bloemwater
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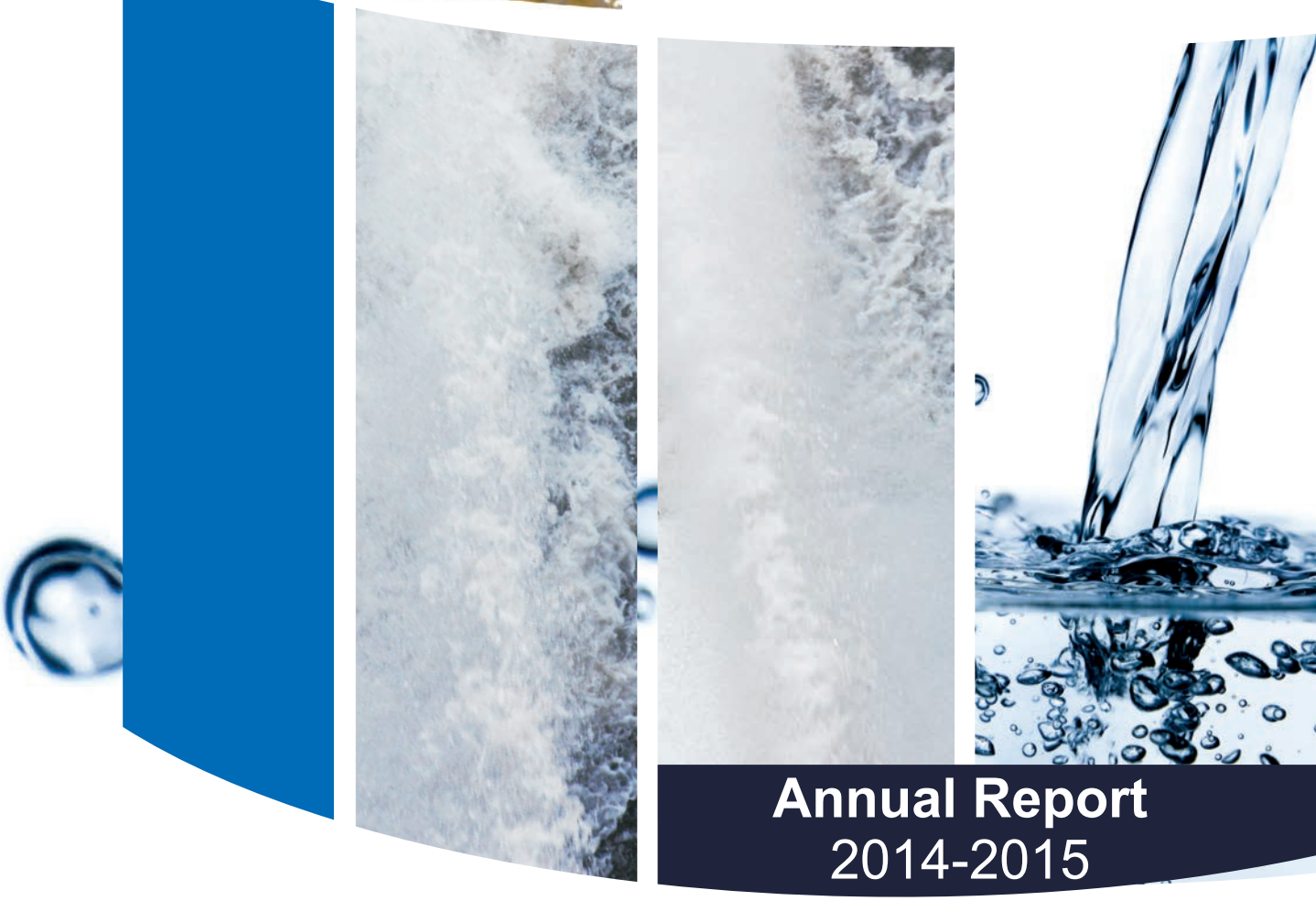

Annual Report
2014-2015

Annual Report 2014-2015

Table of Contents

General Information _____ i

List of Abbreviations _____ 1

Scope and Boundary of the Annual Report _____ 2

Strategic Overview of Bloem Water _____ 3

Legislative Mandate _____ 5

The Board _____ 6

Executive Management _____ 11

Foreword by Chairperson _____ 12

Chief Executive's Overview _____ 14

Organisational Overview _____ 16

Corporate Governance _____ 19

Corporate Social Responsibility _____ 29

Stakeholder Relations _____ 31

Risk Management and Fraud Prevention _____ 33

Directives by the Minister _____ 35

Financial Overview _____ 37

Operations and Maintenance _____ 46

Engineering and Projects _____ 69

Leadership and Human Resources _____ 83

Financial Statements _____ 91

Report on Performance against the Strategic Plan 2014/15 _____ 144

GENERAL INFORMATION

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WEBSITE ADDRESS:	www.bloemwater.co.za
EXTERNAL AUDITORS:	**KPMG**
COMPANY SECRETARY:	Ms. Noxolo Maduba

LIST OF ABBREVIATIONS

BW	Bloem Water
BBBEE	Broad Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
PFMA	Public Finance Management Act
TR	Treasury Regulations
WTW	Water Treatment Works
PCP	Pre-stressed Concrete Pipeline
DWS	Department of Water and Sanitation
DHS	Department of Human Settlement
SOP	Standard Operating Procedures
HCD	Human Capital Development
ABET	Adult Basic Education and Training
IWA	International Water Association
WRC	Water Research Council
WSP	Water Safety Plan

SCOPE AND BOUNDARY OF THE ANNUAL REPORT

SCOPE AND BOUNDARY OF THE ANNUAL REPORT

The annual report covers the activities and results of Bloem Water for the period 1 July 2014 to 30 June 2015. The Financial Statements included in this report have been prepared in accordance with the SA GAAP and the requirements of the Public Finance Management Act (No 1 of 1999) (PFMA). The annual report is prepared in accordance with the recommendations of King lll and the National Treasury Guide on the preparation of Annual Reports for Public Entities.

Statement from Governing Board acknowledging its responsibility for ensuring the integrity of the report

The Board acknowledges its responsibility to ensure the integrity of the annual report. The Board has accordingly applied its mind to the annual report and in the opinion of the Board; the report addresses all material issues, and presents fairly the performance of the organisation and its impacts. The report has been prepared in line with best practice pursuant to the recommendations of the King III Code (principle 9.1).

The annual report was approved by the Board and signed on their behalf by:

Dr Limakatso Moorosi
Chief Executive

Mr Tefetso Phitsane

Chairperson of the Board

STRATEGIC OVERVIEW OF BLOEM WATER

VISION

Assuring sustainable provision of water services, for life.

MISSION

To create a leading, value-driven, effective and responsive Institution using adaptive best practice methods in anticipating tomorrow's challenges today.

VALUES

Bloem Water commits itself to the following values that guide and direct all interactions with internal and external stakeholders:

- Corporate Social Responsibility
- Governance
- Equality
- Responsiveness

STRATEGIC GOALS & OBJECTIVES

- Develop, operate and maintain infrastructure to ensure sustainable water service delivery.
- Manage financial affairs to meet current and future obligations
- Securing the supply and quality of raw water resources
- Achieving an aligned and efficient institution through optimization of all business processes and systems
- Engaging in strategic partnerships with all relevant stakeholders

BLOEM WATER STRATEGIC GOALS & OBJECTIVES ALIGNED WITH GOVERNMENT ALIGNED OUTCOMES

Bloem Water Objectives	Bloem Water Strategic Goals	Ministerial Outcomes
Strategic Objective 1 **Develop, operate and maintain infrastructure to ensure sustainable water service delivery.**	a) Uninterrupted water supply to our customers. b) Implementation of sustainable/ approved CAPEX plan c) Quality Water that exceeds minimum standards d) Build R&D and innovative capability (grow intellectual capacity) e) Expand the business of Bloem Water in the water value chain f) Reduce levels of unaccounted-for water	**MO B** Contribute to an efficient, competitive and response economic infrastructure network **MO A** Environmental assets and natural resources that are well protected and continually enhanced **MO D** Responsive, accountable, effective and efficient local government system

STRATEGIC OVERVIEW OF BLOEM WATER

Bloem Water Objectives	Bloem Water Strategic Goals	Ministerial Outcomes
Strategic Objective 2 **Manage financial affairs to meet current and future obligations**	a) To seek optimal funding solutions for CAPEX b) Develop alternative revenue streams in the water value chain c) Reduce levels of unaccounted-for water d) Improve financial ratios e) Ensure proper financial management	**MO B** Contribute to an efficient, competitive and response economic infrastructure network **MO A** Environmental assets and natural resources that are well protected and continually enhanced **MO D** Responsive, accountable, effective and efficient local government system
Strategic Objective 3 **Securing the supply and quality of raw water resources**	a) Identify/secure additional/ alternative water sources for BW to meet future demands b) Improve access to water for rural development and productive use c) Expand BW involvement in catchment management activities d) Increased contribution to water resource management issues e) Promote water conservation and water demand management f) Mitigate climate change impacts and minimise the environmental impacts of BW activities	**MO B** Contribute to an efficient, competitive and response economic infrastructure network **MO A** Environmental assets and natural resources that are well protected and continually enhanced **MO F** Create a better South Africa and contribute to a better and safer Africa and world **MO G** Vibrant, equitable and sustainable rural communities
Strategic Objective 4 **Achieving an aligned and efficient institution through optimization of all business processes and systems**	a) Ensure full legislative/policy compliance b) Ensure corporate BBBEE targets are met c) Obtain unqualified audit d) Effective Internal Controls and Risk Management e) Improved corporate governance f) Contribute to job creation through inclusive economic growth g) Improve knowledge, skills and capacity h) Ensure provision of Local Government support i) Contribute to national/ international water agenda.	**MO E:** Decent employment through inclusive economic growth **MO F:** Create a better South Africa and contribute to a better and safer Africa and world **MO G:** Vibrant, equitable and sustainable rural communities **MO C:** Sustainable human settlements and improved quality of household life
Strategic Objective 5 **Engaging in strategic partnerships with all relevant stakeholders**	a) Build strategic partnerships with all key stakeholders b) Strengthen relationship with DWS regional office c) Ensure customer satisfaction d) Promote the brand of Bloem Water	**MO E:** Decent employment through inclusive economic growth **MO F:** Create a better South Africa and contribute to a better and safer Africa and world **MO G:** Vibrant, equitable and sustainable rural communities

LEGISLATIVE MANDATE

Water Boards derived their mandate as per their establishment in terms of Section 28(a) of the Water Services Act No 108 of 1997. As a Schedule 3B, a National Government Business Enterprise, Bloem Water is required among others to comply with the Public Finance Management Act No 1 of 1999 as amended by Act 29 of 1999, the National Treasury Regulations, the Municipal Finance Management Act, No 56 of 2003.

Bloem Water is legislated through the following legislation:

- Water Services Act. 108 of 1997;
- the provisions of the Shareholder Compact;
- Public Finance Management Act (No.1 of 1999 as amended by Act 29 of 1999);
- National Treasury Regulations;
- other regulations, which govern operations;
- Companies Act No. 71 of 2008;
- King III;
- Protocol on Corporate Governance in the public sector; and
- all other applicable laws of the Republic of South Africa.

THE BOARD









THE BOARD

BOARD MEMBERS' PROFILE

Mr TB Phitsane

APPOINTED: April 2014

Chairperson of the Board

Diploma in Education, BA Economics, MBA, Executive Leadership: University of Stellenbosch, Human Resources Strategy in Singapore.

He is former Chief Executive Officer and the Deputy Secretary (Deputy CEO): Corporate Services of the Free State Legislature, His core skills relate to varied knowledge of the PFMA, MFMA and general Governance Laws, Corporate Governance, Board effectiveness, public administration and Governance, service delivery and budget implementation programming, performance management systems solutions, development, planning and implementation systems as well as policy development and analysis. Mr Phitsane is a member of the Institute of Directors in Southern Africa and the PACC. He is also a member of the Sanlam Board of Trustees.

Ms Puseletso Matete

APPOINTED: April 2014

Deputy Chairperson of the Board

BA Honours (Geography & Environmental Studies), M.A. in Public Administration, Thesis pending for M.A. in Geography and Environmental Studies.

She is Head of Environmental Management at one of the leading infrastructure development companies. She headed an environmental department at steel and cement manufacturing companies. She was a Regional Manager: Environmental Monitor during construction of the Lesotho Highlands Tunnel from Mohale Dam to Katse Dam and before that Matsoku Diversion and Weir. She is a trained NED, has had executive leadership training. She has over the past 15 years acquired vast experience in environmental law and governance and Executive Preparation Programme in mining and water law.

Mr N Mokhesi

APPOINTED: April 2014

Chairperson of the Audit Committee

M Com Financial Management, B Com Hons, B. Compt. (Accounting & Auditing), BCom.

Mr. Mokhesi is a currently the Head of Department in Free State Department of Human Settlement. He started his career as a part-time teacher of Business Economics at the Mncube Senior Secondary School in Soweto.

He joined the Free State Development Corporation in 1986 as Senior Manager: Associate Companies and Joint Ventures. His private sector experience includes serving as Executive Director of Mphatlalatsane Geographical Solutions (Pty) Ltd and as an independent SMME Business Consultant.

He has also gained extensive experience of the financial environment in the local Government sector when he joined the Thabo Mofutsanyana District Municipality as Chief Financial Officer during 2002 and continued to serve in that position until he joined the Maluti-a-Phofung Local Municipality as Chief Financial Officer in 2005. He was appointed as City Manager of the Maluti-a-Phofung Local Municipality in 2007In 2009, he joined Centlec as Chief Financial Officer. He joined the Department of Police, Roads and Transport in June 2010 as the Chief Financial Officer and also acted as Head of Department and Deputy Director General at various times.

THE BOARD

Ms M Maboe

APPOINTED: April 2014

BSc Education, MA (Counseling)

Ms Maboe's experience ranges from Head of Department: Social Development, Municipal Manager to the Masilonyana Local Municipality, Communications Officer at Thabo Mofutsanyana District Municipality, Acting Registrar and Executive Director: Student Development and Support Service at University of the Free State Qwaqwa Campus. Ms Maboe has a leadership qualification in Executive Municipal Management from the University of the Free State, a MA Degree with a Major in Counselling from the University of Northern IOWA, USA and a BSc Ed Degree from the University of Bophuthatswana.

She is a Psychologist by profession and has served in numerous Boards including the Free State Development Corporation (FDC) and Sedibeng Water.

Ms Maboe has also served on many a forum such as a member of the Executive Committee Forum of African Women Educationist, SA (FAWESA), member of the South Africa Association of Senior Student Affairs Professionals (SAASSAP) and member to the National Association of Student Development Practitioners (NASDEV). She is also a member of Southern African Fundraising Institute (SAIF).

Adv LR Bomela

APPOINTED: April 2014

BPROC, LLM, LLB Degree

Adv Bomela served his articles of clerkship with the Law Society School for Legal Practice, Schutz and De Jager and Lawyers for Human Rights (Karoo Mobile Law Clinic). He served as a Public Prosecutor with the Department of Justice and Constitutional Development and was appointed as an Assistant State Attorney and a Senior Assistant Attorney with the State Attorney, Bloemfontein and Bisho.

He practiced in partnership as a Director in the Law firm du Toit Bomela and later practiced in his own account under the name and style Bomela's. He later joined the Department of Health, Free State as a Director Legal Services. He left the department and became a Company Secretary for Centlec (SOC) Limited. While serving as such, he continued practicing for his own account. He has practiced as an Attorney for 14 years and he is currently with the Free State Society as a practicing Advocate.

Adv Bomela is a former Non-Executive Director at Centlec (SOC) Limited, former member of the Free State Law Society Gender Committee, former Secretary (two terms) of the National Association of Democratic Lawyers, Free State, member of the Provincial Disciplinary Committee of the ANC PEC, Free State, member of Peace and Stability Committee of the ANC PEC, Free State, member of the Legal and Constitutional Affairs Committee of the ANC, Motheo Region. Adv Bomela's current field of specialty is Corporate Governance, Labour Law, Administrative Law and the Law of Contracts. He is also an accredited Arbitrator, Mediator, Negotiator and Facilitator with the Arbitration Foundation of Southern Africa.

THE BOARD

Dr J Van der Merwe

APPOINTED: April 2014

Chairperson of the Human Resource Committee

BSC., M. Science in Geology, PHD Geohydrology, Research at University of Arizona, Specialises in Civil Engineering and water management.

Senior Lecturer in Geohydrology: University of the Free State, Affiliated Researcher: Institution of Ground Water Studies, Member of WISA, Vice-Chairperson: Modder-Riet Catchment Management, Honorary Life Membership: Geological Society of South Africa.

He conducted a research at the University of Arizona, USA, specializing in Water Management And Engineering. He was Head of the Department of Civil Engineering at the Technikon of the Free State (now Central University of Technology), joined the Department of Water Affairs and Forestry in 1988 as Deputy Director, Water Quality and Geohydrology in the Free State Regional Office. He retired in 2008 as Deputy Director: Strategic Support from the Department of Water Affairs.

He is an Affiliated Researcher at the Institute of Ground Water Studies at the University of the Free State and is also a member of the Water Institute of Southern Africa as well as a member of the Ground Water Division of the Geological Society of South Africa. As one of the representatives of Bloem Water, he was elected as Vice-Chairperson of the Modder-Riet Catchment Management Forum (an Institutional Committee of the Department of Water Affairs).

Ms Caroline Phetwe

APPOINTED: April 2014

BCom (Accounting and Auditing) from North West, Certified Fraud Examiner from University of Pretoria, Programme in Strategy Alignment from Stellenbosch University, BDFM Online Certificate on Legal, Ethics and Risk Management.

Process Monitor Manager at Momentum, Senior HR & Risk Manager at Transnet Pension Fund Administrators, Internal Auditor at Gobodo Corporate Governance Services and Khula Enterprise Finance Limited. Former member and Chairperson of board HR Committee at Brakpan Bus Company, and Disaster Relief Fund in the Department of Social Development Services.

Ms Phetwe consults in risk management frameworks. She is a member of the Audit Committee of the Department of Women in the Presidency, Audit Committee of West Rand District Municipality, and Chairperson of the Risk Management Committee for Randfontein Local Municipality.

She is a member of other professional bodies; GARP, Institute of Internal Auditors South Africa, and Information Systems and Control Association (ISACA). She has served as a director on various other boards and board committees. She served on the board of Brakpan Bus Company, where she was Chairperson of the Board HR Committee.

THE BOARD

Dr MJ Ellman

APPOINTED: April 2014

BSc (Chem Eng) from University of Cape Town; MSc (Chem Eng) from University of Twente, Enschede, The Netherlands; PhD (Chem Eng) (cum laude) from Institute National Polytechnique de Lorraine, Nancy, France; MBA from Wits Business School, University of the Witwatersrand, Johannesburg; Project Finance Modelling, Euromoney, March 2013; Certificate in Sectional Title Bookkeeping (Paddocks/UCT, 2010); Certificate in Marketing & Customer Centricity, University of Johannesburg, 2007.

Managing Director: Thembalethu Engineering Services (Pty) Ltd, 2006 to present (project development and investment in the energy sector – electricity, renewables, gas, petroleum, etc.); Executive Director: Siyadingana Consulting (Pty) Ltd, 2002 to present (management and technical consulting to the energy sector – electricity, gas, petroleum, renewables, etc.); Executive Director: Siyadingana Properties (Pty) Ltd, 2006 to present (investment in, and letting of, property).

Non-Executive Director: Rand Water, 2002 to 2014; Non-Executive Director: Rand Water Services (Pty) Ltd, 2005 to 2008; Non-Executive Director: SABS, 2009 to 2014; Non-Executive Director: International Electrotechnical Commission (IEC), Geneva, Switzerland, 1999 to 2006; General Manager – Market Operations and Monitoring: National Electricity Regulator, 1999 to 2003 (responsible for electricity industry pricing, long-term capacity planning (NIRP), ESI restructuring, electrotechnical standardization, etc.); Corporate Consultant and Integrated Electricity Planning (IEP) Facilitator: Eskom, 1996 to 1999 (responsible for long-term capacity planning (IEP); Manager Production Planning & Economics, later Manager Business Development (strategic planning & marketing): Mossgas, 1988 to 1993.

Mr Z Mkiva

APPOINTED: April 2014

BA Social Science) and Honours Development Studies from University of the Western Cape (UWC), Training in Communications: University of Cape Town, Centre for Arbitration, Conciliation, and Mediation, Finance Managers: UCT Graduate School of Business.

Zolani Mkiva is an international acclaimed heritage practitioner and cultural activist. He is a well-respected policy maker who employs indigenous knowledge systems in carrying out his role. Zolani was born and raised in Dutywa, a rural town of the Eastern Cape Province of South Africa. He comes from a family with a lineage of oral traditional poets and regiments of African Royalty.

Mkiva is also an African renowned producer and director of artistic works that resonate with music, poetry and film. He has produced more than 20 music albums, including international singles for a myriad of countries, namely, Cuba, Cote D'Ivoire, Libya, Venezuela, Swaziland, and Colombia

Zolani Mkiva is an organic intellectual who has authored and published books and papers. In 2008 he was appointed as a Government Advisor on Traditional Affairs, working closely with the National Minister responsible for Cooperative Governance and Traditional Affairs. During his tenure as Government Advisor he managed to turn around a number of areas in the traditional affairs landscape. He was very instrumental in the establishment of the new national department of Traditional Affairs, formulating its strategic plan and structure.

EXECUTIVE MANAGEMENT

Dr L Moorosi
Chief Executive

MD Kgwale
Executive: Operations & Maintenance

T Ngubeni
Executive: Projects & Engineering

OJ Stadler
Chief Financial Officer

S Meyer
Executive: Human Resources

TP Kgantsi
Executive: Corporate Support

NP Maduba
Company Secretary

FOREWORD BY CHAIRPERSON

Mr TB Phitsane
Chairperson of the Board

The past financial year was, another year of success for Bloem Water. We have made sure that our strategic goals and objectives remain aligned with the Government outcomes. We have ensured adherence to our policy framework. Compliance with regulatory standards remained on track and our key control frameworks ensured that we deliver on our mandate and remained within our allocated budget.

In a democratic country like South Africa it is imperative to realise that there is a vested appetite for accountability by our society. As the Board of Directors of Bloem Water we always emphasize the role good governance, accountability and transparency play in executing our fiduciary duties

Good corporate governance, compliance and service delivery have been drivers of our success at Bloem Water. It is undoubted that we remained relevant in providing life and dignity to the customers and communities we serve. Our vision "Assuring sustainable water for life" is simple but a powerful message that describes why we do what we do on daily basis. Bloem Water demonstrates our commitment to our customers and communities, who are at the centre of everything we do; to the environment and social issues. Our operations are filtered through the needs of our customers.

Our tremendously, dedicated and talented team of water professionals deal with many unique challenges: among others standby for winter's polar vortex and associated freeze/ thaw conditions, water interruptions. We are honoured and proud to work with these incredible people every day.

We have ensured clean, safe and reliable water and water services through the leadership of our water professionals in their research and development efforts as well as their innovations. Through some of these innovations, Bloem Water leveraged the opportunity in water-energy nexus in which our Hydro Power Plant was launched during the financial year that has just passed. Our success in developing and deploying technology to improve services, increase efficiencies and reduce the demand for chemicals, not only benefit our customers and investors but also the communities and the industry at large.

FOREWORD BY CHAIRPERSON

With research as a foundation we continuously achieved excellent water quality which conforms to the national drinking water standards, SANS 241. Through our compliance with regulations for delivering clean quality drinking water we have also consistently scored among the highest of water providers, both public and private.

Bloem Water's growth happens not only because we capitalize on our core competencies and strengths, but because we benefit from the strong brand reputation. Our employees live and work in the communities we are privileged to serve and this matter most to those we partner with.

The milestones achieved by Bloem Water in the year gone by fortify my view that a note of gratitude must be mentioned in this report to all Members of the Board of Bloem Water, the Chief Executive, members of her Executive Management team, and all the staff members in our employ. The collective commitment to the work of Bloem Water is fulfilling.

I must also convey my appreciation to the Minister and Deputy Minister of the Department of Water and Sanitation as well as the Portfolio Committee of Water and Sanitation who remained available for guidance and support at all times in the year gone past and remain available to support their initiatives.

Through a continued focus on our vision, we are confident in our ability to achieve long-term growth while providing safe, reliable and affordable service to our customers.

TB Phitsane
Chairperson of the Board

CHIEF EXECUTIVE'S OVERVIEW

Dr L Moorosi
Chief Executive

It is that time of the year whereby Bloem Water back track the annual Performance of its activities thereof reconfirms its relevance to Shareholder as well as overall Stakeholders.

As reported in the last financial year, the implication of climate change and the need to build resilience is the reality of today. The Province has continued to experience the negative climatic conditions which have direct impact on Bloem Water's mandate of bulk water provision to the Municipalities. The dams as a source for provision of water have persistently shown the lowest levels ever experienced in the history of the Organisation. The operations of one of the dams had to be halted after careful consideration of environmental impacts if abstraction continues.

In order to address the future needs with ongoing droughts and growing demands, it was therefore critical that an integrated approach on water resource management be initiated with all stakeholders, Provincial office being a lead coordinator.

Bloem Water is continuing to implement its Infrastructure development plan informed by the reconciliation strategy study developed by all the stakeholders – Department of Water and Sanitation, Bloem Water and Mangaung Metro. The need however to look into integrated financing and planning of water resource infrastructure should be pursuit at all levels. The outcome of integrated planning was demonstrated with the partnership between the University of Pretoria and Water Research Council. This resulted in Bloem Water launching its first Hydropower unit opened by the Minister of DWS in March 2015. This is the evidence of its commitment to look into alternative technology in assisting the national grid as well as environment and reduction of costs related to electricity.

Bloem Water is currently in planning phase to extend this project to all its areas of operation and the Province has also committed its support to assist smaller municipalities in implementing this initiative. Continuous research of this technology is also critical in the organisation. During the year under review, the 2010 -2015 CAPEX Program came to completion of which one hundred and thirty-three (133) Projects were completed and fifty-seven (57) that were still active have been transferred to the next five year program.

CHIEF EXECUTIVE'S OVERVIEW

As part of secondary activities, the organisation was entrusted to implement Bucket Eradication Programme and other infrastructure projects in different municipalities. Bucket Eradication was a Presidential mandate and was initially planned for three years in order to eradicate bucket system in the province. Not all buckets were eradicated in the year under review, however jobs were created and the programme is continued by the Department of Water and Sanitation.

In an attempt to address efficient usage of water and matters of sanitation, Bloem Water has vigorously implemented initiatives in which health and hygiene at schools have been used as tools to encourage both water preservation as well as proper sanitation. This programme has been implemented successfully in schools around its areas of service. This campaign has been received positively by the end users.

In realising its strategic objectives, the Organisation through Operations and maintenance ensured distribution of excellent quality water to all municipalities beyond the target of 96% compliance.

During the year under review Bloem Water embarked on addressing capacity challenges by prioritising all the technical posts and risks informed by the Plant assessment that was undertaken in the organisation. The risks identified during the assessment were mainly due to vacancies at plant level. The Plant assessment also highlighted other risks associated to operations in general. The matters are being addressed as priority. Infrastructure development plan is also aimed at addressing some of the matters raised.

Although the Organisation is still financially sound, persistent non-payment by some Municipalities is a huge risk towards sustainability of Bloem Water. During the year under review Bloem Water exhausted all the avenues to amicably resolve the matters of non-payment with the Municipalities concerned, however the matter had to be elevated to the National Treasury as there was no positive response. Once again, the Organisation has fulfilled its goal of continuous improvement of internal controls by achieving an unqualified audit opinion.

Lastly it was humbling for Bloem Water to be recognised with two awards as quality orientated organisation by two international independent companies. These awards are the results of continued dedication and commitment of the Board and all staff members.

I would therefore like to thank the Board of directors for its continuous support and guidance, the members of executive management team as well as the entire staff of Bloem Water. The cooperation that existed between management and the unions is very much appreciated in taking the organisation forward. My appreciation goes to the shareholder, the province, Municipalities, and all stakeholders in contributing towards a sustainable organisation.

DR L MOOROSI

CHIEF EXECUTIVE

ORGANISATIONAL OVERVIEW

In an attempt to enhance Water services delivery, the Department of Water Affairs and Forestry at the time, saw it necessary to establish Water Boards throughout the country of which Bloem Water was one of them. The Water board, whose name was officially changed from “Bloem Area Water” to “Bloem Water”, was established in 1991 to operate the Caledon/ Bloemfontein Government Water Scheme, constructed to supply water to the Municipal areas of Bloemfontein, Bainsvlei, Bloemspruit, Botshabelo and Dewetsdorp.

Bloem Water operates in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999), amongst others, and is categorised as a Schedule 3B, National Government Business Enterprise. Bloem Water reports directly to what is currently called the Department of Water and Sanitation, represented by the Minister of Water and Sanitation as the Executive Authority, through the Chairman of the Board and the Chief Executive.

As the demand for water increases, the service area of Bloem Water was extended in 1995 to include the Southern Free State, adding towns such as Bethulie and Philippolis. Furthermore, in 1996, the area of supply was extended to include the Thaba ‘Nchu district. This area been a former homeland, has 42 villages with increasing demand for treated water, added the responsibility to supply water directly to the inhabitants of rural areas, in addition to the formal urban areas. More recently the service area has further been extended to include parts of the Eastern Free State up to the town of Excelsior and Sterkspruit.

It is critical for any organisation, that financial performance and sustainability be a constant developmental area from within. The financial well-being of Bloem Water is therefore portrayed highly in the Financial Statements as well as the current annual report. Universally, shareholders are now seeking commitment from organisations by demanding sound reporting on not only the organisation’s financial status, but also on its commitment to the environment and social issues. This is a requirement placed on Bloem Water by the shareholder being the Department of Water and Sanitation.

The Head Office of Bloem Water is located in Bloemfontein; however the operations are currently running through three Regions Modder River, Caledon River and Orange River Regions with a total of seven water treatment works. Bloem Water’s main water source is the Caledon River which supplies water to the Welbedacht dam.

Today, Bloem Water with its experience of 25 years has grown to supply the population in excess of 1.2 million people in the areas referred to in Figure 1, whereby services are rendered to the following Water Service Authorities (i.e. Municipalities):

- Mangaung Metro Municipality,
- Mantsopa Local Municipality,
- Naledi Local Municipality, and
- Kopanong Local Municipality.

ORGANISATIONAL OVERVIEW

AREAS OF SERVICE

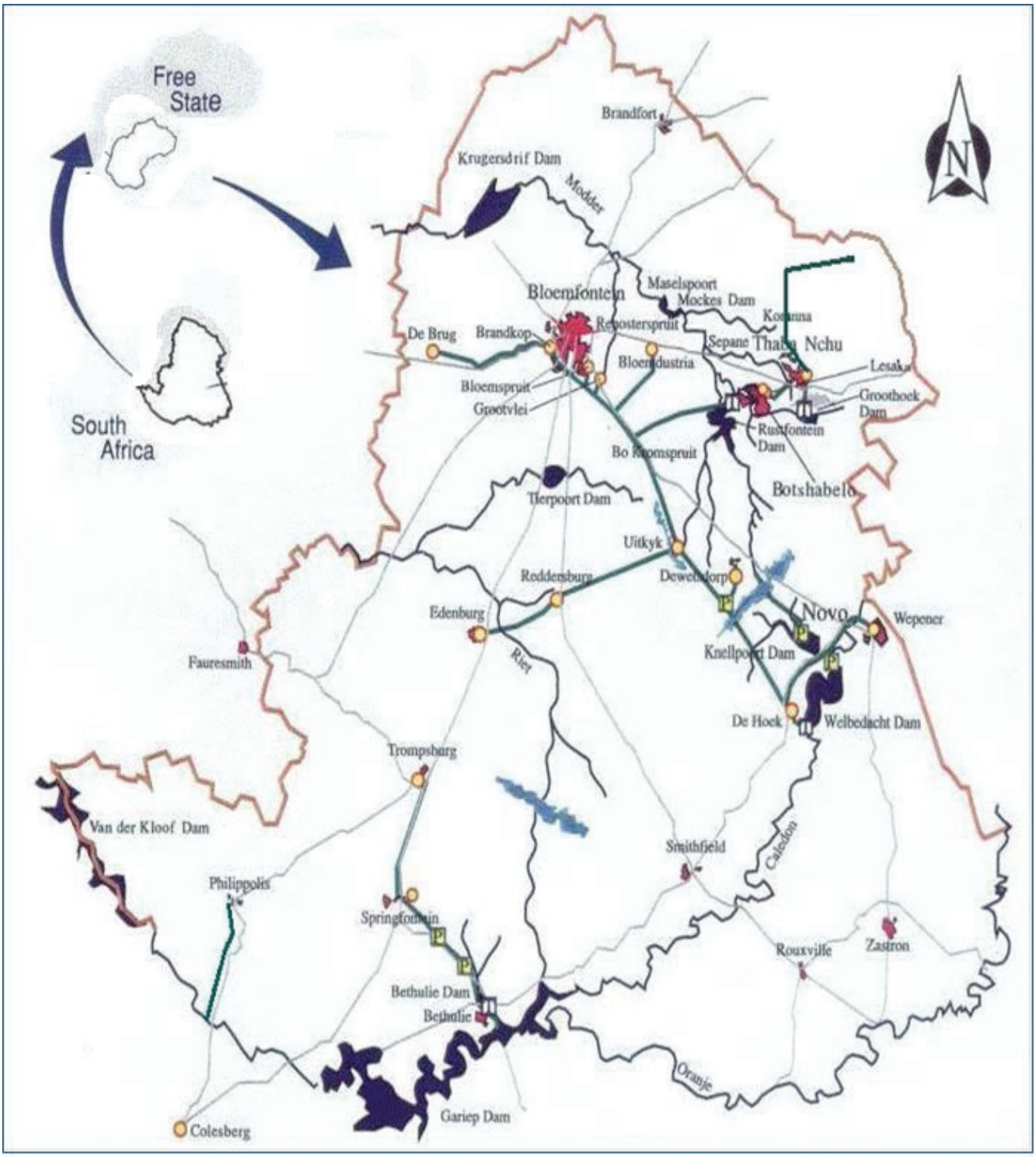


Figure 1: Bloem Water Area of Service

ORGANISATIONAL OVERVIEW

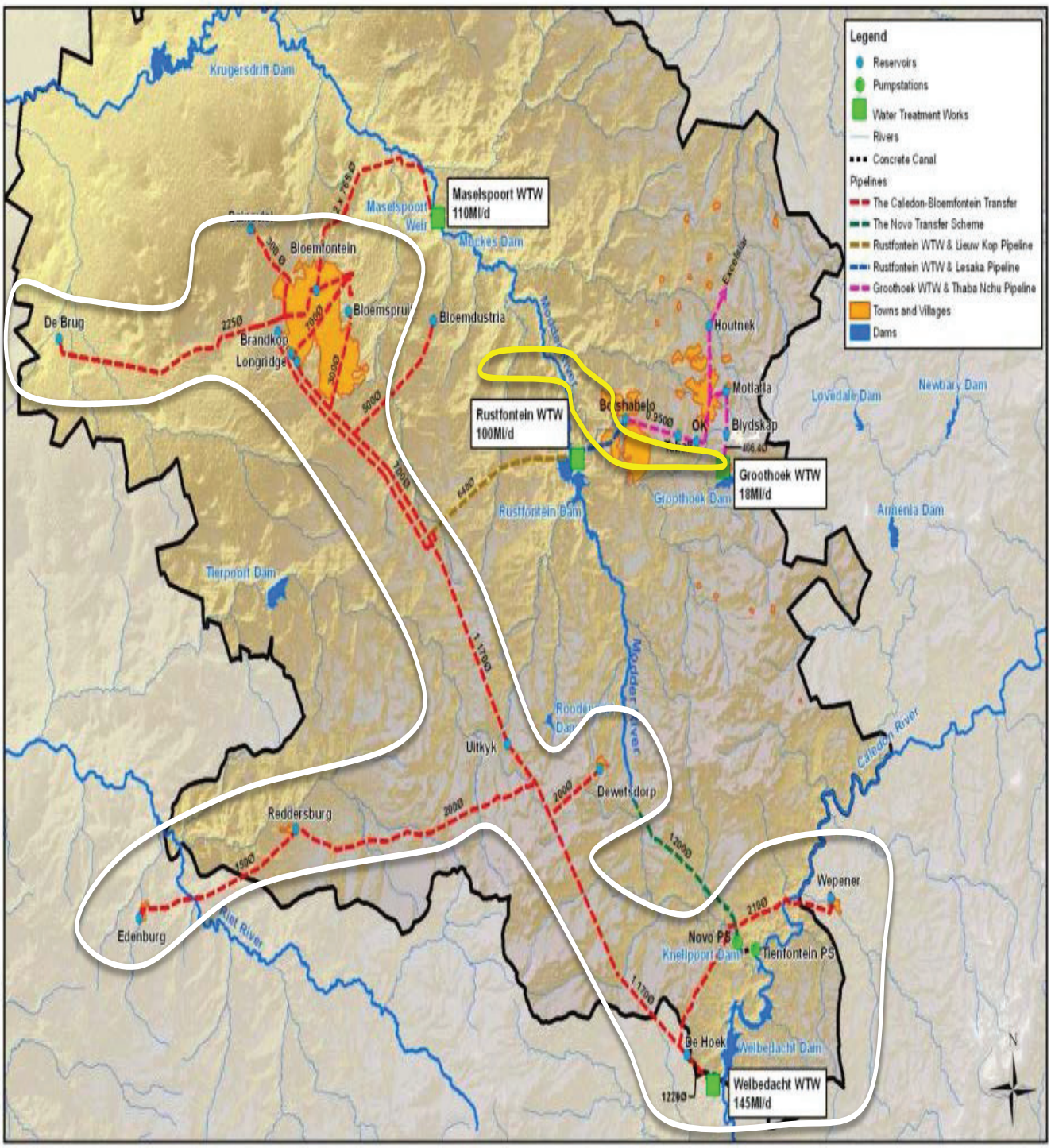


Figure 2: Greater Bloemfontein Water Supply System

CORPORATE GOVERNANCE

INTRODUCTION

Bloem Water is governed by the Accounting Authority consisting of the Board of Directors. The Board is ever committed to collectively ensure the highest standards of corporate governance, fundamental to providing strategic oversight and the delivery of value to all stakeholders.

Effective leadership according to the current board is based on an ethical foundation. Its overall composition remains important particularly with regard to the independence and integrity of all of all the directors, the experience and skills they contribute in executing their responsibilities. The Board also monitors and evaluates achievement against objectives and compliance with policies. This is done through regular meetings whereby the Chief Executive together with her team report progress and development on specific issues. The board specifically approves the financial statements, policies, business plans as well as annual and quarterly reports submitted to the shareholder on a scheduled timeframes. The collective wealth of knowledge and experience ensures direction and formulation of strategies to take the board forward.

EXECUTIVE AUTHORITY

Bloem Water submits four quarterly performance reports to provide progress updates on the implementation of the Business Plan for the year under review to the Executive Authority. Bloem Water Annual Report 2013-2014 was submitted to the Executive Authority, Parliament and National Treasury in accordance with 55(1) (d) of the Public Finance Management Act. Four quarterly PFMA and statutory compliance reports were submitted to the Executive Authority.

Bloem Water is also expected to brief the Portfolio Committee on Water and Sanitation. The briefings for the year under review focused on presenting the Bloem Water Business Plan 2012-2017 and the Budget 2013-2014 as well as the Bloem Water Annual Report 2013-2014 in which the organisation was mandated to implement Bucket Eradication was discussed in view of the impact and the sustainability of the organisation. The Portfolio Committee commended the organisation on its excellent performance.

THE BOARD

The skilled nine non-executive members were appointed in terms of Section 35 of Water Services Act 108 of 1997, herein after referred to as the Board. The Board is the Accounting Authority of Bloem Water in terms of the PFMA (Act 1 of 1999 as amended) and is responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, managing risk and materiality limits, financial sustainability and determining policy. The Board acts as the focal point for, and custodian of, corporate governance and provides ethical leadership characterised by the principles of fairness, accountability, responsibility and transparency and ensures that it manages its relationship with management and stakeholders along sound corporate governance principles. The term of office of the non-executive members is four years. Since the composition of the Board is determined by the Water Services Act, this function is dependent on the Minister of Water and Sanitation and Parliament for any changes.

The Board and its six Sub-Committees are convened meetings on a quarterly basis. At these meetings management reports on compliance with policy and its achievements against objectives and strategic and policy decisions are made by the Board. A structured approach is followed for delegation, reporting and accountability, which includes reliance on various Board Committees. The Board held five meetings, one strategic session, site visits and each of the Committees held four meetings prior to the Board meetings, in accordance with the corporate governance schedule.

The Board operates in terms of a mandate set out as per the Water Services Act, Act 108 of 1997 and various other legislation as well as the King Code on Corporate Governance and provides strategic direction to the organisation via quarterly Board meetings and the effective functioning of its Committees. It reviews and directs the organisations strategic objectives, annual Budget and Plans as well as guides the overall strategic performance of the Organisation.

CORPORATE GOVERNANCE

THE BOARD'S MANDATE

The Board operates in terms of a mandate set out as per the Water Services Act, Act 108 of 1997 and various other legislation as well as the King Code.

Key functions of the Board include, but are not limited to:

- Determining the strategic direction of Bloem Water.
- Approving and monitoring implementation of Strategic Plans and Programmes.
- Monitoring the performance of Bloem Water from financial, human resources, environmental and technical performance perspective.
- Annually reassessing the Board Committees' mandate by reviewing each Committee's Charter.
- Annually reassessing the strategic direction of the entity by gauging progress in relation to the implementation plans following the set of strategic objectives defined by the Board.
- Delegating to the Chief Executive and Executive Management the authority to manage the Organisation in accordance with the delegated authorities approved.
- Defining levels of materiality and evaluating as well as reporting on the reasons for issuing a going concern statement.

COMPOSITION OF THE BOARD

The Board of Directors of Bloem Water's term of office commenced in April 2014 and will expire at the end of April 2018. The Board is constituted of 9 Non-Executive Directors, 1 Executive Director (The Chief Executive) and a representative from the Department of Water and Sanitation. The Board is comprised of specialists in various fields and representative of a balanced skill-based Board which include finance, corporate governance, risk management, legal, human resources, water and energy. The table below indicates members of the board and placement in board committees as at 30 June 2015.

Table 1: Board Composition

Board Members	Gender	Chairperson's Committee	Audit Committee	Finance Committee	Social & Ethics Committee	Capital Projects & Fixed Assets Commitee	Corporate Support & Human Resource Committee
Mr TB Phitsane	Male	✓		✓			
Ms P Matete	Female	✓			✓		
Mr N Mokhesi	Male	✓	✓	✓			
Dr J van der Merwe	Male	✓	✓			✓	✓
Dr MJ Ellman	Male	✓	✓			✓	✓
Ms CM Phetwe	Female		✓		✓		
Adv L Bomela	Male				✓	✓	✓
Ms MSS Maboe	Female			✓	✓		✓
Mr Z Mkiva	Male			✓	✓	✓	

CORPORATE GOVERNANCE

BOARD CHARTER

The Board Charter sets out the Board's role and responsibilities, as well as the requirements for its composition and meeting procedures. The Charter details Board succession, the selection of Board members and their induction as well as the evaluation of the Board. The charter which is reviewed on an annual basis guides the Board in executing its oversight function. The primary objective of the Board Charter is to set out the role and responsibilities of the Board as well as the requirements for its composition and meetings. The Charter requires that Directors exercise leadership, enterprise, integrity and sound judgment, accountability, responsibility and transparency throughout their term of office. The Board Charter was reviewed and approved by the Board for the 2014/15 Financial Year.

BOARD COMMITTEES

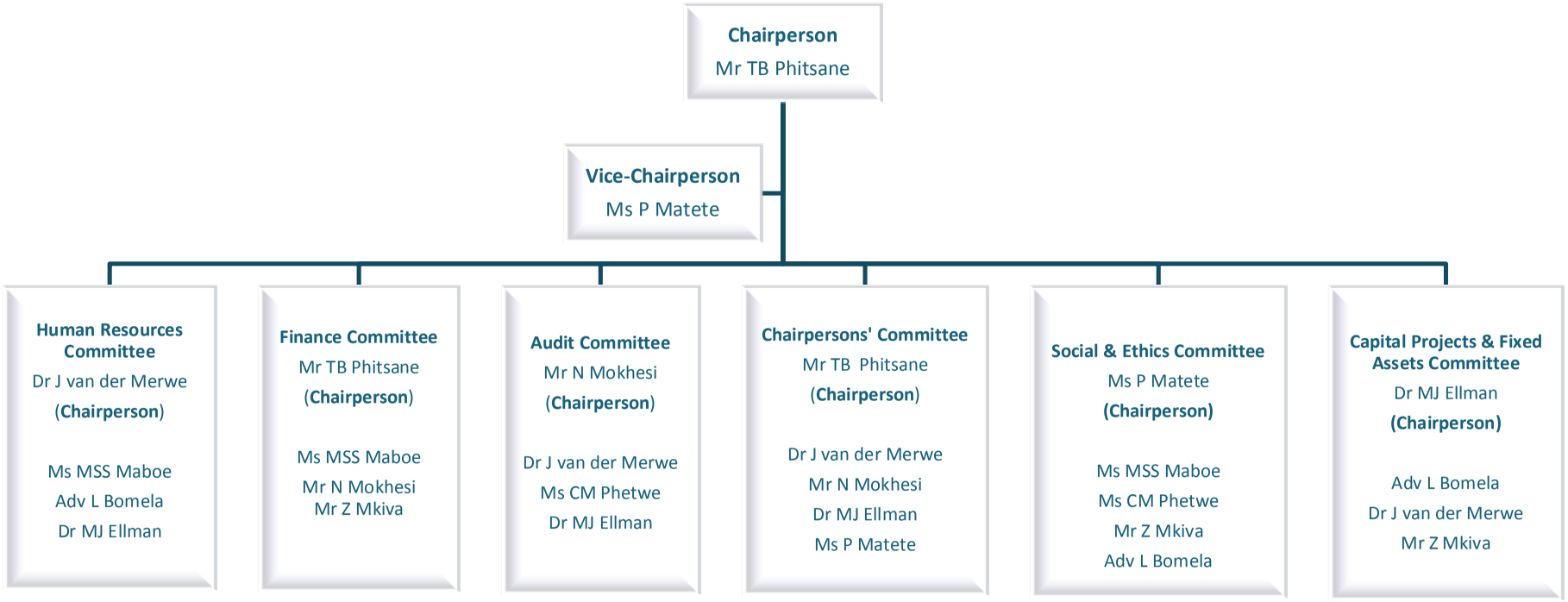
To enable the Board to properly discharge its onerous responsibilities and duties, certain responsibilities of the Board have been delegated to Board Committees. The creation of Committees does not reduce a Director's overall responsibility and therefore all Committees must report and make recommendations to the Board. All Board Committees are chaired by a Non-Executive Director. Furthermore, each Board Committee acts in accordance with its respective Charter.

Committees of the Board assist the Board to efficiently advance the business of the Board. In tandem with the aforesaid, Committees are able to demonstrate that Director Responsibilities are being adequately and properly discharged. The Board has instituted the following committees:

- The **Human Resources and Corporate Support Committee** – comprising of Directors suited to specialising in human resources, human capital as well as corporate social responsibilities.
- **The Finance Committee** – comprising of Directors with expertise in the area of finance, audit and assets management and supply chain management.
- **The Audit Committee** – comprising of Directors with expertise in finance, internal control and risk management.
- **The Chairpersons Committee** – comprising of the Chairpersons to all the Board's sub-Committees.
- **The Social & Ethics Committee** – comprising of Directors with skills and expertise in legal as well as areas that ensure the Organisation's compliance with social, ethical and codes of best practice.
- **The Capital Projects & Fixed Assets Committee** – comprising of Directors with expertise in capital appropriations and long term projects.
- **The Board of Trustees** is an independent Committee and meets on a regular basis to deal with Pension Fund matters in accordance to the Pension Fund rules and regulations as well as applicable legislation.

CORPORATE GOVERNANCE

The following structure depicts the Board Composition as at 30 June 2015.



CORPORATE GOVERNANCE

BOARD COMMITTEE MEETINGS AND ATTENDANCE

The Board meets at least once per quarter and when necessary. During the period under review, Board meetings and a Board Strategy Session was also held to review key strategies of the organisation. All documents submitted to the Board are approved by the Chief Executive to ensure completeness and relevance.

Members of the Executive Committee, Company Secretary and the Chief Risk Officer are regular attendees at Board meetings and report to the Board on their respective operational areas. The attendance record for meetings during the period under review was as follows:

Table 2: Board Meeting Attendance

Board Members	Board Meeting Attendance						Board Strategy	Site Visits	
	10 July 2014	18 August 2014	18 September 2014	31 October 2014	03 December 2014	23 June 2015	20 May 2015	19 January 2015	20 January 2015
1. Mr TB Phitsane	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Ms. P Matete	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Dr J van der Merwe	✓	✓	✓	≠	✓	✓	✓	✓	✓
4. Mr N Mokhesi	✓	✓	≠	≠	✓	✓	✓	≠	≠
5. Ms MSS Maboe	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Adv L Bomela	✓	≠	✓	≠	✓	✓	≠	✓	✓
7. Ms C Phetwe	✓	✓	✓	✓	✓	✓	✓	✓	✓
8. Mr Z Mkiva	✓	✓	≠	✓	✓	✓	✓	✓	✓
9. Dr MJ Ellman	✓	✓	✓	✓	✓	✓	✓	✓	✓
10. Dr L Moorosi	✓	✓	✓	✓	✓	✓	✓	✓	✓

≠ Apology ✓In Attendance

Audit Committee

The purpose of the Bloem Water Audit Committee is to assist the Board in fulfilling its oversight responsibility for the integrated reporting process, the system of internal control, the audit process, and Bloem Water's process for monitoring compliance with laws, regulations, voluntary codes, best practices and the code of conduct.

We are pleased to present our report for the financial year ended 30 June 2015. The Audit Committee reports that it has complied with its responsibilities arising from the Public Finance Management Act and Treasury Regulation. The Audit Committee also reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein. A summary of attendance of Audit Committee meetings is summarised below.

Table 3: Audit Committee Attendance

Members	Meeting Attendance				Attendance Per Member %
	18 September 2014	11 November 2014	15 May 2015	19 May 2015	
1. Mr N Mokhesi	≠	✓	✓	✓	75%
2. Dr J van der Merwe	✓	✓	✓	✓	100%
3. Ms CM Phetwe	✓	✓	✓	✓	100%
4. Dr MJ Ellman	✓	✓	✓	✓	100%
5. Dr L Moorosi	✓	✓	≠	≠	50%
Attendance Per Meeting %	80%	100%	80%	80%	85%

≠ Apology ✓In Attendance

Capital Projects & Fixed Assets Committee

The Purpose of the Capital Projects & Fixed Assets Committee is to assist the Board in the discharging of its duties relating to creating long and short term plans for Bloemwater Capital Projects and Fixed Assets, ensuring that the funding sources are in place to carry out these plans and assist the Board with capital expenditure programme related decisions within its delegated authority.

Table 4: Capital Projects & Fixed Assets Committee Attendance

Members	Meeting Attendance			Attendance Per Member %
	11 September 2014	27 November 2014	19 March 2015	
1. Dr MJ Ellman	✓	✓	✓	100%
2. Dr J van der Merwe	✓	✓	✓	100%
3. Adv L Bomela	≠	≠	✓	33%
4. Mr Z Mkiva	≠	✓	✓	66%
5. Dr L Moorosi	✓	≠	✓	66%
Attendance Per Meeting %	60%	60%	100%	73%

≠ Apology ✓In Attendance

Finance Committee

The Finance Committee assisted the Board in fulfilling its oversight role with regards to governance of financial management and financial accounting by reviewing quarterly, financial statements, investment management, and procurement process through meetings which were held at least once a quarter. The Committee monitored and evaluated the effective and efficient functioning and operation of the Finance, Engineering and Projects and Operations and Maintenance Departments within Bloem Water. A table below summarises attendance by Committee members.

Table 5: Finance Committee

Members	Meeting Attendance				Attendance Per Member %
	28 August 2014	6 November 2014	5 February 2015	15 May 2015	
1. Mr TB Phitsane	✓	✓	✓	✓	100%
2. Mr N Mokhesi	≠	≠	✓	≠	25%
3. Ms Maboe	✓	✓	✓	✓	100%
4. Mr Z Mkiva	✓	✓	✓	≠	75%
5. Dr L Moorosi	✓	≠	✓	≠	50%
Attendance Per Meeting %	80%	60%	100%	40%	70%

≠ Apology ✓In Attendance

CORPORATE GOVERNANCE

Human Resource and Corporate Support Committee

The primary objective of the Committee is to develop and implement a competitive Human Resource Strategy and Plan to ensure that Bloem Water is able to attract, retain and develop the best possible skills to support business performance.

For the year under review, the Committee reviewed and recommended Organisational Structure, Reviewed Information Technology Systems within Bloem Water and other activities related to Corporate Support and Human Resource Department.

A summary of attendance by Committee members is given below.

Table 6: Human Resource and Corporate Support Committee

Members	Meeting Attendance				Attendance Per Member %
	11 September 2014	20 November 2014	17 February 2015	28 May 2015	
1. Dr J van der Merwe	✓	✓	✓	✓	100%
2. Dr MJ Ellman	✓	≠	≠	✓	50%
3. Ms Maboe	✓	✓	✓	✓	100%
4. Adv L Bomela	≠	≠	✓	≠	25%
5. Dr L Moorosi	✓	✓	≠	✓	75%
Attendance Per Meeting %	**80%**	**60%**	**60%**	**80%**	**70%**

≠ Apology ✓In Attendance

Social and Ethics Committee

The primary function of the Committee is to assist the Board of Directors with the oversight and monitoring of social and ethical matters related to Bloem Water's activities, the extent to which Organisational Values are implemented and the impacts on Organisational stakeholders (internal and external).

Table 7: Social and Ethics Committee

Members	Meeting Attendance				Attendance Per Member %
	16 September 2014	16 October 2014	31 March 2015	21 April 2015	
1. Ms P Matete	✓	✓	✓	✓	100%
2. Ms MSS Maboe	✓	✓	✓	≠	75%
3. Ms CM Phetwe	✓	✓	✓	✓	100%
4. Mr Z Mkiva	✓	✓	✓	✓	100%
5. Dr L Moorosi	✓	✓	✓	✓	100%
Attendance Per Meeting %	100%	100%	100%	80%	**95%**

≠ Apology ✓In Attendance

CORPORATE GOVERNANCE

Chairpersons' Committee

The Chairpersons' Committee is an overarching Committee that is established to ensure that all resolutions passed by the Board on which Bloem Water is expected to act upon, is undertaken in a prompt, efficient and cost-effective manner. The Chairpersons' Committee shall not duplicate or undertake any roles and responsibilities of other Board Committees and must take cognisance of all Board Committee Charters.

REMUNERATION OF BOARD MEMBERS

Directors are remunerated in accordance to a set policy formulated by the Department of Water and Sanitation. Director fees paid during the year under review is contained in the financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

Bloem Water complies with the requirements of the Water Services Act, Public Finance Management Act, and Act 1 of 1999 (PFMA) and National Treasury Regulations, which provides guidelines that must be upheld and implemented for the realisation of good governance. The Public Finance Management Act regulates financial management in all spheres and levels of government to ensure that all revenue, expenditure, assets and liabilities are managed efficiently, effectively and economically. Furthermore, the aforesaid Public Finance Management Act provides management with guidelines that must be upheld and implemented for the realisation of good governance. Quarterly compliance reports are used to ensure that all relevant laws and regulations are complied with. The Internal Audit Department conducted compliance reviews on the Public Finance Management Act No. 1 of 1999, Treasury Regulations as amended, King III Report on Corporate Governance, and the Preferential Procurement Policy Framework Act No. 5 of 2000. As at the end of the 2014-2015 financial year the level of compliance was 100% for all codes or legislation listed for the sections applicable to Bloem Water.

Bloem Water has, in the year under review, endeavoured to apply the principles set out in the King III Report on Corporate Governance. King III sets out the guidelines with regard to, inter alia, compositions, roles and functions of Boards, risk management, internal audit and integrated sustainability reporting. Bloem Water applied principle 8.5 of chapter eight (8) of the King III Report, which recommends organisations to consider disclosing in the report, the number and reasons for refusals of requests for information that were lodged with the organisation in terms of the Promotion of Access to Information Act (PAIA), 2000. During the 2014-2015 financial year the organisation did not receive any requests.

SHAREHOLDER COMPACT

The Shareholder Compact is an agreement between a Public Entity and the Executive Authority. It entails the key performance measures and indicators that the Public Entity commits to. A Shareholder Compact is concluded in compliance with Regulation 20 of the Treasury Regulations of the PFMA, which stipulate that on an annual basis the Public Entity should conclude a Shareholder Compact in consultation with its Accounting Authority.

Bloem Water has in the year under review concluded a Shareholder Compact with the Minister of Water and Sanitation. Compliance with the Shareholder Compact is reported on a quarterly basis by submission of quarterly performance reports to the Minister. Shareholders Compact for the new financial year awaits approval by the Minister of Department of Water and Sanitation.

DIRECTORS' INDUCTION/ORIENTATION

Bloem Water's Induction Programme is designed to provide best practice inducting and supporting new Directors and further, to equip the members with the information and tools they need to become effective and valuable in their role as Director as soon as possible. The focus is more on applicable legislation to make the new Directors understand more their fiduciary roles and responsibilities.

Board induction for the newly appointed members was conducted on 18 June 2014 where Executives presented on their respective departments. Newly appointed members were provided with induction material which included Business Plans, Shareholders Compact, Board Charter, and Board Standing Orders, Board Committee Charters as well as other material on organisation background.

CORPORATE GOVERNANCE PRACTICES ENSURING DIRECTORS' INTERESTS AND INDEPENDENCE

A Declaration of Interest Register is available for inspection from Bloem Water's Head Office. A Declaration of Interest insertion is a standing item on each Agenda of every meeting of the Board ensuring that Directors and Executive Management declare any interest they may have as prescribed by the Water Services Act, Act 108 of 1997 and the Companies Act, Act 71 of 2008, and as directed by sound Corporate Governance principles encapsulated within the King Code.

Bloem Water also expects its designated employees to complete disclosure forms of interest on an annual basis. Director independence from an executive perspective is ensured through the separation of the role of the Chief Executive and the Chairperson, the absence of the Chief Executive's right to vote and the right of Directors to seek independent professional advice on the affairs of Bloem Water at any given time.

LEGISLATIVE RECORD KEEPING

As prescribed by legislation, the following statutory records are kept and maintained by the Board Secretariat at Bloem Water's Head Office and is available for inspection:

- Register of Directors
- Declaration of Interest Register
- Gift Register
- Attendance Registers
- Minute Books

BOARD ASSESSMENTS

The Board of Directors underwent a Board evaluation process conducted by the Institute of Directors. The process was welcomed by all participants and proved to be an exercise well worth undertaking. It is axiomatic to assess the Board's performance in carrying out its responsibilities; therefore the Board must have a firm understanding of just what its responsibilities are and how it has performed. Where areas of improvement were identified, research will be done to enhance this vital process in terms of governance practices.

EXECUTIVE MANAGEMENT COMMITTEE

Bloem Water has an Executive Committee which manages day to day operations of the organisation. The Executive Committee (EXCO) consists of all executives and the Company Secretary. The Committee meets at least once per month and when circumstances necessitate. Decisions are taken in accordance with Bloem Water's delegation of authority, which is also informed by materiality and significance framework.

INTERNAL CONTROL

Bloem Water does not have an internal control unit. However, executive management is responsible for transversal functions. This provides management with sufficient oversight over all the activities in the organisation. The Board has ultimate responsibility for establishing a framework for internal controls, including an appropriate procurement and provisioning system. The controls throughout Bloem Water focus on those critical risk areas identified by operational risk management, confirmed by executive management and assessed by the internal auditors.

CORPORATE GOVERNANCE

The controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. Organisational policies, procedures, structures and delegation of authority provide direction, accountability and division of responsibilities and contain self-monitoring mechanisms. Both management, Chief Risk officer and Internal Audit closely monitor the controls, and actions are taken to correct deficiencies as they are identified. The Chairperson of the Audit Committee provides reports on assurance of risk and internal control effectiveness to the Board.

INTERNAL AUDIT

Bloem Water internal audit activities were outsourced from Ernst and Young for the year under review. Internal audit reports administratively to the Chief Executive and functionally to the Audit and Risk Committee. Internal audit functions independently of all other business operations and has free and unrestricted access to all areas within the company, including management, personnel, activities, locations and information. Internal Audit Charter was reviewed and approved by the Board. Internal Audit function evaluates Bloem Water activities to provide reasonable assurance that effective risk management processes and internal controls and governance processes are in place. The key responsibility of Internal Audit is to the Board and its committees in the discharge of its governance responsibilities including but not limited to:

i. Systematically analysing and evaluating Bloem Water's business processes and associated controls
ii. Performance of an objective assessment of the risk management processes and internal frameworks
iii. Performance of an evaluation of Bloem Water's governance processes including ethics
iv. Proving reliable information regarding fraudulent activity, corruption, unethical behavior and irregularities.

RISK MANAGEMENT

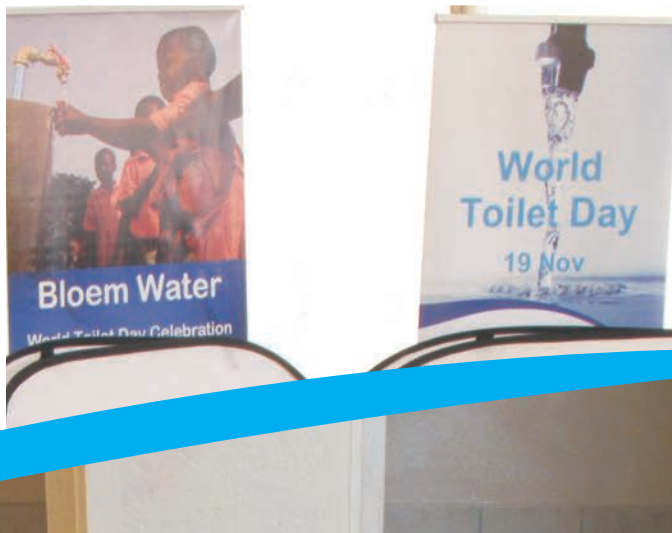
The Board continued with implementation of an enterprise wide risk management system. The system was expanded in the year under review to cover social and ethical risks that can arise from Bloem Water activities as it engages with internal and external stakeholders. Details on risk management activities and system of internal control are outlined in the risk management and fraud prevention section of this annual report.

COMPANY SECRETARY

Bloem Water, in compliance with the Companies Act, Act 71 of 2008, created the position of Company Secretary. The key functions of the Company Secretary are to provide support and guidance on governance issues to the Board.
Further the Company Secretary, in conjunction with Board Secretariat, provide secretariat services to the Board and its operations by conducting continuous governance updates and legislative notifications pertaining to good governance practices and advising on matters of compliance, thus ensuring and promoting ethical business practices and creating an overall ethical corporate environment.

The Company Secretary:

v. provides guidance to the Board on the duties of the members, both legal and good governance
vi. assists with the induction and training programmes for Board members
vii. ensures Board and Committee Charters are up to date
viii. ensures that contents of agendas of meetings are agreed with the Chairperson, and that agendas and documents are distributed timeously to Board members and attendees
ix. ensures that minutes of Board and Committee meetings are recorded and agreed by members of the Board, and does all other things necessary to ensure that meetings are held as scheduled
x. assists with the evaluation of the Board, Committees and individual members.


Bloem Water
World Toilet Day
19 Nov


bloemwater
naturally
bloemwater
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KOLWER NO
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bloemwater
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CORPORATE SOCIAL RESPONSIBILITY

The Board, according to King III on Corporate Governance, is required to ensure that Bloem Water is and is seen to be responsible corporate citizen. The Board adopted a holistic approach to economic, social and environmental issues communicated through the Corporate Social Responsibility policy and related programmes implemented during the year under review. The following key initiatives were implemented:

WORLD TOILET DAY – HEALTH AND HYGIENE PROGRAMME

World Toilet Day is a day the world recognises and creates awareness about people who do not have access to a toilet annually on 19 November. Bloem Water supports this day by bringing this awareness to leaners by annually running the cleanest toilets competition for Primary Schools in our areas of service. The purpose of the project is to encourage schools to keep their toilets clean, hygienic and develop an attitude of gratitude for what they have. Bloem Water identified 25 schools in which deep cleaning of toilets was performed and these schools were provided with cleaning materials and sanitary bins for maintenance. The schools are then assessed and evaluated to determine how clean they maintained their toilets and vegetable gardens. Bloem Water visited schools to assess the status of their toilets and on World Toilet Day; schools are given the opportunity to dance and sing songs related to Toilet Hygiene as well as water conservation. The top three cleanest school received cash reward with matching cleaning materials.

PLANT TOUR PROGRAMME

Schools and university students with interest in water purification are given the opportunity to witness the process Bloem Water follows in purification of water to meet the required standards. Bloem Water continued to host learners and students for tours through the plants, from catchment to distribution.

SCHOOL UNIFORM PROJECT

Bloem Water recognises and acknowledges the importance of education to uplift the social and livelihood of communities it serves. School Uniform Project focuses on providing learners that are very much in need of uniform, reducing the burden from families that cannot afford and orphans, enabling children to attend schools. A total of 789 learners received school uniform in 8 schools.

ADOPT-A-SCHOOL

Corporate Social Responsibility projects in Bloem Water are geared for the upliftment of communities we serve covering children and adults but also supporting government initiatives within the province. Bloem Water for the 2014/15 financial year supported the Department of Social Development by adopting two pre-schools and provided them with schools materials, office furniture and groceries.

BBBEE

Bloem Water continues to work towards improving its BEE Level which is currently at Level 5. The recent ammendements in legislation are currently being incorporated into the existing policy and procedures in order to ensure that the set targets and requirements are met. Where possible, contractors have been assisted through skills workshops and early payment cycles. Bloem Water plans to do more in the coming period with emphasis on a Contractor Development Programme.

JOB CREATION

In support of the Government's Youth Accord objectives, all Bloem Water infra-structure projects emphasize local job creation requirements. The institution further created a number of new positions on its staff establishment to broaden its footprint and grow its job creation mandate in alignment with operational requirements. A total of 48 positions were filled on the staff establishment whilst 662 positions were created by means of various infra-structure programmes/projects.

STAKEHOLDER RELATIONS

Bloem Water Board recognises that stakeholder management is a central part of the company's effectiveness and key to a sustainable business. Bloem Water is committed to strengthen relationships with its stakeholders. Each relationship is an intangible asset of the organisation. A Communication and Marketing strategy was developed and approved by the Board which includes strategies to engage and support Bloem Water stakeholders.

Bloem Water has a wide range of stakeholders, with vastly differing views that are important to the sustainability of our organisation. We continuously engage with stakeholders to have discussions on issues that matter to them and those that are important to our product and services. For each group the values of transparency, co-operation and fairness, active participation with stakeholders and being environmentally conscious still apply.

Stakeholder	Basis for engagement	Engagement methods
Customers	Bloem Water operates as a Water Services Authority for the following municipalities: Mangaung Metro, Mantsopa, Kopanong and Naledi.	• Annual Customer Survey for all municipalities is conducted. • Participation in development of Municipal Integrated Development Plans • Planned strategic and operational meetings • Technical meetings
Employees	Health, Safety and Wellness Skills development Performance management Job Satisfaction	• Employee Suggestion Box • Board Roadshows • Employee workshops • Employees engagements through Local Labour Forums • Departmental meetings & Emails • Wellness Projects
The Board	The Board of Bloem Water is appointed by the Minister of Water and Sanitation in accordance with the provisions of the Water Services Act No 108 of 1997 as Accounting Authority.	• The Board gives strategic direction through annual strategic planning session with management • Board Committee meetings
Shareholder Department of Water and Sanitation	Bloem Water as a Government National Enterprise accounts to the Executive Authority, which is the Department of Water and Sanitation in alignment with Water Service Act No 108 of 1997.	• Portfolio Committee meetings • Annual Appraisal of Business Plans, Shareholders Compact with the Board, Quarterly performance reports and Annual reports
Communities	Bloem Water through its Corporate Social Responsibility policy implements and promote socially responsible behaviour throughout the organisation and contribute in enhancing livelihoods of communities it operates in.	• World Toilet Day Schools Competition • Adopt-a-School Project • Schools uniform initiative • Environment Impact Assessments for Projects • Public participation with regards to servitudes
Vendors and Suppliers	Socio-Economic development Broad-based Black Economic Empowerment ('BBBEE') compliance Corporate Social Investment Improve Health and Safety standards	• Training of Service Providers • Suppliers evaluation and feedback sessions • Strategic presentations on strategic products and services • Site Visits
Government and Regulators	Licensing and compliance Debtors (Municipal) Payments	Catchment Management Agency Meetings Regional Water Affairs Reconciliation Steering Committee Meetings

STAKEHOLDER RELATIONS

STRATEGIC PARTNERSHIP PROGRAMMES

Exchange Programme and Twinning Partnership

FK Partnership Programme

The Fredskorpset (FK) programme focuses on skills development funded by the Norwegian government. The partnership commenced in July 2004, and it support employee exchange programme. The collaboration agreement sets out the division of responsibilities and obligations between Fredskorpset and Bloem Water which are related to the implementation of the exchange programme. It is founded on a shared understanding of, and commitment to, the values, principles and methods laid down in Fredskorpset' s Statutes with set objectives as follows:

- To contribute towards lasting improvements in the economic, social and political conditions of the population of developing countries, with particular emphasis on ensuring that development assistance benefits the poor.
- To promote a more just world based on the recognition of fundamental human rights.

The partner relationship is extended to other areas of twinning; benchmarking with FK principles and guidance, whereby the members of management and the Board of Directors within the partnership share visits for the purpose of exploring new innovative ideas, programmes and initiatives which shall serve as an expansion to the activities that have already been pioneered and implemented by the FK programme.

Northern Region Water Board of Malawi (NRWB)

The twinning partnership with the NRWB of Malawi has been in existence for 17 years. Bloem Water has exchanged employees in different functional areas for skills transfer and to benchmark best practices. The focus in water related activities.

Lepelle Northern Water

The partnership is continuing since 2013. This partnership also focus on skills transfer and exchanging the sporting events which include the Easter tournament that is represented by four countries from Southern Africa; Lesotho, Swaziland, Botswana and South Africa.

RENEWAL OF AGREEMENTS

Bloem Water renewed a partnership agreement with Midvaal Water Company in North West, South Africa. The partners continue to engage on matters that are of mutual interest for both water boards. Operational efficiencies are the focus area that is intended to be achieved.

RISK MANAGEMENT AND FRAUD PREVENTION

RISK MANAGEMENT

The Board has adopted an enterprise wide approach to risk management and this approach is documented in the risk management policy and strategy. The Board carries out its risk governance responsibility for Risk Management through the Fraud Prevention and Risk Management Committee. Risk Management function supports implementation of Bloem Water's risk management policy, facilitates and coordinates risk management activities, and prepares quarterly risk reports for the Board and its committees. The Board oversees risk management process in accordance with the principles of corporate governance.

Risk Management Framework

The Board and its committees retain an obligation to remain informed not only of the risks to the organisation, but also to the effectiveness of risk management efforts. The Board and the Audit Committee have responsibility to the stakeholders of the organisation to ensure that the risk management framework of the organisation is appropriate to the nature of the organisation and the risks the organisation faces. Bloem Water Risk Management framework consists of the governance structure and risk management process adopted from National Treasury Public Sector Risk Management Framework.

Social and Ethics Risk Assessment

Subsequent to establishment of the Social and Ethics Committee of the Board, Bloem Water embarked on process to assess risks related to the Social and Ethical issues within the Organisation. A Social and Ethics risk assessment covered the following key areas:

a) **Organisational Culture and Governance**: to determine whether Bloem Water values are embedded into daily work and operations, determine perceptions of how managers set the right tone at the top and to act consistently with the organisation's values and policies.
b) **Labour and employment issues**: equal opportunity violations, workplace harassment.
c) **Social and Economic Development**: to determine how Bloem Water contributes towards upliftment of communities it serve and businesses.
d) **Environment, health and safety**: to determine the impact of Bloem Water's activities on the environment, quality of water and services.

Key Risks

Key risks were identified, reviewed and continuously monitored by the Audit Committee and approved by the Board. Departmental Risk Registers are reviewed and progress on implementation of action plans is reported on a quarterly basis to the Audit Committee focusing on risks above tolerance levels. Risk Assessments are conducted in the Regions focusing on catchment, water treatment works and distribution and forms a basis for development of Water Safety Plans.

Table 8: Significant Risks

RISK DESCRIPTION	SUMMARY OF INTERNAL CONTROLS & REMEDIAL ACTION
Late/No payments by municipalities for services provided	• Continuous engagements with concerned municipalities at executive and board level • Develop a plan to support and assist municipalities to improve metering and payment system. • Assist municipalities to identify main water issues and establish intervention programme. • Maintain four months operational reserves • Review and update of Service Level Agreements

RISK MANAGEMENT AND FRAUD PREVENTION

RISK DESCRIPTION	SUMMARY OF INTERNAL CONTROLS & REMEDIAL ACTION
National Disasters (Droughts, Floods, global warming)	• Development and Implementation of Business Continuity Programme • Implementation of Borehole Master Plan in Collaboration with the University of the Free State • Release of Water from Katse Dam • Continuous monitoring of water levels in high risk areas • Use of Water Tankers to areas where water is needed
Implementation of Infrastructure Programme limited to available funding which will impact negatively on meeting future water demands	• Alternative funding for infrastructure projects to be sought for other critical projects • Complete running infrastructure projects and capitalise them
Power supply interruptions or failures	• Construction and implementation of Hydropower plant • Adequate Reservoir storage capacity • Emergency preparedness plan • Establishment of Business Continuity Management Programme which will commence immediately at the beginning of the new financial year.
Deteriorating and ageing water infrastructure	• Review and funding of CAPEX Programme • Projects implemented according to the approved CAPEX Plan • Prioritisation of Projects for refurbishment and replacement of infrastructure.
Labour unrests/Strikes	• Maintained good relationships with employees and Local Labour forums • Maintain market related remuneration • Compliance to Labour Relations Act, Employment Equity Act, Basic Conditions of employment act, Skills development act
Compromised IT operational Systems (software & Hardware)	• Establishment of IT Steering Committee • Development and implementation of IT Governance Framework • Review, update and implementation of IT Disaster Recovery Plan • Review, update and implementation of IT Strategy • Implementation of State Security Agency recommendations on information security
Workplace injuries	• SHEQ Policy developed and consultation with employees and labour forums 3 • SHEQ Policy awaits approval by the Board • Appointment of Security guards • Employee Wellness Program

FRAUD PREVENTION

The Board together with management is committed to establishing and maintaining an honest, open and well intentioned atmosphere within the organisation. Treasury Regulations requires that the accounting authority, which is the Board to develop a risk management strategy, which must include fraud prevention plan.

The Audit Committee reviewed and recommended the Anti-Fraud and Corruption Policy, Strategy and Plan as well as the Whistle Blowing Procedures approved by the Board. The Anti-Fraud and Corruption Strategy and Plan are based on four pillars namely: prevention, detection, investigation and resolution. It also covers the elements of the Fraud Triangle, training and awareness on fraud and corruption.

DIRECTIVES BY THE MINISTER

Bloem Water received directives from the Minister of Water and Sanitation for eradication of Bucket Systems in the Free State and to render operational and maintenance services to Masilonyana Municipality. These projects are summarised below.

BUCKET ERADICATION PROGRAMME

Bucket Eradication Programme is a continuation of the Minister's directive of 2013/14 Financial year that was envisaged to span over three years to eradicate a total of 35 849 buckets identified in the Free State. The budget allocations for the various financial years as well as the expenditure for the previous year and year under review are covered in note 22 of the financial statements for expenditure report.

By end of the 2014/15 Financial Year, a cumulative total of 13 957 buckets were eradicated with 7967 flushing and 6 062 connected but not yet flushing. The above indicates shortfall of 4043 buckets for the 2013/14 and 2014/15 financial years (i.e. expected buckets to be eradicated was 18 000). The toilets which are connected but not flushing are awaiting completion of the reticulation network and/or outfall sewer and/or pump station and/or ponds. Additional funds will be required to implement and complete some of the activities in the next financial year.

Table 9: Buckets Eradicated 2014/15 Financial Year

No	Municipality	Units Completed	Toilets Connected, Not Flushing
1	Dihlabeng	976	0
2	Mantsopa	2480	0
3	Nala	1800	0
4	Kopanong	280	0
5	Mohokare	238	0
6	Naledi	0	191
7	Matjhabeng	790	2156
8	Masilonyana	1200	379
9	Tokologo	0	294
10	Mafube	53	1506
11	Phumelela	150	546
12	Ngwathe	0	990
	Total	7967	6062

Bloem Water is in a process of handing over the project to DWS as its official responsibility on the programme ended on the 31 March 2015, with DWS taking over implementation of the 2015/16 financial year and future years.

DIRECTIVES BY THE MINISTER

MASILONYANA LOCAL MUNICIPALITY

The Minister of Water and Sanitation, Honourable Mrs. NP Mokonyane issued a directive on the 15 January 2015 to Bloem Water, requesting it to assist Masilonyana Local Municipality with all planning, operations and maintenance aspects of their water and waste water management systems. Broadly, the Municipality is currently experiencing water services supply challenges in Theunissen, Brandfort and Winburg towns mainly due to:

- Aged infrastructure;
- Institutional challenges (i.e. management skills level, technical capacity, staff skills level, high staff turnover etc.);
- Inadequate operation and maintenance of infrastructure;
- Water resource Management;
- High Water losses ;
- Water Quality Compliance; and
- Asset Management.

Bloem Water is expected to execute the following activities, amongst others:

- Plan and implement infrastructure for both the short and long-term interventions
- Ensure that the WTW operates optimally
- Implementation of a bulk raw water pipeline project
- Oversee and manage the consultants appointed for construction of infra-structure
- Oversee the operation of the entire water services infrastructure
- Drafting of standard operating procedures for all the works
- Implementation of focused monitoring programs for both water and wastewater effluent quality
- Optimization of operation of all the water and wastewater treatment
- Registration of process controllers and treatment works
- Regular upload of Blue and Green Drop information into the system
- Replace blocked feed lines and direct sewer effluent from town to the existing oxidation ponds
- Refurbishment of dysfunctional plants (water and wastewater)
- Provision of satisfactory security to prevent vandalism
- Development and implementation of water safety plans

Bloem Water together with DWS and Masilonyana developed a Business Plan that will inform implementation of the directive. The plan has been submitted to DWS National for approval and a Service Level Agreement will also be signed off by all relevant stakeholders.

FINANCIAL OVERVIEW

INTRODUCTION

Bloem Water is operating as a bulk water distributor as its core business and is rendering other secondary services for operation and maintenance, support and managerial services. The water industry is a capital-intensive industry and a significant portion of overall expenditure is for financing infrastructure. The Board of Bloem Water implemented a capital levy and has built up reserves during previous years to be reinvested as refurbishment and investing in new infrastructure as far as possible.

Bloem Water has been involved in refurbishments and upgrading of assets over the recent years. The Organisation revises its CAPEX Programme on a regular basis to ensure that the CAPEX requirements of infrastructure are optimally utilised. It enables Bloem Water to operate optimally and comply within financial directives and guidelines from the Department of Water and Sanitation and National Treasury.

The Finance Department is responsible for the financial, budget and supply chain management sections.

These functions are mainly guided by the following legislative prescripts, directives and regulations in the execution of its duties:

- Water Service Act No. 108 of 1997
- Public Finance Management Act No. 1 of 1999
- Municipal Finance Management Act No. 56 of 2003
- Preferential Procurement Policy Framework, Act No. 5 of 2000
- Supply Chain Management Framework Act No. 5 of 2000
- Relevant directives issued by the Department of Water and Sanitation and National Treasury

The Financial Statements are prepared in a manner required by the Public Finance Management Act 1999, the Water Services Act 1997, and SA Statements of Generally Accepted Accounting Practice and also incorporates responsible disclosures in line with the accounting practices. The Financial Statements are based on appropriate accounting policies consistently applied and supported by reasonable, prudent judgements and estimates.

FINANCIAL OPERATING PERFORMANCE

Bloem Water achieved steady results for the 2015 financial year in a challenging economic environment. Bloem Water's positive bottom line performance in the current financial year can be attributed to robust financial control measures and efficient operating expenditure. National Treasury's cost containment measures have been implemented which assisted in pruning the expense tree.

The income generated during 2015 is maintaining Bloem Water's liquidity ratio's, which is utilized in Capital Projects to maintain and expand water infrastructure.

This movement in net income is as a result of green innovations, operational efficiencies and reprioritisation of expenditure.

Constant close liaison between the Board and Management contributes to effective cost containment measures, impairment of trade receivables control and a strict budget policy resulted in a surplus of R42 million. An amount of R0, 93 million was transferred to the Insurance Fund; hence the retained earnings totalled R643, 5 million at the end of the financial year.

FINANCIAL OVERVIEW

The total bulk water sales for raw water were lower and treated water higher than the volumes budgeted for. The Bulk Water Supply Contract between Mangaung Metropolitan Municipality, as the main customer, and Bloem Water regulates water supply to the Bloemfontein area and the raw water supplied was lower than the budgeted volumes, whereas the treated water supplied was higher than budgeted volumes.

The Contracts with other Municipalities similarly regulates the bulk supply volumes.

Bloem Water achieved robust results for the 2015 financial year during a challenging economic environment.

The Financial Statements reflect historical costs where the following were accounted for:

Description	% of gross income	Amount of gross income(R'000)
Bulk water sales	89,7	462,3
Finance income	5,4	27,8
Other income	4,9	25,5

Description	% of gross expenditure	Amount of gross expenditure (R'000)
Operating expenditure	96,3	456,1
Finance cost	3,7	17,3

MAIN COST DRIVERS

Input cost increase above CPI such as water, energy, chemicals, staff and specialised equipment have a material impact on the operational cost, budgets and tariff increases.

The raw water charges are determined by the Department of water and Sanitation pricing strategy and implementable by the water board.

Water volumes increased although the water charges reduced. It was as a result of reduced price increase determined by government pricing strategy and improved quality of raw water which results in reduced plant water losses. Stringent water loss measures are in place to ensure minimising of water losses.

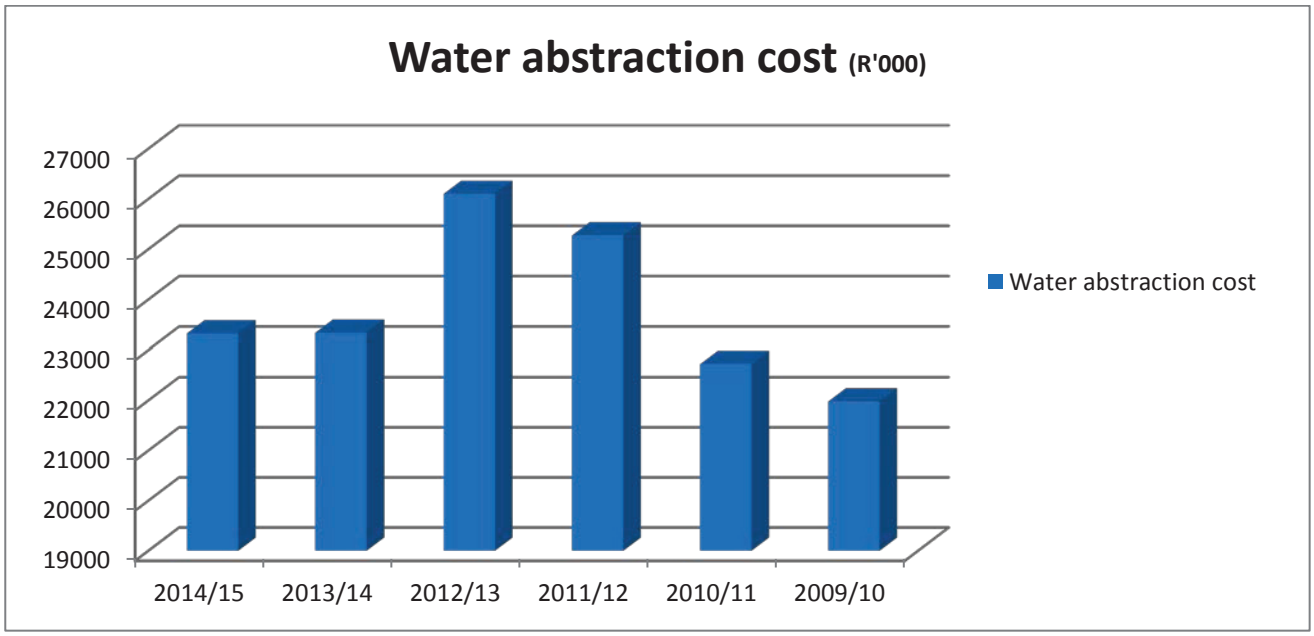


Figure 3: Water Abstraction Costs 2014/15 to 2009/10

Energy increase is due to volume increase from additional pumping requirements and high tariff increases. Soft starters, turbines projects etc are implemented to assist with cost reduction.

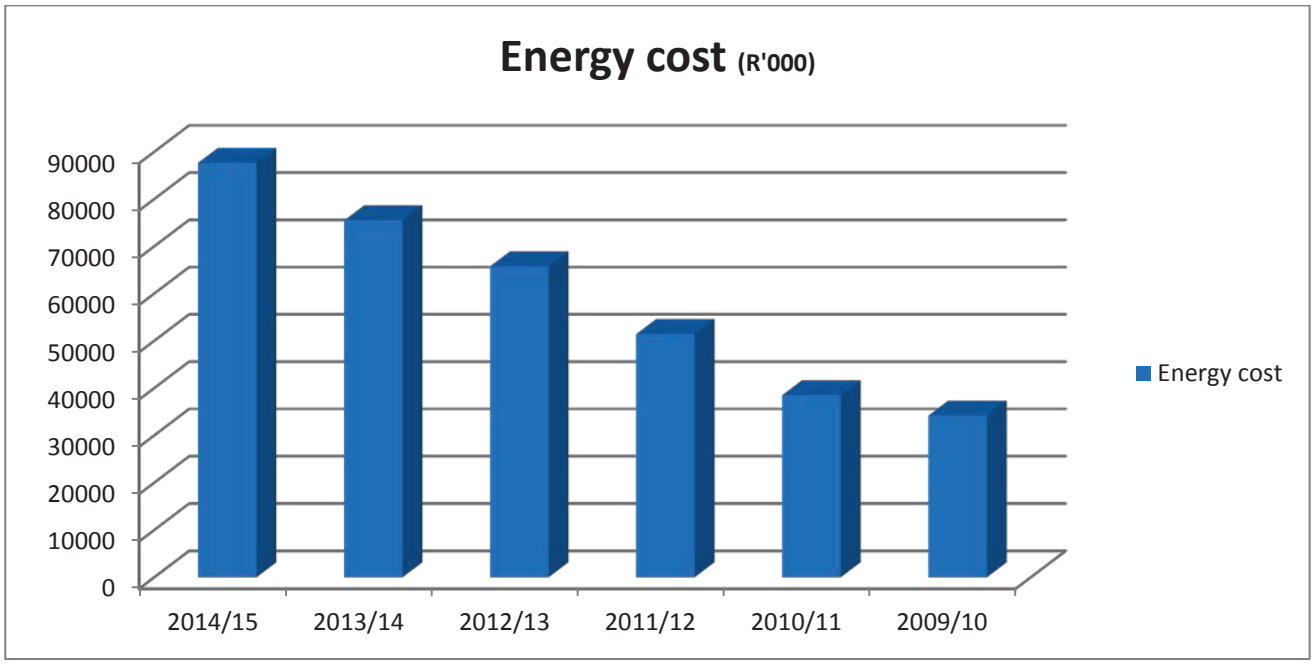


Figure 4: Energy Cost 2014/15 to 2009/10

Chemical costs increased due to price increase and volume increase as a result of deteriorating of water quality. Effective dosing and innovation are implemented where possible to reduce the cost escalation.

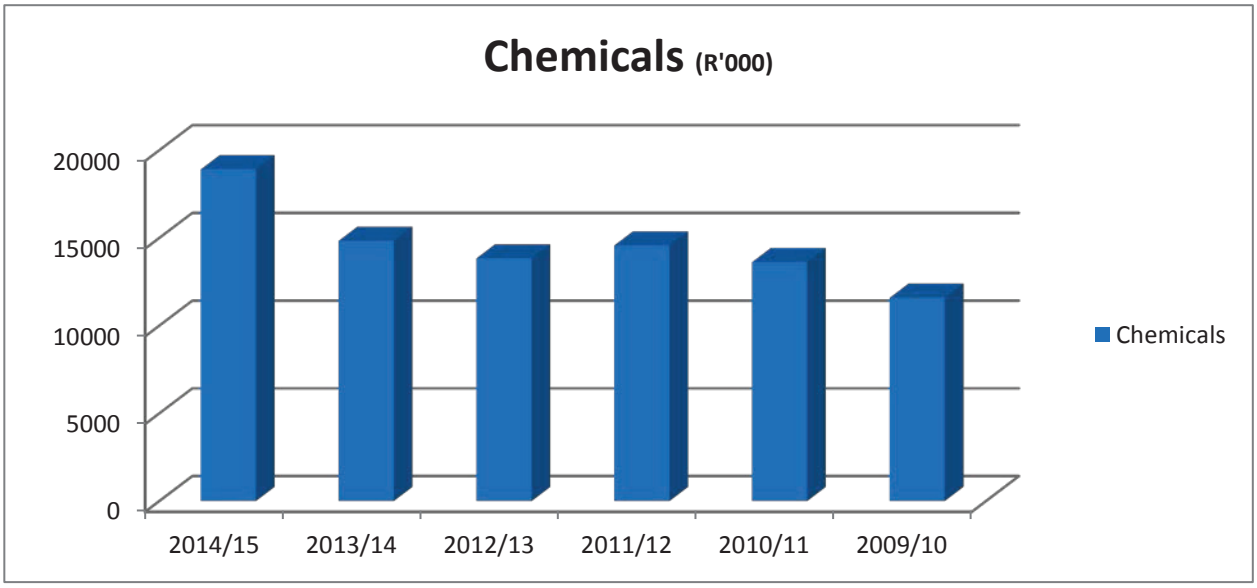


Figure 5: Chemicals 2014/15 to 2009/10

Staff cost escalated in line with approved salary increases and filling of a number of vacant positions in line with board's strategic view.

Figure 6: Staff Costs 2013/14 to 2009/10 Comparison

FINANCIAL OVERVIEW

The capital expenditure on the program results in the capitalisation of the assets and an increase in depreciation. It is envisaged to utilise reserves for future infrastructure replacements and to smooth tariff increases. Budgets are proactively realigned when becoming aware of any unforeseen movements in the market place.

The financial position of Bloem Water remains viable, taking into account the considerable amount payable in interest and capital redemption, as well as the involvement of Bloem Water in areas where services of operation and maintenance is performed, with limited cost-recovery.

BULK WATER SALES ANALYSIS

The total volume of treated water sold is marginally exceeding the budgeted volumes. The total raw water sold is below the budgeted volumes. The net effect of the water supply is marginally below the budgeted volumes. Bloem Water's major client is Mangaung Metropolitan Municipality (MMM) and the supply to the municipality has the biggest impact on the budgeted volumes.

Table 10: Consumer Quantity Treated Water Sold (Kℓ)

	2013/2014	2014/2015
Mangaung Metropolitan Municipality	67 767 395	68 168 772
Kopanong Local Municipality	5 250 900	5 560 260
Naledi Local Municipality	1 189 644	1 320 794
Mantsopa Local Municipality	165 342	168 263
Other (Bulk)	1 808 307	1 844 904
TOTAL	**76 181 588**	**77 062 993**

Table 11: Consumer Quantity Untreated Sold (Kℓ)

	2013/2014	2014/2015
Mangaung Metropolitan Municipality	18 659 478	14 662 335
Other	8 702	6 116
TOTAL	**18 668 180**	**14 668 451**

Table 12: Future Water Demand (Sales) - (Million Kℓ per year)

	2017	2018	2019	2020
Mangaung Metropolitan Municipality	85,5	86,4	87,2	88,1
Naledi Local Municipality	1,2	1,2	1,3	1,3
Kopanong Local Municipality	5,4	5,4	5,5	5,5
Mantsopa Local Municipality	0,2	0,2	0,2	0,2
Other small customers	1,7	1,7	1,7	1,8
TOTAL	**94,0**	**94,9**	**95,9**	**96,9**

FINANCIAL OVERVIEW

BULK WATER TARRIFF

Bloem Water strives towards full cost recovery by implementing a smoothed line tariff increase over a period. The tariff has been under recovering in recent years as to allow for affordability of municipal tariff. Capital cost is a major volatile component of tariff increases which remains a challenge due to engineering inflation exceeding CPI and the nature and age of our infrastructure.

The process of tariff increases is regulated and is determined through the consultation with the South African Local Government Association, Municipalities, Department of Water and Sanitation and National Treasury.

Systems Tariffs (excluding VAT)	
	Cents per Kℓ
Bulk consumers (Bloemfontein, Botshabelo, Bethulie, Dewetsdorp, Edenburg, Excelsior, Fauresmith, Gariep, Jagersfontein, Phillippolis, Reddersburg, Springfontein, Thaba Nchu, Trompsburg, Wepener and others)	521
Bulk Treated Water	383
Bulk Raw Water	
Water research levy (Excluding VAT)	5,13

CASH FLOW ANALYSIS

Comprehensive income contributed to the increase in cash generated from operating activities which will assist in reducing the cash outflow from finance activities and contribute to current and future capital investing programmes. Surplus cash are being utilized for Capital projects after making provision for an appropriate liquidity buffer.

Outstanding accounts by municipalities and from the Department of Water and Sanitation projects have an impact on the cash position. All efforts are made to recover monies by the due dates.

Surplus cash are invested in line with board approved investment policy. Investment performance was sufficient due to realignment of Capital projects expenditure.

FINANCIAL OVERVIEW

PERFORMANCE MEASUREMENT ACCORDING TO FINANCIAL RATIOS

Table 13: Financial Ratios

Performance and Measurement		
	2013/2014	2014/2015
LIQUIDITY		
Current ratio	3,62	2,68
Debt-equity	0,53	0,59
SOLVENCY		
Debt service/interest cover ratio	2,98	1,83
Debt ratio	0,35	0,37
PROFITABILITY		
Current asset turnover	0,94	0,92
Return on assets	0,05	0,02
Asset turnover	0,34	0,34
Gross margin % based on operating profit	15,0%	7,0%
Gross margin % based on gross income	94,4%	95,0%
ACTIVITY/OPERATING		
Fixed asset turnover	0,52	0,54
Inventory turnover	1,03	2,2
Debtors collection period	52,01	76,3
Accounts receivable	5,85	4,46
Working ratio	0,95	1,02
Controllable working ratio	0,73	0,82
Weighted Average Cost per Capital	0,05	0,03
SURPLUS RATIOS		
Accounting surplus/fixed assets	0,08	0,05
Accounting surplus/revenue	0,16	0,09
BUSINESS CREDIT RISK		
EBIT interest coverage	2,98	1,83
EBITDA interest coverage	5,23	4,86
Return on average total capital	0,11	0,07
EBITDA/Sales	0,26	0,18
Internal Financing Ratio	0,35	0,37
Financial leverage or Debt	0,35	0,37

FINANCIAL OVERVIEW

CAPITAL PROJECTS

The Board of Bloem Water continued with the Capital Expenditure Programme and approves any amendments required to the existing Programme, which affects the financial position of the Board. Comprehensive income, reserves, external borrowings and bulk infrastructure grants are being utilized to finance Capital cost.

RURAL DEVELOPMENT PROJECTS

Bloem Water is involved in secondary activities and strives to ensure that future involvement and the risk associated with these operations are mitigated. These projects are in support to municipalities and to achieve government objectives.

Bloem Water's major project was the Bucket Eradication programme where Bloem Water acted as the implementing agent on behalf of Department of Water and Sanitation. The main concern is the non-payment of the accounts.

FUNDING REQUIREMENTS

Funding requirements are aligned to prioritised CAPEX needs analysis and approved borrowing limits. National Treasury approved borrowing limits for 5 years. The guidelines and set ratios by National Treasury and the Department are affected and insufficient external funding can be sourced during the next few years. The needs will have to be prioritised in line with the availability of financial resources.

The approved borrowing limits by National Treasury are until 2015 to the value of R418 million. Due process will be followed during the next year to apply for amendments in line with the business plan.

DEFINED BENEFIT PENSION PLAN

The Defined Benefit Plan is valuated in terms of IAS 19 and is currently in an under-funded position**.** The board of Trustees is putting various measures in place to move towards a fully funded position. Please refer to note 16 of Annual Financial Statements for further detail.

FINANCIAL RISKS

Bloem Water is concerned about the increase in outstanding debt and possible bad debt and has continued with Section 44 MFMA processes. The Board is continuing with negotiations in respect of the remaining arrears accounts.

The outstanding accounts of major local Municipalities deteriorated with the balance at year-end in comparison to the beginning of the year. Various sessions were arranged where the national and provincial offices of Treasury, Auditor-General, COGTA and the Department of Water and Sanitation participated.

The challenges that existed with Kopanong Local Municipality over the last few years were not resolved, although partial payments were received on recent accounts. A format of payment was agreed upon when the Municipality receives the equitable share, although the Municipality made little effort to comply with these conditions and payment has mostly not been made in accordance with the Agreement.

FINANCIAL OVERVIEW

ACCOUNTING POLICIES AND CHANGES IN ESTIMATES

The Accounting Standard Board, National Treasury and the Auditor General have been in consultation with Water Boards regarding changing of applicable accounting standards.

During July 2015 a directive was issued by the ASB. The Board's deliberations on this matter gave way to three consultations which resulted in the development of two Exposure Drafts on The Application of Standards of GRAP by Government Business Enterprises (Schedule 3B and 3D) (ED 124), and The Selection of an Appropriate Reporting Framework by Public Entities (ED 130), issued for comment in May 2014 and February 2015 respectively.

The Directive is effective for financial years commencing on or after 1 April 2018 so as to provide entities sufficient time to prepare for any change in reporting framework, with earlier application permitted. Therefore the initial application is 1 April 2018, or earlier. The Directive is applied subsequently where entities believe that a significant change has occurred that leads them to conclude that they meet, or no longer meet, the criteria in the Directive.

SUPPLY CHAIN MANAGEMENT

Supply Chain Management is a critical support function which is highly regulated and thus requires constant compliance monitoring. The active supply chain processes strives to adhere to the best practices and compliance in its day to day business.

The relevant systems have been put in place and are constantly monitored and improved where required. As required by law, all Bid Committees are in place and fully functional with the latest addition of the Quotations Committee. Standard Operating Procedures are in place and Policy workshops are carried to empower employees.

FUTURE PROSPECTS

Bloem Water strives to maintain the sustainability of its operations and manage finance for its CAPEX plan within the limits of affordability. A concerted effort will be continued to recover the outstanding accounts, following due process and seek support from the relevant stakeholders.

Bloem Water will contribute towards the water value chain in line with National and Provincial objectives which maintained financial viability. The implementation of projects on behalf of other government entities and investment in water service delivery will assist in making a better life for all.

OPERATIONS AND MAINTENANCE

The continuation of effective service delivery is dependent on an effective drinking water supply system, corrective and preventative measures and operational controls necessary to ensure a safe and reliable drinking water supply. This is the core function of Operations and Maintenance Department, ensuring an effective and reliable drinking water supply system. Bloem Water operations span three Regions: Modder River, Caledon River and Orange River Region. The following table gives a summary of Water Treatment Works capacity, Sources of water area of service.

Table 14: Bloem Water Regions and Systems

Region	Source	Pumping System	Treatment	Storage	Area of Service
Orange River	• Orange River • Boreholes	• Driefontein • Volgfontein • Tolhuis	• Phillipolis x 1.2 Mℓ/d	• Reservoirs x 2	• Phillipolis
	• Gariep Dam	• Gariep	• Gariep x 2.8 Mℓ/d	• Reservoirs x 2	• Gariep
	• Orange River • Boreholes	• SAR • Kleinzuurfontein • Hennie Steyn • Brandewijnskuil	• Bethulie x 12 Mℓ/d	• Reservoirs x 5	• Trompsburg • Springfontein
	• Jagersfontein Mine • Boreholes • Kalkfontein	• Lemoenkloof	• Jagersfontein x 2 Mℓ/d	• Reservoirs x 1	• Jagersfontein • Fauresmith
Caledon River	• Welbedacht Dam • Caledon River • Knellpoort Dam • Boreholes	• Tienfontein • Novo • Reddersburg • Edenburg • Dewetsdorp • Raw and Clear water	• Welbedacht x 145 Mℓ/d	• Reservoirs x 7	• Bloemfontein • Dewetsdorp • Wepener • Reddersburg • Edenburg
Modder River	• Groothoek Dam • Rustfontein Dam • Knellpoort Dam • Boreholes	• OK • Groothoek • Lesaka • Raw and Clear Water	• Rustfontein x 100 Mℓ/d • Groothoek x 18 Mℓ/d	• Reservoirs x 6	• Thaba Nchu • Botshabelo • Villages

OPERATIONS AND MAINTENANCE

Weldam WTW

Bethulie WTW

Gariep WTW

Philippolis WTW

Groothoek WTW

Rustfontein WTW

OPERATIONS AND MAINTENANCE

WATER QUALITY

Access to safe drinking water is a basic human right and essential to people's health. South Africa enshrines the basic right to sufficient water in its Constitution, stating that "Everyone has the right to have access to sufficient food and water".

Drinking water has to comply with SANS (South African National Standard) 241:2011. The standard specifies the quality of acceptable drinking water defined in terms of microbiological, physical, aesthetic and chemical determinants at the point of delivery.

For the period under review, Bloem Water met the SANS 241:2011 requirements. This Standard was however withdrawn and replaced with SANS 241:2015 on the 20th March 2015.

To ensure compliance to drinking water standards, Water Quality Monitoring Programmes were developed and implemented. Water is tested internally at Plant level and externally with the University of the Free State. Water was sampled at the source (before purification) as well as at the distribution points (after purification). Internally, at Plant level, the Monitoring Programme involves testing on a 2-hourly and 8-hourly basis. Externally, through the University of the Free State, bio-monitoring takes place quarterly and chemical monitoring and microbial monitoring takes place weekly, bi-monthly and monthly.

The Drinking Water Quality results (i.e. Microbiology and Chemical quality) for the 2014/15 financial year at the various schemes are uploaded on the DWS Blue Drop System and compliance per system is summarised below:

Table 8.3: Water Quality Compliance SAN 241:2011

Water Treatment Works	Volume(M3)	Percent Compliance with SANS 241:2011		
		Health	Operational	Aesthetic
Rustfontein	11 269 787	99.9 %	99.6 %	99.5 %
Groothoek	6 211 819	99.9 %	99.2 %	98.1 %
Welbedacht	53 405 656	99.9 %	95.6 %	99.9 %
Bethulie	966 367	99.9 %	99.3 %	99.9 %
Gariep	405 210	96.2 %	99.9 %	99.9 %
Phillipolis	440 447	99.9 %	98.6 %	99.9 %
Jagersfontein	620 840	99.9 %	99.1%	99.9 %

Generally, Bloem Water produces and distributes excellent quality water beyond the target of 96% compliance. Any incidents of non-compliance are immediately identified through operational testing and monitoring, timeously resolving to ensure compliance to SANS 241. Water quality results are reported on a monthly basis to the Department of Water Affairs through the Blue Drop System.

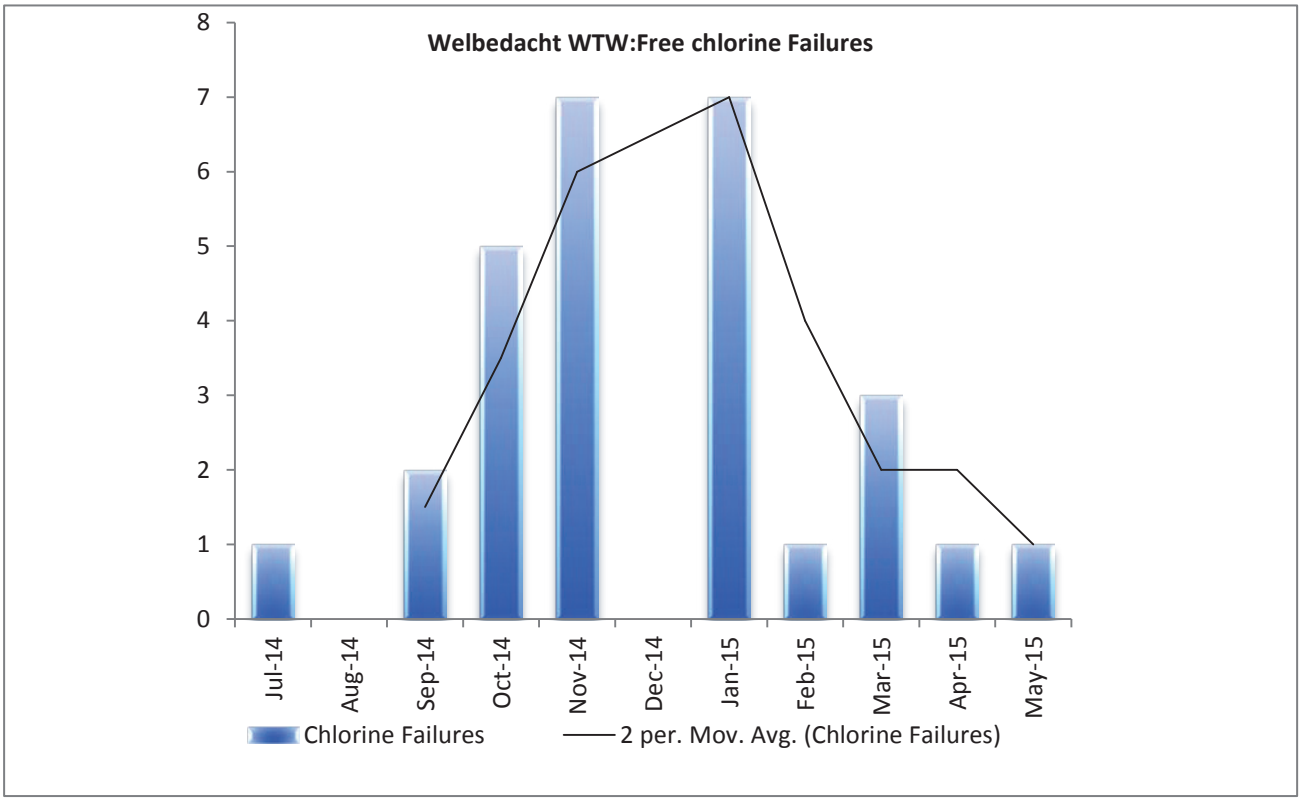
OPERATIONS AND MAINTENANCE

WATER QUALITY FAILURES

Categories of non-compliance are for microbiology, chemical and operational. Most water quality failures were on operational side and mostly at Welbedacht plant. Non-compliances were mitigated to bring the status to compliance.

Caledon region

Welbedacht plant experienced free residual chlorine failures in nine of the twelve month period (75% of the year). This was due to insufficient chlorine dosages which resulted in lower residual chlorine concentration. The number of times per month where there were water failures are indicated on the graph.



All failures were resolved and those indicated as unresolved were interpreted wrongly. The pH value though reported to be below was not the actual value. The below graph indicate the two occasions were an urgent intervention was needed, that is on November 2014 and January 2015.

Welbedacht, Gariep and Phillipolis are non-complaint to free residual chlorine. All are operational failures. Although the failures are very low in concentration, it indicates inadequate dosages of chlorine on the plants. The noncompliance does not pose any significant health risk.

The chlorine dioxide plant was installed at both Rustfontein and Bethulie water treatment plants. The plant was built to assist in treating the high concentrations of blue green algae blooms during summer months which increase the risk of taste, odour, health and aesthetic conditions. Since we have started using chlorine dioxide on the plants there was a significant change in water quality with no taste and odour in the water as well as the enhancement in colour of the water. The advantage of using chlorine dioxide is that when it kills the algae cell it does not convert to Trihalomethanes (THMs) which is toxic to human and animals. The water quality has improved with acceptable and better levels of free residual chlorine maintained up to the end user's point.

OPERATIONS AND MAINTENANCE

WATER DEMAND

The 2013 and 2014 hydrological challenge in terms of the rainfall pattern during the official rainy seasons of October to April in the respective years had an adverse negative impact on the status of the catchment. The drought that we experienced affected the Dams within the Operation of Bloem Water namely: Groothoek Dam, Rustfontein Dam, Welbedacht Dam, Knellpoort Dam with the exception of Gariep Dam.

The effects of drought on the catchment and the Dams was reported to the Regional Department of Water and Sanitation that culminated with the scenario analysis on the Dams, especially the Rustfontein, Groothoek and Welbedacht and Knellpoort. Following this analysis, 15% restrictions were imposed on water use by the Greater Bloemfontein system. The water restrictions were gazette on the 14 March 2014; and were implemented in 2015. Furthermore, The Minister of Department of Water and Sanitation issued a directive for water to be released from Katse Supply System into the Caledon River to augment supply in the Greater Bloemfontein from July to August 2014. The amount of water released was 7.84 million m³ and 13.39 million m³ for the respective Months.

The dam levels during the period July 2014 to June 2015 are for the various Dams are indicated in the figure below and details are outlined in the subsequent section:

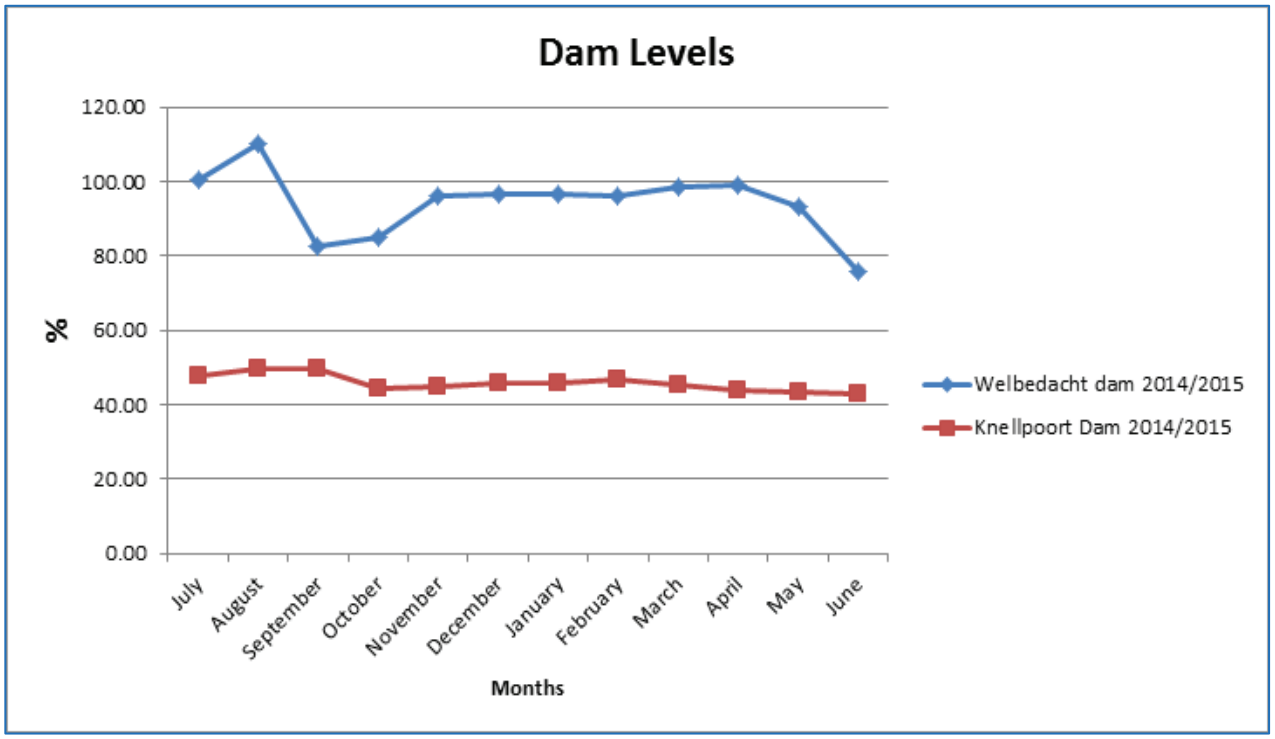


Figure 7: Welbedacht Dam vs Knellpoort Dam (Levels)

OPERATIONS AND MAINTENANCE

Groothoek Dam

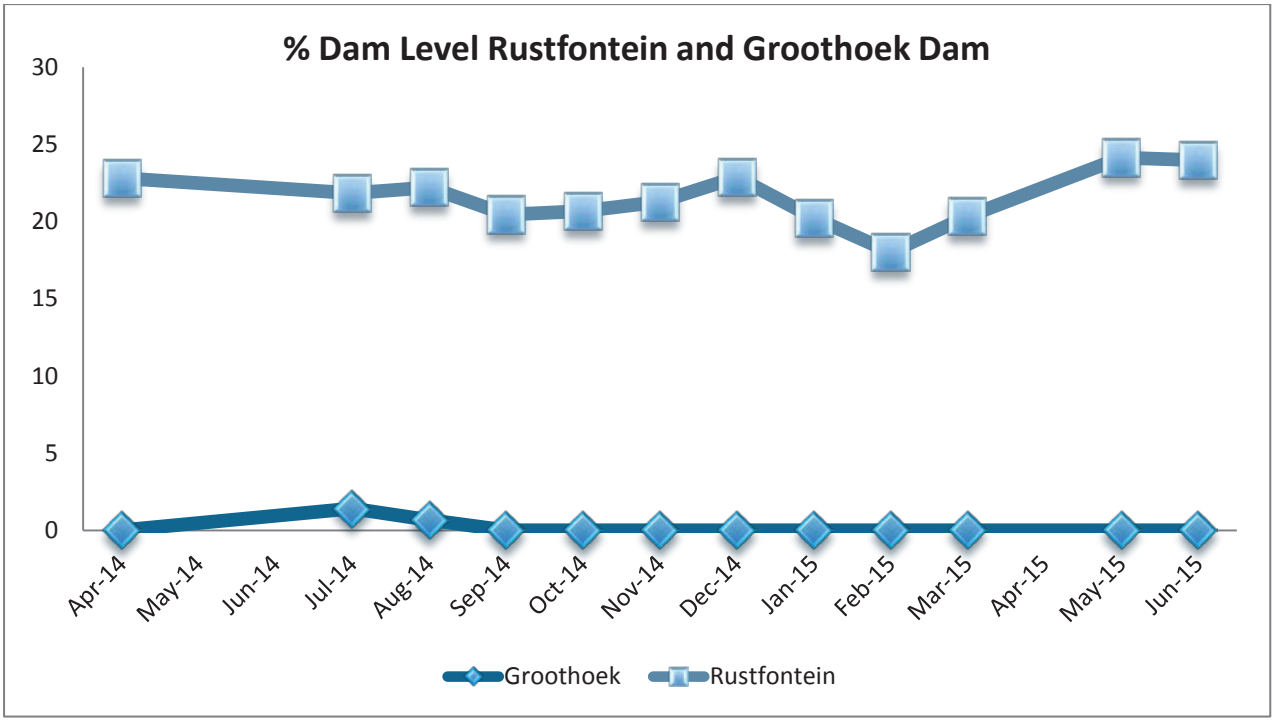
Groothoek Dam has completely dried up and abstraction by any means is no longer possible. Raw water pump was stopped in June after it started drawing-in mud and pushing that through delivery pipe. The following areas have been affected:

- Nature reserve & Groothoek houses & Groothoek plant (for security).
- Black Mountain Hotel
- Kommisiedrift
- Gladstone
- Woodbridge 1 & Woodbridge 2
- Ratau Area

Bloem Water began as from October 2013 to reduce water abstraction from Groothoek Dam and this resulted in the decrease of water treatment and distribution from 12 Ml/d to an average 4Ml/d. Explorations of boreholes were initiated in the Southern site of Thaba Nchu. Following the exploration, four boreholes were recommended and drilling has been completed, and application for power supply has been submitted to ESKOM. Currently, the affected areas are supplied with water tankers and existing boreholes. Bloem Water has engaged (UFS) University Free State's Institute of Groundwater Studies (IGS) to assist with further exploration work in Thaba Nchu and the Bloemfontein area.

Rustfontein Dam

Rustfontein dam has a design capacity of *71.210 x 106 m3*. It receives water from the Novo Transfer Scheme and provides treated water to Rustfontein Water Treatment Works and well as release water to Mangaung Metropolitan Municipality to augment the Mockes Dam. The current dam has a capacity of 70 million cubic meters and the current Dam average percentage is 22%, which equates to a storage capacity of 15.26 million cubic meters. This volume equates to 152 days of constant supply. It is not envisaged that the dam will run dry, since it receives its water from the Novo Transfer Scheme, however, the operating rule (i.e. maintain 20% of capacity for ecological reasons) was violated during the Months of December 2014 and January 2015. The figure below illustrates the dam levels over the 12 months window period.



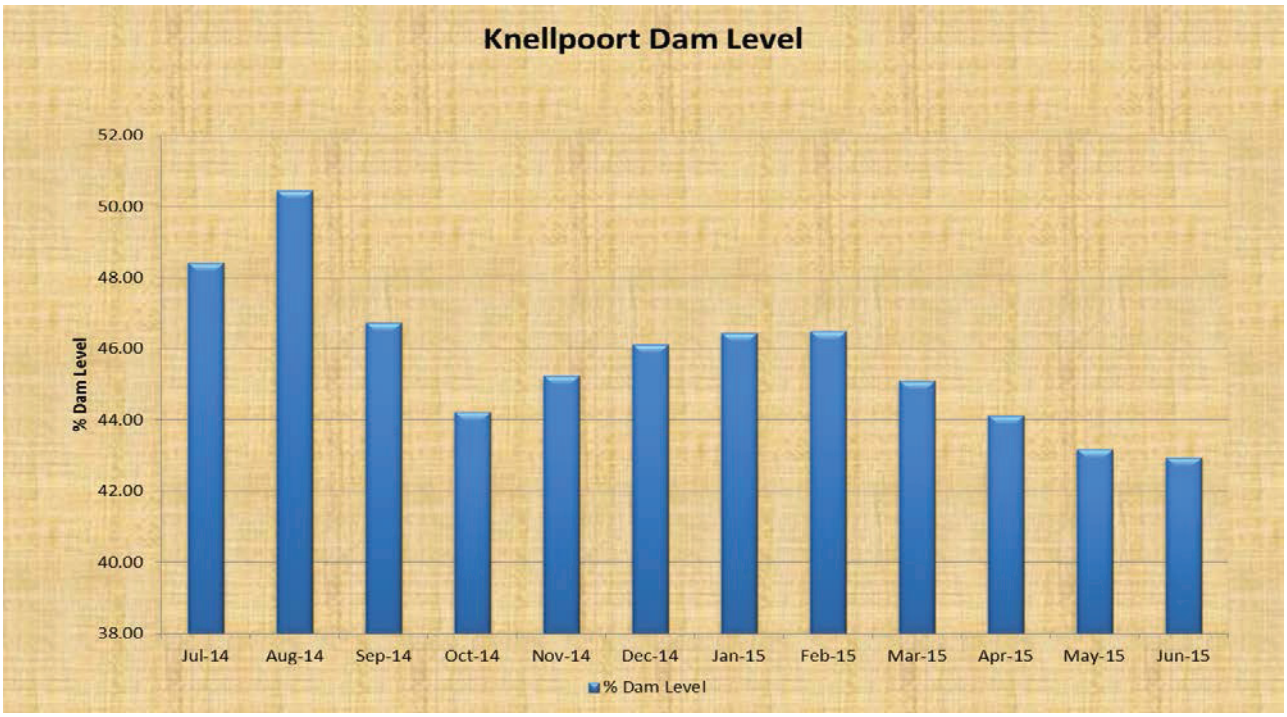
OPERATIONS AND MAINTENANCE

In order to maintain the Rustfontein Dam above the 20% capacity, the capacity of the Raw water transfer scheme referred to as Novo had to be increased from delivering 1500 l/s by a Capital Project that increased the pumps with addition third pump to ensure that the pumping capacity is increased from 1500l/s to 2300l/s .The project has been completed in October 2014.

Knellpoort Dam

The Dam was constructed to serve as the storage capacity for Welbedacht Dam which has been silted up and had the storage capacity reduced from 115 million cubic meters to just under 16 million cubic meters capacity over time. The Dam relies on the Tienfontein Raw water transfer from Caledon River. Tienfontein pump station has three operational pumps with a total combined output rate of 2841l/s. The Caledon River is currently not flowing, as a result pumping stopped during the month of June 2015.

A request for the release of water from the Katse system into the Caledon River was submitted to the Department of Water and Sanitation for consideration. A task team comprising of representatives from Bloem Water, Department of Water and Sanitation and Mangaung Metropolitan Municipality has been formed track the effectiveness of the various interventions. This task team meets on a weekly basis and the meetings are chaired by the DWS Regional Head.



OPERATIONS AND MAINTENANCE

CUSTOMER SATISFACTION

Bloem Water Customers

Bloem Water customer base consists of four municipalities:

- Mangaung Metro Municipality
- Kopanong Municipality
- Mantsopa Municipality
- Naledi Municipality

Additional to the above municipalities, Bloem Water provides drinking water directly to rural communities through Boreholes in the following towns:

- Thaba 'Nchu
- Reddersburg
- Edenburg
- Philippolis
- Springfontein
- Fauresmith
- Jagersfontein
- Bethulie

Prospective Customers

Bloem Water in its endeavour to expand its services to other areas within and outside the Region has identified other municipalities and towns were services can be rendered in the Northern Cape, Free State and Eastern Cape. Engagement with Provincial and National counterparts such as Department of Water and Sanitation, SALGA and COGTA commenced and this strategy will be pursued in the next financial year.

Bloem Water acknowledges the need for support to areas that are currently unserved or inadequately served and will therefore be required to support and engage in initiatives such as:

- water resource and catchment management to protect the raw water resources utilised by Bloem Water;
- taking responsibility for water services in rural and urban areas to improve service delivery at the request of the Water Service Authority;
- Extending infrastructure to allow for increased water supply to Water Service Authorities;
- Review and evaluate any request by DWS to implement a new regional water scheme or project.

Bulk Supply Agreements

Bloem Water has signed service level agreements (SLAs) with Kopanong and Mantsopa Municipality. The agreement with Mangaung Metro Municipality was last signed in 2003 and Bloem Water together with this Municipality is in the process of finalising the agreement. Bloem Water will also pursue signing of an agreement with Naledi Municipality. The signing of the outstanding SLAs is still not yet finalised.

Customer Satisfaction Survey

Bloem Water Customer Services Charter is in place and it enables customers to get the most out of Bloem Water's services. It provides a means for customers to provide feedback and suggest improvements. It also helps them to raise concerns when they are dissatisfied with any aspect of their interaction with Bloem Water. Through this Charter, Bloem Water is able to maintain and improve quality of services.

An annual Customer satisfaction survey was conducted through questionnaires which were distributed to municipalities in our area of service and internally to Bloem Water employees as water users. The survey focused on water quality and Bloem Water's response to water failures. Response to questionnaires was received from Bloem Water employees only and the results were as follows:

Quality of Water

63% of employees responded to the water quality survey out of a population of 206 recipients. 60% of respondents rated quality of water as fair, 30% as excellent and no employee rated water quality as poor. Overall view of respondents was that the water does not have smell, taste and does not have cloudy/turbid appearance. Welbedacht has the highest number of reported water quality failures followed by Head office. Incident Management Protocol was developed to improve response to water quality incidents and enhance communication between Bloem Water and Municipalities.

Results – Quality of Service

On average, 61% of respondents are satisfied with the service given by Operations while 36% are very satisfied with the service. One percent is very dissatisfied while again one percent is dissatisfied.

WATER LOSSES

Water losses were managed in all Bloem Water treatment works in an effort to reduce water losses including non-revenue water. All losses are determined via the water model to monitor and calculate water losses on a monthly basis. From a system input of 101 492 502 million m³ for 2014/2015 financial year (as illustrated below), water losses amounted to 8.75% of which 2.02% were apparent losses and 6.73% real losses. A decrease of 0.29 % in water losses have been achieved in comparison to the previous year. The current water losses are also below the annual target of 13% agreed with the Shareholder.

Table 15: Water Losses for the period: 2014/07/01 to 2015/06/30

<table>
<tr><th>System Input</th><th>Authorised Consumption</th><th>Billed</th><th>Revenue Water</th></tr>
<tr><td rowspan="6">101,492,502</td><td rowspan="2">92,612,321 (91.25%)</td><td>91,731,444 (90.38%)</td><td>91,731,444 (90.38%)</td></tr>
<tr><td>Unbilled</td><td>Non Revenue Water</td></tr>
<tr><td rowspan="3">880,877 (0.87%)</td><td rowspan="3">9,761,058 (9.62%)</td></tr>
<tr><td>Water Losses</td><td>Apparent Losses</td></tr>
<tr><td>8,880,181 (8.75%)</td><td>2,053,889 (2.02%)</td></tr>
<tr><td></td><td>Real Losses</td><td></td></tr>
<tr><td></td><td>6,826,291 (6.73%)</td><td></td></tr>
</table>

OPERATIONS AND MAINTENANCE

Asset Condition and management

Bloem Water striving to further reduce water losses within its system, continued with the implementation of Asset Condition and Management project where identified leaks were closed between De Hoek to Uitkyk Trajectory and Uitkyk to Brandkop Trajectory. The leak detection findings, engineering evaluation and risk assessment were factored into the development of a pipeline specific management strategy. Progress with regards to implementation of the recommendations from the assessment is outlined below.

De Hoek to Uitkyk Trajectory

All leaks between De Hoek and Uitkyk were component leaks and have been fixed during the period under review. The estimated daily water loss through these leaks was 462Kl/day.

Uitkyk to Brandkop Trajectory

The estimated daily water loss through leaks identified between Uitkyk and Brandkop were 162Kl/day. In total, the daily estimated water loss on the De Hoek/Brandkop line equals 624Kl which has a financial loss implication of R 2 726.88 per day and R 81 806.40 per 30 day calendar month. Only 3 leaks are still outstanding for repair, and will be attended as indicated below. The proposed GRP parallel pipeline project is planned for this area.

Water Loss Recovery Initiative

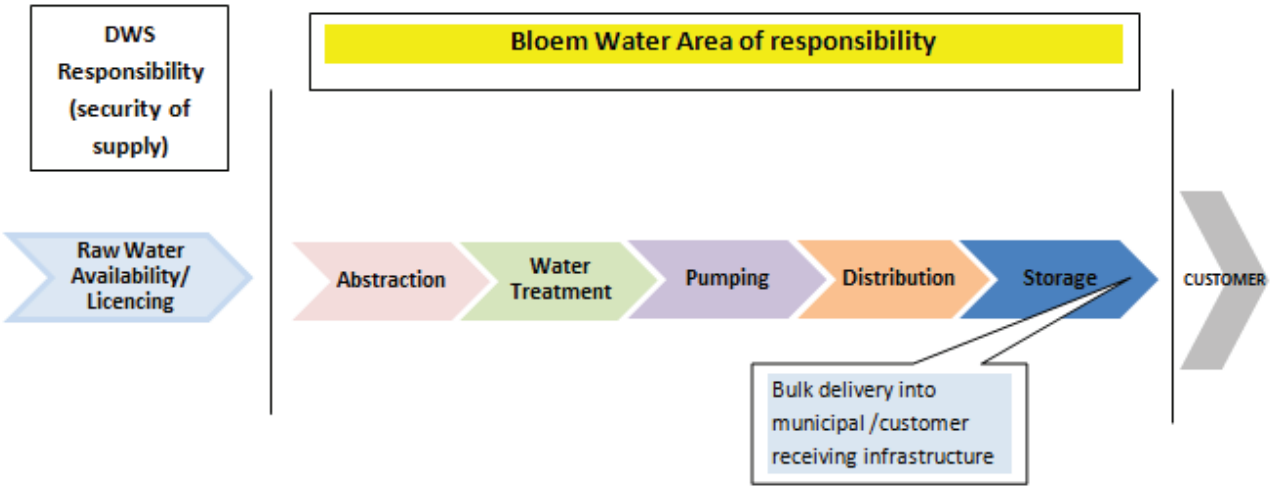
The water loss recovery initiative is aimed at investigating unaccounted water loss at the various plants. Following the successful implementation of this initiative at the Rustfontein and Bethulie Water Treatment Plants, similar initiative was undertaken at the Welbedacht water treatment plant. Purification loss at Welbedacht treatment plant has a monthly average of 11%. The 11% included a calculated volume of backwash water. Additional unaccounted water losses are the ones normally lost by scouring and desludging of pulsators, filters and clarifiers and extremely lost when raw water turbidity exceeds 4000 NTU.

Purification loss is the difference between the raw water treated and the final water pumped for distribution. Water loss is also called unaccounted water and you can distinguish between them from losses that occur for known reasons, such as for water treatment processes, e.g. backwashing and desludging. Several professional bodies were consulted to share their knowledge on the reduction of water losses and optimizing of non-revenue water particularly management of water losses over a purification plant. An investigation was undertaken at the plant for a period of eight months. Derived means were implemented and the plant was fortunately able to recover monthly average of 0.8% of treated raw water.

OPERATIONS AND MAINTENANCE

SUPPLY CAPACITY AND CONTRAINTS

Bulk water supply delivery/infrastructure arrangements are typically made up of the primary system components illustrated in the following process diagram:



The current status of security of supply in regard to all WTW owned by Bloem Water or operated by Bloem Water on behalf of the WSA , is summarised hereunder.

Abstraction	Current installed capacity WTW	Approved Water Use (daily average)	Current Water Demand (daily average)	Variance	Current Peak Daily demand
	(Mℓ/day)	(Mℓ/day)	(Mℓ/day)	(Mℓ/day)	(Mℓ/day)
Welbedacht WTW	160	143.84	145	-1.16	145
Tienfontein	144.3	197.26	134	63.26	134
Novo	242	131.5	171	-39.5	171
Rustfontein WTW *	100	85	99	-14	90.2
Groothoek WTW	18	13.7	4.4	9.3	5.6
Gariep WTW	2.7	2.2	2.10	0.1	2.61
Bethulie WTW *	8.64	5.2	5.22	-0.02	7.16
Phillippolis WTW *	1.64	0.96	0.80	0.16	0.97
Jagersfontein *	9.5	2.69	3.1	-0.41	3.1

Note: * Excludes borehole water abstraction

From an "Operational Capability" perspective, it is important to consider the extent to which current and new infrastructure investments impact (mitigate and or address), the infrastructure constraints identified at the various plants. The CAPEX (current and planned) that is included in the 5 year CAPEX plan for Bloem Water is included in the next section of the report, and where relevant, current CAPEX projects by Municipalities to address capacity constraints.

OPERATIONS AND MAINTENANCE

WATER RESOURCE MANAGEMENT

The Bloem Water supply schemes receive the bulk of their raw water from the Orange River system. The Orange River is an international resource, shared by four countries i.e. Lesotho, South Africa, Botswana and Namibia. The opposite is also applicable. The Orange River, the largest river in South Africa, has its origin in the high lying areas of Lesotho. The river drains a total catchment area of about 1 million km², runs generally in a westerly direction and finally discharges into the Atlantic Ocean at Alexander Bay. The Caledon River, forming the north-western boundary of Lesotho with the Republic of South Africa (RSA), is the first major tributary of the Orange River. The Caledon and the Orange (called the Senqu River in Lesotho) rivers have their confluence in the upper reaches of the Gariep Dam.

Table 16: Capacity of Water Resource Systems

System	Catchment	Impoundment	Owner	Manager	Capacity
Welbedacht	Caledon River	Welbedacht Dam	DWS	BW	114 x 10^6 m^3
		Knellpoort Dam	DWS	BW	136 ,151 x 10^6 m^3
Bethulie	Orange River	N/A	DWS	DWS	N/A
Gariep	Orange River	Gariep Dam	DWS	DWS	5 340 x 10^6 m^3
Philippolis	Orange River	N/A	DWS	DWS	114 x 10^6 m^3
Jagersfontein	RietRivier	Kalkfontein dam	DWS	WUA	114 x 10^6 m^3
Rustfontein	Modder River	Rustfontein Dam	DWS	BW	71,32 x 10^6 m^3
Groothoek	Kgabanyane River	Groothoek Dam	DWS	BW	11,9 x 10^6 m^3

RAW WATER ABSTRACTION

Water is a scarce resource in South Africa and the use thereof is regulated according to the National Water Act, and requires approval of an application by the Department of Water and Sanitation. Bloem Water has monitoring system to ensure compliance to the approved water use license by the Department of Water and Sanitation. The table below gives maximum water abstracted per month compared to the water use license per water treatment works.

Table 17: Water Use Licenses

Water Treatment Works	Current Plant Design	Approved Water Use Licence	Max. Raw Water Abstraction Per Month
	Ml/day	x10^6 m^3	m^3
Welbedacht WTW	160	**52.5**	3 909 983
Tienfontein	242	**72**	88.3
Novo	144.3	**48**	52.67
Rustfontein WTW	100	**31**	2 763 351
Groothoek WTW	18	**5**	137 176
Gariep WTW	2.4	**0.8**	54 062
Bethulie WTW	12	**2**	160 956
Philipolis WTW	1.2	**0.35**	26 071

OPERATIONS AND MAINTENANCE

WATER RESOURCE ADEQUACY

The continuation of effective service delivery is dependent on an effective and efficient regional drinking water supply system, corrective and preventative measures and the operational controls necessary to ensure a safe and reliable drinking water supply. The regional drinking water supply system which falls within the responsibility of Bloem Water is summarised as follows:

- The ***Modder and Caledon River Regions*** water supply schemes are located within the Greater Bloemfontein supply system. The schemes provides the majority of potable water requirements to the larger centres of Bloemfontein, Thaba Nchu and Botshabelo, as well as the smaller towns of Wepener, Dewetsdorp, Reddersburg, Edenburg, and Excelsior.

- The Caledon River Region scheme is Bloem Water's largest scheme and comprises of the Welbedacht WTW with a design capacity of ***145 Ml/day***. The Welbedacht Dam is located along the Caledon River and supplies water to the Welbedacht Water Treatment Works. The dam, since its construction in 1973, has lost approximately 95% of its storage capacity due to siltation. A recent survey (i.e. November 2011) indicates the capacity to be at approximately ***9.63 x 10^6 m^3***.

- The Rustfontein WTW, with design capacity of ***100 Ml/Day***, is situated at the Rustfontein dam, 12km West of Botshabelo and 25km South of Bloemfontein. The Rustfontein WTW is situated at the Rustfontein dam, and has a design capacity of ***71.210 x 10^6 m^3***. The Rustfontein Dam receives bulk of its water from the Knellpoort/Novo raw water transfer scheme.

- The Groothoek WTW, with a design capacity of ***18 Ml/day***, is situated 17km from Thaba Nchu near the Maria Moroka Game Reserve, at the Groothoek dam. The Groothoek dam has a design capacity of ***11.9 x 10^6 m^3***. Besides supplying water to the villages South of Thaba Nchu, the system acts as an augmentation scheme for the Rustfontein water supply system.

- The Novo Transfer Pump Station at Knellpoort Dam enables the transfer of water into the Modder River which supplies the Rustfontein and Mockes Dams, whereby it is released to the Masselspoort Water Treatment Works.

- The Knellpoort dam is supplied with transferred water from the Caledon River via the Tienfontein Pump Station, enabling year-round abstraction from Welbedacht. However, in recent years, the Caledon River is dry during the winter months (June to November); as a result no water is abstracted during this period.

- The ***Orange River Region*** provides and manages water supply to the towns of Bethulie, Gariep, Phillipolis and Jagersfontein through a number of small schemes spread over a considerable geographic area. Bloem Water owns the Bethulie water supply assets and the abstraction, treatment and pumping components of the Phillippolis assets. The Gariep, Jagersfontein and distribution and storage assets at Phillipolis are owned by the Kopanong District Municipality and are operated and maintained by Bloem Water in terms of specific agreements.

In terms of a recent ***Directive from the Minister of Water and Sanitation*** (February 2015), Bloem Water assumed responsibility for the reinstatement, operations and maintenance of the water and sanitation functions of three towns falling within the ***Masilonyana District Municipality***, these being Theunissen, Winburg and Brandfort.

OPERATIONS AND MAINTENANCE

RAW WATER QUALITY

Raw water quality in Bloem Water differs according to the source. The table below gives a list of systems and status of the quality of water according to the latest testing results. Bloem Water raw water quality supply has the following potential risks/challenges which are continuously monitored and proactively managed:

Table 18: Raw Water Quality

System	Catchment	Impoundment	Raw Water Quality	Description of Water Quality challenges
Welbedacht	Caledon River	Welbedacht Dam	Average turbidity: 1013 NTU	May'14 – Sep'14: water appears yellowish-brown in colour and high algae content. Oct'14- Mar'15: too much silt in the water.
		Knellpoort Dam	No sampling On the dam	The water appears greenish, high algal content.
Bethulie	Orange River	N/A	Good	The quality is good, during the raining season the NTU rises.
Gariep	Orange River	Gariep Dam	Average Turbidity: 44.74NTU	The water appears slightly green & murky
Philippolis	Orange River	N/A	Good	The quality is good, during the raining season the NTU rises.
Jagersfontein	RietRivier	Kalkfontein dam	Average Turbidity: 25.57NTU	The water appears light greenish in colour and at times milky with very low turbidity.
Rustfontein	Modder River	Rustfontein Dam	Average Turbidity 98.8 NTU	No water quality challenges.
Groethoek	Kgabanyane River	Groothoek	Average Turbidity 110 NTU	No water quality challenges

RESOURCE USAGE AND EFFICIENCIES

Energy

In its effort to reduce energy consumption, Bloem Water entered into a partnership with ESKOM, to participate in the ESKOM's Demand Side Management (DSM)/load shifting initiative. The ideal water supply sub-system identified for this initiative was Novo/Rustfontein transfer scheme and the Welbedacht Treatment Plant. The emphasis is to participate in load shifting when the prevailing plant conditions are favourable to ensure minimal disruptions to operations or supply of water. The energy consumption in these sub-systems and other sub-systems is presented in the table and figures below.

Table 19: Energy Consumption

Sub-System	Energy Consumption (MW)
Novo pump station	3.80
Rustfontein Water Treatment Plant	3.66
Welbedacht Water Treatment Plant	10
TOTAL	**17.46**

OPERATIONS AND MAINTENANCE

The critical peak period according to Eskom were identified as in the evening from 18H00 – 20H00 during weekdays excluding weekends for both subsystems. A total combined power savings of 6 MW is envisaged from both sub-systems. The figures below outline the power and cost savings for Welbedacht WTW since the beginning of the load shifting initiative for the period under view.

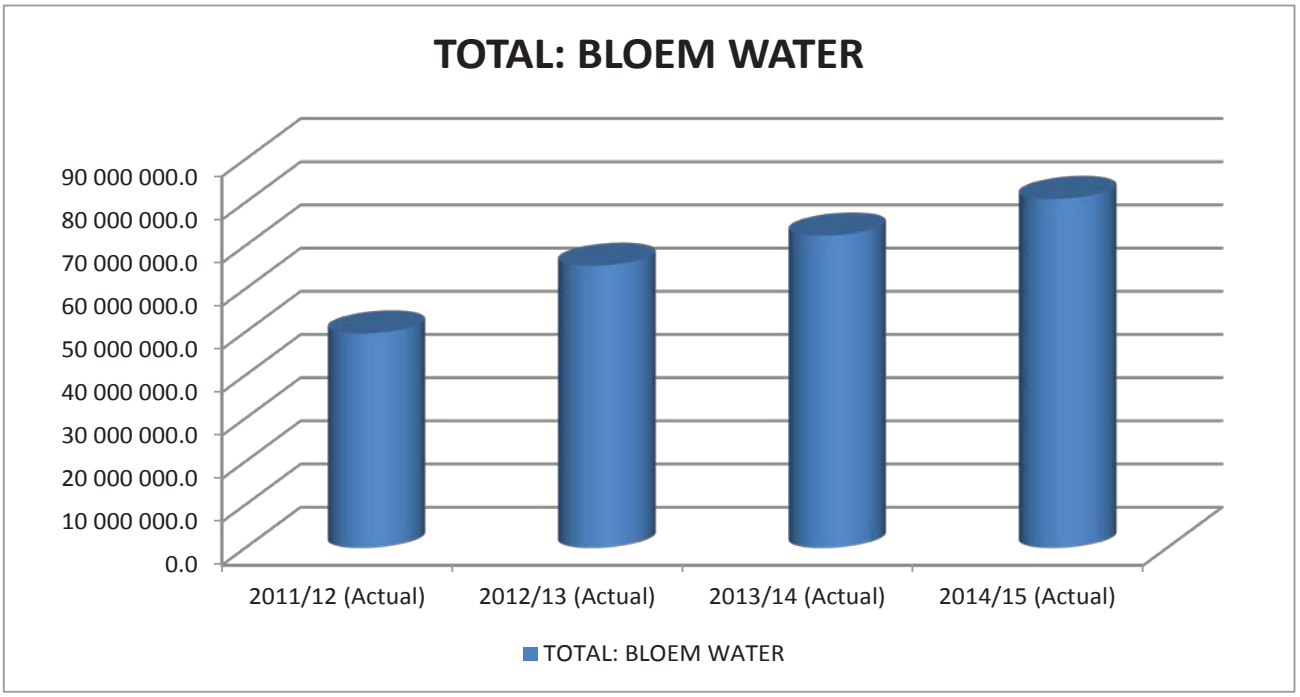


Figure 8: Energy Consumption in Rands

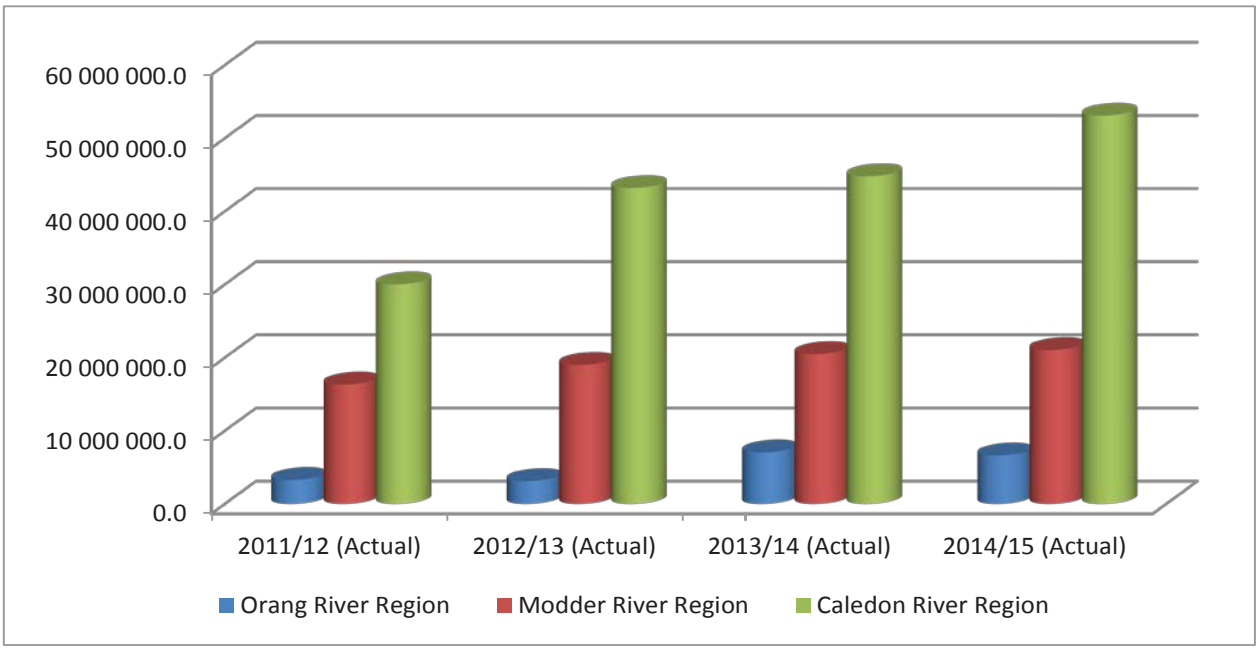


Figure 9: Regional Consumption (2011/12 - 2014/15)

OPERATIONS AND MAINTENANCE

HYDROPOWER

2014/15 financial year saw the commissioning of the conduit Hydropower Plant by the Honourable Minister of Water and Sanitation, Nomvula Mokonyane. The project commenced during the 2013/14 financial year and launched in March 2015.

The University of Pretoria (UP) supported by the Water Research Commission (WRC) and collaborating organisations such as the City of Tshwane Metropolitan Municipality, Bloem Water and the eThekwini Municipality, were engaged in a research project to investigate and demonstrate the potential of extracting the available energy from existing and newly installed water supply and distribution systems.

The aim of the project was to enable the owners and administrators of bulk water supply and distribution systems to install small-scale hydropower systems to generate hydroelectricity for on-site use and, in some cases, to supply energy to isolated electricity demand clusters or even to the national electricity grid, depending on the location, type and size of installation. It taps into a previously unutilised source of hydropower by using excess energy in pressurised conduits to produce clean and renewable hydroelectric power.

Bloem Water decided to, as a first phase; develop a hydropower plant with sufficient capacity to meet the electricity demand of the head office which is situated at the Brandkop Reservoir, in Bloemfontein. Pressure head and flow was measured for the hydraulic assessment and electricity consumption data was recorded to determine the correct turbine to meet the demand. The turbine and generator is housed in a turbine room, located next to the Brandkop Reservoir. Approximately 30% on average of the water supplied via the Caledon-Bloemfontein pipeline is diverted through the turbine (350 l/s at 40 m pressure head).

The plant has now been operational since the launch supplying Bloem Water with hydroelectric power even when other parts of town are left in the dark during load shedding. This is an example of basic innovative research being taken into a practical implementable project. It is believed that this research which provided this full working demonstrative plant inspired the uptake of conduit hydropower in South Africa. Already, several potential conduit hydropower sites have been identified, investigated, put out to tender constructed or are operational at Rand Water, Mossel Bay Municipality, George Municipality, Lepelle Water, Amatola Water, Bloem Water, eThekwini Municipality, City of Tshwane, Johannesburg Water, City of Cape Town and Eskom amounting to 38.6 MW (mega-watts). This has a monetary generating value of R220 million/annum. Further estimates point to an additional 59.8 MW out there just in the larger metropolitan areas alone (monetary generating value of R340 million/annum) excluding all the mines.

Based on current spending of Bloem Water head office on monthly electricity bills will result in a payback period of 72 - 83 months for this project i.e. approximately 6-7 years. The plant has now been operational since the launch supplying Bloem Water with hydroelectric power even when other parts of town are left in the dark during load shedding. This is an example of basic innovative research being taken into a practical implementable project. It is believed that this research which provided this full working demonstrative plant inspired the uptake of conduit hydropower in South Africa.

OPERATIONS AND MAINTENANCE

Table 20: Hydropower Expenditure Breakdown

Item	Description	Cost
Pressure and flow measurements	The available head versus flow relationship is required to select a suitable turbine.	R 25 000
Electricity consumption data	A monitoring system was installed measuring the electricity consumption of Bloem Water Head Office. Peak Electricity consumption and daily pattern is required.	R 20 000
Dynamic Analysis	A dynamic analysis is required to ensure the safe operation of the hydropower plan.	R 40 000
Valve Chamber	Modification to existing valve chamber providing off take and valve chamber.	R 40 000
Pipe and valve work	Supply and installation of off-take pipeline (500 mm diameter) including bends, isolating valve, reducers and pressure control regulating valve (400 mm control valve).	R 445 000
Cross-flow turbine	Manufacture and supply cross-flow turbine with bottom outlet, synchronous 3-phase generator, electronic regulator and control panel.	R 1350 000
Electrical connection to Bloem Water Offices	Providing and installing electrical cable connecting the Bloem Water Head Office (distance ±200 m). Modifications to electrical panels, switching between municipal and hydroelectronic power.	R 762 690
Turbine room	The turbine generator, electric control panel, monitoring equipment and regulator is housed in a brick walled lockable structure with safety signs, lighting, cameras etc.	R 535 000
Monitoring system	Installing monitoring system of power output from generator, net power to the external load, system voltage, gross and net system current, status of all shutdown functions etc.	R 30 000
Data logging and communication system	Logger with internal modem to capture data remotely installed in the Turbine room. Additional pressure transducers and monitoring equipment was also installed.	**R 60 000**
Flow measurement & Pressure reducing and solenoid control	An ultrasonic flow meter was installed on the off-take to the turbine connected to the data logger.	R 70 000
Design and implementation	Assistance with design, turbine selection and implementation.	R 225 000

OPERATIONS AND MAINTENANCE

OPERATIONAL PERFORMANCE

Bloem Water is a key strategic organisation that provides water services that underpin and sustain all social and economic growth and development within its prescribed service area. Consequently it is critically important to periodically evaluate the operational capability of the organisation to meet the current and planned future needs for reliable, sustainable and high quality water services.

Therefore, a specialist Management Consulting firm was appointed to perform Plant and Process Assessment and Optimisation (PPAO). Assessments and evaluations of the plant, key business systems and process and the human capacity and skills in order to identify constraints, areas for possible optimization was conducted in all Bloem Water Regions including Head Office. The focus of the assessment was directed at the following primary areas:

- Technical assessment of the existing and planned regional bulk water supply infrastructure owned by Bloem Water.
- Assessment of the primary business systems and processes in place and used by Bloem Water to manage and control all key aspects of effectively and efficiently managing the business of regional bulk water supply.
- The interface between technical and human capability/capacity as it is ultimately people who make organisations work efficiently and effectively.
- Establish the extent to which coherent policies, systems and processes are in place and implemented consistently in order to ensure that Bloem Water delivers on its Strategic intent and Mandate.

The overall assessment of the Operational Capability of Bloem Water was generally evaluated to be adequate and key areas which required further attention were identified which included the following:

- Security of supply has significant challenges which are in the process of being addressed in line with the Greater Bloemfontein Reconciliation Study. Over abstractions and water use licences need to be regularised. The water service delivery infrastructure is in a fair to good condition and, although constrained, in certain instances, is able to meet the current demands for water. Planned CAPEX is appropriate to meet anticipated increases in demand although priorities need to be revisited and approval and implementation of the project timelines accelerated. The challenges of future CAPEX funding requirements need to be mitigated through prioritisation, longer term planning and leveraging a range of funding mechanisms/models including strategic partnerships.

- The organisational structure and key strategic decisions regarding “centralised vis decentralised” control need to be carefully considered and finalised.

- Use of existing IT platforms for operational and management control needs to be strengthened as well as identification and management of risks associated with the migration to a new IT platform needs to be carefully consideration and mitigation actions.

- New initiatives such as the establishment of a pipelines specials workshop, a specialist pipeline maintenance capability, an accredited BW laboratory for water quality monitoring, the path finding initiatives for co- generation to augment energy options and the establishment of a municipal support function are highly commended.

OPERATIONS AND MAINTENANCE

Compliance to Regulation 2834

Bloem Water operates and maintains the following registered water treatment works in compliance with Regulation 2834:

No.	Name of Water Treatment Works	Classification	Capacity	Average Monthly Flow (m^3/month)
1.	Welbedacht	B	160 Ml/day	4.3 Million
2.	Rustfontein	B	100 Ml/day	2.5 Million
3.	Groothoek	C	18 Ml/day	0.14 Million
4.	Bethulie	C	12 Ml/day	0.07 Million
5.	Jaggersfontein	C	4.7 Ml/day	0.08 Million
6.	Gariep	D	2.7 Ml/day	0.05 Million
7.	Philippolis	D	1.2 Ml/day	0.023 Million
8.		**Total**	**298 Ml/day**	**7.16 Million**

Compliance to Regulation 17

Regulation 17 under the Water Services Act requires Water Services Institutions to classify and/or register every process controller on the water services works. Process Controllers and Supervisors at each water treatment plant are required to undergo annual process training. Bloem Water has a training plan in place for training of process controllers to ensure that they meet and exceed minimum requirements of the Regulation. Training activities that took place for the year under review are outlined under Human Resource section of the annual report.

MAINTENANCE MANAGEMENT ACTIVITIES

Risk management is a key component of effective asset management and can be described as achieving the optimal balance between cost, risk and performance. Aging water infrastructure, together with increased capital costs, energy costs, insufficient capital funds are major risks currently facing Bloem Water. The potential for water supply system deterioration due to age is further compounded by expectations for growth that would further stress existing facilities.

To deal with these issues Bloem Water has adopted a risk based maintenance management approach and has initiated an assets condition assessment program. The program allows Bloem Water to determine:

- What assets it owns,
- What condition its assets are in,
- How these assets are performing,
- What services are currently been delivered and what needs to be delivered in the future,
- What risks there are to the service,
- What assets will cost over their planned life,
- When assets need to be repaired or replaced and how, and
- What may need to be done differently in the future?

OPERATIONS AND MAINTENANCE

The Maintenance activities key Performance Areas as agreed with the shareholder as indicated below.

Performance Objective	Outcomes/Impact	Indicators	Measure	Target
2.Non revenue water	Reduced levels of unaccounted for water (UAW)	Water lost as a % of total water produced	%	13%
3. Reliability of supply	No unplanned interruptions to supply >36 hours	% number of days supply disrupted / total number supply days	%	2%

Maintenance Performance

The table below gives an overview of the 2014/15 budget allocations for undertaking day-to-day maintenance activities and performance per Region. The Maximo system is the chosen computerised maintenance management system (CMMS) for BW. The system is an integrated Enterprise Resource Planning (ERP) system.

The table below gives an overview of the 2014/15 budget allocations for undertaking day-to-day maintenance activities and performance per Region.

Regions	Annual Budget	Actual Spent	% Actual Spent
Caledon	5 958 973.08	5 712 985.34	96%
Modder	5 230 414.94	4 151 051.93	79%
Orange	2 584 300.00	1 915 642.42	74%
Telemetry, PLC.	870 000.00	770 991.02	89%
Other	2 601 888.75	1 972 408.32	75%
Total Maintenance	R 17 245 576.77	R 14 523 079	84%

The annual target of 85% has not been achieved on the overall Maintenance expenditure, due the following factors over this period of 12 months:

- Hennie Steyn pump station did not have a lot of failures due to low NTU's experienced;
- The upgrade of the PLC/Telemetry system make it easy to identify problems in the Pumps Stations;
- Pump failures at Hennie Steyn has been minimized due to the modifications on the pumps set; and
- Some maintenance activities which were perceived to be maintenance in nature were incorporated into the capex program.

OPERATIONS AND MAINTENANCE

Annual Winter Maintenance

Bloem Water started with 2014/15 annual Winter Maintenance programme (i.e. May 2014 – August 2015) to perform both corrective and preventative maintenance tasks to ensure strategic infrastructure integrity is enhanced. The programme entails the following key activities as outlined below:

- Cleaning and sealing of the Reservoirs
- The Repair of the Pipe Leakages
- Replacement and installation of new isolating valves, air valves, and scourer valve
- Servicing the Mini substations and transformers
- Valve replacements
- Pump and motor refurbishments
- Cleaning and maintenance of treatment plant infrastructure

Water supply interruptions were experienced in the Naledi Local Municipality during the period due to planned winter maintenance in the Caledon region. In the MMM area we had interruptions is some areas of Thaba Nchu due to the pressure burst and sometimes due to Eskom Load shedding. Ther are standard operating procedure as well as incident management protocol in place to handle and report water supply interruptions to all relevant stakeholders.

PROVISION OF WATER IN RURAL AREAS

The Groothoek Dam Water Supply zone supplies treated water to a section of the Mangaung Metropolitan Municipality in the Free State Province, South Africa. The water supply area includes the town of Thaba Nchu Town, 36 rural villages on the northern and southern part. Thaba Nchu receives raw water primarily from the Kgabanyane River where water is stored in Groothoek Dam with a capacity of 11 million cubic meters and treated at the Groothoek water treatment works with a capacity of 18Ml/d.

Groothoek Dam has completely dried up and abstraction by any means is no longer possible. Raw water pump was stopped on 2 June 2015 after it started drawing-in mud and pushing that through delivery pipe. As a result a decision was taken to stop any further attempts to continue with operations in that regard.

OPERATIONS AND MAINTENANCE

Bloem Water begun as from the October 2013 to reduced abstraction form Groothoek Dam from treating and distributing 12 Ml/d to an average 4Ml/d. Furthermore, However Motlatla reservoir is able to release pressure in the Blydskap reservoir by supplying bi-directional through the gravity line supplying the Southern site of Thaba Nchu town. This water supply relief will not have any positive impact in the four Southern villages identified for borehole explorations and equipping in Woodbridge area. Furthermore, water can be supplied to the Northern villages via Motlatla reservoir and direct from our OK pump station. Exploration of boreholes was initiated in the Southern site of Thaba Nchu. Following the exploration, four boreholes were recommended and drilling has been completed and equipment and power supply are underway.

The areas affected by the Dam been dry are listed below and interim measures include supply of JOJO tanks which are filled daily using the Bloem Water tankers. The water supply point is located in Thaba Nchu industrial area and belongs to Mangaung Metro Municipality.

1. Nature reserve
2. Groothoek houses
3. Groothoek plant (for security)
4. Black Mountain Hotel
5. Kommisdrift
6. Gladstone
7. Woodbridge 1
8. Woodbridge 2

The personnel from Groothoek have been re-assigned to the Rustfontein Water Treatment Plant. Security personnel will remain at Groothoek to ensure safety and security. The Rustfontein Civil and Terrain Section have included Groothoek Plant in their weekly program as the team will be bigger to ensure that terrain remain in good condition and Bloem water assets are being maintained.

A Memorandum of Understanding (MoU) has been entered into between Bloem Water and University of Free State Ground Water Institute for the detailed assessment and exploration of ground water potential within the affected areas.

OPERATIONAL OPTIMISATION

Bloem Water is responsible for the bulk water supply to the Kopanong Local Municipality town of Philippolis situated in the Free State and Umsobomvu Local Municipality is responsible for bulk water supply to the town of Colesberg situated in the Northern Cape Province. The two towns share the complete abstraction infrastructure such as pump line, pump station and water storage located at the Orange River, near the Tolhuis pump station. This infrastructure is owned by the Municipality, and Bloem Water pays rental/usage cost to the Municipality. Recently, the Umsobomvu Local Municipality constructed a new abstraction, since the beginning of January 2014; the Municipality is no longer using the old raft infrastructure, and has offered to sell the old infrastructure to Bloem Water.

Bloem Water has since acquired this old infrastructure and is currently modifying it to suite its operational requirements. Acquisition of this infrastructure will improve the operations within the Philippolis supply area.

OPERATIONS AND MAINTENANCE

SYSTEM AUTOMATION

One of the strategic and business planning frameworks of Bloem Water is to implement an automation system to ensure early warning. The systems that enabling automation of the plants are:

- Field Instruments
- Programmable Logic Controllers (PLC)
- Telemetry Systems
- Supervisory Controller And Data Acquisitions (SCADA)

The field instruments that are deployed in Bloem Water systems are Limit Switches, Pressure Transducers, Pressure Sensors, Temperature Sensor, Flow Meters, Level Sensors, Solenoid, Pressure Gauges, Relays, Drives, VSD's & Proximity Switches. The PLC which is deployed in Bloem Water to control the field instruments are Schneider Electric which is Modicum PLC, M340 PLC and Quantum's PLC. For communication systems, telemetry from Spectrum, Teleflex and Tele Range have been deployed. For monitoring the pump stations and reservoirs levels, SCADA from Adroit have been deployed. The SCADA draws the information from the field instruments via the PLC and send the signal via telemetry. The GIS user interface is running on the Bloem Water implementation of AppWizard and allows for the filtering of specific regions, trajectories, and plants. An example of the GIS map user interface can be seen in Figure 10 below.

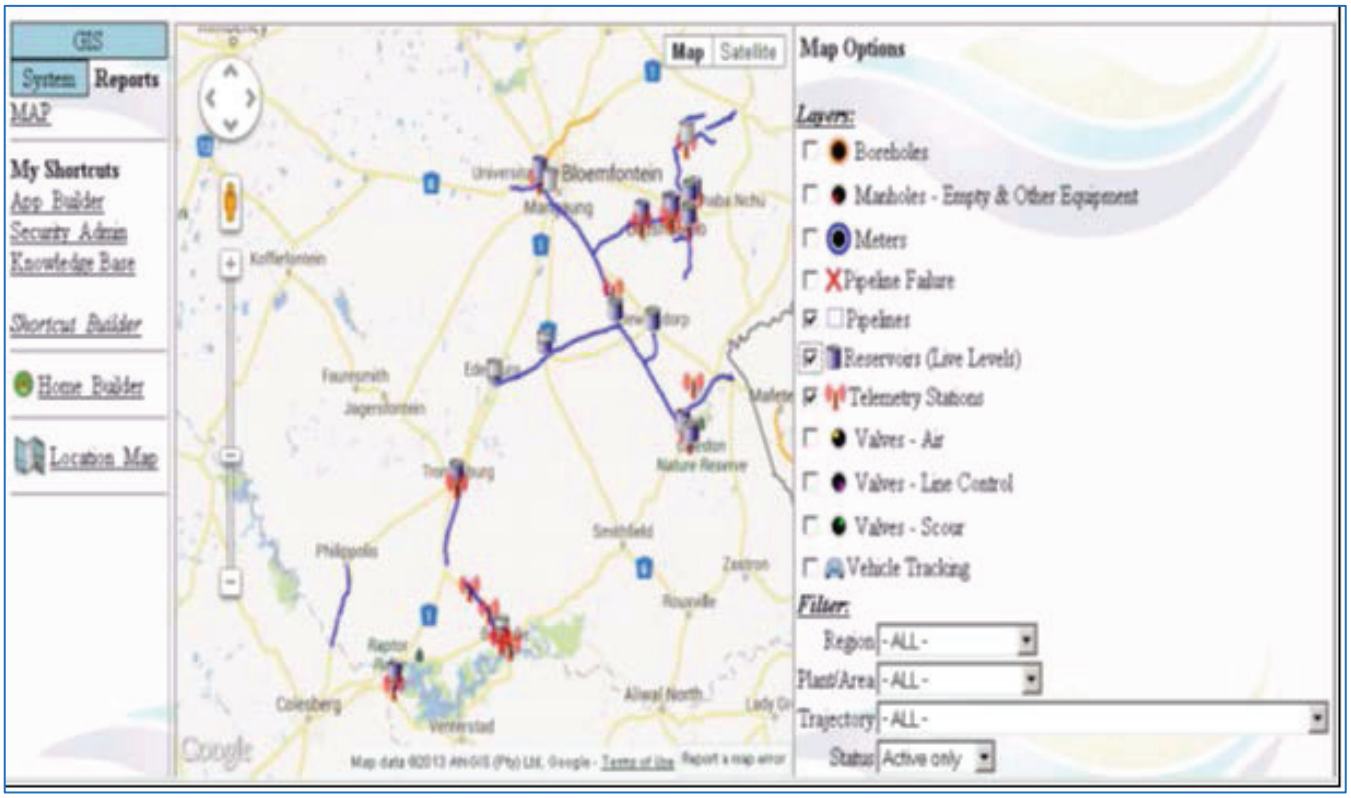


Figure 10: GIS Map Example

ENGINEERING AND PROJECTS

INTRODUCTION

Bloem Water has embarked on the intensive Capital infrastructure replacement and refurbishment Program since its establishment to ensure the critical security of bulk water provision by planning, maintaining, developing, operating and replacing the infrastructure to meet the current and the future water demand to its clients. This key activities are aligned with the organization strategic objectives, Strategic Objective 1 (SO1) and Strategic objective 2 (SO2).The Project Management Office was established in 2010 under the Engineering and Projects department for the primary function of the planning, implementing of the Capital infrastructure projects to address the challenges and the risks associated with infrastructure for the effective and efficient Water Supply Operations as well as the secondary function playing the role of the implementing agent for the Department of Water and Sanitation(DWS) in the implementation of the projects for the various programmes in municipalities in the Free State

The 2010-2015 Capex Program for the past five (5) years had been in implementation from the beginning of the 2010 financial year and had come to the end in June 2015. The Program had one hundred and ninety projects in total (190) comprising of the Capital water infrastructure extension and the refurbishment projects. The total budget for the Capex Program was initially R563 million which included the Capex loan funding of R269 million for the 5 year rolling Program. The cumulative budget was R633 million which included the internal budget adjustment and the R100 million grant funding from Department of Water and Sanitation. The next 5 year Capex 2016-2020 Program which entails the extension and refurbishment projects has been compiled and to be implemented.

The Capex Projects that were implemented in the four (4) Bloem Water regions namely: Modder River Region, Caledon River Region, Orange River Region and Bloemfontein Office respectively. Figure 11 shows the initial Capex Program total budget, the actual expenditures, current available budget for the projects that are running.

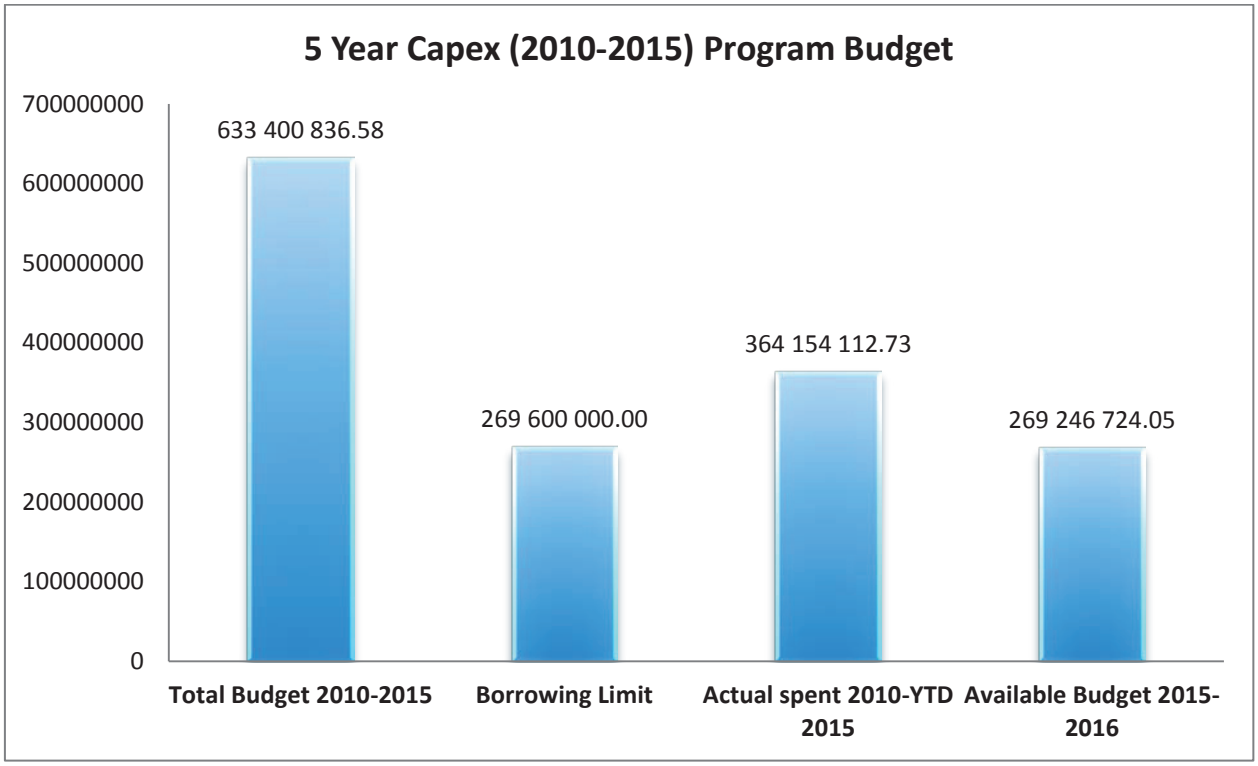


Figure 11: Five Year Capex Program 2010 - 2015

PERFORMANCE WITH CAPEX PLAN

The current Capex Program 2010-2015 consists of both the infrastructure extension and refurbishment projects with a total of 190 Projects. The list of the 190 projects comprised of the Operations and Maintenance projects referred to as capital projects and the Capital infrastructure projects combined under one list due to the historic backlog of the 2010 Capex Implementation. The exercise was conducted to verify which projects are categorized as Capital Projects and which projects are not capital projects and fall under the operations and maintenance of the infrastructure. The one hundred and forty (140) projects are categorized as Operations and Maintenance from the list of 190 projects and the remainder fifty (50) projects are thereof referred to as capital projects dealing with infrastructure. The one hundred and thirty three (133) projects thus (70%) were completed since the 2010 to June 2015. The current active projects that are running from the Capex Program are fifty seven (57) in total and (30%) still to be completed.

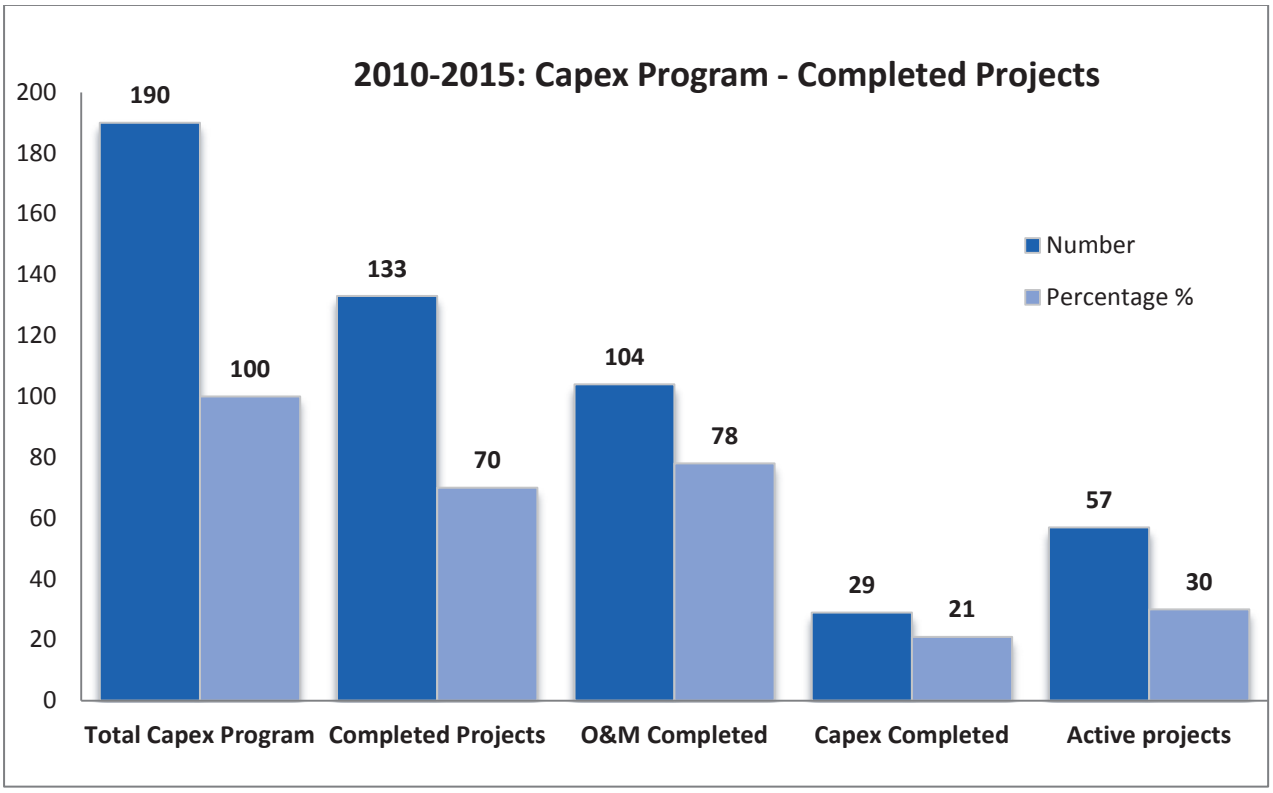


Figure 12: The projects completed from the 2010-2015 program and the current active projects

ENGINEERING AND PROJECTS

The total budget for the completed (133) projects was R233 million and with the projects under retention available budget of R10.8million as reflected in Figure 13.

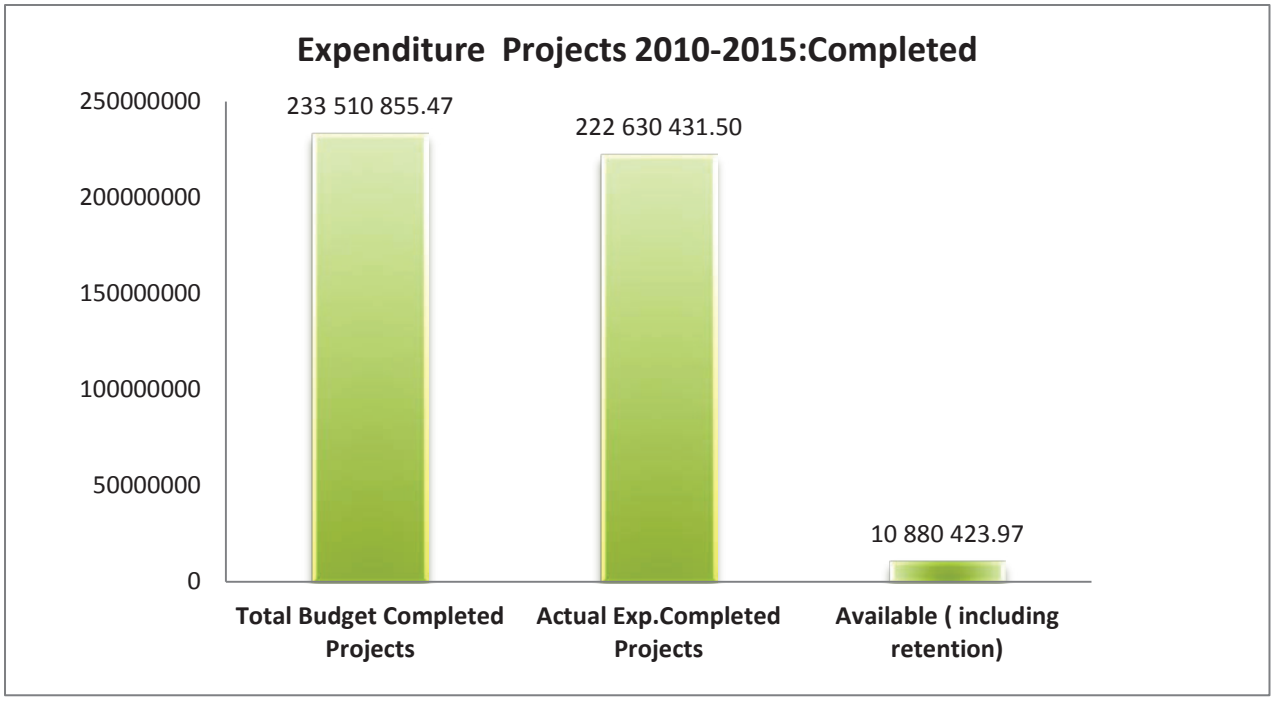


Figure 13: Expenditure Completed Capex Program: 2010-2015

The current active projects are fifty seven (57) in number divided according to Operations and Maintenance(Refurbishments) and Capital Expansion projects respectively thus thirty six (36) and twenty one (21).The available budget of R269 million will be utilised to implement the remaining 57 projects that are currently under implementation.

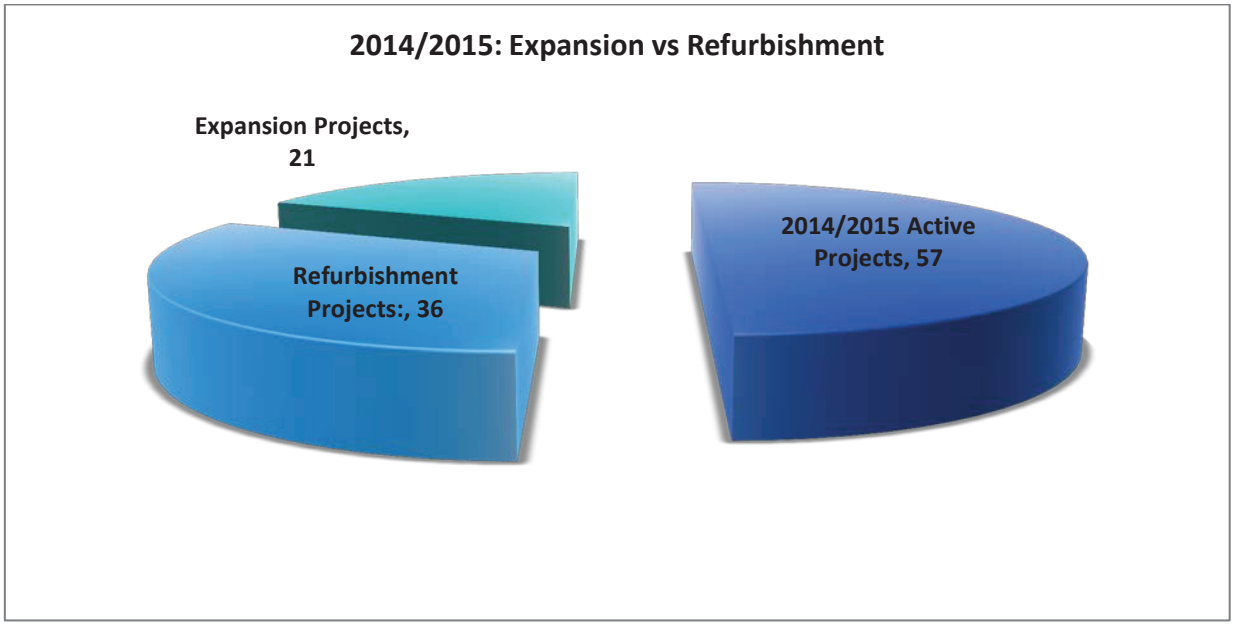


Figure 14: Current Capex Projects 2014/2015

ENGINEERING AND PROJECTS

COMPLETED PROJECTS

The following table gives a summary of extension projects completed throughout Bloem Water. Details of the project are given in Regional project information that follows.

Expansion Projects

There were total 21 infrastructure expansion projects for the year under review with 6 projects that have been completed and the 15 projects still under implementation. Thus 28% of the expansion projects has been completed. There is R240 million available for the current active 15 expansion projects that are in implementation.

Region	Project	Budget (R million)	Actual Expenditure (R million)	Status
Modder River Region	Replace Tanks at Rural Villages Phase 2	R 1,7	R 1,6	Completed
	Replace Tanks at Rural Villages Phase 3	R 2,3	R 2,3	Completed Under Retention
	Raw Water Pumps	R 5	R 3	Completed
	Replacement of Morago Pipeline	R8,8	R 7	Completed
Caledon River Region	Extension of NOVO Pumping Capacity	R 38,8	R 34,7	Completed
Orange River Region	Hydro Power Generation	R2,0	R 1,9	Completed after year end

Refurbishment Projects

There were 36 refurbishment projects active with the 11 practically completed and 25 under implementation thus 30.5% completed with a budget of R29 million available.

The variance was mainly due to the multiyear projects that could not be planned and implemented within the one financial year and the projects that in the planning phase. The Environmental authorization for the application of the Environmental Impact studies, water use licenses and the delays in the completion of the designs and the approvals thereof.

The refurbishment projects are mainly executed during the low water demand season which is in the winter months from May – July 2015 and that also have the bulk on the projects that are running and the completion will be in the new financial year after the 30 June 2015.

ENGINEERING AND PROJECTS

KEY INFRASTRUCTURE EXPANSION PROJECTS PLANNED AND UNDER IMPLEMENTATION: 2015 -2020

No.	Project Name	Project Description	Estimate (R Million)	Status
1.	Pipeline from Rustfontein WTW to Lesaka Reservoir	15 km 700 mm diameter ductile iron	R 90	Construction underway
2.	Pipeline from Lesaka Reservoir to OK/Motlatla Reservoirs	10 km pipeline	R 60	Feasibility underway
3.	Gariep to Knellpoort pipeline	180 km 600 mm diameter pipeline	R 1 800	Feasibility underway
4.	Welbedacht WTW to Knellpoort dam	Pipe line between Knellpoort Dam and Welbedacht WTW	R 250	Detailed design underway
5.	Additional solar Boreholes in Thana Nchu	Underground water exploration in Thaba Nchu	R 10	Exploration under way
6.	Extend Treatment capacity at Rustfontein 100 to150Ml/d	Increase WTW capacity from 100 Ml/day to 150 Ml/day	R255	Detail design underway
7.	Parallel Pipeline,35km 1000mm to PCP (Welbedacht to Bloemfontein pipeline)	35 km GRP 1000 mm diameter pipeline from Brandkop to Leeukop junction	R330	Procurement of contractor underway
8.	Booster pump station on the Excelsior pipeline	Houtneck booster pump station	R 15	Detail design underway
9.	Morago pipeline,10km,250mm	10 km 250 mm diameter pipeline at Thaba Nchu	R 8 Mil	Construction is at 100 % complete.
10.	Steel tank at Motlatla Reservoirs,4M/d	Construction of Additional 4 Ml/d reservoir	R 6 Mil	Construction is at 100 % complete.
11.	Extend Brandkop reservoir capacity	Construction of additional 50Ml/d to existing 136Ml/d	R80	Project to be approved
12.	Construction of additional pipeline to Dewetsdorp	13km pipeline parallel pipeline	R20.3 Mil	Design completed EIA and WULA process

ENGINEERING AND PROJECTS

KEY PROJECTS THAT REQUIRED FUNDING

Description	Required Funding	Beneficiaries
Modder River: Construction of 10 km, 600mm parallel Tabali-Ok Pipeline	R60 million	Increase water supply to Thaba Nchu, rural and urban areas within the Mangaung Metro & Mantsopa LM.
Pipeline from Gariep to Knellpoort Dam (180km long, 600mm diameter.	*R1.8-R5 billion (estimated)	Augmentation of raw water to supply areas in Naledi LM,(Dewetsdorp & Wepener Towns) Kopanong LM (Bethulie , Gariep ,Trompsburg and Mangaung Metro (Bloemfontein, Thaba Nchu & Botshabelo)
Design and Construct GRP bypass line parallel to existing Caledon/BFN PCP line for the 35km, 1000mm diameter from Lieuwkop off take to Bloemfontein.	R270 million	Increase water supply to Mangaung Metro(Bloemfontein) as mitigation against the aged Pre - stressed Concrete pipeline (PCP) which is susceptible to pipe failures
Design and tender documentation for a bi-directional pipeline between Knellpoort and Welbedacht Dam	R250 million	To ensure adequate supply of raw water to Welbedacht WTW for optimum operation of the works in relation to siltation problem in Welbedacht Dam. For the supply to Mangaung Metro(Bloemfontein) , Naledi LM(Wepener & Dewetsdorp) , Kopanong LM(Reddersburg & Edenburg)
Extend Treatment Capacity of Rustfontein Water Treatment Plant from 100 Megalitre (Ml/d) with additional 50Ml/day	R255million	Increase the water supply to Mangaung Metro(Botshabelo, Thaba Nchu, Bloemfontein) and Mantsopa Lm(Excelsior Town)
TOTAL	***R835 million**	

The listed projects are key infrastructure expansions that have been identified in the Greater Bloemfontein Reconciliation Steering Committee. The projects are part of the medium term (projects that could be implemented within 5 years), short term (projects that could be implemented within 2 years) and long term intervention (projects that could be implemented within 10 years) to ensure that the water supply from the yield and up to the point of sale is secured for the current and the future water demand scenarios.

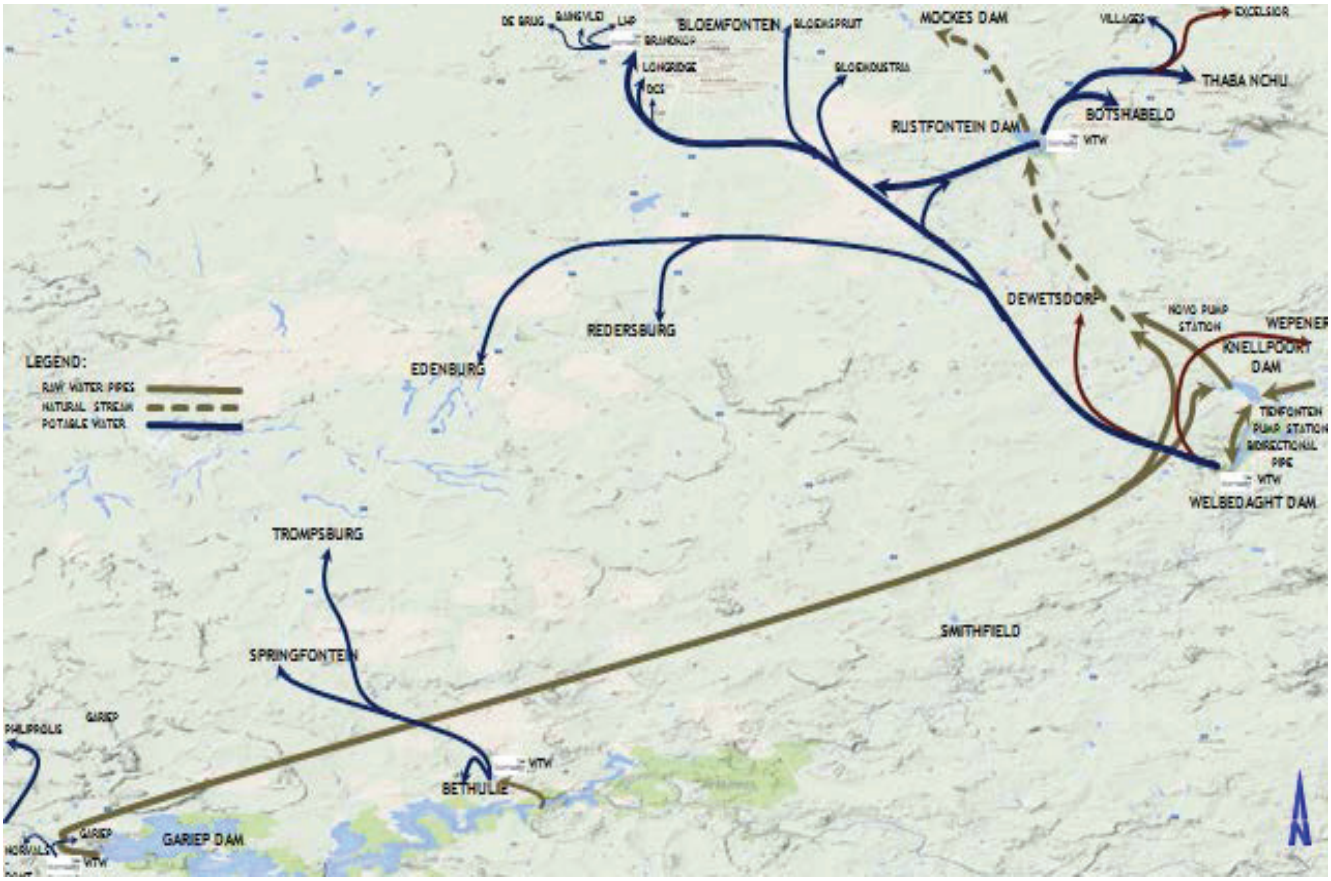


Figure 15: Figure 14: The Gariep- Knellpoort Pipeline

The projects are very key for the future operations of Bloem Water as the look at the entire value chain from the Raw Water supply to the end user. The Raw water augmentation scheme as proposed in Figure 14 Gariep Dam to Knelpoort Dam is one key project that cannot be delayed any futher. The Raw water supply for the entire operations relies only on one source which is Caledon River and the challenges with this source is that is a seasonal flowing river with significant flows only in the rainfall season of October to April when it's expected to rain and the high silt content of the river that continue to fill Welbedacht Dam.

MODDER RIVER PROJECTS

Modder River Extension Projects

1. Replacement of Morago Pipeline

Morago pipeline supplying water into the Northern Villages of Thaba Nchu Town had a problematic 10 km long asbestos cement pipeline section that was susceptible to continuous pipe failure resulting in water supply interruption to the Northern Villages and Excelsior Town and as a result high operations and maintenance costs and loss of revenue and increased water losses. The main pipe material was constructed of Asbestos Cement pipes and it kept on breaking, due to the soil profile conditions that it became necessary to replace the brittle pipeline with a more durable and flexible material, like the PVC pipeline. The project has been completed and a lot of leakages have been averted and the security of water has been enhanced.

2. Replace Tanks at Rural Villages Phase 2 and Phase 3

The existing tanks throughout Thaba 'Nchu Southern and Northern Villages that are supplied by both boreholes and the bulk water had the installation of the plastic tanks made (Jojo tanks) which were not durable and susceptible to frequent burst and water leakages resulting in water supply interruption and high water losses in the villages. It was imperative that the tanks be replaced with stronger material such as Pressed Galvanised tanks. About 20 old plastic made (Jojo tanks) have been replaced with the more durable elevated 10 000 liters capacity steel tanks with the added benefit of reduced operational cost and water losses. Project has since been completed.

3. Raw Water Pumps

In order to increase water supply to Mangaung Metropolitan Municipality, the first step was to increase the raw water pumping capacity to the plant with additional fourth (4th) Raw Water Pump set. The project has since been completed.

4. Construction of Tabali – OK Reservoir Pipeline

The construction of the proposed additional 10 km, 450-600mm parallel pipeline to the existing 450mm asbestos cement pipeline will asset in the augmentation of water to Thaba Nchu Town , rural and urban villages up to Excelsoir Town.The project will increase the treated water supply from Rustfontein Water Treatment into Thaba Nchu for the estimated increase the volume of 17 Ml/d water required in Thaba Nchu as a long term plan and alternative to the supply from Groothoek Dam which has small catchment area susceptible to drought and relies on surface runoff for augmentation. As Groothoek Dam has failed due to drought this year this project will in future be a solution amongst other interventions as proposed like the underground, borehole water supply exploration in Thaba Nchu.

5. Construction of Rustfontein- Lesaka

The Rustfontein to Lesaka 15km, 700mm ductile Iron parallel pipeline to the existing 600mm steel pipeline is under construction and this pipeline is needed to augment supply to Lesaka Reservoir with a capacity of 52Ml/d and thus transfer water to Thaba 'Nchu Town and the Rural and urban areas up to Excelsior Town.The work has commenced and construction progress at 35%.This project is a project is aligned to the Extension of Rustfontein Water Treatment Works from 100 Ml/d with additional 50Ml/day to ensure that as the plant has been extended more water will be treated and thereafter transported to the end user to reduce the risk of the water supply failures in Botshabelo location which is rapidly growing.

6. Borehole Upgrade Modder River

There are currently 36 villages in Thaba Nchu spread across the Northren and the Southern Part which had untapped ground water potential.The ground water Hydrocensus study will be embarked up on for the future underground water exploration and siting of new boreholes for drilling and equipping in Thaba Nchu Northern and Southren Villages to augment the bulk water supply in the villages.The project will extent the yield of the current existing boreholes that are operational and will assist in augmenting water in Thaba'Nchu as the level of Groothoek Dam has failed, and the alternative water supply sources is the underground water in the Thaba Nchu Rural villages.

7. Extend Treatment Capacity of Rustfontein Water Treatment Works

Rustfontein Water Treatment Works that has been commissioned in 1998 has with the design capacity of 100 Megaliters (100Ml/d) has been in operating close to 95% desing capacity and will require the extension to meet the current and future water demand. The location of Rusfontein Water Treatment Works is central to mainly supply the increasing water demand within the Mangaung Metropolitan Municipality for social and economic growth and the respective service delivery interventions like the rolling bucket eradication programme and provision of clean drinking water to communities.

The project that has been identified in the Greater Bloemfontein Reconciliation Strategy Committee as the medium term intervention for the augmentation of water supply in the Greater Mangaung Metropolitan Municipality. It is aligned to the Rustfontein to Lesaka Parallel Ductile Iron pipeline and Tabali to OK Reservoir additional Pipeline.

The Rustfontein Water Treatment Plant needs to be extended by fifty mega liters per day (50Ml/d) to a new capacity of one hundred and fifty megaliters per day (150Ml/d); this will assist in augmenting water supply to Mangaung Metropolitan Municipality areas in Botshabelo, Thaba Nchu and Bloemfontein City to meet the current and the future water demand to Mangaung Metropolitan Municipality and Excelsoir Town in Mantsopa Local Municipality. Project is under final design development stage and the construction is planned to commence within this financial year.

8. Houtnek Booster Pumpstation

The Hydraulic water assessment study from Thaba Nchu area including the villages and Excelsoir Town indicated that there was a water supply challenges in terms of the required 24 hours storage for emergency in Thaba Nchu Villages and the peak water demand requirements. The storage water storage capacity has been addressed with the construction of the additional 2 Ml/d OK Reservoir to increase the OK Reservoir storage capacity to 3.5Ml/d and the additional 4Ml/d Motlatla Reservoir to increase the total storage capacity to 9.6Ml/d. The water supply to the North-Eastern parts of Thaba 'Nchu and Mantsopa Local Municipality (Excelsior Town) needs to be augmented by installing a booster pumpstation at Houtnek Village to ensure that the water demand in terms of the peak for the Northern villages is adequate and to fill-up the Houtneck Reservoir small 0.6 Ml/d capacity for storage capacity. The project will be implemented in this financial year and will be linked to the future extension of the existing Houtneck Reservoir.

9. Covering of Pulsators & Filtration Plant

Rustfontein Dam Catchment has a very clear water in terms of the turbidity which is susceptible to the growth of algae, thus the enrichment of water bodies with the plant nutrients that results in the proliferation of the free floating a blue green algae as classified by the study. One of the options to remedy the situation was the project of installation of chlorine dioxide on -site generating plant which has been completed as part of the intervention. The enclosing, thus the installation of the roof structures above the existing Pulsators (secondary sedimentation tanks) and Filters (rapid sand filter Plant) at Rustfontein Water Treatment Works is important for optimizing purification of the works in reducing the growth of algae undesirable impurities in water and enhancing water quality produced to have water that fully comply to SANS 241 .Implementation of the project is underway.

CALEDON RIVER PROJECTS

Caledon River Major Expansion Projects

1. Design and Construction of Parallel GRP Pipeline Leeuwkop- Bloemfontein Caledon Pipeline

The main Caledon to Bloemfontein 1200mm diameter 98km long pipeline, Pre-stressed Concrete pipeline (PCP) has been in operation for more than 45 years and reached its design life span. The pipeline is divided into trajectories from Welbedacht Water Treatment Works up to the main Brandkop Reservoir in Bloemfontein. The last part of the pipeline the Leeuwkop to Bloemfontein Trajector, 35 km long has been the critical part of the operations and most of the pipeline failures have been in this section due to high hydraulic and operating pressures in this section. The pipe failure results in reduced water supply to the Bloemfontein and the parallel GRP pipeline has a 700mm diameter and cannot deliver the required water to Bloemfontein while the main PCP pipeline is under repairs which lasts up to 36 hours. The impact on the failure normally results in the water supply shortages in the City and loss of revenue and reputational damage.

As part of the risk mitigation plan for the aged PCP pipeline failures and the security of supply the projects for the e Design and construct of 1000mm diameter Glass Fiber Reinforced Plastic Pipeline (GRP) bypass line parallel to existing Caledon/BFN PCP, 1200mm Pre-stressed Concrete pipeline (PCP) for 35 km length from Lieuwkop take off junction up to main Brandkop reservoir in Bloemfontein. The project has been identified under the Greater Reconciliation Strategy Steering Committee as the medium to long-term solution to the aged PCP pipeline and the hot spot areas susceptible to pipe failures. The project will ensure water supply augmentation to Mangaung Metropolitan Municipality, greater Bloemfontein City. The construction phase has been deferred due to budgetary constraints and it's imperative to implement this project.

2. Bi-directional Pipeline between Welbedacht and Knellpoort

Welbedacht dam catchment received water from Caledon River .The Caledon River is one of the rivers that have high silt content in the country. The silt that the River carries ends up deposited in the Welbedacht Dam.

The projects entails the construction of the Raw pipeline as the mitigating factor for the highly silted and reduced storage capacity of Welbedacht Dam (95% storage capacity reduction) thus enabling the scouring (hydraulic sluicing) of a flow of 200 cubic meters per second (cumec) and that could lead to the operations being suspended as the purification process will be stopped during the scouring. Project was also identified as the long term intervention in the Greater Bloemfontein Reconciliation Strategy Steering Committee.

The proposed bi-directional pipeline between Welbedacht Dam and Knellpoort Dam requires two pump stations to convey water either between Knellpoort Dam to Welbedacht Dam or from Welbedacht Dam to Knellpoort Dam. The estimated power usage of each pump station amounts to approximately 2MWatt per pump station.

It is envisioned that the pump stations will operate for about 3 months of the year each with the Welbedacht Dam pump station operating in the wet season and the Knellpoort pump station operating in the dry season. Due to restrictions on the amount of power available from Eskom, alternative energy generation options were considered to provide power to the new pump station or augment the supply to the other installations to free up capacity.

Hydropower options were investigated and this hydropower plant would form an integral part of the bi-directional pipeline project as savings in energy obtained from this plant could be directly applied to the pump station at Knellpoort and would also provide energy savings in times where the pump stations are not operational. The project is under the design and planning phase.

3. Additional Pipeline to Dewetsdorp Reservoir

The additional pipeline will be installed in the servitude of the existing 200mm diameter asbestos cement pipeline. Dewetsdorp has water demand of approximately 2.4 Ml/day and the existing scheme is not adequately supplying water to this area. The flow of water in this pipeline will be in such a way that the Naledi Municipality reservoir supply to have storage capacity for the peak water demand. The implementation of the project is underway.

4. Construction of booster pump station on the Wepener bulk water supply line

Due to the water supply challenges in Naledi Local Municipality Wepener Town, this project would augment the current water challenges in the area by increasing the water supply by means of constructing a booster Pumpstation that will pump water and increase the volume of water supplied to Wepener Town to meet the peak water demand and high lying areas but equal distribution of pressure. The implementation of the projects is underway.

5. Extend Novo pumping Capacity

Raw water is abstracted by means of the Tienfontein pump station located in the banks of the Caledon River. The pump station pumps raw water into Knellpoort Dam for storage during the rainfall season. At the opposite end of the Knellpoort Dam Wall there is a raw water Pump station that abstracts water from Knellport Dam and pump into the Upper Modder River Water shed thereafter the water gravitates for approximately 25 km to reach Rusfontein Dam catchment. The Raw water pumping scheme from Knellport Dam into Rustfontein Dam is made possible by the Novo Pump station which initially consisted of two (2) pumps with a total delivery capacity of 1.5 cubic meters per second (129 Ml/d). The pumping capacity from Knellpoort had to be increased to ensure that more water could be pumped from Novo into Rustfontein Dam.

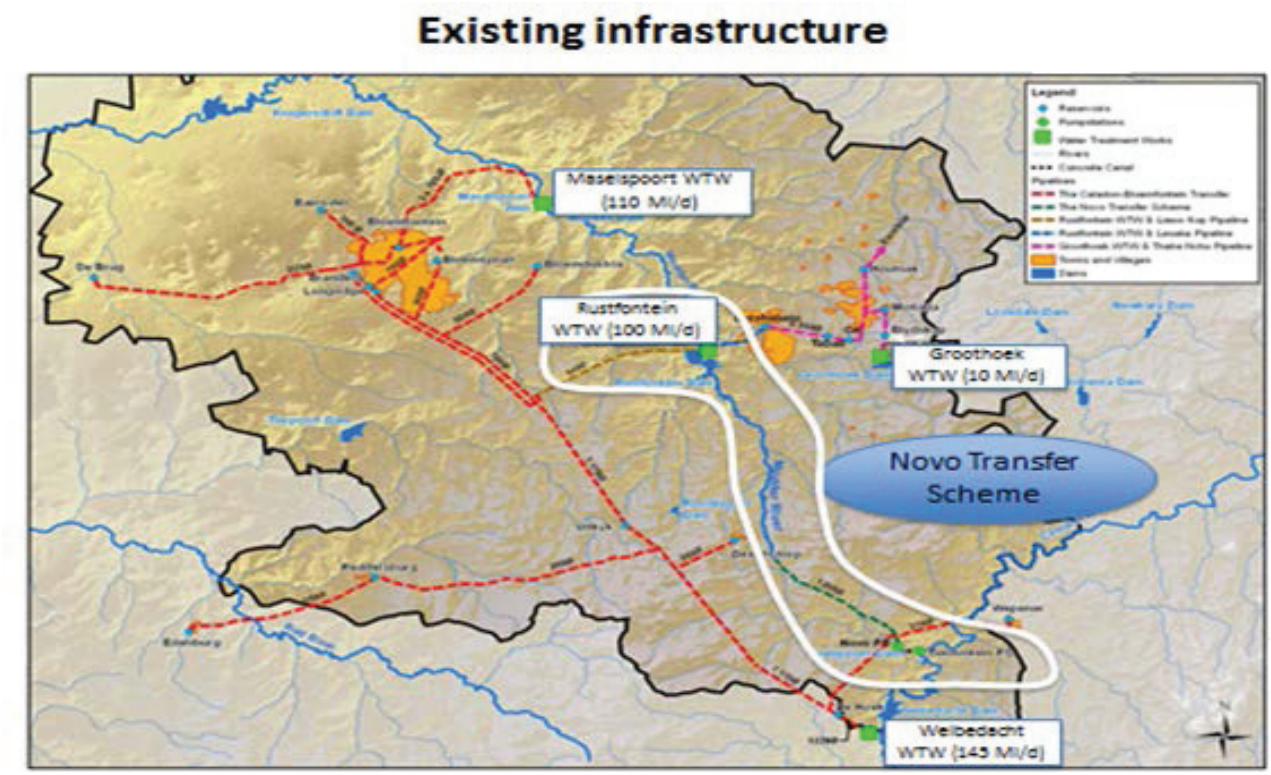


Figure 16: Raw Water Transfer Scheme (DWS 2011)

The extension of Novo Raw water Pump No .3 with additional pumping capacity increase from 1.50 cubic meters per second (1.5m3/s) to additional 2.3 cubic meters per second (2.3m3/s) that will augment raw water transfer from Knellpoort Dam into Rustfontein Dam. The Raw Novo Raw water transfer scheme as indicated in the Figure 15 is critical for the Rustfontein Water Treatment Works and for the supply of raw water to Mangaung Metropolitan Maselspoort Dam and Mockes Dam for use of Maselspoort Water Treatment works which supplies the Northern part of Bloemfontein City. The project has since been completed and optimal raw water has been continuously transferred between Rustfontein and Maselspoort Dam.

ENGINEERING AND PROJECTS

ORANGE RIVER PROJECTS

Orange River Region: Extension Projects

The Gariep Dam – Knellport Pipeline 180 km, 600mm diameter proposed pipeline which was initially planned for long term intervention thus 2035 under Greater Bloemfontein Reconciliation Strategy Committee had to be brought forward to be implemented sooner due to the impact of drought and siltation in the Caledon River Catchment. The pipeline will serve as the augmentation scheme for the current existing Caledon River Region, Novo Transfer Scheme and Rustfontein – Maselspoort Dam Raw water transfer. The proposed project could take up to estimated 7 years to complete. The pre-feasibility and feasibility study has been undertaken by Bloem Water through the coordination and the guidance of the Department of Water and Sanitation. The four main options that have been investigated are:

- Construction of pipeline from Gariep Dam to Bloemfontein;
- Construction of Pipeline from Gariep Dam to upper Modder river catchment;
- Construction of the pipeline from Gariep Dam to the downstream of Novo water shed; and
- Construction of pipeline from Gariep to Knellpoort Dam.

The latter Gariep to Knellpoort pipeline is the preferred option. The project will benefit the various Water service Authorities and others users including the Mangaung Metropolitan Municipality (Botshabelo, Bloemfontein, Thaba Nchu) and Raw water supply to Rusfontein Dam, Knellpoort Dam, Maselspoort and Mockes Dam and Kopanong Local Municipality Town (Bethulie, Gariep, Trompsburg, Springfontein, Reddersburg and Edenburg Towns) and Naledi Local Municipality (Dewetsdorp, Wepener).

CAPEX CHALLENGES

The Capex Projects Implementation of Expansion projects has been affected by budget constraints as major infrastructure projects required funding which could not be secured timeously and had the projects deferred to secured funding.

The recruitment and retaining of critical skills in the Engineering and Projects has been an ongoing challenge with reliance on the external service providers to fill the required engineering consulting functions.

BLOEMFONTEIN OFFICE EXTENSION PROJECTS

The construction of the Central Laboratory facility that will be accredited Laboratory has been planned to cater for the in-house analysis and the external water analytical services. The facility will be provide service to respective clients covering a wide scope water analysis for operational, compliance and required monitoring. The Laboratory Facility will be a South African National Accreditation System (SANAS) ISO/ IEC 17025 accredited laboratory under the proposed Scientific Service Department.

The construction of the Laboratory will be start in this financial year and thereafter followed by the recruitment and the required laboratory staff that will begin the process of accreditation that has been planned to be in place in 2018.

ENGINEERING AND PROJECTS

CAPEX PROGRAM 2016-2020

The Capex Program for the next five (5) Year has been compiled which entails the expansion and the refurbishment projects in the respective regions. The Capex Program budget is a follows:

Financial Year	Refurbishment (R'milllion)	Expansion (R'milllion)	Total (R'milllion)
2015/2016	R 29	R 240	R 269
2016/2017	R 26,3	R 212,5	R 238,8
2017/2018	R 21,6	R 213	R 234,6
2018/2019	R 18, 5	R 125	R 143,5
2019/2020	R 18	R 141	R 159

The current Capex Programme will require funding to the tune of R775,9 million which has not been secured. The Key Expansion Projects budget has been included in the planned 2016- 2020 Capex Program. The challenge is for securing the required funding in terms of the National treasury borrowing ratios and limits, this could result in the planned program to be reviewed and prioritised on regular basis to implement projects that are critical for expansion and security of water supply.

DEPARTMENT OF WATER AND SANITATION PROJECTS

Bloem Water as the Water Service Provide has been appointed by the Department of Water and Sanitation as the implementing agent for the 2014/2015 and 2015/2016 Financial Year to implement for the following projects:

- Municipal Water Infrastructure Grant (MWIG)
- Accelerated Community Infrastructure Projects (ACIP)
- Rain Water Harvesting (RWH)
- National Transfer Programme (NTP)
- National Water Resource Infrastructure (NWRI)

The Projects are aimed at addressing the drinking water challenges in the following local municipalities,

- Naledi Local Municipality: Wepener and Dewetsdorp (MWIG)
- Kopanong Local Municipality: Bethany, Springfontein, Trompsburg (MWIG)
- Masilonyana Local Municipality: Brandfort , Theunissen, Winburg(MWIG & ACIP)
- Mohokare Local Municipality: Zastron and Smithfield (MWIG)
- Mangaung Metropolitan Municipality: Thaba Nchu, Botshabelo (NWRI & NTP)

Orange River/Kopanong Local Municipality

Bloem Water's mandate as the implementing Agent under the Municipal Water Infrastructure Grant (MWIG) is to address Areas/Communities that do not have Water supply.

During the Financial Year 2014/15 a total of 4 projects were completed satisfactorily and now they are in the Defects Liability Period. The mention projects are as follow:

1. Dewetsdorp Borehole Pipeline.
2. Connection to Bloem Water Pipeline.
3. Wepener Water Leakage Control.
4. Zastron Project – The Replacement of Vechtkop Street Pipeline

ENGINEERING AND PROJECTS

Orange River/Kopanong Local Municipality

Project Name	Budget Allocation (2014/15 FY)	Total Expenditure	Status
Upgrading of Philippolis Rising Main and Pumpstation Trompsburg	R 4 757 000.00	R 1 582 268.28	In Progress
Water Supply Springfontein	R 3 742 000.00	R 1 354 017.53	In Progress
Bulk Water Supply Trompsburg	R 9 506 000.00	R 777 318.60	In Progress
Water Supply Bethany	R 2 500 000.00	R 620 776.43	In Progress
WCWDM Zastron	R 4 115 000.00	R 2 995 497.73	Completed
WCWDM Smithfield	R 3 615 000.00	R 2 539 556.92	Completed
TOTAL	**R 28 235 000.00**	**R 9 869 435.49**	

Naledi Local Municipality

Project Name	Budget Allocation (2014/15FY)	Total Expenditure	Status
Wepener Water Treatment Works and Associated Infrastructure	R 5 700 000.00	R 2 372 231.77	In Progress

	Project - Rain Water Harvesting	Budget	Actual Expenditure	Status
Region and Municipalities in the Free State	1. Dihlabeng, 2.Kopanong, 3.Lejweleputswa, 4 Letsemeng, 5. Mangaung, 6 Maluti a Phofung 7. Mantsopa, 8. Matjhabeng, 9. Masilonyana, 10. Mohokare, 11.Moqhaka, 12. Nala, 13. Naledi, 14. Ngwathe, 15. Phumelela, 16. Setsoto 17. Tokologo			
		R4.2 Million	R3 747 303.11	Complete

CHALLENGES

The Construction progress for the projects currently in implementation phase has been met with different challenges, which are aimed to a failure the completion date of the mention projects.

- Projects were delayed due to certain areas having hard rock.
- Problem with Health and Safety compliance and the environmental authorizations.
- Allocation of funding in terms of MTEF resulting in inability to accelerate programme.
- Under performance by some contractors and consultants.
- The contractors are faced with the burden of not knowing where existing services are situated due to being unknown by the Local Municipality.

LEADERSHIP AND HUMAN RESOURCES

Bloem Water understands that to meet its goal of being truly service centered in everything that it does, it must be resourced with talented, energised and passionate people. For Bloem Water to become a more people-centered organisation there is an increased focus on fostering healthy and mutually beneficial relationships with employees.

During the year under review, the annual employee opinion survey was replaced by an extensive engagement programme between the Board and employees to enable a deeper understanding of perceptions, employee opinions and challenges. The Board gained valuable insight into employees' engagement levels and perceptions about their work environment. These insights are used to guide and prioritise employee engagement and human resources initiatives.

Following the Board engagement programme, a number of staff briefings were held to enhance staff understanding of policies, processes and in response to challenges identified during these sessions.

Organizational design to meet business needs

The organisational structure was reviewed to meet changed business needs. To this end provision is made to improve security services, communication services, and legal support and in terms of the core business the current laboratory services will be extended to a fully-fledged and functional centralized laboratory.

The Board further resolved that a work study exercise be undertaken to ensure that respective units are suitably resourced. Pending the outcome of such a study, only key vacancies will be recruited.

Closing skills gaps and reducing overcapacity are also necessary to mitigate risks. Rightsizing requires accurately capturing and specifying job requirements, training and retraining, internal reassignment and external hiring. All these measures are being gradually put in place.

RECRUITMENT, SUCCESSION PLANNING AND RETENTION

Recruitment in 2014/15 was a blend of external appointments and internal promotions to ensure a well-balanced workface. A total of 48 positions were filled during the year. 36 Appointments were core positions and 12 were in supporting services.

The institution's succession planning philosophy is to create a pool of talented, suitably qualified employees with organisational fit for more effective succession plan. This is work in progress and a Succession Planning policy is under construction in line with principles articulated by the Board.

A Staff Retention Policy exists to ensure that the institution always has suitably trained employees occupying respective positions and to further prevent the loss of competent staff, which could have an adverse effect on service delivery. Bloem Water continues to conduct exit interviews to determine reasons for staff turnover. Staff turnover for the year measured at 4.78% well below the business plan target of 6%.

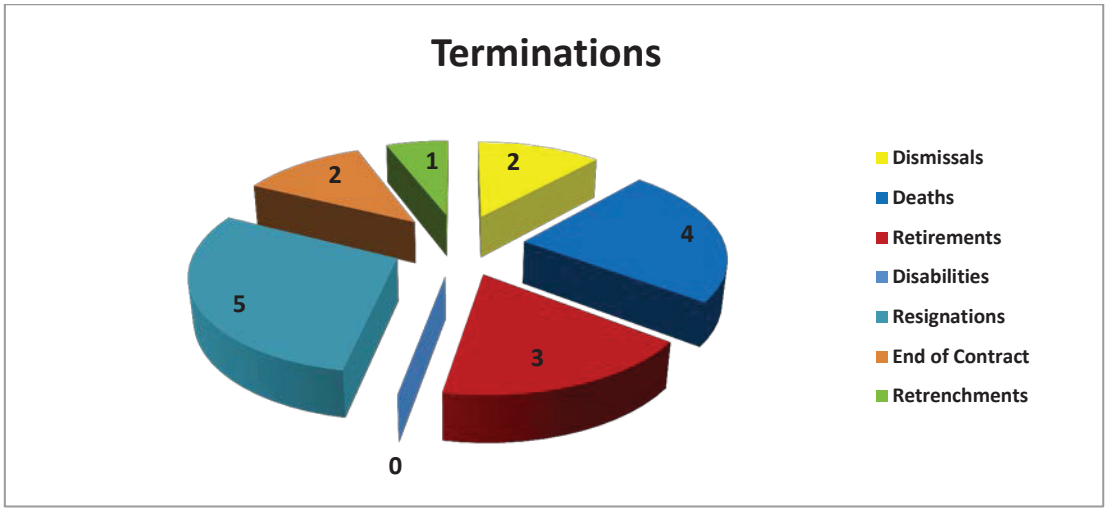
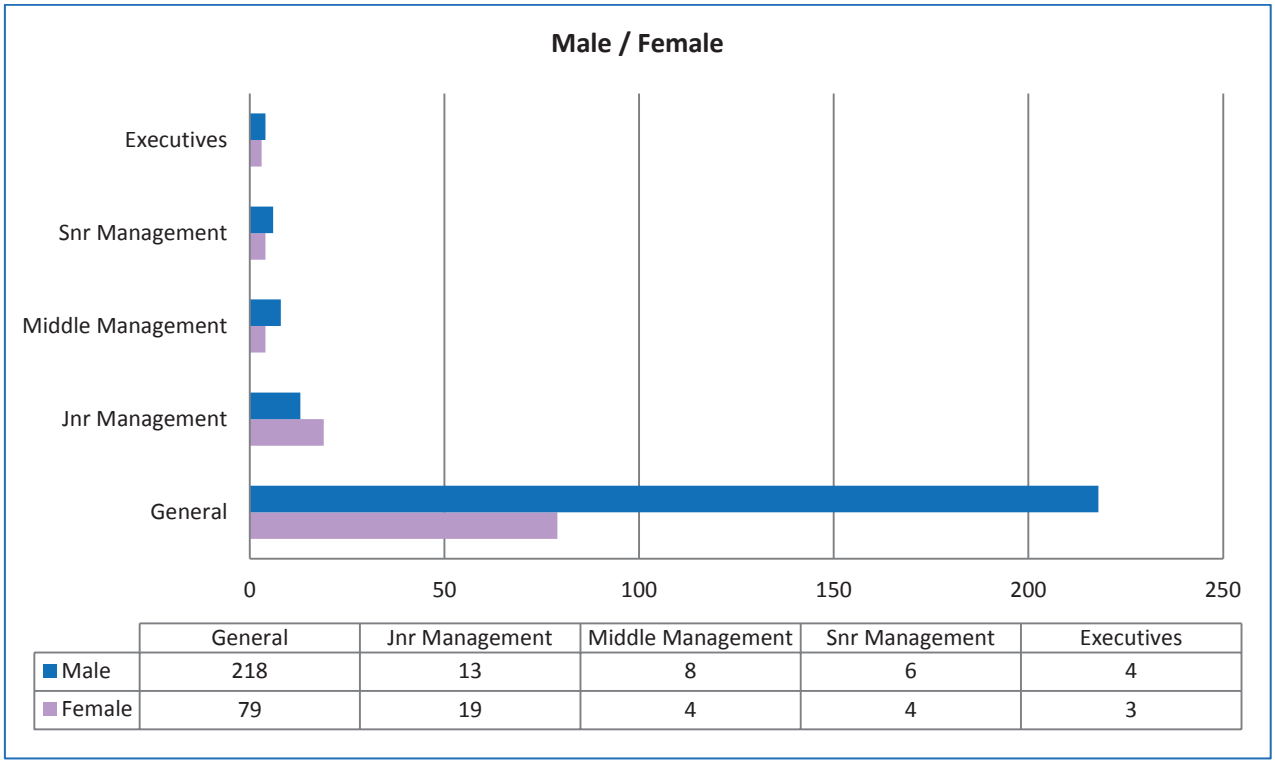


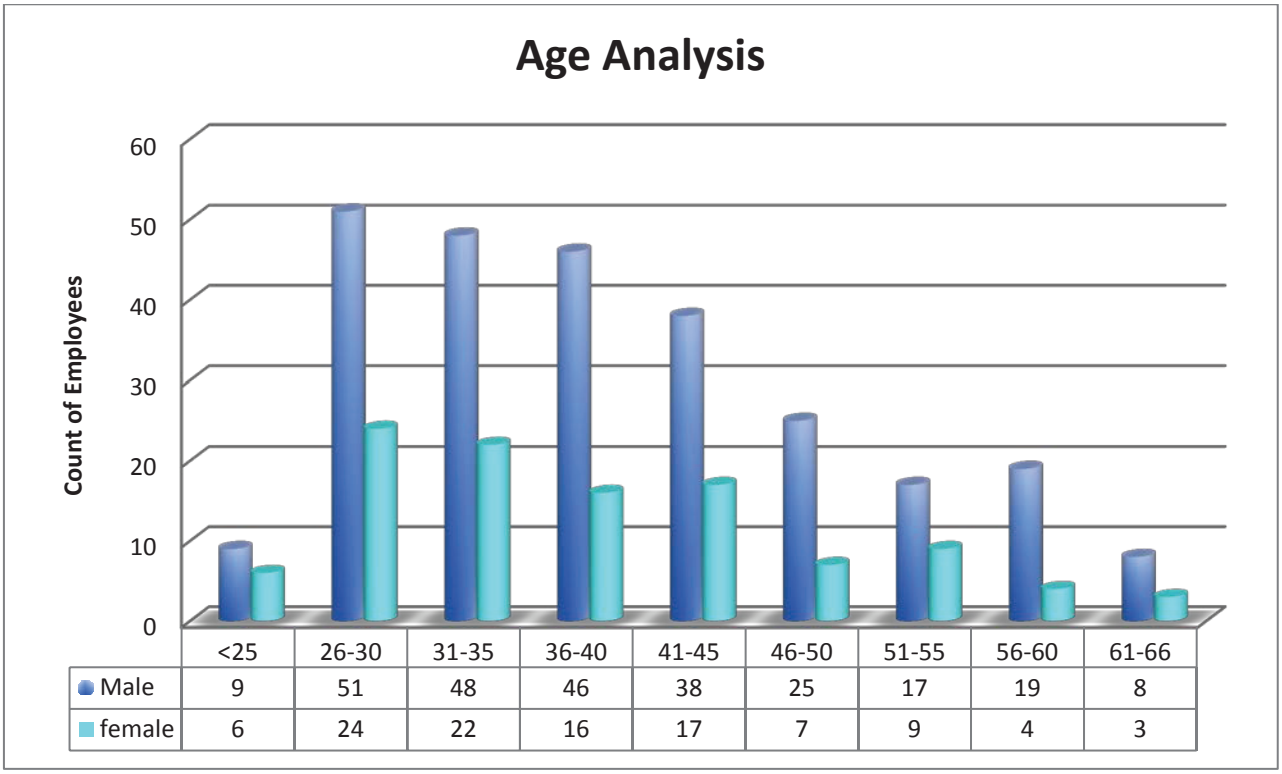
Figure 17:Exit interview analysis: 1/7/2014 – 30/6/2015

WORKFORCE PROFILE

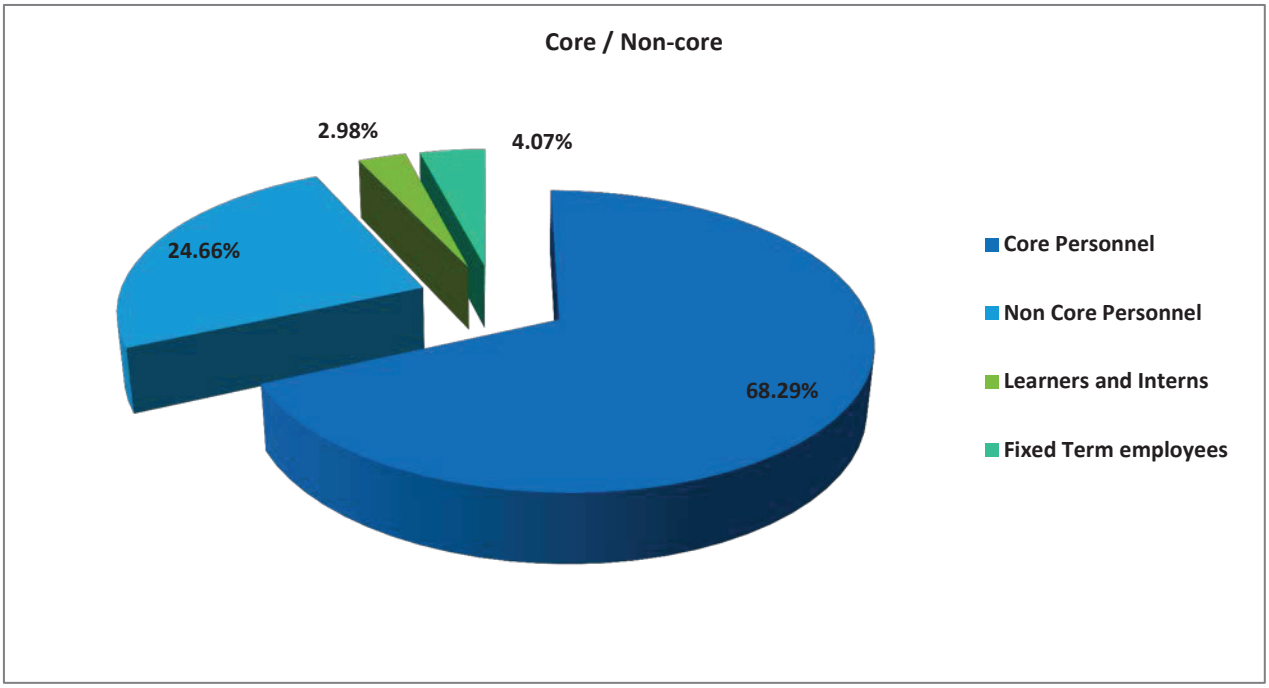
At the heart of the HR approach is the need for a more agile workforce structure to meet changing business needs to ensure sustainable organisational performance. The core staff component remains essential to ensure continuity of key functions for which technical and specialized knowledge are required. This however needs to be supplemented by flexible and responsive resources in the supporting components. The institution's female representation increased by 14% and as at 30 June 2015, core staff represented 68.29% of the institution and non-core or supporting services 31.71% of the staff complement.



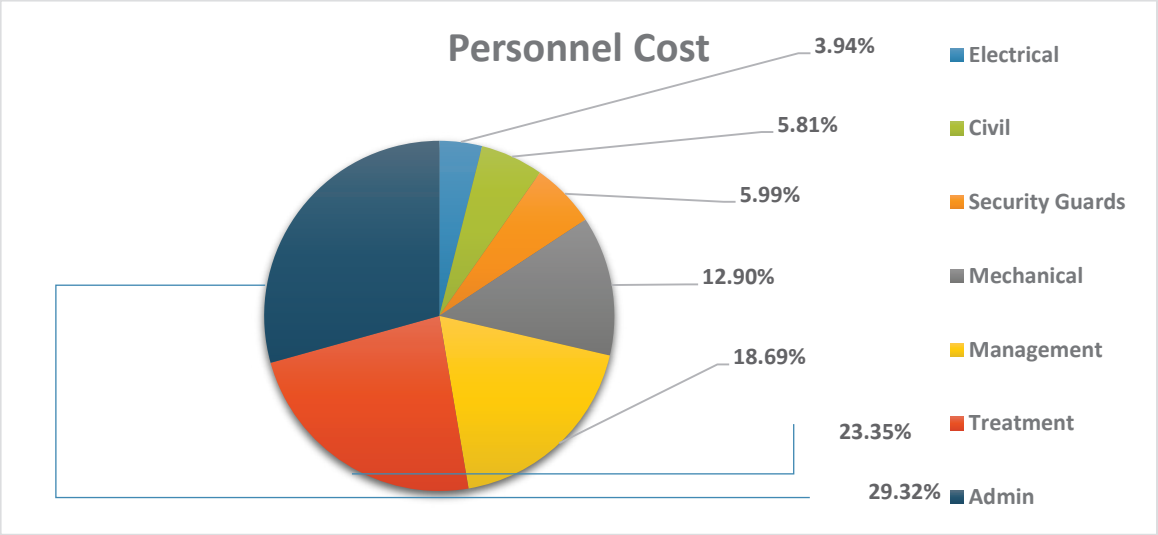
	General	Jnr Management	Middle Management	Snr Management	Executives
Male	218	13	8	6	4
Female	79	19	4	4	3



	<25	26-30	31-35	36-40	41-45	46-50	51-55	56-60	61-66
Male	9	51	48	46	38	25	17	19	8
female	6	24	22	16	17	7	9	4	3



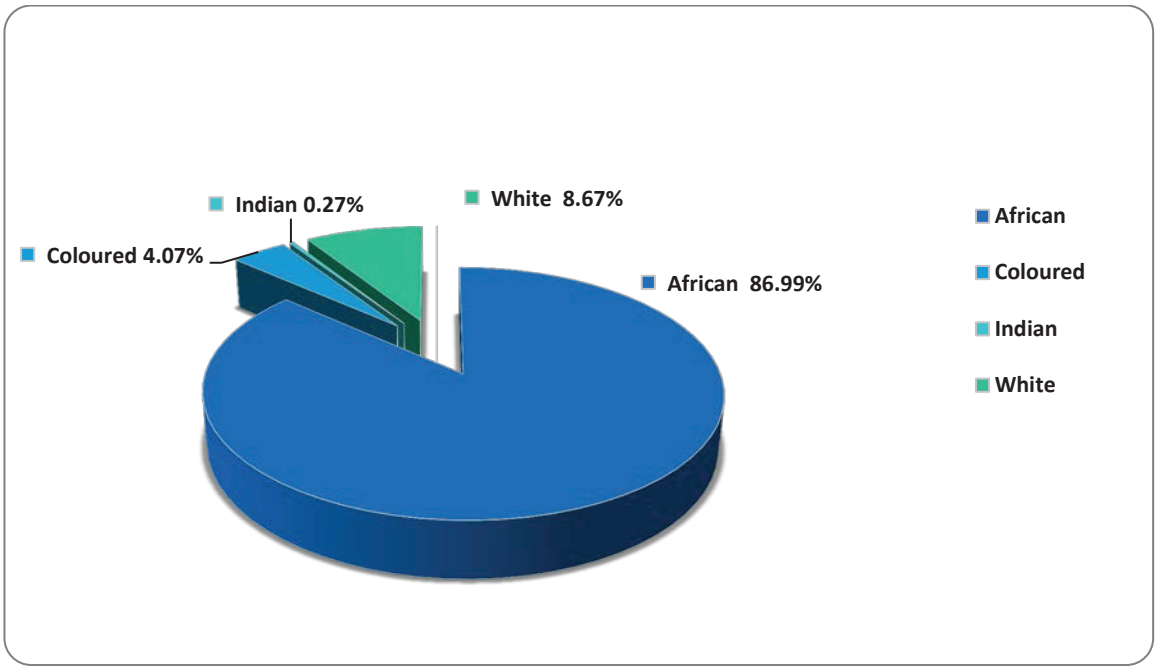
LEADERSHIP AND HUMAN RESOURCES



EMPLOYMENT EQUITY

Bloem Water is fully compliant to the Employment Equity Act. The Employment Equity Plan is in place and an annual report submitted to the Department of Labour (DoL) as prescribed.

An employment Equity Committee was re-established to allow a proper representation from all occupational categories including representative Trade Unions. Employee engagement was conducted for all employees within Bloem Water, providing the guidelines of the EE Act and the documents that are essential to the organisation in relation to compliance to the Act. Bloem Water, through implementation of this act has been able to promote equal opportunity and redress the disadvantages in employment experienced by designated groups.



LEADERSHIP AND HUMAN RESOURCES

EMPLOYEE RELATIONS AND HUMAN RIGHTS

Bloem Water recognises that every employee is entitled to fair labour practices, has the right to his/her dignity and has the right to privacy. To this end a range of policies affirms the institutions commitment to recognising an employee's rights and to provide procedures that protect such rights. Bloem Water continues to foster strong relationships with relevant role-players such as representative unions to ensure that employees' interests are respected and protected.

STAFF DEVELOPMENT AND RECOGNITION

Bloem Water is committed to promoting a learning culture which enables employees to develop and grow to reach their full potential.

A Training Plan was compiled having integrated information submitted by the employees, training needs indicated on performance enhancement documents and the needs analysis as translated into the Workplace Skills plan. The following represents a summary of training and development initiatives undertaken during the year:

Process Controllers

The facilitation of National Qualification Framework (NQF) level 2, South African Qualifications Authority (SAQA) ID 58951; and NQF level 3, SAQA ID 60190, in Water & Waste Water Treatment Process is a year programme which will be completed in February 2016.

Mechanical and Electrical

In these occupational categories, employees who do not qualify as artisans are being provided an opportunity for technical training and trade test certification in order to qualify as artisans.

Thus far, six (6) employees were afforded an opportunity to obtain Trade Certification in the mechanical section and four (4) employees have passed electrical trade tests. All whom have completed their trade certification secured permanent employment within the organisation in their respective trades.

Learnership and Internship

Bloem Water strongly believes that learner- and internships forms part of a route towards achieving a nationally recognized qualification and building skills in South Africa. A total of 10 learners are currently engaged in the treatment and mechanical programmes. 4 Interns (2 in supply chain and 2 in IT) are currently supported with experiential training in meeting.

Training manuals were customized and developed which are intended to assist the employees in their functional areas. These manuals are:

- **Security Manual**: This manual has the elements that address the duties and challenges facing the security within the organisation. All the securities have attended the training on this manual.
- **Basic Civil and Terrain Manual**: This manual addresses the main activities that are expected from the general workers. About 40 employees that work in civil and terrain functional areas of Bloem Water have attended training.

LEADERSHIP AND HUMAN RESOURCES

PERFORMANCE DEVELOPMENT

Bloem Water has a well-embedded standardised process for the setting of performance objectives and the evaluation of performance. Formal performance reviews are conducted quarterly. Strategic Performance Contracts for senior staff are developed annually and a weighting is applied to ensure the required focus on core activities and sufficient measurement thereof. Management is collectively responsible for the overall performance of the institution, hence a number of collective performance objectives apply to all managers to ensure synergy with the Board's strategic objectives.

Performance Rewards

Programme	Performance rewards (R'000)	Personnel Expenditure (R'000)	% of performance rewards to total personnel cost
Top Management	2 104	14 142	14.87
Senior Management	1 538	15 014	10.25
Professional qualified	475	5 151	9.22
Skilled	3 215	50 069	6.42
Semi-skilled	1 397	41 274	3.38
Unskilled	709	15 141	4.68
TOTAL	**9 437**	**140 790**	

Recognition and Reward

Bloem Water is committed to promoting excellence in the workplace. During the year under review a reward and recognition program of individual and regional performance with a combination of monetary and non-monetary incentives was launched. A staff ceremony was held to announce the award-winners which are likely to spark some healthy competition amongst employees and ultimately improved organisational performance.

POLICY DEVELOPMENT

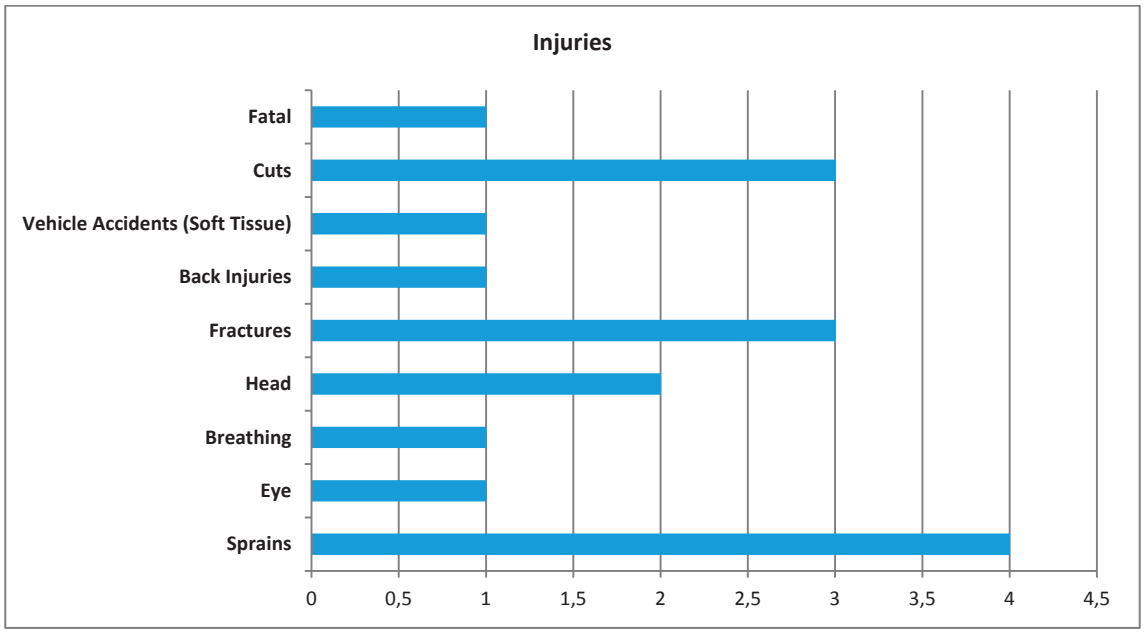
A number of policies were revised during the year under review and efforts to mainstream new policies and enhance Human Resource supporting services included amendments of HR Forms to be more user friendly and responsive to operational requirements. Policies were communicated and presented at regional levels, local labour forum and maintained on the intranet.

SECURITY, HEALTH AND SAFETY

A concerted effort was made to analyse gaps and improve the architecture of SHEQ in the institution. The organisational structure was designed to ensure adequate focus and segregation of duties to achieve SHEQ objectives. A number of security guards were appointed to regulate and standardise shifts across all regions. Bloem Water clearly required more emphasize on environmental issues and a position was accordingly created.

The SHEQ policy was approved by the board in August 2014 with the aim to set and maintain sensible and proportionate standards of safety, health, environment and quality programs to ensure the well-being of our staff and others who may be affected by our activities, and to minimize the losses (financial and reputational) to our business from ill health and injury.

Since then a number of procedures have been drafted amongst which is the Incident Reporting and Investigation Procedure to help reduce the IOD's and the target is zero harm. Staff has been sent to various accredited Health and Safety interventions.



The wellness activities are being conducted with the inclusion of employee representatives. Wellness support group was established with representation from all the regions. Wellness sessions are held with employees on a monthly basis. The following breakdown represents the key focus areas during the year under review:

Activity	Region
Rehabilitation referrals for alcohol abuse	Weldam Bethulie
Work related matters or personal matters counseling referrals	Weldam Bloemfontein office Rustfontein Bethulie
Secondary and High School Health and Wellness engagements	3 schools (1 per quarter)

Bloem Water in partnership with the Department of Health had the following events:

- 16 days of activism against women abuse, and World Aids Day at Weldam and Condom month in all the regions;
- Breast Cancer month at Bloemfontein office;
- TB month in all the regions; and
- Drug awareness at Weldam.

Bloem Water has formed partnership with Department of Health and Social Development, and Nedbank, FS Province. Nedbank had assisted Bloem Water employees with training on financial wellness.

LEADERSHIP AND HUMAN RESOURCES

INFORMATION TECHNOLOGY

In pursuit of maintaining access to secure information systems for Bloem Water employees to ensure organizational effectiveness and efficiency, information technology pursued the following projects:

- The servers at the regions which were a decade old were replaced to ensure optimal systems availability at the regions.
- A 100 MB radio link has been established from Bloemfontein to Rustfontein to enable systems backup and recovery on a remote site. Completion of the time and attendance system to include all regions which automates employee's time management and security.
- An upgrade of scada computers at all regions, the fibre link from Rustfontein main office to high and low lift pumps to ensure reliable and effective communication with the PLCs. Voip system was activated on the WAN to allow voice transmission for Small offices that had constant telephone system interuptions to allow their phones to connect with WAN.
- A Voice over internet protocol(Voip) satellite based telephone connection system implemented at Rustfontein and Welbedacht to eliminate constant telephone downtime.
- Implemented an auditing system on active directory and assisted finance with the implementation of an audit system on the financial information system. Implemented a new antivirus system which offers more security and control on the computers.

FOCUS FOR THE NEXT FINANCIAL YEAR 2015/16

Continued emphasis on the identified focus areas with particular attention being paid to:

Transformation: moving the employment equity drivers to a culture of inclusivity and strengthening thereof through continued employee engagement.

Talent management: improving the talent pipeline and succession ratio by further streamlining the recruitment process and building a strong internal recruitment capability whilst ensuring an integrated approach to employee recognition to enhance talent retention.

Learning and development: Shifting the focus from compliance-driven learning to skills-driven learning and embedding a consistent people change management approach in the organisation.

Bloem Water

Annual Financial statements

for the year ended 30 June 2015

Financial Statements

for the year ended 30 June 2015

Entity information

Registered address:	2 Mzuzu Street Pellissier Bloemfontein 9300
Postal address:	PO Box 30121 Pellissier Bloemfontein 9322
Auditor:	KPMG Incorporated
Bankers:	First National Bank of Southern Africa Limited ABSA Bank Investec Bank Standard Bank Nedbank
Country of incorporation:	South Africa
Legal form:	Schedule 3B entity
Nature of business:	The supply of purified and un-purified water

Financial Statements

for the year ended 30 June 2015

Contents

	Page
Statement of responsibilities and approval	94
Report of the Audit Committee	95 – 96
Independent auditor's report	97 – 100
Statement of financial position	101
Statement of comprehensive income	102
Statement of changes in equity	103
Statement of cash flows	104
Notes to the Financial Statements	105 – 141
Detailed statement of comprehensive income	142 – 143
Report on performance against the strategic plan	144 – 148

Bloem Water

Statement of responsibilities and approval

for the year ended 30 June 2015

The Board is responsible for the maintenance of adequate accounting records and the preparation, fair presentation and integrity of the Annual Financial Statements and related information. The auditors are responsible to report on the fair presentation of these Annual Financial Statements. The Annual Financial Statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) as at 1 April 2012 and in the manner required by the Public Finance Management Act of South Africa, Act No. 1 of 1999 and other enabling legislation. The application of SA GAAP as at 1 April 2012 has been mandated by the Accounting Standards Board. A detailed analysis to the application is set out in notes 1.1 and 1.2 to the annual financial statements.

The Board also prepared the other information included in the annual report and is responsible for both its accuracy and its consistency with the Annual Financial Statements.

The Board is also responsible for such internal control as the Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error. These controls are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Board to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on the going concern basis since the Board has every reason to believe that Bloem Water has adequate resources in place to continue in operation for the foreseeable future.

The independent auditing firm KPMG Incorporated has audited the annual financial statements. They have been given unrestricted access to all financial records and related data, including minutes of all meetings of the Board and committees of the Board. The Board believes that all representations made to the independent auditors during their audit were valid and appropriate. The audit report is presented as part of the annual financial statements.

The annual financial statements were approved by the Board and signed by the Chief Executive.

Dr L Moorosi
Chief Executive

25 September 2015

Report of the Audit Committee

for the year ended 30 June 2015

We are pleased to present our report for the financial year ended on 30 June 2015.

Audit Committee Responsibility

The Committee reports that it has complied with its responsibilities arising from Section 38(1) (a) of the PFMA and Treasury Regulation 3.1.13.

The Committee also reports that it has adopted an appropriate formal Terms of Reference as its Audit Committee Charter, has regulated its affairs in compliance with this Charter and has discharged its responsibilities as contained therein.

Auditor's Report: Predetermined Objectives

The Role of our Auditors is acknowledged as critical to the sustainability of Bloem Water as it provides an independent assurance that activities which are being carried out by the organisation are in accordance with the approved predetermined objectives and mandate.

The audit conclusions on the performance against predetermined objectives are included in the report to management, with material findings being reported in this annual report as per the legal and regulatory requirements.

Please refer to page 97 of the Independent Auditor's Report.

The effectiveness of internal control

The system of internal control is designed to provide cost-effective assurance that assets are safeguarded and that liabilities are efficiently managed. In line with the PFMA and the King III Report on Corporate Governance requirements, internal audit provides the Committee and the Board an assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

Bloem Water operates in a challenging environment, from strategic, business and operational perspectives. From the various reports of the internal Auditors, a number of areas were highlighted that required control improvement. Management has put processes and systems in place to address these issues.

Despite these weaknesses, we can report that overall, the systems of internal control during the 2013/2014 financial period were effective and efficient. The Committee, therefore, considers Bloem Water's internal controls and systems appropriate in all material respects to:

- Reduce Bloem Water's overall risks to an acceptable level
- Ensure Bloem Water's assets are adequately safeguarded
- Meet business objectives of Bloem Water.

The quality of in-year management and quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

We are satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Organisation during the year under review.

Report of the Audit Committee

for the year ended 30 June 2015
(Continued}

Evaluation of Annual Financial Statements

The Audit Committee has:

- Reviewed and discussed with the external Auditors and Management the Annual Financial Statements (AFS) to be included in the Annual Report;
- Reviewed the external Auditors' Audit Report and Management responses thereto;
- Reviewed the accounting policies and practices;
- Reviewed significant adjustments resulting from the audit;
- Reviewed the Annual Financial Statements prior to publication both for fair presentation and for conformity with the South African Statements of Generally Accepted Accounting Practices (SA GAAP).

Conclusion

The Committee has evaluated the Annual Financial Statements of Bloem Water for the period ending 30 June 2015 and concluded that they comply, in all material aspects, to the requirements of the PFMA No.1 of 1999 (as amended) and the South African Statements of Generally Accepted Accounting Practice (SA GAAP). The Committee also agreed that the adoption of the going concern premise is appropriate in preparing Bloem Water's Annual Financial Statements. The Committee, therefore, recommended the adoption of the Annual Financial Statements by the Board at its meeting on 22 September 2015.

The Committee notes and supports the conclusions of the external Auditors, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the independent Auditors.

The Committee would like to congratulate Management on obtaining an unqualified audit report.

N MOKHESI
CHAIRPERSON OF THE AUDIT COMMITTEE

Independent Auditor's Report
To Parliament and the Executive Authority, the Minister of Water and Sanitation on Bloem Water

Report on the financial statements

We have audited the financial statements of Bloem Water as set out on pages 101 to 141, which comprise the statement of financial position at 30 June 2015, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information to the financial statements.

The Accounting Authority's responsibility for the financial statements
The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and the requirements of the Public Finance Management Act of South Africa, 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's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Public Audit Act of South Africa, the *General Notice* issued in terms thereof and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Bloem Water at 30 June 2015 and its financial performance and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

Other matter
Supplementary information set out on pages 142 to 143 does not form part of the financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion on them.

Report on other legal and regulatory requirements

Public Audit Act Requirements
In accordance with the Public Audit Act of South Africa (PAA), and the *General Notice* issued in terms thereof, we report the following findings relevant to the reported performance against predetermined objectives, compliance with laws and regulations as well as internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters.

Predetermined Objectives

We performed procedures to obtain evidence about the usefulness and reliability of the information in the Report on Performance against the strategic plan 2014/2015 as set out on pages 144 to 148 and reported thereon to the Accounting Authority. The procedures performed were limited to the following selected objectives:

- Water Quality Compliance
- Non-revenue water
- Reliability of supply
- Board member attendance
- Effective internal control and risk management
- Capital Expenditure (Overall expenditure within the R target)
- Capital Expenditure (Overall project completion dates within target)
- Increased access to services (Capex spend or number of expansion projects)
- Achieve Statutory Reporting compliance
- Jobs created (Permanent, temporary and contracted)
- Good governance
- Bulk supply agreements
- Manage cost within the approved budget
- Research and Innovation

The reported performance against predetermined objectives was evaluated against the overall criteria of usefulness and reliability.

The usefulness of information in the Report on performance against the strategic plan 2014/2015 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 well defined, verifiable, specific, measurable, time bound and relevant as required by the National Treasury *Framework for managing programme performance information*.

The reliability of the information in the reported performance against predetermined objectives is assessed to determine whether it is valid, accurate and complete.

We report that there were no material findings on the Report on performance against the strategic plan 2014/2015 concerning the usefulness and reliability of the information.

Additional matter
Although no material findings concerning the usefulness and reliability of the reported performance against predetermined objectives were identified, we drew attention to the following matter in our report to the Accounting Authority:

Achievement of planned targets
Of the total 32 planned targets, only 24 were achieved during the year under review. This represents 25% of total planned targets that were not achieved during the year under review. The directors have presented reasons for variations from planned targets in the Report on performance against the strategic plan.

Compliance with Laws and Regulations

We performed procedures to obtain evidence that the entity has complied with applicable laws and regulations regarding financial matters, financial management and other related matters. We did not identify instances of 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.

Internal Control

We considered internal control relevant to our audit of the financial statements, Report on performance against the strategic plan and compliance with laws and regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control. We did not identify any deficiencies in internal control that we considered sufficiently significant for inclusion in this report.

Independent Auditor's Report
To Parliament and the Executive Authority, the Minister of Water and Sanitation on Bloem Water
(continued)

Other Reports

Agreed upon procedures engagements

We were engaged by the Accounting Authority to perform agreed upon procedures on the performance contracts of the entity and reported the results thereof on 9 October 2014.

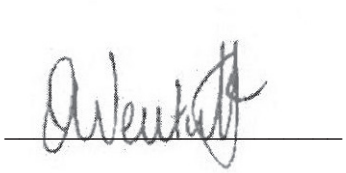
Investigations

An investigation initiated by Executive Management to probe alleged irregularities in supplier contract payments commenced during this financial year. The investigation is still ongoing at the date of this report. Note 24 to the financial statements discloses the possible fruitless and wasteful expenditure identified which is subject to the outcome of this investigation.

Other Matter

The matters contained in the Report on other legal and regulatory requirements are not considered to affect our opinion on the Financial Statements.

KPMG Inc.



Per: **O Wentworth**
Chartered Accountant (SA)
Registered Auditor
Director

25 September 2015

Statement of financial position
at 30 June 2015

	Note	2015 R'000	2014 R'000
Assets			
Non-current assets		859 648	801 125
Property, plant and equipment	*2*	833 242	780 313
Defined benefit asset	*16*	26 406	20 812
Current assets		504 574	443 446
Inventories	*3*	10 581	12 117
Trade and other receivables	*4*	103 700	71 583
Short term investments	*5*	160 376	170 348
Cash and cash equivalents	*6*	133 188	159 185
Infrastructure project receivable	*22*	96 729	30 213
Total assets		1 364 222	1 244 571
Equity and liabilities			
Capital and reserves		855 070	812 934
Retained earnings		643 482	602 276
Capital replacement fund		87 350	87 350
Capital development fund		70 217	70 217
Insurance fund		10 442	9 512
Asset DWS reserve fund		43 579	43 579
Non-current liabilities		320 765	309 090
Interest bearing loans and borrowings	*7*	233 046	221 371
Deferred income	*21*	87 719	87 719
Current liabilities		188 387	122 547
Current portion of interest bearing loans and borrowings	*7*	69 362	69 586
Trade and other payables	*8*	119 025	52 961
Total equity and liabilities		1 364 222	1 244 571

Statement of comprehensive income

for the year ended 30 June 2015

	Note	2015 R'000	2014 R'000
Revenue	*10*	462 255	418 593
Water abstraction costs		(23 323)	(23 337)
Gross income		438 932	395 256
Other income	*10.1*	25 453	20 178
Chemicals		(18 899)	(14 826)
Depreciation		(52 508)	(47 209)
Distribution cost		(16 592)	(14 630)
Energy cost		(87 645)	(75 443)
Repairs and maintenance		(14 523)	(12 437)
Employment costs		(140 790)	(116 553)
Impairment of trade receivables		(34 754)	(15 213)
Operating expenses		(66 971)	(56 516)
Operating profit	*11*	31 703	62 607
Finance income	*12*	27 772	24 036
Finance costs	*13*	(17 339)	(21 008)
Profit for the year		42 136	65 635
Other comprehensive income		-	-
Total comprehensive income for the year		42 136	65 635

Statement of changes in equity

for the year ended 30 June 2015

	Note	2015 R'000	2014 R'000
Retained earnings			
Opening balance		602 276	533 954
Total comprehensive income for the year		42 136	65 635
Transfer from / (to) the insurance fund		(930)	(1 334)
Transfer from revaluation reserve		-	4 021
Closing balance		643 482	602 276
Capital replacement fund			
Opening balance		87 350	87 350
Transfer from / (to) retained earnings		-	-
Closing balance		87 350	87 350
Capital development fund			
Opening balance		70 217	70 217
Transfer from / (to) retained earnings		-	-
Closing balance		70 217	70 217
Insurance fund			
Opening balance		9 512	8 178
Transfer from / (to) retained earnings		930	1 334
Closing balance		10 442	9 512
Asset DWS reserve fund			
Opening balance		43 579	43 579
Transfer from / (to) retained earnings		-	-
Closing balance		43 579	43 579
Revaluation reserve			
Opening balance		-	4 021
Transfer from / (to) retained earnings		-	(4 021)
Closing balance		-	-

Statement of cash flows

for the year ended 30 June 2015

	Note	2015 R'000	2014 R'000
Cash flow from operating activities			
Net cash inflow from operating activities		51 141	63 952
Cash received from customers		390 550	392 929
Cash paid to suppliers and employees		(338 727)	(326 560)
Cash generated from operating activities	*14.1*	51 823	66 369
Finance income		27 772	24 036
Finance costs *(including borrowing cost capitalised)*		(28 454)	(26 453)
Cash flow from investing activities			
Net cash outflow from investing activities		(98 600)	(136 236)
To expand and refurbish			
Additions to property, plant and equipment		(76 986)	(116 507)
Proceeds on disposal of property, plant and equipment		709	212
Contributions made to defined benefit plan		(22 323)	(19 941)
Cash flow from financing activities			
Net cash generated in financing activities		11 451	131 921
Deferred income		-	87 719
Interest bearing borrowings raised		72 700	106 633
Interest bearing borrowings repaid		(61 249)	(62 431)
Net (decrease) / increase in cash and cash equivalents		(36 007)	59 637
Cash and cash equivalents at the beginning of the year		329 560	269 923
Cash and cash equivalents at end of the year	*14.2*	293 553	329 560

Notes to the financial statements

for the year ended 30 June 2015

1. Summary of significant accounting policies

The principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

1.1. Basis of preparation and measurement

Basis of measurement

The financial statements have been prepared on the historical cost basis except where otherwise indicated. The financial statements are presented in South African Rand (R) *(rounded to the nearest thousand (R'000) except where otherwise indicated),* which is the functional and presentation currency.

Statement of compliance

The financial statements of Bloem Water have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) as at 1 April 2012 (including all amendments to May 2011) and the Public Finance Management Act of South Africa, Act No. 1 of 1999 (PFMA).

1.2 Changes in accounting policies and disclosures

The new Companies Act, 2008 (Act No. 71 of 2008) required a re-evaluation of the continued existence of statements of SA GAAP. This resulted in a decision during March 2012 to withdraw statements of SA GAAP for financial years commencing on or after 1 December 2012. The withdrawal of statements of SA GAAP has an impact on schedule 3B public entities (i.e. Bloem Water) that are required to apply the SA GAAP reporting framework.

In the interim, the Accounting Standards Board (ASB) has approved that public entities that previously applied statements of SA GAAP should continue to apply statements of SA GAAP as at 1 April 2012, including amendments to May 2011. Consequently, Bloem Water will continue to apply SA GAAP as at 1 April 2012 to the financial statements for the year ended 30 June 2015.

During July 2015 a directive was issued by the ASB. The Board's deliberations on this matter gave way to three consultations which resulted in the development of two Exposure Drafts on *The Application of Standards of GRAP by Government Business Enterprises (Schedule 3B and 3D)* (ED 124), and *The Selection of an Appropriate Reporting Framework by Public Entities* (ED 130), issued for comment in May 2014 and February 2015 respectively.

1.2 Changes in accounting policies and disclosures (continued)

The Directive is effective for financial years commencing on or after 1 April 2018 so as to provide entities sufficient time to prepare for any change in reporting framework, with earlier application permitted. Therefore the initial application is 1 April 2018, or earlier. The Directive is applied subsequently where entities believe that a significant change has occurred that leads them to conclude that they meet, or no longer meet, the criteria in the Directive.

In the event of a transition to IFRS, there are new or revised Accounting Standards and Interpretations in issue. These include the following Standards and Interpretations that are applicable to the business of the entity and will have an impact on future financial statements.

Standard or Interpretation	The Board is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:
Effective for the financial year end commencing 1 July 2014	
IFRS 13 *Fair Value Measurement*	The standard will be applied prospectively and comparatives will not be restated. IFRS 13 introduces a single source of guidance on fair value measurement for both financial and non-financial assets and liabilities by defining fair value, establishing a framework for measuring fair value and setting out disclosures requirements for fair value measurements. The key principles in IFRS 13 are as follows: Fair value is an exit price Measurement considers characteristics of the asset or liability and not entity-specific characteristics Measurement assumes a transaction in the entity's principle (or most advantageous) market between market participants Price is not adjusted for transaction costs Measurement maximises the use of relevant observable inputs and minimises the use of unobservable inputs The three-level fair value hierarchy is extended to all fair value measurements The impact on the financial statements for Bloem Water cannot be reasonably estimated as at 30 June 2015.

1.2 Changes in accounting policies and disclosures *(continued)*

Standard or Interpretation	The Board is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:
Effective for the financial year end commencing 1 July 2014	
IAS 19 (amendments) *Employee Benefits: Defined Benefit Plans*	In terms of the amendments, the following key changes will have an impact on the entity: Actuarial gains and losses are recognised immediately in other comprehensive income. The corridor method and the recognition of actuarial gains and losses in profit or loss are no longer permitted. Past service costs as well as gains and losses on curtailments / settlements are recognised in profit or loss. Expected returns on plan assets are calculated based on the rates used to discount the defined benefit obligation. The definitions of short-term and other long-term employee benefits have been amended and the distinction between the two depends on when the entity expects the benefit to be settled. The impact on the financial statements for Bloem Water is considered to be significant. The unrecognised actuarial losses to be recognised in the statement of comprehensive income is expected to amount to approximately R34 million. Retained earnings and the pension fund asset are expected to decrease with approximately R34 million *(i.e. a pension fund liability of approximately R8 million will exist)*. Additional amendments are of a presentation nature and will not have a significant impact on the entity's financial statements.
IFRS 1 amendment *Government Loans*	The amendment provides an additional relief to first-time adopters of IFRS from retrospectively measuring government loans with a below-market rate of interest. The amendments address concerns that the retrospective measurement of these government loans at fair value at their dates of origination could lead to first-time adopters applying hindsight. The impact on the financial statements for Bloem Water is not expected to be material.

1.2 Changes in accounting policies and disclosures *(continued)*

Standard or Interpretation	The Board is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:
Effective for the financial year end commencing 1 July 2014	
IFRS 7 (AC 144) amendment *Disclosures – Transfer of Financial Assets.*	In terms of the amendments additional disclosure will be provided regarding transfers of financial assets that are: derecognised in their entirety and ecognised in their entirety but for which Bloem Water retains continuing involvement. The impact on the financial statements for Bloem Water cannot be reasonably estimated as at 30 June 2015.
IAS 24 (AC 126) (Revised)	The standard will be applied retrospectively. IAS 24 (AC 126) (revised) addresses the disclosure requirements in respect of related parties, with the main changes relating to the definition of a related party and disclosure requirements by government-related entities. Under IAS 24 (AC 126) (revised), the definition of a related party has been amended, with the result that a number of new related party relationships have been identified. Government-related entities Government-related entities will have to provide the following disclosures: name of the government and nature of the relationship; nature and amount of each individually significant transaction and a qualitative or quantitative indication of the extent of other transactions that are collectively, but not individually, significant.
IAS 32 *Offsetting Financial Assets and Financial Liabilities*	The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is: • not contingent on a future event; and • enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties The impact on the financial statements for Bloem Water cannot be reasonably estimated as at 30 June 2015.

Notes to the financial statements

for the year ended 30 June 2015
(continued)

1.2 Changes in accounting policies and disclosures *(continued)*

Standard or Interpretation	The Board is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:
Effective for the financial year end commencing 1 July 2014	
IAS 1 amendment Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income	This amendment provides for changes to the presentation of Items of Other Comprehensive Income to existing pronouncements. The impact on the financial statements for Bloem Water is not expected to be material.
Effective for the financial year end commencing 1 July 2015	
IAS 19 *Defined Benefit Plans: Employee contributions*	The amendments introduce relief that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. Such contributions are eligible for practical expedient if they are: • set out in the formal terms of the plan; • linked to service; and • independent of the number of years of service. The impact on the financial statements for Bloem Water cannot be reasonably estimated as at 30 June 2015.
Effective for the financial year end commencing 1 July 2016	
IAS 1 *Disclosure Initiative*	The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements. The amendments also clarify presentation principles applicable to of the order of notes, OCI of equity accounted investees and subtotals presented in the statement of financial position and statement of profit or loss and other comprehensive income. The impact on the financial statements for Bloem Water is not expected to be material.
Effective for the financial year end commencing 1 July 2018	
IFRS 15 *Revenue from contracts with customers*	This standard replaces IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC 31 *Revenue Barter of Transactions Involving Advertising Services.* The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The impact on the financial statements for Bloem Water cannot be reasonably estimated as at 30 June 2015.

Notes to the financial statements

for the year ended 30 June 2015
(continued)

1.2 Changes in accounting policies and disclosures *(continued)*

Standard or Interpretation	The Board is of the opinion that the impact of the application of the remaining Standards and Interpretations will be as follows:
Effective for the financial year end commencing 1 July 2018	
IFRS 9 *Financial Instruments*	IFRS 9 addresses the initial measurement and classification of financial assets and financial liabilities and will replace the relevant sections of IAS 39. Under IFRS 9 there are two options in respect of classification of financial assets, namely, financial assets measured at amortised cost or at fair value. Financial assets are measured at amortised cost when the business model is to hold assets in order to collect contractual cash flows and when they give rise to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are measured at fair value. Embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. The classification and measurement requirements of financial liabilities are the same as per IAS 39, except for the following two aspects: • fair value changes for financial liabilities (other than financial guarantees and loan commitments) designated at fair value through profit or loss, that are attributable to the changes in the credit risk of the liability will be presented in other comprehensive income (OCI). The remaining amount of the fair value change is recognised in profit or loss. However, if this requirement creates or enlarges an accounting mismatch in profit or loss, then the whole fair value change is presented in profit or loss. The determination as to whether such presentation would create or enlarge an accounting mismatch is made on initial recognition and is not subsequently reassessed. • Derivative liabilities that are linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured, are measured at fair value. The standard will be applied retrospectively, subject to transitional provisions. The impact on the financial statements for Bloem Water cannot be reasonably estimated as at 30 June 2015.

1.2 Changes in accounting policies and disclosures *(continued)*

Standards and interpretations not expected to have an impact on the entity:

The following Standards and Interpretations are not applicable to the business of the entity and it is therefore expected not to impact on future financial statements.

- IAS 12 amendment *Deferred tax: Recovery of Underlying Assets*
- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IFRS 14 *Regulatory Deferral Accounts*
- IAS 27 *Equity method* in *Separate Financial Statements (2011)*
- IAS 28 *Investments in Associates and Joint Ventures (2011)*
- IAS 36 *Recoverable Amount Disclosures for Non-financial Assets*
- IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine*
- IFRIC 21 *Levies*
- Amendments to IAS 16 and IAS 38 *Clarification of acceptable methods of depreciation and amortisation*
- IFRS 1 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
- IAS 16 and IAS 41 *Agriculture: Bearer Plants*
- IAS 10 and IAS 28 *Sale or Contribution of Assets between and investor and its Associates or Joint venture*
- IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

Notes to the financial statements

for the year ended 30 June 2015
(continued)

1.3 Significant accounting judgments, estimates and assumptions

The preparation of the entity's financial statements in conformity with SA GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

a) Pension and other post-employment benefits

The cost of defined benefit pension plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net pension plan asset at 30 June 2015 is R26 406 096 (2014: R20 812 058). Further details are disclosed in note 16.

b) Trade and other receivables

Loans and receivables shall be measured at amortised cost using the effective interest method. If there is objective evidence that an impairment loss on loans and receivables carried at amortised costs has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

c) Valuation and depreciation of property, plant and equipment

Depreciation is based on the useful lives of the property, plant and equipment. The estimation of useful lives of property, plant and equipment is based on historical performance as well as expectations about future use and therefore require a significant degree of judgement to be applied by management. The depreciation rates and residual values, if any, represent management's best estimates.

Notes to the financial statements

for the year ended 30 June 2015
(continued)

1.4 Property, plant and equipment

Land is carried at cost and not depreciated.

Furniture and office equipment are stated initially at cost, less accumulated depreciation and accumulated impairment losses in accordance with the provision of IAS 16 (AC 123) – Property, plant and equipment.

Plant equipment, roads, buildings and pipelines and reservoirs are stated at cost, less accumulated depreciation and accumulated impairment losses. Cost includes any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and the capitalisation of borrowing costs on qualifying assets *(refer to note 1.13)*.

Capital projects in progress are stated at cost which includes cost of material, direct labour and any directly attributable costs incurred in bringing it to its present location and condition.

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. When part of an asset is being replaced, the carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the financial period in which it is incurred.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets to its residual value at the following rates:

Vehicles and machinery:	15 years
Plant equipment:	30 years
Furniture and office equipment:	5 to 25 years
Roads:	50 years
Pipeline and reservoirs:	35 years
Buildings:	60 years

The assets' residual values, useful lives and method of depreciation are reviewed and adjusted, if appropriate, at each financial year-end. When each major inspection is preformed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset *(calculated as the difference between the net disposal proceeds and the carrying amount of the asset)* is included in the statement of comprehensive income in the year the asset is derecognised.

1.5 Funds and reserves

Capital replacement fund

Amounts as determined by the Board are transferred to a separate fund to be utilised for the replacement of capital assets. Amounts equal to such transfers are retained and can be utilised at the discretion of the Board.

Capital development fund

Amounts as determined by the Board are transferred from available funds to a separate fund to be utilised at the discretion of the Board. The fund is utilised to finance development of capital infrastructures.

Insurance fund

At the discretion of the Board, an amount equal to the estimated external insurance premium may be transferred to the insurance fund. This fund will be utilised for the replacement of certain assets. The funds will be utilised at the discretion of the board.

Asset DWS reserve fund

An amount equal to the value of property, plant and equipment in the Thaba 'Nchu region transferred from the Department of Water and Sanitation to Bloem Water was transferred to this fund. The amount constitutes a non-distributable reserve.

1.6 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received/receivable excluding discounts, rebates, and value added tax or duties. The following specific recognition criteria must also be met before revenue is recognised:

Sale of water

Revenue is recognised when the significant risks and rewards of ownership of the water have passed to the buyer, usually on delivery of the water through the water meters and the revenue can be reliably measured.

Notes to the financial statements

for the year ended 30 June 2015
(continued)

1.7 Finance income

Finance income comprises interest receivable on trade receivables and finance income from investments and cash and cash equivalents. Finance income is recognised as it accrues in profit and loss, using the effective interest rate method.

1.8 Dividend income

Dividend income is recognised when the entity's right to receive payment is established.

1.9 Inventories

Inventories are valued at the lower of cost or net realisable value. Cost is determined on the weighted average basis. Obsolete, redundant and slow moving inventories are identified and written down to their estimated net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the estimated cost necessary to make the sale. The cost of water inventory comprises of all costs of water abstraction, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

1.10 Employee benefits

Pension obligations

The policy of Bloem Water is to provide retirement benefits for all its employees. The fund represents a Defined Benefit Plan administered by Verso Funds Administrator. Obligations for contributions to defined contribution plans are recognised as en expense in the statement of comprehensive income as incurred.

The defined benefit asset or liability comprises the present value of the defined benefit plan obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

In terms of IAS 19 – Employee Benefits, Bloem Water applies the corridor rule to any actuarial gains or losses recognised during the year, meaning that actuarial gains and losses recognised by Bloem Water is the excess over the greater of:

a) 10% of the present value of the defined benefit obligation at the end of the previous reporting period; and
b) 10% of the fair value of any plan asset at the same date.

As required by the Pension Fund Act 25 of 1956, a qualified actuary performs the valuation. The actuarial valuation was performed by Independent Actuarial Consultants (Pty) Limited at reporting date.

1.10 Employee benefits *(continued)*

Short term employee benefits

Short term employee benefits are those that are paid within twelve months after the end of the period in which the services have been rendered. Remuneration to employees is charged to the statement of comprehensive income. Provision is made for accumulated leave, annual bonuses, and other short term employee benefits.

1.11 Finance cost

Finance cost comprises interest payable on borrowings and interest resulting from the unwinding of discount on liabilities. Borrowing costs which are not capitalised *(refer to note 1.13)* are recognised in profit and loss.

1.12 Financial instruments

Non-derivative financial instruments carried on the statement of financial position comprise of cash and cash equivalents, investments, trade and other receivables, trade and other payables and interest bearing borrowings.

Long term receivables are classified as loans and receivables.

Financial instruments are initially carried at cost, which includes transaction costs. Subsequently, the instruments are recognised as follows:

Investments and other financial assets

Financial assets with the scope of IAS 39 (AC 133) – Financial Instruments: Recognition of Measurement are classified as short term investments, cash and cash equivalents, loans and receivables, held-to-maturity investments, or available-for-sale assets, as appropriate.

When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Short term investments

Short term investments are non-derivative financial assets with fixed determinable payments that are not quoted in an active market. After initial measurement short term investments are carried at amortised cost using the effective interest rate method less any allowance for impairment. Gains and losses are recognised in profit or loss when the short term investments are derecognised or impaired.

1.12 Financial instruments *(continued)*

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the entity has the positive intention and ability to hold to maturity. After initial measurement held-to-maturity investments are measured at amortise cost using the effective interest method. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired.

Loans and receivables

Loans, trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial investment

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the other financial asset categories. After initial measurement, available-for-sale financial assets are measured at fair value with unrealised gains or losses recognised directly in other comprehensive income until the investment is derecognised or determined to be impaired at which time the cumulative gain or loss previously recorded in other comprehensive income is recognised in profit or loss.

Impairment of financial assets

The entity assess at each reporting date whether a financial asset or group of financial assets is impaired.

For loans and other receivables carried at amortised cost, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and its present value of estimated future cash flows (excluding future expected credit losses that have been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced by the impairment loss and the loss is recorded in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

For assets carried at cost, if there is objective evidence that an impairment loss on an unquoted investment that is not carried at fair value, because its fair value cannot be reliably measured, has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar asset.

Notes to the financial statements

for the year ended 30 June 2015
(continued)

1.12 Financial instruments *(continued)*

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same and discounted cash flow analysis or other valuation modes.

Amortised cost

Held-to-maturity investments and loans and receivables are measured at amortised cost. This is computed using the effective interest rate method less any allowance for impairment. The calculation takes into account any premium or discount on acquisition and includes transactions costs and fees that are an integral part of the effective interest rate.

General risk management principles

Risk management is of critical importance to the entity as it understands that changing market conditions make risk unavoidable. Over the years the entity has sought and implemented a comprehensive risk management process to consistently identify, understand and properly manage risk at all times. Risk policies, limits and control procedures are continuously monitored.

1.13 Borrowing costs

Borrowing costs attributable to the constitution of qualifying assets are capitalised as part of the cost of these assets over the period of construction to the extent that the assets are financed by borrowings. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings unless an asset is financed by a specific loan, in which case the specific rate is used.

1.14 Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at banks and cash on hand. Short term investments with an original maturity of three months are classified as short term investments. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash at banks, cash on hand and short term investments.

1.15 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred to the entity, are classified as operating leases. Operating leases are charged to profit and loss on a straight-line basis over the period of the lease.

Finance leases

Leases where the entity assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability. The capitalised amount is depreciated over the asset's useful life. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method.

1.16 Capital and income related grants

Capital grants for infrastructure received by Bloem Water for its own benefit are reflected against deferred income until such time as the asset becomes available for use. On the date that the asset becomes available for use, the capital grant is credited against property, plant and equipment and is recognised in profit or loss over the remaining useful life of the depreciable asset as a reduced depreciation expense.

Capital grants for infrastructure received by Bloem Water as an implementing agent are reflected against a grant liability and any spend on such project is reflected as a deduction in the grant liability.

Grants related to income are reflected against deferred income for future expenditure to be incurred by the entity. The income is recognised in the period in which the related expenditure is incurred.

Notes to the financial statements

for the year ended 30 June 2015
(continued)

1.17 Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. The discount or premium on the issue of loans is amortised over the period from acquisition to maturity so that a constant rate of interest is paid on the loan. The amortised amount is recognised in the statement of comprehensive income.

Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowings on the effective interest basis.

1.18 Trade and other payables

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

1.19 Provisions

A provision is recognised in the statement of financial position when Bloem Water has a present legal or constructive obligation as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are not made for future operating losses. Provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision due to a passage of time is recognised as finance costs.

1.20 Other income

Other income comprises of income that does not arise in the course of ordinary activities of Bloem Water. These other income items, *inter alia*, include skills development grant, profit on disposal of assets, employee rent and cost recoupments, implementation agent income, insurance proceeds, etc.

1.21 Implementation agent income

Implementation agent fees received by Bloem Water for the implementation of infrastructure projects on behalf of other entities and the relating contract costs are recognised as soon as the outcome of the transaction can be reliably measured.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity;
- The stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

2. Property, plant and equipment

	Vehicles and machinery R'000	*Plant equipment* R'000	*Furniture and office equipment* R'000	*Roads* R'000	*Pipelines and reservoirs* R'000	*Land and buildings* R'000	*Capital projects in progress* R'000	*Other assets* R'000	*Total* R'000
Book value 30 June 2013	21 318	37 357	10 062	1 726	429 189	90 345	130 509	-	720 506
Cost	29 397	80 077	16 080	2 459	951 245	117 268	130 509	1 289	1 328 324
Accumulated depreciation	(8 079)	(42 720)	(6 018)	(733)	(522 056)	(26 923)	-	(1 289)	(607 818)
Movement 2014	5 359	1 122	1 341	(32)	4 225	55 589	(7 800)	-	59 804
Additions to property, plant and equipment	8 642	141	3 341	-	604	649	103 131	-	116 508
Transfers (from)/ to CAPEX/ property, plant & equipment	-	4 198	-	23	37 908	60 184	(102 313)	-	-
Borrowing costs capitalised	-	-	-	-	-	-	5 445	-	5 445
Impairment/disposal - cost	(1 023)	(183)	(165)	-	-	-	-	-	(1 371)
Impairment/disposal - accumulated depreciation	226	183	85	-	-	-	-	-	494
Retention & accruals recognised	-	-	-	-	-	-	8 709	-	8 709
Retention & accruals capitalised	-	-	-	-	-	-	(22 772)	-	(22 772)
Depreciation	(2 486)	(3 217)	(1 920)	(55)	(34 287)	(5 244)	-	-	(47 209)
Book value 30 June 2014	26 680	38 479	11 403	1 694	433 414	145 934	122 709	-	780 313
Cost	37 019	84 233	19 256	2 482	989 757	178 101	122 709	1 289	1 434 846
Accumulated Depreciation	(10 339)	(45 754)	(7 853)	(788)	(556 343)	(32 167)	-	(1 289)	(654 533)

2. Property, plant and equipment *(continued)*

	Vehicles and machinery R'000	*Plant equipment* R'000	*Furniture and office equipment* R'000	*Roads* R'000	*Pipelines and reservoirs* R'000	*Land and buildings* R'000	*Capital projects in progress* R'000	*Other assets* R'000	*Total* R'000
Movement 2015	6 309	5 770	(1 436)	(55)	(17 926)	41 809	18 458	-	52 929
Additions to property, plant and equipment	9 799	23	1 024	-	29	2 345	63 766	-	76 986
Transfers (from)/ to CAPEX/ property, plant & equipment	364	9 141	-	-	18 564	46 415	(74 484)	-	-
Borrowing costs capitalised	-	-	-	-	-	-	11 114	-	11 114
Impairment/disposal - cost	(2 779)	(90)	(1 588)	-	-	-	-	(1 289)	(5 746)
Impairment/disposal - accumulated depreciation	1 735	73	1 251	-	-	-	-	1 289	4 348
Accumulated depreciation adjustment	203	97	373	-	-	-	-	-	673
Retention & accruals recognised	-	-	-	-	-	-	26 771	-	26 771
Retention & accruals capitalised	-	-	-	-	-		(8 709)	-	(8 709)
Depreciation	(3 013)	(3 474)	(2 496)	(55)	(36 519)	(6 951)	-	-	(52 509)
Book value 30 June 2015	32 986	44 249	9 970	1 639	415 488	187 743	141 167	-	833 242
Cost	44 400	93 307	18 695	2 482	1 008 350	226 861	141 167	-	1 535 262
Accumulated depreciation	(11 414)	(49 058)	(8 725)	(843)	(592 862)	(39 118)	-	-	(702 020)

	2015 R'000	2014 R'000
2. Property, plant and equipment *(continued)*		
Borrowing costs on general borrowings are capitalised at an average rate of 9,46% (2014: 9,26%) on qualifying assets. No specific borrowings existed at year end.		
Amounts capitalised during the year *(refer to note 13)*	11 114	5 445

- All assets are owned assets.
- A register of all land and servitudes held by Bloem Water is available for inspection at the registered office of the entity.
- The cost price of fully depreciated assets amounts to R3 472 182 (2014: R3 240 343).

3. Inventories

Inventory comprise of the following:

Chemicals	3 550	5 260
Consumables	5 303	5 267
Water	1 728	1 590
	10 581	12 117

The amount of inventories written-off to net realisable value through expenditure is Rnil (2014: Rnil).

Notes to the financial statements

for the year ended 30 June 2015
(continued)

	2015 R'000	2014 R'000
4. Trade and other receivables		
Trade receivables	96 597	59 647
Total trade receivables	192 912	123 904
Less: Provision for impairment	(96 315)	(64 257)
Personnel loans and advances	(4)	(3)
Other project receivables	2 092	953
SA Revenue Services – VAT	-	10 986
Deposits – Eskom and Centlec	5 015	-
	103 700	71 583

Trade receivables exceeding payment terms are interest bearing at the prime overdraft rate plus 200 basis points. Payment terms are generally 30 day from statement date. At year-end the prime overdraft rate was 9,25% (2014: 9%). Movements in the provision for impairment of receivables were as follows:

	Individually and collectively impaired R'000
Balance at 30 June 2013	57 540
Amount utilised – bad debts written off	-
Provision raised during the year	6 717
Balance at 30 June 2014	64 257
Balance at 30 June 2014	64 257
Amount utilised – bad debts written off	-
Provision raised during the year	32 058
Balance at 30 June 2015	96 315

Notes to the financial statements

for the year ended 30 June 2015
(continued)

4. Trade and other receivables *(continued)*

	Gross 2015 R'000	*Impairment* 2015 R'000	*Gross* 2014 R'000	*Impairment* 2014 R'000
At 30 June 2015, the age analysis for trade receivables is as follows:				
Not past due	61 454	5 357	62 077	2 534
Past due 30 to 60 days	42 228	3 250	4 181	4 077
Past due 60 to 90 days	4 238	3 200	2 503	2 503
Past due more than 90 days	84 992	84 507	55 143	55 143
Total	192 912	96 314	123 904	64 257

Based on historical default rates, the entity believes that no additional impairment allowances are necessary in respect of trade receivables. The past due amounts not impaired have been received subsequent to year-end.

5. Short term investments

	2015 R'000	2014 R'000
ABSA Bank	40 000	70 000
Nedbank	50 009	30 004
Investec	70 367	70 344
	160 376	170 348

These investments are held on call deposit accounts, which are all fixed for 3 months or less. The investments are not actively traded and are carried at amortised cost. Interest on these accounts varies between 5,93% and 6,6% per annum (2014: between 5% and 6% per annum).

6. Cash and cash equivalents

	2015 R'000	2014 R'000
Current account – First National Bank	3 941	24 043
Call account – First National Bank	91 987	100 032
Money Market account – Standard Bank	37 113	34 968
Money Market account – First National Bank	127	122
Petty cash on hand	20	20
	133 188	159 185

Interest on the current accounts varies between 0% and 6% per annum (2014: between 0% and 5% per annum). The interest on the money market accounts was 6,13% at year end (2014: 5,7%).

Notes to the financial statements

for the year ended 30 June 2015
(continued)

		2015 R'000	2014 R'000
7.	**Interest bearing loans and borrowings**		
7.1	***Development Bank of South Africa***		
	Total amount outstanding	8 618	9 666
	Less: Current portion of loan	(1 304)	(1 233)
		7 314	8 433

The loan is unsecured and bears interest at a fixed rate of 8,91% per annum. Average repayments of R922 648 are made on a six monthly basis. The agreement came into effect on 31 March 2006 and will continue until 31 March 2021.

7.2	***Development Bank of South Africa***		
	Total amount outstanding	40 491	64 380
	Less: Current portion of loan	(26 673)	(24 859)
		13 818	39 521

The loan is unsecured and bears interest at a fixed rate of 10% per annum. Average repayments of R14 510 734 are made on a six-monthly basis. The agreement came into effect on 1 October 2006 and will continue until 30 September 2016.

7.3	***Nedbank***		
	Total amount outstanding	50 381	55 854
	Less: Current portion of loan	(5 983)	(5 485)
		44 398	50 369

The loan is unsecured and bears interest at a fixed rate of 9,12% per annum. Average repayments of R5 221 403 are made on a six-monthly basis. The agreement came into effect on 29 December 2006 and will continue until 29 December 2021.

7.4	***Sanlam***		
	Total amount outstanding	33 728	40 697
	Less: Current portion of loan	(9 442)	(8 836)
		24 286	31 861

The loan is unsecured and bears interest at the 6 month JIBAR rate plus 1,45%. Interest varied between 7,78% and 8,13% (2014: 6,8% and 7,78%) per annum. The effective rate at 30 June 2015 was 8,13% (2014: 7,78%). Average repayments of R4 326 742 are made on a six-monthly basis. The agreement came into effect on 9 August 2008 and will continue until 8 August 2018.

		2015 R'000	2014 R'000
7.	**Interest bearing loans and borrowings**		
7.5	***Nedbank***		
	Total amount outstanding	169 179	120 387
	Less: Current portion of loan	(25 949)	(29 200)
		143 230	91 187

The loan is unsecured and bears interest at a fixed rate of 9,8% per annum. The loan facility amounts to approximately R270 million and has a draw down arrangement. An additional two drawdowns amounting to R24,5 million each will occur between 1 July 2015 and 1 November 2015. Average repayments of approximately R19,3 million are made on a six-monthly basis. The agreement came into effect on 1 March 2013 and will continue until 1 March 2023.

7.6	***Corporate credit card***		
	Total amount outstanding	11	(27)
	Less: Current portion of loan	(11)	27
	Corporate Credit Card account	-	-

The credit card account is unsecured and bears interest at 15% per annum.

7.7	***Total loans and borrowings***		
	Total amount outstanding	302 408	290 957
	Less: Current portion *(payable within 12 months)*	(69 362)	(69 586)
	Total long term interest bearing borrowings	233 046	221 371

Notes to the financial statements

for the year ended 30 June 2015
(continued)

		2015 R'000	2014 R'000
8.	**Trade and other payables**		
	Trade payables	10 729	7 488
	Other payables	108 296	45 473
	Accruals	86 766	30 871
	SA Revenue Services – Value Added Tax	6 089	-
	Cost recovery project	1 625	3 658
	Payroll accruals	13 816	10 944
		119 025	52 961

Trade and other payables are non-interest bearing and are normally settled on 30-day terms.

9. Taxation

No provision is made for taxation since Bloem Water is exempt from tax in terms of section 10(1)(cA) of the Income Tax Act.

10. Revenue

	Water sales	462 255	418 593

10.1 Other income

Other income comprises of income that does not arise in the course of ordinary activities of Bloem Water. These other income items, inter alia, include skills development grant, profit on disposal of assets, employee rent and cost recoupments, implementation agent fee, insurance proceeds, etc.

	Other income	2 511	3 767
	Implementation agent fee	22 942	16 411
		25 453	20 178

11. Operating profit

	The following amounts have been included in operating profit:		
	Depreciation	52 508	47 209
	Internal and external auditors' remuneration	1 459	1 323
	Increase in provision for impairment of trade receivables and doubtful debts written off	34 754	15 213
	Employee benefits relating to the pension fund assets and obligations	12 201	15 499
	Actuarial losses	345	1 832
	Interest cost on benefit obligation	15 909	13 114
	Current service costs	12 115	10 634
	Expected return on plan assets	(16 168)	(10 081)
	Board member emoluments *(refer to note 17)*	1 102	280
	Key Management emoluments *(refer to note 17)*	11 014	11 729

Notes to the financial statements

for the year ended 30 June 2015
(continued)

		2015 R'000	2014 R'000
12.	**Finance income**		
	Investment income	11 250	12 570
	Interest on trade receivables	9 899	6 401
	Interest on cash and cash equivalents	6 623	5 065
		27 772	24 036
13.	**Finance costs**		
	Interest on loans and borrowings	28 413	26 434
	Borrowing costs capitalised *(refer note 2)*	(11 114)	(5 445)
	Other	40	19
		17 339	21 008
14.	**Notes to the statement of cash flows**		
14.1	***Cash flow from operating activities***		
	Operating profit before finance income and costs	31 703	62 607
	Adjusted for:	106 841	83 627
	Depreciation of property, plant and equipment	52 508	47 209
	Increase in leave accrual	2 872	1 414
	Increase in provision for impairment of trade receivables and doubtful debts written off	34 754	15 213
	Loss on disposal of property, plant and equipment	(22)	665
	Movement in defined benefit pension asset	16 729	19 126
	Movement in working capital	(86 721)	(79 865)
	Decrease / (increase) in inventories	1 536	(2 693)
	(Increase) in trade and other receivables	(66 871)	(36 901)
	(Increase) in infrastructure project receivables	(66 516)	(30 213)
	Increase / (decrease) in trade and other payables	45 130	(10 058)
		51 823	66 369
14.2	***Cash and cash equivalents***		
	For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash and cash equivalents and short term investments.		
	Cash and cash equivalents	133 188	159 185
	Short term investments	160 376	170 348
	Corporate credit card	(11)	27
		293 553	329 560

15. Financial instruments

General risk management principles

Risk management is of critical importance to the entity as it understands that changing market conditions make risk unavoidable. Over the years the entity has sought and implemented a comprehensive risk management process to consistently identify, understand and properly manage risk at all times. Risk policies, limits and control procedures are continuously monitored.

Credit risk

Potential concentrations of credit risk mainly consist of short term investments, cash and cash equivalents and trade and other receivables.

The Board of Bloem Water limits the credit risk arising from short term investments and other cash items by dealing only with reputable well-established financial institutions in South Africa. Credit control procedures are in place which includes assessing credit worthiness of potential or existing customers. The financial positions of customers are monitored on an ongoing basis. Provisions are made for impairment allowances where deemed appropriate.

At 30 June 2015, Bloem Water did not identify any significant concentration of credit risk which had not been insured or adequately provided for. The entity is exposed to significant credit risk exposure in terms of certain receivables due to the extensive period it takes to recover accounts receivable.

Concentration of credit risk of trade and other receivables

At year-end, the following concentrations of credit risk existed with reference to trade and other receivables:

	2015 R'000	2014 R'000
Mangaung Local Municipality	91 442	56 655
Kopanong Local Municipality	94 763	63 114
Naledi Local Municipality	2 283	1 797
Other	4 424	2 338
	192 912	123 904

The carrying amount of financial assets represents the maximum credit exposure. The following accounts are exposed to credit risk at the reporting date:

Trade and other receivables	103 700	60 597
Short term investments	160 376	170 348
Cash and cash equivalents	133 188	159 185
Infrastructure project receivable	96 729	30 213
	493 993	420 343

A maturity analysis of trade receivables are set out in note 4.

15. Financial instruments *(continued)*

Interest rate risk

Interest rate risk arises from aspects of the entities namely, variable rate interest bearing loans and short term investments. Interest rate fluctuation will directly impact on the results of the entity. The following table identifies those financial instruments that are sensitive to interest rate re-price:

Variable rate interest bearing borrowings	*Interest rate per annum*	2015 R'000	2014 R'000
Variable rate interest bearing borrowings	7,78% to 8,13%	(33 728)	(40 697)

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2014.

	Increase in interest rate		*Decrease in interest rate*	
	2015 R'000	2014 R'000	2015 R'000	2014 R'000
Variable rate interest bearing borrowings	(337)	(407)	337	407

- Loans and borrowings to the value of R268 682 000 (2014: R250 259 000) are fixed interest rate loans. Therefore a change in interest rate at the reporting date would not affect the profit or loss.
- Short term investments to the value of R160 376 000 (2014: R170 348 000) are fixed interest rate investments. Therefore a change in the interest rate at the reporting date would not affect the profit or loss.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate with changing market prices whether caused by factors specific to the instrument or to general external market changes. The entity has no financial instruments which are affected by changing market prices.

Liquidity risk

Liquidity risk is the risk of the entity defaulting on its financial obligations as a result of insufficient funding capacity in relation to such obligations. The entity manages this risk through maintaining adequate working capital, planning and continuing re-planning of long term project costs and funding requirements.

15. Financial instruments *(continued)*

Maturity profile of financial liabilities

Apart from the long-term loans and borrowings, all the entity's financial assets and liabilities are expected to mature within a twelve-month period. The undiscounted contractual cash flows of the long-term liabilities are set out below:

	Within 12 months R'000	*Between 1 to 5 years* R'000	*More than 5 years* R'000
Nedbank	10 443	41 771	15 687
Nedbank	38 595	154 379	115 876
Development Bank of South Africa	1 845	7 381	1 843
Development Bank of South Africa	29 021	14 511	-
Sanlam	11 265	28 162	-
Total	91 169	246 204	133 406

The maturity of the contractual cash flows is the future undiscounted value.

Capital management

The overall objective of the entity's capital management strategy is to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. Long-term loans and cash reserves are managed through the process of reviewing all associated risks, including liquidity, credit and interest rate risks. It is also the policy of the entity to maintain a strong debt: equity as this plays an important role in the entity's credit rating which impacts positively on the cost of funding. Accumulated income is managed through a number of initiatives and processes including planning and budgeting for long-term growth, capital expansion and maintaining or improving cost efficiencies.

	2015 R'000	2014 R'000
Capital is monitored on the debt-to-adjusted-capital ratio.		
Total debt	509 152	431 637
Less: Cash and cash equivalents	(293 553)	(329 533)
Net debt	215 599	102 104
Total equity	855 070	812 934
Less: Subordinated debt instruments	-	-
Adjusted capital	855 070	812 934
Debt-to-adjusted-capital ratio	25%	13%

15. Financial instruments *(continued)*

Foreign currency

The entity is not exposed to foreign currency risk as no transactions in foreign currency are entered into.

Fair values

The carrying amounts of the financial assets and financial liabilities approximate their fair values.

Carrying amounts

Set out below are the carrying amounts of all the entity's financial instruments that are carried in the financial statements:

	2015 R'000	2014 R'000
Financial assets		
Trade and other receivables	103 700	60 597
Cash and cash equivalents	133 188	159 185
Short term investments	160 376	170 348
Infrastructure project receivable	96 729	30 213
	493 993	420 343
Financial liabilities		
Interest bearing loans and borrowings – non-current	233 046	221 371
Trade and other payables	99 120	42 017
Current portion of interest bearing borrowings	69 352	69 585
	401 518	332 973

16. Employee benefits

The entity provides retirement benefits for all its permanent employees through a funded defined benefit pension scheme that is subject to the Pension Funds Act, 1956 as amended.

The following tables summarise the components of net benefit expense recognised in the statement of comprehensive income and the funded status and amounts recognised in the statement of financial position for the respective plans:

Net benefit expense		
Current service cost	(12 115)	(10 634)
Interest cost on benefit obligation	(15 909)	(13 114)
Expected return on plan assets	16 168	10 081
Net actuarial gain / (loss) recognised in the year	(345)	(1 832)
	(12 201)	(15 499)

Notes to the financial statements

for the year ended 30 June 2015
(continued)

		2015 R'000	2014 R'000
16.	**Employee benefits *(continued)***		
	Present value of the defined benefit obligation	(192 503)	(164 556)
	Fair value of plan assets	184 900	160 369
	Surplus of plan obligations over plan assets	(7 603)	(4 187)
	Actuarial losses not recognised	34 009	24 999
	Defined benefit asset	26 406	20 812
	The principal actuarial assumptions used were:	%	%
	Discount rate	9,24	9,67
	Salary increase rate	7,71	8,15
	Expected rate of return on assets	9,24	9,67
	Inflation	6,71	7,15
	Post-retirement discount rate	2,36	2,35

	2015 R'000	2014 R'000
The assets of the fund as at the valuation date were invested as follows:		
Prudential Inflation Plus	64 022	45 032
Coronation Managed	54 528	60 958
Sanlam Absolute Return	64 863	44 085
Cash at bank	2 231	3 325
Sundry debtors	(100)	9 506
Sundry creditors	(644)	(2 537)
Total assets	184 900	160 369
Limits of the corridor:		
Unrecognised actuarial gains at 1 July	24 999	58 576
Limits of the corridor	(19 250)	(16 456)
Excess loss	14 759	8 544
Average remaining lifetime	25	25
Actuarial loss to be recognised	(591)	(345)

		2015 R'000	2014 R'000
16.	**Employee benefits *(continued)***		
	Benefit liability		
	Present value of the defined benefit obligation at 1 July	164 556	163 203
	Interest cost	15 909	13 114
	Current service cost	12 115	10 634
	Employee cost	4 528	3 626
	Benefits paid	(8 595)	(18 271)
	Risk premiums	-	-
	Actuarial loss not recognised	3 990	(7 750)
	Defined benefit liability	192 503	164 556
	Benefit asset		
	Fair value of the asset at 1 July	160 369	124 624
	Expected return on assets	16 168	10 081
	Contributions	22 323	19 941
	Benefits paid	(8 595)	(18 271)
	Actuarial gains / (losses) not recognised	(5 365)	23 994
	Present value of the asset	184 900	160 369

Sensitivity analysis

Assumed pension fund cost trends rates have a significant effect on the amounts recognised in profit or loss.
A one percentage point change in assumed pension fund cost trends rates would have the following effects:

	1% Increase R'000	Core assumption R'000	1% Decrease R'000
Effect on service cost	121	12 115	(121)
Effect on interest cost	159	15 909	(159)
Effect on defined benefit obligation	1 925	192 503	(1 925)

	2015 R'000	2014 R'000	2013 R'000	2012 R'000	2011 R'000
Present value of defined benefit obligation	(192 503)	(164 556)	(163 203)	(123 744)	(113 313)
Fair value of plan asset	184 900	160 369	124 624	95 025	83 098
	(7 603)	(4 187)	(38 579)	(28 719)	(30 215)

There have been no experience adjustments made.

17. Directors and key management emoluments

Non-executive directors with their remuneration for the financial year are as follows:

2015 *Board member*	*Board activity fees* R	*Expense allowance* R	*Total remuneration* R
Mr TB Phitsane	196 174	16 397	212 571
Ms P Matete	167 476	14 084	181 560
Mr MJ Besnaar	13 106	-	13 106
Adv LR Bomela	35 507	4 560	40 067
Dr MJ Ellman	94 242	4 014	98 256
Ms MSS Maboe Phike	112 366	13 353	125 719
Mr Z Mkiva	99 598	17 184	116 782
Mr N Mokhesi	41 403	4 876	46 279
Ms CM Phetwe	112 772	4 211	116 983
Mr DJC Sides	26 261	1 484	27 745
Dr J van der Merwe	101 770	20 898	122 668
	1 000 675	101 061	1 101 736

2014 *Board member*	*Board activity fees* R	*Expense allowance* R	*Total remuneration* R
Mr TB Phitsane	45 064	1 716	46 780
Adv LR Bomela	36 315	1 622	37 937
Ms MSS Maboe Phike	38 043	1 735	39 778
Mr N Mokhesi	33 155	5 586	38 741
Mr DJC Sides	40 467	1 287	41 754
Dr J van der Merwe	59 022	16 593	75 615
	252 066	28 539	280 605

17. Directors and key management emoluments *(continued)*

Key management personnel with their remuneration for the financial year are as follows:

2015 *Key management*	*Short term employee benefits* R	*Other long term benefits* R	*Incentive bonus* R	*Total remuneration* R
Dr L Moorosi	1 683 293	181 176	510 496	2 374 965
Mr OJ Stadler	1 397 665	210 265	406 686	2 014 616
Mr MD Kgwale	1 382 524	125 243	402 551	1 910 318
Mr E Gaoseb	78 848	2 688	-	81 536
Ms FKP Ntlemeza	667 332	54 863	-	722 195
Ms SL Meyer	1 456 136	101 905	387 816	1 945 857
Ms TP Kgantsi	1 320 673	247 749	396 009	1 964 431
	7 986 471	923 889	2 103 558	11 013 918

2014 *Key management*	*Short term employee benefits* R	*Other long term benefits* R	*Incentive bonus* R	*Total remuneration* R
Dr L Moorosi	1 504 026	181 176	106 121	1 791 323
Mr OJ Stadler	1 124 641	193 800	374 501	1 692 942
Mr MD Kgwale	1 234 135	121 256	383 606	1 738 997
Mr E Gaoseb	1 001 127	202 152	267 879	1 471 158
Ms FKP Ntlemeza	1 190 803	164 588	383 606	1 738 997
Ms SL Meyer	1 195 546	92 707	359 317	1 647 570
Ms TP Kgantsi	1 071 556	216 696	360 639	1 648 891
	8 321 834	1 172 375	2 235 669	11 729 878

Board meetings

Key management personnel are encouraged to attend board meetings. 7 Board meetings were held and attended as follows:

2015 *Board member*	*Board meetings attended*	*Board activities / committee meetings*
Mr TB Phitsane	7	14
Ms P Matete	7	14
Mr MJ Besnaar	1	1
Adv LR Bomela	4	7
Dr MJ Ellman	7	15
Ms MSS Maboe Phike	7	15
Mr Z Mkiva	6	10
Mr N Mokhesi	5	6
Ms CM Phetwe	7	10
Mr DJC Sides	0	6
Dr J van der Merwe	6	17

17. Directors and key management emoluments *(continued)*

2014 *Board member*	*Board meetings attended*	*Board activities / committee meetings*
Adv RL Bomela	5	8
Mr TB Phitsane	7	3
Ms MSS Maboe Phike	6	8
Mr N Mokhesi	6	7
Mr DJC Sides	-	12
Dr J van der Merwe	6	12

17.1 Number of employees

According to the payroll system the entity had 358 (2014: 327) permanent employees as at 30 June 2015.

18. Commitments and contingencies

	2015 R'000	2014 R'000
Commitments		
Estimated capital expenditure	269 247	243 252
Approved and contracted	114 519	25 400
Approved not yet contracted	154 728	217 852
The expenditure is expected to be incurred as follows:	269 247	243 252
Within one year	269 247	190 452
Between one and five years	-	52 800

Capital commitments, excluding interest capitalised, include all projects for which specific Board approval has been granted up to the reporting date. Projects still under investigation for which specific Board approval has not yet been granted are excluded.

The expenditure will be financed through general external borrowings, available cash resources and internally generated funds.

Guarantees

Guarantees amounting to R20 000 (2014: R20 000) was issued by First National Bank on behalf of Bloem Water. The guarantee will lapse in 2025. The beneficiary of these guarantees is Eskom.

Guarantees amounting to R80 000 (2014: R80 000) was issued by First National Bank on behalf of Bloem Water. The guarantees will lapse in 2025. The beneficiary of these guarantees is Centlec.

Notes to the financial statements

for the year ended 30 June 2015
(continued)

19. Related parties

Bloem Water purchases raw water from the Department of Water and Sanitation ("the Department"). All entities and directorates of the Department are seen as related parties to Bloem Water. Water sales are made to Municipalities in the Free State Province.

The Board members and key management, as identified in note 17, are considered related parties.

The following table provides the total amount of transactions, which have been entered into with related parties for the related financial year:

	2015 R'000	2014 R'000
Statement of comprehensive income		
Transactions with the Department of Water and Sanitation		
Water abstraction cost	18 025	19 319
Water research cost	4 341	3 872
Catchment management cost	496	398
Implementation fee received on infrastructure project with Department of Water and Sanitation.	22 942	16 411
Transactions with other related parties		
Electricity cost - Eskom and Centlec	87 645	75 443
Water sales to Municipalities	452 681	407 368
Board members' and key management emoluments are set out in note 17.		
Statement of financial position		
Amounts owed to The Department of Water and Sanitation	22 782	17 273
Amounts owed by Municipalities *(refer note 15)*	188 687	121 566
Deferred income recognised on Department of Water and Sanitation Grant	87 719	87 719
Infrastructure project receivable from Department of Water and Sanitation	96 729	30 213

20. Operating leases

The entity rents printing equipment under long term non-cancellable operating leases since January 2013.

Minimum future lease payments

Within one year	707	707
Two to five years	1 060	1 767
More than five years	-	-
	1 767	2 474

		2015 R'000	2014 R'000
21.	**Deferred income**		
	Department of Water and Sanitation	87 719	87 719
	This relates to a grant advanced to Bloem Water by the Department of Water and Sanitation to construct a pipeline between the Rustfontein Treatment Plant and Botshabelo and construction of Tabali – OK pipeline.		
22.	**Infrastructure project receivable**		
	Department of Water and Sanitation		
	Funds received from the Department of Water and Sanitation *(excluding VAT)*	(400 656)	(213 868)
	Funds utilised in respect of the project *(excluding VAT)*	458 032	227 670
	Implementation agent fee *(excluding VAT)*	39 353	16 411
	Funds advanced by Bloem Water in respect of the project	96 729	30 213
	Bloem Water has been appointed as an implementing agent by the Department of Water and Sanitation for the construction of public toilets and the eradication of the bucket system in the Free State.		
	Bloem Water is entitled to receive an implementation agent fee amounting to 10% of the construction fee incurred. The agent fees for the financial year amounted to R22,9 million (2014: R16,4 million) *(excluding VAT)*. The agent fee income is included in other income on the statement of comprehensive income.		
	In terms of the implementation agent agreement, the following funds have been committed.		
	Funds committed		
	Funds committed by Department of Water and Sanitation *(including VAT).*		
	2013/14	230 000	230 000
	2014/15	335 337	335 337
	2015/16	*	359 663
		565 337	925 000
	Funds received at year end *(including VAT).*	456 748	243 810

***** Funds committed for 2015/16 are in the process of finalization.

		2015 R'000	2014 R'000
22.	**Infrastructure project receivable *(continued)***		
	Funds utilised in respect of the project *(including VAT)*	522 134	259 544
	Implementing agent fee being 10% of construction cost *(including VAT)*	44 863	18 709

Subsequent to year-end, Bloem Water committed and incurred an amount of R 29,8 million on the project. These funds have not yet been refunded to Bloem Water by the Department of Water and Sanitation.

23. Events after the balance sheet date

There were no significant events that have occurred between the reporting date and the date of signing the financial statements.

24. Fruitless and wasteful expenditure

An investigation initiated by Executive Management to probe alleged irregularities in supplier contract payments commend during this financial year. Payments amounting to R 4,4 million has been processed against the contract. Of this amount, R 1,7 million has been incurred during the current financial and R 2,7 million during the prior year.

The executive management has suspended the implicated individuals pending the outcome of a detailed investigation into the matter. Potential fruitless and wasteful expenditure could have been incurred and will be determined following the outcome of the investigation.

25. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern.

26. Contingent liabilities

Bloem Water is involved in a number of pending labour arbitration matters. No liability has been recognised in the financial statements because management is of the view that the existence of the possible obligations will only be confirmed by the occurrence or non-occurrence of uncertain future events not within the control of Bloem Water. The possible financial impact of these matter is estimated at approximately R 2,8 million.

Detailed statement of comprehensive income

for the year ended 30 June 2015

Schedule not covered by audit opinion

	2015 R'000	2014 R'000
Revenue		
Bulk water sales	462 255	418 593
Water purchased	(23 323)	(23 337)
Water opening stock	1 590	1 338
Water closing stock	(1 728)	(1 590)
Water resource expenditure	23 461	23 589
Gross income	438 932	395 256
Other income	25 453	20 178
Implementation agent fee	22 942	16 411
Other income	2 183	4 125
Rental income	306	307
Profit / (loss) on sale of assets	22	(665)
Expenses		
Impairment of trade receivables	(34 754)	(15 213)
Chemicals	(18 899)	(14 826)
Depreciation	(52 508)	(47 209)
Distribution costs	(16 592)	(14 630)
Fuel costs	(6 324)	(5 392)
Vehicle and transport costs	(10 268)	(9 238)
Electricity	(87 645)	(75 443)
Repairs and maintenance	(14 523)	(12 437)
Staff costs	(140 790)	(116 553)
Leave accrual	(2 872)	(1 414)
Medical expenses	(5 923)	(4 674)
Salaries and wages	(123 250)	(104 922)
Training and development	(1 777)	(1 074)
Defined benefit expenses	(6 968)	(4 469)

Detailed statement of comprehensive income

for the year ended 30 June 2015
(continued)

Schedule not covered by audit opinion

	2015 R'000	2014 R'000
Other operating expenses	(66 971)	(56 516)
Advertising	600	713
Audit fees	1 459	1 323
Bank charges	131	105
Bursaries and donations	107	126
Cleaning costs	411	204
Computer and IT expenditure	4 410	4 615
Conference seminars and workshops costs	1 911	1 480
Consulting costs	1 784	4 037
Contractors	378	279
Courier and postage	6	9
General and administration expenses	1 916	766
Insurance	930	1 833
Legal and contract costs	2 365	2 505
Marketing costs	3 299	1 127
Printing and stationary	1 841	1 548
Programmes and initiatives	13 587	11 071
Protective clothing and uniforms	1 264	703
Relocation costs	61	99
Rent paid – heavy duty equipment	25	6
Safety and security	3 707	4 423
Infrastructure project – consultation expenses	20 818	14 434
Service contracts	339	153
Subscriptions licenses and membership fees	262	315
Telephone and fax	1 373	1 158
Tools and equipment	393	729
Travelling and stakeholder visits	3 594	2 756
Operating profit	31 703	62 607
Finance income	27 772	24 036
Finance expenses	(17 339)	(21 008)
Interest on bank loans and overdrafts	(17 299)	(20 989)
Other finance costs	(40)	(19)
Profit for the year	42 136	65 635
Total comprehensive income for the year	42 136	65 635

Report on Performance against the Strategic Plan 2014/15

DRIVERS	PERFORMANCE OBJECTIVE	OUTCOMES/IMPACT	INDICATORS	MEASURE	TARGET	ACTUAL	TARGET MET (√) / NOT MET (X)
Develop, operate and maintain infrastructure to ensure sustainable water service delivery	1.Water Quality compliance	Water Quality Standards met	Test results, SANS 241	% Compliance	96	**Modder River Region Overall:** Micro: 99.9% Chemical: 99.5% **Caledon River Region** Overall: Micro:99.6% Chemical: 99.9% **Orange River Region Overall** Micro: 99.15% Chemical: 99.9% **Overall Average:** Micro – 99.36% Chemical – 99.87%	√
Develop, operate and maintain infrastructure to ensure sustainable water service delivery	2. Non-Revenue water	Reduced levels of unaccounted for water (UAW)	Water lost as a % of total water produced	%	13%	**Caledon River Region** 11.08% **Orange River Region** 6.01% **Modder River Region** 7.52% **All Regions** **9.62%**	√
Securing the supply and quality of raw water sources	3. Reliability of Supply	No unplanned interruptions to supply exceeding 24 hours	Number of days supply disrupted divided by total number of possible supply days	%	2%	**0% interruptions** **Caledon River Region Average Reservoir Levels:** 1.Balancing Dam = 77.93% 2.De Hoek = 80.5% 3.Dewetsdorp = 73.96% 4.Uitkyk = 87.05% 5.Reddersburg = 65.29% 6.Edenburg = 52.19%	√

DRIVERS	PERFORMANCE OBJECTIVE	OUTCOMES/IMPACT	INDICATORS	MEASURE	TARGET	ACTUAL	TARGET MET (√) / NOT MET (X)
						7.Brandkop = 76.57% **Orange River Region Average Reservoir Levels:** 1.Bethulie = 79.03% 2.Springfontein = 59.8% 3.Trompsburg = 37.54% 4.Gariep = 86.60% 5.Jagersfontein = 73.01% 6.Philippolis = 53.52% **Modder River Region Average Reservoir Levels:** 1.Blydskap = 57.45% 2.Motlatla = 70.15% 3.Lesaka = 87.56% 4.OK = 74.43% 4.Tabali = 83.48% 5.Rustfontein = 82.53% 6.Groothoek = 70.10%	
Managing financial affairs to meet current and future obligations	4. Financial Reporting compliance	Unqualified audit report	Annual External Audit	Qualified/unqualified report	Unqualified	Unqualified	√
Achieving an aligned and efficient institution through optimization of all business processes and systems	5. Staff turnover	Optimal Staff Retention	% staff leaving	%	6%	4.78%	√
Achieving an aligned and efficient institution through optimization of all business processes and systems	6. Board member meeting attendance	Improved governance	Actual attendance	%	85%	81.33%	X 1
Develop, operate and maintain infrastructure to ensure sustainable water service delivery	7. Effective internal controls and risk management	Internal audit findings dealt with	Internal Audit reports	# repeat #unresolved	2 2	6 9	X 2
Engaging in strategic partnerships with all relevant stakeholders	8. Bulk supply agreements concluded with Municipalities/other customers	Statutory and Service level agreements in place	Municipalities/other customers with bulk supply agreements	%	100%	50%	X 3
Managing financial affairs to meet current and future obligations	9. Improve financial ratios	Improved viability and sustainability	Financial Ratio's	Refer Annexure A	Refer Annexure A	Refer Annexure A	√ 4
Managing financial affairs to meet current and future obligations	10. Increased BBBEE Spend	% of spend increased new entrants	Quarterly reports	% increase	10%	195.3%	√

DRIVERS	PERFORMANCE OBJECTIVE	OUTCOMES/IMPACT	INDICATORS	MEASURE	TARGET	ACTUAL	TARGET MET (√) / NOT MET (X)
				# new Entrants	35%	119	√
Managing financial affairs to meet current and future obligations	11. Manage cost within the approved budget	No over expenditure/losses	Financial reports	% variance	10%	12%	X 5
Develop, operate and maintain infrastructure to ensure sustainable water service delivery	12. Capital expenditure	Infrastructure available to meet demands	Overall project expenditure within R target	% variance	25%	49%	X 6
			Overall project completion dates within targets	% variance	25%	65.3%	X 7
Develop, operate and maintain infrastructure to ensure sustainable water service delivery infrastructure to ensure sustainable water service delivery	13. Increased access to services	Contribution to national objectives	CAPEX spend/projects	CAPEX spend or number of expansion projects	2	3	√
Managing financial affairs to meet current and future obligations	14. Engagement in Secondary activities	Extend of involvement	% of total turnover	% of total turnover	7%	9.8%	√
Engaging in strategic partnerships with all relevant stakeholders	15. Achieve Statutory Reporting Compliance	Reporting compliance achieved	Statutory submissions made on time	Submission dates met/missed	100%	100%	√
Develop, operate and maintain infrastructure to ensure sustainable water service delivery infrastructure to ensure sustainable water service delivery	16. Jobs created	Permanent and contract (direct)	Total number	Number	35	48	√
		Temporary (indirect)	Total number	Number	1900	662	X 8
Engaging in strategic partnerships with all relevant stakeholders	17. Corporate Social Responsibility	Good corporate citizenship	Number of initiatives	Number and R value	3 R9.1 million	5 R9.368 m	√
Achieving an aligned and efficient institution through optimization of all business processes and systems	18. Training and skill development	Skills and capacity building	Training Courses	# of courses	40	48	√
			Learner ships	# of Learner ships	18	18	√
			Bursaries	Total number	5	7	√
Managing financial affairs to meet current and future obligations	19. Good Governance	Improved controls and risk mitigation meetings	Breaches of materiality and significance framework	Number	0	0	√ 9
Develop, operate and maintain infrastructure to ensure sustainable water service delivery	20. Research and Development initiatives	Grow intellectual capacity	Number of initiatives	Number	2	2	√

Brief description of reasons for the non-achievement of the target performance objectives:

Bloem Water achieved 75% of the performance targets as set out in the Business Plan for the 2014/15 financial year. Eight (8) of the thirty-two (32) targets were not met as per the notes below:

1. The Board continues to facilitate good oversight. Even though the target of 85% was not achieved, the actual attendance of 81.33% is still reflective of Good Governance practices by the Board.

2. The target on effective internal controls were not met due to amongst other, pending asset- , supply chain management processes and IT policies which were not concluded during the year under review. The matters are pursued to improve the internal controls accordingly.

3. Service Level Agreements for Kopanong Local Municipality and Mantsopa Local Municipality are in place. There is on-going engagement with Naledi Local Municipality and Mangaung Metro to revise old contracts. It is envisaged that this will be concluded pending the extension of Mangaung Metro to include some other local municipalities in the service area.

4. All but one of the financial ratios was achieved. Debtor days were not achieved as a result of the higher overdue accounts by Kopanong and Naledi Municipalities. The Mangaung Metro Municipality account was paid after due date at financial year end.

5. Every effort was made to manage cost within the approved budget. The target was however not achieved and the variance is 12%, marginally above the target of 10%. Raw water charges were below the targeted expense mainly due to a decrease in abstraction from Groothoek dam affecting the expenses substantially. Depreciation is lower due to project values not capitalized and depreciated before it is operational. Staff costs are marginally lower as recruitment is done in a phased approach. The Bucket eradication programme was cancelled for the 3rd year and the anticipated expenditure did not materialize.

6. The project expenditure target was not met and the Board continues to support the project management office. The Executive: Engineering and Projects position was duly filled during the year and performance is improving accordingly.

7. The completion dates of projects were not within target due to the effect of multi-year projects. It became evident that a more realistic and phased approach is required to measure and track performance and completion of projects. The target for future years will be aligned accordingly.

8. The target for direct jobs created was achieved compared to the indirect job creation target which was not achieved. Contractual arrangements will be improved to increase targets, measuring and reporting of job creation on the various Bloem Water infra-structure projects.

9. No breaches can be reported within the materiality and significance framework of R19,7 million. There is however a current investigation into possible fruitless and wasteful expenditure during the current financial year to the value of R2,7 million pertaining a supplier contract. The outcome of the investigation is likely to confirm the breach and/or value of the breach.

Annexure A

RATIO'S 2014/15

RATIO	TARGET	ACTUAL	TARGET MET/ NOT MET	NOTE
Liquidity (current ratio)	1.1	4.05	√	Cash and cash equivalents increased from net cash inflow from operating and financing activities, exceeding outflow from investing activities.
Gross profit margin % (PA)	93%	95.44%	√	The net effect can be contributed to anticipated sale volumes, reduction in water losses, lower operation and maintenance expenditure and lower than anticipated tariff increases by the Department of Water and Sanitation.
Net profit margin % (PA)	0%	15.67%	√	The positive effect is due to the level of sale volumes, structuring of loan, improved raw water quality, lower expenditure on operations and maintenance and cost control efficiencies.
Debt/equity ratio	0.6	0.5	√	The increase in sales volumes and income improved the profit position. Loan funding aligned to reprioritized plan which is different than the anticipated plan.
Return on assets %	0.02%	6.52%	√	The sales volumes and income was in line with the budget and expenditure lower than anticipated, which resulted in higher income. CAPEX funds are committed for refurbishment/extension of existing infrastructure and will be paid in accordance with the project cash flows.
Debtors days	55.3	91.63	x	Higher overdue accounts by Kopanong and Naledi Local Municipalities. Mangaung Metro Municipality account was paid after due date at financial year end.
Gross profit margin % (Secon A)	2.63%	9%	√	Bloem Water was the Implementing Agent on the bucket eradication program of the Department of Water and Sanitation and the revenue generated and expenses were in accordance with the agreement.
Net profit margin % (Secon A)	1%	9%	√	Bloem Water was the Implementing Agent on the bucket eradication program of the Department of Water and Sanitation and the revenue generated and expenses were in accordance with the agreement.

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