



Magalies Water

Annual Report 2012/13

LIST OF ACRONYMS

AGSA	Auditor-General of South Africa
BCM	Business Continuity Management
CAPEX	Capital Expansions
CoT	City of Tshwane
DIFR	Disabling Injury Frequency Rate
DWA	Department of Water Affairs
EBITDA	Earnings before Interest Tax Depreciation and Amortisation
ERM	Enterprise Risk Management
ICT	Information Communications and Technology
IFRS	International Financial Reporting Standards
ISO	International Standards Organisation
IT	Information Technology
Kg	Kilograms
Kl	Kilolitres
mg/l	milligrams per litre
ML/d	Megalitre per day
MoU	Memorandum of Understanding
MSP	Master Systems Plan
MW/day	Megawatts per day
NPV	Net Present Value
NQF	National Qualifications Framework
PWS	Pilanesberg Water Scheme
SANS	South African National Standards
SMME	Small Medium and Micro Enterprise
TUT	Tshwane University of Technology
WTP	Water Treatment Plant

Vision

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



Magalies Water

Mission

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

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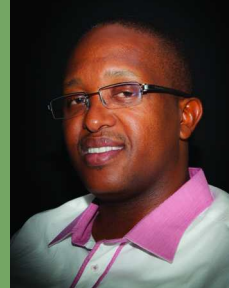
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GM Corporate Services position vacant

Strategic overview

Strategic intent

Establish basic foundation, progress to focused improvements and expansion to sustainable growth in delivery of mandate.

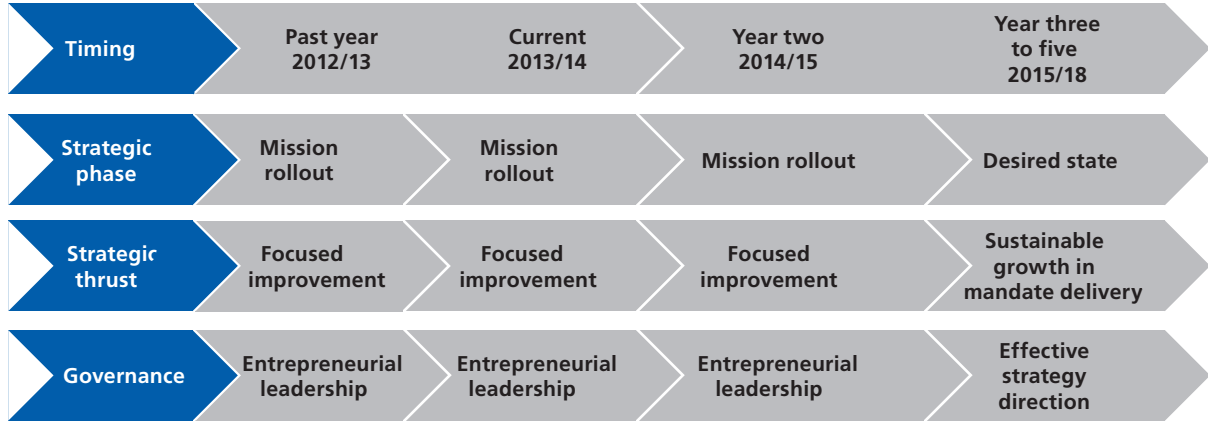
Corporate values



Strategic trajectory

Magalies Water set out a strategic progression and expects to maintain delivery of the desired state in the year 2016/17. The strategic progression is set out below:

Figure 1: Magalies Water strategic progression



The Board has further, identified the following three strategic focus areas:

Focus area	Focus area drivers
Sustainability and growth	<ul style="list-style-type: none"> • Volumes growth • Implementation of capital expansion projects • Strategic collaborations and partnerships • Train, mentor and capacitate employees
Corporate citizenship	<ul style="list-style-type: none"> • Health and safety • Sustainable impact on the environment • Positive impact on communities
Corporate governance	<ul style="list-style-type: none"> • Process improvements



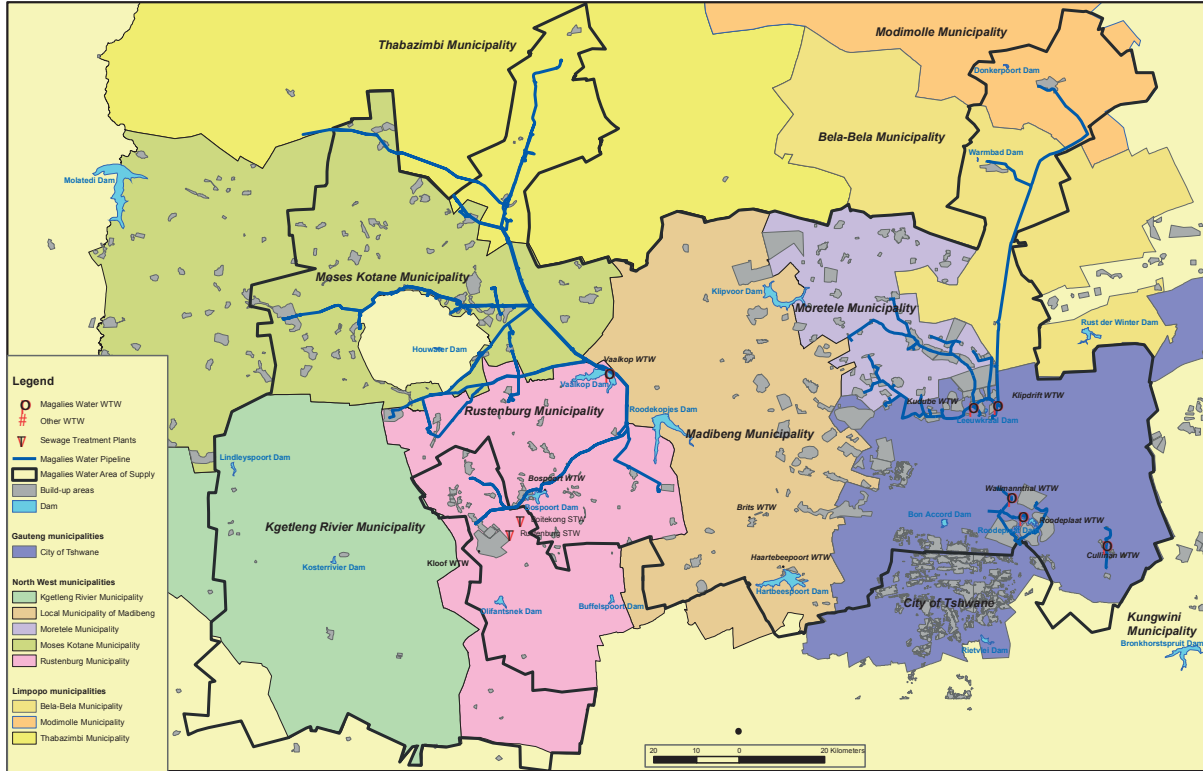
Overview of business activities



Overview of business activities

Supply area

Figure 2: Map of supply area



Magalies Water's Mandate

Magalies Water is established in terms of the Water Services Act, (Act 108 of 1997). The mandate of Magalies Water is to provide bulk water services to Water Services Authorities and other Water Services Institutions within the service area.

Magalies Water operates in an area of 42 000 km² across three provinces of North West, Limpopo and Gauteng and two major catchments being the Crocodile and the Olifants River catchments supplying the following Water Services Authorities:

Table 1: Municipalities supplied by Magalies Water

Municipality	Province
Moses Kotane Local Municipality	North West
Rustenburg Local Municipality	North West
Thabazimbi Local Municipality	Limpopo
Bela-Bela Local Municipality	Limpopo
Modimolle Local Municipality	Limpopo
City of Tshwane Metropolitan Municipality	Gauteng

Magalies Water supplies bulk water to other customers being the mines, industry and other Water Services Institutions including Rand Water.

The municipalities mentioned above are supplied from the following bulk water supply systems:

Table 2: Supply systems servicing municipalities

Municipality	Supply system			
	Vaalkop	Klipdrift	Wallmannsthal	Cullinan
Moses Kotane Local Municipality	√			
Rustenburg Local Municipality	√			
Thabazimbi Local Municipality	√			
City of Tshwane Metropolitan Municipality		√	√	√
Modimolle Local Municipality		√		
Bela-Bela Local Municipality		√		

Bulk infrastructure

Magalies Water owns and operates the Vaalkop, Klipdrift, Cullinan and Wallmannsthal Water Treatment Plants. The entity's infrastructure also includes bulk reservoirs and pipelines as indicated below:

Table 3: Magalies Water bulk infrastructure

Name	Design capacity (ML/day)	Pipeline length (km)	Reservoir storage capacity (ML/day)
Vaalkop WTP	210	575	306
Klipdrift WTP	18	150	1
Cullinan WTP	16	10	10
Wallmannsthal WTP	12	36	32
Total	256	771	349

Vaalkop Water Treatment Plant

Vaalkop WTP has a design capacity of 210ML/day. Raw water is abstracted from the Vaalkop and the Roodekopjies dams in the Crocodile River catchment.

Klipdrift Water Treatment Plant

Klipdrift WTP has a design capacity of 18ML/day and the water produced from this plant is supplied across the two Provinces being Limpopo and Gauteng. Raw water is abstracted from the Roodeplaat Dam in the Pienaars River catchment.

Cullinan Water Treatment Plant

The Cullinan WTP has a design capacity of 16ML/day and supplies water mainly to the Cullinan Diamond Mine and the City of Tshwane (CoT). Raw water is abstracted from the Bronkhorstspruit Dam in the Pienaars River catchment.

Wallmannsthal Water Treatment Plant

Wallmannsthal WTP has a design capacity of 12ML/day and supply water mainly to the CoT. The individual domestic customers are also directly supplied from this plant. Raw water is abstracted from the Roodeplaat Dam in the Pienaars River catchment.



Chairperson's report



On behalf of the entire Board we are excited to present Magalies Water's Annual Report for the financial year 1 July 2012 to 30 June 2013. The Annual Report forms the basis of reporting of Magalies Water to the Shareholder and all stakeholders on the performance of the organisation for the year under review. The tabling of the Annual Report is also in compliance with the provisions of the Public Finance Management Act, 1999 (Act 1 of 1999).

The year under review has seen an aggressive approach by our Government to invest in infrastructure development. This infrastructure development focus is embedded in the National Development Plan (NDP). Magalies Water is expected to align its activities in the water sector and play a role in the delivery of water infrastructure. One of Magalies Water's key focus areas is to accelerate infrastructure development in line with the imperatives of the NDP. The organisation's current strategic phase is that of "mission rollout" through rollout of infrastructure.

To date our major capex projects include the construction of the Pilanesberg Water Scheme and the upgrade of our major water production facilities being Vaalkop and Klipdrift. These projects will indeed enhance delivery of water in our area of service.

I am pleased to also report that adequate financial resources have been allocated in order to implement these projects and at the end of the 2012/13 financial year, 43% of the planned expenditure on infrastructure roll out was spent. It is therefore expected that there will be vigilance in the 2013/14 financial year in terms of capital expansion roll out.

Additional information on the organisation's capital expansions appear in detail in the body of this annual report.

We take pride in stakeholder interaction as Magalies Water has developed a stakeholder matrix to identify each key stakeholder and developed an implementation framework for stakeholder engagement. This framework has been successful

as the organisation has been able to interact with key stakeholders and received regular feedback on key matters. This has been done on the basis that the Board is cautious of the fact that stakeholder perceptions may have an impact on the reputation of the entity and there shall be continuous efforts to strengthen and streamline stakeholder engagement processes.

We are also pleased of the efforts by management to strengthen controls within the organisation. Oversight by the Board has been effective in resolving the majority of the audit findings of the previous financial year by the Auditor-General hence the unqualified audit opinion from the Auditor-General for the period under review. The Board acknowledges the irregular expenditure incurred amounting to R1,7 million. However, this expenditure was incurred in support of business requirements and was not a financial loss to the organisation. The matter is being addressed through strengthening our internal controls and the Board exercising its oversight role on this and all other matters raised by the Auditor-General.

We have noted the efforts by the Honourable Minister of Water and Environmental Affairs to speed up water service delivery in the areas hardest hit by water shortages. This has culminated in the decision by the Honourable Minister to realign and strengthen the Water Boards. The Board of Magalies Water is in full support of this initiative and will facilitate achievement of the objectives of the Institutional Realignment and Reforms in the water sector.

I am pleased with the performance of the organisation as most targets set were achieved for the year under review. Infrastructure implementation shall remain the key focus area in the next planning cycle of the organisation.

The term of office of the Board expires at the end of June 2013. This allows for an opportunity to take stock of the challenges faced by the Board since assuming office.

We are proud of our record indicating establishment of the organisation's strong foundation and the achievement of significant milestones through management and the Board.

Despite all the challenges faced by the organisation, I am confident that this Board has laid a strong foundation for the organisation to succeed going forward. I trust that the new Board will continue to deliver on the mandate as prescribed in the Water Services Act (Act 108 of 1997).

Board Committees led by competent Chairpersons have continued to support the Board in enhancing its effectiveness and have thoroughly debated and concluded matters tabled before them and escalated their recommendations to the Board for approval.

As an outgoing Board, I wish to express my appreciation to the staff, Executive Management team for the commitment shown in turning around the organisation to its full potential. A special word of appreciation goes to the Honourable Minister, Honourable Deputy Minister, Chairperson of the Portfolio Committee and the members of the committee for their continued support and guidance during the year under review.



Prof MI Jahed
Chairperson

Chief Executive's report



This report details performance of Magalies Water for the 2012/13 financial year. Magalies Water's set objectives and targets informed management actions during the financial year under review.

Performance was monitored against predetermined strategic objectives, which are presented in part 4 of this report.

The predetermined strategic objectives are aligned to the four Balanced Scorecard perspectives being, customer and stakeholder, finance, internal processes and learning and growth.

Stakeholder perspective

The organisation manages stakeholder perspective through the stakeholder matrix. This approach identifies the stakeholders, their influence to the organisation and value proposition for effective management of the stakeholder. Stakeholder engagement has contributed significantly to the success of the organisation. Such successes include mobilisation of financial resources for rollout of the organisation's capex programme, compliance with Shareholder expectations, governance and reasonable performance regarding debtors collection.

The quality of the raw water continues to deteriorate and has an adverse impact on the throughput of the water treatment plants in terms of both product quantity and quality. Despite the deteriorating raw water quality, the organisation continues to produce potable water that complies with the SANS241: Class 1 Standards.

Various efficiency targeting initiatives were undertaken such as energy saving initiative at the Vaalkop WTP. Significant energy savings are expected once the intervention is fully implemented at this site.

The water sales budget for the year was not met due to capacity constraints at our significant treatment plants. This aspect is, however, being addressed through the capacity upgrades that are already in progress.

Finance perspective

All the finance targets have been achieved although profits have declined as compared to the previous financial year. The decline in profit is due to production capacity constraints and costs that are increasing more than inflation. This, however, does not pose any risks to the financial viability and sustainability of the organisation.

A net surplus to an amount of R29 million is reported and it is expected that surplus will improve as production capacity improvement projects are completed.

The financial position is strong and will continue to strengthen with the continuing rollout of capital expansions to enhance the asset base and production capacity of the organisation. To date the organisations PPE is R718 million; which is a year on year improvement of R21 million. This improvement is as result of capital expansions and restatement of PPE figures due to capital assets transferred by the Mines upon completion of the section of the PWS North.

Internal processes

In order to achieve internal compliance and efficiency in delivery of our mandate, a number of policies particularly within the human resources and ICT realm were approved by the Board. This is set to continue in the forthcoming financial year as part of the continuous and focused improvements in the way Magalies Water conducts business.

Learning and growth

The employees are a critical input to the organisation's strategic management process and retention of personnel has been one of the key success factors of the organisation. Our staff turnover was 1,2% below our acceptable maximum of 3%. Efforts were made to recruit and retain capable personnel. Inhouse talent was also identified for new opportunities and these employees have thus far, met the expectations of their new responsibilities. This approach was in line with the following organisation's human resources statement "We will develop a process to manage that we have the right number and mix of willing, competent, capable and empowered staff to effectively deliver on the strategic outcomes and efficiently meet our corporate objectives".

An organisational culture survey was also conducted to measure the beliefs and perceptions of staff and interventions of the surety findings are to be carried out in the forthcoming financial year.

Continuous support is being provided to municipalities in our supply area. Significant intervention was carried out at the Kgetleng Rivier Local Municipality to avert a health and environmental hazard caused by overflowing septic tanks. Magalies Water's response in this regard was to install a sewage treatment package plant as a solution to this problem.

Governance continues to be an intrinsic element of Magalies Water operations and is an important strategic focus area of the organisation. Risk management, business continuity and fraud prevention continues to be key instruments that enable the organisation to manage and mitigate risks in its challenging operating environment.

In order to ensure reliable water services to our customers, we are working closely with all the stakeholders to align our infrastructure planning with that of municipalities and Government in general. A current and future capital expansion master plan was compiled to effect medium and long-term planning of infrastructure. Consultations on the organisation's evolving Infrastructure Master Plan were carried out with the customers and the Shareholder.

The construction of PWS has commenced with upgrades at the Vaalkop WTP to increase capacity of the plant by 30ML/day. Upgrades at our Klipdrift WTP have also commenced in order to meet the water needs of our

customers. The capital expansion programme is at the centre of our strategic progression and will assist Magalies Water to achieve greater operational efficiencies and enhancement of access to water by benefiting communities.

My humble gratitude goes to:

- the employees of Magalies Water whose efforts have enhanced organisation's performance;
- Water Services Authorities in our area of operation and the stakeholders at large for their continued support of our efforts to deliver on our mandate;
- The Board Chairperson and the Board in its entirety for their collective leadership of the organisation; and
- Honourable Minister of Water and Environmental Affairs, the Honourable Deputy Minister, Chairperson of the Water and Environment Portfolio Committee and officials from the Department of Water Affairs for constructive engagements during the period.



M Dlamini
Chief Executive

Corporate governance



From left to right

Standing: William Mahlangu, Tsholofelo Monewe, Talitha Zondi, Priscilla Nkwinika, Mpho Hlahla, Mohamed Jahed

Seated: Teboho Mohapi, Diswai Sibanda

Board of Directors



Professor Mohamed Jahed
Chairperson of the Board



Talitha Zondi
Chairperson: Audit and Risk Committee
Member: Human Resources and Remuneration Committee



William Mahlangu
Member: Human Resources and Remuneration Committee
Member: Technical Committee



Priscilla Nkwinika
Chairperson: Human Resources and Remuneration Committee
Member: Technical Committee
Member: Finance Committee



Teboho Mohapi
Member: Audit and Risk Committee
Member: Technical Committee



Mpho Hlahla
Chairperson: Technical Committee
Member: Finance Committee



Diswai Sibanda
Chairperson: Finance Committee
Member: Human Resources and Remuneration Committee



Tsholofelo Monewe
Member: Human Resources and Remuneration Committee
Member: Finance Committee



Mboniseni Dlamini
Chief Executive
Ex officio member

Board overview

Magalies Water adheres to the principles of good Corporate Governance including compliance with applicable legislation and best practices.

Members of the Board are appointed by the Honourable Minister of Water and Environmental Affairs in terms of Schedule One of the Water Services Act (Act 108 of 1997). The term of office of the Board is for a period not exceeding four years. The Board is made up of eight non-executive Board members and one Executive Board member. This Board was appointed on 1 July 2009 and the term of office expired on the 30 June 2013. The Honourable Minister of Water and Environmental Affairs has extended the term of the Board until the new Board is appointed.

Board Charter

The Board has adopted a Board Charter which outlines its roles and responsibilities to retain full and effective control over the organisation. The Board Charter lists the roles and responsibilities of the Board as, amongst others, being the following:

- To ensure that objectives of the shareholder are achieved
- To contribute to and adopting the business plan
- To strive to achieve the financial viability of the organisation
- To ensure that there is an effective risk management system
- To ensure that the annual financial statements which objectively represent the affairs of the organisation are prepared for each financial year
- To comply with legislation and applicable best practices
- To be responsive to perceptions that affect the reputation of the organisation
- To ensure that the organisation is and is seen to be a responsible corporate citizen

The Board is of the opinion that it has adhered to the Board Charter during the year under review. The Board annually considers, debates and approves with or without amendments the strategy presented by the Chief Executive.

Shareholders compact

Magalies Water has concluded a Shareholders Compact with the Executive Authority for the year under review as required by the Public Finance Management Act (Act 1 of 1999). This Compact sets out the performance parameters for Magalies Water as agreed with the Executive Authority. Quarterly Reports on the performance of the organisation against predetermined objectives and performance parameters were submitted to the Shareholder during the period under review.

Board members

The Board of Magalies Water is comprised of the following members:

Professor MI Jahed (Chairperson)
 Ms TF Zondi
 Ms MA Hlahla
 Mr WB Mahlangu
 Ms PN Nkwini
 Mr DR Sibanda
 Ms TD Monewe
 Mr TT Mohapi
 Mr OM Dlamini (Chief Executive)

Committees of the Board

The effectiveness and efficiency of the Board is enhanced by the following four Board committees:

- Technical Committee
- Finance Committee
- Human Resources and Remuneration Committee
- Audit and Risk Committee

All Board committees operate in terms of approved terms of reference.

Chairpersons of Board committees

Technical Committee: Ms MA Hlahla
 Human Resources and Remuneration Committee:
 Ms PN Nkwini
 Audit and Risk Committee: Ms TF Zondi
 Finance Committee: Mr DR Sibanda

Technical Committee

The purpose of the Technical Committee is to consider technical matters relating to Magalies Water and to make recommendations to the Board on technical matters. Four Board members serve on the Technical Committee, namely:

Ms MA Hlahla (Chairperson)
Mr WB Mahlangu
Mr TT Mohapi
Ms PN Nkwinika

Finance Committee

The Finance Committee considers and makes recommendations to the Board on all finance matters. Four Board members serve on the Finance Committee, namely:

Mr DR Sibanda (Chairperson)
Ms MA Hlahla
Ms TD Monewe
Ms PN Nkwinika

Human Resources and Remuneration Committee

The purpose of the Human Resources and Remuneration Committee is to consider all Human Resources and Remuneration matters and makes recommendations to the Board. Five Board members serve on the Human Resources and Remuneration Committee, namely:

Ms PN Nkwinika (Chairperson)
Mr WB Mahlangu
Mr DR Sibanda
Ms TD Monewe
Ms TF Zondi

Audit and Risk Committee

The roles and responsibilities of the Audit and Risk Committee are as set out in Regulation 27 of the Public Finance Management Act (Act 1 of 1999).

Four Board members serve on the Audit and Risk Committee, namely:

Ms TF Zondi (Chairperson)
Mr TT Mohapi
Mr EB Mabena (External member)
Ms JM Ramataboe (External member)

Board and committees attendance

Board

Member	Attendance
MI Jahed	4 out of 6
MA Hlahla	6 out of 6
TF Zondi	5 out of 6
WB Mahlangu	5 out of 6
TT Mohapi	6 out of 6
LC Gwangwa*	0 out of 6
DR Sibanda	6 out of 6
TD Monewe	6 out of 6
PN Nkwinika	6 out of 6

Technical Committee

Member	Attendance
MA Hlahla	5 out of 5
WB Mahlangu	2 out of 5
LC Gwangwa*	0 out of 5
TT Mohapi	5 out of 5
PN Nkwinika	5 out of 5

Finance Committee

Member	Attendance
DR Sibanda	6 out of 6
MA Hlahla	5 out of 6
PN Nkwinika	6 out of 6
TD Monewe	6 out of 6

Audit and Risk Committee

Member	Attendance
TF Zondi	7 out of 7
BE Mabena	7 out of 7
JM Ramataboe	4 out of 7
B Magongwa**	3 out of 7
LC Gwangwa*	0 out of 7
TT Mohapi	7 out of 7

Human Resources and Remuneration Committee

Member	Attendance
PN Nkwini	9 out of 9
WB Mahlangu	4 out of 9
DR Sibanda	9 out of 9
TD Monewe	8 out of 9
TF Zondi	6 out of 9

Changes to the Board

- * By operation of the law being schedule 1 of the Water Services Act (Act No 108 of 1997) Mr LC Gwangwa ceased to be a Board member with effect from the 16 November 2012.
- ** Ms B Magongwa tendered her resignation from the Audit and Risk Committee with effect from 17 May 2013 and consequently ceased to be the member of this committee.

Risk management

Enterprise risk management

The Board through its Audit and Risk Committee provides oversight of risk management by reviewing management reports and providing guidance on a quarterly basis. During the year under review Magalies Water continued to implement Enterprise Risk Management (ERM) as a formal and systematic response to all key risks facing the organisation. ERM is an integrated approach that supports the alignment of strategy, process, people, and technology, to allow Magalies Water to identify, prioritise, and effectively manage all the risks that it is exposed to.

The approach towards ERM is underpinned by:

- effective support of corporate strategy implementation
- proactive risk identification
- integrated and holistic management of risks
- continuous risk assessment
- re-evaluation by management and oversight structures
- effective communication
- clearly defined management roles and responsibilities communicated to various stakeholders

Through an objectives-based risk assessment, Magalies Water was able to review and assess the ten strategic risks in line with the approved risk management methodology and the outcome was as follows:

Table 4: Rating of top ten strategic risks

Level of risk assessment	Number 2012/13	Number 2011/12
Critical	One	One
High	Three	Three
Moderate	Five	Six
Low	One	

The top ten risks are as follows:

Customer and stakeholder perspective

- Bulk water infrastructure constraints
- Water resources
- Reputation
- Section 30 portfolio

Finance perspective

- Revenue collection
- Tariff structure

Learning and growth perspective

- Skills (knowledge, competence and attitude)
- Performance management

Internal processes perspective

- Legal and compliance
- ICT Governance

Business continuity management (BCM)

Magalies Water is committed to ensuring the continuity of its business operations and has adopted business continuity management practices used in the sector.

Components of Magalies Water BCM are as follows:

- BCM policy
- Business impact/risk assessment
- Business continuity plan
- Crisis management
- BCM testing
- Disaster recovery plan

Fraud prevention

This governance imperative was strengthened through implementation of the Fraud and Corruption prevention policy as well as the Fraud Prevention Plan. Employees were further educated on fraud prevention as part of the fraud awareness initiatives.

The administration of the fraud prevention hotline monitoring is outsourced and all the reports received during the year under review were investigated through internal audit with outcomes reported at the Audit and Risk Committee. The Board and Management remain committed to the continuous improvement in the implementation of the risk management systems in order to enhance corporate governance and organisational performance.

Financial misconduct

There were several cases during the financial year where irregular expenditure was incurred. Subsequent to deliberations of Executive Management, it was noted that such expenditure was incurred in support of business requirements. Management has further put measures in place to ensure that there is compliance with Supply Chain Management regulations and written warnings were issued where necessary. No losses were however incurred by Magalies Water as a result of irregular expenditure reported.

Ministerial directives

There were no Ministerial directives during the year under review.



Actual performance against
predetermined objectives



Performance review

The balanced scorecard is utilised as a strategic management instrument to ensure effective strategy implementation across the four perspectives being, customer and stakeholder, finance, internal processes, and learning and growth.



Performance of Magalies Water can be summarised as follows:

- The total number of targets achieved is 22, which is 82% of the total targets
- The total number of partially achieved targets is 4, which is 15% of the total targets
- The total number of targets not achieved is 1, which is 3% of the total targets

A target that was not achieved relates to the implementation and institutionalisation of the performance management system. It was planned that during the financial year under review, performance management system will be implemented for management levels P4 to P6. This initiative was not implemented due to leadership challenges within the Corporate Services division which has since been resolved.

The tables below indicate how Magalies Water has performed against the corporate scorecard:

Customer and stakeholder perspective







Strategic objective	Indicator	Target	Achievement	Colour achievement indicator	Variance explanation
To manage Stakeholder relations	% compliance with stakeholder engagement plan	100%	100% compliance with the stakeholder engagement cycle		
To contribute to the conservation of our natural environment and socio-economic development	Green economy programmes; Environmental health; Water conservation; Alternative energy sources	Available Green Economy plans	<p>Environment: ISO 14001 recertification for all the plants</p> <p>Energy efficiency: Vaalkop was identified as an energy saving site</p> <p>Alternative energy sources: Solar panels installed at outpost reservoirs</p> <p>Water conservation: Water abstraction has been within the allocated quota</p> <p>Education and awareness: SHE training activities were carried out</p>		

Legend:

Achieved Partially achieved Not achieved



Customer and stakeholder perspective (continued)

Strategic objective	Indicator	Target	Achievement	Colour achievement indicator	Variance explanation
	Compliance to socio-economic and environmental objectives in CAPEX	Records of decision	Environmental aspects were considered in CAPEX implementation		
To provide a safe and healthy work environment	DIFR	<1 DIFR	0,8		The less that 1 DIFR was achieved due to occupational safety awareness at the plants.
To provide sustainable water services	Sustain/increase water sales volumes	1% increased water sales volumes	0,2% increased water volumes		The desired volumes were not achieved due to poor raw water quality that adversely affected the throughput and downtime due to power interruptions.
	Ensure 95% to water quality compliance to SANS241	95% water quality compliance to SANS241	98,5%		The target was over achieved due to proactive water sampling and testing procedures that are performed in compliance with the SANS 241 standards.
	Plant availability	95% plant availability	96% plant availability		The asset performance metrics were achieved as the water producing assets were operational to capacity during the financial year.
	Assets maintained (plant availability)	>98% assets maintained	93% task compliance		Some of the maintenance tasks could not be completed due to high water demand and plants could not be made available to perform maintenance.






Legend:

Achieved

Partially achieved

Not achieved



Strategic objective	Indicator	Target	Achievement	Colour achievement indicator	Variance explanation
	Bulk supply agreement balance scorecard	100% compliance	Scheduled meetings with bulk supply customers were undertaken		
	Percentage (%) capacity utilisation <ul style="list-style-type: none"> % plant utilisation % fixed assets utilisation 	<ul style="list-style-type: none"> 90% plant utilisation 75% fixed assets utilisation 	<ul style="list-style-type: none"> 85% plant utilisation 82% fixed assets utilisation 	 	The asset performance metrics were achieved as the water producing assets were operational to capacity during the financial year.
Increase the capacity of bulk infrastructure	CAPEX projects implemented	As per the approved CAPEX project plan	18 projects have commenced as per the approved CAPEX plan		Projects are multi-year and there will be continuous implementation during the 2013/14 financial year. The project rollout capacity was successfully procured seven months before financial year-end and hence the delay in the rollout. The CAPEX rollout capacity has now been resolved.
	Signed new off-take agreement	As per application	Off-take agreements that were outstanding for Wesizwe and Maseve mines have been concluded		

Legend:





Achieved

Partially achieved

Not achieved



Finance perspective

Strategic objective	Indicator	Target	YTD achievement	RAG colour achievement indicator	Variance explanation
To achieve sustainable financial returns	Return on equity	3%	3%		
Effective management of financial risks	Operating surplus to sales	2%	12%		This was achieved due to monitoring of costs across the business and reporting on finances that takes place at the Executive Management meetings.
To achieve value for money, effectiveness, and efficiency in resource deployment	Cost/revenue	90%	88%		This was achieved due to monitoring of costs to income and reporting on finances that takes place at the Executive Management meetings.
To conduct effective section 30 business	Return on section 30 activities	Positive NPV	Positive NPV (Management fees to an amount of R5,8 million earned on section 30 contracts)		

Legend:

Achieved

Partially achieved

Not achieved





Internal processes perspective

Strategic objective	Indicator	Target	YTD achievement	RAG colour achievement indicator	Variance explanation
To develop business effectiveness and efficiency	% development and compliance to process, procedures and policies	50% of the policies within plan	50% policies approved within the Corporate Services division as per the inventory of policies		
	Unqualified audit	100% (annual target)	2011/12 audit opinion is unqualified		
	Implement approved risk management processes	100%	Strategic risk register is approved by the Board and is being implemented		
To provide efficient ICT infrastructure and system for the organisation to deliver on its mandate	Develop ICT Master Systems Plan supporting MW operations	Develop ICT strategy and policies	The ICT MSP is 80% developed		Appointment of the service provider to perform the assignment was delayed due to capacity constraints within the ICT division. Development of a Master Systems Plan was completed after year end.
To contribute towards developmental initiatives in communities within our area of service	Implementation of community developmental initiatives	100% implementation of identified initiatives	Database of SMME's developed and SLA's concluded for repetitive services		

Legend:






Achieved

Partially achieved

Not achieved



Learning and growth perspective

Strategic objective	Indicator	Target	YTD achievement	RAG colour achievement indicator	Variance explanation
To improve competency levels of staff to match growth organisational competencies with growth opportunities	% of people that match growth opportunities	10% improvement on baseline (annual target)	Training was done on various skills to improve competency levels. 46% of staff trained in relation to the total workforce.		
	Staff turnover	<3%	1,8%		There were few resignations in the organisation and critical skills were retained during the financial year.
	Achieve an average score of 3 (of 1 to 5 scale) to improve organisational culture	An average of 3 out of 5	Average score of 3 was obtained		
To improve employee performance and service delivery	% institutionalisation of Performance Management System	Managers (P4 to P5)	This has not been achieved due to constraints within the Corporate Services division.		The indicator has not been achieved due to capacity constraints within the Corporate Services division.
To contribute towards transformational projects	Number of programmes initiated	Baseline is 7	Seven (7) initiatives were performed during the year: <ul style="list-style-type: none"> – HIV/Aids programme – Learnership programme – Internship programme – External bursaries – Mandela day initiatives – Experiential training (MoU with TUT) – Sanitation programme at Mazista 		

Legend:

Achieved

Partially achieved

Not achieved





Customer and stakeholder perspective

The achievements that gave effect to achievement of this strategic objective are as follows:

To manage stakeholder relations

During the year under review, Magalies Water continued with its focus on stakeholders in order to enhance partnerships and foster support to achieve strategic objectives. The Board appreciates that stakeholder perceptions affect Magalies Water's reputation and is also fully aware that stakeholder perceptions and performance of Magalies Water should be managed in order to enhance and protect Magalies Water's reputation. A set of Stakeholder Value Propositions were approved for implementation so as to embed stakeholder interests and expectations in the decision-making processes of Magalies Water.

Figure 3: Business cycle compliance

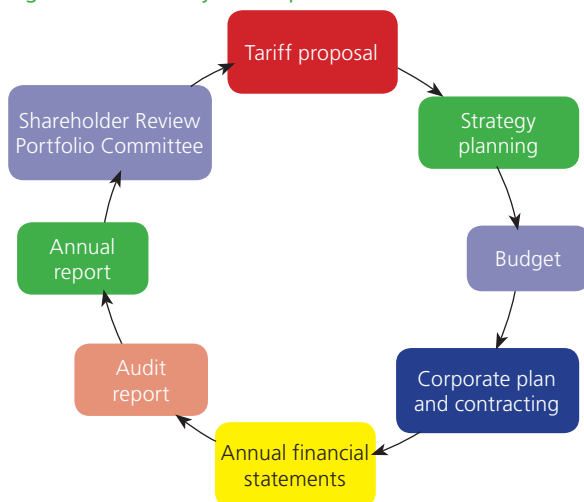


Figure 3 above, indicates the compliance cycle which informs the basis of the planning cycle for the year. All the planning cycle milestones were met.

The target set for the year under review in terms of stakeholder engagement has been achieved.

To contribute to the conservation of our natural environment and socio-economic development

The following initiatives were instrumental to achievement of the environmental objective:

Environment

The total raw water abstraction license for Magalies Water is 108 186 000kl per annum. The actual raw water abstracted was 85 823 600kl per annum which is 79,3% of the total abstraction limit, thus Magalies Water complying with the license conditions and contributing towards conservation of the natural water resource.

Energy efficiency

Energy efficiency is a technical intervention towards energy savings in order to achieve operational efficiencies. The energy efficiency initiatives were implemented during the year under review at the Vaalkop WTP which is Magalies Water's largest water treatment plant. This technical intervention is targeting energy savings of up to 2,62MW/day in the coming year at the Vaalkop plant.

Compliance with ISO 14001 standards

Magalies Water continues to comply with the best environmental practices and ensures compliance with set standards. Subsequent to the audit conducted by the South African Bureau of Standards, an ISO 14001 recertification was achieved at all the operations sites during the year under review.

Optimisation of chemicals use

Magalies Water continuously optimises utilisation of chemicals however the overall chemical usage for the year under review increased from 21,2mg/l to 22,7mg/l. This is attributable to the deterioration in the quality of raw water. The overall utilisation of chemicals is as follows:

Table 4: Utilisation of chemicals

Chemical usage	Units	2012/13	2011/12
Polymer	Kg	581 540	488 818
Lime	Kg	553 660	519 680
Chlorine	Kg	542 866	558 935
Powdered activated carbon	Kg	97 120	26 643
Ammonia	Kg	152 310	137 162
Copper Sulphate	Kg	1 125	2 250
Ferric Chloride	Kg	23 324	31 767
Total chemical usage	Kg	1 951 945	1 765 164
Total volume treated	Kl	85 823 600	83 353 751
Total dosage	mg/l	22,7	21,2

To provide a safe and healthy work environment

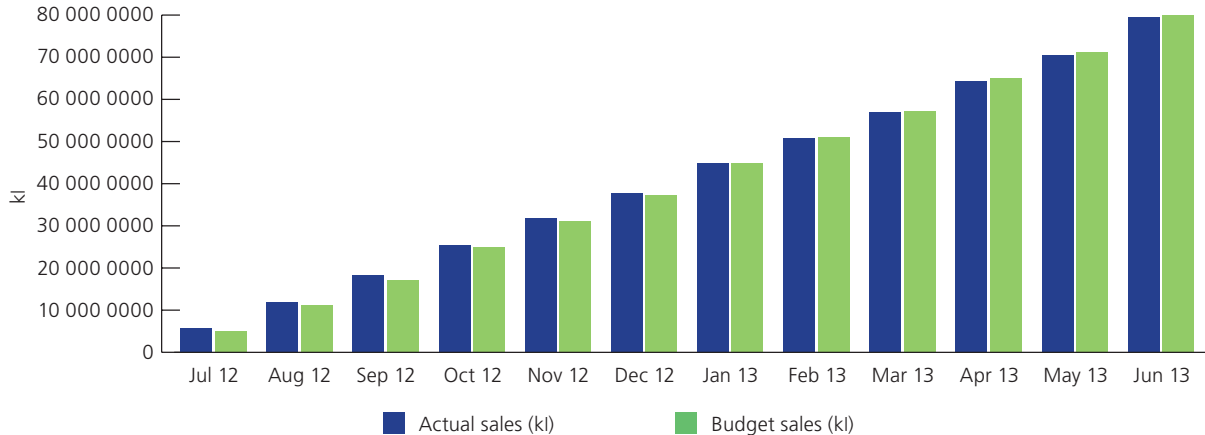
Magalies Water complies with the Occupational Health and Safety Act, 2005 (Act 85 of 1993) and other safety standards. The Disabling Injury Frequency Rate (DIFR) is used as a benchmark to measure the extent to which a safe working environment is maintained. The rate of DIFR achieved for the year is 0,8 against the set target of 1,0 which is attributed to training, education and safety awareness campaigns conducted in the organisation.

To provide sustainable water services

The total sales volumes target for the year under review was 79 979 000 kilolitres, however, the actual achievement was 0,8% below the set target. The adverse sales volumes variance is a result of lower production rates and high water loss through frequent filter backwashing in order to treat deteriorating quality of raw water.

The following, graphically represents the bulk sales achieved for the year under review:

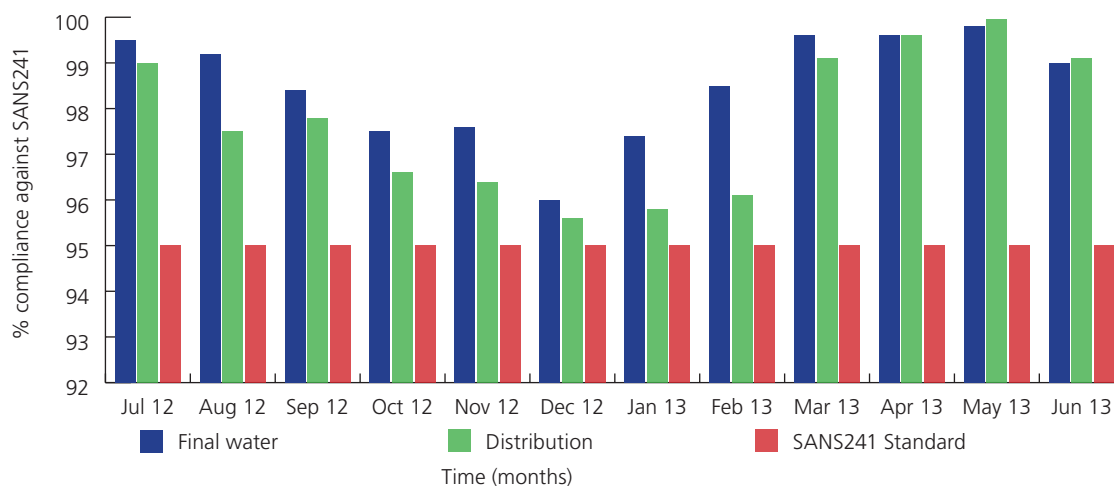
Graph 1: Actual bulk water sales compared to budget



Ensure 95% water quality compliance to SANS241

Notwithstanding the poor raw water quality, Magalies Water managed to achieve the SANS241 standard for potable water quality. Actual performance of 98,5% against the target of 95% SANS241: Class 1 Standard was achieved. The following, graph presents the quality profile of potable water:

Graph 2: Potable water quality profile



Plant capacity utilisation

The water producing assets were continuously operational for 96% of the time during the year under review and plant capacity utilisation of 85% was achieved. The assets have also been continuously maintained hence a 93% task compliance to the planned maintenance programme.

Increase the capacity of bulk infrastructure

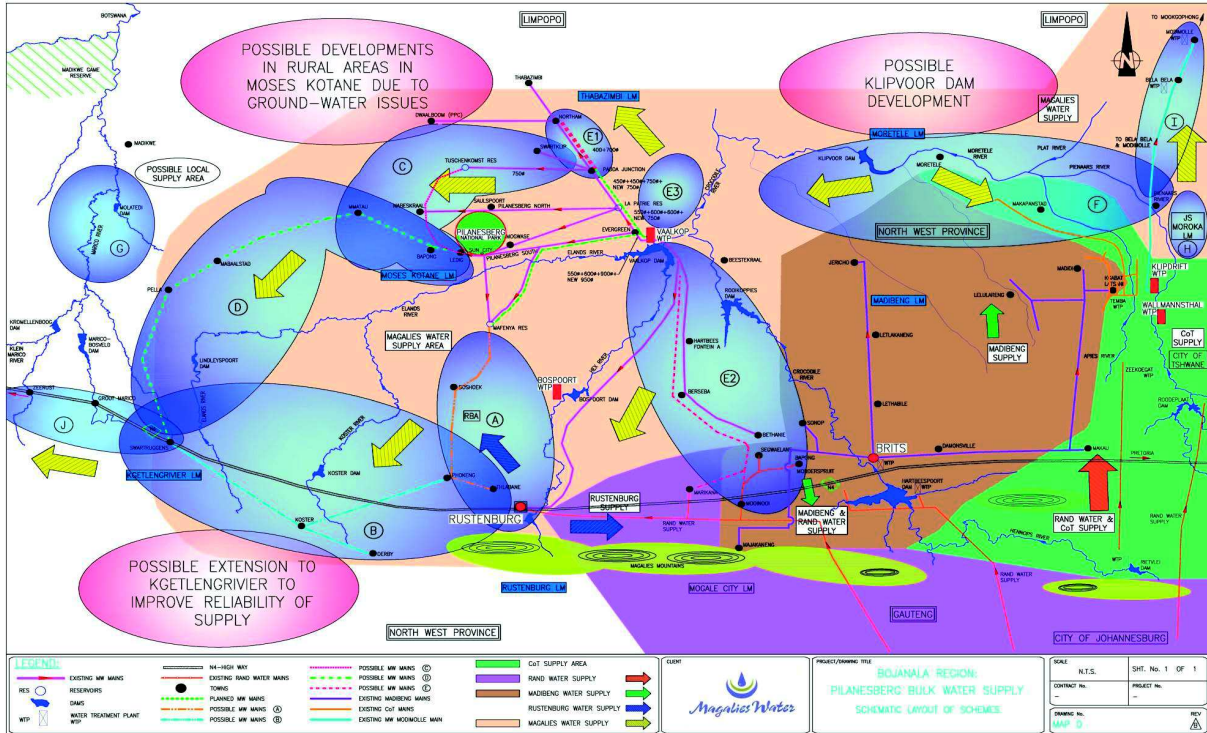
This strategic objective is at the centre of the mission roll out phase of the strategy execution. This strategy objective effects growth of the organisation through infrastructure development, water sales volumes and revenue.

Growth through infrastructure development is a strategic response to address water supply challenges in the supply area of Magalies Water.

Current and future capital expansion concept

During the year under review current and future regional bulk infrastructure concept was concluded. This concept has culminated in the organisation's bulk infrastructure master plan. Consultations with various stakeholders have been conducted in order to confirm the technical details of the infrastructure master plan to get acceptance by the stakeholders and align the plans to the "source to tap" vision of DWA. The capital expansion master planning concept is depicted in figure 4.

Figure 4: Current and future bulk infrastructure planning concept



The above infrastructure planning concept provides long-term solutions to the current challenges through implementation of the following infrastructure projects.

Pilanesberg Water Scheme

The Pilanesberg Water Scheme (PWS) is being implemented to address water shortages in the Moses Kotane, Rustenburg and Thabazimbi Local Municipalities including the mines in both the northern and southern parts of the scheme. The plan also includes extension of the scheme in order to improve reliability of supply to the Kgetleng Rivier Local Municipality in the future years. The PWS will also address water needs of the Royal Bafokeng Administration and the Bakgatla ba Kgafela Tribal Authority within their areas of jurisdiction. Furthermore, the PWS has economic spinoffs where water will be supplied

to the Mines as a stimulus for economic development and job creation.

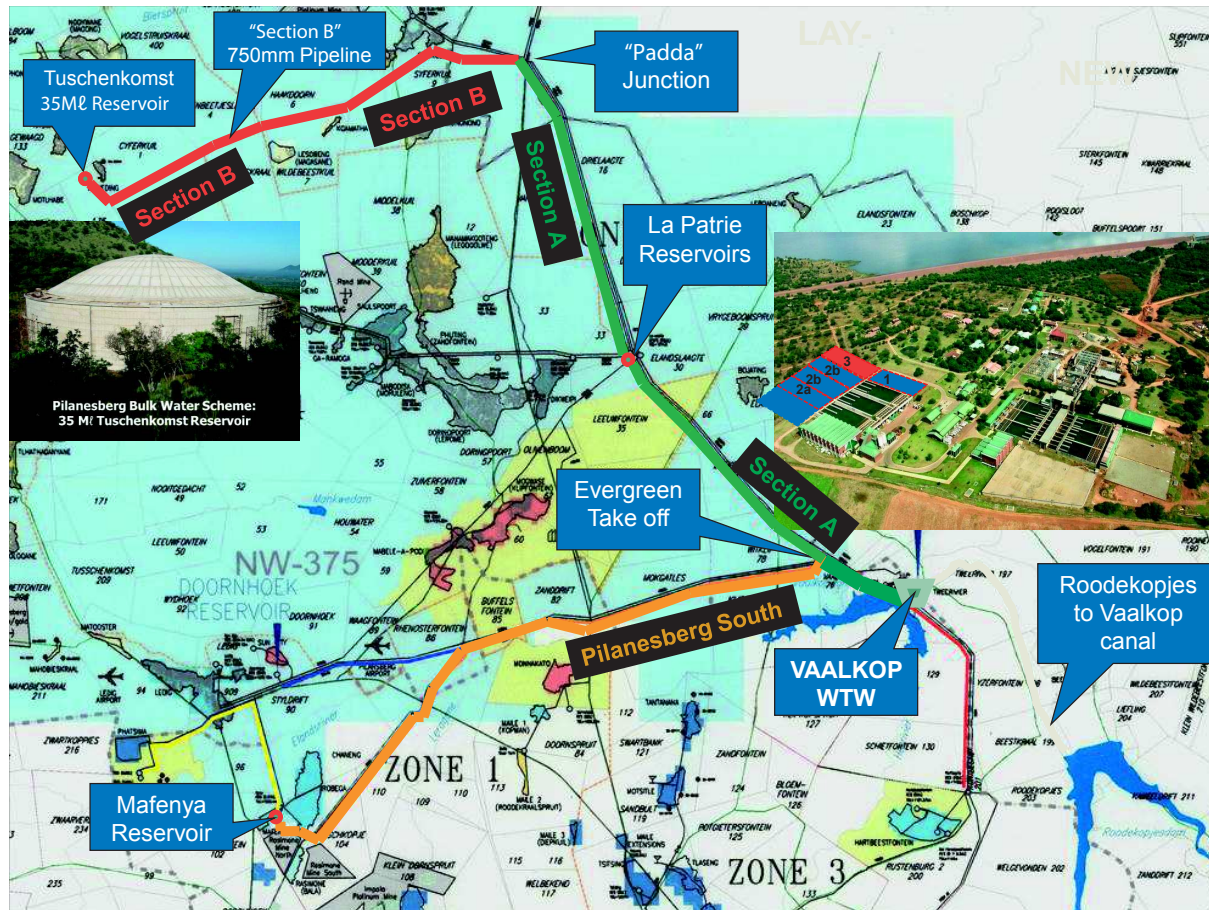
The design of the whole project is complete and construction has already commenced and phase 1 capacity upgrade of production facility viz. Vaalkop WTP is 45% complete. The following are the critical sections of the PWS implementation that are expected to be completed within the next 24 months:

- Vaalkop WTP extension: Construction commenced during the 2012/13 financial year and now 50% complete
- Vaalkop high lift pump station: Construction commenced during the 2012/13 financial year
- Bulk power supply upgrade: Construction to commence in October 2013

The following is a schematic layout of the PWS showing the growth points towards the north (green and red solid line) and south (orange solid line).

Section B of the infrastructure has been completed and comprises of a 31-kilometre pipeline and a 35ML/d reservoir at Tuschenkomst. This infrastructure has enhanced the balance sheet of the organisation.

Figure 5: Layout of existing and proposed new infrastructure for the Pilanesberg Water Scheme



Klipdrift upgrade

Expansions at the Klipdrift WTP are required as the result of the increasing bulk water demand of Bela-Bela, Modimolle, Moretele Local Municipalities and CoT. The upgrade is for the treatment capacity, distribution and reservoir storage. Construction of this project commenced during the reporting period.

It should also be noted that Magalies Water does not own or operate the Temba and Roodeplaas Water Treatment Plants. These two Plants were being operated and maintained by Magalies Water on behalf of CoT and this function has since been transferred back to CoT with effect from August 2012.

Klipvoor scheme

Klipvoor scheme is also a long-term solution for augmentation of water supply to the greater Moretele, Bela-Bela, Modimolle and Mookgophong Local Municipalities. The project is currently at advanced prefeasibility stage. Consultations with the affected stakeholders has commenced regarding the planning aspects of the project.

Capacity to implement capital expansions

Magalies Water has mobilised adequate financial resources required to implement the capital expansion. Magalies Water investments will be utilised together with grant funding from Government in order to implement the planned capital expansion projects.

The engineering and project management capacity has also been sourced.

Legal aspects of implementation of capital expansions

Off-take agreements for the Bakubung mines, which are Wesizwe and Maseve were concluded during the 2012/13 financial year thus giving effect to commencement of the project in the southern part of the scheme.



Construction of new filter beds at Vaalkop WTP

Finance perspective

The financial perspective provides an overview of key areas of the operational performance and the financial position of Magalies Water for the year under review and must be read in conjunction with the annual financial statements. The annual financial statements were prepared in accordance with International Financial Reporting Standards (IFRS), the Public Finance Management Act (Act 1 of 1999 as amended) and reflect the reporting requirements of the Water Services Act (Act 108 of 1997).

The financial performance of the entity remained solid during the year under review and consequently the following strategic objectives were achieved:

To achieve sustainable financial returns

The following drivers of financial viability contributed to the achievement of the 3% target return on equity.

Bulk water sales/revenue performance

The entity achieved a 9% increase in revenue during the 2012/13 financial year compared to the previous financial year and this increase is attributable mainly to tariff increases.

Cost of sales

Cost of sales increased by 19% in the 2012/13 financial year compared to the previous year and this is primarily attributable to increasing energy costs, chemicals and water use charges. Increasing costs resulted in a significant decrease of the gross profit margin as compared to the previous financial year. The price increase on the commodities used by Magalies Water in the production process was higher than inflation leading to electricity and chemicals costs increasing significantly by 28% and 37% respectively, whilst raw water costs increased by 16%.

Effective management of financial risks

Operating surplus

The operating surplus percentage of 0,01% was achieved during the financial year, which is a significant decline as compared to the prior year. The decline is attributed to increasing costs as reflected above as well as insignificant sales volumes increase caused by plant capacity constraints.

To achieve value for money, effectiveness, and efficiency in resource deployment

The benchmark utilised to measure achievement of this strategic objective is the extent to which operational expenses are covered by the revenue generated. The target set for the year was 90%, and the cost to revenue achieved is 88% before taking accounting adjustments into account.

Return on section 30 activities

Section 30 business of Magalies Water is through operations and maintenance contracts for municipalities and as an implementing agent on behalf of the Department of Water Affairs.

Operations and maintenance activities were performed for the CoT, Madibeng, Moretele and Kgetleng Rivier Local Municipalities. The Rain Water Harvesting activities together with Water Conservation and Demand Management projects were implemented on behalf of DWA management fee earned on section 30 business activities decreased by 16% as compared to the previous financial year. This is due to early termination of the contract by CoT. The termination does not have an impact on sustainability of Magalies Water. Positive returns were earned on all section 30 contracts.

Key performance financial ratios

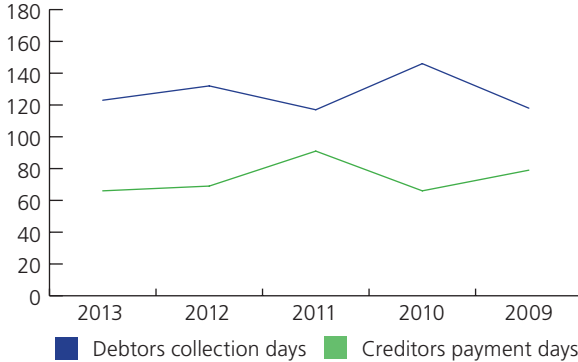
The following provides a graphic presentation of performance on key financial ratios over a five year period which is aligned to strategic objectives and drivers of financial viability.

Graph 3: Key performance financial ratios



The entity has achieved the return on assets of 2% (2011/12: 5%). The decline is attributed to increasing costs as reflected above as well as insignificant sales volumes increase caused by plant capacity constraints.

Graph 4: Debtors collection and creditors payment days



The graphic presentations above present Magalies Water's key operating ratios which measure the efficiency of the entity's operations. There is a slight improvement in debtors collections days, which is still a challenge due to inconsistent payment by some of the customers. Debtors collection days is sound in comparison with water sector performance. There is an improvement in creditors' payment days due to improved controls that have been put in place to ensure that suppliers are paid timeously.

Cash flow

The entity generated cash flows of R67 million (2011/12: R47 million) from operating activities. The trend is increasing from year to year which indicates the ability of the entity to generate positive cash flows from operations.

The current ratio reported in the period under review is 6.6:1 which indicates a strong liquidity position of the organisation.

A total cash outflow from investing activities of R110 million (2011/12: R63 million) is reported of which R50 million was spent on infrastructure expansion and R59 million to increase investments.

Investment income

The investment income consists of interest received on short-term investments and bank accounts. Investment income increased by 12% to R28 million (2011/12: R25 million) as a result of reinvestments for future infrastructure expansions.

Tariff determination

Determination of bulk water tariffs was performed in accordance with section 42 of the Local Government: Municipal Finance Management Act, (Act 56 of 2005). Consultations were carried out with all the Municipal customers, National Treasury and the South African Local Government Association. Submission was then made to the DWA for tabling at the National Assembly. The average tariff for the year was R4,17 which is at the lower end of the tariff scale in the sector.

The scheme specific average tariffs for the previous three years are as follows

Scheme	2012/13	2011/12	2010/11
Vaalkop	R3,43/kl	R3,20/kl	R2,78/kl
Walmannsthal	R5,36/kl	R4,45/kl	R4,06/kl
Klipdrift	R4,01/kl	R3,77/kl	R3,64/kl
Cullinan	R3,96/kl	R3,69/kl	R3,21/kl

Subsequent events

There were no significant events that had an impact on the financial statements during the year under review and no events took place after the date of the financial statements.

The year ahead

Based on the financial analysis and available cash resources, Magalies Water has sufficient and adequate resources to continue as a going concern in the foreseeable future.

Internal processes perspective

The internal processes perspective is driven by an organisational imperative to improve response times to service delivery, to promote good corporate citizenry and contribute to the broader societal objective of social cohesion.

Percentage development and compliance to process, procedures and policies

There was a concerted effort during the year under review to develop new and review some of the existing policies, particularly within the corporate services division. An inventory of policies was developed of which 50% were reviewed and or developed by the end of the financial year.

Unqualified audit

The audit report from the office of the Auditor-General of South Africa (AGSA) for the 2012/13 financial year is unqualified. Management has implemented systems to ensure that control weaknesses are addressed and that there is follow up on issues that were raised by the AGSA during the audit of the previous year.

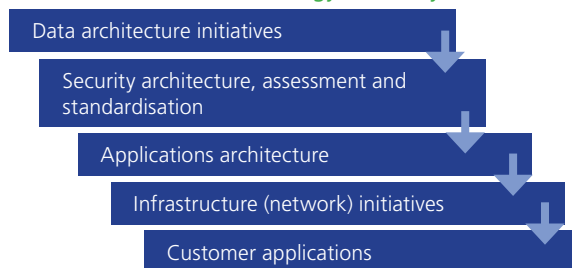
Implement approved risk management processes

Strategic risks register was developed by the Board during the strategy planning process and was successfully implemented during the 2012/13 financial year.

To provide efficient ICT infrastructure and system for the organisation to deliver on its mandate

The Information Communications and Technology (ICT) Master Systems Plan (MSP) has been developed to position the ICT as a business enabler in support of the strategic trajectory of Magalies Water. Gaps within the ICT were identified and appropriate interventions developed. The following roadmap was agreed upon in order to position ICT as an enabler of Magalies Water's strategy execution.

Figure 6: Implementation roadmap of Information Communication and Technology Master Systems Plan



The road map will be implemented in 2013/14.

To contribute towards developmental initiatives in communities within our area of service

Small Medium and Micro Enterprise development

Magalies Water has strived to provide economic value within the area of operation through the provision of business opportunities to Small Medium and Micro Enterprises (SMMEs). A database of SMME was developed and 32% of the applicable operational expenditure was spent on the advancement of the SMME. We believe that the provision of practical support to SMME development will grow the economy and create sustainable jobs.

Community sanitation intervention at Mazista

The septic tanks in the Mazista area were overflowing with raw sewage thus posing health and environmental hazard. Through its Corporate Social Investment Programme, Magalies installed a sewage treatment package plant in the aforementioned area. This intervention has provided an effective solution for the problem.

Learning and growth perspective

The learning and growth perspective enables the organisation to deliver on its mandate by supporting employees to develop the right skills and competence to drive organisational growth. Organisational culture is also an important aspect of this perspective as the prevailing employee assumptions and beliefs should be aligned with the strategic trajectory of Magalies Water. The perspective is driven by the following strategic objectives:

To improve competency levels of staff to match organisational competencies with growth opportunities

Percentage of people that match growth opportunities

Magalies Water recognises that skilled and competent employees are critical to the performance of the organisation. In response to this critical aspect, employees were trained in various relevant training programmes in order to equip them with the required skills and competencies. By the end of the 2012/13 financial year, 46% of the total workforce was trained in various disciplines that are relevant to the organisation.

Staff turnover

Staff turnover was 1,8% against the target of 3%. At least three incumbents in critical positions were made counter offers when they tendered their resignation from the organisation. This intervention ensured retention of these critical skills in the organisation.

Achieve an average score of 3 to improve organisational culture

The organisational culture survey was conducted where the following six dimensions were measured, being; employee satisfaction, leadership, environment, culture, customer and communication. The statistical analysis of data that was collected across the organisation was conducted, from which results and recommendations were made. Interventions will be implemented in the 2013/14 financial year.

To improve employee performance and service delivery

Percentage institutionalisation of Performance Management System

Improvement of employee performance is effected through the implementation of a performance management system. This will ensure effective execution of strategy as employee efforts will be aligned to the strategic objectives of Magalies Water. The organisational performance management system is effectively implemented at the Executive Management level and the process to cascade it throughout the entire organisation has commenced.

To contribute towards transformational projects

HIV/Aids

Employee wellness is identified to be a need within the organisation to promote health and well-being of employees. One such programme to promote a healthy workforce is the voluntary counselling and testing (VCT) for HIV/Aids. None of the employees who participated in this programme tested positive for HIV/Aids during the 2012/13 financial year.

Learnership programmes for the organisation

Viability of the business of Magalies Water is dependent on the ability to develop and attract talent. A total of 22 employees participated in the learnership programme during the 2012/13 financial year. This programme was targeting development of skills in the water and in wastewater treatment. The National Qualifications Framework has rated these learnership programmes at NQF 2 and NQF 3, respectively.

Internship programmes

Eight interns were recruited and offered workplace experience in Magalies Water. This programme enabled the graduates to obtain the necessary skills and workplace experience to empower them to engage with the job market.

External and internal bursary scheme

Investment in education is key in addressing skills shortage, build capacity and development of a future workforce. Magalies Water offers both internal and external bursaries that match the skills requirements of Magalies Water and the country at large. Through the external bursary scheme, five learners were provided with an opportunity to study in the fields of Electrical, Chemical and Mechanical Engineering.

Through the internal bursary scheme, 22 employees were provided with an opportunity to study in the following fields of experience:

Table 5: Internal bursaries

Field of study	Qualification	Total
Engineering	National Diploma: Electrical and Civil	3
Water care	Baccalaureus Technology	7
Finance	Bachelor of Commerce	3
Human resources	National Diploma	3
Leadership and management	Master of Business Leadership and Master of Business Administration	2
Information communication and technology	National Diploma	3
Environment management	Bachelor of Science	1
Total		22

Experiential training

Magalies Water and the Tshwane University of Technology (TuT) formed a partnership to collaborate in areas of mutual interest including research and experiential learning for students in the fields of water, wastewater, engineering, asset management, and waste disposal and reuse. Plans are underway for intake of students in the engineering disciplines aligned to the organisation's capital expansion programme.





Annual financial statements

CONTENTS

The reports and statements set out below comprise the financial statements presented to the Board:

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REPORT OF THE AUDIT COMMITTEE

We are pleased to present our report for the financial year ended June 2013.

1. AUDIT AND RISK COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The Audit and Risk Committee is a statutory committee appointed by the Board in terms of the Public Finance Management Act, 1999. It consists of four independent non-executive members. The committee meets at least four times a year as required by the Terms of Reference. Additional meetings are called to deal with matters requiring the attention of the committee and in line with the Terms of Reference.

The Chief Executive, General Manager: Finance, Head of Internal Audit, Auditor-General of South Africa and Risk Manager and other assurance providers attend all committee meetings by invitation.

During the financial year under review seven meetings were held and attended as follows:

Name and surname	Attendance	Term of office
T Zondi	7 out of 7	Term ended 30 June 2013
E Mabena	7 out of 7	Term ending 31 March 2014
LC Gwangwa	0 out of 7	Membership terminated by operation of the Law on 16 November 2012
BN Magongwa	3 out of 7	Resigned on 17 May 2013
MJ Ramataboe	4 out of 7	Term ending 12 October 2014
T Mohapi	7 out of 7	Term ended 30 June 2013

2. AUDIT AND RISK COMMITTEE RESPONSIBILITIES

The Audit and Risk Committee has adopted formal terms of reference which have been approved by the Board. The Audit and Risk Committee's role and responsibilities include statutory responsibilities as prescribed by Treasury Regulations 27.1.8 of the PFMA. Further responsibilities are assigned to the committee by the Board from time to time where necessary.

The Audit and Risk Committee conducted its affairs in compliance with its terms of reference and has discharged its responsibilities as contained therein. The Terms of reference are available on request.

The assessment of the effectiveness of the committee and its individual members was not performed in the year under review on the basis that the committee had new members. The assessment of the effectiveness of the committee and its individual members shall be conducted in the new financial year 2013/14 and annually thereafter.

As a governance imperative, a compliance framework was developed, approved and is monitored by the committee to track the implementation of the responsibilities of the committee in line with the approved terms of reference, PFMA and the requirements of the King code. The committee is satisfied with the quality of the reports presented to it by management through the Chief Executive.

3. EFFECTIVENESS OF INTERNAL CONTROLS

Section 51(1) (a) of the PFMA provides that the accounting authority of a public entity must ensure that the entity has and maintains an effective, efficient and transparent system of financial and risk management and internal control.

The Audit and Risk Committee has overseen processes by which internal audit performed written assessments of the effectiveness of the organisation's system of internal controls and risk management including internal financial controls.

The assessments were done and presented to the committee for consideration to allow the committee to play its oversight role. This written assessment by internal audit formed the basis for the Audit and Risk Committee's recommendations in this regard to the Board in order for the Board to report thereon.

The committee has noted the continuous improvement in the general internal control systems within Magalies Water. The committee has however noted that a number of areas as identified by the Auditor-General which require further improvements and these will be addressed in the forthcoming year.

The committee has reviewed the recommendations for strengthening internal controls made by the Auditor-General of South Africa in the audit report presented to the Audit and Risk Committee, as well as the responses and undertakings by Management and is satisfied of the proposed actions for the next financial year.

The committee is equally satisfied with the progress made by the organisation regarding risk management process and the institutionalisation of enterprise risk management processes. We hope this will go a long way in the achievement of high level performance and maturity in the management of risk to achieve the desired strategic objectives of the organisation.

4. INTERNAL AUDIT

The committee is responsible for ensuring that the organisation's Internal Audit fulfils its function in terms of the Internal Audit Charter and that it maintains its independence and has the necessary resources, standing and authority within the entity to enable it to fully discharge its duties.

During the year under review, the Internal Audit Plan was approved by the committee. The plan guided the activities of internal audit in performing their duties. The internal audit function reports centrally to the Audit and Risk Committee and it provides assurance on the adequacy of internal control environment across all of the organisation's operations. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the audit and Risk Committee on a regular basis. The Chief Audit Executive has direct access to the Audit and Risk Committee primarily through the Chairperson of the committee. The assessment of the performance of Internal Audit function will be performed in the new financial year.

During the year under review, the committee met with the Auditor-General and with the Chief Audit Executive without Management being present.

5. IT GOVERNANCE

The committee is also pleased that during the year under review the majority of the findings by internal audit were addressed by Management. The committee is also pleased to report that, a lot of focus was, in addition to the responsibilities of the committee, placed on matters related to IT Governance. In line with the King code, the organisation has also sought the assistance of independent assurance on the effectiveness of IT internal controls. We consider IT Governance to be a critical area of focus to support the business and the achievement of the strategy in particular.

To this end, the committee will continue to ensure that the organisation has, through the Board, an IT internal control framework and improve on its IT Governance processes. The efforts to strengthen IT Governance are set to continue and gain momentum in the new financial year with new initiatives identified for implementation.

6. GOVERNANCE OF RISK

The committee recognises that risk governance is a Board responsibility and the Board has dully fulfilled this responsibility. Due to the size of the organisation, the Board has elected to combine the Audit and Risk Committee into one committee.

REPORT OF THE AUDIT COMMITTEE continued

The Board has thus assigned oversight of the organisation's risk management to the Audit and Risk Committee. The committee fulfils an oversight role regarding the top risks identified and approved by the Board. Regular reports are submitted to the Board on regular basis regarding risk management to enable the Board to decide on its risk appetite.

7. WHISTLE BLOWING

The Audit and Risk Committee is satisfied with the effectiveness of the hotline as a tool for preventing fraud and corruption in the organisation. Continuous efforts and activities have been undertaken to constantly remind staff of the existence of the hotline number. All hotline reports received are investigated by internal audit and final recommendations thereof implemented by management. Continuous feedback is provided to the committee on matter reported to the hotline number and investigated.

8. EVALUATION OF ANNUAL FINANCIAL STATEMENTS

The Audit and Risk Committee has:

- Reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the accounting authority;
- Reviewed the Auditor-General's management letter and management's response thereto;
- Reviewed and discussed the performance information with management;
- Reviewed changes in accounting policies and practices;
- Reviewed the entities compliance with legal and regulatory provisions; and
- Reviewed significant adjustments resulting from the audit.

Based on the reviews, the committee concurs with the findings and opinion expressed by the Auditor-General of South Africa on the audited annual financial statements and noted the general improvement in the reporting on performance information.

The committee is pleased to note the unqualified audit opinion reported by the Auditor-General for the year under review, and is encouraged that going forward further improvements will be achieved in an effort to achieve a clean audit report in line with the organisational strategy.

9. EXTERNAL AUDITOR'S INDEPENDENCE

The Audit and Risk Committee has satisfied itself that the Auditor-General was independent of the organisation to the extent relating to the external audit work conducted for the year under review. The committee, in consultation with the executive management, agreed on the engagement letter, terms, audit plan and budgeted audit fees for the 2013 financial year audit.

The committee is therefore satisfied that it has complied with its legal, regulatory or other responsibilities.



T Zondi

Chairperson: Audit and Risk Committee

REPORT OF THE AUDITOR-GENERAL

TO PARLIAMENT ON MAGALIES WATER REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the financial statements of Magalies Water set out on pages 53 to 84, which comprise the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting Authority's responsibility for the financial statements

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No 1 of 1999) (PFMA), and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No 25 of 2004) (PAA), the General Notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

5. In my opinion, the financial statements present fairly, in all material respects, the financial position of Magalies Water as at 30 June 2013, and its financial performance and cash flows for the year then ended in accordance with IFRS and the requirements of the PFMA.

REPORT OF THE AUDITOR-GENERAL continued

Emphasis of matter

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

Restatement of corresponding figures

- As disclosed in note 30 to the financial statements, the corresponding figures for 30 June 2012 have been restated as a result of errors discovered in the current year 30 June 2013, in the financial statements of the Magalies Water at, and for the year ended, 30 June 2012.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings relevant to performance against predetermined objectives, compliance with laws and regulations and internal control, but not for the purpose of expressing an opinion.

Predetermined objectives

- I performed procedures to obtain evidence about the usefulness and reliability of the information in the annual performance report as set out on pages 23 to 29 of the annual report.
- The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability. The usefulness of information in the annual performance report relates to whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance is consistent with the planned objectives. The usefulness of information further relates to whether indicators and targets are measurable (ie well defined, verifiable, specific, measurable and time bound) and relevant as required by the National Treasury Framework for managing programme performance information (FMPPI).

The reliability of the information in respect of the selected objectives is assessed to determine whether it adequately reflects the facts (ie whether it is valid, accurate and complete).

- The material findings are as follows: Usefulness of information Performance targets not consistent
- Treasury Regulation 30.1.3(g) for public entities requires that the corporate plan should form the basis for the annual report, therefore requiring consistency of objectives, indicators and targets between planning and reporting documents. A total of 23% of the reported targets are not consistent with the targets as per the approved corporate plan. This is due to the inadequate process and procedures for development of targets.

Performance targets not specific

- The FMPPI requires that performance targets be specific in clearly identifying the nature and required level of performance. A total of 93% of the targets were not specific in clearly identifying the nature and the required level of performance. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Performance targets not measurable

14. The FMPPI requires that performance targets be measurable. The required performance could not be measured for a total of 93% of the targets. This was due to the fact that management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Performance targets not time bound

15. The FMPPI requires that the time period or deadline for delivery be specified. A total of 93% of the targets of the targets were not time bound in specifying a time period or deadline for delivery. This was due to the fact management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles

Performance Indicators not well defined

16. The FMPPI requires that indicators/measures should have clear unambiguous data definitions so that data is collected consistently and is easy to understand and use. A total of 73% of the indicators were not well defined in that clear, unambiguous data definitions were not available to allow for data to be collected consistently. This was due to the fact management was aware of the requirements of the FMPPI but did not receive the necessary training to enable application of the principles.

Indicators not verifiable

17. The FMPPI requires that it must be possible to validate the processes and systems that produce the indicator. A total of 73% of the indicators were not verifiable in that valid processes and systems that produce the information on actual performance did not exist. This was due to the lack of key controls in the relevant systems of collection collation, verification, storage of actual performance information and management was not aware of this requirement of the FMPPI.

RELIABILITY OF INFORMATION

Reported performance is not valid, accurate and complete

18. The FMPPI requires that institutions should have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets.
19. The information presented with respect to the Objectives; To manage stakeholder relations, To provide sustainable and affordable water services, To contribute to the conservation of our natural environment and socio-economic development. To provide a safe and healthy work environment, To contribute towards developmental initiatives in communities within our area of service, To contribute towards transformational projects was not reliable when compared to the source information and/or evidence provided. This was due to lack of monitoring of the completeness of source documentation in support of actual achievements.

REPORT OF THE AUDITOR-GENERAL continued

Compliance with laws and regulations

20. I performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. My findings on material non-compliance with specific matters in key applicable laws and regulations as set out in the General Notice issued in terms of the PAA are as follows:

Strategic planning and performance management

21. The accounting authority did not ensure that the public entity had and maintained effective, efficient and transparent systems of financial and risk management and internal control as required by section 51(1)(a)(i) of the PFMA.

Financial statements

22. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)((a) and (b) of the PFMA.
23. Material misstatements of non-current assets, government grants, revenue identified by the auditors in the submitted financial statements were subsequently corrected and resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

24. The accounting authority did not take effective and appropriate steps to prevent irregular expenditure, as per the requirements of section 51(1)(b)(ii) of the PFMA.

Procurement and contract management

25. Construction contract was awarded to a contractor that did not qualify for the contract in accordance with Construction Industry Development Board (CIDB) regulations 17 and 25(7A).

Internal audit

26. Internal audit did not report directly to the accounting authority, as required by Treasury Regulation 27.2.8.

Financial misconduct

27. Effective and appropriate disciplinary steps were not taken against officials who incurred and permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Internal control

28. I considered internal control relevant to my audit of the financial statements, performance report and compliance with laws and regulations. The matters reported below under the fundamentals of internal control are limited to the significant deficiencies that resulted in the findings on the performance report and the findings on compliance with laws and regulations included in this report.

Leadership

29. Leadership was ineffective as, adequate policies and procedures to enable and support the understanding and execution of internal control objectives, processes and responsibilities were not established and communicated.
30. The collection and monitoring of performance information is inadequately managed.

Financial and performance management

31. Regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information were not prepared resulting in material adjustments on the annual financial statements and performance report.
32. Compliance with laws and regulations was not monitored.

Auditor-General

Pretoria

31 October 2013



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

FIVE-YEAR FINANCIAL REVIEW

	2013	2012	2011	2010	2009
Water sold (KL'000)	79 364	80 651	77 821	76 547	74 983
Abridged financial performance					
Revenue	294 523	272 000	234 310	180 565	166 985
Cost of sales	(226 019)	(189 428)	(172 706)	(159 344)	(100 607)
Gross profit	68 504	82 572	61 604	21 221	66 378
Other income	24 251	34 185	13 757	14 665	117 464
Operating expenses	(92 297)	(80 510)	(71 319)	(71 332)	(190 080)
Operating (loss)/surplus	458	36 247	4 042	(35 446)	(6 238)
Net finance income	28 653	25 595	24 354	24 580	37 544
Net surplus	29 111	61 842	28 396	(10 866)	31 306
Abridged financial position					
Assets	722 388	702 939	728 871	588 260	590 090
Investments	480 628	421 180	364 418	341 113	342 707
Loans and receivables	92	419	812	1 400	1 694
Trade and other receivables	124 460	109 170	79 407	78 118	93 127
Inventories	10 148	11 828	10 513	6 199	6 202
Cash and cash equivalents	39 830	56 378	49 792	11 791	15 047
Total assets	1 377 546	1 301 914	1 233 813	1 026 881	1 048 867
Equity and liabilities					
Liabilities	280 240	233 719	227 460	59 120	66 146
Equity	1 097 306	1 068 195	1 006 353	967 761	982 721
Total equity and liabilities	1 377 546	1 301 914	1 233 813	1 026 881	1 048 867

BOARD RESPONSIBILITIES AND APPROVAL

The Board is required in terms of the Water Services Act No 108 of 1997 and the Public Finance Management Act No 1 of 1999 (as amended) to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the Board's responsibility to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditors are engaged to express an independent opinion on the financial statements.

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

The Board acknowledges that it is ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. In order to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The Board has reviewed the entity's cash flow forecast for the year to 30 June 2014 and, in the light of this review and the current financial position, is satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Auditor-General is responsible for independently reviewing and reporting on the entity's financial statements.

The annual financial statements set out on page 53 to 84 which have been prepared on the going concern basis, were approved by the Board on 30 August 2013 and were signed on its behalf by



Ml Jahed
Chairperson



M Dlamini
Chief Executive

STATEMENT OF FINANCIAL POSITION

as at 30 June 2013

	Note(s)	2013 R'000	Restated 2012 R'000	Restated 2011 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	2	718 395	697 291	728 170
Intangible assets	3	3 993	5 648	701
Financial assets	4	92	419	812
Held-to-maturity investments	5	32 544	29 695	26 896
Current assets				
Financial assets	5	448 084	391 485	337 522
Inventories	7	10 185	11 828	10 513
Trade and other receivables	8	124 460	109 170	79 407
Cash and cash equivalents	9	39 830	56 378	49 792
Total assets		1 377 546	1 301 914	1 233 813
EQUITY AND LIABILITIES				
Equity				
Retained income		1 097 306	1 068 195	1 006 353
Liabilities				
Non-current liabilities				
Deferred income	10	136 648	139 954	143 299
Capital contributions	11	23 484	23 484	–
Government grant	12	26 236	–	–
Current liabilities				
Operating lease liability	13	220	–	–
Trade and other payables	14	90 346	66 975	80 855
Deferred income	10	3 306	3 306	3 306
Total equity and liabilities		1 377 546	1 301 914	1 233 813

STATEMENT OF COMPREHENSIVE INCOME

for the year ended at 30 June 2013

	Note(s)	2013 R'000	2012 R'000
Revenue	15	294 523	272 000
Cost of sales	16	(226 019)	(189 428)
Gross profit		68 504	82 572
Other income	17	24 251	34 185
Operating expenses		(92 024)	(80 510)
Operating profit	18	3 327	36 247
Finance income	19	28 656	25 686
Finance costs	20	(3)	(91)
Profit for the year		29 111	61 842
Other comprehensive income		-	-
Total comprehensive income for the year		29 111	61 842

STATEMENT OF CHANGES IN EQUITY

for the year ended at 30 June 2013

	Retained income R'000	Total equity R'000
	1 006 353	1 006 353
Profit for the year	61 842	61 842
Other comprehensive income	–	–
Total comprehensive income for the year	61 842	61 842
Balance at 1 July 2012	1 068 195	1 068 195
Profit for the year	29 111	29 111
Other comprehensive income	–	–
Total comprehensive income for the year	29 111	29 111
Balance at 30 June 2013	1 097 306	1 097 306

Note(s)

STATEMENT OF CASH FLOWS

for the year ended at 30 June 2013

	Note(s)	2013 R'000	2012 R'000
Cash flows from operating activities			
Cash generated from operations	21	38 629	21 243
Finance income		28 656	25 666
Finance costs		(3)	(91)
Net cash from operating activities		67 282	46 838
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(50 767)	(6 176)
Proceeds on sale of property, plant and equipment	3	309	–
Purchase of other intangible assets	4	(487)	(1 191)
Movement in financial assets		(59 121)	(56 369)
Net cash from investing activities		(110 066)	(63 736)
Cash flows from financing activities			
Movement in capital contributions		–	23 484
Movement in deferred income		26 236	–
Net cash from financing activities		26 236	23 484
Total cash movement for the year		(16 548)	6 586
Cash at the beginning of the year		56 378	49 792
Total cash at end of the year		39 830	56 378

ACCOUNTING POLICIES

for the year ended at 30 June 2013

1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

Magalies Water is a Water Board established in terms of section 28 of the Water Services Act, (Act No 1 of 1999) and Public Entity as per Schedule B of the Public Finance Management Act (Act No 1 of 1999), as amended.

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

The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgments and sources of estimation uncertainty

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

Impairment of trade receivables and other receivables

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

The impairment for trade receivables and other receivables is assessed individually or as a group, based on historical payment history and other observable data indicating that there is a measurable decrease in the estimated future cash flows.

Allowance for slow moving, damaged and obsolete stock

An allowance for inventory to write stock down to the lower of weighted average cost or net realisable value. Obsolete, slow moving and redundant stock items are identified and written down in profit or loss.

Impairment of 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.

Useful lives and residual values

The useful lives of property, plant and equipment and intangible assets are reviewed at the end of each reporting date. The useful lives are estimated by management based on historic analysis and other available information.

The residual values are estimated based on the useful lives as well as other available information.

1.2 Application of new and revised International Financial Reporting Framework

The amendments and interpretations that were issued by International Accounting Standards Board (IASB) but with a commencement dates outside this reporting period are disclosed in note 2.

1.3 Correction of prior period errors

Prior period errors are omissions from, and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- (a) was available when financial statements for those periods were authorised for issue; and
- (b) could reasonably be to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misrepresentation of facts, and fraud.

Prior period errors are accounted for in accordance with the requirements if IAS 8.

1.4 Property, plant and equipment

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

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

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

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

Item	Average useful life
Buildings	40 years
Pipelines and reservoirs	45 years
Plant and machinery	18 years
Furniture and fixtures	6 years
Motor vehicles	4 years
Office equipment	3 years
IT equipment	3 years
Laboratory equipment	5 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

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

The depreciation charge for each period is recognised in profit or loss.

ACCOUNTING POLICIES continued

for the year ended at 30 June 2013

1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS continued

1.4 Property, plant and equipment continued

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

1.5 Capital work in progress

Assets under construction are carried at cost less any accumulated impairment loss. Costs include the professional fees and construction costs. Depreciation of these assets commences when the assets are ready for their intended use, on the same basis as other assets.

1.6 Intangible assets

An intangible asset is recognised when:

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

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring into use the specific software.

Costs associated with maintaining computer software programs and acquisition of licenses are recognised as an expense when they are incurred.

Intangible assets are stated at cost less any accumulated amortisation and any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Servitudes are rights granted to Magalies Water for an indefinite period of time. The life of the servitude will remain in force as long as the relevant infrastructure is still in use. A servitude will only become impaired if the infrastructure to which the servitude is linked is derecognised.

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

Item	Useful life
Computer software, other	3 years
Servitudes	indefinite

1.7 Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

1.8 Financial instruments

Classification of financial assets and financial liabilities

The entity classifies financial assets into the following categories:

- short-term investments
- loans and receivables

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The entity re-evaluates such designation at least each reporting date.

The entity classifies financial liabilities as subsequently measured at amortised cost using the effective interest method.

Initial and subsequent measurement

At initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

The entity shall measure the financial liability after initial recognition at amortised cost using effective interest method.

Derecognition of financial assets

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

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date to determine whether there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

For financial assets carried at amortised cost, the amount of impairment is 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 financial asset is reduced by the impairment loss directly for all financial assets.

Changes in the carrying amount of the allowance account are recognised in profit or loss.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method less any impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

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

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

ACCOUNTING POLICIES continued

for the year ended at 30 June 2013

1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS continued

1.8 Financial instruments continued

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability.

Held to maturity investments

Financial assets that the company has the positive intention and ability to hold to maturity are classified as held to maturity.

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

1.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases.

Operating leases – lessee

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

1.10 Inventories

Inventories are measured at the lower of weighted average cost and net realisable value. Obsolete, redundant and slow moving stock items are identified and recognised as an expense in the period the write down or loss occurs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.11 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the entity also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

1.12 Change in accounting policy

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an entity in preparing and presenting financial statements. An entity shall change an accounting policy only if the change:

- is required by an IFRS; and
- results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the entity's financial position, financial performance or cash flows.

The change in accounting policy have been accounted for retrospectively in accordance with IAS 8.

1.13 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits that are due to be settled within 12 months after the end of the period in which the services have been rendered. Remuneration of employees is charged in the statement of comprehensive income.

The entity recognises liability for leave and bonus which is included in provisions.

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

Other post-retirement obligations

Magalies Water contributes a share of monthly contributions to the medical aid fund on behalf of retired members provided that they retain their membership to the medical aid fund. The entity has arranged an insurance policy which will fund this liability.

The entitlement to this benefit is based on the employee remaining in service up to retirement age and completion of a minimum service period.

1.14 Contingent liabilities

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 24.

ACCOUNTING POLICIES continued

for the year ended at 30 June 2013

1. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS continued

1.15 Government grants

Government grants are assistance by government in the form of transfer of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. The government grant relates to money received from the Department of Water Affairs as compensation for expenses incurred for the construction of the Pilanesberg Scheme.

Government grants related to items of property, plant and equipment are presented in the statement of financial position by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset. The grant is recognised as revenue on a systematic basis over the useful life of the related asset when it is brought into use.

1.16 Capital contributions

Capital contributions consist primarily contributions received from the Department of Public Works, benefiting a specific project.

Capital contributions are presented on the statement of financial position. The contributions are subsequently recognised as revenue over the useful life of the related asset when the asset is brought into use.

1.17 Deferred income

Transfers of assets from customers and consist of the pipeline and reservoir constructed by Platinum Mines in line with the off take agreement that was signed in 2008. When an entity received from a customer a transfer of an item of property, plant and equipment, and the item meets the definition of an asset, the entity shall recognise the transferred item in accordance with paragraph 7 of IAS 16 and measure its cost on initial recognition at fair value in accordance with paragraph 24 of IAS 16.

The entity recognises the corresponding amount as deferred income and revenue is recognised over the useful life of the asset or over the period of the agreement, whichever is shorter.

1.18 Revenue

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

- Revenue from sale of goods is recognised when significant risks and rewards are passed to the customer. Sale of goods consist of potable bulk water sales.
- Revenue from sale of services is recognised in the period in which the services are rendered. Sale of services consist of services such as laboratory services.
- Management fees are recognised in the period in which the services are rendered on an accrual basis in accordance with the substance of the relevant agreements.

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

1.19 Cost of sales

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

1.20 Related parties

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

1.21 Irregular, fruitless and wasteful expenditure

Irregular expenditure

Irregular expenditure incurred and identified during the current financial period and which has been condoned before year end and/or before the finalisation of the financial statements must be recorded appropriately in the irregular expenditure register.

Fruitless and wasteful expenditure

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

1.22 Offsetting

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

Income and expense items are offset only to the extent that their related instruments have been offset in the statement of financial position.

1.23 Comparative figures

Where necessary, comparative figures have been reclassified in conformity with the current year's financial statement presentation. There is no adjustment effect on retained income.

Additional disclosure of balances reclassified is included in note 30 – Comparative figures.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended at 30 June 2013

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations that are not yet effective

The entity has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1 July 2013 or later periods:

Standard/Interpretation	Effective date: Years beginning on or after	Expected impact
• IFRS 9 Financial Instruments	1 January 2015	Not material
• IAS 27 Separate Financial Statements	1 January 2013	Not material
• IFRS 11 Joint Arrangements	1 January 2013	Not material
• IFRS 12 Disclosure of Interests in Other Entities	1 January 2013	Not material
• IFRS 13 Fair Value Measurement	1 January 2013	Not material
• IAS 19 Employee Benefits Revised	1 January 2013	Not material
• Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	Not material
• Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	Not material
• Government Loans (Amendment to IFRS 1)	1 January 2013	Not material
• Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance	1 January 2013	Not material

A number of standards have been amended as part of IASB annual improvement project. The entity is in the process of considering the relevant amendments to the standards and determining the financial impact on the entity.

3. PROPERTY, PLANT AND EQUIPMENT

	2013			2012		
	Cost/ Valuation	Accumulated depreciation	Carrying value	Cost/ Valuation	Accumulated depreciation	Carrying value
Land	1 261	–	1 261	1 261	–	1 261
Buildings	102 256	(51 636)	50 620	99 245	(49 439)	49 806
Plant and machinery	135 370	(72 842)	62 528	130 231	(67 406)	62 825
Furniture and fixtures	3 904	(2 496)	1 408	3 712	(2 853)	859
Motor vehicles	23 588	(19 429)	4 159	20 562	(17 494)	3 068
IT equipment	8 591	(5 897)	2 694	8 259	(5 538)	2 721
Pipelines and reservoirs	846 340	(262 470)	553 870	815 146	(244 300)	570 846
Capital work in progress	41 855	–	41 855	5 905	–	5 905
Total	1 133 165	(414 770)	718 395	1 084 321	(387 030)	697 291

Reconciliation of property, plant and equipment – 2013

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land	1 261	–	–	–	–	1 261
Buildings	49 806	3 265	(35)	(2 401)	(15)	50 620
Plant and machinery	62 825	5 511	(58)	(5 671)	(79)	62 528
Furniture and fixtures	859	783	(93)	(112)	(29)	1 408
Motor vehicles	3 068	3 092	–	(2 001)	–	4 159
IT equipment	2 721	972	(92)	(905)	(2)	2 694
Pipelines and reservoirs	570 846	1 194	–	(18 157)	(13)	553 870
Capital Work In Progress	5 905	35 950	–	–	–	41 855
	697 291	50 767	(278)	(29 247)	(138)	718 395

Reconciliation of property, plant and equipment – 2012

Land	1 261	–	–	–	–	1 261
Buildings	51 922	160	30	(2 294)	(12)	49 806
Plant and machinery	64 057	2 199	3 475	(6 266)	(640)	62 825
Furniture and fixtures	904	181	(6)	(200)	(20)	859
Motor vehicles	6 508	–	–	(3 429)	(11)	3 068
IT equipment	2 944	1 662	(53)	(1 765)	(67)	2 721
Pipelines and reservoirs	438 850	146 576	3 032	(17 555)	(47)	570 846
Capital Work In Progress	15 112	1 974	(11 181)	–	–	5 905
	581 558	152 743	(4 703)	(31 509)	(797)	697 291

	2013 R'000	2012 R'000
Compensation received for losses on property, plant and equipment – included in operating profit.		
Motor vehicles	28	–
IT equipment	12	–
	40	–
Other information		
Fully depreciated property, plant and equipment still in use	4 104	3 674

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

3. PROPERTY, PLANT AND EQUIPMENT continued

A 750 mm Diameter Pipeline between Padda Junction and Tuschenkomst and a 35MI Reservoir at Tuschenkomst were constructed by Platinum Mines on behalf of Magalies Water in line with the take-off agreement that was signed by Magalies Water, Boynton Investments and other parties in 2008.

The completion date of the pipeline and reservoir is January and October 2010 respectively. The completion date is deemed the date the assets are brought into use by Magalies Water. The assets have been accounted for in accordance with IFRIC 18 – Transfers from customers.

4. INTANGIBLE ASSETS

	2013			2012		
	Cost/ Valuation	Accumulated amortisation	Carrying value	Cost/ Valuation	Accumulated amortisation	Carrying value
Computer software, other	6 806	(3 380)	3 426	6 319	(1 238)	5 081
Servitudes	567	–	567	567	–	567
Total	7 373	(3 380)	3 993	6 886	(1 238)	5 648

Reconciliation of intangible assets – 2013

	Opening	Additions balance	Transfers	Amortisation	Total
Computer software, other	5 081	413	74	(2 142)	3 426
Servitudes	567	–	–	–	567
	5 648	413	74	(2 142)	3 993

Reconciliation of intangible assets – 2012

Computer software, other	134	1 191	4 994	(1 238)	5 081
Servitudes	567	–	–	–	567
	701	1 191	4 994	(1 238)	5 648

	2013 R'000	2012 R'000
5. FINANCIAL ASSETS		
Financial assets		
Financial assets – current portion	448 084	391 484
The financial assets consist of short-term investments held with various financial institutions and the loan to Eastern Gauteng Services Council.		
Financial assets – non-current portion	92	419
The non-current portion relates to the loan to Eastern Gauteng Services Council. The debt is repayable in half yearly instalments of R196 713 at an interest rate of 13,5% per annum. The final payment is on 30 September 2014.		
	448 176	391 903
Held-to-maturity investments		
Non-current portion	32 544	29 695
These are investments held with various institutions as follows:		
SCMB Zero Coupon investment – 50,78% simple interest on capital balance per annum, maturing on 20 March 2015.		
Sanlam – maturing on 1 July 2015		
INCA Zero Coupon investment – 14,94% growth, maturing on 31 March 2015.		
	480 720	421 598
Financial assets		
Non-current assets		
At amortised cost – held-to-maturity investments	32 544	29 695
At amortised cost – financial assets	92	419
	32 636	30 114
Current assets		
At amortised cost – financial assets	448 084	391 484
Total financial assets	480 720	421 598

Financial assets and held-to-maturity investments are carried at amortised cost and the carrying amount approximates fair value. None of the financial assets were either past due or impaired.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

6. FINANCIAL ASSETS BY CATEGORY

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

2013	Financial assets	Held-to-maturity investments	Total
Eastern Gauteng Services Council	518	–	518
INCA Zero Coupon Investment	–	5 051	5 051
SCMB Zero Coupon Investment	–	13 543	13 543
Sanlam	2 842	13 950	16 792
Short-term investments	177 486	–	177 486
Magalies Water Reserve Fund	267 330	–	267 330
Cash and cash equivalents	39 830	–	39 830
Trade and other receivables	124 460	–	124 460
	612 466	32 544	645 010
2012			
Eastern Gauteng Services Council	812	–	812
INCA Zero Coupon Investment	–	4 374	4 374
SCMB Zero Coupon Investment	–	12 710	12 710
Sanlam	2 696	12 611	15 307
Short-term investments	234 912	–	234 912
Trade and other receivables	109 170	–	109 170
Cash and cash equivalents	56 378	–	56 378
Magalies Water Reserve Fund	153 484	–	153 484
	557 452	29 695	587 147

	2013 R'000	2012 R'000
7. INVENTORIES		
Water inventory	1 325	1 348
Spares, consumables etc	6 891	7 343
Chemicals	2 561	6 062
	10 777	14 753
Inventories (write-downs)	(629)	(2 925)
	10 148	11 828

	2013 R'000	2012 R'000
7.1 Inventory schedule		
Water inventory	1 325	1 348
Chemicals	2 561	6 062
Petrol and Diesel	214	83
Stationery	152	157
Spares, consumables etc	6 525	7 103
	10 777	14 753

The reversal of provision for slow moving inventory relates to certain items that are held for long periods of time until the equipment in which it is used breaks down. Although these items are slow moving, they are not obsolete and therefore not provided for.

	2013 R'000	2012 R'000
8. TRADE AND OTHER RECEIVABLES		
Trade receivables	130 777	111 369
Impairment of receivables	(10 726)	(6 438)
Prepayments	2 395	1 117
Deposits	1 426	2 367
Personnel debtors, other	588	755
	124 460	109 170

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

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are not considered to be impaired. At 30 June 2013, R24 736 (2012: R76 603) were past due but not impaired.

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

	2013 R'000	2012 R'000
One month past due	15 858	51 328
Two months past due	5 287	18 302
Three months past due	3 591	6 973

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

8. TRADE AND OTHER RECEIVABLES continued

Trade and other receivables impaired

As of 30 June 2013, trade and other receivables of R41 483 (2012: R35 890) were impaired and provided for.

The amount of the provision was (R10 726) as of 30 June 2013 (2012: (R6 438)).

The ageing of these trade receivables is as follows:

	2013 R'000	2012 R'000
Three to six months	8 121	8 087
Over six months	33 362	27 083
Reconciliation of impairment loss of trade and other receivables		
Opening balance	6 438	1 717
Provision for impairment	4 465	4 721
Reversal prior year deemed interest	(177)	–
	10 726	6 438

9. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Cash on hand	12	16
Bank balances	39 818	56 362
	39 830	56 378

10. DEFERRED INCOME

Deferred income consists primarily of the assets transferred from customers.

A 750 mm Diameter Pipeline between Padda Junction and Tuschenkomst and a 35ML Reservoir at Tuschenkomst were constructed by Platinum Mines on behalf of Magalies Water in line with the off take agreement that was signed by Magalies Water, Boynton Investments and other parties in October 2008.

The corresponding amount for the asset received has been recognised as deferred income in accordance with IFRIC 18.

Deferred income recognised as other income in the current year is R3,3 million.

	2013 R'000	2012 R'000
Non-current liabilities	136 648	139 954
Current liabilities	3 306	3 306
	139 954	143 360

11. CAPITAL CONTRIBUTIONS

Capital contributions consists primarily of contribution received from the Department of Public Works for upgrade of Zeekoegat Pipeline.

	2013 R'000	2012 R'000
Capital contributions		
Contributions from the Department of Public Works	23 484	23 484

12. GOVERNMENT GRANT

Government grant consists primarily the grant received from the Department of Water Affairs as compensation for expenses incurred on Pilanesberg Scheme.

Government grant		
Grant received from Department of Water Affairs	12 425	–

13. OPERATING LEASE

Operating lease payments represent rentals payable by the entity for premises and office equipment. Leases are negotiated for an average term of three years. Rentals for premises escalate on an annual basis at 10%. Rentals for office equipment are fixed for three years.

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

Operating lease accrual		
Lease smoothing provision	(220)	–

14. TRADE AND OTHER PAYABLES

Trade payables and accruals	72 039	47 584
Amounts received in advance	5 033	5 997
Accrual for bonuses	2 931	2 367
Deposits received	591	574
Accrual for leave pay	6 601	7 957
Unknown deposits and retention	3 151	2 216
	90 346	66 975
Fair value of trade and other payables		
Trade payables and other payables	90 346	66 975

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

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

	2013 R'000	2012 R'000
15. REVENUE		
Sale of water	294 523	272 000
16. COST OF SALES		
Cost of sales is made up of:		
Raw water purchases	63 835	54 778
Employee costs	39 036	37 046
Electricity	62 834	48 939
Chemicals	20 081	14 597
Manufacturing – Depreciation	23 828	23 821
Other production overheads	16 368	10 247
	226 019	189 428
17. OTHER INCOME		
Other income is made up as follows:		
Deferred income	3 306	3 306
Management fees	6 543	18 936
Cost recovery income	2 764	6 661
Proceeds from sale of inventory	5 574	–
Lab analysis	2 285	3 692
Profit on disposal of assets	31	–
Metering and connection income	2 000	–
Sundry income	1 748	1 590
	24 251	34 185

	2013 R'000	2012 R'000
18. OPERATING PROFIT		
Operating profit for the year is stated after accounting for the following:		
Finance income		
Finance Income	28 656	25 686
Profit/loss on disposals		
Profit on disposal of assets	31	–
Operating lease charges		
Premises		
• Contractual amounts	26	22
Equipment		
• Contractual amounts	409	–
	435	22
Consulting fees		
Impairment on property, plant and equipment	7 613	6 175
Impairment on trade and other receivables	138	797
Amortisation of intangible assets	10 726	6 438
Provision for slow moving and obsolete stock	2 142	1 238
Change in inventories	629	2 925
Depreciation on property, plant and equipment	4 209	3 337
Employee costs	29 247	28 203
	75 668	71 149
19. FINANCE INCOME		
Interest earned on:		
Investments	24 253	22 334
Banks	266	358
Trade receivables	4 137	2 994
	28 656	25 686
20. FINANCE COSTS		
Interest paid	3	91

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

	2013 R'000	2012 R'000
21. CASH GENERATED FROM OPERATIONS		
Profit before taxation	29 111	61 842
Adjustments for:		
Depreciation, amortisation	31 389	32 747
Profit/loss on sale of assets	(31)	–
Interest received	(28 656)	(25 686)
Finance costs	3	91
Impairment of assets	138	797
Operating lease accrual	220	–
Prior period adjustments	–	(285)
Movement in provisions	–	738
Deferred income recognised as other income	(3 306)	(3 306)
Changes in working capital:		
Inventories	1 680	(1 315)
Trade and other receivables	(15 290)	(29 763)
Trade and other payables	23 371	(14 617)
	38 629	21 243
22. AUDITORS' REMUNERATION		
Fees	1 809	2 420
23. COMMITMENTS		
Operating lease commitments		
Minimum lease payments due		
– within one year	438	26
– in second to fifth year inclusive	763	–
Operating lease payments represent rentals payable by the entity for premises and office equipment. Leases are negotiated for an average term of three years. Rentals for premises escalate on an annual basis at 10%. Rentals for office equipment are fixed for three years. No contingent rent is payable.		
	1 201	26
Capital commitments		
Authorised by the Board but not yet contracted for	443 395	132 686

The capital expenditure will be financed by existing cash resources and internally generated funds.

24. CONTINGENT ASSETS AND LIABILITIES

Guarantees of R990 004 were issued by Standard Bank in respect of payments to Eskom and Roodeplaat Temba Water Services Trust. Guarantee for Roodeplaat Temba Water Services Trust has since been cancelled on 2 July 2013.

Legal proceedings have been instituted against Magalies Water by ex-employees and the entity's legal advisors have advised that Magalies Water has reasonable defence and that the probability of loss is minimal. Accordingly, no provision has been made in the financial statements.

Magalies Water is claiming R318 891 including interest from a Company, Engine Room. The company was contracted to develop and produce the annual report for 2010/11 year end. The contract was cancelled upon failure by Engine Room to deliver on its obligations in terms of the contract. As at 30 June 2013, no recoveries have been made in respect of this claim.

Magalies Water is defending a case on the balance of payment due to De Jaar Financial Management Consulting which was withheld by the entity because of poor performance. The contingent liability is R220 320. The legal costs are not known at this stage.

Magalies Water is suing CF Smit for non-payment of water account of R520 867. The matter is being defended and the legal costs are not known at this stage.

Magalies Water has taken legal action against Sebilong Community Trust and other for dumping of excavated soil on top of the water line within the entity's registered servitude. Both respondents are opposing the application. The legal costs are not known at this stage.

Magalies Water has taken legal action against Northam Travel Lodge for constructing a lodge within the servitude area, wherein some of its outlying structures are violating the servitude. The legal costs are not known at this stage.

Magalies Water has taken the tariff dispute with Rand Water to arbitration. Rand Water is disputing a tariff charged by Magalies Water in 2011 financial year. The debt relating to the tariff dispute is estimated at R7 million. The legal costs are not known at this stage.

25. RELATED PARTIES

Relationships

Ultimate holding company

National Government

Shareholder

Minister of Water and Environmental Affairs

Related party disclosures for transactions with entities within the national sphere of government that took place on terms and conditions that are considered in arms' length and in the ordinary course of business are not disclosed.

IAS 24 provides government related entities an exemption which eliminates the requirement to disclose information that is costly to gather and of less value to users. The entity applies this exemption in respect of its relationship with government related entities.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. The Board members and Executive Management are considered as key management and there were no related party transactions between the entity and key management during the year under review.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

25. RELATED PARTIES continued

	2013 R'000	2012 R'000
Related party balances		
Amount included in trade receivables		
Rand Water	17 316	15 935
Department of Water Affairs	2 399	–
Government Grant		
Department of Water Affairs	26 236	–
Capital contribution		
Department of Public Works	23 484	23 484
Related party transactions		
Cost of sales – raw water purchases		
Department of Water Affairs	63 835	54 778
Compensation to Board members and key management		
Short-term employee benefits	9 506	7 180

26. BOARD EMOLUMENTS

Board 2013	Expenses	Committees fees	Total
Prof MI Jahed (Chairperson)	1	36	37
Mr LC Gwangwa	–	5	5
Ms M Hlahla	15	107	122
Mr WB Mahlangu	24	33	57
Ms PN Nkwinika	130	185	315
Mr DR Sibanda	47	143	190
Ms TF Zondi	21	151	172
Ms TD Monewe	87	90	177
Mr TT Mohapi	63	104	167
	388	854	1 242

Board 2012	Expenses	Committees fees	Total
Prof MI Jahed (chairperson)	7	58	65
Mr LC Gwangwa	28	45	73
Ms M Hlahla	17	98	115
Mr WB Mahlangu	26	42	68
Ms PN Nkwinika	83	175	258
Mr DR Sibanda	36	162	198
Ms TF Zondi	40	160	200
Ms TD Monewe	11	29	40
Mr TT Mohapi	16	33	49
	264	802	1 066

Executive management

2013	Emoluments	Acting allowance	Expenses	Performance bonus**	Total
Chief Executive	1 548	–	91	546	2 317
GM Finance	1 189	–	69	423	1 688
GM Engineering Services	1 253	–	1	222	1 491
GM Water Services	1 277	–	125	348	1 779
GM Corporate Services	661	–	8	141	845
Acting GM Corporate Services	277	42	43	–	362
	6 205	42	337	1 680	8 264

Performance bonus includes an accrual for 2012/13 bonus which is 15% of basic salary.

2012	Emoluments	Expenses	Total
Chief Executive	1 349	142	1 491
GM Finance	1 058	81	1 139
GM Engineering Services	1 078	128	1 206
GM Water Services	1 155	135	1 290
GM Corporate Services	871	117	988
	5 511	603	6 114

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

	2013 R'000	2012 R'000
27. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE		
Irregular expenditure		
Opening balance – 1 July	1 483	30 058
Expenditure incurred during the year	1 764	1 813
Expenditure condoned	(3 247)	(30 388)
	–	1 483
Fruitless and wasteful expenditure		
Opening balance – 1 July	91	525
Expenditure incurred during the year	3	91
Expenditure condoned	(94)	(525)
	–	91

Irregular expenditure

All incidents classified as irregular expenditure relate to expenditure which arose as a result of non-compliance with Supply Chain Management Policy. The expenditure was incurred in support of the business requirements and no loss was incurred by the entity. However, workshops are being conducted to make the staff aware of all the prescripts of the supply chain management policy.

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure relates to interest paid to suppliers. Internal control systems have been improved.

Outstanding invoices are followed up regularly to avoid late payments.

28. POST-RETIREMENT BENEFITS

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

Employees make a 7,5% contribution and the employer contributes 10%. The entity is under no obligation to cover any unfunded benefits.

	2013 R'000	2012 R'000
The total contribution to the Fund	10 813	10 765

29. RISK MANAGEMENT

Capital risk management

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

The entity's accumulated profit at 30 June 2013 is R1 097 306 (2012: R1 068 195).

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

Financial risk management

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

The entity's overall risk management programme seeks to minimise potential adverse effects on the entity's financial performance.

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulties in meeting the obligations associated with its financial liabilities.

Magalies Water's approach to managing liquidity risk is to ensure that the entity will always have sufficient liquidity to meet its liabilities when due.

Magalies Water monitors its risk to shortage of funds using projected cash flows from operations and has provision for cash buffer investment. The entity also has borrowing limits approved by National Treasury.

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

	2013 R'000	2012 R'000
Trade and other payables		
Current	89 882	66 975
60 days and older	464	–
	90 346	66 975

Interest rate risk

Interest rate risk is the risk that changes in interest rates cause an increase or decrease in net profit. Magalies Water is exposed to interest rate risk as a result of investments held with various financial institutions. The entity has variable interest rate facilities on some of its investments which are reset on changes in prime interest rate, and therefore exposed to cash flow interest rate risk.

A sensitivity analysis to a change in interest rate has been performed based on the exposure to interest rates on investments at reporting date. A 1% increase or decrease has been used and represent management's assessment of the reasonable possible change in interest rates. The sensitivity analysis has been prepared on the same basis as the prior year.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

29. RISK MANAGEMENT continued

The following table illustrates the sensitivity of the entity to interest rate risk if the interest rate changes by 1%:

	2013 R'000	2012 R'000
1% decrease		
Decrease in financial assets	(1 968)	(3 552)
Decrease in comprehensive income	(1 968)	(3 552)
1% increase	(3 936)	(7 104)
Increase in financial assets	7 062	3 011
Increase in comprehensive income	7 062	3 011
	14 124	6 022

Credit risk

Credit risk is the risk of financial loss to the entity if a customer or other counterparty to a financial instrument fails to meet its obligations. Credit risk concentration will result in Magalies Water being exposed to counterparty failure.

Credit risk arises primarily from receivables and investments.

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

Magalies Water also limits its exposure to credit risk by investing and depositing cash only with institutions and major banks who have been rated by reputable assessors such as Fitch, Moody's and Standard and Poor rating agencies. The Board does not expect any of counterparty to fail to meet its obligations, hence no investment has been impaired during the current and prior year.

The entity's maximum exposure to credit risk is equal to the carrying value of the financial assets at the reporting date and is summarised below:

	2013 R'000	2012 R'000
Financial instrument		
Investments	480 202	420 787
Loans and receivables	518	812
Trade receivables	124 460	109 570
Cash and cash equivalents	39 830	56 378

The maximum exposure to credit risk for trade receivables at the reporting date is disclosed in note 8.

30. COMPARATIVE FIGURES

Capital contributions

The capital contribution received from the Department of Public Works was classified as a current liability in prior year. The construction work related to the amount has commenced and is expected to be completed beyond the period of 12 months. The capital contribution has now been classified as non-current liabilities in the current financial year. Reclassification has been done in 2011/12 to conform to the current year's presentation.

Employee costs

Employee costs for Maintenance East were classified as operating expenses in prior year, as the significant costs were relating to City of Tshwane section 30 contract. Due to the termination of the contract, the employee costs were reclassified in the current year as production costs. Reclassification has been done in 2011/12 to conform to the current year's presentation.

Fair valuation – debtors

Deemed interest from debtors that were not charged interest in the prior year was disclosed as fair valuation on debtors. In the current year, the interest from these debtors has been disclosed as interest from other receivables. This reclassification has been done in 2011/12 financial year to conform to the current year's presentation.

There is no effect on the retained income. The balances that are affected by the reclassification are indicated below:

Statement of financial position

	2013 R'000	2012 R'000
Non-current liabilities – deferred income	–	(23 484)
Current liabilities – payments received in advance	–	23 484
Profit or loss		
Cost of sales – employee costs	–	10 714
Operating expenses – employee costs	–	(10 714)
Fair value adjustment – debtors		728
Interest received from debtors		(728)

31. CORRECTION OF PRIOR PERIOD ERROR

Property, plant and equipment

A 750mm diameter pipeline and 35Ml reservoir were transferred to Magalies Water by Platinum Mines on 24 October 2012 as a result of the off take agreement that was signed by Magalies Water, Bonyton Investments and other parties in 2008. These assets were completed in the year 2010. The entity did not account for these assets in the previous financial years. The error has been corrected retrospectively by restating prior year figures.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended at 30 June 2013

31. CORRECTION OF PRIOR PERIOD ERROR continued

The effect of the adjustment is shown below:

	2013 R'000	2012 R'000
Property, plant and equipment, deferred income, opening retained income	–	148 770
Pipelines and reservoirs – property, plant and equipment	–	(148 770)
Deferred income – long-term liability	–	2 204
Retained income	–	(2 204)
Accumulated depreciation – pipelines and reservoirs	–	(2 204)
Deferred income	–	2 204
Retained income	–	–
Depreciation – pipelines and reservoirs	–	3 306
Accumulated depreciation	–	(3 306)

32. CHANGE IN ACCOUNTING POLICY

The entity change the accounting policy for accounting for bonuses and leave pay. Previously, the entity accounted for these as provisions. In the current financial year, the entity accounted for bonuses and leave pay as accruals for due to the nature of the accounts as well as certainty in fulfilling the obligations.

The change in accounting policy has no effect on retained income. The effects of the change in accounting policy is as follows:

Statement of financial position

	2013 R'000	2012 R'000
Provision for bonuses and leave pay	–	10 324
Trade and other payables	–	(10 324)

33. GOING CONCERN

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

34. EVENTS AFTER THE REPORTING PERIOD

No subsequent events were identified by management.

Water Quality Schedules



CULLINAN WATER QUALITY REPORT

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
		95% min to Class I	99% min to Class II	
E. coli – MFC®	count/100mL	1.00	1.00	50
Total Coliform – MFC	count/100mL	Alert Level: >10.0		51
Heterotrophic Plate Count-MFC	count/1mL	Alert Level: >5 000.0		51
Microcystin Toxins*	ug/L	Alert Level: >1.0		24
Somatic coliphages	count/10mL	Alert Level: >1.0		32
Giardia cysts	count/10L	Alert Level: >1.0		3
Cryptosporidium oocysts	count/10L	Alert Level: >1.0		3
Enteric viruses: PCR (direct)	count/10L	Alert Level: >1.0		3
pH @ 25°C	pH units	9.50	10.00	51
Electrical Conductivity @ 25°C	mS/m	150.00	370.00	51
Turbidity	NTU	1.00	5.00	52
Colour	mg/L Pt	20.00	50.00	52
Taste#*	mg/L	3.00	4.00	32
Odour#*	mg/L	3.00	4.00	32
Ammonium	mg/L N	1.00	2.00	50
Chloride	mg/L Cl-	200.00	600.00	13
Fluoride	mg/L F-	1.00	1.50	49
Nitrate	mg/L N ⁴	10.00	20.00	51
Nitrite*	mg/L N	Alert Level: >1.0		49
Sulphate	mg/L SO	400.00	600.00	12
Calcium Dissolved	mg/L Ca	150.00	300.00	50
Magnesium Dissolved	mg/L Mg	70.00	100.00	50
Potassium Dissolved	mg/L K	50.00	100.00	12
Sodium Dissolved	mg/L Na	200.00	400.00	12
Zinc Dissolved	mg/L Zn	5.00	10.00	12
Arsenic Dissolved	mg/L As	0.01	0.05	44
Antimony Dissolved	mg/L Sb	0.02	0.05	11
Selenium Dissolved	mg/L Se	0.02	0.05	11

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0	100.0	100.0		Good	H
	6			94.1	Good	O, IH
	30			100.0	Good	O, IH
	0.13			100.0	Good	H
	0			100.0	Good	H
	0			100.0	Good	H
	0			100.0	Good	H
	0					H
	7.91	100.0	100.0		Good	A, O
	33.89	100.0	100.0		Good	A
	0.35	100.0	100.0		Good	A,O, IH
	7	96.2	100.0		Good	A
	3	100.0	100.0		Good	A
	3	100.0	100.0		Good	A, O
	0.06	100.0	100.0		Good	O
	23.83	100.0	100.0		Good	A
	0.26	100.0	100.0		Good	H
	1.99	100.0	100.0		Good	H
	0.17			95.9	Good	H
	33.96	100.0	100.0		Good	H
	24.13	100.0	100.0		Good	A,O
	15.13	100.0	100.0		Good	A, H
	5.20	100.0	100.0		Good	H
	19.71	100.0	100.0		Good	A, H
	0.02	100.0	100.0		Good	A, H
	0.01	97.7	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.01	100.0	100.0		Good	H

CULLINAN WATER QUALITY REPORT continued

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
Mercury Dissolved	µg/L Hg	1.00	5.00	11
Free Cyanide	mg/L CN	0.05	0.07	1
Aluminium Dissolved	mg/L Al	0.30	0.50	12
Cadmium Dissolved	mg/L Cd	0.00	0.01	11
Chromium Dissolved	mg/L Cr	0.10	0.50	12
Cobalt Dissolved	mg/L Co	0.50	1.00	12
Copper Dissolved	mg/L Cu	1.00	2.00	12
Iron Dissolved	mg/L Fe	0.20	2.00	51
Lead Dissolved	mg/L Pb	0.02	0.05	11
Manganese Dissolved	mg/L Mn	0.10	1.00	51
Nickel Dissolved	mg/L Ni	0.15	0.35	12
Vanadium Dissolved	mg/L V	0.20	0.50	12
Organic Carbon Total	mg/L C	10.00	20.00	49
2MIB*	ng/L	Alert Level: >10.0		22
Geosmin*	ng/L	Alert Level: >10.0		20
Trihalomethanes	ug/L	200.00	300.00	24
Chlorine Free	mg/L	Alert Level: <0.2		51
Pesticides*	ug/L	Alert Level: >0.1		11
Chlorophyll – a*	ug/L	1	2	46
Temperature*	°C	Alert Level: >30.0		50
Alkalinity Total*	mg/L CaCO ₃	250	300	51
Hardness Total*	mg/L CaCO ₃	250	300	50
Calcium precipitation potential*	mg/L CaCO ₃	5	20	42
Orthophosphate*	mg/L P	1	10	14
				1 551

* Recommended Internal criteria (not sans specification)

1 – Excellent; 2 – Slightly off taste/odour; 3 – Off taste/odour, but not objectionable; 4 – Objectionable to some; 5 – Objectionable to all

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0.04	100.0	100.0		Good	H
	0.05	100.0	100.0		Good	H
	0.06	100.0	100.0		Good	H
	0.003	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.03	100.0	100.0		Good	A, O
	0.01	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	A
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	8.55	91.8	98.0		Good	A, H
	2.27			100.0	Good	A,O
	1.37			100.0	Good	A,O
	100.05	100.0	100.0		Good	H
	1.94			100.0	Good	O
	0.00			100.0	Good	H
	0.13					A,O, IH
	20.32			100.0	Good	A
	109.33					A
	123.24					A,O
	(2.97)					O
	0.03					A
	Average % compliance:	99.6	99.9			

WALLMANSTHAL WATER QUALITY REPORT

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
		95% min to Class I	99% min to Class II	
E. coli – MFC®	count/100mL	1.00	1.00	52
Total Coliform – MFC	count/100mL	Alert Level: >10.0		52
Heterotrophic Plate Count-MFC	count/1mL	Alert Level: >5 000.0		52
Microcystin Toxins*	ug/L	Alert Level: >1.0		25
Somatic coliphages	count/10mL	Alert Level: >1.0		31
Giardia cysts	count/10L	Alert Level: >1.0		3
Cryptosporidium oocysts	count/10L	Alert Level: >1.0		3
Enteric viruses: PCR (direct)	count/10L	Alert Level: >1.0		3
pH @ 25°C	pH units	9.50	10.00	52
Electrical Conductivity @ 25°C	mS/m	150.00	370.00	52
Turbidity	NTU	1.00	5.00	52
Colour	mg/L Pt	20.00	50.00	50
Taste#*	mg/L	3.00	4.00	34
Odour#*	mg/L	3.00	4.00	33
Ammonium	mg/L N	1.00	2.00	52
Chloride	mg/L Cl-	200.00	600.00	12
Fluoride	mg/L F-	1.00	1.50	49
Nitrate	mg/L N	10.00	20.00	52
Nitrite*	mg/L N ⁴	Alert Level: >1.0		49
Sulphate	mg/L SO	400.00	600.00	12
Calcium Dissolved	mg/L Ca	150.00	300.00	51
Magnesium Dissolved	mg/L Mg	70.00	100.00	52
Potassium Dissolved	mg/L K	50.00	100.00	12
Sodium Dissolved	mg/L Na	200.00	400.00	12
Zinc Dissolved	mg/L Zn	5.00	10.00	11
Arsenic Dissolved	mg/L As	0.01	0.05	45
Antimony Dissolved	mg/L Sb	0.02	0.05	11
Selenium Dissolved	mg/L Se	0.02	0.05	11

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0	100.0	100.0		Good	H
	15			76.9	Poor	O, IH
	106			100.0	Good	O, IH
	1.66			64.0	Poor	H
	0			100.0	Good	H
	0			100.0	Good	H
	0			100.0	Good	H
	0					H
	7.64	100.0	100.0		Good	A, O
	46.20	100.0	100.0		Good	A
	0.81	82.7	100.		Poor	A,O, IH
	20	68.0	94.0		Poor	A
	3	100.0	100.0		Good	A
	3	100.0	100.0		Good	A, O
	0.32	94.2	100.0		Good	O
	48.92	100.0	100.0		Good	A
	0.25	100.0	100.0		Good	H
	3.41	98.1	100.0		Good	H
	0.45			79.6	Poor	H
	34.24	100.0	100.0		Good	H
	27.31	100.0	100.0		Good	A,O
	17.98	100.0	100.0		Good	A, H
	6.64	100.0	100.0		Good	H
	35.91	100.0	100.0		Good	A, H
	0.02	100.0	100.0		Good	A, H
	0.01	100.0	100.0		Good	H
	0.02	100.0	100.0%		Good	H
	0.01	100.0	100.		Good	H

WALLMANSTHAL WATER QUALITY REPORT

continued

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
Mercury Dissolved	µg/L Hg	1.00	5.00	11
Free Cyanide	mg/L CN	0.05	0.07	1
Aluminium Dissolved	mg/L Al	0.30	0.50	12
Cadmium Dissolved	mg/L Cd	0.00	0.01	11
Chromium Dissolved	mg/L Cr	0.10	0.50	12
Cobalt Dissolved	mg/L Co	0.50	1.00	12
Copper Dissolved	mg/L Cu	1.00	2.00	12
Iron Dissolved	mg/L Fe	0.20	2.00	52
Lead Dissolved	mg/L Pb	0.02	0.05	11
Manganese Dissolved	mg/L Mn	0.10	1.00	51
Nickel Dissolved	mg/L Ni	0.15	0.35	12
Vanadium Dissolved	mg/L V	0.20	0.50	11
Organic Carbon Total	mg/L C	10.00	20.00	50
2MIB*	ng/L	Alert Level: >10.0		21
Geosmin*	ng/L	Alert Level: >10.0		19
Trihalomethanes	ug/L	200.00	300.00	24
Chlorine Free	mg/L	Alert Level: <0.2		51
Pesticides*	ug/L	Alert Level: >0.1		11
Chlorophyll – a*	ug/L	1	2	47
Temperature*	°C	Alert Level: >30.0		52
Alkalinity Total*	mg/L CaCO ₃	250	300	50
Hardness Total*	mg/L CaCO ₃	250	300	51
Calcium precipitation potential*	mg/L CaCO ₃	5	20	43
Orthophosphate*	mg/L P	1	10	51

1 603

* Recommended Internal criteria (not sans specification)

1 – Excellent; 2 – Slightly off taste/odour; 3 – Off taste/odour, but not objectionable; 4 – Objectionable to some; 5 – Objectionable to all

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0.09	100.0	100.0		Good	H
	0.05	100.0	100.0		Good	H
	0.06	100.0	100.0		Good	H
	0.003	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.11	96.2	100.0		Good	A, O
	0.01	100.0	100.0		Good	H
	0.07	88.2	100.0		Fair	A
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	9.92	56.0	100.0		Poor	A, H
	0.79			100.0	Good	A,O
	1.58			100.0	Good	A,O
	50.22	100.0	100.0		Good	H
	1.15			88.2	Fair	O
	0.00			100.0	Good	H
	0.36					A,O, IH
	20.53			100.0	Good	A
	122.38					A
	143.04					A,O
	(1.90)					O
	0.13					A
	Average % compliance:	96.6	99.8			

VAALKOP WTW 1 WATER QUALITY REPORT

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
		95% min to Class I	99% min to Class II	
E. coli – MFC®	count/100mL	1.00	1.00	52
Total Coliform – MFC	count/100mL	Alert Level: >10.0		52
Heterotrophic Plate Count-MFC	count/1mL	Alert Level: >5 000.0		53
Microcystin Toxins*	ug/L	Alert Level: >1.0		25
Somatic coliphages	count/10mL	Alert Level: >1.0		31
pH @ 25°C	pH units	9.50	10.00	54
Electrical Conductivity @ 25°C	mS/m	150.00	370.00	54
Turbidity	NTU	1.00	5.00	54
Colour	mg/L Pt	20.00	50.00	54
Taste#*	mg/L	3.00	4.00	35
Odour#*	mg/L	3.00	4.00	35
Ammonium	mg/L N	1.00	2.00	52
Chloride	mg/L Cl-	200.00	600.00	12
Fluoride	mg/L F-	1.00	1.50	50
Nitrate	mg/L N	10.00	20.00	52
Nitrite*	mg/L N ⁴	Alert Level: >1.0		51
Sulphate	mg/L SO	400.00	600.00	12
Calcium Dissolved	mg/L Ca	150.00	300.00	52
Magnesium Dissolved	mg/L Mg	70.00	100.00	52
Potassium Dissolved	mg/L K	50.00	100.00	12
Sodium Dissolved	mg/L Na	200.00	400.00	12
Zinc Dissolved	mg/L Zn	5.00	10.00	12
Arsenic Dissolved	mg/L As	0.01	0.05	44
Antimony Dissolved	mg/L Sb	0.02	0.05	11
Selenium Dissolved	mg/L Se	0.02	0.05	11
Mercury Dissolved	µg/L Hg	1.00	5.00	11
Free Cyanide	mg/L CN	0.05	0.07	1
Aluminium Dissolved	mg/L Al	0.30	0.50	12

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0	100.0	100.0		Good	H
	5			92.3	Good	O, IH
	50			100.0	Good	O, IH
	0.18			96.0	Good	H
	0			100.0	Good	H
	7.65	100.0	100.0		Good	A, O
	68.05	100.0	100.0		Good	A
	0.35	96.3	100.0		Good	A,O, IH
	4	96.3	100.0		Good	A
	3	100.0	100.0		Good	A
	3	100.0	100.0		Good	A, O
	0.07	100.0	100.0		Good	O
	91.63	100.0	100.0		Good	A
	0.32	100.0	100.0		Good	H
	2.19	100.0	100.0		Good	H
	0.16			100.0	Good	H
	77.40	100.0	100.0		Good	H
	33.77	100.0	100.0		Good	A,O
	27.39	100.0	100.0		Good	A, H
	7.85	100.0	100.0		Good	H
	56.73	100.0	100.0		Good	A, H
	0.02	100.0	100.0		Good	A, H
	0.01	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.01	100.0	100.0		Good	H
	0.04	100.0	100.0		Good	H
	0.05	100.0	100.0		Good	H
	0.06	100.0	100.0		Good	H

VAALKOP WTW 1 WATER QUALITY REPORT continued

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
Cadmium Dissolved	mg/L Cd	0.00	0.01	11
Chromium Dissolved	mg/L Cr	0.10	0.50	12
Cobalt Dissolved	mg/L Co	0.50	1.00	12
Copper Dissolved	mg/L Cu	1.00	2.00	12
Iron Dissolved	mg/L Fe	0.20	2.00	52
Lead Dissolved	mg/L Pb	0.02	0.05	11
Manganese Dissolved	mg/L Mn	0.10	1.00	52
Nickel Dissolved	mg/L Ni	0.15	0.35	12
Vanadium Dissolved	mg/L V	0.20	0.50	12
Organic Carbon Total	mg/L C	10.00	20.00	50
2MIB*	ng/L	Alert Level: >10.0		23
Geosmin*	ng/L	Alert Level: >10.0		23
Trihalomethanes	ug/L	200.00	300.00	24
Chlorine Free	mg/L	Alert Level: <0.2		53
Pesticides*	ug/L	Alert Level: >0.1		11
Chlorophyll – a*	ug/L	1	2	45
Temperature*	°C	Alert Level: >30.0		54
Alkalinity Total*	mg/L CaCO ₃	250	300	52
Hardness Total*	mg/L CaCO ₃	250	300	52
Calcium precipitation potential*	mg/L CaCO ₃	5	20	42
Orthophosphate*	mg/L P	1	10	51
				1 692

* Recommended Internal criteria (not sans specification)

1 – Excellent; 2 – Slightly off taste/odour; 3 – Off taste/odour, but not objectionable; 4 – Objectionable to some; 5 – Objectionable to all

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0.003	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	A, O
	0.01	100.0	100.0		Good	H
	0.04	96.2	100.0		Good	A
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	7.59	100.0	100.0		Good	A, H
	1.50			100.0	Good	A,O
	2.05			100.0	Good	A,O
	78.49	100.0	100.0		Good	H
	2.13			100.0	Good	O
	0.00			100.0	Good	H
	0.42					A,O, IH
	19.80			100.0	Good	A
	130.84					A
	198.37					A,O
	0.17					O
	0.05					A
	Average % compliance:	99.7	100.0			

VAALKOP WTW 2 WATER QUALITY REPORT

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
		95% min to Class I	99% min to Class II	
E. coli – MFC®	count/100mL	1.00	1.00	52
Total Coliform – MFC	count/100mL	Alert Level: >10.0		52
Heterotrophic Plate Count-MFC	count/1mL	Alert Level: >5 000.0		53
Microcystin Toxins*	ug/L	Alert Level: >1.0		25
Somatic coliphages	count/10mL	Alert Level: >1.0		31
pH @ 25°C	pH units	9.50	10.00	55
Electrical Conductivity @ 25°C	mS/m	150.00	370.00	55
Turbidity	NTU	1.00	5.00	55
Colour	mg/L Pt	20.00	50.00	55
Taste#*	mg/L	3.00	4.00	35
Odour#*	mg/L	3.00	4.00	35
Ammonium	mg/L N	1.00	2.00	52
Chloride	mg/L Cl-	200.00	600.00	12
Fluoride	mg/L F-	1.00	1.50	51
Nitrate	mg/L N	10.00	20.00	52
Nitrite*	mg/L N ⁴	Alert Level: >1.0		51
Sulphate	mg/L SO	400.00	600.00	12
Calcium Dissolved	mg/L Ca	150.00	300.00	53
Magnesium Dissolved	mg/L Mg	70.00	100.00	53
Potassium Dissolved	mg/L K	50.00	100.00	12
Sodium Dissolved	mg/L Na	200.00	400.00	12
Zinc Dissolved	mg/L Zn	5.00	10.00	12
Arsenic Dissolved	mg/L As	0.01	0.05	45
Antimony Dissolved	mg/L Sb	0.02	0.05	11
Selenium Dissolved	mg/L Se	0.02	0.05	11
Mercury Dissolved	µg/L Hg	1.00	5.00	11
Free Cyanide	mg/L CN	0.05	0.07	2
Aluminium Dissolved	mg/L Al	0.30	0.50	12

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0	100.0	100.0		Good	H
	3			92.3	Good	O, IH
	159			98.1	Good	O, IH
	0.25			96.0	Good	H
	0			100.0	Good	H
	7.96	100.0	100.0		Good	A, O
	67.58	100.0	100.0		Good	A
	0.55	94.5	100.0		Good	A,O, IH
	7	92.7	100.0		Good	A
	3	100.0	100.0		Good	A
	3	100.0	100.0		Good	A, O
	0.47	84.6	100.0		Poor	O
	91.92	100.0	100.0		Good	A
	0.31	100.0	100.0		Good	H
	2.14	100.0	100.0		Good	H
	0.24			96.1	Good	H
	75.63	100.0	100.0		Good	H
	33.33	100.0	100.0		Good	A,O
	27.34	100.0	100.0		Good	A, H
	7.88	100.0	100.0		Good	H
	55.92	100.0	100.0		Good	A, H
	0.05	100.0	100.0		Good	A, H
	0.01	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.01	100.0	100.0		Good	H
	0.05	100.0	100.0		Good	H
	0.05	100.0	100.0		Good	H
	0.06	100.0	100.0		Good	H

VAALKOP WTW 2 WATER QUALITY REPORT

continued

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
Cadmium Dissolved	mg/L Cd	0.00	0.01	11
Chromium Dissolved	mg/L Cr	0.10	0.50	12
Cobalt Dissolved	mg/L Co	0.50	1.00	12
Copper Dissolved	mg/L Cu	1.00	2.00	12
Iron Dissolved	mg/L Fe	0.20	2.00	54
Lead Dissolved	mg/L Pb	0.02	0.05	11
Manganese Dissolved	mg/L Mn	0.10	1.00	54
Nickel Dissolved	mg/L Ni	0.15	0.35	12
Vanadium Dissolved	mg/L V	0.20	0.50	12
Organic Carbon Total	mg/L C	10.00	20.00	50
2MIB*	ng/L	Alert Level: >10.0		26
Geosmin*	ng/L	Alert Level: >10.0		21
Trihalomethanes	ug/L	200.00	300.00	24
Chlorine Total	mg/L	Alert Level: <0.2		52
Chlorine Free	mg/L	Alert Level: <0.2		52
Monochloramines*	mg/L	Alert Level: <0.2		48
Pesticides*	ug/L	Alert Level: >0.1		11
Chlorophyll – a*	ug/L	1	2	45
Temperature*	°C	Alert Level: >30.0		54
Alkalinity Total*	mg/L CaCO ₃	250	300	52
Hardness Total*	mg/L CaCO ₃	250	300	53
Calcium precipitation potential*	mg/L CaCO ₃	5	20	42
Orthophosphate*	mg/L P	1	10	51
				1 747

* Recommended Internal criteria (not sans specification)

1 – Excellent; 2 – Slightly off taste/odour; 3 – Off taste/odour, but not objectionable; 4 – Objectionable to some; 5 – Objectionable to all

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0.00	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.03	98.1	100.0		Good	A, O
	0.01	100.0	100.0		Good	H
	0.03	100.0	100.0		Good	A
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	8.21	94.0	100.0		Good	A, H
	35.19			53.8	Poor	A,O
	6.92			71.4	Poor	A,O
	81.44	100.0	100.0		Good	H
	2.27	Undefined	Undefined	100.0	Good	O
	1.33			96.2	Good	O
	1.12			85.4	Fair	O
	0.00			100.0	Good	H
	0.37					A,O, IH
	19.72			100.0	Good	A
	128.54					A
	197.07					A,O
	2.54					O
	0.03					A
	Average % compliance:	98.9	100.0			

VAALKOP WTW 3 WATER QUALITY REPORT

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
		95% min to Class I	99% min to Class II	
E. coli – MFC®	count/100mL	1.00	1.00	54
Total Coliform – MFC	count/100mL	Alert Level: >10.0		54
Heterotrophic Plate Count-MFC	count/1mL	Alert Level: >5000.0		55
Microcystin Toxins*	ug/L	Alert Level: >1.0		25
Somatic coliphages	count/10mL	Alert Level: >1.0		31
pH @ 25°C	pH units	9.50	10.00	57
Electrical Conductivity @ 25°C	mS/m	150.00	370.00	57
Turbidity	NTU	1.00	5.00	56
Colour	mg/L Pt	20.00	50.00	56
Taste#*	mg/L	3.00	4.00	37
Odour#*	mg/L	3.00	4.00	37
Ammonium	mg/L N	1.00	2.00	54
Chloride	mg/L Cl-	200.00	600.00	12
Fluoride	mg/L F-	1.00	1.50	49
Nitrate	mg/L N	10.00	20.00	52
Nitrite*	mg/L N ⁴	Alert Level: >1.0		51
Sulphate	mg/L SO	400.00	600.00	12
Calcium Dissolved	mg/L Ca	150.00	300.00	53
Magnesium Dissolved	mg/L Mg	70.00	100.00	53
Potassium Dissolved	mg/L K	50.00	100.00	13
Sodium Dissolved	mg/L Na	200.00	400.00	13
Zinc Dissolved	mg/L Zn	5.00	10.00	14
Arsenic Dissolved	mg/L As	0.01	0.05	44
Antimony Dissolved	mg/L Sb	0.02	0.05	11
Selenium Dissolved	mg/L Se	0.02	0.05	11
Mercury Dissolved	µg/L Hg	1.00	5.00	11
Free Cyanide	mg/L CN	0.05	0.07	1
Aluminium Dissolved	mg/L Al	0.30	0.50	14

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0	100.0	100.0		Good	H
	7			98.1	Good	O, IH
	682			92.7	Good	O, IH
	0.20			100.0	Good	H
	0			100.0	Good	H
	7.69	100.0	100.0		Good	A, O
	67.4	100.0	100.0		Good	A
	0.50	91.1	100.0		Good	A,O, IH
	10	92.9	96.4		Good	A
	3	100.0	100.0		Good	A
	3	100.0	100.0		Good	A, O
	0.08	100.0	100.0		Good	O
	92.63	100.0	100.0		Good	A
	0.32	100.0	100.0		Good	H
	1.98	100.0	100.0		Good	H
	0.22			96.1	Good	H
	76.61	100.0	100.0		Good	H
	32.58	100.0	100.0		Good	A,O
	27.11	100.0	100.0		Good	A, H
	7.98	100.0	100.0		Good	H
	55.83	100.0	100.0		Good	A, H
	0.02	100.0	100.0		Good	A, H
	0.01	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.01	100.0	100.0		Good	H
	0.04	100.0	100.0		Good	H
	0.05	100.0	100.0		Good	H
	0.05	100.0	100.0		Good	H

VAALKOP WTW 3 WATER QUALITY REPORT continued

Reporting period: 1 July 2012 to 30 June 2013

Parameter	Units of measurement	Specifications (based on SANS 241:2006)		Total number of samples
Cadmium Dissolved	mg/L Cd	0.00	0.01	11
Chromium Dissolved	mg/L Cr	0.10	0.50	14
Cobalt Dissolved	mg/L Co	0.50	1.00	14
Copper Dissolved	mg/L Cu	1.00	2.00	14
Iron Dissolved	mg/L Fe	0.20	2.00	54
Lead Dissolved	mg/L Pb	0.02	0.05	11
Manganese Dissolved	mg/L Mn	0.10	1.00	55
Nickel Dissolved	mg/L Ni	0.15	0.35	14
Vanadium Dissolved	mg/L V	0.20	0.50	12
Organic Carbon Total	mg/L C	10.00	20.00	51
2MIB*	ng/L	Alert Level: >10.0		26
Geosmin*	ng/L	Alert Level: >10.0		24
Trihalomethanes	ug/L	200.00	300.00	23
Chlorine Total	mg/L	Alert Level: <0.2		53
Chlorine Free	mg/L	Alert Level: <0.2		54
Monochloramines*	mg/L	Alert Level: <0.2		49
Pesticides*	ug/L	Alert Level: >0.1		11
Chlorophyll – a*	ug/L	1	2	44
Temperature*	°C	Alert Level: >30.0		56
Alkalinity Total*	mg/L CaCO ₃	250	300	53
Hardness Total*	mg/L CaCO ₃	250	300	53
Calcium precipitation potential*	mg/L CaCO ₃	5	20	40
Orthophosphate*	mg/L P	1	10	52
				1 784

* Recommended Internal criteria (not sans specification)

1 – Excellent; 2 – Slightly off taste/odour; 3 – Off taste/odour, but not objectionable; 4 – Objectionable to some; 5 – Objectionable to all

	Average result	% compliance to Class I	% compliance to Class II	% compliance to alert level	Quality	Risk implications A = Aesthetic O = Operational H = Health (Direct) IH = Health (Indirect)
	0.003	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	A, O
	0.01	100.0	100.0		Good	H
	0.03	92.7	100.0		Good	A
	0.02	100.0	100.0		Good	H
	0.02	100.0	100.0		Good	H
	8.08	98.0	100.0		Good	A, H
	25.11			57.7	Poor	A,O
	8.81			62.5	Poor	A,O
	72.89	100.0	100.0		Good	H
	2.75			100.0	Good	O
	1.73			100.0	Good	O
	1.30			55.1	Poor	O
	0.00			100.0	Good	H
	0.15					A,O, IH
	19.86			100.0	Good	A
	127.87					A
	194.23					A,O
	2.19					O
	0.03					A
	Average % compliance:	99.3	99.9			



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