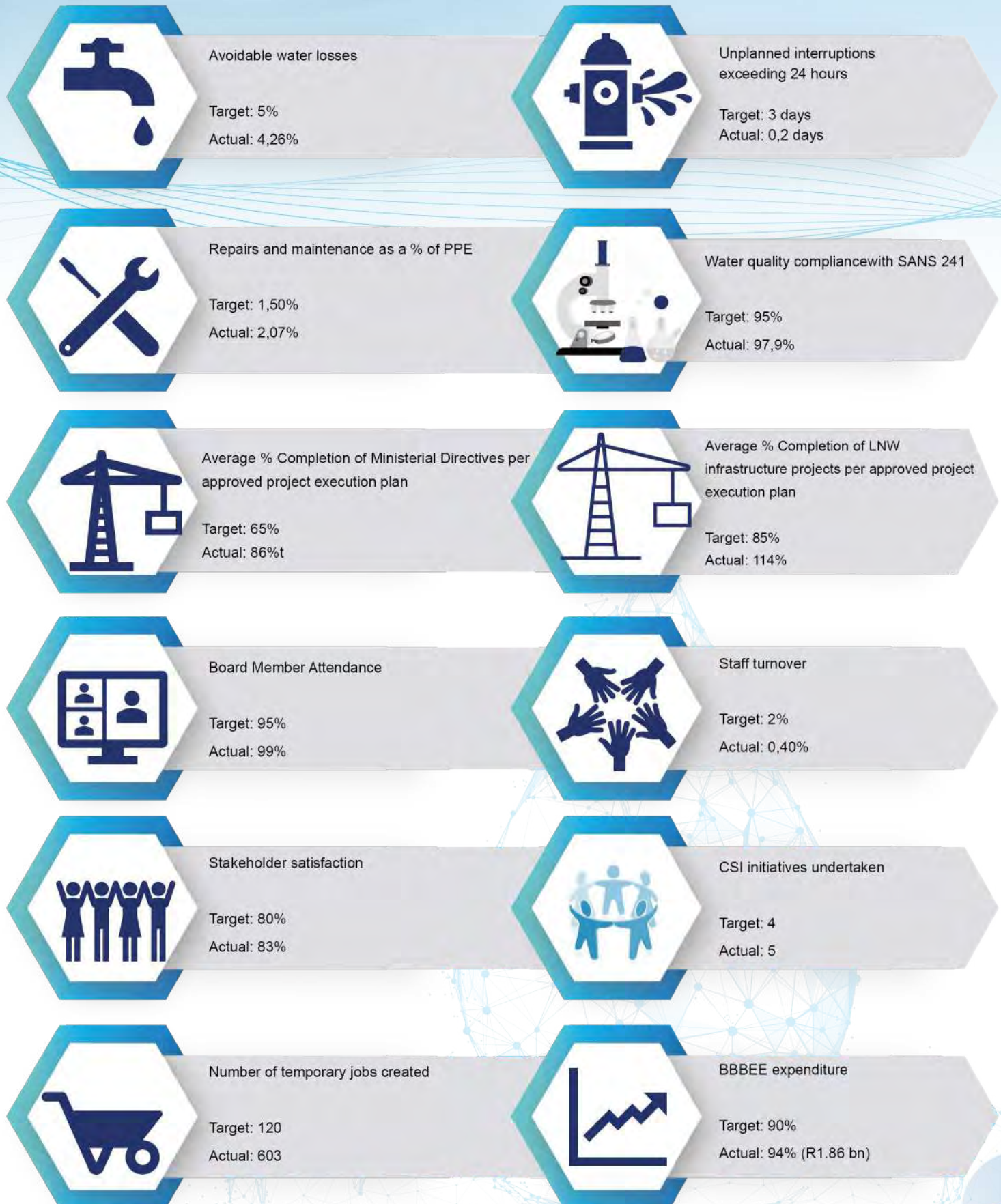
LNW has developed processes for identifying, collecting, collating, validating and storing information used in its performance management system, however, these will require continuous improvement based on the AG's audit outcome and/or recommendations.

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.

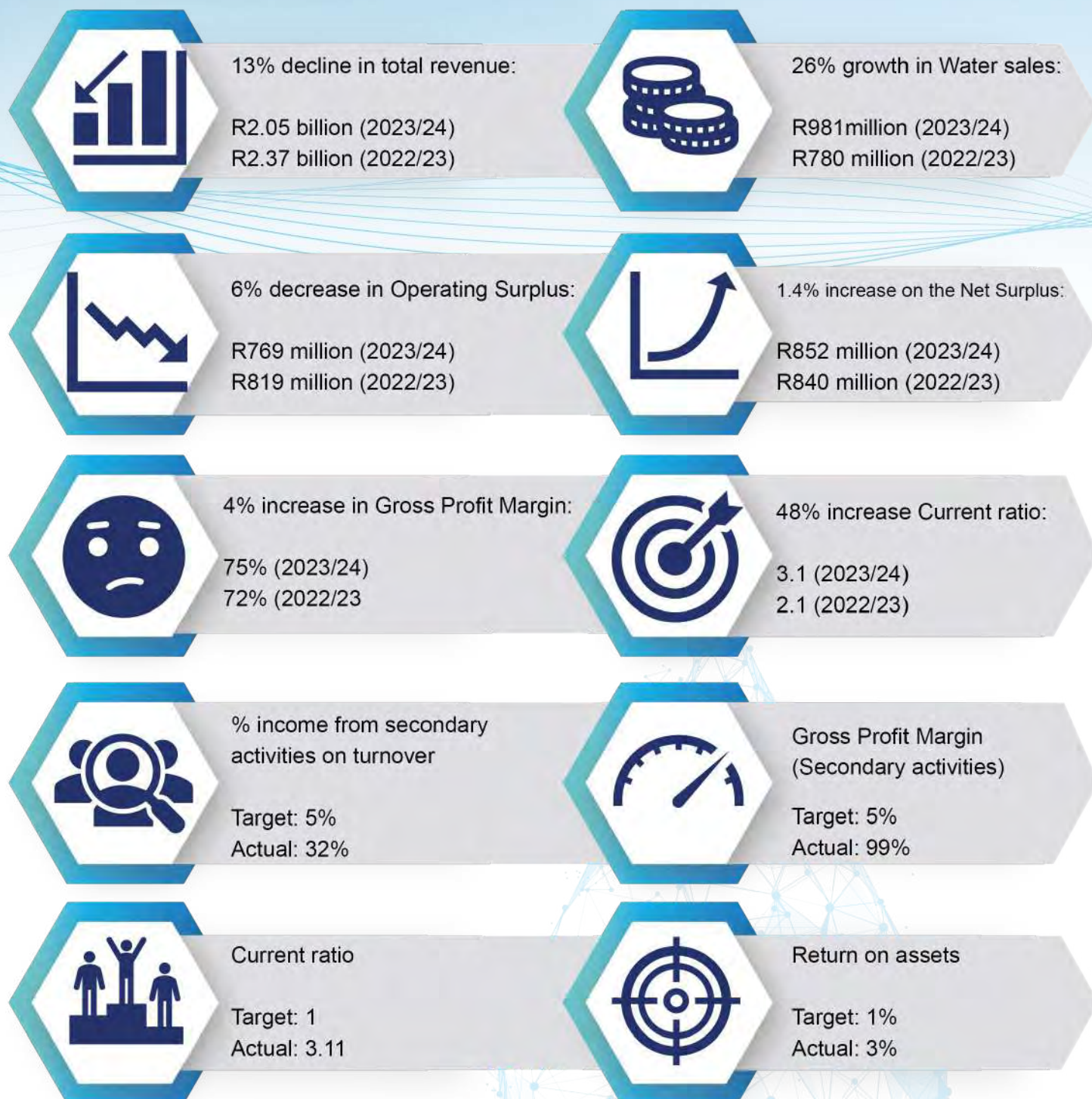


# PERFORMANCE HIGHLIGHTS

## OPERATIONAL PERFORMANCE



# FINANCIAL PERFORMANCE



## THE INTEGRATED ANNUAL REPORTING

The 2023/24 Integrated Annual Report is based on the guiding principles and requirements from International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) which set out how the organisation's strategy, governance, performance, and future plans lead to the creation of value at Lepelle Northern Water. King IV Report was used as a guide on Corporate Governance (King IV) Reporting requirements and guidelines that support good governance within the organisation as the benefits of ethical leadership and well-run organisations. LNW also considered other regulatory requirements such as Generally Recognised Accounting Practice (GRAP), and Public Finance Management Act (PFMA), Act No. 1 of 1999 as amended.

Our Integrated Annual Report reflects on both its financial and non-financial performance for the period 1 July 2023 to 30 June 2024. The report is structured using Six (6) Capitals, being Financial Capital (financial performance), Manufactured Capital, Human Capital, Natural Capital, Social and Relationship Capital and Intellectual Capital. The report is composed of the information in the quarterly performance reports approved by the Board and submitted to the Department of Water and Sanitation (DWS) in line with the Shareholder's Compact signed between the Executive Authority (Minister) and the Accounting Authority (chairperson of the Board) and the Corporate Plan. This is the report that is shared with all the stakeholders.

All figures presented in this report are derived from approved Annual Performance Information (sometimes referred as non-financial performance), and the annual financial statements, audited by Auditor-General of South Africa (AGSA), and prepared in accordance with Generally Recognised Accounting Practice (GRAP). Information contained in this report is also reviewed by the Executive Committee (EXCO), Audit and Risk Committee (ARC), and the Board, which presumes the ultimate accountability for the correctness, completeness, quality, and reliability of the contents in this report.

## COMBINED ASSURANCE

Lepelle Northern Water (LNW) has established the Audit and Risk Committee to assist the Board in overseeing, among others, the following:

- The quality and integrity of LNW's integrated reporting, annual performance information and the annual financial statements.
- The expediency of LNW's assurance functions and services, especially on combined assurance model, that is, the board, management, risk and other internal assurance providers, and independent assurance (internal/external auditors).
- The independence of the external auditors, the audit scope and assessment of the efficacy of

the external audit function; and the effectiveness of the LNW's internal controls and internal audit function.

- Compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements; and
- Condonation of fruitless and wasteful expenditure and irregular expenditure.

LNW has adopted a Four-Lines of Defense combined assurance model to strengthen the internal control environment and enhance the assurance obtained from management, and internal and external assurance providers.

A combined assurance framework is in place to support the instituting of combined assurance across LNW, the outcomes of which are submitted to the Audit and Risk Committee for consideration. LNW's combined assurance responds to risks effected through the four lines of defence model.

The responsibility for combined assurance is delegated to the Internal Audit, which facilitates and coordinates the execution of combined assurance activities. The progress on the status of combined assurance activities over governance, risk management, compliance and the adequacy and effectiveness of internal controls is reported to the Audit and Risk Committee on a quarterly basis.

## **GOVERNANCE RISK**

The Audit and Risk Committee is responsible for overseeing the implementation policy and the implementation plans. It is also responsible for overseeing the financial risk to ensure that all the related controls are effective.

## **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 Audit & Risk 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 services 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.

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 & Risk Committee for review and approval. The plan included Internal Audit Three-Year Rolling Risk-Based Plan, Internal Audit Annual Risk-Based Plan, Resource Plan 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.
- Conducted the investigations 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 Officer and functionally to Audit & Risk Committee of the Board; and
- Kept the chairperson of the Audit & 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.

## **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 governance, controls, and risk management.

The organisation closed off the year with a total of 213 internal audit findings of which 49% (105) were still in the process of being addressed by management. This shows a slight improvement as compared to 261 internal audit findings reported for the period ending 30 June 2023 where 51% were still in the process of being addressed by management. There were 38 unresolved findings and 1 repeat finding for the duration of the 2023/24 financial year.

## **External Auditors**

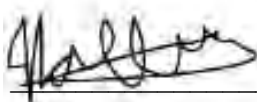
The Audit and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues. The Committee concurs with and accept the External Auditors' report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the External Auditors.

## APPROVAL BY THE BOARD

Lepelle Northern Water Board is overall responsible for ensuring the integrity of this Integrated Annual Report, assisted by the Audit and Risk Committee, and further supported by the Executive Committee. The report is prepared by dedicated team, with the relevant skills and experience to undertake the reporting and assurance process. All involved parties have dedicated considerable efforts and thoughts of how best to report on the performance of Lepelle Northern Water, and how the entity created value through its six (6) Capitals. The Board concluded that the report is fairly presented in accordance with the applicable frameworks and requirements. This report was approved by the Board on 30 October 2024.



**Dr C Ruiters**  
**Chief Executive**



**Mr. Imtiaz Ahmed Vally**  
**Chairperson: Audit & Risk Committee**



**Dr NF Mphphu**  
**Chairperson of the Board**





# APPRAISAL BY LEADERSHIP

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## FOREWORD BY THE MINISTER



## MINISTER OF WATER AND SANITATION PEMMY MAJODINA, MP

The medium-term economic growth outlook remained constrained by inadequate electricity supply and a weaker global outlook that is less supportive of South Africa's growth prospects. South Africa's debt-to-Gross Domestic Product (GDP) ratio continued to rise, and the sovereign risk premium has increased during 2023/24, reflecting concerns over materialising economic and fiscal risks. The resulting increase in government's borrowing costs has pushed up long-term lending rates in the economy. This in turn stifles demand and reduces economic growth. While, the South African Rand has recently shown signs of improvement, it continues to face volatility which has weakened against other emerging market currencies, contributing to inflationary pressures that disproportionately affect poor households.

It is an honour and privilege to lead an entity that thrived under the above-mentioned conditions. Lepelle Northern Water (LNW) continues to play an instrumental role in implementing strategic projects in Limpopo Province, such as the Nandoni to Nsami Pipeline, Giyani Water Services, and Olifantspoort and Ebenezer Upgrade projects.

LNW's transition is well encapsulated as an exemplary of hard work and dedication by the Board, Management and all its employees. The National Development Plan advocates key drivers of change as people, with the requisite qualifications, experience, or competence, and the LNW Board and management have been equal to the task.

The financial viability and sustainability of LNW is threatened by the persistent non-payment for water services by Municipalities and/or Water Services Authorities (WSAs). I am encouraged, however, by the proactive steps taken to find amicable payment arrangements to resolve the persistent non-payment, as it impedes the effective delivery of services to communities. In an attempt to resolve the challenge of non-payment by Water Services Authorities (WSAs). In order to address this challenge, I have further

engaged key stakeholder like the Premier of Limpopo, the Cooperative Governance and Traditional Affairs (CoGTA) and relevant Municipalities to ensure that there is payment for services rendered by LNW.

The biggest milestone is the practical completion of the Nandoni-Nsami Pipeline Project in April 2023. This project enabled the transfer of water from Nandoni Dam in Thohoyandou to Nsami Dam in Giyani. The 40km pipeline construction is complete and delivers water, augmenting the Nsami Dam and through the Middle Letaba Canal.

Another milestone was the sod-turning of the R18 billion Olifantsfontein\Ebenezer Upgrade Project and the appointment of the Mechanical and Electrical Contractors. This project aims to ensure that the people of Capricorn District Municipality, Polokwane Local Municipality, and Sekhukhune District Municipality are given much-needed access to water.

It is important to acknowledge and appreciate Lepelle Northern Water Board, Executive Management, and employees in general for their efforts and commitment in ensuring that the set targets and objectives are achieved. I would also like to thank Parliament's Portfolio Committee on Water and Sanitation for their oversight, guidance, and support in ensuring that LNW delivers on the mandate.

Furthermore, I would like to acknowledge and recognise the astute leadership and efforts of my predecessor, Minister Senzo Mchunu, for unblocking projects that had stalled and for accelerating those where implementation had slowed down. I have grabbed the baton to ensure that there is continuity of the various reforms and improvements that were initiated under the leadership and guidance of Minister Mchunu.

I remain fully committed to making significant progress in improving the provision of clean water and sustainable sanitation services for the benefit of our people.



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**PEMMY MAJODINA, MP**  
**MINISTER OF WATER AND SANITATION**

## CHAIRPERSON'S OVERVIEW REPORT



### CHAIRPERSON OF THE BOARD DR NF MPHEPHU

It gives me great pleasure, on behalf of the Board, to present Lepelle Northern Water's (LNW) 2023/24 Annual Report to all the stakeholders, believing that it will provide the relevant and useful information for the purpose of understanding LNW's performance during the period under review. The report recounts the various programmes implemented during the 2023/24 financial year. The water sector is currently faced with numerous challenges affecting continuous water supply to communities.

Section 44 of Water Services Act (WSA), 1997 (Act No 108 of 1997) read together with sections 40 and 55 of the Public Finance Management Act, 1999 (Act No 1 of 1999) (the PFMA), as amended, requires all Water Boards to prepare, within four months after the end of each financial year, a comprehensive annual report detailing the activities conducted during a financial year.

Lepelle Northern Water Board has since complied with the above-mentioned legislative requirements. LNW has made significant progress regarding projects, human resource and financial management, and governance during the reporting period. The Board's focus was to oversee and strengthen the governance structures of the organisation, build capacity, deliver services and improve overall performance. I am grateful to indicate that human resource capacity of the organisation, specifically at Executive Management, was stable during the period under review. In the endeavour to capacitate the organisation, the Board revised the organisational structure to create the positions of Chief Information Officer as well as that of the Executive Manager: Strategy, Monitoring, Evaluation and Organisational Performance. This is to ensure that LNW remains relevant seeing that the world is moving towards operating on the Internet, Artificial Intelligence (AI) and the Fourth Industrial Revolution. Furthermore, to strengthen the monitoring and evaluation of both soft and hard projects implemented by the organisation.

On the operational efficiencies from the Operations Department, the major contributing factors, such as water losses, have been identified and the Board has engaged the relevant stakeholder to assist with resolving the issues of vandalism and unauthorised water connections. Billing meters have been installed where an agreement was reached with some Water Service Authorities (WSA), this is to ensure effective management and to reduce the excessive water losses.

We continue to engage WSAs that owe the organisation and have developed payment strategies that allows WSAs to continue rendering services whilst honouring both old debt and current account.

It is exciting to report that the Nandoni-Nsami Pipeline Project has now been completed and commissioned including the raw water pump installation and water can now be pumped into the Canal that gravitates to Nsami Dam.

The Giyani Water Services Intervention Project is at an overall progress of seventy three percent (73%) and people are receiving water in all the villages where reservoirs have been connected. We continued to participate in the multi- stakeholder task team forum established by the Provincial Department of Water and Sanitation, led by the Executive Mayor of Mopani District Municipality. This forum monitors progress of the project and addresses issues when raised by various stakeholders within the Giyani Local Municipality. This has since assisted in stabilising the continuous community unrests around the project.

Phase 1 of Olifantspoort and Ebenezer upgrade, which entails refurbishment and upgrade works, including optimisation of the treatment plants at both Olifantspoort and Ebenezer Schemes, is progressing well. A multi-stakeholder task team, which is led by the Executive Mayor of Capricorn District Municipality has been established to monitor and oversee the project. It is the intention of the Board to ensure that the project is completed within the planned timelines so that the water challenges of Capricorn District Municipality and Polokwane Local Municipality are resolved.

The reconfiguration process that is aimed at ensuring that LNW become responsible for the entire Limpopo Province is at an advanced stage. A high-level due diligence has been completed and the report has been sent to the Minister of Water and Sanitation for consideration. Progress on implementation thereof will be reported in the subsequent financial year (2024/25).

The Board continuously implements water demand and conservation management to alleviate a risk of the available resources being exceeded by water consumption. We have, also augmented the existing water resources with boreholes, although this is not sustainable. We continue to instil a culture of

maximising the available water resources through awareness campaigns on various platforms, including media and municipal imbizos.

Special thanks to all the employees and the management team for their commitment and working tirelessly to accomplish the entity's mandate. We thank all our stakeholders and customers for their commitment and support in ensuring the provision of water to the people of Limpopo Province.

The Board would also like to thank former Minister of Water and Sanitation, Honourable Senzo Mchunu, in his persistent efforts to ensure that the people of Limpopo have drinking water and by unlocking all the barriers that needed his support and attention.

The Board further congratulates the newly appointed Minister of Water and Sanitation, Honourable Pemmy Majodina and Deputy Ministers Honourable David Mahlobo and Honourable Sello Seithlolo and pledges support towards the fulfilment of the mandate of the Department.



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**DR NF MPHEPHU**  
**CHAIRPERSON OF THE BOARD**





# LEPELLE NORTHERN WATER PROFILE

## 1 OUR MANDATE

Lepelle Northern Water was established and governed in terms of Chapter 6 of the Water Services Act, Act No. 108 of 1997. Lepelle Northern Water is listed as a National Government Business Enterprise in Schedule 3b of the Public Finance Management Act No.1 of 1999. The Government of the Republic of South Africa, through the Department of Water and Sanitation, duly represented by the Minister of Water and Sanitation, is the sole Shareholder of Lepelle Northern Water. Lepelle Northern Water has been playing an integral role in the development and growth of Limpopo Province since 1960.

LNW's mandate is to provide bulk potable water to approximately 70% (i.e. 4 220 119) of the population for over 64 years. The growth of the province especially its economic hub i.e. City of Polokwane has prompted Lepelle Northern Water expand its infrastructure to meet the demands of the growing city. However, with the local economic development, the small towns within the province have grown and continue to expand urging Lepelle Northern Water to exhaust all the water sources available to meet the growing water demands in the province. Lepelle Northern Water continues to fulfil its mandate of water and sanitation service provision within its area of operation.

Lepelle Northern Water customers are all the districts of the Limpopo Province apart from Waterberg because it is not a water services authority. LNW is only servicing one water service authority (Mogalakwena LM) within Waterberg District. The Entity has consistently met national Standards and international guidelines on water quality.

## 2 OUR STRATEGY

### VISION

Changing lives through the provision of sustainable bulk water services

### MISSION

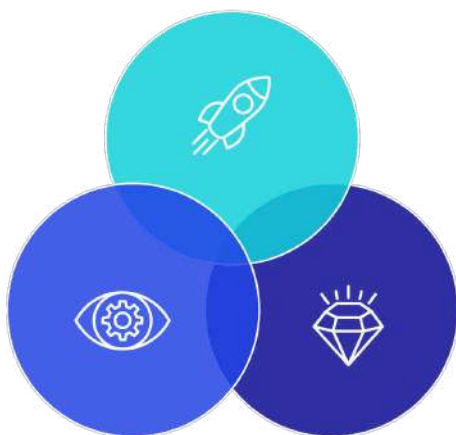
Provision of quality and sustainable water services to our customers.

### VALUES

Excellence | Integrity | Accountability | Agility | Innovation

### STRATEGIC OUTCOMES

1. Provision of equitable and sustainable bulk water services.
2. Bulk water services infrastructure planning and development.
3. Effective financial viability and sustainability.
4. Effective and efficient organisational development processes and practices.
5. Good governance and clean administration.



### 3 OUR CUSTOMERS

LNW's customers are comprised of municipalities, mines, industries and direct consumers in Limpopo Province. LNW has bulk water supply contracts with 6 municipalities, 3 mines, and direct consumers along the route of the bulk lines. LNW supply potable water to the municipalities and semi-treated water to the industries. The distribution area of supply is divided into manageable regions which are aligned to the district municipality. Each region is comprised of the full complement of production team that is headed by a Regional Manager supported by the Scheme Managers who are accountable to the Regional Manager.

- **Capricorn Region:** Lepelle-Nkumpi and Mogalakwena Local Municipalities.
- **Mopani Region:** Ba-Phalaborwa, Tzaneen, Greater Letaba Local Municipalities and including the portion of Vhembe District Municipality.
- **Sekhukhune Region:** Ephraim Mogale, Fetakgomo-Tubatse, Makhuduthamaga and Elias Motsoaledi Local Municipalities.

### 4 ALIGNMENT WITH DEVELOPMENTAL PLANS

#### 4.1 NATIONAL DEVELOPMENT PLAN

National Development Plan (NDP) in chapter four (4) highlights the need for the development of the sustainable economic infrastructure in which amongst others includes water infrastructure as the economic catalyst. LNW has continuously implemented its own capital programme and on behalf of other institutions such as DWS and Water Services Authorities.

Furthermore, the NDP 2030 mandated the DWS to establish the Regional Water Utilities to provide water and sanitation services effectively and efficiently in an equitable manner. To this effect LNW has geared itself to assume the responsibility and functions of the regional water utility within its area of operation.

#### 4.2 SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are a global call to action to end poverty, protect the earth's environment and climate, and ensure that people everywhere can enjoy peace and prosperity. Lepelle Northern Water has been contributing to the SDGs below in line with the strategic outcomes that have been approved by the board as a contribution to South Africa and the United Nations at large.

## GOAL 5

- Achieve gender equality and empower all women and girls
- 50% of the Board are women
- 44.2% of the organisation are women, 6% below the target of 50% and the entity is working hard to achieve this target.

## GOAL 6

- Ensure availability and sustainable management of water and sanitation for all
- Supplied 109 669 Ml/annum of both potable and industrial water  
Achieved 97,9% SANS 241 water quality compliance
- Support the municipalities with reticulation to enhance cost recovery

## GOAL 8

- Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- Appointed 44 permanent jobs
- Created 603 job opportunities
- 94% of the multi-year projects worth R1.86 billion were awarded to the BBBEE
- R923 million worth of projects were awarded to the new entrants within the entity.

## GOAL 13

- Take urgent action to combat climate change and its impacts
- Removal of the alien plants along the water sources
- Reduction of paper usage as part of serving the environment - going digital in most of the work done.
- Reduction of energy usage, use of LED globes instead of normal halogen globes/bulbs.
- Appropriate disposal of hazardous wastes(2209kg disposed in 2023/24 which is lower 2672kg of the 2022/23)

Figure 4.1: Progress made on the Sustainable Development Goals

South Africa is an active participant in the attainment of SDGs. Lepelle Northern Water has taken up the challenge, and this is demonstrated through its active participation in community-based projects and capacity building as part of realising the goals outlined above.

## **5 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT**

Lepelle Northern Water has just established the Board Committee responsible for among others Environmental, Social and Governance (ESG) in line with sustainability reporting requirements. The entity has since consolidated the work that was undertaken to start reporting on these sustainability issues. The information below highlights all the activities that were undertaken.

### **5.1 ENVIRONMENT ASPECTS**

#### **5.1.1 Compliance to OHSA 85 of 1993**

Lepelle Northern Water is committed to maintaining a Safe, healthy and environmentally responsible workplace for all employees, visitors, contractors and communities within its jurisdiction.

##### **5.1.1.1 OHSE Policy Statement**

- Lepelle Northern Water is committed to preventing occupational injuries, illnesses and environmental pollution through proactive management of its operational activities.
- Setting objectives, measurable targets, and corresponding programs for the constant improvement of Occupational Health, Safety and Environmental Performance (OHS/E).
- Consult and train stakeholders regarding OHS hazards, and individual obligations to OHS/E together with environmental impact and aspects.
- Establish competence and awareness regarding OHS/E to all employees and contractors through training and communication. Provide resources for Occupational Health, Safety, and Environmental Management systems
- Display and communicate this policy to all employees and contractors and avail the OHS/E policy to the public.
- Periodically review this policy to ensure that it remains relevant and appropriate.
- Continuously comply with regulatory requirements and standards to improve SHE performance.

##### **5.1.1.2 Contractor Management**

- OHS plays a vital role in ensuring that the appointed contractors comply with OHS legislative requirements and regulations:
- Specify OHS compliance requirements by the Contractor and sub-contractors.
- Evaluate and recommend approval for OHS Plan and associated documentation (Safety file)
- Conduct site-specific induction and orientation

- Monitor and evaluate Contractor's performance and compliance through regular inspections and audits.
- Attend site progress meetings

Below are the Incidents reported over 12 months period July 2023 to June 2024.

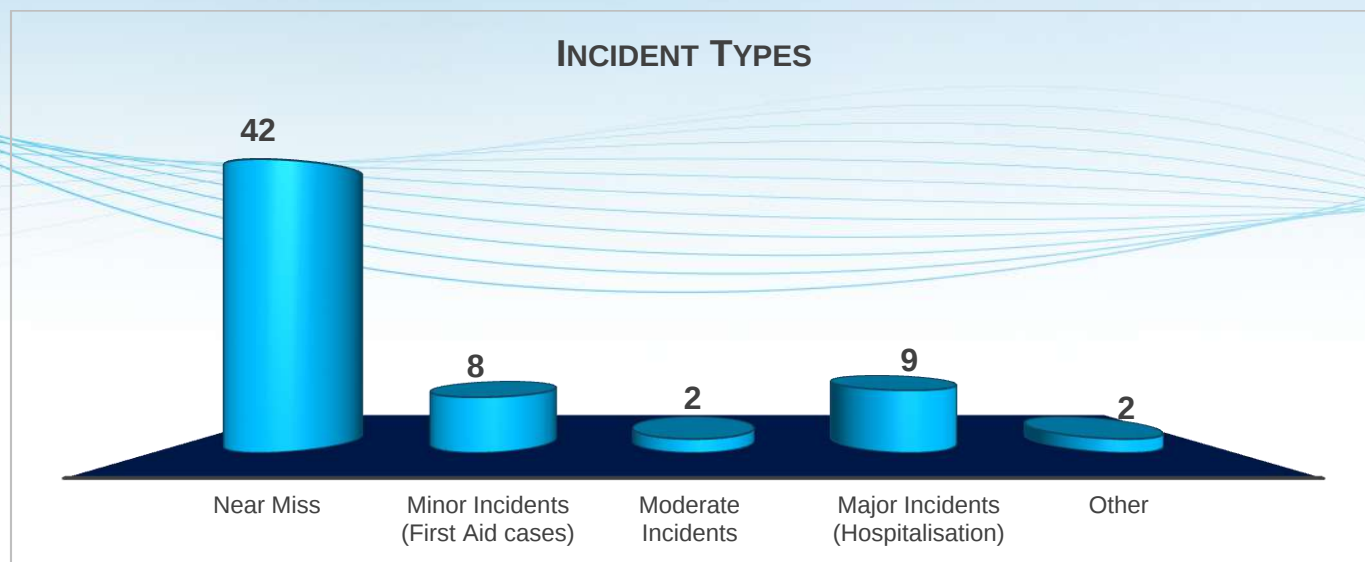


Figure 5-1: Reported incidents in 2023/24 financial year

Figure 5-1 shows that the entity had nine (9) major incidents that led to hospitalisation and the rest are moderate and minor incidents. Lepelle Northern Water's goal remains zero-harm to employees.

These reportable accidents highlight the need to implement additional safety measures to prevent recurrences. We continue to strive for zero-harm, prioritising employee safety and well-being.

### 5.1.1.3 Fire brakes

Fire breaks of 7 km are prepared and maintained annually. Uncontrolled fires are not allowed at LNW between the 1st of June to the 31st of August annually. LNW is also registered with the fire control forum around the scheme to assist with the control of fire during an incident. Two (2) incidents of fire were registered, one at Nandoni and the other at Nkadimeng package plant and were dealt with accordingly.

### 5.1.1.4 Alien Vegetation

Alien and invasive vegetation clearing has been conducted at Ebenezer scheme along the river and inside the yard whereby the three (3) hectares of alien plants have been cleared namely: Bug Weed, Cotoneaster, Bramble weed, Wattle Trees, and Lantana. This activity is imperative, especially near water sources to prevent seeds from alien and invasive plants from flowing downstream and germinating and expanding their territory and consume more water than indigenous plants and trees

#### 5.1.1.5 Environmental Recordings

LNW has not recorded emergency incidents or major incidents. There are twenty-five (25) moderate incidents which include spillage of chemicals in the bund walls and others. The incidents were regarded as not reportable to the competent authorities due to the effective controls that are in place.

#### 5.1.1.6 Water Security

Lepelle Northern Water managed to supply 109 669 Mℓ/annum in 2023/24 and achieved a non-revenue water of 4.26%. Part of our solutions to reduce the water losses more is to work with municipalities in engaging the communities around our bulk lines to stop illegally connecting them. We are already working with municipalities on water demand management issues to enhance cost recovery. We supplied water that meets the SANS 241 at 97,9% against the target of 95%.

### 5.2 SOCIAL ASPECTS

Small, medium, and micro enterprises (SMMEs) are a vital part of South Africa's economy. Lepelle Northern Water has appointed the SMMEs on multi-year projects worth R1.86 billion which represents 94% of the total capital projects. Furthermore, 171 new entrants have appointed by the entity to the tune of R923 million on the multi-year projects which will boost the economy of Limpopo province.

The entity also carried out 5 corporate investment initiatives that span across our area of operation as part of the upliftment of the quality of life. Sponsoring with supplements to various health related sporting events such as SARun4Cancer Ultra Marathon.

#### 5.2.1 Human Capital

| Items                               | Progress                                                                                                                           |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
| % Staff turnover                    | Staff turnover was 0.40%% at the end of the year against the target of 2%.                                                         |
| Number of Permanent Jobs            | The entity appointed 44 permanent employees                                                                                        |
| Number of job opportunities created | 603 job opportunities were created in 2023/24 financial year.                                                                      |
| % Staff with disabilities           | The entity has 0.3% of employees with disabilities.                                                                                |
| Employee wellness                   | The entity has developed a wellness programme that is implemented regularly, e.g. every Wednesday employees work half-day and then |

| Items                                     | Progress                                                                                                                                                                                                                                          |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                           | are released to go and do exercises according to the programme of the day.<br><br>Annual Health Surveillance where all the basic parameters such as sugar diabetes, BP, HIV and body masses are conducted and advises given accordingly.          |
| % Female employees                        | The entity has 44% female employees which is 6% percent lower that the target of 50%.                                                                                                                                                             |
| Discrimination and Human Rights incidents | There were no incidents reported on the infringements of the employees' human rights.                                                                                                                                                             |
| Training and Development                  | LNW trained 63 interns within various functional areas to gain practical training through Work Integrated Learning<br><br>LNW continued to develop and train thirty (31) trainees to contribute to the water sector specialised mechanical skills |
| Employee diversity                        | The majority of the LNW staff are Africans (95.78%), 3.96% whites and 0.26% coloured, no foreigners.                                                                                                                                              |

### 5.3 GOVERNANCE ASPECTS

#### 5.3.1 Board Independence

The board is composed of 12 members, 11 non-executive members and 1 executive member who is the Chief Executive. The board is dominated by the independent board members at 92% level.

#### 5.3.2 Gender, race, age group Configuration

Out of 12 Board members, 11 are Black and one (1) is Coloured. There is a 50/50 split between males and females, this includes the executive board member (Chief Executive). There are eight board members in the age group of 35 – 50 years, one (1) in the age group of 51 – 60 years and two (2) in the age group older than 60 years.

### **5.3.3 Skills, competencies, and experience**

The board members have expertise and experience in the fields of Governance & Compliance, Law, Accountancy and Finance, Audit and Risk Management, Strategic Management, Business Management and Administration, Project Management, Public Finance Management and Administration, Human Capital Management, Stakeholder Engagement, Marketing and Communication, Engineering, Infrastructure management, Water management, Assets Management, and Environmental management

### **5.3.4 Remuneration policies for Board members and Employees**

The remuneration of the board members is guided by the remuneration policy developed by the Executive Authority which is reviewed from time to time based on the development around the governance issues. As for the employees, the board has developed and approved the remuneration policy that guide the remuneration of the staff in line with the performance of the organisation.

### **5.3.5 Ethical Leadership**

The board has developed and approved the Code of Code of Ethics Policy, Fraud and Investigations Policy and Fraud Prevention plan through they follow to conduct the business of Lepelle Northern Water. Ethics Committee has been established and meets on a quarterly basis to review all the reported issues and pass on resolutions on them. LNW has also established a hotline number for anonymously reporting fraud or any anomaly that any person may observe.

### **5.3.6 Compliance to ESG related matters**

ISO 14001: 2015 requirement: LNW has not recorded emergency incidents or major incidents. There are twenty-five (25) moderate incidents which include spillage of chemicals in the bund walls and others. The incidents were regarded as not reportable to the competent authorities due to the effective controls that are in place.

Regarding ISO 45000: 2018 requirements the entity is at entry stage whereby only the legal compliance report has been developed but working towards a full certification in the next financial years.

## 6 VALUE CREATION MODEL

| INPUTS                                                                                                                                                                                                                                                                                                                                                                                                              |  | OUTPUTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <b>Financial Capital</b> <ul style="list-style-type: none"> <li>R84 million spent on raw water</li> <li>Spent R2.03 million on Chemicals</li> <li>Spent R236 million on energy</li> </ul>                                                                                                                                                                                                                           |  | <b>Financial Capital</b> <ul style="list-style-type: none"> <li>Achieved revenue of R2.05 bn (decline 2022/23: 2.37 bn)</li> <li>16.9% Growth in water sales</li> <li>Surplus of R852 million</li> </ul>                                                                                                                                                                                                                                                                                                  |  |
| <b>Manufactured Capital</b> <ul style="list-style-type: none"> <li>R61.7 million spent on maintenance</li> </ul>                                                                                                                                                                                                                                                                                                    |  | <b>Manufactured Capital</b> <ul style="list-style-type: none"> <li>4,26% of non-revenue water achieved against 5% target</li> <li>0.2 days of interruptions achieved against target 3 days maximum</li> <li>R612 million committed on PPE</li> </ul>                                                                                                                                                                                                                                                      |  |
| <b>Natural Capital</b> <ul style="list-style-type: none"> <li>R84 million spent on raw water</li> <li>Spent R615 453 on ISO 14001:2015</li> <li>R116 494 was spent on ISO 45000:2018</li> </ul>                                                                                                                                                                                                                     |  | <b>Natural Capital</b> <ul style="list-style-type: none"> <li>109 669 Ml/annum sold to customers</li> <li>12 Certificates maintained on ISO 14001:2015</li> <li>Legal Compliance report was developed and audited externally</li> </ul>                                                                                                                                                                                                                                                                   |  |
| OUR STRATEGY                                                                                                                                                                                                                                                                                                                                                                                                        |  | BUSINESS MODEL                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |  |
| <b>Vision</b><br><br>Changing lives through the provision of sustainable bulk water services.                                                                                                                                                                                                                                                                                                                       |  |                                                                                                                                                                                                                                                                                                                                                                                                                        |  |
| <b>Mission</b><br><br>Provision of quality and sustainable water services to our customers                                                                                                                                                                                                                                                                                                                          |  | <b>KEY STRATEGIC RISKS</b><br><br>                                                                                                                                                                                                                                                                                                                                                                                   |  |
| <b>Strategic Outcomes</b> <ul style="list-style-type: none"> <li>Provision of equitable and sustainable bulk water services.</li> <li>Bulk water services infrastructure planning and development.</li> <li>Effective financial viability and sustainability.</li> <li>Effective and efficient organisational development processes and practices; and</li> <li>Good governance and clean administration</li> </ul> |  | <b>AREA OF SUPPLY</b><br><br><br><br>Supplied 109 669 Ml/annum <ul style="list-style-type: none"> <li>6 Water Services Authorities</li> <li>3 mines</li> </ul><br><br>Population Served (4 220 119 out 6 015 000) ≈ 70%<br><br>Total Distribution Network<br><br>680 km<br><br>                                                       |  |
| INPUTS                                                                                                                                                                                                                                                                                                                                                                                                              |  | OUTPUTS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
| <b>Human Capital</b> <ul style="list-style-type: none"> <li>R2.67 million was spent on training</li> <li>R1.35 million was spent on bursaries</li> <li>R393 974 spent on registration to professional bodies</li> </ul>                                                                                                                                                                                             |  | <b>Human Capital</b> <ul style="list-style-type: none"> <li>31 Learnership (Beneficiaries) impacted</li> <li>66 employees on graduate programme</li> <li>62 employees benefited from bursaries</li> <li>23 employees registered with professional bodies</li> </ul>                                                                                                                                                                                                                                       |  |
| <b>Intellectual Capital</b> <ul style="list-style-type: none"> <li>Engaged Rasmatech to conduct trials on a risk based and when it works, then payments will be done on a rollout.</li> <li>Spent R393 974 on professionalising employees.</li> <li>Engaged universities and Council for Scientific Research Council (CSIR) for research and development</li> </ul>                                                 |  | <b>Intellectual Capital</b> <ul style="list-style-type: none"> <li>Researched on trial of anti-vandal manhole covers by Rasmatech, and</li> <li>Early warning system by Zambezi Analytics: this system is trialled at Olifantspoort WTW</li> <li>23 employees registered with professional bodies</li> <li>Signed 2 MoUs with universities of Free State, Limpopo and CSIR for research and development purpose</li> </ul>                                                                                |  |
| <b>Social &amp; Relationship Capital</b> <ul style="list-style-type: none"> <li>Spent R331 338 on the Corporate Social Responsibility</li> <li>Arranged meetings with stakeholders</li> <li>Participated in quarterly meetings with our customers</li> </ul>                                                                                                                                                        |  | <b>Social &amp; Relationship Capital</b> <ul style="list-style-type: none"> <li>5 CSI initiatives impacted the following:               <ul style="list-style-type: none"> <li>Leeuwfontein Centre for the Aged and People Living with Disabilities; Lethage Safety Haven NPO; Mamodikeleng Secondary School; Paledi Disability Centre, and Community Club based in Tswaing Village</li> </ul> </li> <li>83% Customer satisfaction</li> <li>Continuous customer and stakeholders' engagements.</li> </ul> |  |

## 7 OUR STAKEHOLDERS

Lepelle Northern Water (LNW) recognises that it exists within a universe of diverse groups and interests. The entity operates within a social, economic, and political context and is subject to regulatory and institutional conventions. The entity is therefore expected to do more than simply react to social, economic, environmental, and political dynamics occurring around it.

A proactive stakeholder relationship management policy gives LNW a framework for the consistently applied understanding of mutual interests and influences, as well as the execution of interventions that improve alignment and mutual value-adding relationships with its stakeholders. It enables the entity to build trust; manage expectations, alert stakeholders to periodic fluctuations within the water sector; and align with government developmental priorities.

LNW realised that proactive and meaningful stakeholder engagement also reduce potential conflict and allow multiple parties to achieve long-lasting outcomes and results.



## **8 MATERIAL MATTERS**

### **8.1 DETERMINATION OF THE MATERIALITY**

Matters that have the potential interrupt the smooth running of Lepelle Northern Water's production processes is considered material. Misstatements, including omissions, are material if they, individually or in aggregate, can reasonably be expected to influence relevant decisions of users taken on the basis of the financial statements. The financial statements of Lepelle Northern Water are used for decisions making other than economic ones. The financial statements of Lepelle Northern Water also represent a key element of accountability to the public. Materiality relates to both positive and negative events that can affect the organisation. Financial materiality is determined on an annual basis utilising the prescripts of the PFMA and National Treasury Instruction and Practice Notes. The embodied document governing this is the Materiality and Significance Framework, which describes both quantitative and qualitative materiality levels for the organisation for reporting to the Executive Authority and Shareholder.

### **8.2 DEBT OWED BY THE MUNICIPALITIES**

There are certain municipalities who still owe the entity although debt recovery efforts were highly successful, with significant recoveries noted from key clients who honoured historical payment agreements. These efforts led to a reversal of prior impairments and an overall improvement in the entity's receivables. We have observed with concern, increased debt book from R916 million to R1.17 billion in 2024. We will continue to engage the municipalities so that they do not regress from the observation made in 2023/24 financial year.

The credit quality of cash and bank and short-term deposits can be assessed by reference to external credit ratings. LNW short term deposits are held at South African banks that have good credit ratings and no history of default in their dealings with the entity.

### **8.3 WATER DEMANDS THAT EXCEED THE AVAILABLE SOURCES**

While LNW acknowledges that there is inadequate funding to eradicate both water and sanitation backlogs, it is also critical that the water sector deal with the root cause. It is public knowledge that municipalities have high non-revenue water as much as 40 – 60%. Unless the basic technical work is implemented at the municipal level, no amount of rain can be able to fill an open hole. Similarly, pumping money to the municipalities without a practical technical solution will not help with anything. In most of the municipalities we are operating, we are pumping more than volumes agreed in the bulk contract and yet there is still a shortage. This is exacerbated by the interception of the bulk distribution pipelines supplying water to the reservoirs and then water fails to reach a number of communities.

## **8.4 ENCROACHMENT SERVITUDES WHERE PIPELINES ARE LOCATED**

Many communities have built their properties on top of our pipelines which makes it difficult to do maintenance when there are breakdowns. Worst is hostility from the encroachers when approached. LNW is currently consolidating all its servitudes so that legal approaches can be taken where there is resistance. The other challenge is that the community illegally connect on the bulk lines once they are aware that the pipeline is passing closer to them and creating high non-revenue water and also affects the system pressure.

## **9 RISK MANAGEMENT**

LNW complies with sections 38(1)(a)(i) and 51(1)(a)(i) of the PFMA which require the Accounting Officers/Authority to ensure that their institutions have and maintain effective, efficient, and transparent systems of 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 in all major processes and activities. 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. The organisation has an approved risk management framework for implementing ERM which is aligned to COSO framework and ISO 31 000.

LNW has put measures in place to:

- identify and prioritise key risks and opportunities.
- 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 outcomes 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 four (4) were rated high in terms of the risk residual level and of the six (6) 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.

Below is the progress made on the key strategic risks as per the risk management implementation plan:

Table 9.1: Progress made on the Key Strategic Risks

| Risk Ref | Risk description                                                            | RR | Mitigating measure                                                                                                                                                                                             | Progress report                                                                                                                                                                                                                                                                                                                                                                  |
|----------|-----------------------------------------------------------------------------|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| SR1      | Negative effects and Consequences of Climate Change                         | 13 | <ul style="list-style-type: none"> <li>Review and implementation of climate change policy.</li> </ul>                                                                                                          | <ul style="list-style-type: none"> <li>Policy was part of the policy reviews in June 2024 for 2025 financial year</li> </ul>                                                                                                                                                                                                                                                     |
| SR2      | Ageing infrastructure                                                       | 16 | <ul style="list-style-type: none"> <li>Capital replacement reserves.</li> <li>Enforcement of implementation of the maintenance plan</li> <li>Consolidate a water master plan</li> </ul>                        | <ul style="list-style-type: none"> <li>Maintenance Plans are available and implemented. Capex budget is available for the refurbishment and replacement of infrastructure.</li> <li>Projects are planned and implemented as per Capex 2023/24 in liaison with regions.</li> <li>The organisation is in the process of procuring the panel of consultants through GTAC</li> </ul> |
| SR3      | Inadequate supply of power/electricity                                      | 16 | <ul style="list-style-type: none"> <li>Approval and monitoring of the maintenance plans and the time frame on a quarterly basis.</li> <li>Engage the minister to request Eskom not to load shed LNW</li> </ul> | <ul style="list-style-type: none"> <li>LNW schemes have been exempted from loadshedding except Doorndraai which utilises a generator during power failure and Politsi which is in the process of having its dedicated power line and other schemes in Sekhukhune where an application was made with ESKOM for exemption loadshedding.</li> </ul>                                 |
| SR4      | Water demands that exceed available raw water allocation (over abstraction) | 13 | <ul style="list-style-type: none"> <li>Continue implementing current control</li> </ul>                                                                                                                        | <ul style="list-style-type: none"> <li>Follow up with DWS on WULA that are in process</li> </ul>                                                                                                                                                                                                                                                                                 |
| SR5      | Non-payment by WSAs for bulk water services                                 | 16 | <ul style="list-style-type: none"> <li>The risk is accepted, and current controls will be continuously implemented</li> </ul>                                                                                  | <ul style="list-style-type: none"> <li>Water restrictions were implemented to the affected Water Services Authorities</li> <li>Credit control policies and procedures in place and implemented</li> <li>Engagement with relevant stakeholders is taking place</li> </ul>                                                                                                         |
| SR6      | Cyberattacks                                                                | 16 | <ul style="list-style-type: none"> <li>Logical access control in place</li> <li>IT security policy approved and</li> </ul>                                                                                     | <ul style="list-style-type: none"> <li>Water restrictions were implemented to the affected Water</li> </ul>                                                                                                                                                                                                                                                                      |

| Risk Ref | Risk description | RR | Mitigating measure                                                                                                                                                                                                                                          | Progress report                                                                                                                                                                                                                                                                                                                             |
|----------|------------------|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|          |                  |    | implemented.<br>• Monitor and review system vulnerabilities on the firewall,<br>• Information security awareness is conducted<br>• VPN<br>• MS Office 365 Multi factor authentication<br>• Security with target threat protection<br>• End point protection | Services Authorities<br>• Payment arrangements were also made with the affected municipalities Firewall Systems and Antivirus in place and implemented<br>• Cybersecurity Procedure adopted for implementation<br>• Cybersecurity Procedure adopted and implementation has started<br>• Firewall logs reviewed for the quarter under review |

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 8-1 and furthermore, the entity has determined its overall risk appetite, which was then compared to the actual appetite level of the previous financial year in figure 8-2 below:

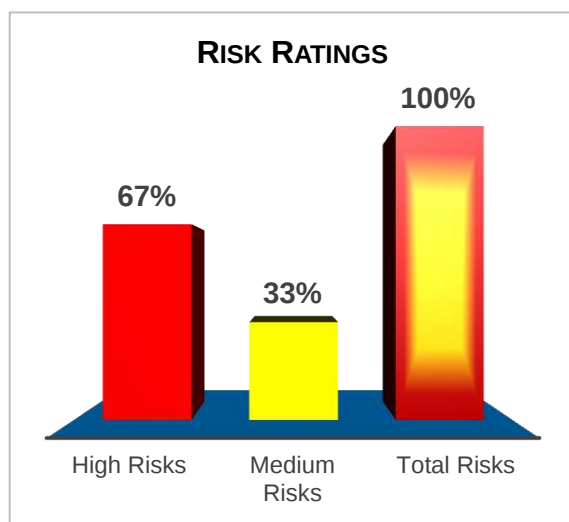


Figure 9-1: Risk Rating

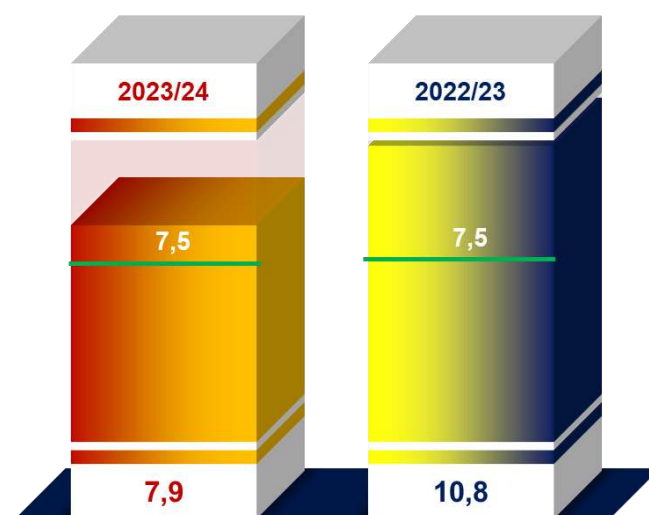


Figure 9-2: Comparison of risk appetite

Figure 9-1 depicts 66,7% of the strategic risks remaining high while medium risks are at 33,3% 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.

Figure 9-2 highlights that the maximum target of seven (7.5) was not met because it was exceeded in both financial years with 2023/24 having exceeded by 0.4 when compared to 3.3 of 202/23. The board has taken a decision that every board committee oversees the implementation of the medium and high risks of the organisation going forward.

## **9.1 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.

## **9.2 PREVENTION OF FRAUD AND CORRUPTION**

One of the goals of LNW is to achieve and maintain an ethical culture in the workplace. The entity is zero tolerance on fraud and corruption as these poses a potential significant risk to the entity's assets, service delivery efficiency and reputation. 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 six (6) cases for the 2023/24 financial years compared to ten (10) cases that were reported in the previous financial year (2022/23). These cases were investigated through the Internal Audit unit.

## **9.3 COMPLIANCE MANAGEMENT**

LNW continues to ensure that we comply with all relevant laws and regulations. The entity had developed its Compliance Regulatory Universe, and the areas of non-compliance were reported on quarterly basis to the relevant committees and are receiving the necessary attention.

## **9.4 ETHICS MANAGEMENT COMMITTEE**

LNW Board is the accounting authority for ethics management and leadership commitment which ensures that there is code of ethics in place to be abide by all Board members and employees. On the one hand the Board ensured that its members and employees complete the declaration of financial

interest yearly and continuously identify conflict of interest which might affect the organisation negatively.

The committee is governed by its charter and all four quarterly Ethics Management Committee meetings were held to ensure the effective management of ethics throughout the organisation, overseeing inter alia:

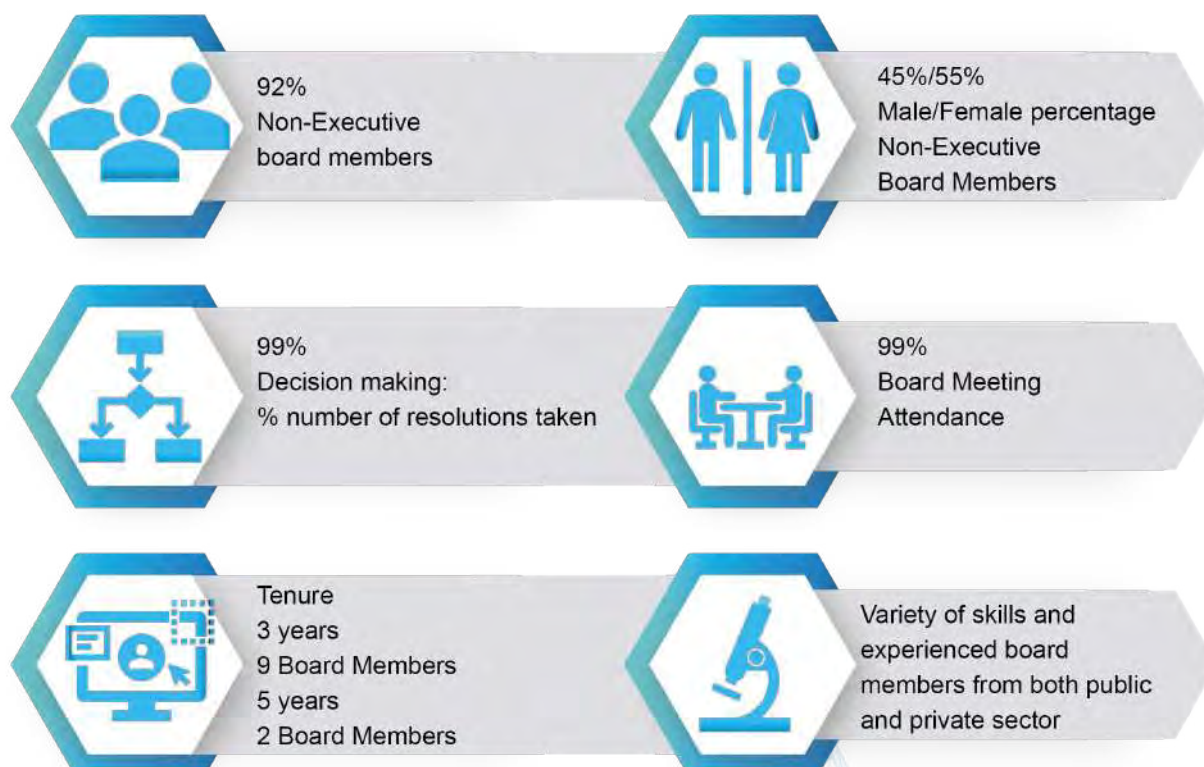
- Ethics management overview (i.e., new or emerging ethical risks, declaration of interests, cases of misconduct, gifts declarations and social responsibility reporting);
- Progress reporting on the ethics management plan; and
- Fraud risk register monitoring.



## 10 GOVERNANCE OVERVIEW



### BOARD HIGHLIGHTS



## 11 GOVERNANCE FRAMEWORK

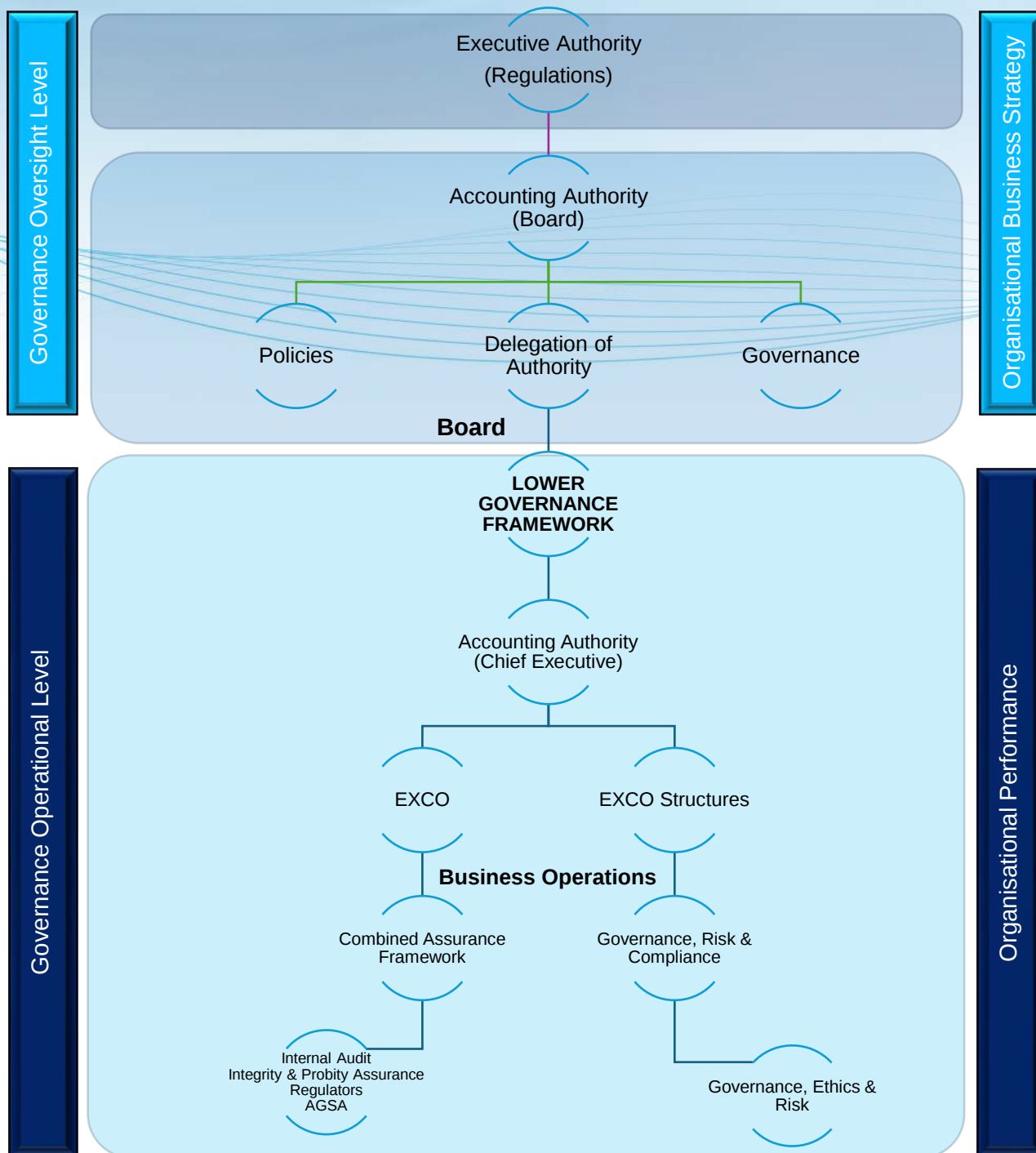
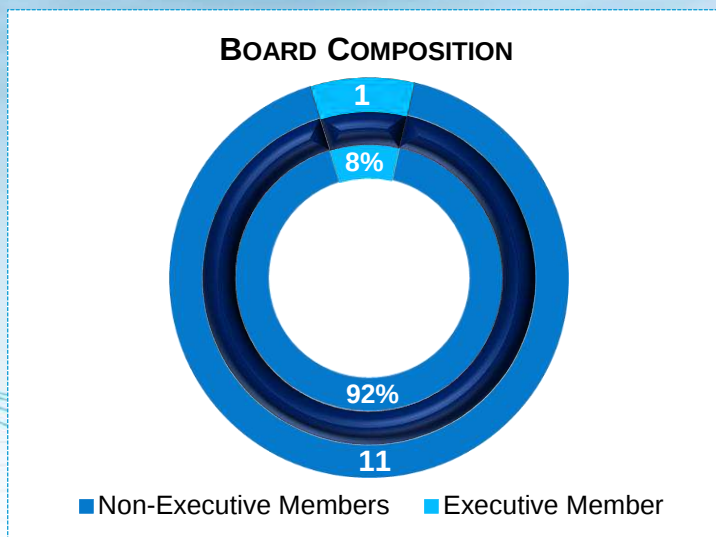


Figure 11:1: Governance framework



The board is comprised of eleven 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. The board has been appointed for a period of four years that started on 1 August 2021 and ending 31 July 2025.

The responsibility for the functioning of the Board and the executive responsibility for managing the business are separated and the

Chairperson is not involved in the day-to-day operations. The Board is responsible for setting the strategic direction of the entity, ensuring that adequate oversight and control of corporate governance structures are adhered to.

The Board's objective is to ensure responsible business leadership in a manner that balances the needs and rebuilds the trust of all stakeholders. The Board aims to retain full and effective control of the entity and to give strategic direction to management.

The detailed responsibilities of the Board are set out in a formal charter, which is updated from time to time to align it with applicable legislation and governance best practice. The entity has adopted a written Board Code of Conduct, with which all Board members are required to comply, as well as written Declarations of Interest.

The Board adheres to the principles of the King IV and continues to create value by approving policies that support and strengthens the entity, oversees the corporate governance, regulatory and compliance frameworks and control environment as well as maintaining sound corporate governance practices within the entity.

## 12 BOARD CHARTER

The Board has adopted the Board Charter, to control its affairs, and satisfied that it has discharged its responsibilities contained therein. The members understand their roles and responsibilities, as charted in the Board Charter and the Water Services Act, Act No. 108 of 1997. The Board Charter is reviewed as and when required based on the legislative, policy, and regulatory developments.

## 13 BOARD COMPOSITION

Most of the Board members are independent non-executive members. The essence of the independent helps circumvents developing a conflict of interest and maintain an objective viewpoint during the decision-making process.

### 13.1 RESPONSIBILITIES OF THE BOARD

The Board has absolute responsibility for the performance of LNW and is fully accountable to the Minister. The Board retains full and effective control of LNW and closely monitors implementation of board plans and strategies. In so doing, the board, collectively or individual members shall:

- Devote time to properly carry out their duties and responsibilities and always act in the best interest of LNW.
- Ensure that LNW is aware of and complies with applicable laws, regulations, government policies and codes of business practice and communicates with the Minister and relevant stakeholders openly and promptly.
- Appoints the Chief Executive Officer (CEO) in consultation with the Minister (as it pertains to the salary) and other members of management as per the Delegations of Authority, including acting appointments, and ensure that an effective succession plan for senior staff is in place and adhered to.
- Formulate, monitor implementation and review of corporate strategy, structures, processes, major plans of action, risk management policy, annual budgets and decide on any subsequent material changes in strategic direction or material deviation in the business etc.
- Determine the scope of delegation to:
  - Ensure that delegated authority is in writing and reviewed on a regular basis.
  - Ensure that LNW's business procedures and systems are in place to assist members in making informed decisions and accept the responsibility thereof.
  - Approve and submit a policy statement and business plan to the Minister, the relevant Province, and all water services institutions within the LNW's service area.
  - Ensure that annual financial statements which fairly presents the affairs of LNW, are timeously prepared and submitted to the Minister, the National Treasury, the Auditor General, or any other regulatory bodies.
  - Ensure the provision of sustainable and equitable water and sanitation services to the target market.
  - Keep abreast of the financial, social, and political environment in which LNW operates.
  - Exercise utmost good faith and perform their duties with honesty, care and diligence.
  - Monitor and manage potential conflicts of duties and interests of management and board

members.

- Disclose any potential conflict(s) of interests as early as reasonably possible.
- Appraise its collective performance, that of the Chairperson, Committee Chairpersons and members at both board and committee levels on an annual basis.
- Ensure that there are appropriate and effective induction, education and training programmes offered to new and existing board members.
- Always maintain the highest standard of integrity, responsibility, and accountability.
- The Board shall give strategic direction to LNW.
- The Board should ensure that there is an appropriate balance of power and authority on the Board such that individual or group can dominate the Board's decision making.
- All board members should ensure that they have unrestricted access, at all reasonable times, to accurate, relevant, and timely information of LNW through the CEO and the Company Secretary (CS).
- Discussions and records at the board and all its committee meetings shall remain confidential unless with specific direction or court order to the contrary. Members of the board are expected to strictly observe the restrictions to the use and confidentiality of company information.

## 13.2 BOARD DIVERSITY

The performance of the Board is regularly assessed to maintain high performance levels in conducting the fiduciary duties in an effective and efficient manner. The board members are individually subjected to a process of performance evaluation on an annual basis. The process is conducted in accordance with the policy regarding Board Practices and the Remuneration of Board members of Entities Reporting to the Minister of Water and Sanitation and includes the assessment of performance of the governance structures. For the financial year under review, the Board Chairperson has not conducted the performance evaluation sessions and has been earmarked for the next financial year.

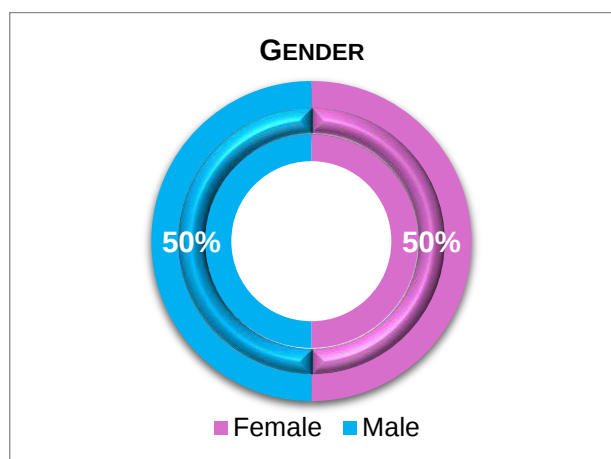


Figure 13:1: Board male/female status

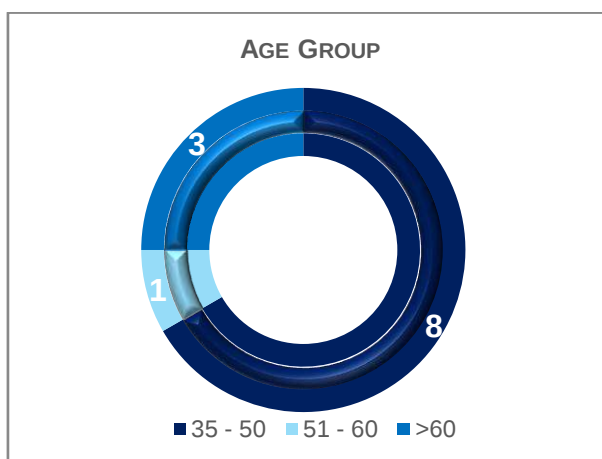


Figure 13:2: Board Age group

### 13.3 BOARD COMMITTEES

The Board has established four committees to assist in discharging its responsibilities without in any way reducing its accountability. The Board formally delegates responsibilities as illustrated on the figure below:



Figure 13:3: Board Committees

The Board approved charters that define terms of reference, reporting procedures and scope of authority for each Board committee. The committees and the Board review and update the charters annually to stay abreast of developments in legislation and governance best practice. The Board has also appointed three (3) independent members to enhance objectivity of decisions taken. Of the two Independent co-opted members in the Audit & Risk Committee, one of them is the Chairperson. The third independent member is in the Finance Committee.

Table 13:1: Board Committees and their roles

| HR, SOCIAL AND ETHICS COMMITTEE                                                                                                       | INFRASTRUCTURE, OPERATIONS AND STAKEHOLDER COMMITTEE                                                                               | AUDIT & RISK COMMITTEE                                                                                                          | FINANCE COMMITTEE                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Members</b><br><br>Mr. TJ Mathebula (Chairperson)<br>Adv MM Makgopa- Madisa<br>Dr F Munyai<br>Chief Executive Officer (Ex-Officio) | <b>Members</b><br><br>Dr M Soni (Chairperson)<br>Ms. S Chiloane-Nwabueze<br>Dr P Molokwane<br>Chief Executive Officer (Ex-Officio) | <b>Members</b><br><br>Mr. I Vally (External Chairperson)<br>Mr. SA Ngobeni (External Member)<br>Ms. FJ Mudau<br>Adv RT Ramashia | <b>Members</b><br><br>Mr. M Magoele (CA) (SA) Chairperson<br>Ms. B Mahlutshana<br>Ms. Y Pamla (External Member)<br>Chief Executive Officer (Ex-Officio) |
| <b>Role</b><br><br>To review and recommend for approval to the Board, amongst other matters relating to                               | <b>Role</b><br><br>To ensure execution of LNW legislative mandate and the fulfilment of its mission. The                           | <b>Role</b><br><br>To ensure adequacy and effectiveness of system of internal control, accounting                               | <b>Role</b><br><br>To ensure, amongst others, effective and efficient financial management, a fair, equitable,                                          |

|                                                                                                                                                                             |                                                                                          |                                                                                                                                                                                                                                                                           |                                                                                                                                                                                                                                                                               |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| recruitment, remuneration, human resource policies, and employee benefits, labour related issues, and Social and Ethics related issues in terms of King III and IV reports. | Committee is also responsible for the development and maintenance of LNW infrastructure. | practices information systems and auditing process applied in the day-to-day management of LNW; and to monitor compliance with the relevant Acts, legal, ICT, review annual report, financial statements and that financial information and practices complies with GRAP. | transparent, competitive, and cost-effective procurement and provisioning system, budgeting process, co-ordinate financial inputs into strategic plans, oversee the development of the Annual Financial Statements. Ensure compliance with the PFMA and Treasury Regulations. |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

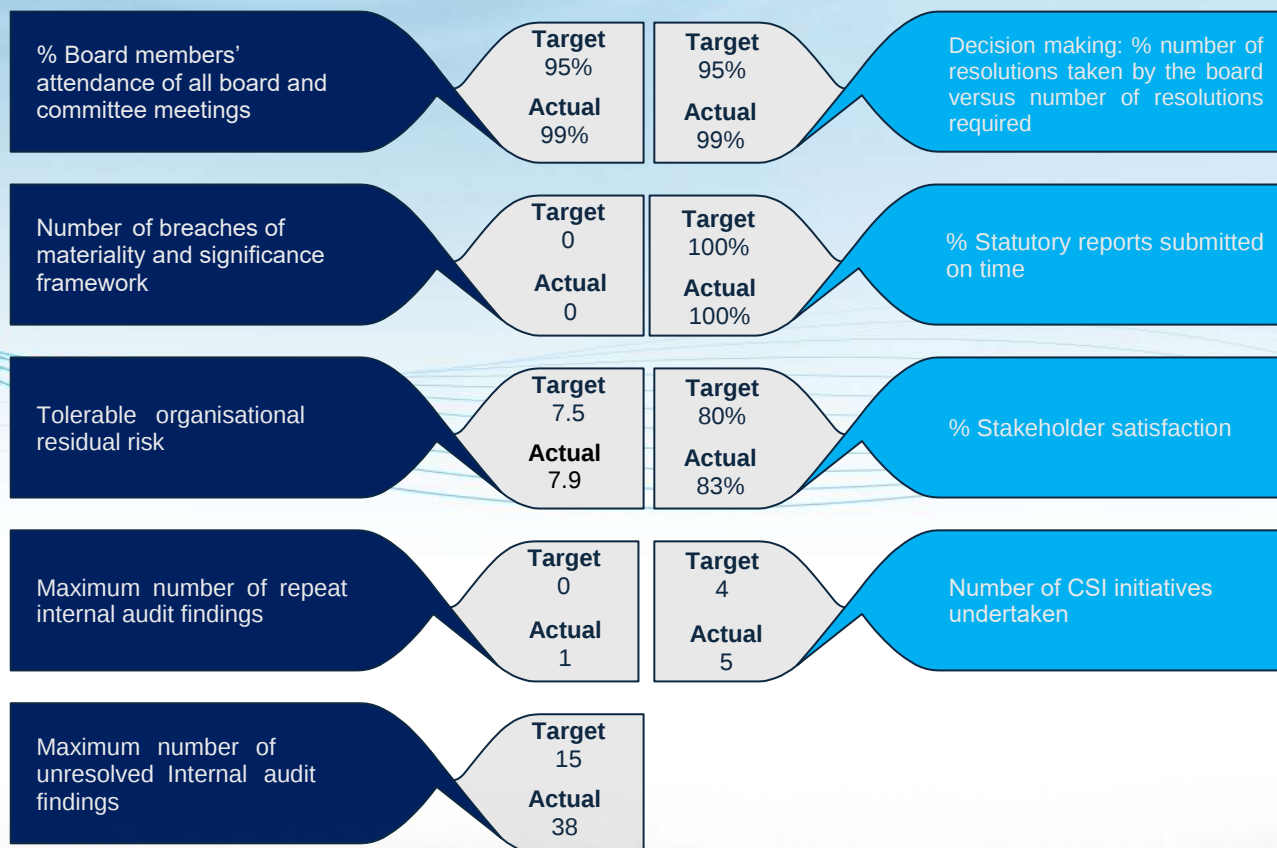
Table 13.2: Attendance at Board and Committee Meetings

|                            |                                                           | BOARD | ARC   | FIN   | HRS&E | IOS |
|----------------------------|-----------------------------------------------------------|-------|-------|-------|-------|-----|
| <b>Board Members</b>       | <b>Chairperson</b>                                        |       |       |       |       |     |
| NF Mphephu                 | Board                                                     | 10/10 |       |       |       |     |
| S Chiloane-Nwabueze        |                                                           | 10/10 |       |       |       | 9/9 |
| B Mahluthshana             |                                                           | 10/10 |       | 11/11 |       |     |
| MM Makgopa-Madisha         |                                                           | 10/10 |       |       | 15/15 |     |
| TJ Mathebula               | Human Resources, Social & Ethics (HRS&E)                  | 9/10  |       |       | 15/15 |     |
| MM Mogoele                 | Finance (FIN)                                             | 10/10 |       | 11/11 |       |     |
| P Molokwane                |                                                           | 10/10 |       |       |       | 9/9 |
| F Mudau                    |                                                           | 10/10 | 15/15 |       |       |     |
| FR Munyai                  |                                                           | 10/10 |       |       | 15/15 |     |
| RT Ramashia                |                                                           | 10/10 | 15/15 |       |       |     |
| MSM Soni                   | Infrastructure, Operations & Stakeholder Management (IOS) | 10/10 |       |       |       | 9/9 |
| <b>Independent Members</b> |                                                           |       |       |       |       |     |
| SA Ngobeni                 |                                                           |       | 15/15 |       |       |     |
| Y Pamla                    |                                                           |       |       | 11/11 |       |     |
| I Vally                    | Audit & Risk (ARC)                                        | 10/10 | 15/15 |       |       |     |
| <b>Executive Members</b>   |                                                           |       |       |       |       |     |
| C Ruiters                  |                                                           | 10/10 | 15/15 | 11/11 | 15/15 | 9/9 |

## 14 PERFORMANCE EVALUATION OF THE BOARD

The Board is subjected to a process of performance evaluation on an annual basis for the purpose of ensuring continuous improvement in the Board's performance and effectiveness. The process is conducted in accordance with the Policy regarding Board Practices and the Remuneration of Board Members of Entities Reporting to the Minister of Water and Sanitation and includes the assessment of performance of the governance structures.

## 14.1 GOVERNANCE KEY PERFORMANCE INDICATORS



## 15. BOARD MEMBERS



### DR NF MPHEPHU CHAIRPERSON

#### Qualifications

- Qualifications:
- Doctor of Philosophy (PhD) in Environmental Science
  - Master of Business Administration (MBA)

#### Membership & Professional Bodies

- South African Council for Natural Scientific Professions (SACNASP) as Professional Natural Scientist (Pr.Sci. Nat).
- Environmental Assessment Practitioner (Reg. EAP) with Environmental Assessment Practitioners Association of South Africa.
- Member of the Institute of Directors

#### Experience

Dr Mphephu brings to the board technical and business experience in environmental, social and governance (ESG), Sustainability, research & development, stakeholder management, strategy, and business management. He has served extensively in the capacity as executive member of various institutions.



### DR PE MOLOKWANE BOARD MEMBER

#### Qualifications

- PhD degree from Environmental Engineering's Water Utilisation (Chemical Engineering)
- M.Sc. Applied Radiation Sciences and Technology (ARST)
- Post-Graduate Diploma in Applied Radiation Sciences and Technology
- B.Sc. (Physics and Chemistry).

#### Membership & Professional Bodies

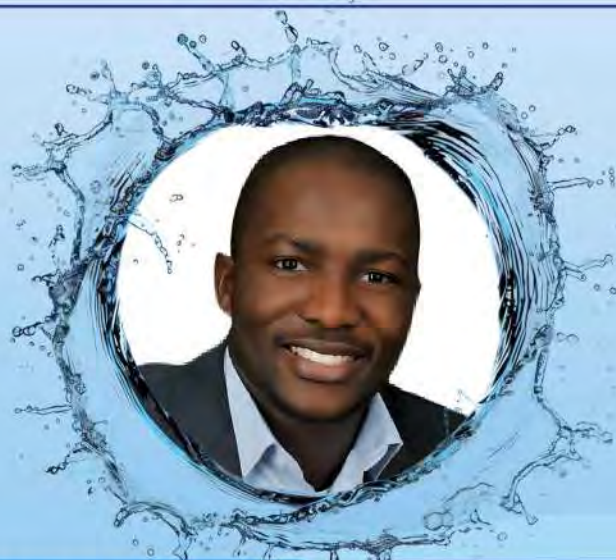
- South African Council for Natural Scientific Professions (SACNASP) as Professional Natural Scientist (Pr.Sci.Nat. Nat)
- Member of the Institute of Directors

#### Experience

She boasts over nineteen (19) 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 sectors. 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 forty-two (42) peer reviewed publications, monologues and a book chapter.



## **DR MSM SONI** **BOARD MEMBER**

### **Qualifications**

- Doctor of Philosophy (PhD) in Construction Management,
- Master of Science (MSc) in the Built Environment specializing in Project Management,
- Master of Business Administration (MBA)

### **Membership & Professional Bodies**

- South African Council for Project, Construction Management Professions (SACPCMP), as Professional Construction Manager (Pr. CM), and Professional Construction Project Manager (Pr. CPM) with the
- Project Management Institute (PMI) as Programme Management Professional (PgMP)
- Axelos Global Best Practice as PRINCE2
- Chartered Institute of Building (CIOB) as Chartered Construction Manager (FCIOB)
- The Royal Institute of Chartered Surveyors (RICS) United Kingdom (UK) as Chartered Project Management Surveyor (FRICS)
- Member of the Institute of Directors

### **Experience**

Dr Soni has experience in the construction sector where he has occupied various senior positions in both the private and the public sector for more than 23 years. Dr Soni has worked for organisations of the likes of Group Five, Total Facilities Management Company, Murray & Roberts, the National Department of Public Works, the Gauteng Department of Infrastructure Development, the City of Johannesburg Metropolitan Municipality and the Johannesburg Development Agency in construction management, construction project management, project management, facilities management, infrastructure development and management, property development and management, business administration and management, corporate governance and general management-related positions.



## **DR FR MUNYAI** **BOARD MEMBER**

### **Qualifications**

- PhD (Agriculture)
- Master in Business Administration (MBA)

### **Membership & Professional Bodies**

- Member of the Institute of Directors.

### **Experience**

Dr Munyai is a seasoned professional researcher and strategist in business operations in both the public and private sectors and has spent more than 30 years of her career contributing to several senior management roles in Government and worked for various institutions, including a public entity, a university, and a college. She serves as a Councillor of the SAVC and nominated to serve as the Chairperson of the Heritage and Transformation, and of the Professions Committee and Education Committee and member of the Food and Safety Committee as well as Standards Committee. She was appointed as an expert panel member by the North West Premier to advise the Province on the Provincial Growth Development Strategy



### **ADV. MM MAKGOPA-MADISA BOARD MEMBER**

#### **Qualifications**

- Master of Laws (LLM) in Corporate Law
- Bachelor of Laws Degree (LLB)
- Medical Negligence and Health Sector Mediation Training

#### **Membership & Professional Bodies**

- The Legal Practice Council
- Mediation in Motion (MiM)
- Member of the Institute of Directors.

#### **Experience**

Advocate Makgopa-Madisa has vast experience in drafting and interpretation of legislation, employment law, medical negligence disputes, litigation, contract law and contract management. She also has experience in ethics management and corporate governance in public entities. She holds a Bachelor of Laws degree (LLB); a Master of Laws (LLM) in Corporate Law and Certificates in Public Finance for Non-Financial Managers, Legal Writing, Advanced Management Development, Drafting and Implementation of Commercial Contracts and Medical Negligence Mediation Training.



### **ADV. RT RAMASHIA BOARD MEMBER**

#### **Qualifications**

- Master of Laws (LLM) in Corporate Law
- Bachelor of Laws degree (LLB)

#### **Membership & Professional Bodies**

- The Legal Practice Council
- Member of the Institute of Directors.

#### **Experience**

Advocate Ramashia is an admitted advocate of the High Court of South Africa, since 2017. He is a member of and holds a chamber with the Limpopo Society of Advocates. Adv Ramashia has vast experience in legal drafting, corporate law, civil and criminal litigation. Prior to his admission to the Bar, Adv Ramashia served in public service in different capacities, including serving as a Legal Advisor to the Capricorn District Municipality and later as Researcher and Speech Writer for the Premier of Limpopo Province.

Adv Ramashia is currently also serving as a Board Member of the Road Agency Limpopo (RAL), a member of the Audit Committee of the Capricorn District Municipality, Chairperson of the Limpopo Consumer Affairs Court, a board member of the Polokwane Housing Association and a Member of the Audit and Risk Committee for Road Agency Limpopo.

Advocate Ramashia is also a Special Adviser to the Minister of Justice and Constitutional Development.



## **MR TJ MATHEBULA**

### **BOARD MEMBER**

#### **Qualifications**

- Bachelor of Business Administration
- Post Graduate Diploma in Business Administration

#### **Membership & Professional Bodies**

- Member of the Institute of Directors.

#### **Experience**

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.



## **MR MM MAGOELE**

### **BOARD MEMBER**

#### **Qualifications**

- CA (SA)

#### **Membership & Professional Bodies**

- Member of South African Institute of Chartered Accountants (SAICA)
- Member of the Institute of Directors.

#### **Experience**

Mr. Magoele has experience in financial management, technical IFRS, Annual Financial Statements, cash flow, and audit coordination. He has also completed technical programmes in Enterprise Risk Management with the National Treasury, and Outcome-Based Monitoring and Evaluation with the University of Pretoria.

His experience as a non-executive Council Member and Chairperson of the Finance Committee as well as Director: Revenue and Treasury Management, Director: Financial Governance and Compliance, and as an Audit Manager makes him a valuable addition to the Board.



### **MS FJ MUDAU** **BOARD MEMBER**

#### **Qualifications**

- Master Degree of Business Leadership (MBL)
- Bachelor of Commerce Degree (Bcom)

#### **Membership & Professional Bodies**

- Member of South African Institute of Public Accountants (SAIPA)
- Member of the Institute of Directors

#### **Experience**

Ms. Mudau has more than 10 years' 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 shared service cluster (the Department of Treasury, Social Service and Education) as a member of the Audit Committee. She is serving as an independent Member of Amatola Water Audit and Risk Committee and previously as Chairperson of the Shared Audit and Performance Committee of Nkangala District Municipality.



### **DR S CHILOANE-NWABUEZE** **BOARD MEMBER**

#### **Qualifications**

- Doctor of Philosophy in Civil Engineering (PhD)
- Master of Business Administration (MBA)
- BSc Honours
- BSc in Water and Sanitation

#### **Membership & Professional Bodies**

- Member of the Institute of Directors
- Certified Director (IoDSA)
- Professional Water Resource Scientist (SACNASP)
- Associate Member of the South African Institute of Civil Engineering (SAICE)

#### **Experience**

Dr Salome Chiloane-Nwabueze's experience stems from various local and national government departments as well as Rand Water. Her area of expertise is in water, sanitation, civil engineering, project management, monitoring and evaluation, research, corporate governance, as well as strategy formulation and implementation.

Ms. Salome Chiloane-Nwabueze has over 15 years of experience within the water sector, and she also serves on various public and private sector Boards.



## **MS B MAHLUTSHANA** **BOARD MEMBER**

### **Qualifications**

- MPhil in Development Finance,
- Bachelor of Commerce Honours in Financial Management
- Bachelor of Commerce in Business Management
- Post graduate Diploma in Municipal Governance

### **Membership & Professional Bodies**

- Member of the Institute of Directors
- Certified Director

### **Experience**

Ms Mahluthshana has held various leadership and executive positions, having been involved in development finance, private equity and public transport sectors. She has experience in financial management and administration for municipalities and has played an advisory role on debt restructuring and overall financial assessment and viability. Bukeya's expertise encompasses a broad spectrum of executive functions, including corporate governance, risk management, business turnaround, and capital raising. She has successfully led complex, high-impact projects and initiatives. She is currently a Non-Executive Director of the Cross Border Road Transport Agency, and a sub-committee member for the road passenger chamber of the Transport Education Training Authority.



## **MS M SEBELA** **COMPANY SECRETARY** **(01 JULY TO 15 APRIL 2024)** **OFFICE MANAGER (CURRENTLY)**

### **Qualifications**

- BTech Degree in Public Management

### **Membership & Professional Bodies**

- Member of the Institute of Directors

### **Experience**

Company Secretary (Resigned 15 April 2024)

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

Office Manager – 16 April 2024 to Date

Ms. M Sebela boasts invaluable knowledge, skills and experience in Executive Management related administration which entails among others, contribute to compliance aspect of the strategic planning process, implementation and review. Implementing the systems and procedures to enhance the CEO's Office, manage liaison between the CEO and GM's by providing timely, materially, accurate, relevant and suitably presented information to facilitate informed decisions. Ensuring that CEO's decisions are followed-up and influence others to contribute /support the CEO's decision making. Ensuring that Board Decisions are implemented by Executives timeously and raising matters that may warrant the board's attention.



**MS ZC NGWENYA  
COMPANY SECRETARY  
(16 APRIL TO DATE)**

**Qualifications**

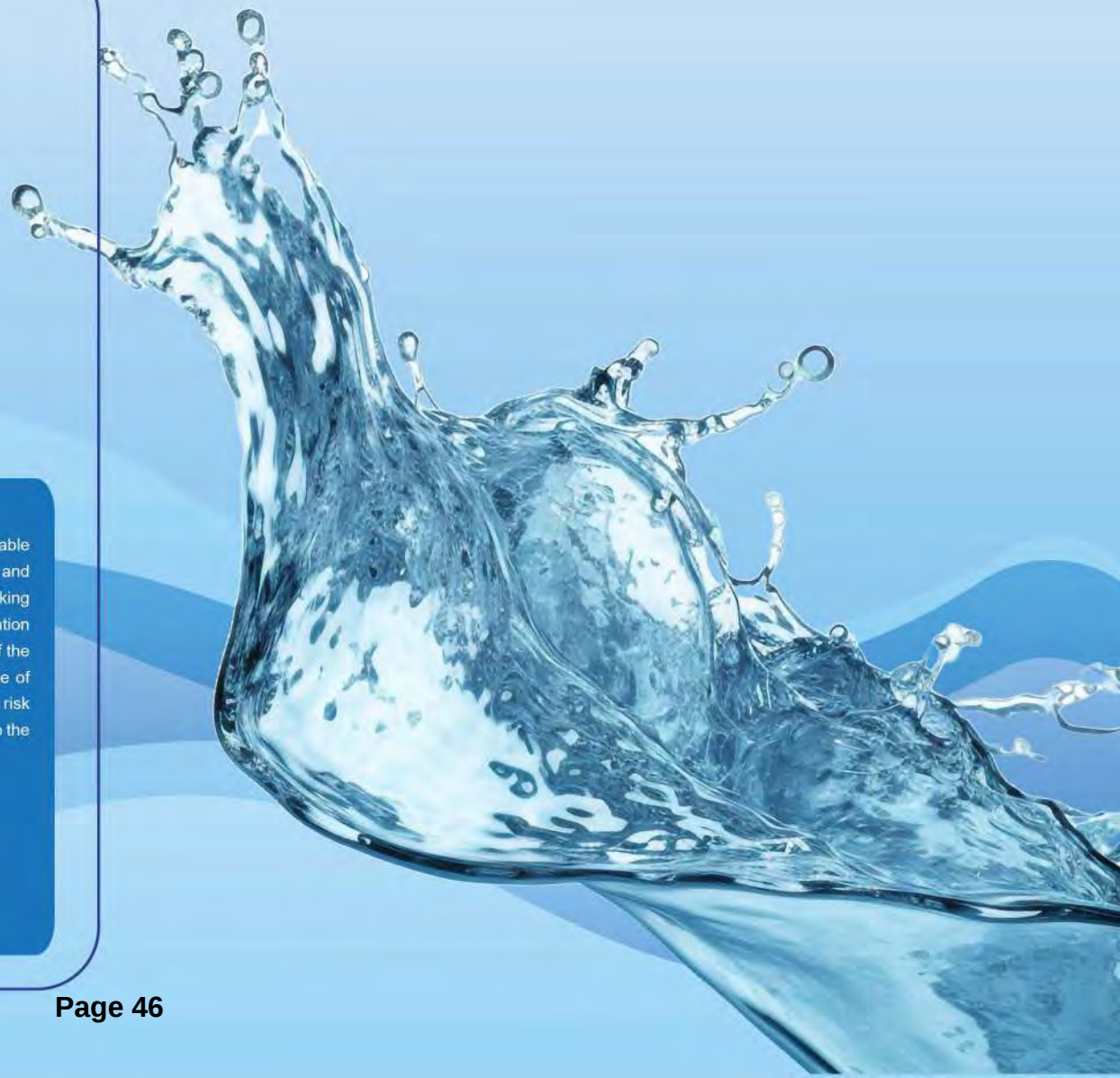
- Bachelor of Laws Degree (LLB)
- Postgraduate Qualification as Company Secretary (FCG)

**Membership & Professional Bodies**

- Member of the Institute of Directors
- The Legal Practice Council
- Chartered Governance Institute of Southern Africa

**Experience**

Ms Ngwenya boasts 15 years of invaluable knowledge, skills and experience in boards and executive management level. Her working knowledge of legislative requirements in relation to Company Administration, understanding of the Public Financial Management Act, knowledge of corporate governance principals and risk management framework make her an asset to the Board and the entity at large



## 16. EXECUTIVE MANAGEMENT



### DR C RUITERS CHIEF EXECUTIVE OFFICER

#### Qualifications

- PhD in Life and Applied Science
- PhD in Engineering
- Masters in Business Administration
- Masters in Engineering

#### Membership & Professional Bodies

- Registered Professional Engineer (Pr. Eng.) with ECSA
- Registered professional Scientist (Pr. Sci. Nat.) with SACNASP
- Member of the Water Institute of South Africa (WISA)
- Member of the South African Institute of Civil Engineering (SAICE)
- Member of the Institute of Directors (IoD)

#### Experience

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, operations, and maintenance, water, and wastewater treatment as well as solid waste management. He is a registered Professional Civil Engineer and Natural Scientist. He belongs to several professional bodies in engineering and science.



### MR MS RAMALATSO CHIEF FINANCIAL OFFICER

#### Qualifications

- CA (SA)
- Bachelor of Commerce Degree Honours
- Postgraduate Diploma in Applied Accounting Sciences/CTA
- Postgraduate Diploma in Risk Management

#### Membership & Professional Bodies

- South African Institute of Chartered Accountants (SAICA) as a qualified chartered accountant and SARS as a tax practitioner.
- Independent Regulatory Board for Auditors (IRBA) as a registered auditor
- Member of the Institute of Directors

#### Experience

He brings extensive experience and knowledge in accounting and auditing gained in both private and public sector.

Over the years, During his career, he has acquired extensive experience and knowledge on strategic leadership and management, financial reporting, risk assessment processes, Regulatory environment including PFMA, MFMA and treasury regulations.



**MR ES MOENG**  
**EM: CORPORATE SERVICES**

**Qualifications**

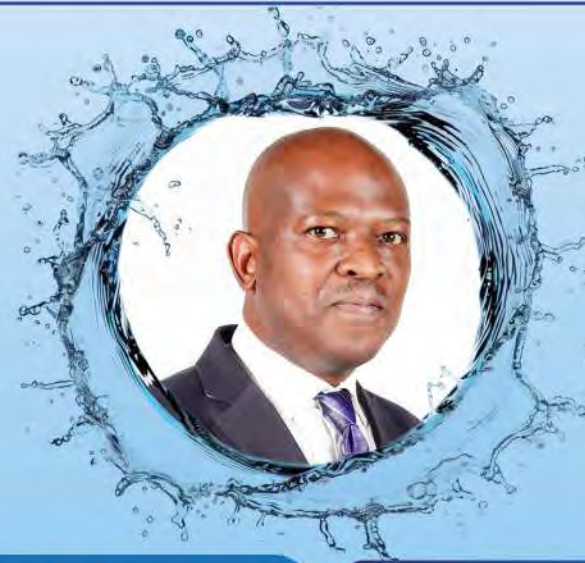
- Master's Degree in Public Management,
- Master of Laws (LLM), Criminal Law & Procedure
- Bachelor of Law (LLB)
- B-Tech degree in Human Resources Management.

**Membership & Professional Bodies**

- Member of the South African Board for People Practices (SABPP)
- The professional body for HR Practitioners in South Africa
- The quality assurance body for HR learning provision
- Member of the Institute of Directors

**Experience**

He has extensive experience in human capital, gained in the National and Provincial Government and at parastatals.



**MR ARCHIBALD MALULEKE**  
**EM: ENGINEERING SERVICES**

**Qualifications**

- Masters in Mechanical Engineering (M.Sc. Eng)

**Membership & Professional Bodies**

- Member of the Institute of Directors

**Experience**

His project implementation and asset life cycle performance optimisation experience cover various industries, including petrochemical (Sasol Technology - Sastech), WorleyParsons-TWP Consulting's green/brown-field platinum mining projects for clients such as Anglo American, ARM and Lonmin, the Pebble Bed Modular Reactor (PBMR) Nuclear project and bulk raw water infrastructure projects (TCTA). He is a member of the South African Institute of Mechanical Engineers.



## MR PA MOSHOANE

### EM: OPERATIONS & MAINTENANCE (ACTING)

#### Qualifications

- MTECH in Chemical Engineering

#### Membership & Professional Bodies

- Water Institute of Southern Africa (WISA)
- Member of the Institute of Directors

#### Experience

Mr Moshwane brings experience in research and development has significantly contributed to the growth of the organisation. Being in the field for more than 21 years has afforded him immense experience in the optimisation, operation and maintenance of water treatment works, Acid Mine Drainage (AMD) and wastewater infrastructure, treatment processes units and distribution systems, water quality management, implementation and management, project planning and engineering management. He is a member of the Water Institute of Southern Africa (WISA) and South African Institute of Chemical Engineers (SAICHE).

## 17 APPLICATION OF KING IV PRINCIPLES

As indicated earlier that Lepelle Northern Water subscribes to the principles of King IV, the Board encourages the entity to maintain the governance principles and recommended practices included therein and to align its practices, policies, and procedures. The entity has during the period under review applied the principles of King IV as highlighted below:

### **(1) The governing body should lead ethically and effectively**

First and foremost, the Board was inducted on all the existing policies and strategies of the entity. The Board and Management have established all the necessary instruments to handle any conflict of interests. All the members of the Board and Management have the opportunity to declare their interest on all the items to be discussed.

### **(2) Govern the ethics of the organisation in a way that supports the establishment of an ethical culture**

The Board has developed and approved the code of conduct and ethics policies as well as ensured that all employees are made aware. The Board has delegated the implementation of codes of conduct and ethics policies to management and has been providing oversight on a quarterly on matters as recruitment, employee remuneration, supplier selection, breach management, whistleblowing and independent assessments.

### **(3) Ensure that the organisation is and is seen to be a responsible corporate citizen**

The Board has ensured that it complies with the Constitution, relevant laws, standards and its own policies and procedures, in line with the entity's business strategy and conduct. The Board oversaw and monitored the organisational performance, ensuring that good corporate citizen is observed in areas such as economic behaviours and results, societal and environmental impacts

### **(4) The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process**

The Board has been on an annual basis had strategic planning session to set and steer the direction, purpose and the business strategy of the entity. The Board has after the its strategic planning session,

delegated to management the formulation of the business strategy with clear timelines, risks and opportunities, resources and relationships, legitimate expectations of stakeholders, changes in the six capitals and the inter-connectedness and interdependencies of all these factors and approved it thereafter.

Approved managements policies and corporate plan that includes key performance measures and targets. Delegated to management the implementation of the policies and the related plans. Oversaw implementation of the business strategy and plans by management against the agreed performance measures and targets.

Oversaw that there is ongoing assessment and response to any negative consequences for the economy, society and environment by the entity using its 6 capitals. The Board was always alert to the entity's viability, reliance and effect on its capitals, solvency and liquidity and its going concern status.

**(5) The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.**

The board has approved the reporting frameworks to be used as well as overseeing that various reports are compliant with legal reporting requirements and meet the legislative needs of shareholder and the other relevant departments like National Treasury.

The Board has ensured that an annual integrated report is approved and distributed to all the relevant departments timeously. The Board has also approved the bases for determining materiality in line with the National Treasury Regulations.

The Board oversaw the publication and access by stakeholders the integrated report, financial statements and other external reports on its website and social media platforms.

**(6) The governing body should serve as the focal point and custodian of the corporate governance in the organisation**

The Board has developed and approved its charter and those of its committees where the charters outline all the activities that will be carried by the Board and its committees and how they are going to interact with management.

**(7) The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.**

The Board is appointed by the Department of Water and Sanitation as and when required. The Board has first decided on the types of Board committees they need and after looking at the skills and knowledge of the Board members, allocated them to each committee accordingly to ensure maximum benefit for the entity. The Board is composed of eleven (11) non-executive directors and one executive member, i.e. Chief Executive Officer.

The Board has a diverse membership i.e., expertise in Audit and Risk Management, Finance, Engineering, Human Capital, Legal, Project Management, Environmental Management, Science and has set targets for race and gender representation in its composition. The Board regularly arrange for periodic and staggered rotation of its membership as part of bringing new perspective in the committees but also for the board members to understand the operation for the entire organisation for maximum contribution.

The Board has also appointed three (3) independent members. Two independent members are in the Audit and Risk Committee and one of them is the chairperson of the Committee while the other independent member is in the Finance Committee.

**(8) The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties**

The Board has set clear governance structures that indicate the role players and their responsibilities. The Company Secretary has been tasked by the Board to ensure that a balance of power exists through a hierarchical layout that consists of the CE, Management, and various Committees. The Board has delegated roles and responsibilities to the following committees:

- a. Audit and Risk Committee
- b. Finance Committee
- c. Human Resources, Ethics and Social Committee
- d. Infrastructure, Operations and Stakeholder Management

**(9) The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness**

The Board and reviewed the Delegation of Authority to ensure a smooth operation of the entity. The Board has planned to reconfigure its board committees to ensure that maximum outcomes are realised in all the activities of the entity.

**(10) The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities**

The Board has appointed the CEO, who is responsible for leading the business strategy implementation, report to the governing body on a quarterly basis. The Board has after the review of the Delegation of Authority delegated to the Chief Executive Officer to implement and they monitor the implementation on a quarterly basis and take resolutions.

**(11) The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**

The Board and management have initiated a process that allows for the identification of risks and the continuous mitigation of strategic and emerging risks. The approach is that all the identified risks are allocated to the risk owners for implementation. After the risk owners have updated the progress based on the action plans developed, they submit to the Enterprise Risk Management Unit for consolidation and reporting to the Audit and Risk Committee on a quarterly basis. The risks are aligned to all the strategic objectives.

**(12) The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives**

Information, Communication and Technology (ICT) is an integral part of Lepelle Northern Water business strategy as a result it is reported in the Audit and Risk Committee as it is a governance issue as well. Various committees such as ICT Steering Committee has been formed which in turn reports to the Executive Committee that then present at the Audit and Risk Committee for recommendations to the board for approval of all the key deliverables.

**(13) The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.**

The core legislative instruments that govern Lepelle Northern Water are the PFMA and the Water Services Act. These Acts have norms and standards as well as regulations to comply with. The entity as a good citizen ensures that it complies with all the relevant sections as required.

The Board has tasked the Enterprise Risk Management Unit to consolidate sections that the entity should comply with and distribute to line managers for updating the progress in relation to the applicable sections and then present to the Audit and Risk Committee on a quarterly basis.

**(14) The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in short, medium and long term**

The Board takes the accountability for the governance of remuneration by developing the remuneration policy that indicates how remuneration should be implemented in the organisation. LNW remuneration is hinged around the following principles:

- Internal Equity: Remuneration differentiation between different positions will be driven by approved job grading systems that are used by the organisation to establish the internal hierarchy of positions.
- External Equity: LNW is committed to paying remuneration packages that are competitive relative to the labour market.
- Employee Equity: LNW remunerates employees for the contribution they make towards the successful achievement of the organisational business strategy.
- Salary Structure: LNW maintains a formal salary structure based on the following factors:
  - Market stance (supply and demand).
  - Outcomes of the negotiations with organised labour and
  - Affordability.

The Board has also ensured that there is a criteria for rewarding performance of the employees guided by the performance management system.

**(15) The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for**

## **internal decision-making and of the organisation's external reports.**

The Board has established the Audit and Risk Committee to among others oversee the following:

- The effectiveness of the entities' assurance functions and services, with particular focus on combined assurance arrangements, including assurance service providers, internal audit, and the finance function; and
- Integrity of annual financial statements and performance information; and
- Risk governance

The committee will review the financial reporting processes, the system of internal control and management of financial risks, fraud and malpractices, the audit process, and the company's process for the monitoring compliance with laws and regulations.

In performing its duties, the committee will maintain effective working relationships with the Board, Management, and the internal and external auditors. To perform its role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the entity's business, operations, and risks.

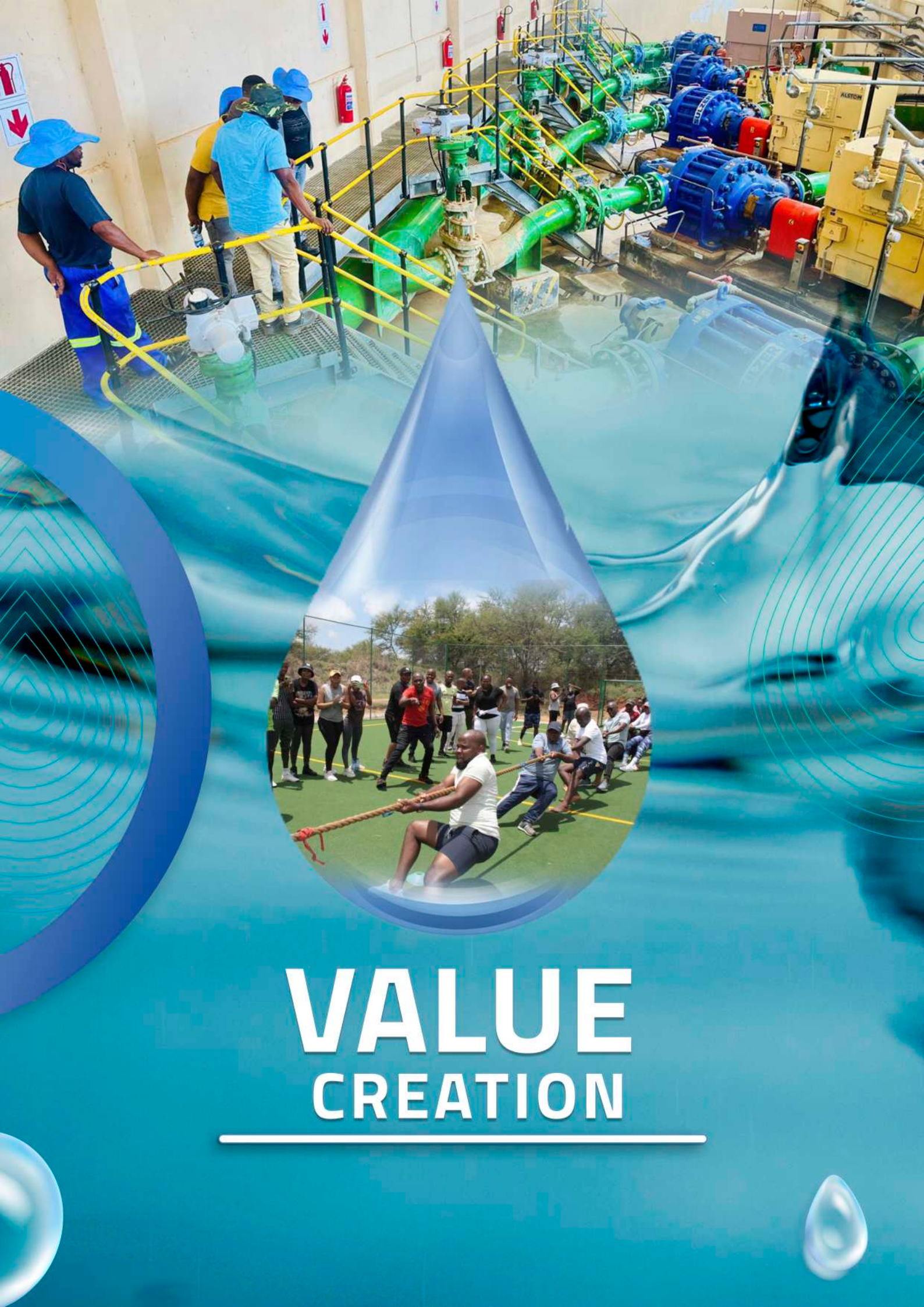
The committee does not relieve the Board of any of their responsibilities but assists it in fulfilling such responsibilities.

The committee is an advisory and have an objective independent role, operating as overseer and a maker of recommendations to the Board for its approval or final decision.

The Board also have the Combined Assurance Framework in which it implements as part of ensuring that the entity is compliant to all the guiding instruments.

**(16) In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.**

The Board has approved the Stakeholder Management Policy to ensure that all the stakeholders listed on page 29 are involved throughout the implementation of its business strategy. The Chairperson of the Board has on a need basis engaged with the political heads of various institutions to layout the strategic direction of the entity. Furthermore, the stakeholders are invited to make presentations of their plans that has a direct impact on the plans of the entity. The Board has further signed MoUs with the Universities and research institutions to ensure that together we enhance the life of the communities within our area of operation.



# VALUE CREATION

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## 18 VALUE CREATION

### CHIEF EXECUTIVE'S REPORT



Lepelle Northern Water's (LNW) mandate is to provide bulk water services to other water management institutions and users, i.e. water services authorities (municipalities), mines and industries, in its gazetted areas of supply. Therefore, we have reconfigured and capacitated our newly established Department of Engineering Services to deliberately deal with our infrastructure which suffered neglect for some time. The Department has started with the assessment of our infrastructure which is paving way for the development of the water infrastructure development masterplan.

The masterplan will be the backbone of the organisation as it will demonstrate the short-, medium- and long-term water infrastructure development and estimated funding requirements giving the entity to start sourcing funding before commencement of each project within the masterplan.

In addition, the Department of Operations and Maintenance is composed of the professional technical expertise involved in 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, and water demand and conservation management.

The support functions such as Finance, Information and Communication Technology (ICT), and Corporate Services lay a solid foundation that enables the organisation to respond to a rapidly changing environment in all spheres of government, for LNW to continue to play a pivotal role in solving the water services-related problems and challenges in the Limpopo Province. The training programmes, development programmes, internal promotions, appointments, competitive remuneration and succession planning measures have ensured that we retain the best skills and contain a staff turnover rate at a low level of 0,4% during the reporting period.

The review of the corporate business plan was undertaken during the period under review, during which strategic outcomes of the organisation were agreed to with clear priorities to be achieved over the five-year (5-year) period as highlighted below:

- (1) Provision of equitable and sustainable bulk water services.

- (2) Bulk water services infrastructure planning and development.
- (3) Effective financial viability and sustainability.
- (4) Effective and efficient organisational development processes and practices; and
- (5) Good governance and clean administration.

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

LNW has maintained the ISO 14001: 2015 standard whereby four (4) schemes were audited namely: Nandoni, Ebenezer, Politsi, Malekana, and Head Office. The ISO 14001:2015 standard specifies the requirements for an environmental management system to enable us to develop and implement a policy and objectives that consider legal requirements and other requirements to which we subscribe.

LNW has completed the Nandoni-Nsami project and delivering water into the Xikukwane canal using permanent pumps as part of augmenting water to the Nsami Dam during dry seasons or as and when Nsami Dam become unsustainably low. LNW has undertaken several major capital and refurbishment projects. Apart from upgrading and extending its own water infrastructure, some of the work is done in its capacity as a project implementing agent of the Department of Water and Sanitation (DWS). The (Strategic Integrated Project) SIP-19 Olifantspoort/Ebenezer refurbishment water project achieved an important milestone with commencement of construction works for the Phase 1A refurbishment work packages aimed at restoring the original design capacity of the pump stations as well as the specon pipeline which is susceptible to frequent breakages and/or bursts. Additional packages are being introduced progressively with the availability of funding to match the capital outlay requirements. We will continue to monitor the implementation of these projects to ensure that all our affected customers receive additional and reliable water supply.

Production-related water infrastructural management improvements have seen an overall achievement of water losses to 4,26% from 6,61% in the 2022/23 financial year against a target of 5%. This came because of ensuring that optimal maintenance of water infrastructure throughout its entire life cycle is carried out to achieve optimum return on production assets. Plant availability remained unchanged at 96% compared to the previous financial year against a target of 95%.

Our Scientific Services Central Laboratory has maintained SANAS accreditation status in compliance with ISO 17025 since November 2012. This gives quality assurance that the results produced at our laboratory are credible. The laboratory has received samples for analysis from internal and external clients. Over 5,000 samples in both Chemistry and Microbiology sections were analysed during the

2023/24 period, these sample numbers are compliant with SANS 241 requirements in proportion to the population served. We will continue to maintain the highest water quality standards to ensure the people of the Limpopo province all receive SANS 241 compliant bulk water supply.

LNW has a total staff complement of 380 and the entity's priority in managing human capital is based on attracting competent incumbents with the required skills to ensure continuous engagement, talent management and compensate market-related remuneration to enhance and capacitate our human capital for uninterrupted supply of bulk water services. LNW adopted a human capital strategy that enhances business stability and maximum performance to address the critical skills shortage within the water and energy sector which has a negative impact on effective and efficient business performance.

Financial sustainability is one of our highest priorities for the organisation. We have therefore put in measures that assist us to collect the revenue due to us. High debtors' days remains a concern. However, we have seen an improvement within the reporting period after implementing strict credit control management processes. The entity managed to make revenue of R2.05 billion and a surplus of R852 million.

We continue to optimise our SCM systems to achieve all the procurement plans. There have been improvements in the acquisition of goods and services in a fair, equitable, transparent, competitive and cost-effective principles, although still dealing with legacy contracts from the past. LNW always strives to procure goods and services locally and from Broad-based Black Economic Empowerment (BBBEE) service providers. The entity spent 94% (R1.86 billion worth of multi-year projects) on BBBEE procurement, one hundred and seventy-one (171) new entrants (R923 million worth of multi-year projects) and utilised most of locally based companies.

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



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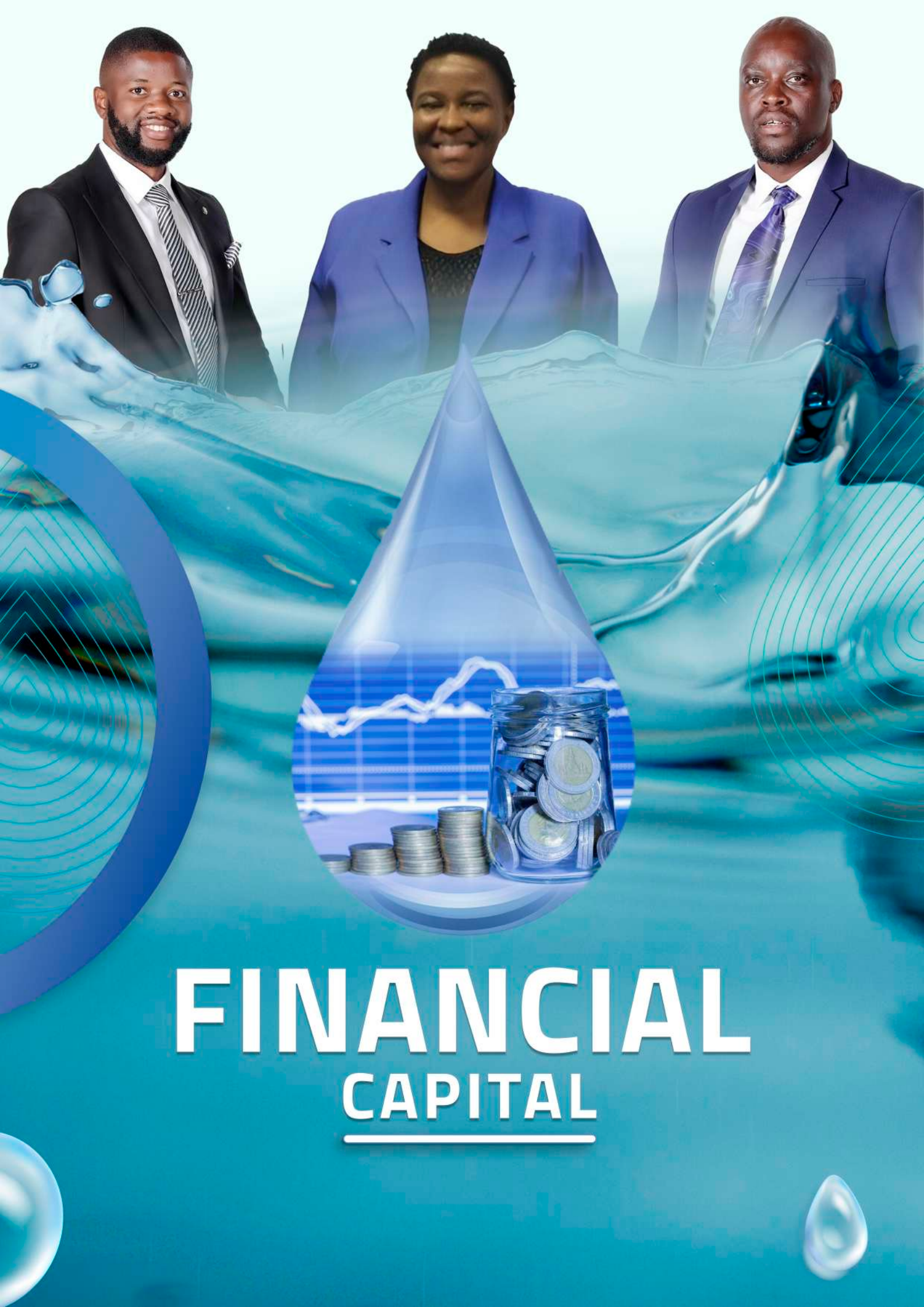
**DR C RUITERS**  
**CHIEF EXECUTIVE OFFICER**

18.1 VALUE PROPOSITION

Lepelle Northern Water has adopted the six categories of capitals that we used to create value as identified by the International Integrated Reporting Council (IIRC), i.e., financial, manufactured, intellectual, human, natural and social and relationship as highlighted in the next section.

| Capitals                                               | Explanation                                                                                                                |
|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/>                               | <input type="checkbox"/>                                                                                                   |
| <input type="checkbox"/> Natural Capital               | <input type="checkbox"/> The way the entity interrelates with the water sources and their related environments             |
| <input type="checkbox"/> Manufactured                  | <input type="checkbox"/> The infrastructure that is used for water treatment, and distribution of water to the customers   |
| <input type="checkbox"/> Human Capital                 | <input type="checkbox"/> The skills and experiences of employees                                                           |
| <input type="checkbox"/> Intellectual Capital          | <input type="checkbox"/> The way the entity creates, manages and protects its properties to create value                   |
| <input type="checkbox"/> Social & Relationship Capital | <input type="checkbox"/> The relationship with stakeholders, both contracted and non-contracted as well as the shareholder |
| <input type="checkbox"/> Financial Capital             | <input type="checkbox"/> Cash generated from operations and net profit reserves.                                           |





# FINANCIAL CAPITAL

## CHIEF FINANCIAL OFFICER'S REPORT



*"Companies that change might survive, but companies that transform thrive – Nick Candito"*

Lepelle Northern Water focused on enhancing operational efficiency and optimizing financial performance despite an economic challenge. The financial recovery strategy and organisational reform driven by the board is starting to yield positive results. The 2024 year included notable improvements in investment returns, debt recovery, and management of personnel costs, with an overall increase in surplus. However, unbilled water usage due to unauthorized connections, and rising energy costs impacted performance.

### 19.1 FINANCIAL PERFORMANCE OVERVIEW

The entity reported positive financial performance with total revenue, reaching R2.05 billion in 2024. This was because of 26% growth in revenue from water sales (potable and industrial). Supported by the tariff increment of 9.12% and 16.9% growth in sales volumes.

Revenue from construction contract amounting to R431 million represent a decline of 4.5% as most of the construction project are nearing completion. The issues such as unauthorized water usage, leading to unbilled consumption continue to put strains on our revenue. Despite this, the year closed with an operating surplus of R769 million and an increased annual surplus of R852 million, indicating strong financial stewardship.

#### (1) Financial Performance

- **Revenue:** Total revenue was R2.05 billion, slightly below the previous year's R2.37 billion, due to lower water sales affected by unauthorized water use.
- **Cost of Sales:** Decreased to R501 million from R672 million, due to efficiencies realised during the purification process.
- **Operating Surplus:** Achieved R769 million, a minor decrease from the previous year, supported by a boost in investment revenue, which increased from R38 million to R87 million.
- **Year-End Surplus:** R852 million was recorded, an increase from R840 million in 2023, reflecting prudent financial management.

#### (2) Plant Performance

- **Capital Expenditure:** Significant investments included machinery and water network

upgrades, contributing to an improvement in plant operations.

- **Maintenance:** R61.7 million was spent on repairs and maintenance, enhancing the reliability and sustainability of plant infrastructure.
- **Work-in-Progress:** Projects under development included sludge lagoon construction and water treatment upgrades, although some faced delays due to contractor performance issues.

## **19.2 COST CONTAINMENT AND EFFICIENCY MANAGEMENT**

The organization successfully managed operational expenses, particularly in personnel costs, which remained R9 million below budget. The cost of sales also decreased from R672 million to R501 million due to improved controls on water production and distribution costs. However, some operating expenses exceeded budgeted amounts due to contractual expenditures.

Raw water costs reached R84 million compared to the prior year's R93 million, reflecting controlled expenses per kilolitre.

Electricity costs increased by 9% to R236 million due to rising national energy tariffs and consistent consumption levels, even amid power interruption challenges due to low voltage and powerline maintenance in the year under review. Despite this, energy-saving measures are under review to improve resilience and reduce future expenses.

Purification costs, representing 3% of total sales costs, remained stable through effective chemical usage and process optimization.

## **19.3 GROWTH IN MARGINS AND RETURNS**

The gross margin remained robust, largely aided by an increase in investment returns. Investment revenue more than doubled from R38 million to R87 million, attributed to refenced budget facility for infrastructure grant. The effective management of cost containment measures and improved collections contributed to maintaining a strong surplus.

## **19.4 CAPITAL EXPENDITURE PROGRAMME**

A significant focus was placed on capital projects, with R612 million committed to property, plant, and equipment investments. Major projects included upgrades to Ebenezer/Olifantspoort project and new equipment for water treatment facilities. However, some delays occurred due to contractor performance issues, particularly in the construction of sludge lagoons and the Flag Boshielo upgrade.

## **19.5 FUNDING STRATEGY**

Lepelle Northern Water's funding strategy focused on utilising internally generated funds to fund plant refurbishment projects and blended funding for mega strategic projects which will result in additional capacity. Government grants are used to fund social component of strategic infrastructure projects. This approach minimised debt reliance, preserving the entity's financial flexibility, but most importantly it acts as a relief to the poorest of the poor on water tariffs. The Budget Facility for Infrastructure contributed R633 million towards Ebenezer/Olifantspoort project, highlighting government support for long-term sustainability.

The total carrying value of our property, plant and equipment is R3,297 billion. The following are notable adjustments and Capital Projects:

Additions: The entity invested R215 million during the financial year to fund the renewal of infrastructure and movable assets

## **19.6 SECONDARY ACTIVITIES**

Lepelle Northern Water also engaged in additional income-generating activities such as operations and maintenance services, bringing in R25.5 million. These services align with the entity's goal to diversify revenue sources and providing support to the water service authorities in water provision to the community within Limpopo province.

## **19.7 CREDIT RISK MANAGEMENT**

Debt recovery efforts were highly successful, with significant recoveries noted from key clients who honoured historical payment agreements. These efforts led to a reversal of prior impairments and an overall improvement in the entity's receivables. We have observed with concern, increased debt book from R916 million to R1.17 billion in 2024

The credit quality of cash and bank and short-term deposits can be assessed by reference to external credit ratings. LNW short term deposits are held at South African banks that have good credit ratings and no history of default in their dealings with the entity.

## **19.8 ASSET AND LIABILITY MANAGEMENT**

Asset management practices were strengthened by regular assessments and adjustments to asset useful lives, resulting in a reduction in depreciation charges by R4.98 million. Non-current assets, including property, plant, and equipment, saw continued investment, supporting the organization's long-term growth objectives. Liabilities remained stable, with minimal reliance on finance leases.

## 19.9 LIQUIDITY MANAGEMENT

The organization maintained a strong liquidity position, closing the year with R1.26 billion in cash and cash equivalents, up significantly from R631 million in 2023. This increase was driven by better collections and cash flow from financing activities, specifically government grants for infrastructure development.

## 19.10 OVERVIEW ON KEY PERFORMANCE INDICATORS

|                                                        |                                                |                                      |                                                                                             |
|--------------------------------------------------------|------------------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------|
| BBBEE expenditure                                      | Target<br>90%<br>Actual<br>94%                 | Target<br>5<br>Actual<br>171         | Number of new entrants awarded with contracts in the financial year                         |
| % income from secondary activities on turnover         | Target<br>5%<br>Actual<br>32%                  | Target<br>1,50%<br>Actual<br>2,07%   | Repairs and maintenance as a % of Property Plant and Equipment                              |
| Gross profit margin (primary activity)                 | Target<br>50%<br>Actual<br>48.9%               | Target<br>5%<br>Actual<br>99%        | Gross profit margin (secondary activity)                                                    |
| Net profit margin (primary activity)                   | Target<br>1%<br>Actual<br>20%                  | Target<br>1,50%<br>Actual<br>2302,8% | Net profit Margin (secondary activity)                                                      |
| Return on assets                                       | Target<br>1%<br>Actual<br>3%                   | Target<br>10%<br>Actual<br>66%       | % Variance of actual Capital Expenditure versus Capital budget                              |
| Audit opinion                                          | Target<br>Unqualified<br>Actual<br>Unqualified | Target<br>10%<br>Actual<br>-54%      | 3.5.1. % Variance of actual operational Expenditure (fixed costs) versus operational budget |
| Staff remuneration as % of total operating expenditure | Target<br>35%<br>Actual<br>21%                 | Target<br>1<br>Actual<br>3.11        | Current ratio                                                                               |
| Debt equity                                            | Target<br>20%<br>Actual<br>18%                 | Target<br>250<br>Actual<br>580       | Debtor's days                                                                               |



## 19.11 KEY FINANCIAL RATIOS

| VALUE ADD STATEMENT                 | 2022/23    | %    | 2023/24    | %    |
|-------------------------------------|------------|------|------------|------|
|                                     | R' MILLION |      | R' MILLION |      |
| Sales revenue                       | 1,232      | 100% | 1,413      | 100% |
| Other income                        | 1231       | 100% | 778        | 55%  |
| Investment income                   | 38         | 3%   | 87         | 6%   |
| Less: Cost of goods and services    | 876        | 71%  | 751        | 53%  |
| Gross value added                   | 1625       | 132% | 1,527      | 108% |
| Less: Depreciation and amortisation | 156        | 13%  | 140        | 10%  |
| Net value added                     | 1469       | 119% | 1386       | 98%  |
| Distribution of value               | -          | 0%   | -          | (0%) |
| Value created for employees         | 352        | 29%  | 299        | 21%  |
| Finance cost                        | 13         | 1%   | 14         | 1%   |
| Value reinvested                    | 264        | 21%  | 222        | 16%  |
| Net surplus / (deficit)             | 840        | 68%  | 852        | 60%  |
| Distribution of wealth created      | 1469       | 119% | 1386       | 98%  |

Despite these achievements, challenges such as non-payment by municipalities, vandalism, unauthorised water connections and theft of our infrastructure poses a threat to the financial sustainability of the entity. LNW will continue to engage with the municipalities through the Inter-Governmental Relations (IGR) structure to unravel all the key institutional challenges that negatively impact on the non-payment as well as looking at models that can sustain both the water board and the municipalities.

We have invested in the security of our infrastructure using various forms of technological gadgets however criminals still find ways of bypassing these technologies and vandalise and steal our infrastructure, taking us ten (10) steps backwards. We will continue to invest in research of the latest security measures of our infrastructure to safeguard them and ensure a reliable supply of potable drinking water. We will tirelessly work with all our stakeholders and non-governmental organisations to conduct awareness on vandalism of the infrastructure and other social ills impacting on the basic water services delivery.

I want to categorically indicate that these positive outcomes came through dedication and hard work by all the employees that were tasked with the audit related activities. I applause their undivided attention to detail, ensuring that all the key issues are addressed on time. I would also like to express my sincere appreciation of the executive management led by our Chief Executive Dr Cornelius Ruiters for their unequivocal support and guidance throughout these difficult times. How can I forget the invaluable inputs and leadership of our Board under the leadership of our Chairperson Dr Nndweleni Mphephu. Let us maintain the momentum as this is not the end of the road, communities are growing and need our undivided attention to serve them continuously.

*M Ramalatsso*

**MOTSIRI STANLEY RAMALATSO**  
**CHIEF FINANCIAL OFFICER**



## 20 PFMA COMPLIANCE

Lepelle Northern Water take cognisance of the compliance reporting requirements to be followed when it comes to disclosure of the irregular, fruitless and wasteful expenditures in line with the National Treasury Instruction No. 4 of 2022/23: PFMA Compliance and Reporting Framework issued and effective from 03 January 2023. Tables 4-1 and 4-2 display both irregular and fruitless expenditures as per the PFMA (as amended):

### 20.1 DISCLOSURE ON FRUITLESS AND WASTEFUL EXPENDITURE

Table 20.1: Fruitless and Wasteful Expenditure

| FRUITLESS AND WASTEFUL EXPENDITURE                                                                                                                                  | 2024<br>R'000 | 2023<br>R'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Opening balance</b>                                                                                                                                              | <b>15 654</b> | <b>15 647</b> |
| Prior period errors                                                                                                                                                 |               |               |
| <b>As restated</b>                                                                                                                                                  | <b>15 654</b> | <b>15 647</b> |
| Confirmed                                                                                                                                                           |               |               |
| Identified during and for the current year                                                                                                                          | -             | 7             |
| <b>Previously identified and confirmed during the current year 2022/23 fruitless and wasteful expenditure identified in 2023/24</b>                                 |               |               |
| As reported in the financial statements (note 31)                                                                                                                   | 7             | 7             |
| Less: Condoned                                                                                                                                                      | -             | -             |
| Less: Not condoned but removed                                                                                                                                      | -             | -             |
| Less: Irrecoverable                                                                                                                                                 | -             | -             |
| Less amounts not recovered and written off                                                                                                                          | -             | -             |
| <b>Closing balance</b>                                                                                                                                              | <b>15 661</b> | <b>15 654</b> |
| <b>Details of current and previous year fruitless and wasteful expenditure</b>                                                                                      |               |               |
| Under assessment                                                                                                                                                    | -             | -             |
| Under determination                                                                                                                                                 | -             | -             |
| Under investigation                                                                                                                                                 | -             | 31 301        |
| <b>Total</b>                                                                                                                                                        | <b>-</b>      | <b>31 301</b> |
| <b>Details of current and previous year fruitless and wasteful expenditure condoned fruitless and wasteful expenditure condoned</b>                                 |               |               |
|                                                                                                                                                                     | -             | -             |
| <b>Total</b>                                                                                                                                                        | <b>-</b>      | <b>-</b>      |
| <b>Details of current and previous year fruitless and wasteful expenditure removed - (not condoned) fruitless and wasteful expenditure NOT condoned and removed</b> |               |               |
|                                                                                                                                                                     | -             | -             |
| <b>Total</b>                                                                                                                                                        | <b>-</b>      | <b>-</b>      |
| <b>Details of current and previous year fruitless and wasteful expenditure recovered fruitless and wasteful expenditure recovered.</b>                              |               |               |
|                                                                                                                                                                     | -             | -             |

| FRUITLESS AND WASTEFUL EXPENDITURE                                                                                                                 | 2024<br>R'000 | 2023<br>R'000 |
|----------------------------------------------------------------------------------------------------------------------------------------------------|---------------|---------------|
| <b>Total</b>                                                                                                                                       | -             | -             |
| Details of current and previous year fruitless and wasteful expenditure written off (irrecoverable) fruitless and wasteful expenditure written off |               |               |
|                                                                                                                                                    | -             | -             |
| <b>Total</b>                                                                                                                                       | -             | -             |
| Details of current and previous year disciplinary steps taken as a result of fruitless and wasteful expenditure                                    |               |               |
| Not applicable                                                                                                                                     |               |               |
| <b>Total</b>                                                                                                                                       | -             | -             |

## 20.2 DISCLOSURE ON IRREGULAR EXPENDITURE

Table 20.2: Disclosure on Irregular Expenditure

| IRREGULAR EXPENDITURE                                                                                           | 2024         | 2023          |
|-----------------------------------------------------------------------------------------------------------------|--------------|---------------|
|                                                                                                                 | R'000        | R'000         |
| <b>Opening balance</b>                                                                                          | <b>5 227</b> | <b>81 531</b> |
| Add: Irregular expenditure confirmed                                                                            | -            | -             |
| Less: Irregular expenditure condoned                                                                            | -            | -             |
| Less: Irregular expenditure not condoned but removed                                                            | -            | -             |
| Less: Irregular expenditure recoverable                                                                         | -            | -             |
| Less Irregular expenditure not recovered and written off                                                        | -            | -76304        |
| <b>Closing balance</b>                                                                                          | <b>5 227</b> | <b>5 227</b>  |
| Irregular expenditure that was under assessment                                                                 | -            | -             |
| Irregular expenditure that relates to 2023 and identified in 2024                                               | -            | -             |
| Irregular expenditure incurred                                                                                  | -            | -             |
| <b>Total</b>                                                                                                    | -            | -             |
| Details of current and previous year irregular expenditure (Under assessment, determination, and investigation) |              |               |
| Irregular expenditure under assessment                                                                          | -            | 146           |
| Irregular expenditure under determination                                                                       | -            | -             |
| Irregular expenditure under investigation                                                                       | -            | -             |
| <b>Total</b>                                                                                                    | -            | <b>146</b>    |
| Details of current and previous year irregular expenditure condoned                                             |              |               |
| Irregular expenditure condoned                                                                                  | -            | -             |
| <b>Total</b>                                                                                                    | -            | -             |
| Details of current and previous year irregular expenditure removed - (not condoned)                             |              |               |
| Irregular expenditure Not condoned and removed                                                                  | -            | -             |
| <b>Total</b>                                                                                                    | -            | -             |
| Details of current and previous year irregular expenditure recovered                                            |              |               |
| Irregular expenditure recovered                                                                                 | -            | -             |
| <b>Total</b>                                                                                                    | -            | -             |

| IRREGULAR EXPENDITURE                                                                                                                                                                    | 2024   | 2023   |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|--------|
|                                                                                                                                                                                          | R'000  | R'000  |
| <b>Details of current and previous year irregular expenditure written off (irrecoverable)</b>                                                                                            |        |        |
| Irregular expenditure written off                                                                                                                                                        | -      | -76304 |
| <b>Total</b>                                                                                                                                                                             | -      | -76304 |
| Additional disclosure relating to inter-institutional arrangements                                                                                                                       |        |        |
| Details of non-compliance cases where the institution is involved in an inter-institutional arrangement (where the institution is not responsible for the non-compliance)                |        |        |
| Not applicable                                                                                                                                                                           | -      | -      |
| <b>Total</b>                                                                                                                                                                             | -      | -      |
| Details of non-compliance cases where the institution is involved in an inter-institutional arrangement (where the institution is responsible for the non-compliance)                    |        |        |
| The appointment of Isiphethu was irregular and all expenditure incurred on the contract were classified as irregular.                                                                    |        |        |
| Irregular Expenditure incurred from April 2020 to June 2022 amounted to R38 633 461.57                                                                                                   | 32 775 | 35 627 |
| <b>Total</b>                                                                                                                                                                             | 32 775 | 35 627 |
| Details of current and previous year disciplinary steps taken as a result of irregular expenditure                                                                                       |        |        |
| A service was procured to defend an urgent application lodged against the Minister of DWS & the Interim Board. Disciplinary process was undertaken, the recovery of costs is in progress | 2 789  | 2 789  |
| <b>Total</b>                                                                                                                                                                             | 2 789  | 2 789  |

## 21 SUPPLY CHAIN MANAGEMENT

### 21.1 DEVIATIONS FROM NORMAL PROCUREMENT PROCESSES

Lepelle Northern Water complies with the Compliance and Reporting Framework for 2022/23, Appendix E, where it states that institutions are required to annually disclose information on supply chain management payment in the Annual Report of their respective institutions. Table 21-1 below outlines the information on the procurement made through deviations under the reporting period:

Table 21-1: Deviations from the normal procurement processes

| TYPES OF DEVIATION | NO. OF DEVIATIONS | TOTAL AMOUNT |
|--------------------|-------------------|--------------|
| Sole source        | 4                 | Rates based  |
| Single source      | 5                 | Rates based  |
| Emergency          | 9                 | R3 391 788   |
| Multiple sourcing  | 1                 | R3 119 663   |
| <b>Total</b>       | <b>19</b>         | <b>Rates</b> |

## 21.2 VARIATIONS ABOVE THE THRESHOLD

Table 21-2 below highlights the expansions and variations that exceeded 20% or R20 million (whichever is less) for construction related goods or services that exceeded 15% or R15 million (whichever is less) for all other goods or services, of the contract value.

Table 21-2: Variations above the threshold for both construction and goods or services

| VARIATIONS                    | NO. OF VARIATIONS | TOTAL AMOUNT        |
|-------------------------------|-------------------|---------------------|
| Construction related projects | 4                 | R492 368 723        |
| IT related services           | 2                 | R1 000 500          |
| <b>TOTAL</b>                  | <b>6</b>          | <b>R493,369 228</b> |



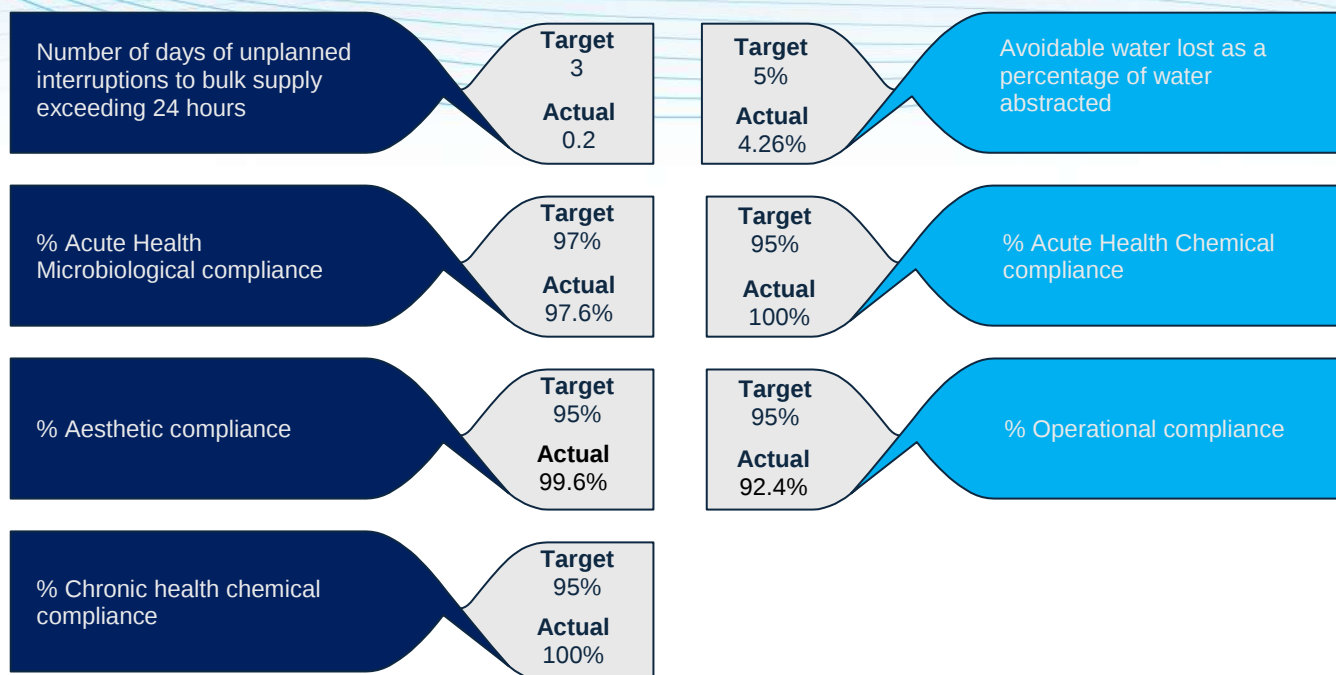


# MANUFACTURED CAPITAL

## 22 MANUFACTURED CAPITAL

Manufactured capital is a collection of physical assets, infrastructure, and technology that Lepelle Northern Water owns, or controls to provide services to our customers with the area of operation. The entity owns five (5) schemes and operate the approximately six (6) more schemes and several boreholes and package plants on behalf of the Water Services Authorities.

### 22.1 OVERVIEW ON KEY PERFORMANCE INDICATORS



### 22.2 WATER QUALITY PERFORMANCE

As a bulk water service provider LNW is mandated to supply potable water that complies to SANS 241 drinking water standards. The minimum requirement for microbiological compliance is 97%. The set target for Acute-Health, Aesthetic, Chronic Health and Operational compliance is 95%. The entity has met the quality compliance targets in four (4) categories of water quality requirements as per SANS 241 drinking water standard. Figure 20-1 below highlights the water quality compliance achieved.

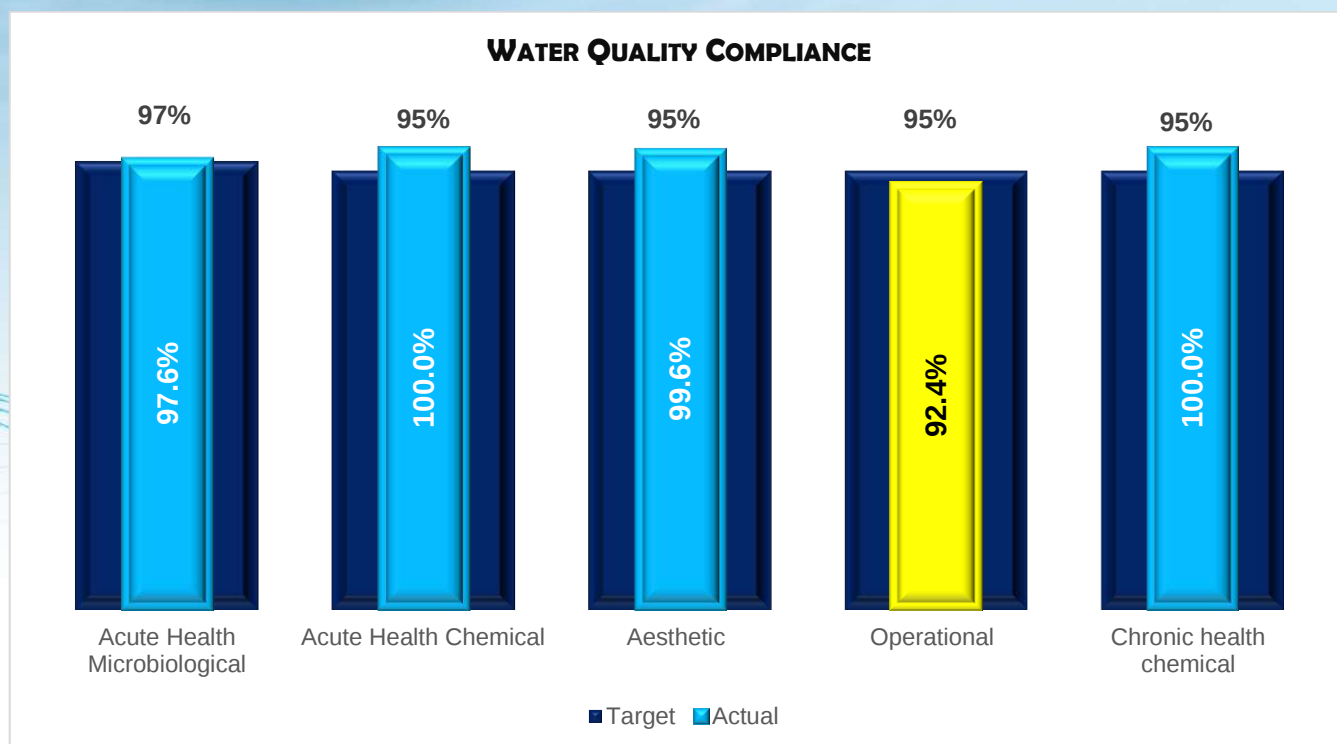


Figure 22:1: Water Quality Compliance



In South Africa the quality of drinking water supply is considered safe for human consumption by measuring compliance against South African National Standards (SANS 241). The potable water quality standards (SANS 241) requires both microbiological (97%) and chemical components to meet the minimum compliance standard of 95%.

Table 22:1: below depicts the results achieved on various categories of water quality compliance.

|                                  | Acute Health Microbiological |        | Chronic health chemical |        | Aesthetic | Operational | Acute Health Chemical |
|----------------------------------|------------------------------|--------|-------------------------|--------|-----------|-------------|-----------------------|
|                                  | Target                       | Actual | Target                  | Actual |           |             |                       |
| Olifantspoort                    | 97%                          | 89,6%  | 95%                     | 100,0% | 100,0%    | 81,0%       | 100,0%                |
| Olifantspoort-Capricorn District | 97%                          | 92,6%  | 95%                     | 100,0% | 99,8%     | 87,0%       |                       |
| Olifantspoort-Chuene Maja        | 97%                          | 88,6%  | 95%                     | 100,0% | 99,1%     | 84,2%       |                       |
| Olifantspoort-Fetakgomo          | 97%                          | 99,0%  | 95%                     | 100,0% | 99,7%     | 84,8%       |                       |
| Olifantspoort-Seshego            | 97%                          | 91,7%  | 95%                     | 100,0% | 100,0%    | 83,7%       |                       |
| Olifantspoort-Polokwane City     | 97%                          | 90,6%  | 95%                     | 100,0% | 98,9%     | 85,0%       |                       |
| Ebenezer                         | 97%                          | 99,0%  | 95%                     | 100,0% | 100,0%    | 98,8%       | 100,0%                |
| Ebenezer -Haenertsburg           | 97%                          | 100,0% | 95%                     | 100,0% | 100,0%    | 96,9%       |                       |
| Ebenezer - Mankweng              | 97%                          | 100,0% | 95%                     | 100,0% | 100,0%    | 96,7%       |                       |
| Ebenezer - Molepo                | 97%                          | 100,0% | 95%                     | 100,0% | 100,0%    | 96,5%       |                       |
| Ebenezer - Polokwane City        | 97%                          | 100,0% | 95%                     | 100,0% | 100,0%    | 97,8%       |                       |
| Doorndraai                       | 97%                          | 99,0%  | 95%                     | 100,0% | 99,5%     | 81,0%       | 100,0%                |

|                     |        | Acute Health Microbiological | Chronic health chemical |        | Aesthetic | Operational | Acute Health Chemical |
|---------------------|--------|------------------------------|-------------------------|--------|-----------|-------------|-----------------------|
|                     | Target | Actual                       | Target                  | Actual |           |             |                       |
| Nandoni             | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 98,2%       | 100,0%                |
| Politsi             | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 99,4%       | 100,0%                |
| Phalaborwa          | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 98,5%       | 100,0%                |
| Flag Boshielo       | 97%    | 98,6%                        | 95%                     | 100,0% | 100,0%    | 95,9%       | 100,0%                |
| Marble Hall         | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 98,2%       | 100,0%                |
| Burgersfort         | 97%    | 96,8%                        | 95%                     | 100,0% | 99,8%     | 97,5%       | 100,0%                |
| Hlogotlou           | 97%    | 99,3%                        | 95%                     | 100,0% | 100,0%    | 96,3%       | 100,0%                |
| Nkadimeng           | 97%    | 97,6%                        | 95%                     | 100,0% | 100,0%    | 96,0%       | 100,0%                |
| Steelpoort Borehole | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 97,8%       | 100,0%                |
| Steelpoort          | 97%    | 97,9%                        | 95%                     | 100,0% | 99,5%     | 97,3%       | 100,0%                |
| Kutullo             | 97%    | 100,0%                       | 95%                     | 100,0% | 94,8%     | 75,5%       | 100,0%                |
| Ohrigstad           | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 98,6%       | 100,0%                |
| Mapodile            | 97%    | 94,5%                        | 95%                     | 100,0% | 98,6%     | 92,3%       | 100,0%                |
| Malekana            | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 96,9%       | 100,0%                |
| Mooihoek            | 97%    | 97,9%                        | 95%                     | 100,0% | 100,0%    | 96,9%       | 100,0%                |
| Tsakane             | 97%    | 100,0%                       | 95%                     | 100,0% | 100,0%    | 89,6%       | 100,0%                |
| Mahlokoena          | 97%    | 100,0%                       | 95%                     | 100,0% | 96,9%     | 85,4%       | 100,0%                |
| Doting              | 97%    | 95,8%                        | 95%                     | 100,0% | 100,0%    | 88,9%       | 100,0%                |
| LNW                 | 97%    | 97,6%                        | 95%                     | 100,0% | 99,6%     | 92,4%       | 100,0%                |

The table above highlights the following compliance aspects.

### Acute Health Microbiological Compliance

On average the acute health microbiological compliance for the organisation is 97,6%, which within the set target. This renders the water safe for human consumption. Olifantspoort Scheme experienced microbiological challenges due to pipe bursts along the Specon pipeline. The ongoing Olifants/ Ebenezer upgrade project is aimed to address challenges brought about by aging infrastructure and increase capacity of Olifantspoort WTW from 60Mℓ/day to 120Mℓ/day.

### Chronic Health Compliance

The overall chronic health compliance of water provided is in an excellent state and no challenges were experienced and well above the set target of 95%.

### Aesthetic Compliance

Overall aesthetic compliance of water provided by LNW is in an excellent state with none of the results being below the set target of 95%.

## Operational Compliance

There are challenges in achieving the operational compliance, special reference to Olifantspoort, Doorndraai, Kutullo, Tsakane, Mahloakwena and Doting systems, which failed to meet the target of 95%. Non achievement of the operational compliance does not render the water unsafe to drink, however it serves as an alert level to the organisation and WSA that some processes within the water treatment works require optimisation or refurbishment. The next section of the report outlines LNW plans to remedy operational challenges.

### Challenges and plans towards full operational compliance

For the package plants in Sekhukhune District municipal area (i.e., Doting, Kutullo, Mapodile, Tsakane and Mahloakwena) a request for CAPEX budget was submitted to the WSA for implementation. However, there has been some delays in their approval which affected the timeous upgrades therefore affecting the operational compliance of the above-mentioned schemes. Process optimisation for the package plants at Doorndraai is underway to improve operational compliance.

## Acute Health Chemical Compliance

Excellent quality status in terms of the acute health compliance, all schemes exceeded target of 95%.

### 22.2.1 Accreditation: ISO 17025



Scientific Service Central laboratory has maintained SANAS accreditation status in compliance with ISO 17025 since November 2012. This gives quality assurance that the results produced at the laboratory are credible. Over 5,000 samples in both Chemistry and Microbiology sections were analysed during the 2023/24 period, these sample numbers are compliant with SANS 241 requirements in proportion to the population served. The laboratory has received samples for analysis from internal and external clients.

## **South African National Accreditation System (SANAS)**

Assessments are conducted by SANAS every 18-month cycle and re-assessments are conducted every after a 5-year cycle. The last assessment conducted was in August 2023.

### **Laboratory's Schedule of Accreditation and SANAS Assessments**

Following assessment in August 2023, the Laboratory's latest Schedule of Accreditation (Issue No. 11) was received in November 2023. There were no changes in the laboratory number (T0516) and Nominated Representative (NR). For test methods, 4 new Technical Signatories (TS) were added. The schedule of accreditation is the true reflection of the methods the laboratory is accredited for, and the expiry date is January 2027.

### **Analyses of customer satisfaction**

The laboratory seeks positive or negative feedback from both internal and external customers. Questionnaires are tailored to suit both types of customers. The feedback is used to improve the quality management system, testing, and customer service. The laboratory aims to achieve **85%** average satisfaction from internal and external clients. The laboratory achieved **90%** in the review period which is an improvement from **88%** in the 2022/2023 financial year.

### **Improvements/Achievements**

The laboratory uses continual improvement as a tool for improving the effectiveness (outputs meeting requirements) of the Management System. During the review period, the laboratory improved the management system, by achieving the following:

- Maintaining accreditation as per ISO/IEC 17025:2017
- Achieving accuracy results on proficiency testing of **99.0%** in chemistry and **98.6%** in Microbiology.

### **DWS Regulatory Assessments**

**Blue drop** assessments were conducted in December 2022 to January 2023. The outcome of the assessment was presented in January 2024.

### **Green drop Performance Assessment Tool Spreadsheet Submission (GDPAT)**

The GD PAT spreadsheets for all schemes were submitted on IRIS.

## **22.3 INFRASTRUCTURE STABILITY**

### **22.3.1 Impact of theft and vandalism on service delivery**

LNW is experiencing a continuous increase in theft and vandalism of infrastructure associated with the supply and delivery of water services. The theft of copper cables is at the top of this list. Nine sites within LNW's operating area have been declared as Critical Infrastructure, formerly known as National key Points. LNW has expanded its network to monitor infrastructure via CCTV systems as well as upgrading other security measures.

### **22.3.2 Surety of supply**

LNW has identified projects that will ensure reliable water supply to WSAs, and industries contracted to us.

### **22.3.3 Olifantspoort/Ebenezer Scheme Upgrades**



The project viability and detailed design for the upgrade of Olifantspoort and Ebenezer Schemes are at advanced stages. The project plan is to increase surety of supply to Sekhukhune District Municipality, the City of Polokwane and Capricorn District Municipality, thus circumventing the severe water shortages within these areas. The first phase of 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 at a cost of R4,5 billion.

### **22.3.4 Politsi Scheme**

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 interested and affected parties are ongoing with the assistance of the Department of Water and Sanitation.

### 22.3.5 Flag Boshielo Scheme

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 distribution system to optimise supply of water within the scheme.

### 22.3.6 Phalaborwa 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.

## 22.4 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. This has led to the achievement of 96% of plant availability when compared to the target of 95% as illustrated in figure 20-2 below:

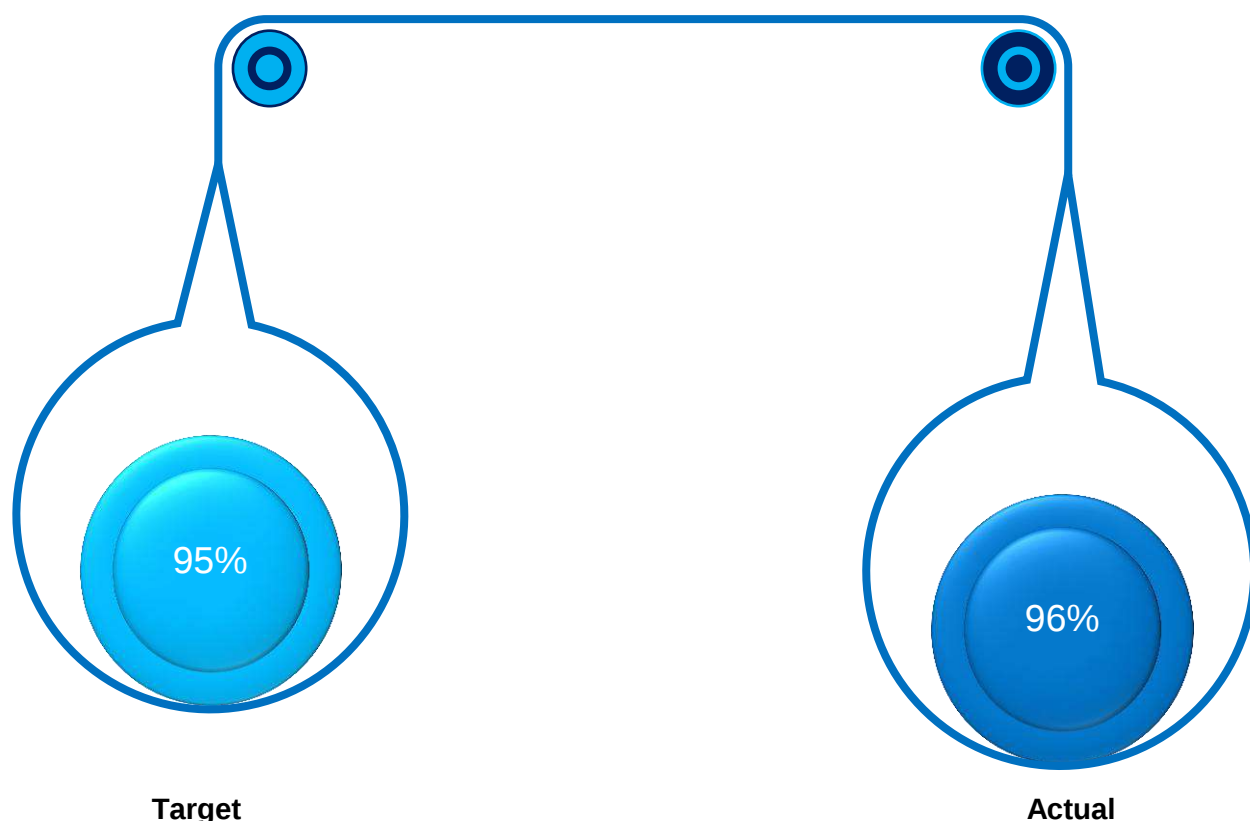
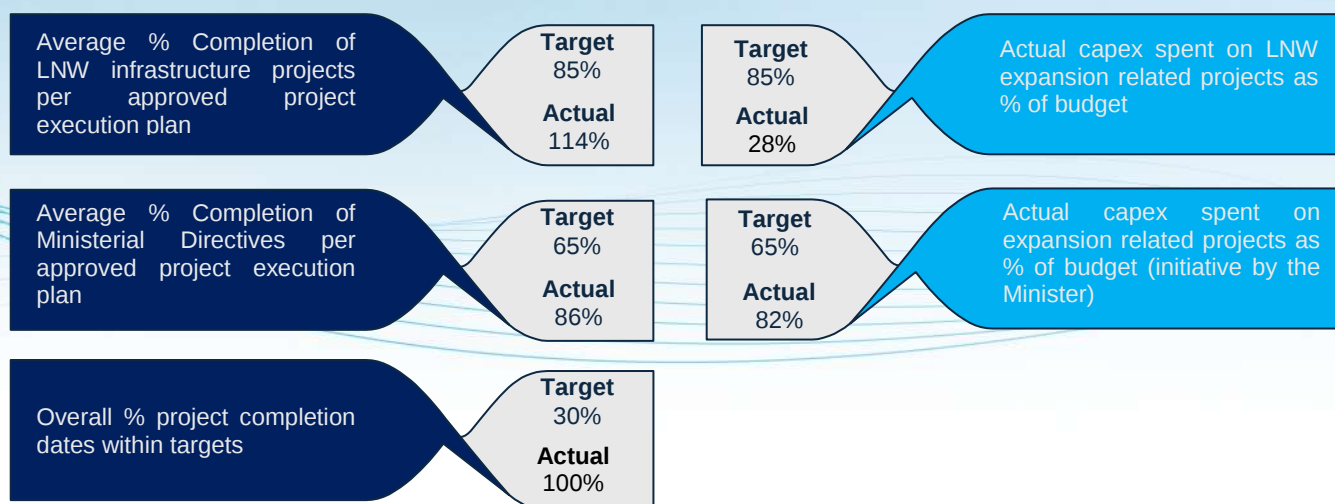


Figure 22:2: Plant availability of production-related infrastructure

Figure 22-2 shows that for the period 2023/24 the organisation managed to achieve an average of 96% plant availability of production-related infrastructure against the set annual target of 95%.

## 22.5 CAPITAL AND REFURBISHMENT PROGRAMME

### 22.5.1 Overview of the Key Performance Indicators



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 22.2: LNW Major capital projects

| PROGRAMME NAME                                    | PROJECT NAME                                                                                                                                                                                                                                         | PROJECT NUMBER   | TARGET AS PER EXECUTION PLAN | % COMPLETION AT YEAR END |
|---------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------------------|--------------------------|
| Olifantspoort And Ebenezer Refurbishment Phase 1A | GTAC 003-2023-24: Olifantspoort and Ebenezer Refurbishment Phase 1A: Electromechanical Refurbishment of Olifantspoort Pump Stations (PS1, PS2 & PS3) and Ebenezer Water Treatment Works and Pump Station and Refurbishment of Water Treatment Works. | GTAC 003-2023-24 | 13.75%                       | 36%                      |
|                                                   | GTAC 004-2023-24 - Olifantspoort and Ebenezer Refurbishment Phase 1A: Replacement of Pipelines and Refurbishment of Olifantspoort Water Treatment Works                                                                                              | GTAC 003-2023-24 | 16.5%                        | 32%                      |
| Flag Upgrade Boshielo                             | Upgrading of Flag Boshielo Water Schemes: Electro-                                                                                                                                                                                                   | LNW 16/14/15     | 100%                         | 100%                     |

| PROGRAMME NAME                                                  | PROJECT NAME                                                                                      | PROJECT NUMBER    | TARGET AS PER EXECUTION PLAN | % COMPLETION AT YEAR END |
|-----------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------------|------------------------------|--------------------------|
|                                                                 | Mechanical works Phase 2                                                                          |                   |                              |                          |
| <b>Phalaborwa Radial Gates</b>                                  | Professional Engineering Services for Phalaborwa Radial Gates Refurbishment (Planning Phase only) | LNW10/22/33       | 34%                          | 100%                     |
| <b>PHALABORWA PIPELINE ASSESSMENT</b>                           | Condition Assessment On 9.5km Pipeline At Phalaborwa Plant. (Planning Phase Only)                 | RFQ 41925 & 43025 | 85%                          | 100%                     |
| <b>OVERALL PROGRESS ACHIEVED AGAINST EXECUTION PLAN - 114 %</b> |                                                                                                   |                   |                              |                          |

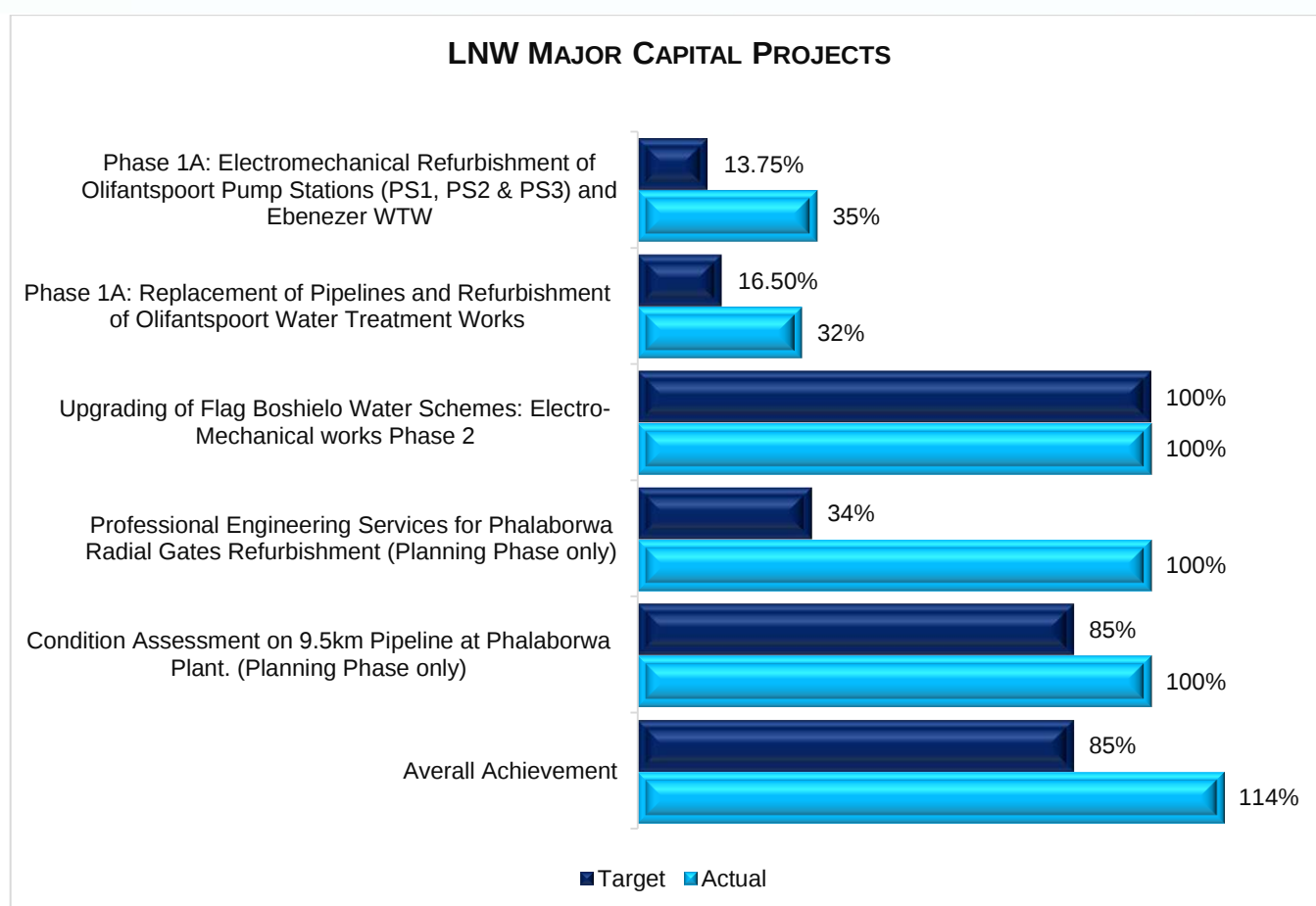


Figure 22:3: LNW capital projects progress as at end June 2024

As shown in Figure 22-3 and details in Table 22-2, With regards to LNW projects, the progress achieved in in the financial year, from a roll-over of the previous financial year, shows an achievement of 114% against a target of 85%.

The (Strategic Integrated Project) SIP-19 Olifantspoort Ebenezer Refurbishment project achieved an important milestone with commencement of construction works for the Phase 1A refurbishment work packages aimed at restoring the original design capacity of the pump stations and the specon pipeline which is susceptible to frequent bursts. Additional packages are being introduced progressively with the availability of funding to match the capital outlay requirements.

LNW projects reached practical and/or final completion for the period under review, notwithstanding various challenges that generally characterise the project environment. In terms of the scorecard, the three LNW projects with very low progress were Phalaborwa Sludge Lagoons, Burgersfort WWTW and Flag Boshielo:

- Following successful resolution of the dispute between LNW and the service provider for Burgersfort WWTW, the tender has since been advertised, which augurs well for completion of the remaining work on the project.
- There were several disruptions of work by business forums in Phalaborwa that brought the project to a halt. However, efforts are underway to ensure that the project reaches completion unabated.
- The long outstanding Flag Boshielo reached practical completion in the month of September 2023, which now allows production to reach 14 ML/day. The minor remaining work is for installation of the VSDs for one of the pumps. This will enable the attainment of the remaining 2 Mℓ/day.

## **22.6 MINISTERIAL DIRECTIVES**

LNW received ministerial directives from DWS to assist with adaptive planning, feasibility studies, design and implementation of several projects. There are three (3) intervention projects being implemented for the financial year of 2023/24 in the Mopani District Municipality. The projects are a carry-over from the previous financial year whereby an average completion of 86% was reported at the end of June 2024.

The Nandoni-Nsami project has reached completion in quarter three and delivering water into the canal using permanent pumps. The Babanana/Nkambako projects has progressed significantly while Giyani project is performing below the expected targets due to procurement limitations experienced by the DWS-CN. Lepelle Northern Water is in the process of finalising the appointment of framework contractor and service providers for procuring of materials to enable DWS-CN to progress on the works. The state of progress of projects is summarised below:

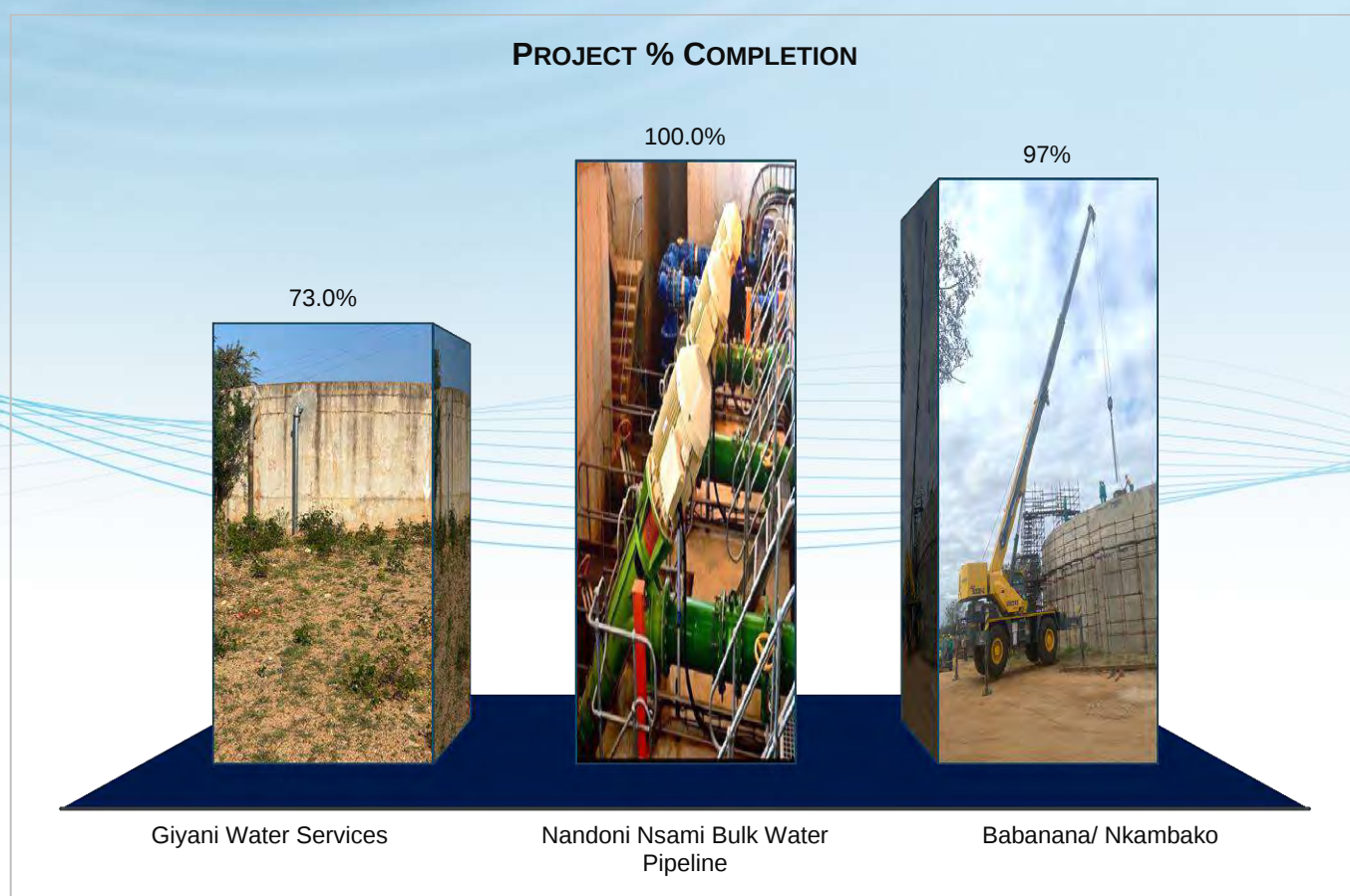


Figure 22:4: Ministerial projects

### 22.6.1 Giyani Drought Relief Bulk Infrastructure Project (Nandoni–Nsami Bulk Pipeline)

#### Progress for the reporting period

The implementation of the Nandoni–Nsami Bulk Pipeline Project is nearing completion, and the summary of project progress is as follows:

Table 22:3: Nandoni-Nsami progress report

| Programme name                           | Project name                                                                                                                        | Overall % |
|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>Nandoni-Nsami Bulk Water Pipeline</b> | Mopani District Municipality Water and Sanitation Revitalisation Programme: (Nandoni-Nsami Potable Bulk Pipelines and Pump Station) | 100%      |

The project entails the construction of bulk water pipeline to convey water from Nandoni system to augment water supply inefficiencies in Giyani (49.113km pipeline). Furthermore, the scope entails the conveyance of water to Malamulele (26.58km pipeline). There is also a 320m of pipe jackings at various

crossings as well as 120m of S river crossings and 197 chambers. The project completion is now at 100%.

### 22.6.2 Mopani District Water and Sanitation Revitalisation Programme

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

The directive 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.

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

The Giyani Water Services Project R08 covers 325km of bulk potable water pipeline network covering 55 villages within Giyani Local municipality. The average completion is now at 73.03% and the scope is categorized into various pipelines named pipeline A, B, C1, C2, D, D2, F1, F2 and Makosha offtake.

Pipelines A, B, C2, D2, and F1 are already delivering water to the community and Makosha pipeline is undergoing hydraulic tests.

Table 22:4: Physical progress report

| Programme name               | Project name                                                                                                                           | Overall % |
|------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>Giyani Water Services</b> | Giyani Water Services Project - completion of 324km of bulk potable water pipeline network covering 55 villages within the Giyani area | 73.03%    |

### 22.6.3 Babanana/Nkambako Bulk Water Project

The principal objective of the Babanana/Nkambako Water Scheme is to improve water supply to all villages which form part of 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 Babanana Pipeline project RS 135 includes the refurbishment of Nkambako Water Treatment Works, pump stations and various pipelines within the Greater Tzaneen Municipality under Mopani District. The project was initiated by the then Minister of Water and Environmental Affairs on the 14 July 2012 due to water shortages in the area. The overall project's average completion is now at 97% for phase one of the works.

Table 22:5: Scope for the project

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

Table 22:6: Physical progress

| Programme name            | Project name                                                                                                                        | Overall % |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <b>Babanana/ Nkambako</b> | Bambanana/Nkambako Regional Bulk Infrastructure Project: Upgrade of Nkambako WTW and refurbishment of Bambanana bulk water pipeline | 97%       |

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.

#### **22.6.4 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 Polokwane Local Municipality, 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 the first implementation phase 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 will 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 R18,5 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 R18,5 billion by the time of project completion. The duration of the implementation of all the required upgrades will depend on the availability of funding. The project will 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, which is preventing the municipality from meeting 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.

#### **Revenue enhancement to LNW**

Polokwane Local Municipality 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 Polokwane Local Municipality by providing additional water for new developments and fulfil the current and future water demands but will provide additional revenue to the municipality and 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 achieves its 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 98% 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. 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.

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.

## **22.7 INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)**

### **22.7.1 Information and Communications Technology Governance**

Information and Communication Technology (ICT) is playing an ever-increasing role as a strategic enabler of public service delivery. To enable Political and Strategic leadership to embrace ICT as an enabler of business, the DPSA developed the Corporate Governance of ICT Policy Framework to guide the governance of ICT. The DPSA mandates departments and state entities to implement the Corporate

Governance of ICT Policy Framework (CGICTPF) as an integral part of its corporate governance arrangements. The Framework prescribes a phased approach with three (03) phases:

#### **22.7.1.1 Phase 1: Establish the Corporate Governance of and Governance of ICT**

For the 2023/24 financial year Lepelle Northern Water adopted the following ICT policies and procedures:

- a) Backup Procedure
- b) Patch Management Procedure
- c) Firewall Management Procedure
- d) IT Helpdesk Procedure
- e) Incident Management
- f) Active Directory Administration Procedure
- g) Logical Access Procedure
- h) Physical and Environment Procedure
- i) Disaster Recovery Plan
- j) Cybersecurity Procedure
- k) Corporate Governance of ICT Policy Framework
- l) ICT Policy Manual

#### **22.7.1.2 Phase 2: Strategic alignment: Implementation of business and ICT alignment**

- a) A Digital Transformation Strategy was drafted and adopted for implementation during the 2022/23 Financial and an Operational Plan aligned to the Strategy for the year under review was adopted for implementation.

The ICT Steering Committee in place and for the period under review the Committee had three (03) meetings.

#### **22.7.1.3 Phase 3: Continuous improvement of governance and strategic alignment arrangements**

ICT continues to improve through the review of significant documents and strategic alignment arrangements to optimise ICT enablement of service delivery.

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.

### 22.7.2 Network Availability

Network availability is very important in the day-to-day running of business of any organisation, especially with ICT having become crucial to any business. In line with the Fourth Industrial Revolution (4IR), the entity has ensured that there is reliable network available for all its employees to conduct their work through upgrading of the network speed to meet business requirements. The graphs below depict how the organisation has fared in relation to network availability.

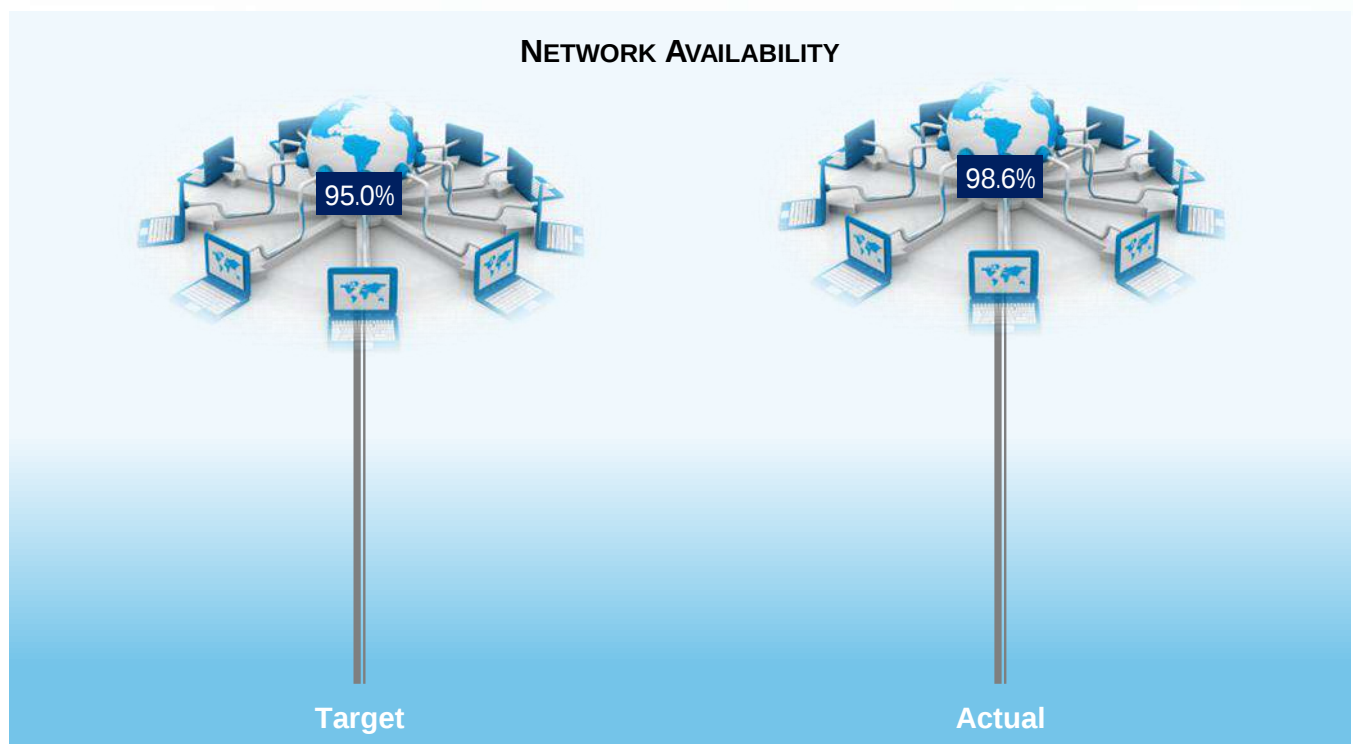


Figure 22:5: Network availability comparison

Figure 22-5 above shows that the network availability has been maintained at 98,6% which is an achievement against the target of 95%.

### 22.7.3 System Availability

In addition to Network Availability, another critical element of ICT is Systems Availability. Systems Availability was one of the Key Performance Indicator for ICT. The graph below highlights how the systems have on average been available for use.

## SYSTEMS AVAILABILITY



Figure 22:6: System availability

Figure 22-6 above shows that a secure and reliable systems applications infrastructure with an average availability of 98,25% was provided, against a target of 95%.

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

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 the organization adopted a cybersecurity procedure that prescribes activities to be performed regularly to mitigate risks that may result in cyberattacks.

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.

# SAP S/4HANA



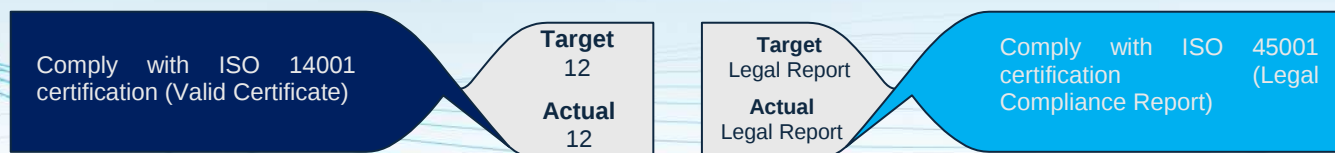


# NATURAL CAPITAL

## 23 NATURAL CAPITAL

Natural capital provides essential goods and services that support the economy and society. LNW uses these resources such as raw water to purify and distribute to its customers while ensuring that the environment is not harmed.

### 23.1 OVERVIEW ON THE KEY PERFORMANCE INDICATORS



### 23.2 ENVIRONMENTAL SUSTAINABILITY

#### 23.2.1 ISO 14001 Certification

The ISO 14001:2015 standard specifies the requirements for an environmental management system to enable us to develop and implement a policy and objectives that consider legal requirements and other requirements to which we subscribe. LNW has maintained the ISO 14001: 2015 standard whereby four (4) schemes were audited namely: Nandoni, Ebenezer, Politsi, Malekana, and Head Office

#### 23.2.2 Climate change

The natural climate is the prime determinant of water resource availability, whether surface or groundwater. Climate change and global warming are an accepted threat to the sustainability of water supplies as highlighted by the Inter-Governmental Panel on Climate Change's technical report. However, what is uncertain is the quantification of the impact and this complicates the planning required to ensure sufficient future water supplies. LNW will therefore implement the climate change policy which provides climate resilience and response. The objectives of the policy are:

- To reduce emissions across our entire value chain by 2030 through our environmental policy,
- Manage climate change impacts effectively through implementing reduced organizational vulnerability, building resilience and adaptive capacity,
- Provide coordinated and integrated Lepelle Northern Water response to climate change and its impacts,
- Contribute fairly to the global efforts to stabilize greenhouse gas emissions,
- Consider climate risks and opportunities and integrate them into our business strategy,
- Adopt and enforce simple, innovative, adaptive engineering approaches to water treatment that respond to projected changes in water quality because of climate change.

### 23.2.3 River Monitoring

River monitoring is conducted through biomonitoring methodology and bioaccumulation (South African Scoring System Version 4

The outcomes of the biomonitoring report are used to update the risk profile of each water schemes, for rivers where we abstract for potable water the findings are used to update the water safety plans while for effluent discharge we update the risk profile of the wastewater abatement plan. This allows LNW to avail resources to mitigate risks that will affect water supply.

### 23.2.4 Waste management

LNW produces different types of waste because of activities that take place in its operations including head office. The types of waste identified at LNW are hazardous waste, biological and chemical waste and general waste. A sorting-at-source system into different bins is practiced, ensuring that disposal of waste is segregated. The local municipality where LNW operates currently does not have a segregation centre. Below are the quantities of the hazardous waste that has been collected.



Figure 23:1: Hazardous waste materials collected.

According to the graph above, there is a significant decrease in the collection and disposal of hazardous waste due to the induction conducted and the strategy implemented in replacing tubes with LED lights which then reduced the disposal of hazardous waste. The LED lights are not regarded as hazardous waste. Initiatives are implemented to improve efficiencies to reach the targets as set in the Environmental Management Plan (EMP).

### **Sludge management**

The management of Water Treatment Residues (WTRs) and wastewater sludge forms an integral component of the core business of Lepelle Northern Water. Current sludge management practices include on and off-site disposal of river discharges and agricultural manure. In wastewater treatment works such as Burgersfort, sludge is sampled and classified to determine the correct procedure of disposal. The classification results indicate if the sludge should be disposed of at the landfill or can be used as manure. The farmer uses the sludge as manure and signs an indemnity form to protect LNW from any unforeseen issue that may arise from the manure used by the farmers.

### **Eradication of alien plants**

Invasive alien plants are known for excessive water consumption due to their high transpiration rates. This poses a significant threat to water security and the provision of services to LNW. LNW appointed a service provider (Murray and Dickson) to do a follow-up for the eradication of alien plants at Ebenezer for an area of one (1) hectare next to the river and four (4) hectares from the dam wall to the pump station. The following alien plants were removed which are bug weed, Bramble, Black Wrattle Pine, and blue gum. The chemical method of alien plants involves the use of herbicides (plant poison) to kill the targeted plant, and the poison will slowly kill the plants. Dye on the plant is often mixed with herbicides to ensure a clear visual indication of which plants have been treated and which have not.

## **23.2.5 Environmental Authorisation**

### **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 in the act are protected. LNW has developed a Preparedness Emergency Plan which assists during incidents and non-conformance form (LNW-FRM-0001) for reporting purposes. The entity has not experienced any reportable environmental incident.

### 23.2.6 Water Use License

LNW is complying with the National Water Act 36 of 1998. Below is the list of water use licenses and allocations:

- Ebenezer Scheme – 44 Mℓ/day
- Olifantspoort Scheme – 120 Mℓ/day
- Politsi Scheme – 5Mℓ/day
- Malekana Scheme - 12 Mℓ/day
- Doorndraai WTW - 12 Mℓ/day
- Flag Boshielo WTW - 30 Mℓ/day (waiting for validation and verification process from DWS); 8Mℓ /day allocation in place.
- Phalaborwa – 98 Mℓ/day from Olifants River
- 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 WTW - 5 Mℓ/day.
- Nandoni WTW - 60Mℓ/day authorisation- in the process of applying for 120 Mℓ/day

### 23.2.7 Occupational Health and Safety

To ensure that LNW continues to comply 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 were conducted to determine the level of legal compliance and to ensure that all non- conformance raised during the audit is closed.





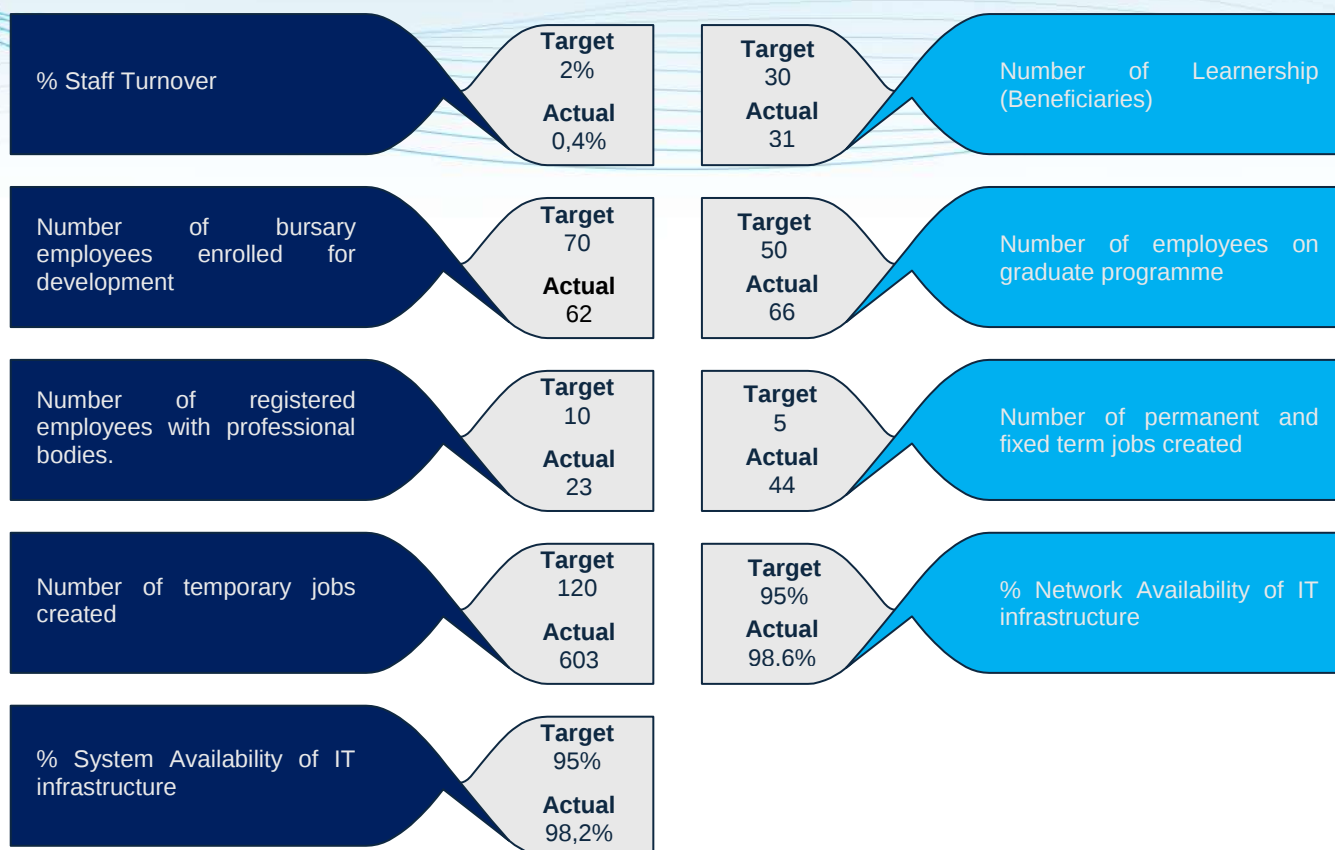
# HUMAN CAPITAL

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## 24 HUMAN CAPITAL

Human capital is the collection of skills, knowledge, and potential that people possess that contribute to economic activity. LNW has trained and professionalised its employees to ensure that the entity is aligned to the latest developments or trends.

### 24.1 OVERVIEW ON THE KEY PERFORMANCE INDICATORS



### 24.2 HUMAN CAPITAL MANAGEMENT

LNW has a total staff complement of 380. The entity's priority in managing human capital is based on attracting competent incumbents with the required skills to ensure continuous engagement, talent management 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 a human capital strategy that enhances business stability and maximum performance.

### 24.3 PERFORMANCE MANAGEMENT SYSTEM

LNW will continuously implement this invaluable system to measure, align and enable sustainable individual and team performance to achieve the strategic intent of the entity. The entity recognises performance management system as a tool that creates the culture of accountability and ownership to adhere to our strategic objectives and values.

The organisational performance management system is addressed through the employees' development, mentorship, coaching and reward management system to inculcate a performance culture.

### 24.4 EMPLOYMENT EQUITY

The Department of Labour acknowledged our Employment Equity Report of 2023, including a three-year 2022/23 – 2024/25 Employment Equity Plan (EEP) aimed at attracting designated groups especially from top to skilled levels focusing on Females, Indians, Coloureds and Whites without overlooking the current workforce. The target of 55/45 was exceeded during the year under review. The male/female ratio was 56%/44% as at 30 June 2024. The Board has reviewed its three (3) year numerical target of male/female to 50/50 for the advancement of its transformation agenda.

### 24.5 WORKFORCE PROFILE

Table 24.1: Employment Equity Plan 2023

| OCCUPATIONAL LEVELS              | MALE       |          |          |           |            | FEMALE     |          |          |          |              | TOTAL      |
|----------------------------------|------------|----------|----------|-----------|------------|------------|----------|----------|----------|--------------|------------|
|                                  | AFRICAN    | COLOURED | INDIAN   | WHITE     | TOTAL MALE | AFRICAN    | COLOURED | INDIAN   | WHITE    | TOTAL FEMALE |            |
| Top management                   | 0          | 1        | 0        | 0         | 1          | 0          | 0        | 0        | 0        | 0            | 1          |
| Senior managers                  | 3          | 0        | 0        | 0         | 3          | 0          | 0        | 0        | 0        | 0            | 3          |
| Professionals/ middle management | 19         | 0        | 0        | 1         | 20         | 14         | 0        | 0        | 0        | 14           | 34         |
| Skilled/ qualified technicians   | 79         | 0        | 0        | 10        | 89         | 83         | 0        | 0        | 2        | 85           | 174        |
| Semi-skilled                     | 90         | 0        | 0        | 1         | 91         | 67         | 0        | 0        | 1        | 68           | 159        |
| Unskilled                        | 7          | 0        | 0        | 0         | 7          | 0          | 0        | 0        | 0        | 0            | 7          |
| <b>Total permanent</b>           | <b>198</b> | <b>1</b> | <b>0</b> | <b>12</b> | <b>211</b> | <b>164</b> | <b>0</b> | <b>0</b> | <b>3</b> | <b>167</b>   | <b>378</b> |

The table above indicates the total workforce within occupational levels and a plan to address under-representation of race and gender guided by the approved three-year Employment Equity Plan.

The below indicates the total workforce percentages per occupational level.

Table 24.2: Total workforce in percentages

| OCCUPATIONAL LEVELS                              | MALES         |              |             |              |               | FEMALES       |              |              |              |               | TOTALS      |
|--------------------------------------------------|---------------|--------------|-------------|--------------|---------------|---------------|--------------|--------------|--------------|---------------|-------------|
|                                                  | AFRICAN       | COLOURED     | INDIAN      | WHITE        | MALES         | AFRICAN       | COLOURED     | INDIAN       | WHITE        | FEMALES       |             |
| Top Management                                   | 0.00%         | 0.26%        | 0.0%        | 0.00%        | 0.26%         | 0.00%         | 0.00%        | 0.00%        | 0.00%        | 0.00%         | 0.26%       |
| Senior Management                                | 0.79%         | 0.00%        | 0.0%        | 0.00%        | 0.79%         | 0.00%         | 0.00%        | 0.00%        | 0.00%        | 0.00%         | 0.79%       |
| Middle management, Prof. qualified & experienced | 5.03%         | 0.00%        | 0.0%        | 0.26%        | 5.29%         | 3.70%         | 0.00%        | 0.00%        | 0.00%        | 3.70%         | 8.99%       |
| Skilled tech. & academically                     | 20.90%        | 0.00%        | 0.0%        | 2.65%        | 23.54%        | 21.96%        | 0.00%        | 0.00%        | 0.53%        | 22.49%        | 46.03%      |
| Semi-skilled & discretionary                     | 23.81%        | 0.00%        | 0.0%        | 0.26%        | 24.07%        | 17.72%        | 0.00%        | 0.00%        | 0.26%        | 17.99%        | 42.06%      |
| Unskilled & defined                              | 1.85%         | 0.00%        | 0.0%        | 0.00%        | 1.85%         | 0.00%         | 0.00%        | 0.00%        | 0.00%        | 0.00%         | 1.85%       |
| <b>Total Permanent</b>                           | <b>52.38%</b> | <b>0.26%</b> | <b>0.0%</b> | <b>3.17%</b> | <b>55.82%</b> | <b>43.39%</b> | <b>0.00%</b> | <b>0.00%</b> | <b>0.79%</b> | <b>44.18%</b> | <b>100%</b> |

### 24.5.1 Employee wellness management

LNW's is committed to managing employee wellness to nurture our employees by ensuring their ongoing wellness and to minimise human capital risk. To improve the level of staff wellness and for staff to remain committed to the organisation, LNW implements programmes and offer incentives that nurture staff, aid in the improvement of their overall wellness and motivate them to remain committed. Integrated employee wellness programmes are implemented to address the needs of all the employee wellness pillars viz physical; emotional; motivational; nutritional; social and financial wellness.

### 24.6 TRAINING AND CAPACITY DEVELOPMENT

There's a need for the development of key individual technical and behavioural competencies to meet the organisational needs in delivering excellently in line with our mandate. To develop key competencies, LNW is taking a strategic view of the employee skills requirements in the future to enable the entity to deliver on its mandate. In addition, LNW recognises the need to have employees who are proactively engaged in continuous improvement, innovation, and learning. This is achieved by instilling a development and learning culture within the organisation.

## **Work Integrated Learning Programme**

LNW continued to develop and train 63 interns within various functional areas to gain practical training through Work Integrated Learning.

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

LNW continued to develop and train thirty (31) trainees to contribute to the water sector specialised mechanical skills

## **24.7 LABOUR RELATIONS**

The salary agreement for bargaining employees for the 2023/24 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 (ABC).

### **Precautionary suspensions**

Four (4) employees were placed on precautionary suspension in the financial year under review, pending finalisation of their disciplinary cases. Two (2) suspensions were completed, resulting in one (1) the employees being found guilty and dismissed. One is uplifted, and the employee is temporary placed in another position.

### **Remedial Services, Grievances and Labour Disputes**

Ten (10) employees were charged with misconduct for allegedly violating the Disciplinary Code of Conduct of LNW. There were eight (8) CCMA referrals, two Labour Court matters and eight (8) grievances.

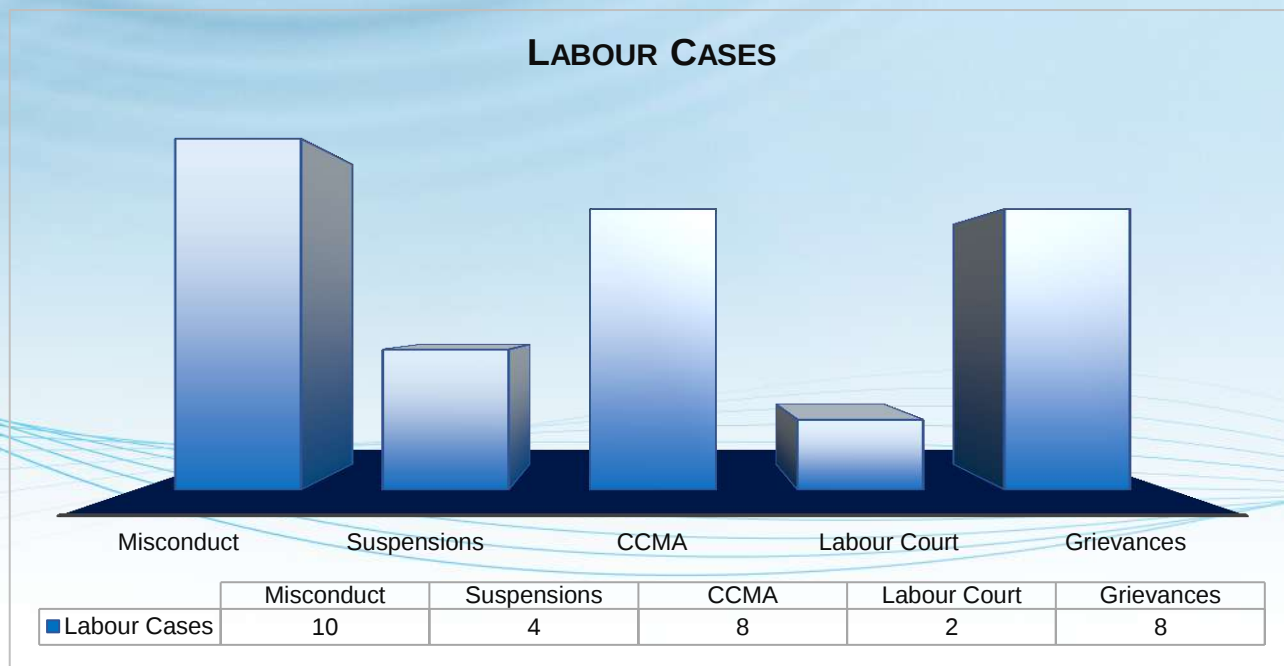


Figure 24:1: Labour cases

### Non-occupational health and safety

The entity has identified non-occupational health and safety cases by means of conducting pre-periodic and post-medical examinations and addressed them accordingly.





# INTELLECTUAL CAPITAL

## 25 INTELLECTUAL CAPITAL

### 25.1 RESEARCH AND DEVELOPMENT

#### 25.1.1 Innovation and technology

LNW recognises the critical role of research, development and innovation to improve services, efficiencies and increase effectiveness. The organisation is active in various research platforms and cooperates with stakeholders such as state entity research institutions, institutions of higher learning or academia and other government departments. In a quest to improve our operations, the following innovative

##### 25.1.1.1 Trial of anti-vandal equipment by Rasmatech

Trial conducted for free trial in 2 sites in LNW (Nandoni- Makumeke off take manhole and Seshego Reservoir). Antivandal manhole covers are engineered to prevent unauthorised access, theft, and vandalism, ensuring the security and integrity of the manholes. Key design features include:

- **Locking Mechanisms:** Incorporating robust locks deters unauthorized removal and access. The key is patented.
- **Material Selection:** Using durable materials like ductile iron enhances resistance to tampering and environmental wear. Ductile iron is favoured for its strength and durability.
- **Anti-Tamper Bolts:** Specialized bolts that require unique tools for removal add an extra layer of security, preventing easy access by unauthorized individuals.

##### 25.1.1.2 Early warning system by Zambezi Analytics

This system is trialled at Olifantspoort WTW. Probes are installed upstream from the Olifantspoort abstraction point for measurement of pH and Conductivity and the readings are extrapolated to other water quality indicator. Trial still ongoing. Zambezi Analytics' online water quality monitoring system currently installed at the feed and final water points has been since installation. The system records pH, Electrical Conductivity and Temperature of the water at 10 minutes intervals.

The raw water quality monitoring station is equipped with a submersible sensor cluster that is fully submerged into the plant feed water box at the main feed isolation valve. The sensor cluster transmits pH, Electrical Conductivity and Temperature data to a battery powered 3G/LTE datalogger. The datalogger then transmits the logged data to Zambezi Analytics File-Transfer-Protocol (FTP) Server on a 2-hourly basis.

### **25.1.2 Water supply augmentation/water availability**

The entity was issued with an additional water use licence of 60 Ml/day for Olifantspoort Water Scheme, doubling the capacity of Olifantspoort Plant to 120Ml/day. This will meet the water demand for Capricorn, Sekhukhune Districts and Polokwane Local Municipality. However, the entity continues to explore the groundwater for augmenting the limited surface water.

### **25.1.3 Partnerships with Academic and Research Institutions**

Lepelle Northern Water has entered into partnership with various institutions (i.e. Universities and research institution) in its quest to explore or research on models that can bring efficiencies within the operations of the entity. This has led us to sign memorandum of understanding with the following institutions:

#### **25.1.3.1 Council for Scientific and Industrial Research (CSIR)**

The main purpose of entering into partnership with CSIR hinges around the programmes that will support Lepelle Northern Water following areas:

##### **(a) Master Information Systems and Security Technology Plan**

A Master Information Systems and Security Technology Plan (MISSTP) in relation to the needs of Lepelle Northern Water, technology lifecycle and the application portfolio Management towards the effective and efficient governance, management and execution of Lepelle Northern Water business. Aligning the Lepelle Northern Water business and its operations with IT, and bridging the gap between the department's current state, and its desired future state.

##### **(b) Infrastructure and Physical Security Related Technologies**

This programme focuses supporting the entity towards improving the effectiveness of the systems relating to infrastructure security and protection. This programme will for focus on the following activities and other security related activities:

- Biometric Systems including but not limited to fingerprint, facial recognition, voice, IRIS, etc.
- Physical Access and management control
- Information sensing and surveillance.
- Data management.
- Operational command and control systems and infrastructure (operations room)
- Cyber security.

- Asset tracking
- ICT systems architecture and evaluation.
- Analysis and optimization of ICT effectiveness, including networks, applications and platforms.
- Development of a Customised Security Technology Enhancement Standard and Plan.

### **(c) Integration and Interoperability Support**

This programme focuses on supporting Lepelle Northern Water through performing integration of complicated systems and the associated interoperability evaluations required to support the operational roll-out of systems and products. Activities in this regard includes amongst others:

- Interoperability assessments and integration of existing equipment and systems.
- Interoperability design and evaluation of new systems and products.
- Development of interoperability standards for Lepelle Northern Water
- Development of systems, standards, processes and procedures to enhance interoperability within Lepelle Northern Water and with their stakeholders

### **(d) Strategic and Operational Decision Support**

This programme will focus on the activities and actions required to provide the Lepelle Northern Water with scientific decision support for operational and strategic needs, such as:

- Creating an Evaluation and Research Institute.
- Strategic technology forecasting in support of strategic planning
- Knowledge and information management
- Statistical analysis and modelling
- Spatial and facility planning
- Acquisition/tender support, including but not limited to -
  - drafting of specifications according to user requirements by the Lepelle Northern Water.
  - evaluate specifications relating to systems procurement.
  - independent evaluation service on products/services to ensure open market participation and development, as well as to reduce implementation and operational costs.
  - Research and development on equipment and systems to ensure operational efficiency.

### **25.1.3.2 Universities of Free State and Limpopo**

The main purpose for the collaborations with the universities is to enhance technical capabilities, workforce training, long-term strategic planning through the following:

- Research and Development

- Access to Data and Analytics
- Education and Training Programs (alignment of the curricula and the industrial needs)
- Internship and Recruitment Opportunities
- Community Engagement and Public Awareness
- Funding Opportunities
- Environmental Compliance and Policy Development
- Innovation in Water and Wastewater Quality Treatment Techniques
- Enhanced Credibility and Public Image
- Adaption to Climate Change and Environmental Challenges

## 25.2 PROFESSIONALISATION OF THE INSTITUTION

Professional bodies or associations, play a key role in advancing a profession and supporting the interests of its members. Lepelle Northern Water has for the purpose of ensuring that its employees are up to date with the latest trends in their field, saw it necessary to encourage to register with the professional bodies or associations. In response to this initiative, the entity has for past financial year managed to register 23 employees with different professional bodies according to their respective fields. The plan to is ensure that all the employees of Lepelle Northern Water are registered with the professional bodies in the next three years.





# SOCIAL AND RELATIONSHIP CAPITAL

## 26 SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital is a business's reputation and trust, which is based on intangibles such as shared values, commitments, and knowledge. LNW values its employees and relationships that we have and maintain with our customers and all our stakeholders.

### 26.1 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.

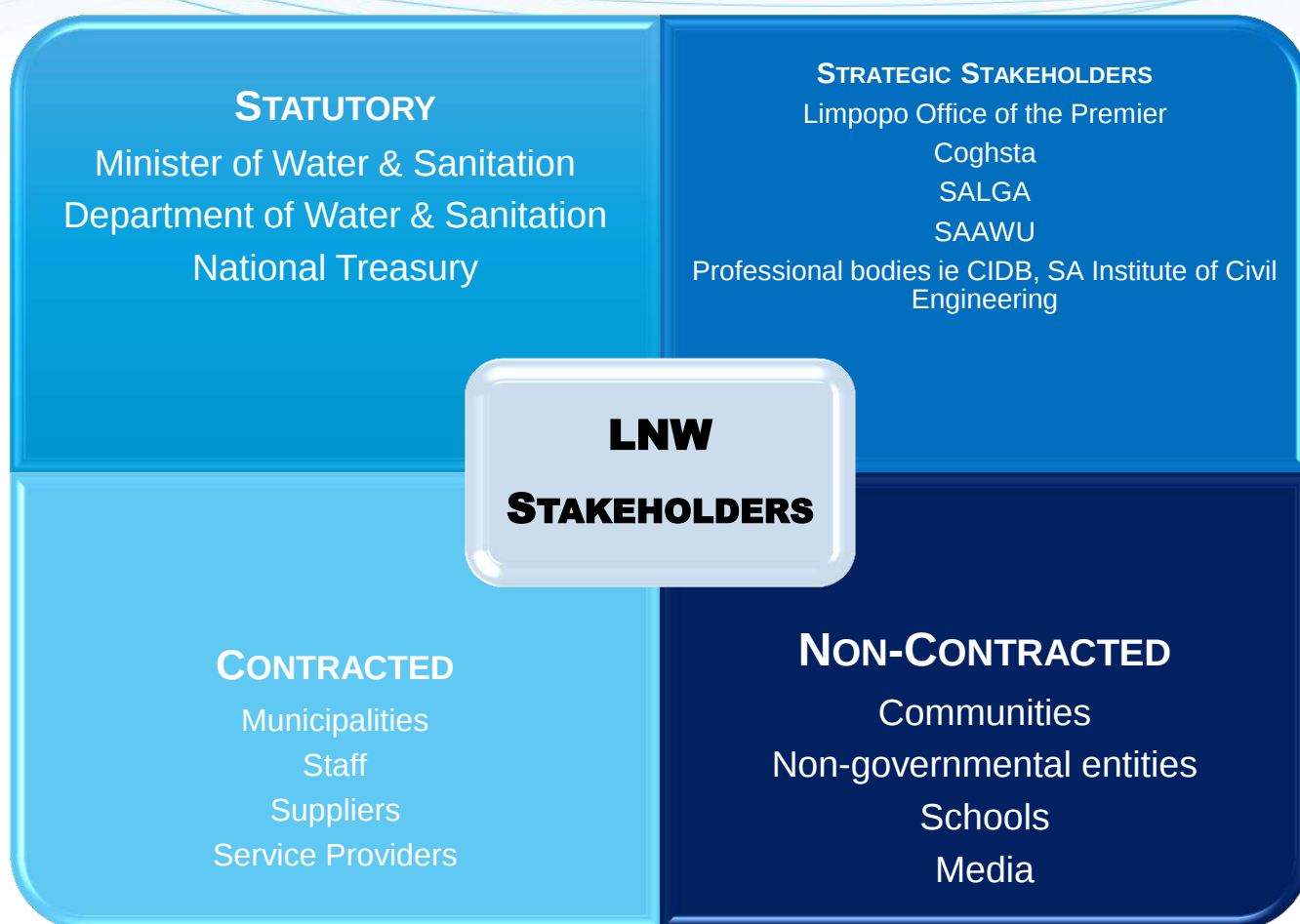


Figure 26:1: LNW Stakeholders

### 26.2 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 83% against the target of 80% as depicted in Figure 26-2 below:



Figure 26-2: Comparison of overall customer satisfaction

Figure 26-2 depicts that customer satisfaction has performed at 83% in 2023/24 which is 2% lower when compared to 85% of the previous year, 2022/23. 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:

### 26.2.1 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.

### 26.2.2 Communications and Marketing

Part of the role of LNW's Communications and Marketing Department is to ensure that there is continued stakeholder relations management and positive profiling and marketing through proactive internal and external communication, media engagements as well as online and social media presence. The initiatives seek to advance the LNW brand to the extreme level of visibility and providing accessibility, engagement, and accountability to the public by communicating water-related messages via a variety of channels.

Effective communication is essential for internal and external stakeholder relations. LNW utilises multiple channels such as the website, intranet, email distribution, online and social media platforms and an electronic outdoor screen at its head office to convey corporate water-related and awareness messages. Additionally, electronic monthly newsletters are distributed to keep stakeholders informed about organisational affairs. By prioritising media engagements and utilising various communication

channels, LNW consistently communicates planned or unplanned service disruptions in a timely manner in collaboration with the Operations and Maintenance Department and municipalities. This is preceded by prior correspondence to LNW clients.

Interaction with the community and LNW stakeholders through the official organisational online and social media platforms remains key. Communication and updates on several issues are continuously published on LNW official pages on Facebook, Twitter, Instagram and LinkedIn, including on the organisational website.

### **26.3 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.

#### **26.3.1 Leeuwnfontein Centre for the Aged and People Living with Disabilities, Ephraim Mogale Local Municipality area**



Donation of 10 Foldable tables, 80 chairs, and 5 stainless steel cooking pots for the centre in order to improve the livelihoods of the Elderly and the Disability community as vulnerable members of community.

### 26.3.2 Lethage Safety Haven NPO, Marble Hall



To commemorate Youth Month, LNW Young Water Professionals committee in partnership with Lethage Safety Haven NPO, generously donated 150 blankets for the homeless and handover of 5 food parcels to youth headed households in Elandsdraal under Ephraim Mogale Local Municipality. This was part of the winter blankets drive initiative, to spread warmth to those in need and less fortunate.

### 26.3.3 Mamodikeleng Secondary School, Ga-Sebati Boyne area



LNW donated Laptops, Digital projector, Vegetable seed packs and food garden tools to impart knowledge on gardening to learners, to promote learners' development in action and establish food security for the school while providing a likely income stream by selling the produced vegetables to the community.

#### 26.3.4 SA Run 4 Cancer Ultra Marathon, Polokwane



October is recognized as Cancer Awareness Month, dedicated to raising funds to provide support for individuals fighting cancer, their families, and those who have lost the battle. LNW generously donated 5000 water bottles and 1500 string bags to runners participating in the event to support this important cause.

#### 26.3.5 Community Club based in Tswaing Village



In a quest to continue spreading goodwill in a myriad ways to communities in LNW's area of operation, the entity generously donated branded soccer kit to Tswaing Pirates Community Club based in Tswaing village, situated 5 km from one of our schemes i.e. Olifantspoort Water Treatment works. The donation will come in handy in developing aspiring future soccer stars emerging from the dusty streets of Tswaing village. LNW prides itself in positively contributing towards the betterment of previously disadvantaged communities.



# GOVERNANCE REPORTS

## 27 STATEMENT OF RESPONSIBILITY BY THE BOARD

The Board of Directors are required by the Companies Act and Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are 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 of Directors to ensure that the annual financial statements fairly present the state of affairs of the Lepelle Northern Water as at the end of the financial year 30 June 2024 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.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and the requirements of the Public Finance Management Act (Act 1 of 1999).

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

The Board of Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the Board of Directors to meet these responsibilities, the Board of Directors 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 the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Board of Directors are 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.

## **Statement of Responsibility**

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The Board of Directors have reviewed the entity's cash flow forecast for the year to 30 June 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The annual financial statements are prepared on the basis that the entity is a going concern, and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

The annual financial statements set out on pages 147 to 220 which have been prepared on the going concern basis, were approved by the board on 30 October 2024 and were signed on its behalf by:



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**Dr NF Mphephu**

**Chairperson of the Board**

## 28 AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 30 June 2024.

### Audit & Risk Committee members and attendance

The Audit & Risk 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 13 meetings were held as highlighted in table 16-1 below:

Table 28.1: Attendance of the Audit & Risk Committee

|             | NUMBER OF SCHEDULED MEETINGS PER ANNUM | NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL) |
|-------------|----------------------------------------|---------------------------------------------|
| I Vally     | 4                                      | 15                                          |
| S Ngobeni   | 4                                      | 15                                          |
| F Mudau     | 4                                      | 15                                          |
| RT Ramashia | 4                                      | 15                                          |

Matters of delegations of Audit and Risk Committee includes recommending the investigation reports to the Board for approval. During the financial year under review the organisation has received several allegations reported through the Tip-Off Anonymous system. This has led to the Committee to hold ten (10) special meetings to deal with and resolve the allegations reported through Tip-Off System.

### Audit & Risk Committee responsibility

The Audit & Risk 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 & Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit & Risk 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 & Risk Committee and management with assurance on whether the internal controls are appropriate and effective. This is achieved by means of the risk-based

audit 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 Audit & Risk 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 & Risk 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 & Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in 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.

### **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.

### **Information and Communications Technology Governance**

The committee monitored the Information and Communication Technology (ICT) with the DPSA Corporate Governance of ICT Policy Framework that guide the governance of ICT. The Framework requires departments and state entities to implement the corporate governance of ICT (CGICT) as an integral part of its corporate governance arrangements.

**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.

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.



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**CHAIRPERSON: AUDIT & RISK COMMITTEE**

**MR. IMTIAZ AHMED VALLY**

**DATE: 30 OCTOBER 2024**



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# INDEPENDENT AUDITOR'S REPORT

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

### Report on the audit of the financial statements

#### Opinion

1. I have audited the financial statements of the Lepelle Northern Water set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2024, 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 the Lepelle Northern Water as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 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 responsibilities of the auditor-general 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 matters

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 4 to the financial statements, a provision for impairments of receivables from exchange transactions of R317 069 000 was made due to defaulting customers on water accounts.

### Water losses

8. As disclosed in note 18 to the financial statements, material water losses of R28 187 000 were incurred. The losses were due to illegal connections and vandalism of meters.

### Contingencies

9. As disclosed in note 26 to the financial statements, the public entity is the defendant in various lawsuits. The public entity is opposing these claims. 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.

### Restatement of corresponding figures

10. As disclosed in note 28 to the financial statements, some corresponding figures for 30 June 2023 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 30 June 2024.

### Other matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Unaudited supplementary schedules

12. The supplementary schedule set out on pages 126 to 128 does not form part of the financial statement and is presented as additional information. I have not audited this schedule and, accordingly, I do not express an opinion thereon.

### Responsibilities of the accounting authority for the financial statements

13. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP, the requirements of the PFMA and DoRA; and for such internal control as the accounting authority determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.
14. 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.

### Responsibilities of the auditor-general for the audit of the financial statements

15. 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.
16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 8, forms part of our auditor's report.

### Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

18. I selected the following objectives presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

| OBJECTIVE                                                                                 | PAGE NUMBERS | PURPOSE                                                                                                                                                                                                                                                                                     |
|-------------------------------------------------------------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strategic objective 1:</b> Provision of equitable and sustainable bulk water services  | 131 to 135   | Focuses on improving infrastructure efficiency and effectiveness, management of water losses within schemes, provision of quality drinking water that is SANS 241 compliance, improving environmental performance and compliance and provision of a safe working environment for employees. |
| <b>Strategic objective 2:</b> Bulk water services infrastructure planning and development | 135 to 136   | Expansion and renewal of water infrastructure.                                                                                                                                                                                                                                              |

19. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
20. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
  - the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents

- there is adequate supporting evidence for the achievements reported.

21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

### Strategic objective 1: Provision of equitable and sustainable bulk water services

22. The material finding on the reported performance information for the selected objective is as follows:

#### 1.3 Comply with SANS 241 for drinking water quality (Bulk)

##### Indicator: 1.3.4 % Operational compliance

23. An achievement of 92.4% was reported against a target of 95%. However, the audit evidence did not support this achievement. I could not determine the actual achievement, but I estimated it to be materially less than reported. Consequently, it is likely that the underachievement on the target was more than reported.

### Strategic objective 2: Bulk water services Infrastructure planning and development

24. I did not identify any material findings on the reported performance information for strategic objective 2: Bulk water services infrastructure planning and development.

#### Other matters

25. I draw attention to the matters below.

#### Achievement of planned targets

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or underachievement. This information should be considered in the context of the material findings on the reported performance information.

27. The tables that follow provides information on the achievement of planned targets and list the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 131 to 142

### Strategic objective 1 - Provision of equitable and sustainable bulk water services

| Overall targets achieved: 89%               |                |                      |
|---------------------------------------------|----------------|----------------------|
| Key service delivery indicator not achieved | Planned target | Reported achievement |
| 1.3.4 % Operational compliance              | 95%            | 92.4%                |

### Strategic objective 2 - Provision of equitable and sustainable bulk water services

| Overall targets achieved: 80%                                               |                |                      |
|-----------------------------------------------------------------------------|----------------|----------------------|
| Key service delivery indicator not achieved                                 | Planned target | Reported achievement |
| 2.1.2 Actual capex spent on LNW expansion related projects as a % of budget | 85%            | 28%                  |

### Material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for strategic objective 1 - provision of equitable and sustainable water services and strategic objective 2 - bulk water service infrastructure planning and development. Management did not correct all of the misstatements, and I reported material findings in this regard.

### Report on compliance with legislation

29. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
30. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

31. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
32. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Annual financial Statements, performance and annual report

33. 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.
34. Material misstatements of non-current assets and disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Other information in the annual report

35. The accounting authority is responsible for the other information included in the annual report which includes the audit committee's report. The other information referred to 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 on in this auditor's report.
36. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
37. My responsibility is to read this other information and, in doing so, consider whether it 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.
38. 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

39. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
40. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the financial statements and the annual performance report that were subsequently corrected and the material findings on compliance with legislation included in this report.
41. Internal control systems for the preparation and review of the financial statements did not operate optimally as they were unable to detect and correct or prevent material misstatements in the financial statements submitted for audit.
42. Leadership did not exercise adequate oversight responsibility over performance reporting to ensure that internal control measures for the collation and reporting of performance information are effective to produce performance information that is reliable.

### Other reports

43. I draw attention to the following engagements conducted by various parties. 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.
44. Investigations into Lepelle Northern Water are still in progress by various service providers including the Special Investigation Unit (SIU).

*Auditor General*

Polokwane

31 October 2024

### Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### Auditor-general's responsibility for the audit

#### Professional judgement and professional scepticism

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 selected requirements in key legislation.

#### Financial statements

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,

- conclude on the appropriateness of the 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 public entity 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 a public 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**

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.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and 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.

## Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

| Legislation                                                                                                  | Sections or regulations                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Finance Management Act No.1 of 1999 (PFMA)                                                            | Section 50(3)<br>Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii)<br>Section 52(b)<br>Section 53(4)<br>Section 54(2)(d)<br>Section 55(1)(a); 55(1)(b); 55(1)(c)(i)<br>Section 56<br>Section 57(b) Section 57(d)                  |
| Treasury Regulations for departments, trading entities, constitutional institutions and public entities (TR) | Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1<br>Treasury Regulation 30.2.1 Treasury<br>Regulation 31.1.2(c')<br>Treasury Regulation 31.2.5; 31.2.7(a) Treasury<br>Regulation 33.1.1; 33.1.3                                       |
| Prevention and Combating of Corrupt Activities Act No.12 of 2004 (PRECCA)                                    | Section 34(1)                                                                                                                                                                                                                                                 |
| Construction Industry Development Board Act No.38 of 2000 (CIDB)                                             | Section 18(1)                                                                                                                                                                                                                                                 |
| CIDB Regulations                                                                                             | CIDB regulation 17; 25(1); 25 (5) & 25(7A)                                                                                                                                                                                                                    |
| CIDB inform PN 5                                                                                             | Paragraph 3.6                                                                                                                                                                                                                                                 |
| Preferential PPFA                                                                                            | Section 1(i); 2.1(a); 2.1(f)                                                                                                                                                                                                                                  |
| PPR 2017                                                                                                     | Paragraph 4.1; 4.2<br>Paragraph 5.1; 5.3; 5.6; 5.7<br>Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8<br>Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8<br>Paragraph 8.2; 8.5<br>Paragraph 9.1; 9.2<br>Paragraph 10.1; 10.2<br>Paragraph 11.1; 11.2<br>Paragraph 12.1 and 12.2 |
| PPR 2022                                                                                                     | Paragraph 3.1<br>Paragraph 4.1; 4.2; 4.3; 4.4<br>Paragraph 5.1; 5.2; 5.3; 5.4                                                                                                                                                                                 |
| NT SCM Instruction Note 03 2021/22                                                                           | Paragraph 4.2                                                                                                                                                                                                                                                 |
| NT SCM Instruction 4A of 2016/17                                                                             | Paragraph 6                                                                                                                                                                                                                                                   |
| NT SCM Instruction Note 03 2019/20                                                                           | Paragraph Par 5.5.1(iv); 5.5.1(x)                                                                                                                                                                                                                             |
| NT SCM Instruction Note 11 2020/21                                                                           | Paragraph 3.1; 3.4 (a); 3.4(b); 3.9: 6.1;6.2;6.7                                                                                                                                                                                                              |
| PFMA SCM instruction 08 of 2022/23                                                                           | Paragraph 3.2                                                                                                                                                                                                                                                 |
| NT instruction note 4 of 2015/16                                                                             | Paragraph 3.4; SBD 6.2 issued in 2015/16                                                                                                                                                                                                                      |
| Instruction note 4 of 2022/2023: PFMA Compliance and Reporting Framework                                     | Paragraph 4.12                                                                                                                                                                                                                                                |

## Independent Auditors Report

| Legislation                           | Sections or regulations |
|---------------------------------------|-------------------------|
| PPR 2011                              | Regulation 9.1          |
| Second amendment of NTI 05 of 2020/21 | Paragraph 4.8           |
| Erratum NTI 5 of 202/21               | Paragraph 1             |
| Erratum NTI 5 of 202/21               | Paragraph 2             |
| NT instruction note 5 of 2020/21      | Paragraph 5.3           |



## **30 BOARD REPORT**

### **30.1 INTRODUCTION**

Lepelle Northern Water Board has the pleasure of presenting the unqualified audit opinion of its annual financial statements for the financial year ended 30 June 2024. As stated in the Auditor General South Africa, the statements fairly represent the financial position, financial performance, statement of changes in net assets and cash flows for the financial year ended 30 June 2024 in accordance with the Generally Recognised Accounting Practice (GRAP) as adopted by the entity.

### **30.2 OUR ESTABLISHMENT**

Lepelle Northern Water has been established in terms of Chapter Six (6) of the Water Services Act, No 108 of 1997. The Minister of Water and Sanitation as the Executive Authority appoints the Board, which is the Accounting Authority. The Accounting Authority is responsible for guiding Lepelle Northern Water through various policies and business strategies approved by the board. It is a schedule 3B entity according to the Public Finance Management Act of 1999 as amended. Schedule 3B entities do not receive allocation from the fiscus but generate their own revenue from water sales.

### **30.3 COMPLIANCE TO LEGISLATIONS**

The Board ensured compliance with all applicable legislations throughout the financial year. The Board has developed a database of all the applicable legislations that it must comply with. The report on the database is monitored on a quarterly basis to ensure that none of the statutes are violated. Where it is found that there is a violation, reasons for that are consolidated and reported to the relevant authority and the related remedies. The major legislations that are guiding the entity are the Water Services Act, Public Finance Management Act, Municipal Finance Management Act and all the procurement related legislations and regulations from National Treasury to list a few. The Board has also adopted and operate within the King IV report that provides guidance on how to conduct the fiduciary responsibilities.

### **30.4 TARIFF DETERMINATION**

All the water boards including Lepelle Northern Water tariffs are determined in line with the guidelines set in Section 34 of the WSA. They include the recovery of refurbishment of the existing infrastructure and all operational expenditure including the abstraction, purification, pumping and distribution costs. Figure 29-1 below shows the seven-year review of the average tariff increase.

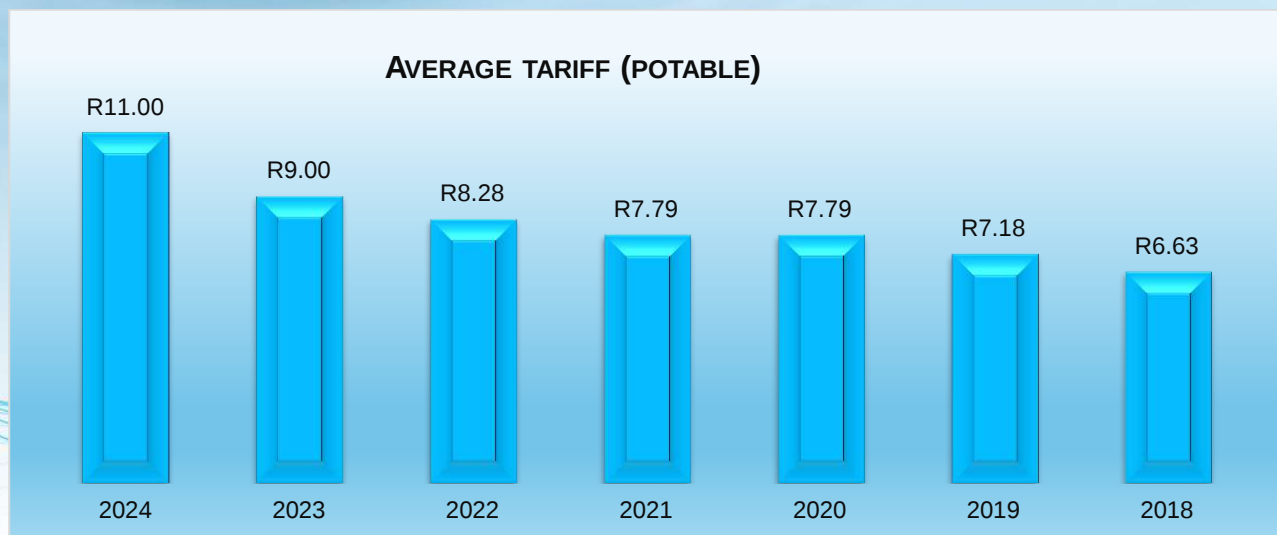


Figure 30.1: Seven-year review of the average tariff increase

On average R11.00 per kilolitre has been used by Lepelle Northern Water which is 15% tariff increase for the financial year 2023/24. This was because of the need to refurbish and replace the aging infrastructure that is affecting the reliability of water supply to our customers. The tariff setting and approval follows the following annual cycle:

- |                                                                             |            |
|-----------------------------------------------------------------------------|------------|
| (1) Department of Water and Sanitation (DWS) raw water tariff consultations | 30 Sep     |
| (2) Approval of potable water tariffs                                       | 07 Oct     |
| (3) Customer consultations, notifications and feedback                      | Oct to Jan |
| (4) Submission to DWS for Parliamentary approval of potable water tariffs   | 25 Jan     |
| (5) Parliamentary approval                                                  | 15 Mar     |
| (6) Tariff implementation                                                   | 01 Jul     |

### 30.5 FINANCIAL PERFORMANCE

|                                    | 2024             | 2023             | 2022           | 2021           | 2020           | 2019           | 2018           |
|------------------------------------|------------------|------------------|----------------|----------------|----------------|----------------|----------------|
| <b>Water Sales (in megalitres)</b> | <b>109 669</b>   | <b>98 029</b>    | <b>91 873</b>  | <b>88 505</b>  | <b>84 148</b>  | <b>89 526</b>  | <b>93 820</b>  |
| Potable water                      | 91 625           | 85 858           | 77 536         | 72 576         | 71 168         | 78 195         | 81 140         |
| Industrial water                   | 18 044           | 12 170           | 14 337         | 15 929         | 12 980         | 11 331         | 12 680         |
| <b>Financial performance</b>       | <b>R`000</b>     | <b>R`000</b>     | <b>R`000</b>   | <b>R`000</b>   | <b>R`000</b>   | <b>R`000</b>   | <b>R`000</b>   |
| <b>Turnover</b>                    | <b>2 046 184</b> | <b>2 365 401</b> | <b>689 655</b> | <b>598 616</b> | <b>599 579</b> | <b>561 140</b> | <b>591 008</b> |
| Potable water sales                | 862 430          | 709 124          | 614 244        | 531 867        | 542 719        | 510 928        | 541 945        |
| Industrial water sales             | 119 451          | 71 683           | 75 411         | 66 749         | 56 860         | 50 212         | 49 063         |
| Government grants & subsidies      | 633 000          | 422 000          | -              | -              | -              | -              | -              |
| Revenue-Construction contracts     | 431 303          | 451 610          | -              | -              | -              | -              | -              |
| Transfer of assets to LNW          |                  | 710 984          | -              | -              | -              | -              | -              |
| Sundry income                      | 9 996            | 16 337           | 450            | 123 244        | 159 341        | 153 488        | 177 250        |
| <b>Total Revenue</b>               | <b>2 056 180</b> | <b>2 381 738</b> | <b>690 105</b> | <b>721 860</b> | <b>758 920</b> | <b>714 628</b> | <b>768 258</b> |

The organization has demonstrated significant growth in both operational scope and financial strength. The continuous increase in water sales, strengthened by diversified revenue streams, has substantially improved the organization's financial performance, allowing it to expand its services while maintaining financial sustainability. This growth trajectory positions the organisation well for continued service delivery and operational resilience.

Total water sales have consistently increased from 2018 to 2024, with a notable rise from 93,820 megalitres in 2018 to 109,669 megalitres in 2024. The increase in industrial water sales, which have grown from 12,680 megalitres in 2018 to 18,044 in 2024, also highlights the organization's responsiveness to industrial demand, helping to further boost overall revenue.

### 30.6 OPERATIONAL EFFICIENCY

|                                | 2024    | 2023    | 2022    | 2021    | 2020    | 2019    | 2018    |
|--------------------------------|---------|---------|---------|---------|---------|---------|---------|
| Personnel costs (Rands)        | 298 180 | 352 369 | 251 069 | 269 702 | 269 940 | 257 254 | 221 601 |
| Number of employees            | 412     | 451     | 452     | 393     | 403     | 384     | 359     |
| Turnover per employee (Rands)  | 4 966   | 5 245   | 1 526   | 1 523   | 1 488   | 1 461   | 1 646   |
| Salaries as % of turnover      | 15%     | 15%     | 36%     | 45%     | 45%     | 46%     | 37%     |
| Total costs as % of turnover   | 48%     | 42%     | 55%     | 67%     | 92%     | 71%     | 69%     |
| Interest paid as % of turnover | 1%      | 1%      | 2%      | 2%      | 2%      | 1%      | 1%      |

The operational efficiency is improving due to the increase in the sales despite the organisation experiencing employee turnover in 2024. The organisation strives to strike a balance between cost control and building up reserves. An increase in turnover per employee, especially from 2022 onwards, indicates enhanced productivity, likely due to efficiencies in operational processes or the adoption of technology that has improved employee output.

### 30.7 BUSINESS PERFORMANCE

|                                   | 2024    | 2023    | 2022    | 2021   | 2020   | 2019    | 2018   |
|-----------------------------------|---------|---------|---------|--------|--------|---------|--------|
| Gross margin %                    | 49%     | 14%     | 53%     | 31%    | 50%    | 50%     | 47%    |
| Current ratio                     | 3,1     | 2,2     | 1,8     | 1,6    | 1,7    | 2,0     | 1,8    |
| Acid test ratio (Liquidity ratio) | 2,9     | 2,0     | 1,6     | 1,5    | 0,1    | 0,1     | 0,1    |
| Asset turnover                    | 35%     | 48%     | 17%     | 15%    | 16%    | 15%     | 16%    |
| Debt-equity ratio                 | 18%     | 21%     | 27%     | 26%    | 24%    | 19%     | 20%    |
| Gearing ratio                     | 2%      | 2%      | 2%      | 2%     | 2%     | 2%      | 2%     |
| Net profit margin                 | 41,65%  | 35,52%  | 13,60%  | -7%    | -15%   | 11%     | 0%     |
| Debtors' days                     | 580     | 587     | 909     | 993    | 508    | 633     | 562    |
| Interest cover (times)            | 57,66   | 62,16   | 8,89    | -2,74  | 0,00   | 0,00    | 0,00   |
| Return on assets                  | 14,54%  | 16,95%  | 2,32%   | -1%    | -1%    | 1%      | 0%     |
| EBITA                             | 956 106 | 942 617 | 183 029 | 66 842 | 20 351 | 160 096 | 60 959 |

The organization maintained a strong liquidity position for the past seven years, with a reported current ratio of 3.1 in the current year. We reported an improved debts-equity ratio which creates space for additional borrowing needed for Ebenezer/Olifantspoort projects that need to be funded through borrowings.

The operating margins improved during the year however, it remained at an average rate of 42% in the past seven years.

### 30.8 FINANCIAL POSITION

|                               | 2024<br>R'000    | 2023<br>R'000    | 2022<br>R'000    | 2021<br>R'000    | 2020<br>R'000    | 2019<br>R'000    | 2018<br>R'000    |
|-------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Capital and reserves          | 4 963 710        | 4 111 421        | 3 178 813        | 3 084 053        | 3 097 616        | 3 171 248        | 3 105 400        |
| Long-term liabilities         | 98 681           | 95 446           | 7 671            | 87 430           | 73 795           | 80 407           | 77 382           |
| short-term liabilities        | 798 283          | 749 120          | 771 608          | 728 284          | 673 197          | 536 456          | 559 191          |
| Equity and liabilities        | <b>5 860 674</b> | <b>4 955 987</b> | <b>4 048 092</b> | <b>3 899 767</b> | <b>3 844 608</b> | <b>3 788 111</b> | <b>3 741 973</b> |
| Property, plant and equipment | 3 297 283        | 3 225 401        | 2 603 435        | 2 641 168        | 2 596 990        | 2 618 684        | 2 642 810        |
| Intangible assets             | 782              | 838              | 1 019            | 1 209            | 1 686            | 2 346            | 2 344            |
| Investments                   | -                | -                | 63 790           | 61 782           | 86 240           | 84 313           | 78 476           |
| Non-current receivables       | 80 845           | 116 909          | -                | 57 068           |                  |                  |                  |
| Current assets                | 2 481 764        | 1 612 839        | 1 379 848        | 1 138 540        | 1 159 692        | 1 082 768        | 1 018 343        |
| Current Receivables           | 1 170 325        | 916 023          | 989 142          | 820 067          | 974 967          |                  |                  |
| Total assets                  | <b>5 860 674</b> | <b>4 955 987</b> | <b>4 048 092</b> | <b>3 899 767</b> | <b>3 844 608</b> | <b>3 788 111</b> | <b>3 741 973</b> |

The organisation has seen a notable growth in total assets signalling a positive trend in the overall financial health. This growth could be attributed to an increased investment, assets acquisitions, and rise in cash and cash equivalents. However, alongside this positive development, there is a concern about the increase in investments in accounts receivable as it poses a potential risk.

### 30.9 CASH FLOW

|                                   | 2024<br>R'000    | 2023<br>R'000  | 2022<br>R'000  | 2021<br>R'000  | 2020<br>R'000 | 2019<br>R'000 | 2018<br>R'000  |
|-----------------------------------|------------------|----------------|----------------|----------------|---------------|---------------|----------------|
| Cash flow from operations         | 204 149          | 27 926         | 140 304        | 155 068        | 122 171       | 108 244       | (46 350)       |
| Net cash outflow from investing   | (204 149)        | (65 927)       | (85 235)       | (112 890)      | (86 194)      | (92 713)      | (70 854)       |
| net cash inflow from financing    | 632 084          | 420 399        | (146)          | (225)          | (207)         | 573           |                |
| Net cash and cash equivalent      | 632 084          | 382 398        | 54 923         | 41 953         | 35 770        | 16 104        | (117 204)      |
| <b>Cash at beginning of year</b>  | <b>631 763</b>   | <b>184 876</b> | <b>129 953</b> | <b>88 000</b>  | <b>52 230</b> | <b>35 115</b> | <b>152 319</b> |
| <b>Cash retained for the year</b> | <b>1 264 458</b> | <b>631 763</b> | <b>184 876</b> | <b>129 953</b> | <b>88 000</b> | <b>51 219</b> | <b>35 115</b>  |

The improvements realised in cash and cash equivalents are attributable to sound management of cash flow. Included in the balance is an amount received from the Budget Facility for Infrastructure for the upgrade of the Olifantspoort and Ebenezer schemes.

### 30.10 GOING CONCERN

The annual financial statements have been prepared on the going concern basis. The Board is pleased to report that Lepelle Northern Water is financially viable in terms of the Water Services Act section 34 (2)(a)-(e), and is of the view that it has adequate resources to maintain its liquidity, debt, operational and investment needs for the next twelve months.



30.11 PERFORMANCE REVIEW OF PREDETERMINED OBJECTIVES

The Board of Lepelle Northern Water conduct its strategic planning session annually to determine the direction of the entity. In this strategic planning session, the Board reviews its strategic intent to assess if it is still going in the right direction. The vision, mission, values and strategic outcomes are reviewed according to the latest direction dictated by the National, Provincial and Local Government. This planning process by the Board gives management time to review the key performance indicators and the predetermined targets based on the baselines or statutory requirements like those of the SANS 241 when it comes to water quality as an example. In the year 2023/24 financial year the Board manage to improve the performance compared to the previous financial year as depicted in Figure 13-2 below:

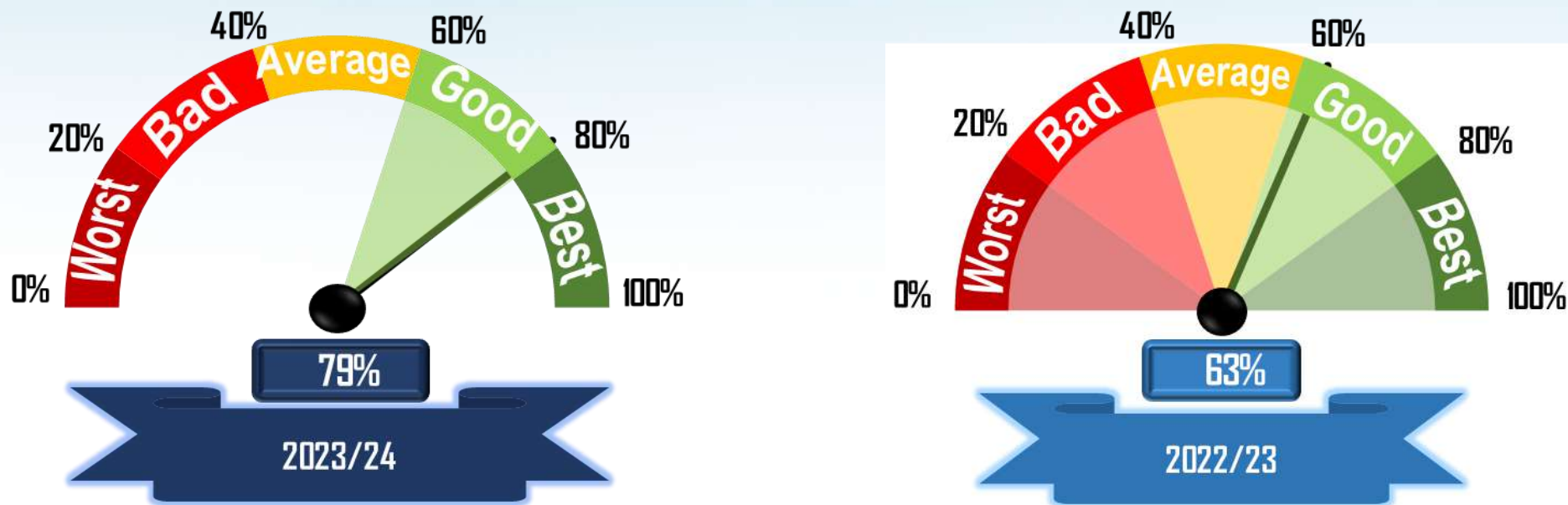


Figure 30:2: Comparison of organisational performance between 2023/24 and 2022/23

Figure 30-2 above depicts that there is 16% improvement in 2023/24 as the organisation achieved 79% on the predetermined objective when compared to 63% of the previous financial year (2022/23). Table 30-1 below highlights the organisational performance in details.

Table 30.1: Detailed performance on the predetermined objectives with reasons for non-achievement and their related remedial actions.

### 1. PROVISION OF EQUITABLE AND SUSTAINABLE BULK WATER SERVICES.

| STRATEGIC KEY FOCUS AREA        | STRATEGIC GOALS                                    | STRATEGIC OBJECTIVES                                        | KEY PERFORMANCE INDICATOR                                                         | TARGET 2023/24 | ACTUAL | ACHIEVED / NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT                                                                                     | REMEDIAL ACTION                                  |
|---------------------------------|----------------------------------------------------|-------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------|--------|-------------------------|-----------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <b>Operational excellence</b>   | Enhanced operational efficiency                    | 1.1. Improve Infrastructure Efficiency and Effectiveness    | 1.1.1. Number of day of unplanned interruptions to bulk supply exceeding 24 hours | 3              | 0,20   | 😊                       |                                                                                                                 |                                                  |
|                                 | Enhanced operational efficiency                    | 1.2. Manage water losses within water distribution systems  | 1.2.1. Avoidable water lost as a percentage of water abstracted                   | 5%             | 4,26%  | 😊                       |                                                                                                                 |                                                  |
| <b>Water quality compliance</b> | Provision of drinking water with excellent quality | 1.3. Comply with SANS 241 for drinking water quality (Bulk) | 1.3.1. % Acute Health Microbiological compliance                                  | 97%            | 97,6%  | 😊                       |                                                                                                                 |                                                  |
|                                 |                                                    |                                                             | 1.3.2. % Acute Health Chemical compliance                                         | 95%            | 100%   | 😊                       |                                                                                                                 |                                                  |
|                                 |                                                    |                                                             | 1.3.3. % Aesthetic compliance                                                     | 95%            | 99,6%  | 😊                       |                                                                                                                 |                                                  |
|                                 |                                                    |                                                             | 1.3.4. % Operational compliance                                                   | 95%            | 92,4%  | 😞                       | Burgersfort –Operational compliance below target due to Total Coliforms being above SANS 241 operational limit. | Refresher training for sampling to be conducted. |

| STRATEGIC<br>KEY FOCUS<br>AREA | STRATEGIC<br>GOALS | STRATEGIC OBJECTIVES | KEY PERFORMANCE<br>INDICATOR | TARGET<br>2023/24 | ACTUAL | ACHIEVED<br>/ NOT<br>ACHIEVED | REASONS FOR NON-<br>ACHIEVEMENT                                                                                  | REMEDIAL ACTION                                                                                                                                |
|--------------------------------|--------------------|----------------------|------------------------------|-------------------|--------|-------------------------------|------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------|
|                                |                    |                      |                              |                   |        |                               | Marble Hall – Operational compliance below target due to Total Coliforms being above SANS 241 operational limit. | Refresher training for sampling to be conducted.                                                                                               |
|                                |                    |                      |                              |                   |        |                               | Flag Boshielo- Operational compliance below target due to Turbidity being above SANS 241 operational limit.      | This impact is at the distribution. Flushing out the pipelines after the repair of pipe leaks.                                                 |
|                                |                    |                      |                              |                   |        |                               | Mahloakwena - Operational compliance is below target due to turbidity being above SANS 241 operational limit.    | Infrastructure needs complete upgrade- exhausted the life span – Consent letter from SDM for Capex. It is part of the small-scale schemes      |
|                                |                    |                      |                              |                   |        |                               | Kutullo - Operational compliance below target due to turbidity being above SANS 241 operational limit.           | Infrastructure needs complete upgrade- exhausted the life span. – Consent letter from SDM for Capex and it is part of the small-scale schemes. |
|                                |                    |                      |                              |                   |        |                               | Mapodile - Operational compliance below target due to turbidity being above SANS 241 operational limit           | Infrastructure needs complete upgrade- exhausted the life span. – Consent letter from SDM for Capex and it                                     |

| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS | STRATEGIC OBJECTIVES | KEY PERFORMANCE INDICATOR | TARGET 2023/24 | ACTUAL | ACHIEVED / NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT                                                                                 | REMEDIAL ACTION                                                                                                                                                                                                                                                                             |
|--------------------------|-----------------|----------------------|---------------------------|----------------|--------|-------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                          |                 |                      |                           |                |        |                         |                                                                                                             | is part of the small-scale schemes                                                                                                                                                                                                                                                          |
|                          |                 |                      |                           |                |        |                         | Doting – Operational compliance below target due to Total Coliforms being above SANS 241 operational limit. | This is a borehole system where disinfection takes place in the reservoir, however water is not reaching the reservoir because there are illegal connections before the reservoir.<br><br>WSA notified as there is a need for community awareness on the impact of the illegal connections. |
|                          |                 |                      |                           |                |        |                         | Tsakane– Operational compliance below target due to Turbidity being above SANS 241 operational limit.       | Infrastructure needs complete upgrade-exhausted the life span.<br><br>Consent letter from SDM for Capex and it is part of small-scale schemes.                                                                                                                                              |
|                          |                 |                      |                           |                |        |                         | Malekane-Operational compliance below target due to Turbidity being above SANS 241 operational limit.       | There is a colour problem on the raw water from De Hoop dam due to seasonal change.                                                                                                                                                                                                         |
|                          |                 |                      |                           |                |        |                         | Ohrigstad – Operational compliance below                                                                    | Cleaning of the three reservoirs and flushing of line after pipe                                                                                                                                                                                                                            |

| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS | STRATEGIC OBJECTIVES | KEY PERFORMANCE INDICATOR                   | TARGET 2023/24 | ACTUAL | ACHIEVED / NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT                                                                                                     | REMEDIAL ACTION                                                                                                                                                                                             |
|--------------------------|-----------------|----------------------|---------------------------------------------|----------------|--------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                          |                 |                      |                                             |                |        |                         | target due to Total Coliforms being above SANS 241 operational limit.                                                           | repairs.                                                                                                                                                                                                    |
|                          |                 |                      |                                             |                |        |                         | Doorndraai-Operational compliance below target due to Turbidity being above SANS 241 operational limit on both package plants.  | Action Plan has been compiled to address water quality challenges and is being implemented                                                                                                                  |
|                          |                 |                      |                                             |                |        |                         | Free chlorine from Ken Manhole 100 and Van Heerden Manhole 100 below 0.2mg/l which then affect Lower reservoir's free chlorine. | The Scheme to intensify contract management conditions to the 2 farmers supplying borehole water.                                                                                                           |
|                          |                 |                      |                                             |                |        |                         | Olifantspoort-Operational compliance below target due to Turbidity and Total Coliforms above SANS 241 operational limit.        | The scheme is continuously cleaning the reservoirs according to schedule. Contact tanks and 10 Reservoirs were cleaned so far and further the distribution reservoirs will be cleaned in the first quarter. |
|                          |                 |                      | 1.3.5. % Chronic health chemical compliance | 95%            | 100%   | 😊                       |                                                                                                                                 |                                                                                                                                                                                                             |

| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS                                  | STRATEGIC OBJECTIVES                     | KEY PERFORMANCE INDICATOR | TARGET 2023/24          | ACTUAL                  | ACHIEVED / NOT ACHIEVED                                                             | REASONS FOR NON-ACHIEVEMENT | REMEDIAL ACTION |
|--------------------------|--------------------------------------------------|------------------------------------------|---------------------------|-------------------------|-------------------------|-------------------------------------------------------------------------------------|-----------------------------|-----------------|
| ISO Compliance           | Improve environmental performance and compliance | 1.4. Comply with ISO 14001 certification | 1.4.1. Valid certificate  | 12                      | 12                      |  |                             |                 |
|                          | Provide a safe working environment for employees | 1.5. Comply with ISO 45001 certification | 1.5.1. Valid Certificate  | Legal Compliance Report | Legal Compliance Report |  |                             |                 |

## 2. BULK WATER SERVICES INFRASTRUCTURE PLANNING AND DEVELOPMENT.

| STRATEGIC FOCUS AREA       | STRATEGIC GOALS                   | STRATEGIC OBJECTIVES                       | KEY PERFORMANCE INDICATOR                                                                      | TARGET 2023/24 | ACTUAL | ACHIEVED/ NOT ACHIEVED                                                                | REASONS FOR NON-ACHIEVEMENT                                                                                              | REMEDIAL ACTION                                                                                            |
|----------------------------|-----------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------|----------------|--------|---------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Infrastructure development | Reliable water services provision | 2.1. Expand and renew water infrastructure | 2.1.1. Average % Completion of LNW infrastructure projects per approved project execution plan | 85%            | 114%   |    |                                                                                                                          |                                                                                                            |
|                            |                                   |                                            | 2.1.2. Actual capex spent on LNW expansion related projects as % of budget                     | 85%            | 28%    |  | Multi-year capital budget was used to calculate the annual capex performance, annual budget was not clearly ring-fenced. | Ensure that annual capital budget is ring-fenced for the purposes of calculating the performance on capex. |
|                            |                                   |                                            | 2.1.3. Average % Completion of Ministerial Directives per approved project execution plan      | 65%            | 86%    |  |                                                                                                                          |                                                                                                            |



| STRATEGIC FOCUS AREA | STRATEGIC GOALS | STRATEGIC OBJECTIVES | KEY PERFORMANCE INDICATOR                                                                           | TARGET 2023/24 | ACTUAL | ACHIEVED/ NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT | REMEDIAL ACTION |
|----------------------|-----------------|----------------------|-----------------------------------------------------------------------------------------------------|----------------|--------|------------------------|-----------------------------|-----------------|
|                      |                 |                      | 2.1.4. Actual capex spent on expansion related projects as % of budget (initiative by the Minister) | 65%            | 82%    | 😊                      |                             |                 |
|                      |                 |                      | 2.1.5. Overall % project completion dates within targets                                            | 30%            | 100%   | 😊                      |                             |                 |

### 3. EFFECTIVE FINANCIAL VIABILITY AND SUSTAINABILITY

| STRATEGIC KEY FOCUS AREA   | STRATEGIC GOALS       | STRATEGIC OBJECTIVES                           | KEY PERFORMANCE INDICATOR                                                  | TARGET 2023/24 | ACTUAL | ACHIEVED / NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT                                                   | REMEDIAL ACTION                                                                  |
|----------------------------|-----------------------|------------------------------------------------|----------------------------------------------------------------------------|----------------|--------|-------------------------|-------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Sound Financial Management | Effective SCM Process | 3.1. Local economic development (Job creation) | 3.1.1. % BBBEE expenditure                                                 | 90%            | 94%    | 😊                       |                                                                               |                                                                                  |
|                            |                       |                                                | 3.1.2. Number of new entrants awarded with contracts in the financial year | 5              | 171    | 😊                       |                                                                               |                                                                                  |
|                            | Financial Growth      | 3.2. Increased Revenue                         | 3.2.1. % income from secondary activities on turnover                      | 5%             | 32%    | 😊                       |                                                                               |                                                                                  |
|                            |                       |                                                | 3.2.2. Repairs and maintenance as a % of Property Plant and Equipment      | 1,50%          | 2,07%  | 😊                       |                                                                               |                                                                                  |
|                            |                       | 3.3. Profitability Analysis                    | 3.3.1. Gross profit margin (primary activity)                              | 50%            | 48,9%  | 😞                       | High distribution losses in Phalaborwa, Ebenezer & Olifants. Numerous illegal | Agreements with the customers to connect all illegal connection points. Olifants |

| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS | STRATEGIC OBJECTIVES | KEY PERFORMANCE INDICATOR                       | TARGET 2023/24 | ACTUAL | ACHIEVED / NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | REMEDIAL ACTION                                                                                                                            |
|--------------------------|-----------------|----------------------|-------------------------------------------------|----------------|--------|-------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
|                          |                 |                      |                                                 |                |        |                         | connections along the 800mm and 350 mm bulk lines in the Phalaborwa scheme. Olifantspoort scheme experienced major breakdowns due to power failures and pipe bursts. These issues led to production stoppages averaging 43 hours per month. The breakdowns were primarily at Pump stations 2 and 3, as well as along the Specon pipeline. The Flag Boshielo scheme has been operating with faulty filters which have caused significant inefficiencies in production. Ebenezer powerlines repairs contributed to production below budget. | improvements will be realised on the finalisation of the rehabilitation. VSD connection procurement is awaiting delivery in Flag Boshielo. |
|                          |                 |                      | 3.3.2. Gross profit margin (secondary activity) | 5%             | 99%    | 😊                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                                                                                                                                            |

| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS          | STRATEGIC OBJECTIVES              | KEY PERFORMANCE INDICATOR                                                                   | TARGET 2023/24 | ACTUAL      | ACHIEVED / NOT ACHIEVED                                                               | REASONS FOR NON-ACHIEVEMENT                                                                                                                                                                                                                        | REMEDIAL ACTION                                                                                                                                                                                   |
|--------------------------|--------------------------|-----------------------------------|---------------------------------------------------------------------------------------------|----------------|-------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                          |                          |                                   | 3.3.3. Net profit margin (primary activity)                                                 | 1%             | 20%         |    |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                   |
|                          |                          |                                   | 3.3.4. Net profit Margin (secondary activity)                                               | 5%             | 2302,8%     |    |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                   |
|                          |                          |                                   | 3.3.5. Return on assets                                                                     | 1%             | 3%          |    |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                   |
|                          |                          |                                   | 3.3.6. % Variance of actual Capital Expenditure versus Capital budget                       | 10%            | 66%         |    | Delays in the planning process impacted procurement due to capacity constraints.                                                                                                                                                                   | CAPEX 2024-25 has been approved, with business plans and specifications to fast track procurement. Priority was given to projects which are actively under SCM process to accelerate expenditure. |
|                          | Improved Audit Outcome   | 3.4. Enhanced control environment | 3.4.1. Audit opinion                                                                        | Unqualified    | unqualified |    |                                                                                                                                                                                                                                                    |                                                                                                                                                                                                   |
|                          | Improved Cash management | 3.5. Cost containment             | 3.5.1. % Variance of actual operational Expenditure (fixed costs) versus operational budget | 10%            | -54%        |  | SAP S4/HANA project appointment and onboarding processes were delayed, leaving only five months to implement the project, Security services not fully transferred to LNW in Nandoni & Sekhukhune, significant budget not utilised for Scientific & | Will monitor expenditure in the 2025 financial year and realign per needs.                                                                                                                        |



| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS | STRATEGIC OBJECTIVES            | KEY PERFORMANCE INDICATOR                                     | TARGET 2023/24 | ACTUAL | ACHIEVED / NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT                                                                                                                                                                 | REMEDIAL ACTION                                                                                 |
|--------------------------|-----------------|---------------------------------|---------------------------------------------------------------|----------------|--------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
|                          |                 |                                 |                                                               |                |        |                         | environmental services.<br>17% underspent on maintenance due to garden maintenance, instrumentation, & civil.                                                                               |                                                                                                 |
|                          |                 |                                 | 3.5.2. Staff remuneration as % of total operating expenditure | 35%            | 21%    | 😊                       |                                                                                                                                                                                             |                                                                                                 |
|                          |                 | 3.6. Improved collection rate   | 3.6.1. Current ratio                                          | 1              | 3,11   | 😊                       |                                                                                                                                                                                             |                                                                                                 |
|                          |                 | 3.7. Working Capital Management | 3.7.1. Debt equity                                            | 20%            | 18%    | 😊                       |                                                                                                                                                                                             |                                                                                                 |
|                          |                 |                                 | 3.7.2. Debtor's days                                          | 250            | 580    | 😞                       | The current year accounts collection has improved, with approximately 90% collection from what was billed on sales. There is an overinvestment in receivables due to long outstanding debt. | Finalisation of repayment agreement with SDM and to monitor the payment terms on all customers. |

#### 4. EFFECTIVE AND EFFICIENT ORGANISATIONAL DEVELOPMENT PROCESSES AND PRACTICES.

| STRATEGIC KEY FOCUS AREA              | STRATEGIC GOALS                                                         | STRATEGIC OBJECTIVES                                                                          | KEY PERFORMANCE INDICATOR                                      | TARGET 2022/23 | ACTUAL | ACHIEVED/ NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT                                                     | REMEDIAL ACTION                                                     |
|---------------------------------------|-------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------|----------------|--------|------------------------|---------------------------------------------------------------------------------|---------------------------------------------------------------------|
| Staff Levels                          | Workforce Plan to address the current and future Human Resources needs. | 4.1. Hiring and retaining people with the required skills, knowledge, and experience.         | 4.1.1. % Staff Turnover                                        | 2%             | 0,40%  | 😊                      |                                                                                 |                                                                     |
| Training and Skills Development       | Grow the talent and skills                                              | 4.2. Increase the supply of talent through skills inventories and succession pools.           | 4.2.1. Number of Learnership (Beneficiaries)                   | 30             | 31     | 😊                      |                                                                                 |                                                                     |
|                                       |                                                                         |                                                                                               | 4.2.2. Number of bursary employees enrolled for development    | 70             | 62     | 😞                      | Most employees are still paying the bursary debt and were not allowed to apply. | Approve the bursary applications to those who are legible to apply. |
|                                       |                                                                         |                                                                                               | 4.2.3. Number of employees on graduate programme               | 50             | 66     | 😊                      |                                                                                 |                                                                     |
|                                       |                                                                         |                                                                                               | 4.2.4. Number of registered employees with professional bodies | 10             | 23     | 😊                      |                                                                                 |                                                                     |
| Job Created                           | Build a talent pipeline                                                 | 4.3. Increase the supply of talent through talent acquisition practices and succession pools. | 4.3.1. Number of permanent and fixed term jobs created         | 5              | 44     | 😊                      |                                                                                 |                                                                     |
|                                       |                                                                         |                                                                                               | 4.3.2. Number of temporary jobs created                        | 120            | 603    | 😊                      |                                                                                 |                                                                     |
| Information Technology Infrastructure | ICT Operation Model                                                     | 4.4. Build best practice principles to deliver a robust, secure                               | 4.4.1. % Network Availability of IT infrastructure             | 95%            | 98,6%  | 😊                      |                                                                                 |                                                                     |



| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS | STRATEGIC OBJECTIVES       | KEY PERFORMANCE INDICATOR                         | TARGET 2022/23 | ACTUAL | ACHIEVED/ NOT ACHIEVED                                                              | REASONS FOR NON-ACHIEVEMENT | REMEDIAL ACTION |
|--------------------------|-----------------|----------------------------|---------------------------------------------------|----------------|--------|-------------------------------------------------------------------------------------|-----------------------------|-----------------|
| Utilisation              |                 | and effective ICT service. | 4.4.2. % System Availability of IT infrastructure | 95%            | 98,2%  |  |                             |                 |

## 5. GOOD GOVERNANCE AND CLEAN ADMINISTRATION.

| STRATEGIC KEY FOCUS AREA     | STRATEGIC GOALS                                                    | STRATEGIC OBJECTIVES                                                             | KEY PERFORMANCE INDICATOR                                           | TARGET 2023/24 | ACTUAL | ACHIEVED/ NOT ACHIEVED                                                                | REASONS FOR NON-ACHIEVEMENT                                                                         | REMEDIAL ACTION                                                                                              |
|------------------------------|--------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------------------------------|----------------|--------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Compliance                   | Comply with relevant regulatory and statutory reporting frameworks | 5.1. Reduce violations of relevant regulatory and statutory reporting frameworks | 5.1.1. Number of breaches of materiality and significance framework | 0              | 0      |    |                                                                                                     |                                                                                                              |
|                              |                                                                    |                                                                                  | 5.1.2. % Statutory reports submitted on time                        | 100%           | 100%   |    |                                                                                                     |                                                                                                              |
| Governance                   | Effective Internal Controls and Risk Management                    | 5.2. Reduce internal audit findings and organisational risks                     | 5.2.1. Maximum number of repeat internal audit findings             | 0              | 1      |    | Misalignment of performance report and scorecard                                                    | Management rectified the issue as this was identified in the second quarter of the financial year.           |
|                              |                                                                    |                                                                                  | 5.2.2. Maximum number of unresolved Internal audit findings         | 15             | 38     |  | The total of 38 audit findings were not resolved because not all the action plans were implemented. | Ensure that action plans to address audit findings are fully implemented before reporting them as Completed. |
|                              |                                                                    |                                                                                  | 5.2.3. Tolerable organisational residual risk                       | 7,5            | 7,9    |  | Not all action plans were implemented due to budgetary constraints.                                 | Ensure that all action plans are budgeted for and implemented.                                               |
| Corporate Brand identity and | Positive perceptions held by                                       | 5.3. Accentuate the corporate brand and image                                    | 5.3.1. Number of municipalities supported on                        | N/A            | N/A    | N/A                                                                                   | N/A                                                                                                 | N/A                                                                                                          |

| STRATEGIC KEY FOCUS AREA | STRATEGIC GOALS      | STRATEGIC OBJECTIVES              | KEY PERFORMANCE INDICATOR                                                                                | TARGET 2023/24 | ACTUAL     | ACHIEVED/ NOT ACHIEVED | REASONS FOR NON-ACHIEVEMENT | REMEDIAL ACTION |
|--------------------------|----------------------|-----------------------------------|----------------------------------------------------------------------------------------------------------|----------------|------------|------------------------|-----------------------------|-----------------|
| Image                    | external clients     |                                   | rural development programmes.                                                                            |                |            |                        |                             |                 |
|                          |                      |                                   | 5.3.2. % Stakeholder satisfaction                                                                        | 80%            | <b>83%</b> | 😊                      |                             |                 |
|                          |                      |                                   | 5.3.3. Number of municipalities or other customers with bulk supply agreements                           | N/A            | <b>N/A</b> | N/A                    | N/A                         | N/A             |
|                          |                      |                                   | 5.3.4. Number of CSI initiatives undertaken                                                              | 4              | <b>5</b>   | 😊                      |                             |                 |
| Board Effectiveness      | Strategic leadership | 5.4. Provide effective leadership | 5.4.1. % Board members' attendance of all board and committee meetings                                   | 95%            | <b>99%</b> | 😊                      |                             |                 |
|                          |                      |                                   | 5.4.2. Decision making: % number of resolutions taken by the board versus number of resolutions required | 95%            | <b>99%</b> | 😊                      |                             |                 |



### **30.12 COMPANY SECRETARY AND REGISTERED ADDRESS**

The Company Secretary is Ms ZC Ngwenya. Below are the registered business and postal addresses of Lepelle Northern Water:

**Business Address:**

1 Landdros Mare Street  
Polokwane  
0699

**Postal Address:**

Private Bag x9522  
Polokwane  
0700

### **30.13 EXTERNAL AUDITORS**

The Auditor General of South Africa (AGSA) remains the external auditors of Lepelle Northern Water in terms of Section 4(3)(a) of the Public Audit Act, No. 25 of 2004. It is anticipated that the AGSA will continue in office for the next financial year.

### **30.14 ACKNOWLEDGEMENT AND APPRECIATION**

Lepelle Northern Water Board conveys its gratitude to the Shareholder, customers, suppliers, bankers, and all other stakeholders for their constant and continuous support.

The Board further pour out its heart to the executive management and the entire staff for their tireless focus on the goals set by the entity for the betterment of Limpopo Province. The 83% customer satisfaction achieved by the end of this financial year was because of their commitment to their roles and responsibilities.

## **31 REMUNERATION REPORT**

### **31.1 REMUNERATION BOARD MEMBERS**

The Executive Authority of the Department of Water and Sanitation has developed and approved the remuneration policy that all its water entities should use as a guide to remunerate the board members. On an annual basis, the Department of Water and Sanitation reviews the hourly rates based on the class of each water board.

### **31.2 REMUNERATION OF EMPLOYEES**

The board has approved the remuneration policy that ensure that employees able to carry out their responsibilities in line with the market related salary packages. LNW believes that fair, equitable and competitive remuneration will attract and retain critical and scarce skills. There are few guiding principles that ensures that fairness is achieved as highlighted in the sections below:

#### **31.2.1 Internal Equity**

Remuneration differentiation between different positions will be driven by approved job grading systems that are used by the organisation to establish the internal hierarchy of positions.

#### **31.2.2 External Equity**

LNW is committed to paying remuneration packages that are competitive relative to the labour market.

#### **31.2.3 Employee Equity**

LNW remunerates employees for the contribution they make towards the successful achievement of the organisational business strategy.

#### **31.2.4 Salary Structure**

LNW maintains a formal salary structure based on the following factors:

- (a) Market stance (supply and demand).
- (b) Outcomes of the negotiations with organised labour and
- (c) Affordability.

The salary structure is reviewed annually in order to provide for a minimum up to maximum of the salary scale per job grade.

### 31.3 EMPLOYEE CATEGORIES

#### 31.3.1 Bargaining Employees

This category of employees (A – C Band according to Patterson Grading System) negotiates their annual increases through the Amanzi Bargaining Council and agreed to at the sector level between all Water Boards and the recognised labour unions. They are paid on a basic-plus-benefits dispensation.

#### 31.3.2 Non-Bargaining Employees

This category of employees (D – F Band according to Patterson Grading System), including the executives and the Chief Executive Officer. This category is remunerated on a Total Cost to Company that allows the employees to structure their packages. The salary increase of this category is determined by the Board. The only difference is that the salary increase of the Chief Executive is approved in line with the guidance from the Executive Authority.

Management class: Board members

2024

| Name               | Board fees   | Board Members' Claims | Subsistence and Travel | Total        |
|--------------------|--------------|-----------------------|------------------------|--------------|
| MM Magoele         | 415          | 165                   | 41                     | 621          |
| PE Molokwane       | 415          | 93                    | 18                     | 526          |
| NF Mphephu         | 627          | 410                   | 87                     | 1 124        |
| TJ Mathebula       | 415          | 80                    | 7                      | 502          |
| MM Makgopa-Madisa  | 415          | 155                   | 29                     | 599          |
| B Mahlutshana      | 415          | 60                    | 3                      | 478          |
| FR Munyai          | 415          | 129                   | 23                     | 567          |
| MSM Soni           | 415          | 40                    | 5                      | 460          |
| RT Ramashia        | 415          | 140                   | 13                     | 568          |
| S Chiloane-Nwabuze | 415          | 138                   | 13                     | 566          |
| FJ Mudau           | 415          | 123                   | 7                      | 545          |
|                    | <b>4 777</b> | <b>1 533</b>          | <b>246</b>             | <b>6 556</b> |

| Independent members          | Membership fees | Totals     |
|------------------------------|-----------------|------------|
| IAS Vally                    | 471             | 471        |
| SA Ngobeni                   | 94              | 94         |
| Y Pamla (resigned July 2024) | 89              | 89         |
|                              | <b>654</b>      | <b>654</b> |

2023

| Name         | Board fees | Board Members' Claims | Subsistence and Travel | Total |
|--------------|------------|-----------------------|------------------------|-------|
| MM Magoele   | 415        | 115                   | 18                     | 548   |
| PE Molokwane | 415        | 95                    | 19                     | 529   |
| NF Mphephu   | 627        | 317                   | 64                     | 1 008 |
| TJ Mathebula | 415        | 86                    | 6                      | 507   |

## Remuneration Report

| Name               | Board fees   | Board Members' Claims | Subsistence and Travel | Total        |
|--------------------|--------------|-----------------------|------------------------|--------------|
| MM Makgopa-Madisa  | 415          | 82                    | 6                      | 503          |
| B Mahlutshana      | 415          | 60                    | -                      | 475          |
| FR Munyai          | 415          | 64                    | 1                      | 480          |
| MSM Soni           | 415          | 127                   | 13                     | 555          |
| RT Ramashia        | 208          | 20                    | 5                      | 233          |
| S Chiloane-Nwabuze | 415          | 130                   | 14                     | 559          |
| FJ Mudau           | 415          | 90                    | 8                      | 513          |
|                    | <b>4 570</b> | <b>1 186</b>          | <b>154</b>             | <b>5 910</b> |

| Independent members | Membership fees | Totals     |
|---------------------|-----------------|------------|
| IAS Vally           | 308             | 308        |
| SA Ngobeni          | 81              | 81         |
| Y Pamla             | 63              | 63         |
|                     | <b>452</b>      | <b>452</b> |

### Management class: Executive Management

#### 2024

| Name                                      | Basic salary | Bonuses and performance related payments | Other short-term employee benefits | Post-employment benefits | Paid out leave | Total         |
|-------------------------------------------|--------------|------------------------------------------|------------------------------------|--------------------------|----------------|---------------|
| Dr C Ruiters                              | 1 102        | 515                                      | 763                                | 319                      | -              | 2 699         |
| MS Ramalatso                              | 935          | 380                                      | 735                                | 344                      | -              | 2 394         |
| AM Maluleke                               | 771          | 165                                      | 653                                | 163                      | -              | 1 752         |
| RM Sebela (Resigned April 2024)           | 400          | 163                                      | 326                                | 183                      | -              | 1 072         |
| PA Moshokane                              | -            | -                                        | 177                                | -                        | -              | 177           |
| AE Netshidaulu (Terminated December 2023) | 579          | -                                        | 298                                | 162                      | 311            | 1 350         |
| ES Moeng                                  | 900          | 380                                      | 544                                | 210                      | -              | 2 034         |
| ZC Ngwenya (appointed April 2024)         | 178          | -                                        | 138                                | 47                       | -              | 363           |
|                                           | <b>4 865</b> | <b>1 603</b>                             | <b>3 634</b>                       | <b>1 428</b>             | <b>311</b>     | <b>11 841</b> |

#### 2023

| Name           | Basic salary | Other short-term employee benefits | Post-employment benefits | Total        |
|----------------|--------------|------------------------------------|--------------------------|--------------|
| Dr C Ruiters   | 1 059        | 890                                | 201                      | 2 150        |
| MS Ramalatso   | 514          | 652                                | 98                       | 1 264        |
| AM Maluleke    | 561          | 459                                | 107                      | 1 127        |
| RM Sebela      | 483          | 637                                | 93                       | 1 213        |
| PA Moshokane   | -            | 208                                | -                        | 208          |
| AE Netshidaulu | 1 157        | 604                                | 203                      | 1 964        |
| ES Moeng       | 666          | 985                                | 126                      | 1 777        |
|                | <b>4 440</b> | <b>4 435</b>                       | <b>828</b>               | <b>9 703</b> |



# ANNUAL FINANCIAL STATEMENTS

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## Statement of Financial Position as at 30 June 2024

| Figures in Rand thousand               | Note(s) | 2024             | 2023<br>Restated* |
|----------------------------------------|---------|------------------|-------------------|
| <b>Assets</b>                          |         |                  |                   |
| <b>Current Assets</b>                  |         |                  |                   |
| Inventories                            | 3       | 7 510            | 6 353             |
| Receivables from exchange transactions | 4       | 1 170 325        | 916 023           |
| VAT receivable                         | 5       | 39 471           | 58 700            |
| Cash and cash equivalents              | 6       | 1 264 458        | 631 763           |
|                                        |         | <b>2 481 764</b> | <b>1 612 839</b>  |
| <b>Non-Current Assets</b>              |         |                  |                   |
| Property, plant and equipment          | 7       | 3 297 283        | 3 225 401         |
| Intangible assets                      | 8       | 782              | 838               |
| Receivables from exchange transactions | 4       | 80 845           | 116 909           |
|                                        |         | <b>3 378 910</b> | <b>3 343 148</b>  |
| <b>Total Assets</b>                    |         | <b>5 860 674</b> | <b>4 955 987</b>  |
| <b>Liabilities</b>                     |         |                  |                   |
| <b>Current Liabilities</b>             |         |                  |                   |
| Finance lease obligation               | 9       | 929              | 916               |
| Payables from exchange transactions    | 10      | 748 252          | 699 352           |
| Short-term employee benefits           | 11      | 49 102           | 48 852            |
|                                        |         | <b>798 283</b>   | <b>749 120</b>    |
| <b>Non-Current Liabilities</b>         |         |                  |                   |
| Finance lease obligation               | 9       | -                | 929               |
| Post-retirement employee benefits      | 12      | 98 681           | 94 517            |
|                                        |         | <b>98 681</b>    | <b>95 446</b>     |
| <b>Total Liabilities</b>               |         | <b>896 964</b>   | <b>844 566</b>    |
| <b>Net Assets</b>                      |         | <b>4 963 710</b> | <b>4 111 421</b>  |
| Accumulated surplus                    |         | 4 963 710        | 4 111 421         |
| <b>Total Net Assets</b>                |         | <b>4 963 710</b> | <b>4 111 421</b>  |

## Statement of Financial Performance as at 30 June 2024

| Figures in Rand thousand      | Note(s)   | 2024             | 2023<br>Restated* |
|-------------------------------|-----------|------------------|-------------------|
| <b>Revenue</b>                | <b>15</b> | <b>2 046 184</b> | <b>2 365 401</b>  |
| Cost of sales                 | 16        | (501 265)        | (672 132)         |
| <b>Gross surplus</b>          |           | <b>1 544 919</b> | <b>1 693 269</b>  |
| Other income                  | 17        | 134 667          | 81 541            |
| Operating expenses            | 18&19     | (910 638)        | (956 054)         |
| <b>Operating surplus</b>      |           | <b>768 948</b>   | <b>818 756</b>    |
| Investment revenue            | 20        | 86 854           | 38 362            |
| Fair value adjustments        | 21        | -                | 575               |
| Actuarial gains/losses        | 12        | 9 996            | 15 762            |
| Gain/(loss) on sale of assets |           | -                | (20 165)          |
| Finance costs                 | 22        | (13 510)         | (13 111)          |
| <b>Surplus for the year</b>   |           | <b>852 288</b>   | <b>840 179</b>    |

## Statement of Changes in Net Assets

| Figures in Rand thousand                           | Note(s) | Accumulated surplus / deficit | Total net assets |
|----------------------------------------------------|---------|-------------------------------|------------------|
| Opening balance as previously reported Adjustments |         | 3 180 050                     | 3 180 050        |
| Prior year adjustments                             | 28      | 91 192                        | 91 192           |
| <b>Balance at 01 July 2022 as restated*</b>        |         | <b>3 271 242</b>              | <b>3 271 242</b> |
| Changes in net assets Surplus for the year         |         | 840 179                       | 840 179          |
| Total changes                                      |         | 840 179                       | 840 179          |
| <b>Restated* Balance at 01 July 2023</b>           |         | <b>4 111 422</b>              | <b>4 111 422</b> |
| Changes in net assets Surplus for the year         |         | 852 288                       | 852 288          |
| Total changes                                      |         | 852 288                       | 852 288          |
| <b>Balance at 30 June 2024</b>                     |         | <b>4 963 710</b>              | <b>4 963 710</b> |

## Cash Flow Statement

| Figures in Rand thousand                                    | Note(s)   | 2024               | 2023<br>Restated*  |
|-------------------------------------------------------------|-----------|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                 |           |                    |                    |
| <b>Receipts</b>                                             |           |                    |                    |
| Sale of goods and services                                  |           | 924 805            | 704 974            |
| Construction contract related revenue                       |           | 295 065            | 401 480            |
| Interest income                                             |           | 86 854             | 38 362             |
|                                                             |           | <b>1 306 724</b>   | <b>1 144 816</b>   |
| <b>Payments</b>                                             |           |                    |                    |
| Employee costs                                              |           | (312 321)          | (354 743)          |
| Suppliers                                                   |           | (508 321)          | (375 835)          |
| Finance costs                                               |           | (237)              | (341)              |
| Construction contract expenses                              |           | (281 085)          | (385 971)          |
|                                                             |           | <b>(1 101 964)</b> | <b>(1 116 890)</b> |
| <b>Net cash flows from operating activities</b>             | <b>24</b> | <b>204 760</b>     | <b>27 926</b>      |
| <b>Cash flows from investing activities</b>                 |           |                    |                    |
| Purchase of property, plant and equipment                   | 7         | (204 149)          | (65 927)           |
| Proceeds from sale of property, plant and equipment         | 7         | -                  | 124                |
| Proceeds from sale of financial assets                      |           | -                  | 64 365             |
| <b>Net cash flows from investing activities</b>             |           | <b>(204 149)</b>   | <b>(1 438)</b>     |
| <b>Cash flows from financing activities</b>                 |           |                    |                    |
| Finance lease payments                                      |           | (916)              | (1 601)            |
| Other cash item (BFI Received)                              |           | 633 000            | 422 000            |
| <b>Net cash flows from financing activities</b>             |           | <b>632 084</b>     | <b>420 399</b>     |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |           | <b>632 695</b>     | <b>446 887</b>     |
| Cash and cash equivalents at the beginning of the year      |           | 631 763            | 184 876            |
| <b>Cash and cash equivalents at the end of the year</b>     | <b>6</b>  | <b>1 264 458</b>   | <b>631 763</b>     |

## Statement of Comparison of Budget and Actual Amounts

### Budget on accrual Basis

| Figures in Rand thousand                                                                             | Approved budget    | Adjustments | Final budget       | Actual amounts on comparable basis | Difference between final and actual | Reference |
|------------------------------------------------------------------------------------------------------|--------------------|-------------|--------------------|------------------------------------|-------------------------------------|-----------|
| <b>Statement of Financial Performance</b>                                                            |                    |             |                    |                                    |                                     |           |
| <b>Revenue</b>                                                                                       |                    |             |                    |                                    |                                     |           |
| <b>Revenue from exchange transactions</b>                                                            |                    |             |                    |                                    |                                     |           |
| Sale of goods                                                                                        | 1 039 599          | -           | 1 039 599          | 981 881                            | (57 718)                            | Note 33   |
| Construction contracts                                                                               | -                  | -           | -                  | 431 303                            | 431 303                             | Note 33   |
| Administration and management fees received                                                          | 11 661             | -           | 11 661             | 3 834                              | (7 827)                             | Note 33   |
| Other income - operations and- maintenance                                                           | -                  | -           | -                  | 25 525                             | 25 525                              | Note 33   |
| Rental income                                                                                        | 1 190              | -           | 1 190              | 1 248                              | 58                                  | Note 33   |
| Recoveries-                                                                                          | -                  | -           | -                  | 54 060                             | 54 060                              | Note 33   |
| Sundry income                                                                                        | 51 728             | -           | 51 728             | 59 996                             | 8 268                               | Note 33   |
| Finance income                                                                                       | 9 231              | -           | 9 231              | 31 094                             | 21 863                              | Note 33   |
| <b>Total revenue from exchange transactions</b>                                                      | <b>1 113 409</b>   |             | <b>1 113 409</b>   | <b>1 588 941</b>                   | <b>475 532</b>                      |           |
| <b>Revenue from non-exchange transactions</b>                                                        |                    |             |                    |                                    |                                     |           |
| Revenue - (Budget Facility for Infrastructure)                                                       | 808 634            | -           | 808 634            | 633 000                            | (175 634)                           | Note 33   |
| Finance income: Non exchange transactions                                                            | 25 876             | -           | 25 876             | 55 760                             | 29 884                              | Note 33   |
| <b>Total revenue from non-exchange transactions</b>                                                  | <b>834 510</b>     | -           | <b>834 510</b>     | <b>688 760</b>                     | <b>(145 750)</b>                    |           |
| <b>Total revenue</b>                                                                                 | <b>1 947 919</b>   | -           | <b>1 947 919</b>   | <b>2 277 701</b>                   | <b>329 782</b>                      |           |
| <b>Expenditure</b>                                                                                   |                    |             |                    |                                    |                                     |           |
| Personnel                                                                                            | (196 811)          |             | <b>(196 811)</b>   | (187 529)                          | <b>9 282</b>                        | Note 33   |
| Depreciation and amortisation                                                                        | (93 757)           | -           | <b>(93 757)</b>    | (85 360)                           | <b>8 397</b>                        | Note 33   |
| Impairment loss/ Reversal of- impairments                                                            | -                  | -           | -                  | (4 947)                            | <b>(4 947)</b>                      | Note 33   |
| Finance costs                                                                                        | (11 281)           | -           | <b>(11 281)</b>    | (13 510)                           | <b>(2 229)</b>                      | Note 33   |
| Cost of sale                                                                                         | (522 043)          | -           | <b>(522 043)</b>   | (501 265)                          | <b>20 778</b>                       | Note 33   |
| Operating Expenses                                                                                   | (288 385)          | -           | <b>(288 385)</b>   | (632 802)                          | <b>(344 417)</b>                    | Note 33   |
| <b>Total expenditure</b>                                                                             | <b>(1 112 277)</b> | -           | <b>(1 112 277)</b> | <b>(1 425 413)</b>                 | <b>(313 136)</b>                    |           |
| <b>Surplus before taxation</b>                                                                       | <b>835 642</b>     | -           | <b>835 642</b>     | <b>852 288</b>                     | <b>16 646</b>                       |           |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>835 642</b>     | -           | <b>835 642</b>     | <b>852 288</b>                     | <b>16 646</b>                       |           |

## Accounting Policies

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### 1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1. Basis of preparation

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.

These accounting policies are consistent with the previous period.

#### 1.2. Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures are rounded to the nearest thousand Rand (R'000), except where otherwise indicated.

#### 1.3. Going concern assumption

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

#### 1.4. Materiality

These annual financial statements have been prepared and presented by applying the concept of materiality in the recognition, measurement, presentation and disclosure of information.

## Accounting Policies

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### 1.5. 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:

#### Inventory

Inventory is measured at lower of cost or net realisable value. Net realisable value assessment requires management to make estimates about future inventory replacement cost and future use of inventory in order to determine net realisable value. Refer to note 3 for the carrying amount of inventory at year end.

LNW considers water to be inventory from the point of extraction of the raw water for processing from the natural sources that are licensed to the Water Board

#### Impairment testing

The recoverable amounts of 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 assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity 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 tangible assets are inherently uncertain and could materially change over time. Refer to note 7 for impairment estimated amounts.

## Accounting Policies

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### 1.5. Significant judgements and sources of estimation uncertainty (continued)

#### Short-term employee benefits

Short-term employee benefits were raised, and management determined an estimate based on the information available. The entity's short-term employee benefits are related to 13th Cheque, leave and performance bonus liabilities as detailed in accounting policy note 1.15. Additional disclosure of these estimates of provisions are included in note 11 - Short-term employee benefits.

#### Contingencies

Contingencies disclosed in the current year required estimates of possible financial exposure and management relies on the opinions of its lawyers, refer to note 26 for disclosed contingencies.

#### Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the wastewater and water networks. This estimate is based on industry norm. Management will adjust the depreciation charge where useful lives are different from previously estimated useful lives. Refer to note 1.6 for the assessed useful lives and to note 7 for estimated depreciation amounts.

#### Post-retirement benefits

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

The entity 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 entity 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.

## **Accounting Policies**

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### **1.5. Significant judgements and sources of estimation uncertainty (continued)**

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 12.

#### **Effective interest rate**

The entity 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. Refer to note 4 for the estimated impairment allowance.

#### **Recognition and Derecognition of Land**

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

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

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

### **1.6. Property, plant and equipment**

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

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

## Accounting Policies

### 1.6. Property, plant and equipment (continued)

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

The depreciation method and useful lives of items of property, plant and equipment are as follows:

| Item                    | Depreciation method | Average useful life |
|-------------------------|---------------------|---------------------|
| Land                    | Not depreciated     | Indefinite          |
| 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 depreciation method, residual value and the useful life of property, plant and equipment are reviewed at least at each reporting date and changes are accounted for as a change in an accounting estimate.

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

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

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

### 1.7. Intangible assets

An intangible asset is recognised when:

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

## Accounting Policies

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### 1.7. Intangible assets (continued)

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

The amortisation method and useful lives of intangible assets are as follows:

| Item              | Amortisation method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer software | Straight-line       | 3 - 10 years        |
| Servitudes        | Not aromatised      | Indefinite          |

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

The amortisation period and the amortisation method for intangible assets are reviewed at least at each reporting date and changes are accounted for as a change in an accounting estimate.

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.

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

## Accounting Policies

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### 1.8. Financial instruments

#### Initial recognition and measurement of financial assets and financial liabilities

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value are recognised immediately in profit or loss.

#### Subsequent measurement of financial assets and financial liabilities

Financial assets and financial liabilities are subsequently measured at amortised cost or fair value, depending on their classification.

#### Impairment of financial assets.

All financial assets measured at amortised cost are subject to an impairment review. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

The amount of the loss is recognised in surplus or deficit.

## Accounting Policies

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### 1.8. Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### Derecognition of financial assets and financial liabilities

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived.
- the entity transfers to another party substantially all the risks and rewards of ownership of the financial asset; or.
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when, and only when, it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised.

### Classification

**Accounting Policies**

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:

**1.8. Financial instruments (continued)**

| <b>Class</b>                           | <b>Category</b>                            |
|----------------------------------------|--------------------------------------------|
| Receivables from exchange transactions | Financial asset measured at amortised cost |
| Cash and cash equivalents              | Financial asset measured at amortised cost |
| Other financial asset                  | 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:

| <b>Class</b>                        | <b>Category</b>                                |
|-------------------------------------|------------------------------------------------|
| Payables from exchange transactions | Financial liability measured at amortised cost |

**1.9. VAT receivables Identification**

The entity is a registered VAT vendor in terms of the VAT Act (Act No. 89 of 1991) and is on a payment (cash) basis. The entity declares output tax and input tax monthly to the extent to which payment of the consideration is received or made in that tax period. This is a statutory arrangement giving rise to VAT balances of the following nature:

- (a) VAT Statutory receivable from or payable to SARS, calculated as the net amount of output VAT collected and input VAT paid. This is the VAT already declared to SARS as it is associated with transactions for which payment was received or made. The entity nets the output and input as the amounts relate to the same counterpart (SARS) and settlement is done on a net basis.
- (b) VAT accrual balance representing VAT associated with transactions that are yet to be settled. This balance is not yet declared to SARS because it does not represent amounts due from/ to SARS. It represents VAT accruals/provisions/ deferrals because despite the amounts being known, the timing is uncertain and is dependent on the settlement of the underlying transactions that gave rise to the VAT balances.

## Accounting Policies

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### 1.9. VAT receivables Identification (continued)

The VAT statutory balances in (a) above and the VAT accruals/ provisions in (b) above are reported on a net basis in the statement of financial position. Management considered the fact that despite (a) being an existing claim from/ by SARS while (b) isn't until payment is received or made for the underlying transactions from different counterparties, namely customers and suppliers respectively, they are all in substance VAT related and arose from a statutory arrangement. This was considered to be more relevant to the users of the financial statements than splitting the VAT balance merely based on the legal form.

#### Recognition

The entity recognises the VAT receivable when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### Initial measurement

The entity initially measures VAT receivables at their transaction amount. The transaction amount is the VAT rate as provided in the VAT Act and supporting regulations. The current rate is 15% of the value of supply made by the entity or to the entity.

#### Subsequent measurement

The entity measures VAT receivables after initial recognition under the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

## Accounting Policies

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### 1.9. VAT receivables Identification (continued)

#### Accrued interest

SARS adjusts for interest on the outstanding VAT balances, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Interest is calculated using the official interest rate. Interest earned on VAT receivables is recognised as income.

#### Other charges

SARS can levy penalties for late submission of VAT returns in terms of the Tax Administration Act (Act 28 of 2011).

#### Impairment losses

The entity assesses at each reporting date whether the VAT balance may be impaired. If there is an indication that the VAT balance may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount is reduced through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount exceeding what the carrying amount of the receivable would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

## Accounting Policies

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### 1.9. VAT receivables Identification (continued)

#### Derecognition

The entity derecognises a VAT receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any VAT receivable transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### 1.10. 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.

#### 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 asset 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.

## Accounting Policies

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### 1.10. Leases (continued)

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

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

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

### 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.

### 1.11. 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.

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 entity.

## Accounting Policies

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### 1.11. Inventories (continued)

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.

### 1.12. Construction contracts and receivables

The entity recognises revenue from construction contracts based on the stage of completion method, in compliance with GRAP.11. Revenue is recognized based on submitted claims to customers, which represent progress billings for work performed to date. Contract costs are recognized as expenses in the period they are incurred.

Lepelle Northern Water enters into contracts with the Department of Water and Sanitation for management of water projects in Limpopo that involve overseeing the construction, management, and procurement of materials, contractors, and consultants, in return for management fees of 5% of the value of certified work. This arrangement is now accounted for as a construction contract in accordance with GRAP 11, "Construction Contracts." Under this standard, the total amounts claimed for the construction costs and management fees have been recognised as construction revenue

### 1.13. 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.

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

## Accounting Policies

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### 1.13. Impairment of cash-generating assets (continued)

#### Designation

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life 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.

#### Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

## Accounting Policies

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### 1.13. Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

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

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable 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 cash-generating asset is recognised immediately in surplus or deficit.

### 1.14. Impairment of non-cash-generating assets

#### Identification

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

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

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life for impairment annually by comparing its carrying amount with its recoverable service 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.

## Accounting Policies

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### 1.14. Impairment of non-cash-generating assets (continued)

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, 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.

#### 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.

## **Accounting Policies**

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### **1.15. Employee benefits**

#### **Identification**

##### **Employee benefits**

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

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

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

##### **Short-term employee benefits**

##### **Recognition and measurement**

##### **All short-term employee benefits**

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:

- (a) 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.

## **Accounting Policies**

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### **1.15. Employee benefits (continued)**

- (b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

#### **Short-term paid absences**

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

- (a) in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and
- (b) in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

#### **Bonus, incentive and performance related payments**

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

- (a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- (b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

## Accounting Policies

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### 1.15. Employee benefits (continued)

#### Post-employment benefits: Defined contribution plans

##### Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- (a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, 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
- (b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are discounted using the discount rate as specified.

#### Post-employment benefits: Defined benefit plans

##### Recognition and measurement

The entity determines the net defined benefit liability with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

##### Components of defined benefit cost

The entity recognises the components of defined benefit cost in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset, as follows:

- (a) service cost,
- (b) net interest on the net defined benefit liability; and
- (c) remeasurements of the net defined benefit liability.

## **Accounting Policies**

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### **1.15. Employee benefits (continued)**

#### **Remeasurements of the net defined benefit liability**

Remeasurements of the net defined benefit liability comprise:

- (a) actuarial gains and losses,
- (b) the return on plan assets, excluding amounts included in net interest on the net defined benefit liability and
- (c) any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability.

Actuarial valuations are conducted on an annual basis by independent actuaries. The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

Actuarial valuations are conducted on an annual basis by independent actuaries.

### **1.16. Contingencies**

Contingent assets and contingent liabilities are not recognised. Contingent liabilities are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingent assets are disclosed where an inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 26.

### **1.17. 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.

## Accounting Policies

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### 1.17. Commitments (continued)

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

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

### 1.18. Revenue from exchange transactions Measurement

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

#### 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,
- 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.

## Accounting Policies

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### 1.18. Revenue from exchange transactions Measurement (continued)

#### Rendering of services

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

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

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

#### Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

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

Interest is recognised using the effective interest rate method for financial instruments and using the nominal interest rate method for statutory receivables.

## Accounting Policies

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### 1.19. Revenue from non-exchange transactions Government grants and subsidies

#### Recognition

Government grants are recognised when there is reasonable assurance that the grants will be received. The entity's grants received have restrictions rather than conditions. Consequently, the grants are recognised in revenue in full when they are received or when they become receivable, and thereafter any unutilised funds are held as restricted use funds until they are used.

#### Measurement

Revenue from a government grant is measured at the amount of the increase in net assets recognised by the entity.

#### Interest

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables

### 1.20. Other income

Other income that is not already covered by another accounting policy relates to other entity income other than operating revenue. Other income is recognised as income when the right to receive has been established.

### 1.21. 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 (deficit) 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.

## Accounting Policies

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### 1.21. Cost of sales (continued)

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

Cost of sales comprise of costs of raw water, electricity, pumping and purification, direct labour, depreciation and repairs and maintenance associated with water production.

### 1.22. Investment income

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

### 1.23. Comparative figures

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

### 1.24. Expenses

Expenses are recognised in the statement of financial performance upon receiving of the goods or services (i.e. as incurred)

### 1.25. Fruitless and wasteful expenditure

The entity determines that fruitless and wasteful expenditure has been incurred when the following are present:

- (a) expenditure must be made in vain; and
- (b) would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of fruitless and wasteful expenditure incurred and confirmed in the current financial year unless it is impractical to determine, in which case reasons are provided in the annual report. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year comparative analysis.

## Accounting Policies

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### 1.25. Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure for the previous financial year (comparative amounts) is disclosed in the period in which they occurred as follows:

- (a) fruitless and wasteful expenditure incurred and confirmed in the previous financial year;
- (b) fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- (c) fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

Additional information relating to fruitless and wasteful expenditure under assessment, determination, investigations, narratives and a process of dealing with the concerned fruitless and wasteful expenditure is recorded in the annual report of the entity as provided for in Chapter 8 of Annexure A to National Treasury Instruction Note 4 of 2022/23.

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 income in the statement of financial performance.

### 1.26. Irregular expenditure

The entity determines that irregular expenditure has occurred when the following are present:

- (a) expenditure was incurred in contravention of, or not in accordance with legislation; and
- (b) expenditure must have been recognised in the statement of financial performance or liability recognised in the statement of financial position (where expenditure is not reflected in the statement of financial performance). The earlier of an invoice or payment will trigger irregular expenditure for these transactions.

Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of irregular expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons are provided in the annual report. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis.

## Accounting Policies

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### 1.26. Irregular expenditure (continued)

Irregular expenditure for the previous financial year (comparative amounts) is disclosed in the period in which they occurred as follows:

- (a) irregular expenditure incurred and confirmed in the previous financial year,
- (b) irregular expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
- (c) irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
- (d) irregular expenditure payments relating to multi-year contracts that was not condoned or removed.

Additional information relating to irregular expenditure under assessment, determination, investigation, narratives, and the process of dealing with the irregular expenditure is recorded in the annual report of the entity as provided for in Chapter 8 of Annexure A to National Treasury Instruction Note 4 of 2022/23.

### 1.27. Segment information Measurement

The segmented amounts are measured on the same measurement principles as those used in measuring the corresponding amounts in the entity's financial statements.

When management regularly reviews segment information for decision making purposes, all types of income that is allocated to a segment is reviewed as revenue without a need for a distinction between income that is revenue and that which is other.

### 1.28. Budget information

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

The approved budget is for the Water Board and covers the fiscal period from 2023/07/01 to 2024/06/30.

## Accounting Policies

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### 1.28. Budget information (continued)

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.

Material differences refer to those elements that are fundamentally significant to the activities of Lepelle Northern Water

### 1.29. Related parties

The entity's related parties comprise of the following categories:

- (i) An entity with the ability to exercise control over the Water Board. The Department of Water and Sanitation exercises control over the entity.
- (ii) Members of key management. 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. The entity's Board and Executive Management constitutes key management.

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**2. New standards and interpretations****2.1. Standards and interpretations effective and adopted in the current year**

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

**iGRAP 21: The Effect of Past Decisions on Materiality****Background**

The Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors (GRAP 3) applies to the selection of accounting policies. Entities apply the accounting policies set out in the Standards of GRAP, except when the effect of applying them is immaterial. This means that entities could apply alternative accounting treatments to immaterial items, transactions or events (hereafter called “items”).

The Board (Accounting Standard Board) received questions from entities asking whether past decisions to not apply the Standards of GRAP to immaterial items effect future reporting periods. Entities observed that when they applied alternative accounting treatments to items in previous reporting periods, they kept historical records on an ongoing basis of the affected items. This was done so that they could assess whether applying these alternative treatments meant that the financial statements became materially “misstated” over time. If the effect was considered material, retrospective adjustments were often made.

This Interpretation explains the nature of past materiality decisions and their potential effect on current and subsequent reporting periods.

iGRAP 21 addresses the following two issues:

- Do past decisions about materiality affect subsequent reporting periods?
- Is applying an alternative accounting treatment a departure from the Standards of GRAP or an error?

**2. New standards and interpretations (continued)**

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The effective date of these interpretation is 01 April 2023.

The impact of the interpretation is not material. IGRAP 21 clarifies that materiality decisions are period-specific and do not affect prior reporting periods unless an error was identified. The interpretation is effective for financial periods beginning on or after 1 April 2023 and was adopted by the entity on 1 July 2023. No retrospective adjustments were necessary, as the entity's prior materiality assessments were consistent with the requirements of IGRAP 21. There was no impact on the amounts recognised in the financial statements. The entity will continue to assess materiality decisions based on relevant facts at each reporting date. No changes were made to the comparative figures as no errors or misstatements were identified.

**GRAP 25 (as revised): Employee Benefits****Background**

The Board (Accounting Standard Board) issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS 19) were more appropriate. Specifically, the Board (Accounting Standard Board):

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

**2. New standards and interpretations (continued)**

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When the Board consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board (Accounting Standard Board) agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

### Key amendments to GRAP 25

The Board (Accounting Standard Board) agreed to align GRAP 25 with IPSAS 39, but that local issues and the local environment need to be considered. As a result of this decision, there are areas where GRAP 25 departs from the requirements of IPSAS 39. The Board's decisions to depart are explained in the basis for conclusions.

The effective date of these revisions is 01 April 2023.

The entity has adopted the revisions for the first time in the 2023/2024 annual financial statements.

The impact of the revisions is not material. GRAP 25 introduces revised requirements for the presentation of defined benefit plans, including detailed guidance on actuarial assumptions (such as mortality rates, taxes, and administrative costs) and the recognition of past service costs. The standard is effective for annual financial periods beginning on or after 1 April 2023 and was adopted by the entity on 1 July 2023. The entity applied the standard retrospectively, with the required disclosures updated accordingly. The adoption of GRAP 25 resulted in updated disclosures in Note 12, providing additional details on actuarial assumptions and changes in the presentation of the net defined benefit liability or asset. There was no material impact on the measurement of employee benefits. The comparative figures have been reviewed, and no restatements were required, as the previous accounting treatment was consistent with the revised requirements.

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**2. New standards and interpretations (continued)****iGRAP 7 (as revised): Limit on defined benefit asset, minimum funding requirements and their interaction****Background**

The Board (Accounting Standard Board) issued the Standard of GRAP on Employee Benefits (GRAP 25) in November 2009. GRAP 25 was based on the International Public Sector Accounting Standard on Employee Benefits (IPSAS 25) effective at that time. However, GRAP 25 was modified in some respects where the Board decided the requirements of the International Accounting Standard on Employee Benefits (IAS 19) were more appropriate. Specifically, the Board:

- Eliminated the corridor method and required recognition of actuarial gains and losses in full in the year that they arise.
- Required the recognition of past service costs in the year that a plan is amended, rather than on the basis of whether they are vested or unvested.

Since 2009, the International Accounting Standards Board® has made several changes to IAS 19, including changes to the recognition of certain benefits, and where these changes are recognised. The IPSASB made similar changes to its standard and as a result of the extent of changes, issued IPSAS 39 on Employee Benefits to replace IPSAS 25 in 2016.

When the Board (Accounting Standard Board) consulted locally on the proposed amendments to IPSAS 25 in 2016, stakeholders welcomed the amendments to align IPSAS 25 to IAS 19 and supported the changes that resulted in IPSAS 39.

In developing GRAP 25, the Board (Accounting Standard Board) agreed to include the guidance from the IFRS Interpretation on IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IFRIC 14®) partly in GRAP 25 and partly in the Interpretation of the Standards of GRAP on The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IGRAP 7).

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**2. New standards and interpretations (continued)**

The effective date of these revisions is 01 April 2023.

It is unlikely that the revisions will have a material impact on the entity's annual financial statements.

**2.2. Standards and interpretations issued, but not yet effective**

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2024 or later periods:

**GRAP 1 (amended): Presentation of Financial Statements (Going Concern)**

The Board (Accounting Standard Board) undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

**Applicability of going concern in the public sector**

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

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**2. New standards and interpretations (continued)**

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board (Accounting Standard Board) agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

**Disclosure on going concern**

The Board's (Accounting Standard Board) project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board (Accounting Standard Board) agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions has not yet been set.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

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**2. New standards and interpretations (continued)****GRAP 104 (as revised): Financial Instruments**

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard affect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is 01 April 2025.

The entity expects to adopt the revisions for the first time on the effective date.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

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|-----------------------------------|--------------|--------------|
| <b>3. Inventories</b>             |              |              |
| Chemicals                         | 2 027        | 1 477        |
| Water inventory: Work in progress | 446          | 506          |
| Assurance inventory               | 1 365        | 1 365        |
| Maintenance inventory             | 2 254        | 1 686        |
| Water inventory: Clean water      | 1 418        | 1 319        |
|                                   | <b>7 510</b> | <b>6 353</b> |

Cost of sales represent the inventories recognised as an expense during the year and have been disclosed under note 16.

## 4. Receivables from exchange transactions

|                                                                                                                       |                  |                  |
|-----------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| Trade debtors                                                                                                         | 606 851          | 408 338          |
| Employee loans                                                                                                        | 4 811            | 4 798            |
| Trade debtors - long term                                                                                             | 181 120          | 253 120          |
| Sundry debtors                                                                                                        | 17 231           | 11 884           |
| DWS Projects                                                                                                          | 349 247          | 335 657          |
| Plant claims                                                                                                          | 408 979          | 394 424          |
| Provision for impairment                                                                                              | (317 069)        | (375 289)        |
|                                                                                                                       | <b>1 251 170</b> | <b>1 032 932</b> |
| Non-current assets                                                                                                    | 80 845           | 116 909          |
| Current assets                                                                                                        | 1 170 325        | 916 023          |
|                                                                                                                       | <b>1 251 170</b> | <b>1 032 932</b> |
| <b>Other non-financial asset receivables included in receivables from exchange transactions above are as follows:</b> |                  |                  |
| Prepayments                                                                                                           | 11 259           | 6 175            |
| <b>Financial asset receivables included in receivables from exchange transactions above</b>                           | <b>1 239 911</b> | <b>1 026 757</b> |
| <b>Total receivables from exchange transactions</b>                                                                   | <b>1 251 170</b> | <b>1 032 932</b> |

### Trade and other receivables impaired

As of 30 June 2024, trade and other receivables measured at amortised cost with a gross carrying amount R1.5 billion 2023: R1.4 billion were assessed for impairment.

The amount of the provision for impairment was R317 million as of 30 June 2024 (2023:R375 million).

Below is an analysis of financial instruments that were individually assessed for impairment as at the end of the reporting period. The amount of the impairment loss is included in the total impairment provision. In determining that these individual receivables are impaired, the entity considered the following factors:

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**4. Receivables from exchange transactions (continued)**

- (i) evidence of customer liquidation/sequestration
- (ii) history of customer handover to debt collectors
- (iii) evidence of formal arrangements for arrear debt
- (iv) customer payment history

Class of Receivables assessed individually for impairment,

|               |         |         |
|---------------|---------|---------|
| Trade debtors | 674 474 | 557 841 |
| Plant claims  | 408 851 | 394 424 |
| DWS Projects  | 347 473 | 333 824 |

Included in trade debtors is a long-term debtor that was individually assessed for impairment at year end.

**Reconciliation of provision for impairment of trade and other receivables**

|                                      |                |                |
|--------------------------------------|----------------|----------------|
| Opening balance                      | 375 289        | 265 481        |
| Provision for impairment             | (45 738)       | 111 781        |
| Amounts written off as uncollectible | (12 482)       | (1 973)        |
|                                      | <b>317 069</b> | <b>375 289</b> |

The non-current portion of trade and other receivables comprise of the carrying amount of a trade debtor that has a payment arrangement to settle their long outstanding debt for a period that extends beyond twelve months. The entity does not expect to realise this carrying amount within twelve months after the reporting date because of these renegotiated payment terms with the debtor. The amount represents financial assets that would otherwise be past due whose terms have been renegotiated.

The current year movement in the provision for impaired receivables has been included in other income in surplus or deficit (note 17). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The entity does not have trade and other receivables that are past due but not impaired.

The entity does not hold any collateral as security and did not pledge the receivables as collateral for any liability or contingent liability.

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**5. VAT receivables**

VAT

39 471

58 700

Details relating to how the VAT Statutory transactions arise, the determination of transactions amounts, and other interest charged have been provided in the accounting policy note 1.9.

**6. Cash and cash equivalents**

Cash and cash equivalents consist of:

|                     |                  |                |
|---------------------|------------------|----------------|
| Cash on hand        | 830              | 785            |
| Bank balances       | 22 669           | 16 860         |
| Short-term deposits | 1 240 959        | 614 118        |
|                     | <b>1 264 458</b> | <b>631 763</b> |

Included in cash and cash equivalents are restricted use funds amounting to R651.7 million (2023:R234 million) see note number 13. The funds are ring-fenced for utilisation on Regional Bulk Infrastructure projects.

**Credit quality of cash at bank and short-term deposits, excluding cash on hand**

The credit quality of cash at bank and short-term deposits can be assessed by reference to external credit ratings when available or historical information about counterparty default rates. The balances are held at South African banks that have good credit ratings and no history of default in their dealings with the entity. There is no objective evidence that cash and cash equivalents are impaired at the reporting date.

# Lepelle Northern Water

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### 7. Property, plant and equipment

|                           | 2024                |                                                                 |                   | 2023             |                                                                 |                  |
|---------------------------|---------------------|-----------------------------------------------------------------|-------------------|------------------|-----------------------------------------------------------------|------------------|
|                           | Cost /<br>Valuation | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying<br>value | Cost /Valuation  | Accumulated<br>depreciation<br>and<br>accumulated<br>impairment | Carrying value   |
| Land                      | 27 661              | -                                                               | 27 661            | 27 661           | -                                                               | 27 661           |
| Buildings                 | 289 527             | (175 242)                                                       | 114 285           | 280 923          | (163 044)                                                       | 117 879          |
| Machinery and equipment   | 783 259             | (458 277)                                                       | 324 982           | 759 144          | (414 434)                                                       | 344 710          |
| Furniture and fixtures    | 13 169              | (10 924)                                                        | 2 245             | 12 514           | (10 496)                                                        | 2 018            |
| Motor vehicles            | 56 648              | (36 779)                                                        | 19 869            | 41 839           | (34 007)                                                        | 7 832            |
| Computer Hardware         | 8 923               | (5 864)                                                         | 3 059             | 7 239            | (5 365)                                                         | 1 874            |
| Assets Under Construction | 409 862             | -                                                               | 409 862           | 321 463          | -                                                               | 321 463          |
| Telemetry                 | 10 358              | (6 600)                                                         | 3 758             | 10 207           | (5 898)                                                         | 4 309            |
| Finance lease             | 2 137               | (817)                                                           | 1 320             | 2 137            | (390)                                                           | 1 747            |
| Water network             | 3 653 512           | (1 263 270)                                                     | 2 390 242         | 3 576 780        | (1 180 872)                                                     | 2 395 908        |
| <b>Total</b>              | <b>5 255 056</b>    | <b>(1 957 773)</b>                                              | <b>3 297 283</b>  | <b>5 039 907</b> | <b>(1 814 506)</b>                                              | <b>3 225 401</b> |

# Lepelle Northern Water

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### 7. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2024

|                           | Opening balance  | Additions      | Transfers | Depreciation     | Impairment loss | Total            |
|---------------------------|------------------|----------------|-----------|------------------|-----------------|------------------|
| Land                      | 27 661           | -              | -         | -                | -               | 27 661           |
| Buildings                 | 117 879          | 61             | 8 543     | (9 606)          | (2 592)         | 114 285          |
| Machinery and Equipment   | 344 710          | 7 243          | 16 872    | (42 707)         | (1 136)         | 324 982          |
| Furniture and fittings    | 2 018            | 639            | 17        | (429)            | -               | 2 245            |
| Motor vehicles            | 7 832            | 14 809         | -         | (2 772)          | -               | 19 869           |
| Computer Hardware         | 1 874            | 1 684          | -         | (499)            | -               | 3 059            |
| Assets under construction | 321 463          | 190 562        | (102 163) | -                | -               | 409 862          |
| Telemetry                 | 4 309            | 151            | -         | (643)            | (59)            | 3 758            |
| Finance lease             | 1 747            | -              | -         | (427)            | -               | 1 320            |
| Water network             | 2 395 908        | -              | 76 731    | (81 237)         | (1 160)         | 2 390 242        |
|                           | <b>3 225 401</b> | <b>215 149</b> | <b>-</b>  | <b>(138 320)</b> | <b>(4 947)</b>  | <b>3 297 283</b> |

#### Reconciliation of property, plant and equipment - 2023

|                           | Opening balance  | Additions     | Disposals       | Transfers received | Transfers addition | Depreciation     | Impairment loss | Total            |
|---------------------------|------------------|---------------|-----------------|--------------------|--------------------|------------------|-----------------|------------------|
| Land                      | 26 831           | -             | -               | -                  | 830                | -                | -               | 27 661           |
| Buildings                 | 104 603          | -             | -               | 1 303              | 21 408             | (9 419)          | (16)            | 117 879          |
| Machinery and equipment   | 299 501          | 5 732         | (279)           | 22 539             | 60 220             | (41 908)         | (1 095)         | 344 710          |
| Furniture and fittings    | 1 795            | 481           | (10)            | -                  | 195                | (435)            | (8)             | 2 018            |
| Motor vehicles            | 7 673            | 2 722         | (8)             | -                  | -                  | (2 478)          | (77)            | 7 832            |
| Computer Hardware         | 1 740            | 725           | (15)            | -                  | 1                  | (576)            | (1)             | 1 874            |
| Assets Under Construction | 352 744          | 56 267        | -               | (87 548)           | -                  | -                | -               | 321 463          |
| Telemetry                 | 4 849            | -             | -               | -                  | 96                 | (617)            | (19)            | 4 309            |
| Finance lease             | -                | 2 137         | -               | -                  | -                  | (390)            | -               | 1 747            |
| Water network             | 1 803 701        | -             | (20 012)        | 63 706             | 628 234            | (74 731)         | (4 990)         | 2 395 908        |
|                           | <b>2 603 437</b> | <b>68 064</b> | <b>(20 324)</b> | <b>-</b>           | <b>710 984</b>     | <b>(130 554)</b> | <b>(6 206)</b>  | <b>3 225 401</b> |

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### 7. Property, plant and equipment (continued)

#### Other information

#### Assets under investigation

|                         |              |              |
|-------------------------|--------------|--------------|
| Furniture and fittings  | 45           | 143          |
| Computer Hardware       | 27           | 134          |
| Machinery and Equipment | 2 695        | 3 334        |
| Motor vehicles          | 2            | 59           |
| Telemetry               | 105          | 151          |
| Water network           | 20           | 20           |
|                         | <b>2 894</b> | <b>3 841</b> |

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

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

|                                     |               |                |
|-------------------------------------|---------------|----------------|
| Sludge lagoon: Phalaborwa           | 25 222        | 25 222         |
| Poor performance by the constructor | -             | 99 313         |
| Upgrade of Flag Boshielo            |               |                |
| Poor performance by the constructor |               |                |
|                                     | <b>25 222</b> | <b>124 535</b> |

#### 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                                                                            | 12 800        | 12 800        |
| There is a dispute on water use licence between LNW and Tzaneen Irrigation Board                                           |               |               |
| LNW 33/15/16 Politsi 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 | 8 787         | 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 Tzaneen Irrigation Board                 | 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                                                       |               |               |
|                                                                                                                            | <b>27 453</b> | <b>27 453</b> |

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

#### Reconciliation of Work-in-Progress 2024

|                                | Buildings     | Water works   | Machinery and equipment | Total          |
|--------------------------------|---------------|---------------|-------------------------|----------------|
| Opening balance                | 16 872        | 37 250        | 267 341                 | 321 463        |
| Additions/capital expenditure  | 886           | 89 344        | 100 332                 | 190 562        |
| Transferred to completed items | (859)         | (51 219)      | (50 085)                | (102 163)      |
|                                | <b>16 899</b> | <b>75 375</b> | <b>317 588</b>          | <b>409 862</b> |

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| Figures in Rand thousand | 2024 | 2023 |
|--------------------------|------|------|
|--------------------------|------|------|

### 7. Property, plant and equipment (continued)

#### Reconciliation of Work-in-Progress 2023

|                                | Buildings     | Water works   | Machinery and equipment | Total          |
|--------------------------------|---------------|---------------|-------------------------|----------------|
| Opening balance                | 14 769        | 60 304        | 277 672                 | 352 745        |
| Additions/capital expenditure  | 2 103         | 50 812        | 3 352                   | 56 267         |
| Transferred to completed items | -             | (73 866)      | (13 683)                | (87 549)       |
|                                | <b>16 872</b> | <b>37 250</b> | <b>267 341</b>          | <b>321 463</b> |

#### 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

|                         |        |        |
|-------------------------|--------|--------|
| Repairs and Maintenance | 61 733 | 39 615 |
|-------------------------|--------|--------|

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

In some instances, the entity 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 1.5.

### 8. Intangible assets

|              | 2024             |                                                     |                | 2023             |                                                     |                |
|--------------|------------------|-----------------------------------------------------|----------------|------------------|-----------------------------------------------------|----------------|
|              | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated amortisation and accumulated impairment | Carrying value |
| Software     | 8 499            | (8 498)                                             | 1              | 8 499            | (8 442)                                             | 57             |
| Servitudes   | 781              | -                                                   | 781            | 781              | -                                                   | 781            |
| <b>Total</b> | <b>9 280</b>     | <b>(8 498)</b>                                      | <b>782</b>     | <b>9 280</b>     | <b>(8 442)</b>                                      | <b>838</b>     |

#### Reconciliation of intangible assets - 2024

|              | Opening balance | Amortisation | Total      |
|--------------|-----------------|--------------|------------|
| Software     | 57              | (56)         | 1          |
| Servitudes   | 781             | -            | 781        |
| <b>Total</b> | <b>838</b>      | <b>(56)</b>  | <b>782</b> |

#### Reconciliation of intangible assets - 2023

|            | Opening balance | Amortisation | Total |
|------------|-----------------|--------------|-------|
| Software   | 238             | (181)        | 57    |
| Servitudes | 781             | -            | 781   |

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| <b>Total</b>             | <b>1 019</b> | <b>(181)</b> |

### 8. Intangible assets (continued)

#### Other information

Intangible assets with indefinite lives:

|            |     |     |
|------------|-----|-----|
| Servitudes | 781 | 781 |
|------------|-----|-----|

In determining the useful life of servitudes as indefinite, the entity considered the fact that there is no foreseeable limit to the period over which the rights represent service potential given that the primary activity of the entity is the provision of bulk water services, a basic service which is expected to continue in perpetuity.

### 9. Finance lease obligation

#### Minimum lease payments due

|                                     |     |       |
|-------------------------------------|-----|-------|
| - within one year                   | 929 | 1 153 |
| - in second to fifth year inclusive | -   | 1 009 |

|                              |      |       |
|------------------------------|------|-------|
|                              | 929  | 2 162 |
| less: future finance charges | (80) | (317) |

|                                                |            |              |
|------------------------------------------------|------------|--------------|
| <b>Present value of minimum lease payments</b> | <b>849</b> | <b>1 845</b> |
|------------------------------------------------|------------|--------------|

#### Present value of minimum lease payments due

|                                     |     |     |
|-------------------------------------|-----|-----|
| - within one year                   | 929 | 916 |
| - in second to fifth year inclusive | -   | 929 |

|  |            |              |
|--|------------|--------------|
|  | <b>929</b> | <b>1 845</b> |
|--|------------|--------------|

|                         |     |     |
|-------------------------|-----|-----|
| Non-current liabilities | -   | 929 |
| Current liabilities     | 929 | 916 |

|  |            |              |
|--|------------|--------------|
|  | <b>929</b> | <b>1 845</b> |
|--|------------|--------------|

As disclosed under note above the entity leased printing machinery on a finance lease agreement.

The average lease term is 3 to 5 years at an effective borrowing rate of 17%. The current finance lease will end on the 31 May 2025.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and including the contingent rent of R172 (2023: R99), included in operating expenses, refer to note 18. The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

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### 10. Payables from exchange transactions

|                                                     |                |                |
|-----------------------------------------------------|----------------|----------------|
| Trade payables                                      | 550 180        | 484 696        |
| Payments received in advanced - contract in process | 403            | 12 844         |
| Other payables                                      | 5 125          | 5 578          |
| Retention                                           | 173 095        | 176 788        |
| Customer - Deposits received                        | 293            | 290            |
| Receivables with credit balances                    | 19 156         | 19 156         |
|                                                     | <b>748 252</b> | <b>699 352</b> |

Other non-financial liabilities included in payables from exchange transactions above are as follows:

|                                                  |                |                |
|--------------------------------------------------|----------------|----------------|
| SARS - Employee tax liabilities (PAYE, UIF, SDL) | 4 675          | 4 637          |
|                                                  | <b>743 577</b> | <b>694 715</b> |

### 11. Short-term employee benefits

|                   |               |               |
|-------------------|---------------|---------------|
| 13th Cheque       | 4 894         | 4 873         |
| Leave             | 26 491        | 23 966        |
| Performance bonus | 17 717        | 20 013        |
|                   | <b>49 102</b> | <b>48 852</b> |

### 12. Post retirement employee benefits

#### Defined benefit plans

#### Post retirement medical aid plan

The Entity offers in-service and retired members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. In-service members will receive a post-retirement subsidy of 70% of the contribution's payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependants receive a 70% subsidy of the contributions payable. Upon a member's death-in-service or death-after-service the surviving dependants will continue to receive the same subsidy

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### 12. Post retirement employee benefits (continued)

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

|                                                                                       |                 |                 |
|---------------------------------------------------------------------------------------|-----------------|-----------------|
| <b>Carrying value</b>                                                                 | <b>(98 681)</b> | <b>(94 517)</b> |
| Present value of the defined benefit obligation-wholly unfunded                       |                 |                 |
| <b>Changes in the present value of the defined benefit obligation are as follows:</b> |                 |                 |
| Opening balance                                                                       | 94 517          | 97 671          |
| Benefits paid                                                                         | (2 689)         | (2 855)         |
| Net expense recognised in the statement of financial performance                      | 6 853           | (299)           |
|                                                                                       | <b>98 681</b>   | <b>94 517</b>   |

The contributions (benefits) expected to be paid during the annual period beginning after the reporting date amounts to R3 056million (2023: R3.171 million).

Net expense recognised in the statement of financial performance are as follows:

|                          |              |              |
|--------------------------|--------------|--------------|
| Current service cost     | 3 576        | 2 693        |
| Interest costs           | 13 273       | 12 770       |
| Actuarial (gains) losses | (9 996)      | (15 762)     |
|                          | <b>6 853</b> | <b>(299)</b> |

The above net expense recognised in the statement of financial performance consists of current service cost included under the employee cost line, interest cost included under the finance cost line and actuarial gains included under the actuarial gains/ losses line in the statement of financial performance.

#### Calculation of actuarial gains and losses

|                                       |         |          |
|---------------------------------------|---------|----------|
| Actuarial (gains) losses – Obligation | (9 996) | (15 762) |
|---------------------------------------|---------|----------|

#### Key assumptions used

Assumptions used at the reporting date:

|                                       |        |        |
|---------------------------------------|--------|--------|
| Discount rates used                   | 13,82% | 14,23% |
| Medical cost trend rates              | 9,69%  | 10,18% |
| Expected increase in healthcare costs | 8,19%  | 8,68%  |
| Real rate GAP                         | 3,77%  | 3,68%  |

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**12. Post retirement employee benefits (continued)**

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. The recommended discount rate as at 30 June 2024 is 13.82%. The source is the Johannesburg Stock Exchange through IReSS data service. The previous valuation had a discount rate of 14.23%

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 8.19% per annum. The source is the Johannesburg Stock Exchange through Inet BFA data service. The inflation assumption used for the previous valuation was 8.68%.

**Defined contribution plans**

It is the policy of the entity 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 entity is under no obligation to cover any unfunded benefits.

|                                                                       |        |        |
|-----------------------------------------------------------------------|--------|--------|
| The amount recognised as an expense for defined contribution plans is | 14 659 | 14 318 |
|-----------------------------------------------------------------------|--------|--------|

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|--------------------------|------|------|

### 13. Grant reconciliation

Ring-fenced funds within Cash and cash equivalents - 2024

|                                                                | Restricted-use<br>government grant<br>fund | Total          |
|----------------------------------------------------------------|--------------------------------------------|----------------|
| Opening balance                                                | 234 087                                    | 234 087        |
| Transfers received during the year                             | 633 000                                    | 633 000        |
| Capital grants spending on ring-fenced projects in the current | (215 324)                                  | (215 324)      |
|                                                                | <b>651 763</b>                             | <b>651 763</b> |

Ring-fenced funds within Cash and cash equivalents - 2023

|                                                                   | Restricted-use<br>government grant<br>fund | Total          |
|-------------------------------------------------------------------|--------------------------------------------|----------------|
| Transfers received during the year                                | 422 000                                    | 422 000        |
| Applied to recoup prior year own spending on ring-fenced projects | (137 144)                                  | (137 144)      |
| Capital grants spending on ring-fenced projects in the current    | (50 769)                                   | (50 769)       |
|                                                                   | <b>234 087</b>                             | <b>234 087</b> |

### 14. Construction contracts and receivables

There are no advances received in excess of work completed which are included in trade and other payables

|                                                                                               |           |           |
|-----------------------------------------------------------------------------------------------|-----------|-----------|
| Aggregate amount of costs incurred and recognised surpluses (less recognised deficit) to date | 1 828 832 | 1 418 073 |
| Retention of contracts in progress                                                            | 60 452    | 52 003    |
|                                                                                               | -         | -         |

LNW is on a cost-plus contract, management fees do not result into a surplus as there are additional cost incurred relating to contract execution which does not result into a deficit.

### 15. Revenue

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Water sales - Potable                  | 862 430          | 709 124          |
| Water sales - Industrial               | 119 451          | 71 683           |
| Construction contracts related revenue | 431 303          | 451 610          |
| Government grants & subsidies          | 633 000          | 422 000          |
| Transfer of assets to LNW              | -                | 710 984          |
|                                        | <b>2 046 184</b> | <b>2 365 401</b> |

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|--------------------------|------|------|

### 15. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:

|                                        |                  |                  |
|----------------------------------------|------------------|------------------|
| Water sales - Potable                  | 862 430          | 709 124          |
| Construction contracts related revenue | 431 303          | 451 610          |
| Water sales - Industrial               | 119 451          | 71 683           |
|                                        | <b>1 413 184</b> | <b>1 232 417</b> |

The amount included in revenue arising from non-exchange transactions is as follows:

#### Transfer revenue

|                               |                |                  |
|-------------------------------|----------------|------------------|
| Government grants & subsidies | 633 000        | 422 000          |
| Transfer of assets to LNW     | -              | 710 984          |
|                               | <b>633 000</b> | <b>1 132 984</b> |

### 16. Cost of sales

#### Sale of goods

|                          |                |                |
|--------------------------|----------------|----------------|
| Raw water                | 84 521         | 132 888        |
| Electricity              | 236 105        | 273 247        |
| Pumping and purification | 13 865         | 26 969         |
| Depreciation             | 50 271         | 66 775         |
| Repairs and maintenance  | 5 852          | 10 375         |
| Direct labour            | 110 651        | 161 878        |
|                          | <b>501 265</b> | <b>672 132</b> |

### 17. Other income

|                                             |                |               |
|---------------------------------------------|----------------|---------------|
| Administration and management fees received | 3 834          | 3 416         |
| Operations and maintenance services         | 25 525         | 20 751        |
| Debt forgiveness                            | -              | 2 711         |
| Rental income                               | 1 248          | 1 293         |
| Debt impairment reversal                    | 50 627         | -             |
| Reversal of provision                       | 3 433          | 15 452        |
| Interest received - water sales             | 49 493         | 37 007        |
| Sundry income                               | 507            | 911           |
|                                             | <b>134 667</b> | <b>81 541</b> |

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### 18. Operating expenses

|                                            |                |                |
|--------------------------------------------|----------------|----------------|
| Auditors' remuneration                     | 4 216          | 5 276          |
| Bank charges                               | 305            | 247            |
| Consulting and professional fees           | 36 882         | 13 072         |
| Insurance                                  | 4 758          | 3 892          |
| IT expenses                                | 18 810         | 8 662          |
| Board members remuneration                 | 7 959          | 6 223          |
| Fuel and oil                               | 10 192         | 10 752         |
| Water losses                               | 28 187         | 28 007         |
| Protective clothing                        | 3 214          | 2 323          |
| Repairs and maintenance                    | 62 313         | 40 268         |
| Safety and Security                        | 19 315         | 13 676         |
| Staff welfare                              | 508            | 119            |
| Telephone and fax                          | 872            | 942            |
| Training                                   | 7 122          | 2 968          |
| Travel - local                             | 3 373          | 1 642          |
| Other operating expense                    | 13 386         | 9 316          |
| Debt impairment                            | -              | 95 288         |
| Lease rentals on operating lease           | 632            | 720            |
| Depreciation, amortisation and impairments | 90 307         | 89 327         |
| Construction contract expense              | 410 758        | 432 843        |
|                                            | <b>723 109</b> | <b>765 563</b> |

### 19. Employment related costs

|                                                                    |                |                |
|--------------------------------------------------------------------|----------------|----------------|
| Basic                                                              | 85 251         | 91 229         |
| Bonus                                                              | 17 717         | 20 013         |
| Medical aid - company contributions                                | 13 472         | 12 306         |
| UIF                                                                | 743            | 490            |
| Other payroll levies                                               | 56             | 60             |
| Leave pay provision charge                                         | 5 262          | 5 638          |
| Allowances                                                         | 16 446         | 12 567         |
| Defined contribution plans                                         | 14 659         | 14 318         |
| Travel, motor car, accommodation, subsistence and other allowances | 7 345          | 5 843          |
| Overtime payments                                                  | 4 136          | 5 946          |
| 13th Cheques                                                       | 5 866          | 5 581          |
| Car allowance                                                      | 12 868         | 13 678         |
| Long-term benefits - incentive scheme                              | 3 708          | 2 822          |
|                                                                    | <b>187 529</b> | <b>190 491</b> |

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**20. Investment revenue**

|                  |        |        |
|------------------|--------|--------|
| Interest revenue |        |        |
| Bank             | 86 854 | 38 362 |

The amount included in Investment revenue arising from exchange transactions amounted to R31.09 million (2023: R26 million).

The amount included in Investment revenue arising from grant capital amounted to R55.7 million (2023:R11.759 million).

**21. Fair value adjustments**

|                                                          |   |     |
|----------------------------------------------------------|---|-----|
| Other financial assets                                   |   |     |
| Other financial assets (Designated as at FV through P&L) | - | 575 |

**22. Finance costs**

|                             |               |               |
|-----------------------------|---------------|---------------|
| Retirement benefit interest | 13 273        | 12 770        |
| Trade and other payables    | -             | 7             |
| Finance leases              | 237           | 334           |
|                             | <b>13 510</b> | <b>13 111</b> |

**23. Impairment loss**

|                               |       |       |
|-------------------------------|-------|-------|
| Impairments                   |       |       |
| Property, plant and equipment | 4 947 | 6 188 |

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|--------------------------------------------------------|----------------|---------------|
| <b>24. Cash generated from operations</b>              |                |               |
| Surplus                                                | 852 288        | 840 179       |
| <b>Adjustments for:</b>                                |                |               |
| Depreciation and amortisation                          | 140 578        | 156 102       |
| Gain (Loss) on sale of property, plant and equipment   | -              | 20 165        |
| Fair value adjustments                                 | -              | (575)         |
| Debt impairment                                        | -              | 95 288        |
| Impairment reversal                                    | (50 627)       | -             |
| Movements in retirement benefit assets and liabilities | 14 160         | (3 154)       |
| Movements in short term employees                      | (17 717)       | (5 067)       |
| Debt forgiveness                                       | -              | (2 711)       |
| Non-cash item transfer of assets                       | -              | (710 984)     |
| Other cash items (BFI received)                        | (633 000)      | (422 000)     |
| Water inventory realisation (excl. depreciation)       | -              | 214 406       |
| Provision reversal                                     | (3 433)        | -             |
| <b>Changes in working capital:</b>                     |                |               |
| Inventories                                            | 1 701          | 192           |
| Receivables from exchange transactions                 | (165 634)      | (155 673)     |
| Payables from exchange transactions                    | 38 493         | (14 738)      |
| VAT                                                    | 27 951         | 16 496        |
|                                                        | <b>204 760</b> | <b>27 926</b> |

## 25. Commitments

### Authorised capital expenditure

#### Already contracted for but not provided for

|                               |         |        |
|-------------------------------|---------|--------|
| Property, plant and equipment | 612 710 | 42 111 |
|-------------------------------|---------|--------|

#### Total capital commitments

|                                             |         |        |
|---------------------------------------------|---------|--------|
| Already contracted for but not provided for | 612 710 | 42 111 |
|---------------------------------------------|---------|--------|

In addition to the above commitments, the entity also has rate-based contracted consultants on ongoing capital projects. This committed expenditure relates to plant and equipment and will be financed by funds internally generated.

### Operating leases - as lessee (expense)

#### Minimum lease payments due

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| - within one year                   | 1 942        | 2 132        |
| - in second to fifth year inclusive | 1 298        | 3 034        |
|                                     | <b>3 240</b> | <b>5 166</b> |

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### 25. Commitments (continued)

Operating lease payments represent rentals payable by the entity for certain of its 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

##### Case 1

The water board is involved in a litigation case that relates to a wage increase dispute. The case has a review application pending in court.

7 100

7 100

##### Case 2

The water board is involved in a litigation case relating to a labour dispute. The case has a review application pending in court.

2 600

2 600

##### Case 3

The water board is involved in a litigation case with a service provider for alleged non-payment of 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 court case is still ongoing in court

3 117

3 117

##### Case 4

The water board was served with summons for a claim in relation to a child who drowned in an abandoned open pit in Giyani due to the alleged negligence of a service provider. The case is still before the court

10 000

10 000

##### Case 5

The water board is involved in a litigation case with a service provider for alleged unpaid invoices. The matter is still before the court.

720

720

##### Case 6

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 still before the court.

857

857

##### Case 7

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. The water board issued a counterclaim against the service provider for reasons detailed under the contingent assets section of this disclosure note.

444

444

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### 26. Contingencies (continued)

#### Case 8

The water board is involved in a litigation case with a service provider for alleged invoices not paid. The matter is still before the court.

19 026

19 026

#### Case 9

The water board is involved in a litigation case with a service provider for alleged invoices not paid. The matter is still before the court. LNW has made an application for rescission of judgment on the matter and the case is still ongoing

142

142

#### Case 10

The water board was involved in a dispute relating to interest charged and invoices billed by a supplier amounting to R67.4 million and R9.7 million respectively

77 100

77 100

#### Case 11

The water board is involved in a litigation case relating to a labour dispute. The case has a review application pending in court.

724

-

#### Case 12

The water board is involved in a litigation case relating to a labour dispute. The case has a review application pending at the Labour Court against the decision of the commissioner.

2 468

-

**124 298**

**121 106**

### Contingent assets

#### Case 1

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 on the contract amount. 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 as detailed under the contingent liabilities section of this disclosure note. The water board issued a counterclaim against the service provider. The case is before the court.

1 433

1 433

#### Case 2

The water board is involved in ongoing litigation with a service provider for payments made for partially completed work that was claimed as fully completed work. The case is still before the court.

1 583

1 583

#### Case 3

The water board has made a claim 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 of the contractor and the contractor took the water board to court to implement the decision of the arbitration. The court dismissed the application. Subsequently, the water board instituted a counterclaim against the contractor for payment made to the contractor for materials. The case is still before the court.

74 310

35 000

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|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|
| <b>26. Contingencies (continued)</b>                                                                                                                                                                                                                             |                |               |
| <b>Case 4</b>                                                                                                                                                                                                                                                    |                |               |
| The water board has made a claim to recover irregular expenditure in relation to monies that were overpaid. The matter is still in progress.                                                                                                                     | 868            | 868           |
| <b>Case 5</b>                                                                                                                                                                                                                                                    |                |               |
| The water board has made a claim to recover monies from one of its former executive and the former board. The matter is still in progress                                                                                                                        | 349            | 349           |
| <b>Case 6</b>                                                                                                                                                                                                                                                    |                |               |
| A court order was issued in favour of LNW to recover profits made by a service provider through a contract that was set aside subject to submission of audited financial statements. The contract amount paid to the service provider under the contract is R23m | 23 947         | 23 947        |
| <b>Case 7</b>                                                                                                                                                                                                                                                    |                |               |
| LNW instituted recovery proceeding against former employee for monies paid to cell phone network provider without a valid contract.                                                                                                                              | 396            | -             |
| <b>Case 8</b>                                                                                                                                                                                                                                                    |                |               |
| LNW instituted recovery proceedings against former employee for R2 906 470.40 that was fraudulently claimed and invoiced for materials not delivered on site and work not done.                                                                                  | 2 906          | -             |
|                                                                                                                                                                                                                                                                  | <b>105 792</b> | <b>63 180</b> |

## 27. Related parties

### Relationships

Ultimate controlling entity

Controlling entity

Members of key management

National Government of South Africa

Department of Water and Sanitation

Board members and Executive Management

Department of Water and Sanitation provide abstraction point for raw water and service is provided at market related cost, transactions balances are included under trade payables. The entity is also an implementation agent on various department project, these services are provided on a commission basis, the balance related to the transaction is included under receivables from exchange transaction. Construction contracts related revenue and expenditure are recognised on the statement of financial performance

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### 27. Related parties (continued)

#### Remuneration of management

##### Management class: Board members

##### 2024

| Name               | Board fees   | Board Members' Claims | Subsistence and Travel | Total        |
|--------------------|--------------|-----------------------|------------------------|--------------|
| MM Magoele         | 415          | 165                   | 41                     | 621          |
| PE Molokwane       | 415          | 93                    | 18                     | 526          |
| NF Mphephu         | 627          | 410                   | 87                     | 1 124        |
| TJ Mathebula       | 415          | 80                    | 7                      | 502          |
| MM Makgopa-Madisa  | 415          | 155                   | 29                     | 599          |
| B Mahlutshana      | 415          | 60                    | 3                      | 478          |
| FR Munyai          | 415          | 129                   | 23                     | 567          |
| MSM Soni           | 415          | 40                    | 5                      | 460          |
| RT Ramashia        | 415          | 140                   | 13                     | 568          |
| S Chiloane-Nwabuze | 415          | 138                   | 13                     | 566          |
| FJ Mudau           | 415          | 123                   | 7                      | 545          |
|                    | <b>4 777</b> | <b>1 533</b>          | <b>246</b>             | <b>6 556</b> |

| Independent members          | Membership fees | Totals     |
|------------------------------|-----------------|------------|
| IAS Vally                    | 471             | 471        |
| SA Ngobeni                   | 94              | 94         |
| Y Pamla (resigned July 2024) | 89              | 89         |
|                              | <b>654</b>      | <b>654</b> |

##### 2023

| Name               | Board fees   | Board Members' Claims | Subsistence and Travel | Total        |
|--------------------|--------------|-----------------------|------------------------|--------------|
| MM Magoele         | 415          | 115                   | 18                     | 548          |
| PE Molokwane       | 415          | 95                    | 19                     | 529          |
| NF Mphephu         | 627          | 317                   | 64                     | 1 008        |
| TJ Mathebula       | 415          | 86                    | 6                      | 507          |
| MM Makgopa-Madisa  | 415          | 82                    | 6                      | 503          |
| B Mahlutshana      | 415          | 60                    | -                      | 475          |
| FR Munyai          | 415          | 64                    | 1                      | 480          |
| MSM Soni           | 415          | 127                   | 13                     | 555          |
| RT Ramashia        | 208          | 20                    | 5                      | 233          |
| S Chiloane-Nwabuze | 415          | 130                   | 14                     | 559          |
| FJ Mudau           | 415          | 90                    | 8                      | 513          |
|                    | <b>4 570</b> | <b>1 186</b>          | <b>154</b>             | <b>5 910</b> |

| Independent members | Membership fees | Totals     |
|---------------------|-----------------|------------|
| IAS Vally           | 308             | 308        |
| SA Ngobeni          | 81              | 81         |
| Y Pamla             | 63              | 63         |
|                     | <b>452</b>      | <b>452</b> |

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### 27. Related parties (continued)

#### Management class: Executive Management

##### 2024

| Name                                      | Basic salary | Bonuses and performance related payments | Other short-term employee benefits | Post-employment benefits | Paid out leave | Total         |
|-------------------------------------------|--------------|------------------------------------------|------------------------------------|--------------------------|----------------|---------------|
| Dr C Ruiters                              | 1 102        | 515                                      | 763                                | 319                      | -              | 2 699         |
| MS Ramalatso                              | 935          | 380                                      | 735                                | 344                      | -              | 2 394         |
| AM Maluleke                               | 771          | 165                                      | 653                                | 163                      | -              | 1 752         |
| RM Sebel (Resigned April 2024)            | 400          | 163                                      | 326                                | 183                      | -              | 1 072         |
| PA Moshokane                              | -            | -                                        | 177                                | -                        | -              | 177           |
| AE Netshidaulu (Terminated December 2023) | 579          | -                                        | 298                                | 162                      | 311            | 1 350         |
| ES Moeng                                  | 900          | 380                                      | 544                                | 210                      | -              | 2 034         |
| ZC Ngwenya (appointed April 2024)         | 178          | -                                        | 138                                | 47                       | -              | 363           |
|                                           | <b>4 865</b> | <b>1 603</b>                             | <b>3 634</b>                       | <b>1 428</b>             | <b>311</b>     | <b>11 841</b> |

##### 2023

| Name           | Basic salary | Other short-term employee benefits | Post-employment benefits | Total        |
|----------------|--------------|------------------------------------|--------------------------|--------------|
| Dr C Ruiters   | 1 059        | 890                                | 201                      | 2 150        |
| MS Ramalatso   | 514          | 652                                | 98                       | 1 264        |
| AM Maluleke    | 561          | 459                                | 107                      | 1 127        |
| RM Sebel       | 483          | 637                                | 93                       | 1 213        |
| PA Moshokane   | -            | 208                                | -                        | 208          |
| AE Netshidaulu | 1 157        | 604                                | 203                      | 1 964        |
| ES Moeng       | 666          | 985                                | 126                      | 1 777        |
|                | <b>4 440</b> | <b>4 435</b>                       | <b>828</b>               | <b>9 703</b> |

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### 27. Related parties (continued)

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"

The following Executive Managers (Mr N Nokeri, Ms GD Manzini and Ms S Satekge and Ms LP Sebola with a total of R4.9 million) were excluded in 2023 financial year comparative for the purpose of comparability. This was due to a change in governance structure which resulted in the exclusion of the officials.

### 28. Prior-year adjustments

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

#### Statement of financial position

##### 2022

|                                     | Note | As previously reported | Correction of error | Restated    |
|-------------------------------------|------|------------------------|---------------------|-------------|
| Accumulated surplus opening balance |      | (3 180 050)            | (91 192)            | (3 271 242) |

##### 2023

|                                        | Note | As previously reported | Correction of error | Restated         |
|----------------------------------------|------|------------------------|---------------------|------------------|
| Receivables from exchange transactions |      | 916 066                | (43)                | 916 023          |
| Inventories                            |      | 232 603                | (226 250)           | 6 353            |
| Payables from exchange transactions    |      | (694 080)              | (5 268)             | (699 348)        |
| VAT Receivables                        |      | 57 861                 | 839                 | 58 700           |
| Property plant and equipment           |      | 3 249 553              | (24 152)            | 3 225 401        |
|                                        |      | <b>3 762 003</b>       | <b>(254 874)</b>    | <b>3 507 129</b> |

#### Statement of financial performance

##### 2023

|                             |                  |                  |                |
|-----------------------------|------------------|------------------|----------------|
| Revenue                     | 1 913 791        | 451 610          | 2 365 401      |
| Other income                | 100 345          | (18 804)         | 81 541         |
| Operating expenses          | (521 842)        | (434 212)        | (956 054)      |
| Gain/Loss on sale of assets | (153)            | (20 012)         | (20 165)       |
| Cost of sales               | (347 483)        | (324 649)        | (672 132)      |
|                             | <b>1 144 658</b> | <b>(346 067)</b> | <b>798 591</b> |

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**28. Prior-year adjustments (continued)****Errors**

The following prior period errors adjustments occurred.

**Receivables from exchange transactions, VAT Receivables and Other income**

During the current financial period, it was identified that a transaction, which included a management fee was erroneously recognised in the prior period. The invoice was reversed in the current period, necessitating an adjustment to both receivables and other income.

**Property, plant and equipment, Payables from exchange transactions, Operating expense**

During the review of the entity's financial records, it was identified that certain assets were incorrectly recorded in the financial statements necessitating adjustments. The specific nature of the error is some assets that were not captured in the valid accounting period, while some were incorrect classification. Specon pipeline project, which was certified to be complete in the prior year, the status of the project was erroneously recorded as work in progress. The effect of this transaction resulted in the understatement of depreciation, loss on disposal and overstatement of PPE in the financial statement.

Specon pipeline project, which was certified to be complete in the prior year, the status of the project was erroneously recorded as work in progress. The effect of this transaction resulted in the understatement of depreciation, loss on disposal and overstatement of PPE in the financial statement.

**Inventory, cost of sale and operating expense**

The entity corrected prior period error relating to the closing inventory calculation which was erroneously calculated without considering the water process units such as sedimentation, flocculation, filtration, forebays, pipelines, and reservoirs. The error relates to the change on closing inventory calculation from theoretical value to actual process units, which resulted in a decrease in water inventory closing balance.

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**28. Prior-year adjustments (continued)**

The entity also identified other errors related to operating expenditure. These errors pertain to transactions that were recorded in incorrect accounting periods. Specifically, certain expenses were recognised in periods that did not correspond to the occurrence of the transactions date. The affected comparative figures have been restated to reflect the correct accounting periods for these transactions.

**Revenue (Construction contract related revenue), other income, and operating expenses**

During the current financial year, the entity identified an error related to the initial recognition of construction contracts. The error led to incorrect reporting of revenue and operating expenses in previous financial statements. Specifically, revenue from construction contracts and related operating expenses were not properly recognised in accordance with the applicable standards. The restatement resulted in adjustments to both revenue and operating expenses in the comparative periods.

The initial recognition of construction contracts related revenue led to an reclassification adjustment to the previously reported amount of other income relating to managements fees from other income to construction revenue recognized in the statement of financial performance, The reclassification did not affect the net surplus or deficit for the periods in question but improved the presentation and classification of revenue in the financial statements to align with the construction related activities.

**Disclosure(s) – Commitments Operating lease**

During the current financial year, it was discovered that a contract previously disclosed under operating lease commitments which have been assessed and disclosed as a finance lease at the inception of the contract. The financial statements disclosure for prior periods have been restated to properly reflect the nature of the lease.

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### 29. Financial instruments disclosure

#### Categories of financial instruments

##### 2024

##### Financial assets

|                                        |   | At amortised cost | Total            |
|----------------------------------------|---|-------------------|------------------|
| Receivables from exchange transactions | 4 | 1 170 325         | 1 170 325        |
| Cash and cash equivalents              | 6 | 1 264 458         | 1 264 458        |
|                                        |   | <b>2 434 783</b>  | <b>2 434 783</b> |

##### Financial liabilities

|                                     |    | At amortised cost | Total   |
|-------------------------------------|----|-------------------|---------|
| Payables from exchange transactions | 10 | 748 254           | 748 254 |

##### 2023

##### Financial assets

|                                        |   | At amortised cost | Total            |
|----------------------------------------|---|-------------------|------------------|
| Receivables from exchange transactions | 4 | 916 023           | 916 023          |
| Cash and cash equivalents              | 6 | 631 763           | 631 763          |
|                                        |   | <b>1 547 786</b>  | <b>1 547 786</b> |

##### Financial liabilities

|                                     |    | At amortised cost | Total   |
|-------------------------------------|----|-------------------|---------|
| Payables from exchange transactions | 10 | 699 348           | 699 348 |

### 30. Risk management

#### Financial risk management

The board's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

The board's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the board's financial performance. Risk management is carried out by Risk and Audit committee under policies approved by the board. Risk and Audit committee identifies and evaluates financial risks in close co-operation with the entity's operating units. The board provide written principles for overall risk management, as well as written policies covering specific areas, interest rate risk, credit risk, and investment of excess liquidity.

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### 30. Risk management (continued)

There are no changes from previous in respect of the objectives, policies, and processes for managing risk.

#### 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.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

#### Maturity analysis 2024

|                                    | Less than 1 year | Between 1 and 5 years | Total   |
|------------------------------------|------------------|-----------------------|---------|
| Payables from exchange transaction | 748 254          | -                     | 748 254 |
| Finance lease obligation           | 929              | -                     | 929     |
|                                    | 749 183          | -                     | 749 183 |

#### Maturity analysis 2023

|                                    | Less than 1 year | Between 1 and 5 years | Total   |
|------------------------------------|------------------|-----------------------|---------|
| Payables from exchange transaction | 699 348          | -                     | 699 348 |
| Finance lease obligation           | 1 153            | 1 009                 | 2 162   |
|                                    | 700 501          | 1 009                 | 701 510 |

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**30. Risk management (continued)****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 assets exposed to credit risk at year end were as follows:

| Financial instrument                   | 2024      | 2023    |
|----------------------------------------|-----------|---------|
| Receivables from exchange transactions | 1 170 325 | 916 023 |
| Cash and cash equivalent               | 1 264 458 | 631 763 |

Credit risk is mainly concentrated in the receivables from exchange transactions which is further concentrated in the Water Board's municipal customers. Some of these customers are part of the receivables individually assessed for impairment as disclosed in note 4

**Market risk****Interest rate risk**

The Board analyses its interest rate exposure Interest rate risk management objective is to protect its funding plan and Assets and Liability Management (ALM) strategies from adverse fluctuations in market interest rates. To achieve this objective, it is the policy of the board to measure and manage its interest rate exposure both over the short and long term in order to protect and ensure continued financial sustainability. Wherever possible, the board manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate investments.

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**30. Risk management (continued)**

The interest rate risk refers to the susceptibility of the Water Board's financial positions to adverse fluctuations in market interest rates. Cash and cash equivalents as disclosed in note 6 includes variable interest rate call and fixed deposits. The entity's exposure to interest rate risk is as follows:

|                    |    |           |         |
|--------------------|----|-----------|---------|
| Short-term deposit | 12 | 1 240 959 | 614 118 |
|--------------------|----|-----------|---------|

**31. Irregular and fruitless and wasteful expenditure**

|                                                              |          |          |
|--------------------------------------------------------------|----------|----------|
| Opening balance as previously reported                       | 7        | -        |
| Add: Fruitless and wasteful expenditure identified - current | -        | 7        |
| <b>Total</b>                                                 | <b>7</b> | <b>7</b> |

**32. Segment 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 Sale of bulk water services: Sale of Potable, industrial water and section 30 services.

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.

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### 32. Segment information (continued)

#### Segment surplus or deficit

2024

| Revenue                                     | Sale of bulk water services | Section 30 services | Total            |
|---------------------------------------------|-----------------------------|---------------------|------------------|
| Revenue from non-exchange transactions      | 633 000                     | -                   | 633 000          |
| Revenue from exchange transactions          | 981 881                     | -                   | 981 881          |
| Section 30 income                           | -                           | 460 662             | 460 662          |
| Other segment income                        | 115 306                     | -                   | 115 306          |
| Interest income - Non exchange transactions | 55 760                      | -                   | 55 760           |
| Interest income - Exchange transactions     | 31 094                      | -                   | 31 094           |
| <b>Total segment revenue</b>                | <b>1 817 041</b>            | <b>460 662</b>      | <b>2 277 703</b> |
| <b>Entity's revenue</b>                     |                             |                     | <b>2 277 703</b> |
| <b>Expenditure</b>                          |                             |                     |                  |
| Cost of sales                               | 501 264                     | -                   | 501 264          |
| Labour costs                                | 170 939                     | 17 920              | 188 859          |
| Other expenses                              | 215 369                     | 416 016             | 631 385          |
| Depreciation & amortisation                 | 90 278                      | 29                  | 90 307           |
| Interest expense                            | 13 603                      | -                   | 13 603           |
| <b>Total segment expenditure</b>            | <b>991 453</b>              | <b>433 965</b>      | <b>1 425 418</b> |
| <b>Total segmental surplus</b>              | <b>825 588</b>              | <b>26 697</b>       | <b>852 285</b>   |

2023

| Revenue                                | Sale of bulk water services | Section 30 services | Total            |
|----------------------------------------|-----------------------------|---------------------|------------------|
| Revenue from non-exchange transactions | 1 132 984                   | -                   | 1 132 984        |
| Revenue from exchange transactions     | 780 807                     | -                   | 780 807          |
| <b>Section 30 income</b>               | <b>-</b>                    | <b>475 777</b>      | <b>475 777</b>   |
| Other segment income                   | 73 711                      | -                   | 73 711           |
| Interest income                        | 26 603                      | -                   | 26 603           |
| Interest income - non-exchange         | 11 759                      | -                   | 11 759           |
| <b>Total segment revenue</b>           | <b>2 025 864</b>            | <b>475 777</b>      | <b>2 501 641</b> |
| <b>Entity's revenue</b>                |                             |                     | <b>2 501 641</b> |
| <b>Expenditure</b>                     |                             |                     |                  |
| Cost of sales                          | 672 132                     | -                   | 672 132          |
| Other expenses                         | 166 836                     | 436 251             | 603 087          |
| Interest expense                       | 13 111                      | -                   | 13 111           |
| Segment labour cost                    | 173 428                     | 17 062              | 190 490          |
| Expected credit losses                 | 93 315                      | -                   | 93 315           |
| Depreciation & amortisation            | 89 327                      | -                   | 89 327           |
| <b>Total segment expenditure</b>       | <b>1 208 149</b>            | <b>453 313</b>      | <b>1 661 462</b> |
| <b>Total segmental deficit</b>         | <b>817 715</b>              | <b>22 464</b>       | <b>840 179</b>   |

Management regularly reviews information on segment surplus and deficit only and does not receive and review the segment assets and liabilities.

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**32. Segment information (continued)**

There have been no changes in the composition of reportable segments from prior year, and there are no transactions between the segments.

**33. Budget differences****Material differences between budget and actual amounts****Sale of goods**

The significant decrease in water sales revenue is primarily due to illegal water connections within the area of distribution. These unauthorised connections led to water being used without being billed, directly impacting the revenue collected.

**Administration and management fee**

Significant decrease due to management fee reclassification from other income to construction contract revenue to align construction-related revenue to the appropriate classification.

**Interest received - Water sales**

Non-compliance with agreed payment terms has resulted in the accrual of interest charges.

**Interest received – investment**

The higher-than-expected interest income is due to increased funds available. These funds were invested in higher-yielding financial instruments, resulting in greater interest earnings.

**Debt Impairment Recovery**

This favourable variance is due to improved debt collection efforts, including a key customer honouring a historic payment agreement. The improved cash flow led to a reversal of previously recognised impairments.

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**33. Budget differences (continued)****Revenue - (Budget Facility for Infrastructure)**

The variance arises because the budget for the transfer was not aligned with the Budget Facility for Infrastructure allocation in the year under review.

**Finance Income: non-exchange transactions**

The higher-than-expected interest income is due to increased funds available in ring-fenced accounts for the specific project. These funds were invested in higher-yielding financial instruments, resulting in greater interest earnings.

**Employee related cost**

Employee costs remained within the budgeted and expected ratio, indicating effective management of payroll expenses. This variance is not considered material as it falls within the acceptable range

**Depreciation and amortisation**

The depreciation and amortisation costs are in line with the entity's asset base and ageing infrastructure, reflecting the natural progression of asset use over time. Additional assets were transferred from work in progress to completed assets that were unbundled in the current year.

**Finance costs**

The increase in finance costs is due to a rise in the actuarial valuation of the post-retirement medical aid benefit obligation. This higher cost is driven by factors such as increased life expectancy of retirees, higher-than-expected healthcare inflation, and changes in the discount rate used to calculate the present value of future obligations.

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**33. Budget differences (continued)****Debt impairment**

The significant increase in recovery is attributed to the successful implementation of repayment agreements with key customers. These agreements, which were structured to be favourable and achievable for debtors, significantly reduce impaired debt.

**Cost of sales**

The cost of sales spending is within budget, while we manage the unavoidable rises in input costs, such as direct labour and energy prices. These costs are beyond the control of the entity but are necessary to maintain the quality and availability of clean potable water.

**Operating expenses**

The overspending in operating expenses is primarily due to construction contract-related expenditure, while other expenditure line items are underspent due to delays in the implementation of the procurement process for some activities.

**Construction contract revenue**

Previously, these projects were accounted for under the principal-agent arrangement, where the entity acted as an agent. Upon reassessment, it was determined that the entity is not an agent, leading to the recognition of these contracts in the financial statements to align with the construction-related activities.

**Other income – Operations and Maintenance**

Arising from costs recovered from the operation and maintenance services.

**Rental income**

Rental income includes a variable factor of utilities charged based on usage by the tenants.

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**33. Budget differences (continued)****Sundry income**

A significant contribution to the variance is the accrual of interest resulting from defaulting customers and the actuarial gains due to changes in estimates used in previous calculations.

**Recoveries**

Improved debt collection efforts, due to a key customer's payment agreement as well as a reversal of a portion of unpaid performance bonus provision.

**Impairment loss/reversal of impairment**

Arose from an impairment on assets under construction because the expenditures were incorrectly classified as capital costs for the project

**Differences between budget and actual amounts basis of preparation and presentation**

The annual financial statements and the budget are prepared on an accrual basis using a classification based on the nature of expenses. In some areas, the budget has a different presentation or classification format to the financial statements. In such cases, the actual amounts in the financial statements have been adjusted (aggregated/ disaggregated) to align with the budget format for comparison purposes in statement of comparison of budget and actual amounts.

**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.

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

The useful life of 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 983. Broken down per asset class as follows:

| <b>Asset class</b>      |              |
|-------------------------|--------------|
| Buildings               | 20           |
| Waterworks              | 157          |
| Computer Equipment      | 205          |
| Furniture and fixtures  | 41           |
| Machinery and equipment | 3 991        |
| Motor vehicles          | 553          |
| Telemetry               | 16           |
|                         | <b>4 983</b> |



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Water is our passion



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