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bloemwater ANNUAL REPORT • 2018

2017/2018

**ANNUAL
REPORT**

BLOEM WATER ANNUAL REPORT

2017/18

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Abbreviations & Acronyms

AGSA	Auditor-General of South Africa
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 Procedure
HCD	Human Capital Development
ABET	Adult Basic Education and Training
IWA	International Water Association
ICT	Information and Communication Technology
WRC	Water Research Council
WSP	Water Safety Plan
IoDSA	Institute of Directors in Southern Africa
SANS	South African National Standards
ACIP	Accelerated Community Infrastructure Programme
MIW	Municipal Water Infrastructure Grant
RBIG	Regional Bulk Infrastructure Grant
MIG	Municipal Infrastructure Grant
MFMA	Municipal Financial Management Act
WSA	Water Services Authority
NT	National Treasury
EWSETA	Energy and Water Sector Education and Training Authority

ASB	Accounting Standards Board
MoU	Memorandum of Understanding
SCADA	Supervisory Control and Data Acquisition
TPTTP	Taking Parliament to the People
SAGAAP	South African Statements of Generally Accepted Accounting Practice
CUT	Central University of Technology
UFS	University of Free State
TVET	Technical and Vocational Education and Training

PART A: GENERAL INFORMATION

1. Foreword by the Minister



Mr. Gugile Nkwinti Minister
of Water and Sanitation

The Department of Water and Sanitation has currently been focusing on realignment with its main Stakeholders and Entities. It was my pleasure to have visited Bloem Water and the Mangaung Metro on the 09 June 2018 as part of the drive to assess the progress made in taking forward the cause of changing people's lives about Water and Sanitation

services. While it can be acknowledged that it is impossible to eradicate the consequences of the past in a short time, the Department strives to look at the most viable delivery models to address the intended social objectives.

The development of the Five Pillar Turn-Around Strategy and the streamlining of the Department's organogram are one of the vehicles being considered for advancing this purpose.

The War on Leaks program is continuing to contribute to job creation as well as addressing the mishaps of the past in the water and sanitation sector. Water Boards are also participating in making this initiative a success.

On economic transformation of the sector, there has been an instruction to the entities to align themselves with the intended outcomes by making sure that they review their delegations of authority towards rebuilding and reactivating the government's share equity regime in which 30% should be for the benefit of historically disadvantaged individuals,

Some of the initiatives towards achieving more with less have been through engaging the National Treasury, and the Department of Cooperative Governance and Traditional Affairs (COGTA) to address the challenges of non-payment by Municipalities for the bulk water supplied by the Water

Boards. This non-payment is negatively affecting the sustainability of these entities in ensuring proper delivery of bulk water and sanitation services.

With a view to enable collective identification and ownership of provincial priorities of water and sanitation services, I decided to establish the Provincial Joint Tactical Centres (PJTCs), These structures will ensure effective and efficient coordination of planning, implementation, monitoring and evaluation as well as reporting to improve service delivery. It has been for this reason that I humbly requested the Premiers of the Provinces to mandate the MEC's for Local Government to facilitate these meetings.

The Department of Water and Sanitation acknowledges Bloem Water's Twinning Programme with other Water Boards in the SADC region in sharing ideas in the sector. The Entity's unique Social Responsibility Programme of Health and Hygiene in schools responds proactively to the Presidential call to promote Sanitation in schools.

It is with gratitude to commend the Board for the oversight role it plays in ensuring good governance practices within the entity thus achieving its goals as set out in the Shareholders Compact.

Mr Gugile Nkwinti
Minister of Water and Sanitation

2. Organisational Profile

During the year 1991 the then Department of Water Affairs established Bloem Area Water Board with the aim to operate the Caledon/Bloemfontein Government Water Scheme as well as supplying water to the Municipal areas of Bloemfontein, Bainsvlei, Bloemspruit, Botshabelo and Dewetsdorp. Through a consultative process the name was changed to Bloem Water and officially gazetted in 1994 to operate and account its activities in accordance with the Water Services Act with its Head Office located in Bloemfontein.

Bloem Water in terms of the Public Finance Management Act (PFMA), Act No. 1 of 1999, as amended, is listed as a Schedule 3B National Government Business Enterprise which reports to the Minister of Water and Sanitation as the Executive Authority, through the Board as the Accounting Authority.

During its 25 years of existence, Bloem Water has extended its area of service to include towns in the Southern Free State: Bethulie and Philippolis followed by Thaba 'Nchu district, a former homeland with 42 rural villages, located 65 km east of Bloemfontein and lastly Excelsior, located in the Eastern Free State as depicted in the maps below. Currently it continues to service a population in excess of 1.2 million.

The seven (7) water treatment works that are operated in the regions namely: Modder River, Caledon River and Orange River are located within the Water Service Authorities (Municipalities): Mangaung Metropolitan Municipality, Mantsopa Local Municipality and Kopanong Local Municipality.

Registered Name: BLOEM WATER

Registered No:

PHYSICAL ADDRESS: 2Mzuzu Street
Pellissier
Bloemfontein

POSTAL ADDRESS: P.O. Box 30121
9322
Bloemfontein
Free State
South Africa

Telephone No.: (051) 403-0800

FAX NUMBER: (051) 422-5333

e-mail: admin@bloemwater.co.za

website: www.bloemwater.co.za

External Auditors: Auditor-General of SA

Bankers: First National Bank

Company Secretary: Ms. M Silevu

3. Bloem Water Activities

Whilst Section 29 of the Water Services Act stipulates the primary activities of Water Boards to provide bulk water services to other water services institutions in its jurisdiction, Section 30 of the Act, makes provision for Bloem Water to perform other activities (secondary), provided these activities do not negatively impact the entity’s ability to perform its primary activities.

These secondary activities are aimed to promote cooperation in the provision of water services to the end-users who do not use water for household purposes, providing catchment management services as well as providing water services in joint ventures with water services authorities and performing water conservation functions.

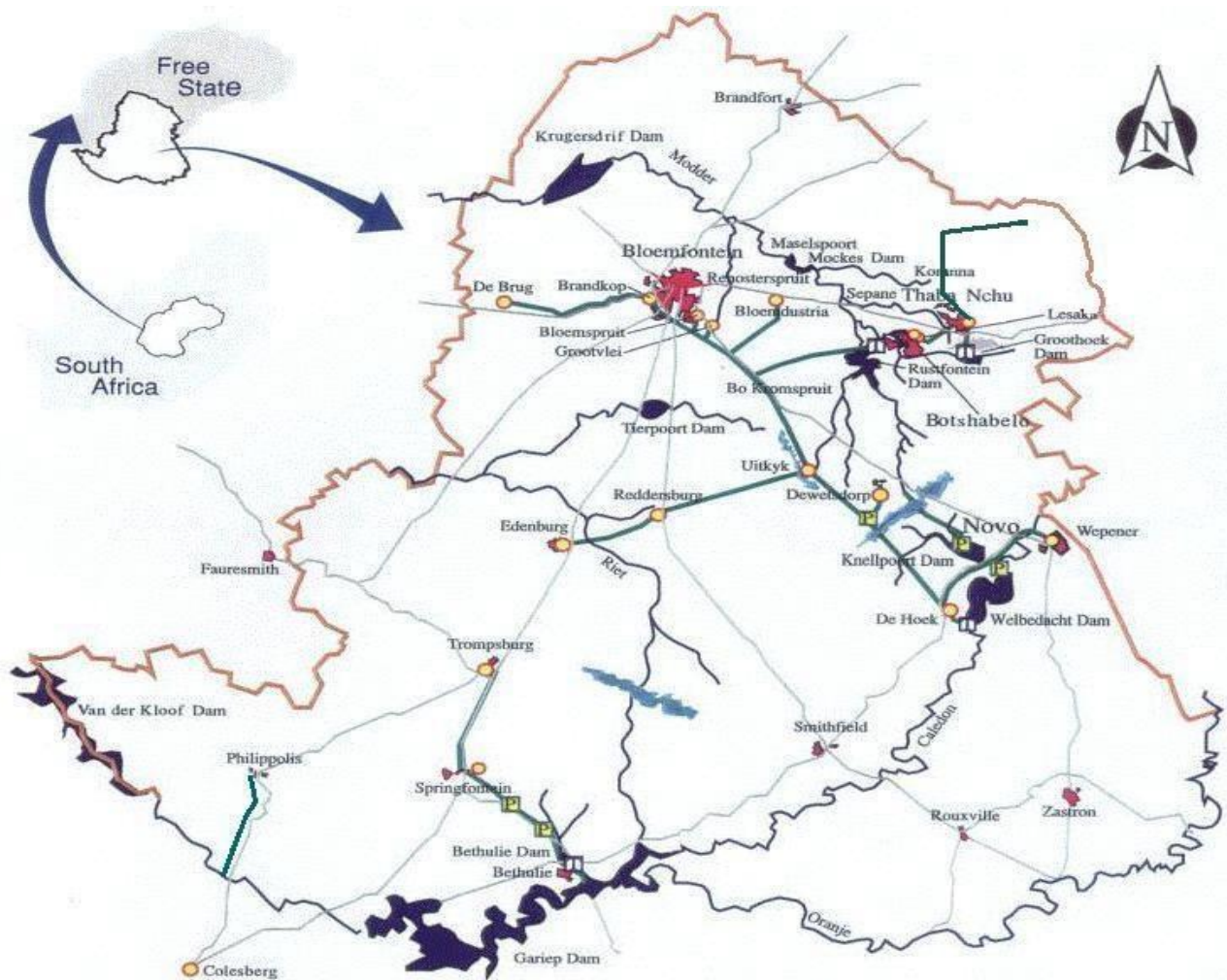


Figure 1: Area of Service

4. Legislative and Other Mandates

Section 28(1)(a) of the Water Service Act No 108 of 1997 gives the mandate to State Owned Entities such as Bloem Water to provide bulk water services to other water services institutions in their service areas. As a Schedule 3B entity, i.e. a National Government Business Enterprise, Bloem Water operates within the parameters of the Public Finance Management Act No 1 of 1999 as amended by Act 29 of 1999, National Treasury Regulations and the Municipal Finance Management Act, No 56 of 2003. Through the Chairperson of the Board and the Chief Executive, the Organisation reports to the Minister of Water and Sanitation, as its Executive Authority.

While the list is not exhaustive, Bloem Water operates under the following legislation:

The Constitution of the Republic of South Africa: The right of access to sufficient water is accorded to everyone in Section 27(1)(b) of the Constitution, which states that everyone has the right to have access to sufficient water. Section 27(2) requires the State to take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of the right.

The Water Services Act. Act No. 108 of 1997 makes provision for an institutional framework for the delivery of water supplies and sanitation and recognises the right of access to basic water supply and sanitation necessary to secure sufficient water and an environment not harmful to health or wellbeing.

The National Water Act, Act No. 36 of 1998 shifts emphasis from supply management to demand management as an approach to water management and seeks to conserve the nation's water resources by lessening demand through pricing mechanisms and other innovative means. The Act further declares the National Government to be the public trustee of the nation's water resources to ensure the sustainable and equitable use, management and conservation of water resources. The Act prioritises socio-economic needs, which include the right of access to sufficient water.

The provisions of the **Shareholder Compact** documents the mandated key performance measures and indicators to be attained by the public entity as agreed between the Accounting Authority and the Executive Authority. The Shareholder Compact in the context of Bloem Water and the Executive Authority comprises the agreed principles and the key performance objectives, measures and indicators.

The Public Finance Management Act (No.1 of 1999 as amended by Act 29 of 1999) (PFMA) promotes sound financial governance in all spheres and levels of government to ensure a strategic approach to budgeting and financial management. It provides guidelines that must be upheld and implemented for the realisation of good governance. Bloem Water is a Schedule 3B Public Entity and is required to uphold the requirements of the PFMA and the associated National Treasury Regulations. In the year under review, Bloem Water actively tracked compliance with the PFMA quarterly, and confirms compliance with both the PFMA and the National Treasury Regulations.

The entity also complies with the following:

- Companies Act No. 71 of 2008;
 - King IV Report on Corporate Governance;
 - Protocol on Corporate Governance in the public sector; and all other applicable laws of the Republic of South Africa.
-

WATER RELATED GOVERNMENT STRATEGIES AND PLANS

- Water Resource Management Strategy
 - National Development Plan (NDP)
 - Social Development Principles
 - Greater Bloemfontein Reconciliation Strategy study
-

5. Foreword by the Chairperson



Mr TB Phitsane
Chairperson of the Board

and being an accessible and high performing public entity impacting positively on society, the economy and the environment.

The Organisation remained a beacon of hope for many in ensuring that it kept the need for water at the forefront of its mission. It is therefore befitting that Bloem Water is often recognised as one of the best models of water provision in the world. Such an accolade is not taken for granted and will continue to guarantee excellence to those requiring the services. The track record of consistent performance has once again been noted at the Organisation's briefing to the Portfolio Committee on Water and Sanitation.

Bloem Water is cognisant of the crucial role it plays in its area of jurisdiction and appreciates the recognition of laudable efforts and prudent financial management by its stakeholders. Customers are always assured of keen focus on innovation and technology to enhance performance in the water sector going forward.

The Entity has continued its involvement in the Provincial Joint Tactical Centres set up by the Minister as well as initiatives by Parliament, of Taking Parliament to the People (TPTTP). These Committees focus on tracking matters relating to access to water and sanitation thus improving the service available to those who most need it. Bloem Water has also continued to discuss the innovative ways of the provision of water globally, through its sustained collaboration with other role players in the SADC Region such as Northern Region Water Board in Malawi and WASCO in Lesotho. It is also contributing to the Country's endeavour to achieve Sustainable Development Goal 6 as a global reality by 2030.

It is once more, a pleasure to report on Bloem Water's performance for the past financial year 2017/18. The consistent performance of the Entity is a result of keeping the core work of the Organisation in ensuring provision of water services for life as a central part of everyday activities. Bloem Water continued to implement its Business Plan 2017-2022, focusing on serving its customers

Bloem Water has also received recognitions for the high-quality standards of water supply and good governance at local and International gatherings. Amongst awards received are the one held in London, United Kingdom on the 26-27 November 2017 and in New York, United State of America on the 27-28 May 2018.

I remain immensely proud to have represented Bloem Water at these forums, ensuring that the future is built such that sustainability of the water sector is the norm domestically, continentally and globally.

The Board continued to be appreciative of the ongoing support and guidance received from the Minister of Water and Sanitation as well as his office. The Regional Office also deserves applause; without its dedication and hard work, we certainly would not be the high-performing organisation we are today.

The Board is immensely grateful to Bloem Water's Chief Executive, and the committed Executive Management team that supports her to achieve the vision for the entity. The staff at -Head Office, and the Regional Offices also deserve applause; without their dedication and hard work we certainly would not be high-performing organisation we are today.

Finally, I would like to thank the Board of Bloem Water for its continued support and commitment to the essential work of the entity, including Mr. Mokhesi whose term expired in March 2018.

The Board suffered a loss of one of its valuable members, Dr Johan van der Merwe, who passed away in November 2017. We will forever be indebted to his family for having shared him with us for many years.

It is undoubted that the Board joins me in remaining proud Water Ambassadors. I look forward to Bloem Water's continued growth and maturity as we reach the end of our term of office.



Mr. TB Phitsane
Chairperson of the Board



The Board

Mr. TB Phitsane

Chairperson of the Board



Ms. P Matete

Deputy Chairperson of the Board



Mr. N Mokhesi



Dr. J Van der Merwe



Ms. MSS Maboe



Adv. LR Bomela



Dr. MJ Ellman



Ms. CM Mahlakhlaka



Mr. Z Mkiva

Board Members' Profiles



Chairperson of the Board

APPOINTED: APRIL 2014 – MARCH 2018 (EXTENDED UNTIL SEPTEMBER 2018)

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

He is a former Educator, a former Director: Human Resources Management, a former Deputy Secretary (Deputy CEO): Corporate Services and a former CEO of the Free State Legislature. Mr. T.B Phitsane is a member of the Institute of Directors in Southern Africa. He is former member of the Permit Board of Transport, former member of PACC in the Free State, a former Chairperson of Sedibeng Water Board, a former Deputy Chair of Free State Development Corporation, a former member of PRASA Board of Directors and a

Chair of subcommittee of

Mr. TB Phitsane

REMCO, a former member of the Sanlam Board of Trustees.

His core skills relate to varied knowledge of all scripts of laws PFMA, MFMA, LRA, BCOEA, EECA, WSA and understanding of other relevant Laws and regulations with regard to Corporate Governance, Board Effectiveness, Public Administration and Governance, Service Delivery and Budget Implementation and Performance Management Systems, Policy Development and Analysis, Training and Development, Public Finance, Supply Chain and Asset Management. He is currently a renowned businessman directing multiple companies specialising in construction, property development and investment, farming both livestock and game.

Deputy Chairperson of the Board

Appointed: April 2014 – March 2018 (Extended until September 2018)

BA Honours (Geography & Environmental Studies). 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.



Ms. P MATETE

Chairperson of the Audit Committee

Appointed: April 2014 – March 2018

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

He is 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.

Mr. N MOKHESI

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 2007 and in 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.

Appointed: April 2014 – March 2018 (Extended until September 2018)



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 (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.

Systems and Control Association

Ms. CM Mahlakahlaka

Chairperson of the Capital Projects and Fixed Assets Committee

Appointed: April 2014 – March 2018 (Extended until September 2018)

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).



Dr MJ Ellman

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 2018; Non-Executive Director: Trans-Caledon Tunnel Authority (TCTA), 2015 to Present; Non-Executive Director: International Electro Technical 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, electro technical 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.

APPOINTED: APRIL 2014 AND EXTENDED UNTIL SEPTEMBER 2018

BSc EDUCATION, MA (COUNSELING)



Ms. Maboe is currently an Independent Consultant with employment and management experience ranging from the academic to government spheres. She was a Head of Department for Social Development: Free State Province, Municipal Manager to 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 (UFS) QwaQwa Campus and Manager: Student Housing at the former Peninsula Technikon. She is an Assessor registered with EDTD SETA.

She has a leadership qualification in Executive Municipal Management from UFS, a MA Degree with a Major in University of Northern IOWA, USA and a BSc Ed Degree from the University of as the University of Bophuthatswana. She is a Psychologist by profession and is

Counselling from the North West formerly known

Ms. MSS Maboe

serving on Bloem Water Board and has served on other boards including the Free State Development Corporation (FDC) and Sedibeng Water. Ms. Maboe has served in Mediation and Conflict Resolution roles and has received training in the same area through the Department of International Relations and Cooperation (DIRCO). She has participated in many other forums. 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), Southern African Fundraising Institute (SAIF). She is also a Co-Director of



Appointed: April 2014 – March 2018 (Extended until September 2018)

BA Social Science) and Honors 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, Colombia. Zolani Mkiva is an organic intellectual who has authored and

Mr. Z Mkiva

Libya, Venezuela, Swaziland, 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.

APPOINTED: APRIL 2014 AND EXTENDED UNTIL SEPTEMBER 2018

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 LR Bomela

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.

6. Chief Executive's Overview



Dr L Moorosi
Chief Executive

The year under review experienced a slight improvement of rainfall towards the end. However, drought remained the biggest threat in the Free State Province and the Organisation suffered the impact of the water restrictions and the related charges thereof which negatively affected the water value chain.

Sound financial management remained sacrosanct in discharging Bloem Water's mandate during the year 2017/18. Thus, the entity remained a going concern despite being confronted with challenges which had a negative impact on its revenue. The inability to pay was aggravated by the turmoil which prevailed, and continues to prevail, in the Municipalities' finances across the Country.

As it is imperative to practice prudent financial behaviour whatever the circumstances, Bloem Water embarked on austerity measures to maintain efficiency in discharging its mandate. Capital projects were reprioritised and aggressive recovery techniques which included approaching courts of law were employed. Normal operational activities had to be reviewed to provide for the austerity measures introduced.

The Organization once more retained its unqualified audit report in the year under review as has been the trend for the past six years.

Water disruptions were barely contained due to Pipe Bursts, thus requiring total replacement of the aged and ageing infrastructure. However, with the financial discipline demonstrated by the entire Organisation, reprioritisation and restructuring of capital projects were successfully implemented and a further downturn averted.

Nevertheless, it was not all doom and gloom for the Entity as the recommissioning of Grootoek Plant was realised in the financial year. Re-operationalisation of this Plant augmented and enhanced water supply to rural areas of Thaba-Nchu and its surroundings.

The Plant also eased the pressure on the current aged and ageing infrastructure. With regard to overall water distribution Bloem Water has produced excellent quality water beyond the expected target of the Shareholder Compact of 96%.

During this year under review, the engagements were stepped up with the twinning partner - Northern Region Water Board (NRWB) Malawi; the Free State Provincial Government joined

Bloem Water in the visit to Malawi to learn about rural water initiatives and to promote professional exchanges and benchmarking.

To enhance skills development, the Entity has also partnered with Institutions of higher Learning such as Central University of Technology (CUT), University of the Free State and Motheo TVET. Capacity building continued in response to our training Plan and EW-SETA was the main partner in technical training.

Important stakeholder relations were forged with the Provincial Government and it resulted in positive interventions with regard to the non-payment by the Municipalities. The Premier together with other stakeholders resolved that there be strict compliance with regards to payment of bulk water services.

In response to on-going community unrest due to water restrictions, Bloem Water intensified security by upgrading its infrastructure and systems. Staff safety and security remained a priority to the discharge of Bloem Water's mandate; hence several security initiatives have also been put in place.

My sincere gratitude goes to the Shareholder, and the Chairperson and the Board for the outstanding guidance and support throughout the year.

My appreciation is also extended to the Executive Management team and the entire staff of Bloem Water for the dedication and commitment in the course of delivering an important service: water. This also goes for all the stakeholders for ever putting us on the right track!



DR L MOOROSI
CHIEF EXECUTIVE

7. Statement of Responsibility and Confirmation of accuracy for the Annual Report

To the best of our knowledge and belief, Bloem Water hereby confirms the following:

All information and amounts disclosed in this annual report are consistent with the Annual Financial Statements audited by the Auditor General of South Africa as our External Auditors.

This Annual Report, covering the activities and results of Bloem Water for the period 1 July 2017 to 30 June 2018 is complete, accurate and free of any omissions.

The Annual Report has been prepared in accordance with the guidelines on annual reports as issued by National Treasury and the requirements of the Public Finance Management Act (No 1 of 1999) (PFMA), as well as in accordance with the recommendations of the King IV Report on Corporate Governance.

The Annual Financial Statements (Part E) have been prepared in accordance with the 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), applicable to the public entity. The Financial Statements are based on appropriate accounting policies consistently applied and supported by reasonable, prudent judgements and estimates.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made in this information.

The Accounting Authority is responsible for establishing and implementing a system of internal controls that has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, this Annual Report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the entity for the financial year ended 31 June 2018.

This Annual Report was approved by the Board and signed on their behalf by the following authorized representatives of the Board.

Yours faithfully



Dr L Moorosi
Chief Executive Officer



Mr. TB Phitsane
Chairperson of the Board

8. Executive Management



Dr. L Moorosi - Chief Executive



Mr. M Rapudungoane

Executive: Operations & Maintenance



Mr. TS Ngubeni

Executive: Projects and Engineering



Mr. OJ Stadler

Chief Financial Office



Ms. NA Motlhaolwa

Executive: Corporate Support



Ms. SL Meyer

Executive: Human Resources



Ms. NP Maduba-Silevu

Company Secretary

9. Strategic Overview

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 and Objectives

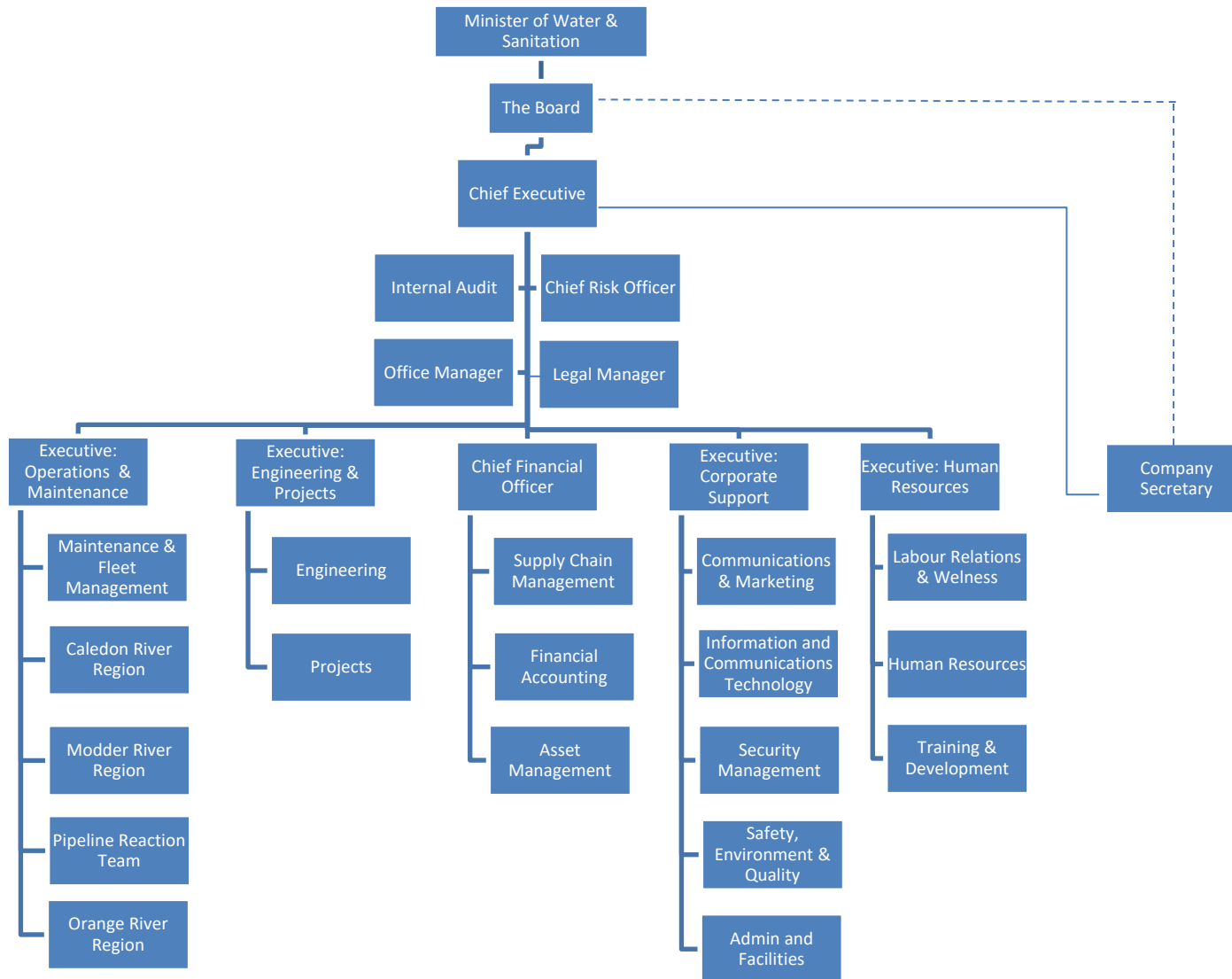
- Develop, operate and maintain infrastructure to ensure sustainable water service delivery.
- Manage financial affairs to meet current and future obligations.
- Securing the supply and quality of raw water resources.
- Achieving an aligned and efficient institution through optimization of all business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

Bloem Water Strategies

For the 2017/18 financial year, Bloem Water continued adopting the following strategies

1. Expand and grow the business in line with the Regional Water Utility approach implemented in the sector via DWS Institutional Reform and Realignment Project by expanding to areas not previously serviced within the Region.
2. Develop a sound long-term financing strategy, mindful of the growth strategy, which will incorporate aggressive pursuit and channelling of grant and other national funding for water infrastructure.
3. Develop and implement a strategic asset management strategy and infrastructure plan to improve decisions on asset investment, maintenance, disposal and replacement.
4. Implement a marketing plan that is fully integrated with a communication plan to create brand awareness, coordinate communication efforts and create competitive advantage.
5. Optimise skills and expertise to create an institution capable of attracting and retaining skilled people, with training and development programs based on skills gaps.
6. Stakeholder engagement is central to the organisation's effectiveness. Improve stakeholder management and partnerships with all stakeholders within the value chain through benchmarking; knowledge sharing, and skills transfer with its stakeholders.

10. Organisational Structure



PART B: PERFORMANCE INFORMATION

1. Auditor-General's report on Predetermined Objectives

The Auditor General of South Africa currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. The audit conclusion on the performance against predetermined objectives is included in the report to Management, with material findings being reported under the Predetermined Objectives heading in the Report on other legal and regulatory requirements section of the Auditor-General's report on page **104**

2. Situational Analysis

During the period under review Bloem Water was confronted with several situations which impacted on its core mandate of delivering bulk quality water. Amongst others, challenges were experienced in the areas of drought, non-payment and on-going ageing infrastructure which adversely affected the funding of key activities of the entity.

2.1. Service Delivery Environment

Drought

The impact of climate change continues to have an adverse effect on rainfall that resulted in most dams within the area of supply presenting with levels below 50%. However, the rainfall patterns improved during the latter part of the financial year, allowing the water restrictions of 30% imposed by the Department of Water and Sanitation over the last three years to be reduced to 20% during November 2017. This facilitated in managing water usage to align supply and demand in the Mangaung Metro and the surrounding local Municipalities.

Non-payment

The Municipalities failed to adhere to their committed payment plans on arrears and payment of current accounts, despite due processes followed. The entity continues to experience a challenge of non-payment by respective Municipalities for services rendered, thus putting a huge strain on the finances of Bloem Water. The Organisation had to continue rendering the services under the untenable circumstances and accordingly had to defer some key projects. The various intergovernmental relation measures that were followed to pursue the challenges of non-payment have not been successful.

Refer to note 4 Trade and Other Receivables in the Annual Financial Statements for detailed disclosure.

Drought tariff dispute

Bloem Water implemented a drought tariff as approved by the Minister of Water and Sanitation to mitigate the impact of reduction in volumes due to the ongoing drought and the increase in unit cost due to fixed costs, overheads and CAPEX requirements. However, one of the Municipalities declared a dispute regarding the implementation of the drought tariff. Unfortunately, the ongoing dispute is impacting on operational expenses, among others, key projects that had to be deferred due to unsecured funding. Several processes were followed to resolve the dispute which included relevant Departments, Intergovernmental Relations and dedicated legislative processes.

2.2. Status of Infrastructure

In mitigating the challenges of ageing infrastructure, the entity has continued to do condition assessment of infrastructure that resulted in implementation of various programmes such as the winter maintenance and refurbishment programmes. The Department of Water and Sanitation has therefore provided funding for Phase 1 of the main project to augment supply from the current impaired main pipeline. The project will assist in uninterrupted water supply to Municipalities and will also allow Bloem Water to refurbish the Pre-Stressed Concrete Pipeline affected. The Xhariep pipeline is another project funded by the Shareholder for augmentation of water to all the areas of supply and is currently under feasibility study.

The implementation of CAPEX in Bloem Water is undertaken in accordance with the Reconciliation Study which was agreed by all stakeholders.

2.3. Organisational Environment

The stressful environment reported in the previous year continued in the present year with minor abatement. Bloem Water recorded some measure of success in some areas which contributed to the pressure exerted. The end of the year saw a good measure of rainfall which counteracted the effects of drought on the Entity's distribution and demand capacities. On debtor payments, Bloem Water experienced mixed fortunes, with movements on two of its bigger accounts. One Municipality recorded some success in that it largely adhered to its payment plan on both outstanding and current accounts while with the other the situation of non-payment deteriorated drastically.

The overall situation though, is still precarious and places Bloem Water's existence under threat. This situation has prompted Bloem Water to intensify efforts by adopting combative measures to preserve its very existence. The year saw the entity fervently going into overdrive in employing all debt recovery measures open to it. Bloem Water invoked all legislative provisions and intensified collaboration with all stakeholders concerned in its quest to persuade the debtors to settle accounts. All these efforts resulted in mitigation of the adverse effects non-payment had on operations and capital projects funding.

Despite all the challenges Bloem Water faced, it was able to achieve 82% of the predetermined objectives planned for the 2017/18 financial year according to the Shareholder's Compact.

2.4. Key policy developments and legislative changes

The Board considered the implementation of Directive 12 as issued by the Accounting Standards Board (ASB). The effective date for application of the Directive is financial periods commencing on or after 1 April 2018. The entity conducted an in-depth analysis and benchmarking exercise of the criteria as per directive 12 and concluded that Bloem Water will implement GRAP as a reporting Framework from 1/7/2018. Refer to note 1.2 of the Annual Financial Statements for detailed disclosure. Other financial reporting developments in accounting standards are duly reflected in the notes to the Financial Statements.

The amalgamation process on the Water Acts by the Department of Water and Sanitation is still in progress and will be applied once promulgated.

The entity complies with the recent changes to the Basic Conditions of Employment Act relating to Temporary Employment Services (TES).

2.5. Strategic Outcome Oriented Goals

Bloem Water conforms to the Performance Objectives as contracted between the Board and the Minister as Executive Authority and agreed in the Shareholders Compact for the 2017/18 financial year. Progress on the Strategic Objectives which are linked to the Government priorities as set out in the table below are reported to the Minister on a quarterly basis.

BLOEM WATER OBJECTIVES		MINISTERIAL OUTCOMES		DEPARTMENT OF WATER & SANITATION GOALS	
SO1	Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	1.	Enhanced and protected water as a resource across the value chain
				1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	1.2	Enhanced management of water and sanitation information
		MOD	Responsive, accountable, effective and efficient local Government system	1.3	The integrity of freshwater ecosystems protected
1.4	Enhanced water uses efficiency and management of water quantity				
SO2	Manage financial affairs to meet current and future obligations	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	2.	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services
				2.1	A coordinated approach to water and sanitation infrastructure planning and monitoring and evaluation
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services
		MOD	Responsive, accountable, effective and efficient local Government system	2.3	Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services
				2.4	Safe, reliable and sustainable water supply and water and sanitation services infrastructure
				2.5	Enhanced provision of sustainable and dignified basic sanitation

SO3	Securing of supply and quality of raw water resources	MOB	Contribute to an efficient, competitive and responsive economic infrastructure network	3.	An enhanced contribution to socio-economic development and transformation by the sector
				3.1	Equitable water allocation and availability for socio-economic development
		MOA	Environmental assets and natural resources that are well protected and continually enhanced	3.2	Targeted rural development initiatives that support smallholder farmers
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	3.3	Targeted procurement that supports black entrepreneurs in the sector
		MOG	Vibrant, equitable and sustainable rural communities	3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups
SO4	Achieving an aligned, effective and efficient Institution through optimisation of all business processes and systems	MOE	Decent employment through inclusive economic growth	4.	An efficient, effective and development orientated water and sanitation sector
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	4.1	An enabling environment for the management of water resources and the provision of basic water and sanitation services
		MOG	Vibrant, equitable and sustainable rural communities	4.2	Sound governance and oversight of the DWS Public Entities
		MOC	Sustainable human settlements and improved quality of household life	4.3	An efficient, effective and high performing organisation
				4.4	Coordinated development of the skills pool across the sector
S05	Engaging and strengthening strategic partnerships with all relevant stakeholders	MOE	Decent employment through inclusive economic growth	5.	Sound Cooperative partnership and engaged citizenry
		MOF	Create a better South Africa and contribute to a better and safer Africa and world	5.1	Targeted and sustained African and global cooperation in support water and sanitation agenda
		MOG	Vibrant, equitable and sustainable rural communities	5.2	Informed and empowered communities and responsive government securing integrated and sustainable partnerships to support the water and sanitation development agenda

Table 1: Contributions to the Government Outcomes

No.	Strategic outcome goals	DWS Strategic Objective <i>(from 2017/18 to 2019/20 APP Plan)</i>		Aligned Bloem Water strategic objective	
Ministerial Outcome A	Environmental Assets and natural resources that are well protected and continually enhanced	Goal 1	Enhanced and protected water as a resource across the value chain	SO 1	Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery
Output 1	Enhanced quality and quantity of water resources	SO 1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring and enforcement		
		SO 1.2	Enhanced management of water and sanitation information		
		SO 1.3	The integrity of freshwater ecosystems protected		
		SO 1.4	Enhanced water uses efficiency and management of water quantity		
		SO 1.5	Freshwater ecosystems protected from mine water impacts		
Ministerial Outcome B	Contribution to an efficient, competitive and responsive economic infrastructure network	Goal 2	Equitable access to reliable, sustainable and acceptable water resources and water and sanitation services	SO 2	Manage financial affairs to meet current and future obligations
Output 2	Ensuring the maintenance and supply availability of our bulk water infrastructure	SO 2.1	A coordinated approach to water and sanitation infrastructure planning and monitoring and evaluation		
		SO, 2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services		
		SO 2.3	Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services		
		SO 2.4	Safe, reliable and sustainable water supply and water and sanitation services infrastructure		

			Enhanced provision of sustainable and dignified basic sanitation		
No.	Strategic outcome goals	DWS Strategic Objective <i>(from 2017/18 to 2019/20 APP Plan)</i>			Organisational alignment to the strategic objective
Ministerial Outcome C	Sustainable human settlements and improved quality of household life	Goal 3	An enhanced contribution to socio-economic development and transformation by the sector	SO 3	Securing of supply and quality of raw water resources
		SO, 3.1	Equitable water allocation and availability for socio-economic development		
		SO, 3.2	Targeted rural development initiatives that support smallholder farmers		
		SO, 3.3	Targeted procurement that supports black entrepreneurs in the sector		
		SO 3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups		
Ministerial Outcome D	Responsive, accountable, effective and efficient Local Government System	Goal 4	An efficient, effective and development orientated water and sanitation sector	SO 4	Achieving an aligned, effective and efficient Institution through optimisation of all business processes and systems
		SO 4.1	An enabling environment for the management of water resources and the provision of basic water and sanitation services		
		SO 4.2	Sound governance and oversight of the DWS Public Entities		
		SO 4.3	An efficient, effective and high performing organisation		
		SO 4.4	Coordinated development of the skills pool across the sector		

Ministerial Outcome E	Decent employment through inclusive economic growth	Goal 5	Sound cooperative governance and an active and engaged citizenry		SO 5	Engaging and strengthening strategic partnerships with all relevant stakeholders
		SO 5.1	Targeted and sustained African and global cooperation in support of the national water and sanitation agenda			
		SO 5.2	Informed and empowered communities and responsive government securing integrated and sustainable partnerships to support the W&S development agenda			
Ministerial Outcome F	Create a better South Africa and contribute to a better and safer Africa and world	Operations		Finance		
Ministerial Outcome G	Vibrant, equitable and sustainable rural communities with food security for all	Customer		People		

3. Performance against Pre-Determined Objectives

The Annual Performance Plan achievement for 2017/18 measured at 73% compared to 70% in the 2016/17 financial year. This correlates well with the overall Organisational Performance level of 81,29% for 2017/18 compared to 77.28% in the previous period. The overall performance is an extension of the Annual Performance Plan targets as set out in Strategic Performance Contracts with Senior Staff. The extended performance targets are aligned with both the strategic objectives of the Board and the Annual Performance Plan and is subject to an annual audit by an independent auditor.

The tables below set out the performance objectives of Bloem Water as agreed with the Minister of Water and Sanitation through the Shareholders Compact for the 2017/18 financial year. There is a marginal improvement from the previous period and the entity is particularly proud of continued quality compliance and the reliability of supply. It is critical for Bloem Water to give effect to its mandate despite external challenges outside its control. Many of the targets that could not be achieved such as Capital Expenditure and some financial ratios, were negatively impacted by the debtor payment as set out in the notes below.

Pre-determined Objectives

Performance Objective	Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Comments (notes)	
	Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Target	Actual	Target met (√) not met(x)		
Organisational Efficiency and Effectiveness											
1	Bulk potable water quality compliance	MO A OP 1 T (a) & (c) MO B OP 2 T (a)	SO2.5 SO3.4	SO3	Water quality standards met	Test results, SANS 241 Class 1: Class 2:	% compliance	96%	99% Overall average	√	Achieved

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Target	Actual	Target met (√) not met(x)	
2	Manage avoidable water losses	MO A OP 1 T (a) MO B OP 2 T (a)	SO2.2 SO2.5 SO2.6 SO2.7	SO1	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced	%	13%	Overall (NRW) 11.7% Overall Water losses: 10.01%	√	Achieved
3	Reliability of supply	MO A>G OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.1 SO1.2 SO1.3	SO1	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days' supply interrupted as a % of possible supply days	%	2%	0%	√	Achieved
4	Increased access to Services	MO C, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.2 SO1.3 SO2.6 SO3.2	SO1	Contribution to national objectives of extending services	Actual CAPEX spends on expansion related projects (initiatives by the Minister) as % of budget	%	75%	100%	√	Achieved
Financial Performance											

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Target	Actual	Target met (✓) not met(x)	
5	Financial reporting compliance	MO A>G	SO6.5 SO6.6	SO2	Unqualified audit report	Annual external audit	Unqualified report with no matters of emphasis (Clean Audit)	Unqualified report with no matters of emphasis	Unqualified	✓	Achieved
6	Improve key financial ratios	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO6.2 SO6.6	SO2	Improved viability and sustainability	Current Ratio	Ratio	1.22	2.32	✓	Achieved
						Gross profit margin % (primary activity)	%	94.8%	96.5%	✓	Achieved
						Gross profit margin (secondary activity)	%	0%	100%	✓	Achieved
						Net profit margin (primary activity)	%	-0.91%	7.26%	✓	Achieved
						Net profit margin (secondary activity)	%	0%	100%	✓	Achieved
						Debt equity	Ratio	0.251	0.214	✓	Achieved
						Return on Assets	%	1.15%	-1.92%	X	1
		MO A, B & D OP 1 T (a), (b) & (c)	SO6.2 SO6.6	SO2		Debtors days	Number	56.75	95.59	X	
						Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	%	3.10%	1.89%	X	

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Target	Actual	Target met (✓) not met(x)	
		OP 2 T (a)				Staff remuneration as % of total operating expenditure	%	26.04%	26.0%	✓	Achieved
7	Increase BBBEE expenditure in relation to operational projects	MO E MO G	SO2.1	SO2	Spend increased and increased new entrants awarded contracts in the financial year	Spend	% increase	65% (R49.645 mil)	132% (R72.149 mil)	✓	Achieved
						New service providers awarded work	Number	40	27	X	2
8	Manage costs within the approved budget		SO2.1 SO2.2 SO2.3	SO2	Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	% increase	10%	-21.52%	X	3
9	Capital Expenditure Program	MO B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.1 SO1.2 SO1.3 SO2.2 SO4.1	SO2	Infrastructure available to meet demands	Overall project expenditure within R target	% variance	20%	60%	X	4
						Overall project completion dates within targets	% variance	20%	17%	X	
10	Engagement in secondary activities	MO A, D, E & G	SO1.1 SO1.2 SO4.1	SO2	Growth in turnover from secondary (other activities)	% of total turnover	%	0.23%	0.44%	✓	Achieved
Customer/ Stakeholder Interaction											

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Target	Actual	Target met (✓) not met(x)	
11	Bulk supply agreements concluded with municipalities/ other customers	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO1.1 SO1.2 SO1.3 SO3.1 SO4.1	SO3	Statutory and Service Level Agreements in place	Municipalities/ Other Customers with bulk supply agreements	%	100%	100%	✓	All Statutory and Service Level Agreements are in place
12	Implementation of Ministerial directives				New Ministerial directives issued are implemented on time	Progress against implementation plan	%	80%	100%	✓	Progress as planned
13	Support Rural Development				Total Number of identified rural Municipalities supported	Signed contracts, MOUs etc.	Number	3	4	✓	4 Municipal support initiatives
14	Achieve statutory reporting compliance	MO A, B & D OP 1 T (a), (b) & (c) OP 2 T (a)	SO3.1	SO4	All statutory reports submitted on time	Submission dates met	%	100%	100%	✓	Achieved
Organisational Capacity											

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Target	Actual	Target met (√) not met(x)	
15	Staff levels	MO E	SO6.1 SO6.2	SO4	Optimal staff retention	Staff turnover	%	8	12	X	5
16	Training and Skills Development	MO E	SO6.1	SO4	Skills and capacity building	Learnerships	Number	10	80	√	Achieved
			SO6.2			Bursaries employees	Number	30	51	√	Achieved
			SO6.3			Graduate Programmes	Number	10	158	√	Achieved
17	Jobs Created	MO E	SO6.1	SO4	Permanent and contract (direct)	Total number	Number	12	75	√	Achieved
			SO6.2 SO6.4		Temporary (indirect)	Total number	Number	650	560	X	6
General Performance											
18	Board Effectiveness	MO A>D	SO6.5	SO4	Improved performance of fiduciary duties/ governance	Board Member attendance of all Board/ committee meetings	%	85%	78.60%	X	7
						Decision making: % number resolutions taken by the board vs. number of resolutions required	%	100%	100%	√	Achieved
19	Effective Internal Controls and Risk Management	MO D	SO6.5	SO4	Internal audit findings dealt with	Internal audit reports	Number of repeat findings	10	0	√	Achieved
			SO6.6			Number of unresolved	10	0	√	Achieved	

Performance Objective		Alignment			Outcome/ Impact	Indicators/ Calculation	Measure	Annual Performance Targets			Comments (notes)
		Ministerial Outcomes	DWS Strategic Goals	WB Strategic Objectives				Target	Actual	Target met (√) not met(x)	
							findings				
20	Good Governance	MO A>G	SO6.5 SO6.6	SO4	Improved controls and risk mitigation	Breaches of materiality and significance framework	Number	0	0	√	Achieved
21	Corporate Social Responsibility Initiatives	MO E	SO6.1 SO6.2 SO6.4	SO5	Good corporate citizenship	Number of initiatives undertaken	Number	4	4	√	Achieved

A brief description of the reasons for the non-achievement of the target performance objectives is reflected below:

Financial Ratios

1. Although most of the financial ratios were achieved, the climatic conditions affected the revenue generated and the demand declined due to water restrictions implemented. Despite due process followed for debt recovery, the continued non-payment by Municipalities impacted negatively on the debtor's payment ratio. The dispute relating to the recovery of draught tariff billing aggravated the situation. The impairment of trades receivables seriously impacted the ratios.
2. Several factors resulted in not meeting the Broad-Based Black Economic Empowerment Target. Procurement was impacted negatively in response to the current operational, drought and non-payment challenges to manage cash flow during the financial year. The reduction in the number of implementing agent and CAPEX projects resulted in a less than the anticipated number of new entrants. Cost containment measures and the National Treasury requirement that suppliers should be registered on the central database further impacted on this target as new entrants should be registered before being utilised. The target to improve BBBEE new entrants was consequently not achieved and only 27 new entrants were registered.
3. A culmination of factors such as declining revenue due to drought conditions and the non-payment by municipalities impacted the ability of Bloem Water to manage expenditure within the 10% target.
4. The major infrastructure Capex projects could not be implemented as the budget could only cater for the planning phases or conception stages of the projects. Accordingly, implementation /construction could not be undertaken as funds were not secured. The non-payment by Municipalities has also contributed to limitations in securing the funding.
5. The staff turnover for the year measured at 12 employees leaving the entity. Only 3 of the 12 was due to resignation whilst 5 employees retired, 2 employees were approved for ill-health retirement and 2 employees passed away.
6. Indirect jobs (temporary positions) are directly influenced by the construction/implementation of major Capital projects. The planning phases, feasibility studies or project design stages are not labour intensive. The target could therefore not be achieved given that the initial phases of capital projects are not labour intensive.
7. The Board continues to facilitate good oversight. The Board attendance is marginally higher than the previous reporting period but still below the annual target. The Board is committed to improve attendance going forward.

4. Operations and Projects Performance

4.1. Water Quality

Bloem Water supplies potable water to Water Services Authorities in line with the South African National Standards (SANS) 241:2015 which outlines the acceptable drinking water quality standards. The Entity complies with quality standards and assurance is provided both internally and externally relating to microbiological, physical, aesthetic and chemical determinants at the point of delivery.



Treated Water

Bloem Water ensures transparency on water quality standards through its partnership with the Institute of Groundwater Studies of the University of the Free State, which regularly tests water for quality assurance.

Water quality standards

Water Treatment Works	Treated Volume (m3)	Percent Compliance with SANS 241:2015		
		Microbiology	Operational	Chemical
Rustfontein	18 236 780	99.9 %	96.9 %	99.9 %
Groothoek	Not Operational	Not Operational	Not Operational	Not Operational
Welbedacht	46 942 590	99.2 %	95.7 %	99.9 %
Bethulie	537 351	99.9 %	97.8 %	99.9 %
Gariep	351 428	99.9 %	97.8 %	99.9 %
Philippolis	172 389	99.9 %	97.8 %	99.9 %
Jagersfontein	310 793	99.9 %	96.1%	99.9 %

ng Water Quality results (Microbiology and Chemical) for the 2017/18 financial year at the different treatment works were uploaded on the DWS Integrated Regulatory Information System (IRIS), formerly Blue Drop System. During the

year under review, the Entity has produced and distributed excellent quality water beyond the expected target of the Shareholders Compact of 96%. Any non-compliance pertaining to the water quality is resolved within minimum time.

Table 2: Water Quality Compliance SANS 241:2015



Laboratory Services

4.2. Raw Water Quality

The Raw Water quality differs per catchment area. The table below gives a list of WTW and the quality of Raw Water in accordance with the latest testing results. The following challenges of raw water quality in the Organisation are monitored and managed timeously:

Table 3: Raw Water Quality per Catchment

System	Catchment	Impoundment	Raw Water Quality	Description of Water Quality challenges
Welbedacht	Caledon River	Welbedacht Dam	Average turbidity: 1000 NTU	May – Sep’17: water appeared yellowish-brown in colour and high algae content Oct - Mar’18: high levels silt in the water
		Knellpoort Dam	No sampling on the dam	The water appeared greenish, high algae content.
Bethulie	Orange River	N/A	Good	In general, the quality remained good, during the raining season the NTU rises.
Gariep	Orange River	Gariep Dam	Average Turbidity: 50 NTU	The water appeared slightly green
Philippolis	Orange River	N/A	Good	In general, the quality is good, during the raining season the NTU rises.
Jagersfontein	RietRivier	Kalkfontein Dam	Average Turbidity: 22 NTU	The water appeared light greenish in colour and at times milky with very low turbidity.
Rustfontein	Modder River	Rustfontein Dam	Average Turbidity 88 NTU	No water quality challenges.
Groothoek	Kgabanyane River	Groothoek	Not Operational	The plant was not operational during the financial year.

System	Catchment	Impoundment	Raw Water Quality	Description of Water Quality challenges



Caledon River raw water quality

4.3 Water Losses

During the year under review the Entity has met the set target of 13% as per the Shareholder Compact. Water losses were well-managed in all treatment Works to reduce further losses. Non-revenue water is recorded in the water model to monitor and calculate the losses monthly. In the total system input of 88 257 255 million m³ for the 2017/18 financial year, water losses amounted to 10.01% of which 2.03% were apparent losses and 7.98% were real losses. An increase of 1.57 % in water losses was observed compared to the previous year, this is due to progressively ageing infrastructure. However, the actual water losses were still below the shareholder set target of 13%.

Table 4: Water Losses in m3 for the period: 2016/07/01 to 2017/06/30

System Input	Authorized Consumption	Billed	Revenue Water
88,257,255	79,420,555 (89.99%)	77,928,771 (88.30%)	77,928,771 (88.30%)
		Unbilled	Non-Revenue Water
		1,491,784 (1.69%)	10,328,484 (11.70%)
	Water Losses	Apparent Losses	
	8,836,700 (10.01%)	1,790,374 (2.03%)	
		Real Losses	
		7,046,325 (7.98%)	

4.4 Maintenance of Infrastructure

The Organisation prides itself with its preventative maintenance strategy, through its annual scheduled Winter-Maintenance Programme that is fully budgeted for. The maintenance programme is carried out in consultation with its stakeholders, including the Municipalities and Communities. Risk management is observed, and risks are effectively mitigated in the operational assets of the organisation.

Amongst the major risks identified are the ageing infrastructure, insufficient Capex funding and high energy costs. The ageing infrastructure challenge continues to hamper the future water demand targets as stated in the Greater Bloemfontein Reconciliation Strategy.

In this regard the Organisation has adopted a risk-based maintenance management approach and has initiated a programme on asset condition monitoring and assessment of Infrastructure.



Maintenance team at work

4.5 Pipeline Reaction Team/Workshop

Bloem Water Pipeline Reaction Team was formed in recent years to perform in-house maintenance and manufacturing of pipe components for purposes of maintaining the ageing infrastructure. It also responds to the main pipeline (PCP) maintenance challenges within an acceptable turnaround time and presents new innovative ways and shortening the time worked on site. This has ensured uninterrupted water supply to Municipalities.

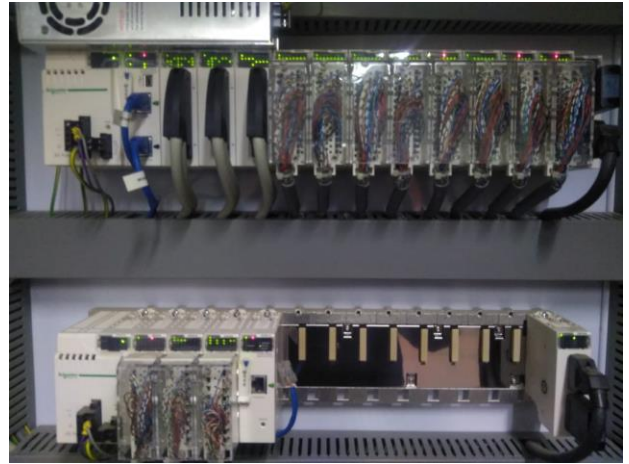
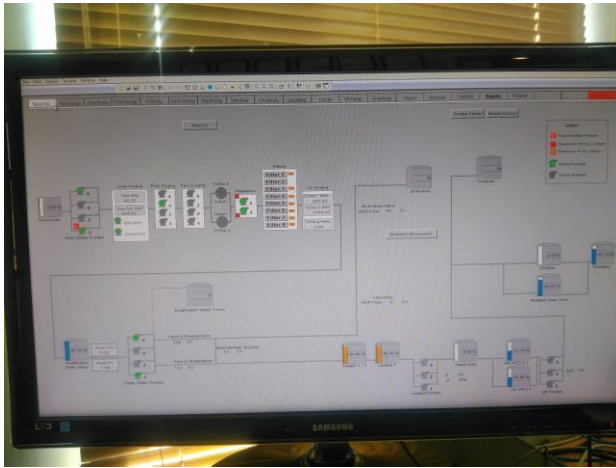
Manufactured components are illustrated in the picture below.



4.6 System Automation

Bloem Water plants are equipped with automation systems across all its regions. This enables the smooth operations, proactive warning, time saving on travelling and energy efficiency costs. The systems used in all WTW are Programmable Logic Controllers (PLC), Telemetry Systems, Field instruments and Supervisory Controller and Data Acquisition (SCADA) units. These systems are continuously being updated.

Automation



5 Infrastructure Development

The infrastructure expansion and refurbishment programmes are informed by the five-year Capital Infrastructure Programme to deal effectively with the provision of bulk water services for the immediate and future water demands in line with ongoing developments and population growth. The projects as identified are aligned to the Reconciliation Strategy agreed upon by all stakeholders within the area of supply. These projects are also linked to the organization’s strategic objectives as contracted with the Minister.

The 2017/2018 Infrastructure Programme comprised of a total of 17 (Seventeen) projects, inclusive of the split between Extension projects and Refurbishment projects with a total budget of R177 million. The 17 projects were split as follows: 8 Capex Extension and 9 Refurbishment projects.

5.1. Completed Projects

New Pipeline: Rustfontein to Botshabelo

The Rustfontein to Lesaka 15km, 700mm ductile Iron pipeline, parallel to the existing 600mm steel pipeline is undergoing testing stages. The project will increase the water supply to the following towns: Botshabelo, Thaba Nchu and Excelsior. The project benefited the community through job creation.



Steel bridge for pedestrian and pipeline



Air-valve concrete rings



Remedial work



Concrete cubes for testing strength

Modder River: 63mm Ratabane Pipeline Installation

This project was identified because of water shortage at Ratabane and Paradys Villages. The existing pipeline of 75mm diameter stretches from the take-off from the Northern Main Pipeline to Ratabane Village. This was not enough to supply the Ratabane and Paradys Villages; therefore, to augment water supply to the two villages, a 63mm diameter pipeline was installed parallel to the existing pipeline to Ratabane Village. The project benefits the local communities through increased economic activities and job creation, improved water supply to the villages, minimized vandalism and increased revenue for Bloem Water.



Pipe-laying



Concrete manhole: air-valve

Raw Water Pipeline Cathodic Protection

It was identified that the steel raw water pipeline at Welbedacht Water Treatment Works needed cathodic protection to prevent the pipeline from corroding. The project will repair the pipe coating, prevent the corrosion of the pipeline and extend the lifespan thereof.



Cathodic protection before installation



Cathodic protection before installation

The Construction of the 33.7km Welbedacht Steel Pipeline

The construction commenced in 2017 for a 33.7km, 1000mm diameter Steel pipeline parallel to the existing 1.2-meter Welbedacht Prestressed Concrete Pipeline (PCP) mainline. This line has been in operation for the past 45 years and therefore reached its design lifespan. The duration of the project is 24 months and it will increase the capacity to the Mangaung Metropolitan Municipality and enhance water supply. Construction of the project is progressing in line with the programme. The community benefits from job creation and increased economic activities.



Excavations

Pipe Installed

Pipe Installed

Installation of Pipes

Construction of the 13 km long, 250mm diameter Dewetsdorp pipeline

This project is intended to ensure the supply of water to Dewetsdorp community and to secure future water demand. The construction started in January 2018 and the expected completion date is November 2018. The community will benefit through local job creation.



Backfilling

5.2. Status of Infrastructure Projects

No.	Project Name	Project Description	Future Impact	Status
1.	Modder River: Construction of OK- Tabali Pipeline	Construction of 10 km, 600mm diameter pipeline from Tabali Reservoir to OK Reservoirs	Augmentation of Water Supply in the Mangaung Metro Thaba Nchu (60 696 beneficiaries) Mantsopa LM (Excelsior)	Design stage completed
2.	Xhariep to Knellpoort pipeline	Construction of 180 km 600 mm diameter pipeline from Xhariep Dam to Existing Bloem Water Infrastructure	Alternative Raw water supply to: Mangaung Metropolitan Municipality, Xhariep District Municipality and Mantsopa Local Municipality: 1.2 million beneficiaries	In Progress – Pre-Feasibility completed, Detailed Feasibility to commence up to Preliminary Designs
3.	Bi-directional pipeline between Welbedacht WTW to Knellpoort dam	Remedial action for siltation of Welbedacht Dam by pumping Raw water: Construction of 17 km, Bi- directional Pipe line between Knellpoort Dam and Welbedacht WTW	Mangaung Metro Bloemfontein, Botshabelo, Thaba Nchu, Dewetsdorp, Wepener (747 431 beneficiaries) Kopanong LM Bethulie, Springfontein, Gariiep, Trompsburg (49 171 beneficiaries)	Design stage
4.	Pipeline from Rustfontein WTW to Lesaka Reservoir	Construction of 15 km 700 mm diameter ductile iron	Mangaung Metro Botshabelo, Thaba Nchu (747 431 beneficiaries)	Commission, Testing and Remedial work in progress
5.	Modder River: Borehole Upgrade/Refurbishment	Geophysical investigation underway for 13 villages in Thaba Nchu	Mangaung Metro North and South of Thaba Nchu villages (15174 beneficiaries)	Geophysical investigation and drilling completed equipping underway

6.	Design and Construct Steel bypass line parallel to existing Caledon/BN PCP line for the 35km from Leeuwkop offtake to Brandkop	Phase 1: Construction of new bypass steel pipeline that is 33.7 km long ,1000 mm diameter pipeline from Leeuwkop junction to Brandkop	Augmentation of Water Supply: Mangaung Metro Bloemfontein (747 431 beneficiaries)	Construction in progress
7.	Construction of the 13 km long by 250mm Diameter Dewetsdorp Pipeline.	Water supply augmentation in Dewetsdorp Pipeline	Mangaung Metro Dewetsdorp (9498 beneficiaries)	Construction in progress

5.3. Status on Implementing Agent Projects

Bloem Water was appointed by the Department of Water and Sanitation as the implementing agent for infrastructure projects within its area of supply. Progress is reported below:

The Trompsburg Water Supply- Municipal Water Infrastructure Grant (MWIG)

The project will increase the water storage capacity for the community of Trompsburg and supply water to the newly constructed regional Albert Nzula Hospital. The Construction of the 3Ml/day reservoir is at sealing stage and the pipe connections have been installed. The construction progress is at 90% of completion. Local communities benefited in terms of job creation, increased water supply and improved storage/water supply to the town and hospital.



Trompsburg Reservoir



Inside the Trompsburg Reservoir

Expenditure for 2016/17 and 2017/18

	2016/2017			2017/2018		
Infrastructure projects	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
	R219 million	R41 million	R177 million (under expenditure)	R177Million	R116million	R61 million (under expenditure)
Total	R219 million	R41 million	R177 million	R177 Million	R116million	R61

The projects above are multi-year, therefore spending will continue in the next financial year

6. Financial Performance

Bloem Water continued to face financial challenges during the period under review. This was due to on-going non-payment by main clients, climatic changes and persistent restrictions imposed due to drought. Additional financial control measures were implemented to enhance and improve the efficient operating expenditure environment. National Treasury's cost containment measures were strictly adhered to and this supported the reduction in expenses necessary to mitigate the pressure on the finances.

Despite all the efforts, the continued non-payment undermined optimal operation of the entire Entity. All efforts towards Intergovernmental Relations initiatives to resolve this matter did not yield the desired results and the status quo therefore persisted.

6.1. Bulk Water Sales Analysis

Bulk treated water sales, as presented below in Table (a), has increased marginally from the previous period. This is due to the moderate rainfall received and dropping of restrictions from 30% to 20% by the Department of Water and Sanitation. However, regarding Kopanong Local Municipality, the sales volumes decreased because of the restrictions imposed by Bloem Water due to relentless breaching of contractual payment obligations.

Quantity of Treated Water Sold (Kℓ)

	2016/2017	2017/2018
Mangaung Metropolitan Municipality	60 430 097	62 614 658
Kopanong Local Municipality	4 648 497	3 080 760
Mantsopa Local Municipality	97 896	112 033
Other (Bulk)	1 678 718	1 665 348
Total	66 855 208	67 472 799

Quantity of Untreated Water Sold (Kℓ)

	2016/2017	2017/2018
Mangaung Metropolitan Municipality	8 065 174	10 455 972
Other	925	8 353
TOTAL	8 066 099	10 464 325

6.2 Bulk Water Tariff

The average tariff increase for the year was 9% for both treated and raw water.

Normal Tariffs (excluding VAT)	
Bulk consumers (Bloemfontein, Botshabelo, Bethulie, Dewetsdorp, Edenburg, Excelsior, Fauresmith, Gariiep, Jagersfontein, Phillippolis, Reddersburg, Springfontein, Thaba Nchu, Trompsburg, Wepener and others)	Cents per Kℓ
Bulk Treated Water	748
Bulk Raw Water	539
Water research levy (Excluding VAT)	612

Drought Tariffs (excluding VAT)	
Bulk consumers (Bloemfontein, Botshabelo, Bethulie, Dewetsdorp, Edenburg, Excelsior, Fauresmith, Gariiep, Jagersfontein, Phillippolis, Reddersburg, Springfontein, Thaba Nchu, Trompsburg, Wepener and others)	Cents per Kℓ
Bulk Treated Water	82
Bulk Raw Water	58

6.2. Cash Flow Analysis

Cash flow from operating activities was adversely affected as payment challenges prevailed. The Entity had to impose drastic measures to ensure sufficient cashflow for operational requirements. Activities had to be reprioritized and austerity practices were employed to sustain the cash position of the Entity. However, Bloem Water was still able to honour its payment obligations and thus maintained its going concern status.

6.3. Funding Requirements

In the year under review, the Organisation resolved not to borrow additional funding for Capital Expenditure in an effort to maintain financial stability. This will be reconsidered in future years when the normalcy returns to the challenged areas, as the Organisation still needs to meet future expansion demands.

7 Revenue Collection

The status of revenue collection remains a challenge due to continued non-payment despite the marginal increase of water volumes abstracted because of moderate rainfall and reduced restriction rates that were applied. Regular meetings were however held between the Municipalities and DWS to monitor and manage the water supply.

The entity will be unable to function and provide its bulk services in the event that the non-payment continues. Continued efforts are made to engage in Intergovernmental Relations initiatives with little or no progress. The parties that have been continuously engaged include the Provincial Stakeholders, Office of the Premier, SALGA, COGTA, Provincial and National Treasury and the Regional office of the DWS.

Revenue collection was further impacted by the dispute declared on the implementation of the drought tariff as approved by the Minister, accordingly Section 44 of MFMA process is pursued. Some Councils have approved payment plans on arrears and Bloem Water is optimistic that it will resolve the impasse.

PART C: CORPORATE GOVERNANCE

1. Introduction

The operations of Bloem Water are maintained through the high levels of corporate governance by the leadership of Bloem Water, which includes the Board and the Executive management. Good governance is characterised by accountability, transparency, inclusiveness and ethical conduct. The institution endeavours to embrace a system of effective, efficient, economic and transparent systems in all its operations.

All Statutory compliance reports were submitted within the legislative time frames. The Line Managers of Bloem Water take responsibility for ensuring that the Financial Control Systems are functional, without relying on the internal auditors to detect any fruitless and wasteful expenditure. Bloem Water is generally in compliance with statutory requirements, PFMA and King IV prescripts. Cases of non-compliance with PFMA detected by Internal Audit were noted and management took appropriate steps to address the weaknesses identified to ensure complete compliance going forward.

2. Portfolio Committees

During the reporting year 2017/2018, the Entity presented its 2016/17 Annual Report before the Portfolio Committee of Water and Sanitation on 06 March 2018. On the 09 June 2018, during the visit by the Minister of Water and Sanitation in the Mangaung area, Bloem Water made presentations on the sustainability of the Entity as well as the status of the bucket eradication. Further to these presentations, the Organisation had participated in deliberations during the visits in the region by the National Council of Provinces (NCOP) which were held during the period of 21-25 August 2017. The key issues raised by the NCOP and the Portfolio Committee included debtors, projects, tariff structure and approvals and audit outcomes. A follow up visit was scheduled for August 2018.

3. Executive Authority

During the year under reporting Bloem Water continued to timeously submit monthly and quarterly performance reports to provide progress updates on the implementation of the Business Plan 2017-2022 to the Executive Authority, in compliance with the Framework for Strategy and the Shareholder Compact. The Entity's Annual Report 2016-2017 was submitted to the Executive Authority, Parliament and National Treasury in accordance with Section 55(1) (d) of the PFMA. The tariff proposals of the Entity were submitted to the Minister for approval and thereafter to the Portfolio Committee.

4. 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 as referred to in Section 51 of the PFMA. The Board acts as the focal point 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 Board has the responsibility to, and may, do all that is necessary to achieve its mandate which includes determining, in consultation with the Minister of Water and Sanitation, its own staff establishment and the terms and conditions of employment. 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 IV Report on Corporate Governance. 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.

Further, the Board manages conflict of interest amongst the Board members in line with Principle 1(a) (ii) of the King IV Code, which stipulates, "the Board should avoid conflicts of interest". Accordingly, "conflicts should be disclosed to the Board in full and at the earliest opportunity and then proactively managed". The Board, through its Charter, ensures that each director adheres to the duties and responsibilities, including amongst others, the duty to act in good faith, to avoid conflicts of interest and to act in the best interests of the organisation. To this effect, all directors of the Board declared their interest in all meetings they attended in the year under review to ensure adherence to the Bloem Water Code of Ethics.



Minister of Water and Sanitation Visiting Bloem Water

The Board Charter

The Board Charter sets out the Board’s roles 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 Charter requires that Directors exercise leadership, competence, 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 2016/17 Financial Year.

Composition of the Board

The term of office of the Board of Directors of Bloem Water expired end of March 2018, but the Minister has extended it until the end of September 2018. The Board is constituted of 9 Non-Executive Directors and 1 Executive Director (the Chief Executive). Currently the Board is operating with only 8 members following the unfortunate passing away of one of the Board members. The Board is comprised of specialists in various fields and representative of a balanced skills- base which includes 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 2018.

Table 5: Composition of the Board

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date Term Expires	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams. (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
TB Phitsane	Chairperson of the Board	28 April 2009	30 September 2018	BA Economics; MBA	Strategic Management, Finance & Corporate Governance	Chairperson of the Board and Finance Committee	Board Committee; Finance Committee	4

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date Term Expires	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams. (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
Ms. P Matete	Deputy Chairperson	01 April 2014	30 September 2018	BA (Urban & Regional Planning; BA Hons. (Environmental & Geography Studies); MA in Environmental & Geography Studies (thesis pending) Master of Public Administration (thesis pending)	Technical Management	Chairperson of the Social & Ethics Committee	Board Committee; Social & Ethics	4
Dr J van der Merwe (Passed away November 2017)	NED	28 April 2009	November 2017	BSc M.Sc. in Geology PhD in Geohydrology	Water Resource Management specializing in Groundwater	Chairperson of the Human Resources & Corporate Support Committee	Board Committee; Human Resources & Corporate Support; Capital Projects & Fixed Assets Committee; Audit Committee;	3
Mr. N Mokhesi	NED	01 February 2005	30 September 2018	B Com; B Compt (Accounting & Auditing); B Com Hons; M Com Financial Management	Finance and Auditing	Chairperson of the Audit Committee	Board Committee; Audit Committee; Finance Committee	4
Adv L Bomela	NED	01 May 2010	30 September 2018	B Proc; LLB; LLM in Labour Law	Law & Practicing Advocate	None	Board Committee; Capital Projects & Fixed Assets Committee; Social & Ethics	4

Name	Designation (in terms of the Public Entity Board structure)	Date appointed	Date Term Expires	Qualifications	Area of Expertise	Board Directorships (List the entities)	Other Committees or Task Teams. (e.g: Audit committee / Ministerial task team)	No. of Meetings attended
							Committee; Human Resources & Corporate Support	
Mr. Z Mkiva	NED	01 April 2014	30 September 2018	BA Social Science; Honours in Development Studies; Arts & Culture Administration	Local Government	None	Board Committee; Finance Committee; Capital Projects & Fixed Assets Committee	4
Dr MJ Ellman	NED	01 April 2014	30 September 2018	Master of Business Administration; Doctorate of INPL; MSc. in Chemical Engineering; BSc in Chemical Engineering	Chemical Engineering; Management; Projects;	Chairperson of the Capital Projects & Fixed Assets Committee	Board Committee; Capital Projects & Fixed Assets Committee; Audit Committee; Human Resources & Corporate Support Committee	4
Ms. MSS Maboe	NED	28 April 2009	30 September 2018	BSc. Ed; MA	Corporate Governance, Local and Provincial Government and Education	None	Board Committee; Human Resources & Corporate Support Committee; Finance Committee; Social & Ethics Committee	4
Ms. CM Mahlakahla (nee Phetwe)	NED	01 April 2014	30 September 2018	B Com in Commerce	Audit & Risk Management	None	Board Committee; Audit Committee; Social & Ethics Committee	4

Bloem Water has no alternate members in its Board

Following the expiring of Mr. Mokhesi's term of office at end of March 2018 Ms. Mahlakahlaka (nee Phetwe) was appointed as the Chairperson of the Audit Committee

Following Dr van der Merwe's untimely death, Ms. Maboe was appointed as the Chairperson of the Human Resources & Corporate Support Committee and as an additional member of the Audit Committee and the Capital Projects & Fixed Assets Committee.

5. Board Committees

In order 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 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 own 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 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 and ethical 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 – an external body, independent of the Board, which meets on a regular basis to deal with Pension Fund matters in accordance with the Pension Fund rules and regulations as well as applicable legislation.

The following structure depicts the Board Composition as at 30 June 2018.

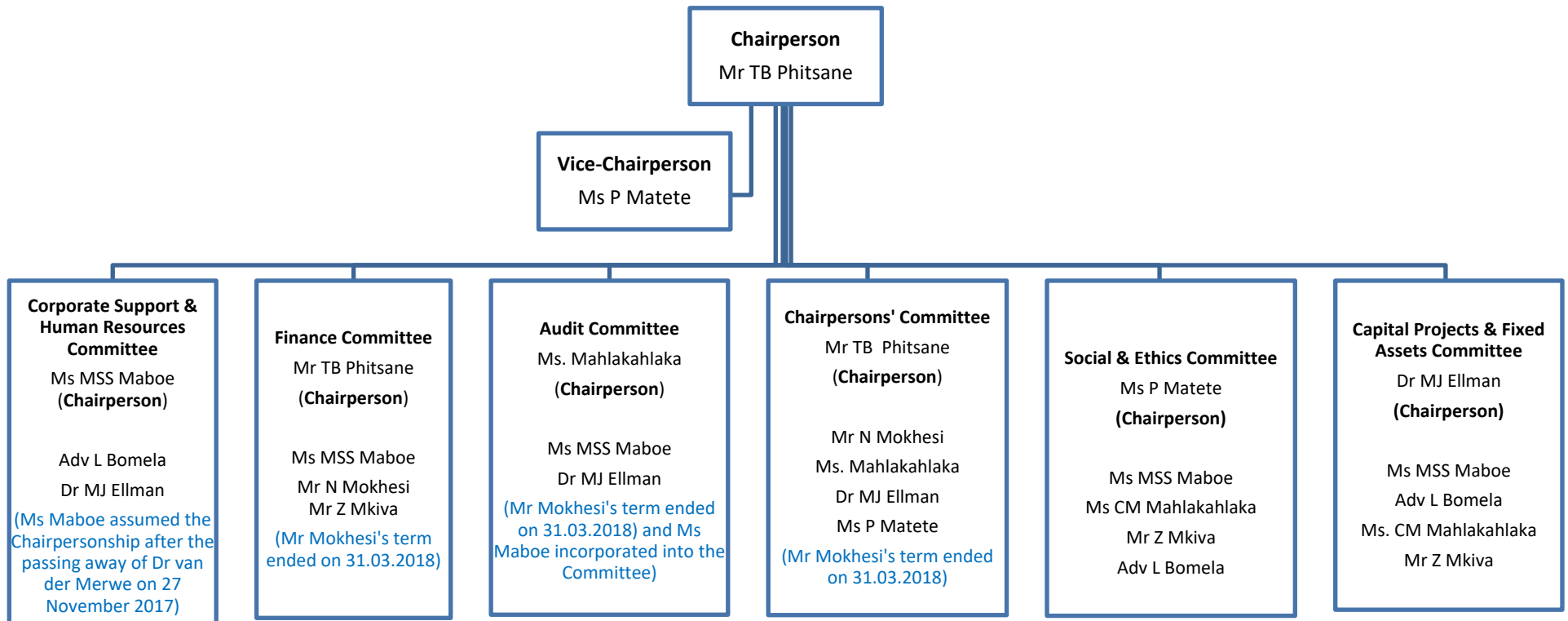


Table 6: Board Meeting Attendance

Members	31/08/2017	22/09/2017	01/12/2017	25/01/2018	23/02/2018	25/04/2018	21/06/2018
1. Mr. TB Phitsane	≠	✓	✓	✓	✓	✓	≠
2. Ms. P Matete	✓	✓	✓	≠	✓	✓	✓
3. Dr J van der Merwe	✓	✓	Deceased				
4. Mr. N Mokhesi	✓	≠	✓	✓	≠	✓	Board Term Expired March 2018
5. Ms. MSS Maboe	✓	✓	✓	✓	✓	✓	✓
6. Adv. L Bomela	✓	≠	≠	✓	≠	✓	≠
7. Ms. CM Mahlakahlaka	✓	✓	✓	✓	✓	✓	✓
8. Mr. Z Mkiva	≠	≠	✓	≠	✓	✓	✓
9. Dr MJ Ellman	✓	≠	✓	≠	≠	✓	✓
10. Dr L Moorosi	≠	✓	✓	✓	✓	✓	≠

≠ Apology

✓ In Attendance

Table 7: Audit Committee

Members	31/08/2017	21/09/2017	26/03/2018	05/06/2018	28/06/2018
1. Mr. N Mokhesi	✓	≠	✓	Board Term expired March 2018	Board Term expired March 2018
2. Dr J van der Merwe	✓	✓	Deceased	Deceased	Deceased
3. Ms. CM Mahlakahlaka	✓	✓	✓	✓	✓
4. Dr MJ Ellman	✓	≠	✓	✓	✓
5. Dr L Moorosi	≠	✓	✓	✓	✓
6. Ms. MSS Maboe (Interim Member)	-	-	-	✓	✓

≠ Apology

✓ In Attendance

- Not Member = (Interim Member)

Capital Projects & Fixed Assets Committee

The Purpose of the Capital Projects & Fixed Assets Committee is to assist the Board in discharging its duties related to creating long- and short-term plans for Bloem Water Capital Projects and Fixed Assets. Thus, 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 8: Capital Projects & Fixed Assets Committee Attendance

Members	23/08/2017	18/10/2017	22/02/2018	06/06/2018
1. Dr MJ Ellman	✓	✓	✓	✓
2. Dr J van der Merwe	✓	✓	Deceased	Deceased
3. Adv. L Bomela	≠	≠	≠	✓
4. Mr. Z Mkiva	✓	✓	✓	≠
5. Dr L Moorosi	✓	≠	✓	✓
7. Ms. MSS Maboe (Interim Member)	-	-	-	✓

≠ Apology

✓ In Attendance

- Not Member = (Interim Member)

Finance Committee

The Finance Committee assists the Board in fulfilling its oversight role with regards to governance of financial management and financial accounting by reviewing financial statements, investment management and procurement processes through meetings which are held at least once a quarter. The Committee monitored and evaluated the effective and efficient functioning and operations of the entity. The table below summarises attendance by Committee members.

Table 9: Finance Committee

Members	21/09/2017	09/02/2018	03/05/2018
1. Mr. TB Phitsane	✓	✓	✓
2. Mr. N Mokhesi	≠	✓	Board Term expired March 2018
3. Ms. Maboe	✓	✓	✓
4. Mr. Z Mkiva	≠	✓	✓
5. Dr L Moorosi	✓	✓	≠

≠ Apology

✓ In Attendance

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 can attract, retain and develop the best possible skills to support business performance. For the year under review, the Committee reviewed and recommended Organisational Work-study and Structure. It furthermore reviewed Information Communication and Technology Systems and other activities related to Corporate Support and the Human Resource Department. A summary of attendance by Committee members is given below.

Table 10: Human Resource and Corporate Support Committee

Members	16/08/2017	08/11/2017	15/02/2018	15/05/2018
1. Dr J van der Merwe	✓	✓	Deceased	Deceased
2. Dr MJ Ellman	✓	✓	✓	✓
3. Ms. Maboe	✓	✓	✓	✓
4. Adv. L Bomela	≠	✓	≠	✓
5. Dr L Moorosi	✓	✓	✓	≠
6. Mr. N Mokhesi +*	-	-	≠	Board Term Expired March 2018

≠ Apology

✓ In Attendance

- Not Member = (Interim Member)

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 its stakeholders thereof.

Table 11: Social and Ethics Committee

Members	11/10/2017	21/06/2018
1. Ms. P Matete	✓	✓
2. Ms. MSS Maboe	✓	✓
3. Ms. C M Mahlakahlaka	✓	✓
4. Mr. Z Mkiva	✓	✓
5. Adv. L Bomela	≠	✓
6. Dr L Moorosi	✓	✓

≠ Apology

✓ In Attendance

Remuneration of Board members

Board remuneration is based on the principles and prescripts from the Office of the Minister of Water and Sanitation. The Board annually considers the affordability of the recommended increase to Board stipends and resolves within the Ministerial Directive.

The Board of Directors is responsible for, and undertook the following during the year ending 30 June 2018:

- Adoption of strategic plan & monitoring of operational performance and management
- Determination of policy and processes to ensure the integrity of the Entity's risk management; and
- Internal controls; orientation and evaluation.

Non-Executive Directors remuneration for the financial year 2017/18:

Board Member	Board Fees	Expense/Allowance	Total
Mr TB Phitsane	R 106 598	R 34 321	R 140 920
Ms P Matete	R 78 268	R 2 547	R 80 815
Adv LR Bomela	R 39 649	R 921	R 40 570
Dr MJ Ellman	R 107 698	R 3 766	R 111 465
Ms MMS Maboe	R 220 745	R 95 793	R 316 538
Mr Z Mkiva	R 60 304	R 24 165	R 84 469
Mr N Mokhesi	R 37 621	R 3 758	R 41 378
Ms CM Mahlakahlaka	R 133 516	R 2 547	R 136 064
Dr J van der Merwe	R 54 189	R 24 612	R 78 801
TOTALS	R 838 589	R 192 430	R 1 031 019

6. Risk Management

Bloem Water provides bulk water services to Municipalities and central to these services is management of risk exposures internally to its employees and assets, and externally to customers, partners, the shareholder and other relevant stakeholders. All employees are responsible to manage risks in their area of responsibility, while managers ensure that resources are available for effective management of risks. There are policies, procedures and structures in place to ensure the risk management is integrated in all Organisational activities.

Bloem Water has a Risk Management Strategy and Framework that was recommended by the Audit Committee and approved by the Board. The following risk assessments were conducted in terms of this strategy and framework during the financial year where the various risks were identified, evaluated with regards to importance and action plans recorded to ensure mitigation thereof:

- IT Risk Assessment concluded in October 2017
- Strategic Risk Assessment concluded in February 2018
- Operational Risk Assessment for Regions and Functional Units concluded in September 2017

Risk Management Structure

Bloem Water implements centralized and decentralized structures that are managed by a dedicated risk function and the Chief Risk Officer supported by Risk Champions and Co-ordinators at operational level as well the Audit Committee at Board level. The following risk management and governance structure have been implemented to ensure the effective and efficient management of risk within Bloem Water.



The Board exercises oversight of risk management with a focus on the most significant risks facing the Organisation, including strategic, operational, financial, legal and compliance risks. Annually, key risks are identified by management and the Board and are prioritised for close monitoring and mitigation in the new financial year. Risk Management is a standing agenda item for Board and Management Committee meetings.

Risk Management Focus for the year

Bloem Water has adopted an enterprise wide approach to risk management and this is outlined in the Risk Management Policy and Strategy communicated to relevant stakeholders. The Policy is based on the principles of ISO 31000, National Treasury Public Sector Risk Management Framework and complies with the recommendations of King IV Report on Corporate Governance as well as the Protocol on Corporate Governance in the Public Sector. This policy defines the objectives, methodology, process and responsibilities of the various risk management role players in the Organisation. The Risk Management policy is subject to annual review and any proposed amendments are submitted to the Audit Committee for consideration and recommendation to the Board for approval.

Risk Appetite

The Board reviewed its risk appetite statements outlined in the risk management policy which defines the level and type of risks it is prepared or willing to accept in pursuit of its objectives. Furthermore, risk limits are outlined in policy documents and procedures that define tolerances at operational level.

Strategic Risks

Strategic Risk Management is considered as a priority. Annually the Board together with Executive Management, review strategic risks, which are risks at corporate level that might impact on the Organisation's ability to deliver on its mandate and achievement of its strategy and strategic objectives. Strategic risks are determined through an assessment which considers probable future scenarios taking cognisance of inter alia, external factors: political, environmental, social, technological, economic and legislative developments in both the water sector and construction.

Strategic Risks

RISK DESCRIPTION	SUMMARY OF INTERNAL CONTROLS & REMEDIAL ACTION
Late/No payments by municipalities for services provided	<ul style="list-style-type: none"> • Continuous engagements with concerned municipalities at executive and board level • Develop a plan to support and assist municipalities to improve metering and payment systems. • Assist municipalities to identify main water issues and establish intervention programme. • Review and update of Service Level Agreements
National Disasters (Droughts, Floods, global warming)	<ul style="list-style-type: none"> • Review and Implementation of Business Continuity Programme • Continued implementation of Borehole Master Plan in Collaboration with the University of the Free State • Release of Water from Katse Dam as and when required through the DWS • Continuous monitoring of water levels in high risk areas • Water Carting
Implementation of Infrastructure Programme limited to available funding which will impact negatively on meeting future water demands	<ul style="list-style-type: none"> • Alternative funding for infrastructure projects to be sought for other critical projects • Complete running infrastructure projects and capitalise them
Power supply interruptions or failures	<ul style="list-style-type: none"> • Construction and implementation of Hydropower plant • Adequate Reservoir storage capacity • Emergency preparedness plan • Review of Business Continuity Programme
Deteriorating and ageing water infrastructure	<ul style="list-style-type: none"> • Review and funding of CAPEX Programme • Projects implemented according to the approved CAPEX Plan • Prioritisation of Projects for refurbishment and replacement of infrastructure.
Compromised ICT Operational Systems (Software & Hardware)	<ul style="list-style-type: none"> • ICT Steering Committee established • ICT Governance Framework in line with King IV Report on Corporate Governance developed and approved by the Board • ICT Continuity Plan developed and implementation of the Off-Site Disaster Recovery continuing • ICT Strategy developed and will undergo a consultation process at management and board level

Effectiveness of Risk Management

The Board needs reasonable assurance that risk management processes and applied reporting framework are effective and efficient. The Audit Committee has considered the policies, procedures and independent assurance reports provided by internal and external auditors and thus obtained reasonable assurance that risk management processes are effective.

BUSINESS CONTINUITY MANAGEMENT

Bloem Water operates in a sector that is volatile and susceptible to political, social, environmental changes which may result in occurrence of severe unexpected events. These unknown uncertainties require that crises management processes and business continuity plan be designed to improve organisational resilience to unforeseen events such as political unrest, information and communication technology disruptions, employee repatriation and infrastructure failures to minimize their impact on stakeholders and the organisation's reputation.

During the year under review, crises management plans as well as business continuity plans were reviewed, and updates improved the organisations preparedness for unforeseen disruptions.

FRAUD AND CORRUPTION

The Board has put in place an Anti-Fraud and Corruption Policy together with a Fraud Prevention Plan to set the tone on top and, most importantly, to prevent, detect, deter, report and respond to fraudulent activities.

An Ethics and Fraud Hotline which was established is operational, enabling employees and other stakeholders to raise suspected irregularities anonymously. In the event of fraud, managers are required to make appropriate changes to systems, controls, inform employees of the changes and review and update procedures to prevent recurrence, and the internal audit together with risk management monitors the effectiveness of measures put in place.

7. Internal Audit and Internal Control

The Internal Audit function of Bloem Water was outsourced to Nexia SAB&T for the 2017/18 financial year.

The three-year rolling Internal Audit Plan was prepared for the period under review for consideration and approval by the Board. In line with the King Code IV, the plan is risk-based and determined the internal audit activities for the period under review. The Internal Audit Plan for 2017/18 was approved by the Board in March 2018.

Based on the 2017/18 Internal Audit Plan, the Internal Auditors submit the following reports to the Audit Committee throughout the financial year:

Activity/focus area	Reported to the Audit Committee
Review and Updating of Internal Audit Committee Charters.	05 June 2018
Supply Chain Management Review	05 June 2018
Asset Management Review	05 June 2018
Human Resource Management Review	05 June 2018
Revenue and Debtors Management	05 June 2018
Expenditure Control and Accounts Payable Management	05 June 2018
Performance Information Review	05 June 2018
Corporate Governance Review	05 June 2018
Operations Review (Health and Safety)	05 June 2018
IT Security and System Processes – General Control Review	28 June 2018

The list below indicates the internal audit projects that were in process as at year-end:

Type of report
The internal audit projects currently in the progress of being completed are:
CAPEX Management Review
Water Operations Review

8. Compliance with Laws and Regulations

Many applicable laws with their associated regulations, codes and guidelines are contained in the Bloem Water compliance universe. These applicable legislations receive the attention of Management on an on-going basis including but not limited to the Water Services Act 108 of 1997, National Water Act 27 of 2014; the Public Finance Management Act 1999 as amended; the Basic Conditions of Employment Act 1997 as amended, and the Employment Equity Act 1998 as amended.

When requested, Bloem Water provides access to information to stakeholders and other third parties in compliance with the provisions of Section 32 of the Constitution of the Republic of South Africa (Act 108 of 1996) read with the Promotion of Access to Information Act 2 of 2000 (PAIA). The entity ensures the application of the Codes of Good Governance principles as well as the Protocol of State-Owned Entities, which recommend 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 PAIA. During the 2017/18 financial years the organisation did not receive any such requests.

9. Minimising Conflict of Interest

A Declaration of Interest confirmation is a standing item on each Agenda of every meeting of the Board and the Board Committees. This is to ensure that Directors and Executive Management declare any interests 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 IV Report on Corporate Governance in line with Principle 1(a) (ii) of the King IV, which stipulates that “the Board should avoid conflicts of interest”.

Bloem Water also ensures that its designated employees 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.

10. Code of Conduct

Members of the Board individually and collectively cultivate characteristics as stipulated in Principle 1 of King IV and exhibit them in their conduct. Bloem Water developed a Code of Ethics which is not only directed to employees but also to the Board Members as well. Such Code of Ethics was approved by the Board.

11. Company Secretary

An effective Board has a Board Secretary in compliance with the Companies Act, Act 71 of 2008. It is a prerogative of every public company and state-owned entity to have a company secretary available to the Board. Accordingly, the Board of Bloem Water, as a public entity, has access to the advice and services of the Board Secretary whose role is the following:

- i. provides guidance to the Board on the duties of the directors and good governance;
- ii. assists with the induction and training programmes for Board members;
- iii. ensures Board and Committee Charters are up to date and are reviewed annually or as required
- iv. ensures that a yearly Board programme is in place and does all other things necessary to ensure that meetings are held as scheduled including special meetings;

- v. prepares agendas of meetings in agreement with the Board and Board Committee Chairpersons;
- vi. ensures that agendas and Board documents are distributed timeously to Board members and attendees;
- vii. ensures that minutes of Board and Board Committee meetings are recorded, circulated to and agreed to by members of the Board;
- viii. ensures that the decisions of the Board are implemented;
- ix. assists with the evaluation of the Board, Committees and individual directors;

12. Information and Communication Technology Governance

Bloem Water recognizes that successful governance of Information and Communication Technology (ICT) is not only a question of technology transformation or governance frameworks, but that ICT is an integral part of the Organisation and fundamental to support, sustain and ensure continuity of services. The Board has assumed responsibility for Information and Communication Technology Governance by confirming commitment in its charter and delegating responsibility to the Audit Committee, Capital Projects and Fixed Assets Committee and the Chief Executive ensuring that it is placed on the Board agenda.

During the year under review, the Organisation developed and approved the ICT Governance Framework aligned to King IV on Corporate Governance, Government Policy Framework on ICT and COBIT (Control Objectives for Information and Related Technologies). The ICT Policy was reviewed to ensure that it is current and addresses information and technology of the Organisation. This Policy is supported by procedures such as acceptable use, patch management, network and system access control, user access and password management.

Bloem Water has established an ICT Steering Committee at executive level that supports the achievement of the Board's responsibilities for alignment of ICT and business strategies. The effectiveness of the ICT governance framework, providing oversight for ICT investments, monitoring ICT Projects, integration of ICT and enterprise risk management as well as preservation of information assets is an integral part of the Committee's responsibilities. ICT Risk Assessment is conducted as part of the overall risk management process resulting in an ICT Risk Register. The ICT Risk Register is maintained to ensure that there is oversight and proper monitoring of progress on initiatives to address identified control weaknesses. The Register is considered by the Audit Committee and Capital Projects and Fixed Assets Committee of the Board.

Bloem Water, as a government business enterprise, providing bulk water services has a responsibility to develop and maintain ICT Disaster Recovery (ICT DR) and Business Continuity Plans (BCP) including mitigation of ICT related disruptions. The ICT Disaster Recovery and Continuity Strategy and Plan were reviewed, and implementation of an offsite disaster recovery commenced, envisaged to be completed in the next financial year (2018/19). This will ensure availability of ICT Systems and information during unexpected interruptions in line with the overall Organisational Business Continuity Management Programme. A review of ICT Security was conducted and resulted in implementation of a new firewall to enhance security measures.

Bloem Water will continue to enhance information and communication as a strategic enabler and ensuring integration across the Organisation by continuously reviewing systems and processes to meet Organisational needs, benchmarking with other institutions on implementation of best practice,

keeping abreast with technological developments locally and internationally and addressing the skills gaps.

13. Security, Safety, Health, Environment & Quality

Bloem Water is committed to ensuring a safe, secure and healthy workplace for its employees and stakeholders that may be affected by workplace activities, by eliminating or minimising injuries, damage to plant and equipment, as well as the environment. The Board has declared zero tolerance to any activities that may result to injury and/or death of employees and declared this commitment through a policy statement on Health and Safety, communicated to all employees and its stakeholders.

The Organisation has established a Health and Safety Section to ensure the effective and efficient implementation of the Occupational Health and Safety Act across the Organisation, with SHEQ officers in all Regions and a Construction Safety Officer to attend to Safety in Construction Projects. Furthermore, a dedicated SHEQ Committee per Region as well as Health Representatives have been duly appointed and trained in line with the Act to address Health and Safety issues. Measures have been put in place to prevent injuries and/or fatalities such as toolbox talks, inspections, incident reporting and investigation, Personal Protective Equipment Committee.

During the year under review, the Health and Safety Policy was reviewed through a consultative process with the Local Labour Forum (LLF), employees, management and the Board to ensure that the Organisation complies with the requirements of the Occupational Health and Safety Act, Act No. 85 of 1993 and approved by the Board in August 2017. The Policy communicates the Board's commitment to high standards of health and safety as well as best practices in occupational health and safety performance.

The financial year 2017/18 saw a reduction in the number of injuries, from eleven (11) to eight (8), resulting in an overall reduction in Disabling Frequency Injury Rate from 1,4 to 0,5. Bloem Water has subsequently received a rebate from the Federated Employers Mutual Assurance (FEMA) due to the fewer injuries. The Organisation is in the process to conduct an occupational hygiene survey, which is an examination of hazards in the workplace that can cause harm to people. The survey allows the Organisation to identify health and hygiene risk exposure and determine whether enough precautions are in place to avoid harm to employees as required by legislation.

Environmental Management

Bloem Water's vision is to ensure the provision of sustainable water services within its area of supply and recognizes the importance of maintaining a standard of environmental care. To be environmentally compliant, the Organisation has demonstrated its commitment by embarking on the necessary steps to establish an environmental management system. An Environmental Management Policy and Plan was developed to ensure compliance and adherence to the Environmental Management Act which forms an essential and integral part of the organization's daily operational activities.

During the year under review, Bloem Water in collaboration with the Regional Department of Water and Sanitation, Mangaung Metropolitan Municipality, Plastics SA, Central University of Technology, Bloemfontein Golf Club, Free State Department of Environment and Economic Affairs and the Department of Health, joined hands and resources ranging from staff to plastic bags in celebration of the World River Day Cleaning Initiative that took place in September 2017.

The initiative was in support of the Department of Water and Sanitation Clear River Campaign which strove to synergize an educational atmosphere and served as a platform to inspire other stakeholders to partner with one another and ensure that the clean-up becomes a continuous activity.



Cleaning of the river campaign in Mangaung

Bloem Water continues to work tirelessly to improve internal controls that exceed compliance requirements, contribute to healthy waterways by collaborating with other stakeholders in the management of catchments and monitoring thereof, promote the use of water and energy resources wisely within areas of service and reduce the amount of waste that is created and recycle the waste that is generated through enhanced operational processes.

Security Management

The Minimum Information Security Standard puts the head of every institution as bearer of overall responsibility for the provision and maintenance of security in the institution, under all circumstances. In Bloem Water’s context, the Chief Executive, as the accounting officer has the delegated responsibility to ensure establishment of the Security Management function through development of Security Policy and Procedures to maintain information security and ensure physical security.

Bloem Water has established a Security Management function headed by the Security Manager, with supervisors and security guards allocated to all Bloem Water Regions. Security management is recognised as an integral part of the management function and security remains everyone’s responsibility.

During the year under review, the Security Management Policy was developed in consultation with employees and the Local Labour Forum which outlines the Board’s stance regarding security of its employees, assets and those doing business with Bloem Water.

Security Management Procedures were developed to facilitate safety and security of premises in Bloem Water thereby improving access controls, information security as well as physical security. Recommendations from the Security Audit that was conducted by the State Security Agency (SSA) as well as internally conducted security risk assessment, were also being implemented resulting in installation and implementation of security equipment which included closed circuit television (CCTV), scanners, alarm system, walkthrough booth, hand-held detectors as well as access cards.

The role of Security Management was also defined and incorporated in Bloem Water Crisis Management and Continuity Plans to ensure that during major business interruptions they can respond and ensure security of assets and employees. The Function has also played an important role in enabling interaction with external stakeholders which included the South African Police Service (SAPS), State Security Agency (SSA), Provincial Security Forums and Municipal Security Services on security issues such as public unrest, co-ordination of high-profile events and water related protests.

Corporate Social Responsibility

The Board supports corporate social investment and has identified school hygiene projects as part of sanitation initiatives within the disadvantaged schools in the area of supply. The purpose is to improve water and sanitation services in the schools and create awareness for hygiene and water related matters.

During the year 2017/2018, 54 schools were identified and provided with the services of minor toilet renovation, plumbing, deep cleaning and supply of health and hygiene material. The deep cleaning scope was to deep clean the toilets, repair and replace toilet seats, pots, cisterns, urinals, hand wash basins, cleaning material/equipment and to supply sanitary towels as requested by the Portfolio Committee on Water and Sanitation in 2017.

In order to sustain this programme, an annual competition is held during the World Toilet Day to promote continuous maintenance by the school/parent committees that have been assisted by Bloem Water.

Projects Undertaken during 2017/18

Name of the Project	Number of Schools	District / Municipality	Summary Description of the project
Minor Renovations and Water Related School Project	18	Mangaung Metro Municipality	Repairing of toilet leaks and taps. Unblock manholes, sewer systems. and septic tanks. Do the connections to the toilets for flushing. Repair all leaks in the toilets
School Deep Cleaning Supply and deliver the cleaning material	36	Mangaung Metro Municipality	Deep cleaning, tanks, refurbish toilets. Replace hand basins, repair and replace urinals, replace toilet pots. Supply and deliver cleaning material and health and hygiene equipment. Conduct an awareness after completion of works

Facilities before refurbishment

After refurbishment



World Toilet Day – Health and Hygiene Programme

World Toilet Day as recognised by United Nations is celebrated annually on the 19 November. In commemorating the 2017 World Toilet Day, under the theme “Waste Not”, Bloem Water in partnership with the schools that have been participating in the Toilet Schools Health and Hygiene Programme took part in the competition for the best school which has continued in the upkeep and cleanliness of their toilets. This annual competition focuses on ensuring sustainability and ownership from the Schools Governing Bodies, the learners and teachers resulting in good gains of the Programme and sustainability after the project has been completed. This creates community awareness for healthy water and sanitation practices and thus reduces and curbs the high probability of water borne diseases and educates absenteeism or disruption of learning activities at school. The prizes for the top three schools include amongst others: the yearly supply of cleaning material, consumables like sanitizers and toilet paper.

1st Prize Tshwaraganang Primary



2nd Prize Toka Primary



3rd Prize Credence Primary



14. Stakeholder Relations

The success of Bloem Water as a National Government Business Enterprise highly depends on meaningful and continued engagement with its stakeholders for sustainable value creation. These engagements assist the organisation to identify and understand the needs as it relates to the services the Organisation provides. Stakeholders needs range from information about water service provision to water quality which differs from one stakeholder to another.

Set out below are the key stakeholders

Stakeholder	Basis for engagement	Engagement methods
Customers	Bloem Water renders Bulk Water Services to the following Municipalities: Mangaung Metro, Kopanong and Mantsopa as well as Small users such as farmers.	Annual Customer Survey for all Municipalities Participation in development of Municipal Integrated Development Plans Planned strategic and operational meetings
Employees	Bloem Water regards engaged employees as more productive which increases the performance of the entity and creates a conducive working environment.	Employee engagements through Local labor Forum and Employee Suggestion Box Wellness Projects Climate survey (satisfaction index) Regular policy presentation sessions Quarterly EXCO meetings held in regions Pension Fund Road show Board road show Meetings with teams. as and when required Regular formal/informal staff interactions
Shareholder Department of Water and Sanitation	As prescribed by the Constitution, Bloem Water aligns its strategic objectives with that of National Government. Bloem Water operates closely with the Department of Water and Sanitation at a Provincial and National level.	Portfolio Committee Oversight meetings and visits Annual Appraisal of Business Plans, Shareholders Compact with the Board, Quarterly and Monthly performance reports and Annual reports Minister meetings with the Chairperson Director General meetings with the Chief Executive Regular meetings with the Regional Office
Communities	Awareness campaigns and activities on environment, water and sanitation related matters.	World Toilet Day Schools Competition World Water day activities Clean river campaigns Mandela Day activities Environment Impact Assessments for Projects Public participation with regards to servitudes

Stakeholder	Basis for engagement	Engagement methods
Vendors and Suppliers	Socio-Economic development Broad-based Black Economic Empowerment ('BBBEE') compliance Corporate Social Investment Improved Health and Safety standards	Training of Service Providers Suppliers evaluation and feedback sessions 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
Media	Ensure transparency of information on the organisation and a create a platform to engage with customers and a wider range of audience	Media tours Press conferences Print releases
Trade Unions	Union representatives are elected to liaise with management on matters affecting union members; and Management of the various Bloem Water businesses engage with the relevant employee unions and industrial labour Organizations to ensure that ongoing constructive relationships with these stakeholders are maintained.	Monthly meetings with Local labor Forums. Participation in shortlisting and interview processes Roadshows
Twinning Partners (Northern Region Water Board, Malawi; Lepelle Water Board, Magalies Water Board)	Improved International and National relations Exchange and transfer skills programmes	Staff exchanges Board visitations Benchmarking on best practices Memorandums of Understanding
Institutions of Higher Learning and Training Authorities (UFS; CUT, Motheo TVET, EWSETA)	Promote continuous learning of employees	Memorandums of Understanding Training of employees Customized training programmes Funding

Youth development is a key component of skills development in Bloem Water. Most of the employees in the Organisation is youth, hence partnership with relevant stakeholders is very important. Energy and Water-SETA has funded skills development programs in technical areas such as water and relevant skills.

Stakeholder Engagement



EWSETA Youth Indaba 2017



PMR Awards 2017



EWSETA Youth Indaba 2017

Northern Region Water Board – Presidential launching of Water Treatment Works Project, Malawi.



Twinning Partnerships

To strengthen its strategic partnerships, Bloem Water has entered into twinning engagements with local and international water boards to enable professional exchanges and benchmarking. This enhances the effective sharing of information, knowledge, experiences and technology. Through these twinning partnerships, Bloem Water together with similar institutions, can tap into voluntary contributions of knowledge, time, expertise in many cases — equipment, reference material, and other contributions to effectively leverage resources.



Deputy Chairperson of Bloem Water with the Chairperson of Northern Region Water Board of Malawi

Northern Region Water Board (Malawi)

Financial year 2017/18 saw the twinning relationship with Northern Water Region Water Board in Malawi reaching 20 years of existence. The relationship started in 1998 through the Fredskorp Programme and has been successfully implemented through staff exchange programmes in operations, engineering, finance, human resources and information and communication technology and strategic Board engagements.

The twinning partnership between Bloem Water and Northern Region Water Board was recently acknowledged by the President of Malawi, Hon Professor Peter Mutharika during the visit of the Chairperson of the Board of Bloem Water, Mr T B Phitsane. The visit was in support of the launch and commissioning of NRWB water projects in Malawi. Furthermore, this relationship has had a huge impact that resulted in the street of NRWB head office being renamed Bloem Water Street in Mzuzu City and Bloem Water's Head Office street was renamed as Mzuzu Street in Bloemfontein.

The latest engagement between both Bloem Water and Northern Region Water Boards extended the twinning partnership to the Free State Province whereby the Director-General and the advisor to the Premier accompanied Bloem Water Board in the strategic engagement to Malawi. During the visit, the delegation learnt with appreciation unique and effective strategies of water supply to rural areas of Malawi.

Free State Province and Bloem Water delegations with the Mayor of Mzuzu Municipality - Malawi



Lepelle Northern Region Water Board

The other long-standing local partnership is with Lepelle Northern Water Board in Limpopo. The partnership was renewed for the period 2016 -2021. The last benchmarking and knowledge sharing session was held in May 2018 on several matters of mutual interest.



Lepelle Water Board



visiting Bloem Water

Audit Committee Report

Bloem Water is pleased to present its report for the financial year ended 30 June 2018.

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from Section 76(4)(d) and 77 of the Public Finance Management Act and Treasury Regulation 3.1.13. 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.

The Audit Committee has held meetings with the external and internal auditors on every Audit Committee meeting. Both the external and internal auditors have unrestricted access to the Audit Committee.

The effectiveness of the Audit Committee is assessed through a formal process on an annual basis.

Statutory duties

In the execution of its statutory duties the Audit Committee made the following submissions to the Board on matters concerning the organisation's accounting policies, financial control, records and reporting:

- Materiality framework, as well as internal control framework,
- Written assessment on the effectiveness of the internal financial controls;
- Recommended the Financial Statements for submission to the office of the Auditor General;
- Recommended Annual Financial Statements for approval by the Board; and
- Written assessment on the effectiveness of risk management and internal controls.

Delegated duties

The Audit Committee received reasonable assurance that the processes and procedures followed through the risk management processes at Bloem Water are adequate and effective to ensure that financial risks are identified and monitored.

The Committee is specially satisfied that the following areas have been appropriately addressed:

- Fraud risk pertaining to financial reporting;
- Financial reporting risks;
- Internal financial controls;
- ICT risk pertaining to financial reporting; and
- Reviewed tax and technology risks; in particular, how these are managed.

The Effectiveness of Internal Financial Control

The Committee:

- Reviewed the effectiveness of Bloem Water's internal financial controls, received assurance from management, External and Internal Audit;
- Reviewed policies and procedures for preventing and detecting fraud, bribery and corruption; and
- Reviewed significant issues raised by the External and Internal Audit processes as well as the manner in which these issues were resolved.

The Audit Committee is satisfied that significant internal financial controls are effective, from the processes as communicated and assurance provided.

Regulatory compliance

The Audit Committee has complied with all applicable legal and regulatory responsibilities.

- Evaluated the independence, effectiveness and performance of Internal Audit,
- Satisfied itself that Internal Audit has had the necessary resources, standing and authority within Bloem Water to enable it to discharge its functions;
- Approved the Internal Audit annual plan; and
- Encouraged the co-operation between External and Internal Audit throughout the reporting year.

In-Year Management Monthly/Quarterly Reporting

Bloem Water submitted quarterly reports to the Executive Authority after approval by both the Audit Committee and the Board.

Risk management

Progress on Bloem Water risk management was reported to the Audit Committee on a regular basis. The Committee is satisfied that the management of risk is receiving attention, and Management continues to support the Chief Risk Officer to further enhance the level of risk management across the organisation.

Evaluation of Financial Statements

We reviewed the Annual Financial Statements as prepared by Bloem Water

Auditor's Report

We reviewed Bloem Water's implementation plan for all audit issues raised in the prior year and we are satisfied that all matters raised were adequately resolved.

The Audit Committee concurs and accepts the conclusions of the external auditor (the Auditor-General of South Africa) on the Annual Financial Statements and is of the view that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General of South Africa (AGSA)..

Annual Reporting

Based on the processes in place by the Management and the assurance provided by Internal Audit, we have recommended this Annual Report to the Board for approval.

On behalf of the Audit Committee



Mrs. Caroline Mahlakhlaka
Chairperson of the Audit Committee: Bloem Water
Date:

PART D: HUMAN RESOURCE MANAGEMENT

1. Introduction

Having realized that the current focus on sustainability and integrated reporting is all about reflecting how the Organisation creates value for various stakeholders, this section of the report seeks to reflect on the strategic impact of human capital. It is imperative that all activities within the Human Resource context serves the business strategies and goals of the institution.

Human Resource priorities for the year under review were informed by what strategy demands of human capital and what capabilities the Entity has to deliver on its mandate and strategic goals.

Workforce planning and priorities

Bloem Water, through workforce planning, continuously and systematically aligns business and HR needs to ensure the right people, with the right skills, at the right time and cost to execute efficiently and successfully. Ministerial approval in accordance with a directive, was obtained for the recruitment of key positions required to achieve operational efficiencies.

Following a Strategic session, the Board reviewed the Organisational Structure based on the recommendations from an Organisational Study Report. Vacancies were prioritized, and the first round of recruitment resulted in 80 appointments of which 65 were internal appointments and 15 externals. Succession planning objectives were met through having created an internal pool of expertise who could successfully compete for positions at a higher level. This is evident of Bloem Water philosophy to build its own capacity through skills transfer and training.

Attraction and retention

More than 9000 applications were received for the various positions advertised. This is regarded as a reflection of both the unemployment figure in the Province and the fact that Bloem Water is regarded as an Employer of Choice.

Bloem Water offers market related remuneration, succession planning and continued training and development opportunities in support of attracting and retaining competent and fit for purpose employees.

Capacity building

The workplace skills plan and annual training plan were developed through consultation with employees, line managers and Labour; and proves to be an important tool in capacity building. The annual training plan was developed in response to training needs reflected in the employees' individual development plans combined with compliance training requirements. Given the technical nature of the water sector environment, Management resolved to prioritize technical training hence the relationship with EWSETA, Central University of Technology, Motheo TVET and the University of the Free State. From a regional perspective, Bloem Water supports various training and employment initiatives. These are catered through learnerships, internships, recruitment processes from local resources and regional Labour content for infrastructure projects.

Other training priorities include programmes on risk management, instrumentation technician, project management and water and waste water training. Topical workshops were conducted throughout the year by relevant managers/executives aimed at equipping employees with information and knowledge. To enhance Governance in the Organization, leadership and management training is a requirement for all Managers and Executives. Included is ethical issues on interpretation and application of the King Code.

Skills Development Programs - Artisanship



Artisanship



Professional development

Continued professional development is important for Bloem Water and employees are encouraged to register with relevant professional bodies. Risk practitioners, water care staff, engineers, the wellness practitioner, managers and executives attended suitable refresher training courses and/or conferences in support of professional development. This, amongst others, included training on ethics and the interpretation and application of the King Code.

Experiential learning opportunities

The entity is a participating member of the skills development forum of the Office of the Premier where skills development in the Free State is addressed. From the Presidential War on Leaks programme, Bloem Water hosted 21 learners for 18 months allowing them to comply with experiential training requirements. The Memorandum of Understanding with the Central University of Technology resulted in providing opportunities for a number of water care learners to gain practical experience at different plants.

Structure, process, and systems improvements

Considering continuous structured process and systems improvements proves to be a rather involved process.

The Board acknowledged the importance of sustainable development and integration across different disciplines. It is critical to comprehend the interconnectedness of all business systems and activities. During the year under review, the Board and Management invited a presentation on sustainability and integration. Systems improvement is technologically driven, and the payroll system was upgraded during the year to allow for improved reporting functionalities.

Workforce optimization

Workforce optimization encompasses all the activities needed to maintain a productive workforce. Specific indicators relating to optimization are measured and reported to the HR & CS Committee on a quarterly basis. These measurements are analysed and interpreted to devise interventions where required. The annual climate survey is aimed at improved staff engagement and ultimately workforce optimization. The Local Labour Forum established a productivity sub-committee to address productivity within the workplace.

Employee performance management framework

The Performance Management Framework, coupled with the planning cycle, is the means to achieve a focus on continuous improvement and provide an open and transparent performance reporting system. From the initial introduction of the performance management framework, the entity moved from a position of measurement and reporting to management and improving. It was established that to make a real improvement, organizational culture must be addressed. Accordingly, performance management sessions were conducted at management and team levels to promote the consistent interpretation and application of the rating system.

Quarterly assessment information allows for line Managers to reflect on training requirements of respective employees which are then incorporated into the annual training plan to ensure focused capacity building.

Employee wellness

This initiative seeks to advocate and promote a healthy workforce through various programmes in support of the quest for a productive and satisfied workforce.

During the year under review a number in internal and external counselling sessions were facilitated, health screening was provided to staff and different awareness sessions on topical issues such as financial health, men and women's health, Cancer, TB and HIV/Aids were conducted. Sick leave trends are analysed and correlation between counselling requirements and sick leave incidents were observed. Wellness topics are identified to address the trends identified. Participation levels of wellness activities increased during the year.

Sport is regarded as an important element of the wellness programmes at Bloem Water. Several employees participated in various sporting codes such as marathons, angling and soccer. Bloem Water also participated in the Zone 6 SADC Easter Games and the Heritage Games with other water utilities in Botswana.

Bloem Water Employees in Nelson Mandela Marathon



Bloem Water employees participating in Soweto Marathon



Provincial Department of Health Screening Bloem Water employees



Employees participating in Zone 6 SADC Easter Games in Botswana

Policy development

Executive Management initiates policy development for approval by the Board. Policies are annually aligned with legislative changes or as operational requirement dictates. The Board is to review policies every three years. Many Organisational policies were reviewed during the year under review following consultative processes with Labour.

Defined Benefit Pension Fund

Given the nature of the fund and based on the contributions, pension and related benefits are guaranteed. Each member qualifies for certain guaranteed benefits on retirement, resignation, ill health, death or discharge. The fund is fully compliant with regulatory requirements.

The Fund is managed by an Independent Board of Trustees with the support of service experts and independent auditors. Trustee elections were conducted in terms of the Rules of the Fund and all newly appointed Trustees attended foundation training. Alternate Trustees were appointed and are invited to all Trustee meetings to build capacity.

Roadshows were held in respective regions and members were engaged in important fund matters such as beneficiary nomination forms, interpretation of the annual benefit statements, exit processes and regulatory requirements.

Labour Relations and the Amanzi Bargaining Council:

Bloem Water played an active role in all Amanzi Bargaining Council (ABC) activities. For the first time since its inception, the Council managed to successfully conclude a collective wage agreement for the 2018/19 financial year. It has furthermore appointed a task team to consider several conditions of employment across the respective Water Boards to harmonize the sector.

The Local Labour Forum continues to engage in robust engagements on matters of mutual interest. The Forum recently proposed that senior management and labour pledge their commitment to the Code of Ethics during a signing ceremony. This is reflective of the maturity of labour relations within Bloem Water.

Recruitment:

A total number of 80 appointments were made during the period under review, the bulk of which were internal appointments in higher positions. This is an indication that a pool of successors was developed over time in terms of the Succession Planning policy. It was rather challenging for the HR Department to process more than 11 000 applications; which is indicative of the extent of unemployment in the Province and Country.

Representation of employees with disabilities and female employees remains a challenge. 31 females were appointed during the period under review to increase representativity. However, the appointment of employees with disabilities remains a challenge to be addressed in the next financial year.

2. Human Resource Oversight Statistics

Personnel Cost by programme/ activity/ objective					
Programme/activity /objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee
Management	R 801 677 279	34 382 849.80	4.28886	25	1 375 313.99
Administration		62 690 120.70	7.81987	92	681 414.36
Electrical		9 540 238.90	1.19003	19	502 117.84
Civil		12 499 885.31	1.55922	40	312 497.13
Water Treatment		41 374 997.72	5.16105	96	430 989.56
Mechanical		19 471 665.15	2.42887	68	286 348.02
Security		11 510 666.41	1.43582	46	250 231.88
Total			191 470 423.99	23.88373	386

Personnel cost by salary band				
Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee
Top Management	15 623 397.28	8.16	7	2 231 913.90
Senior Management	28 021 629.90	14.63	18	1 556 757.22
Professional qualified	9 440 971.92	4.93	6	1 573 495.32
Skilled	80 576 283.60	42.08	143	563 470.51
Semi-skilled (including 2 Learnerships)	40 697 143.87	21.26	137	297 059.44
Unskilled	16 966 745.74	8.86	74	229 280.35
Temporary	144 251.68	0.08	1	144 251.68
TOTAL	191 470 423.99	100.00	386	

Performance Rewards			
Programme/activity/objective	Performance rewards	Personnel Expenditure	% of performance rewards to total personnel cost
Top Management	4 087 444.05	15 623 397.28	26.16
Senior Management	2 468 824.27	28 021 629.90	8.81
Professional qualified	461 522.86	9 440 971.92	4.89
Skilled	5 022 317.01	80 576 283.60	6.23
Semi-skilled	2 136 765.91	40 697 143.87	5.25
Unskilled	1 216 786.06	16 966 745.74	7.17
Temporary	-	144 251.68	-
TOTAL	15 393 660.16	191 470 423.99	8.04

Training Costs					
Programme/activity/objective	Personnel Expenditure	Training Expenditure	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Management	34 382 849.80	1 121 197.00	3.26	45	24 915.49
Administration	62 690 120.70	593 172.00	0.95	53	11 191.92
Electrical	9 540 238.90	139 742.00	1.46	9	15 526.89
Civil	12 499 885.31	621 875.00	4.98	30	20 729.17
Water Treatment	41 374 997.72	196 080.00	0.47	113	1 735.22
Mechanical	19 471 665.15	69 159.00	0.36	13	5 319.92
Security	11 510 666.41	-	-	-	-
TOTAL	191 470 423.99	2 741 225.00		263	79 418.61

Employment and vacancies

Programme/activity/objective	2016/2017	2017/2018 Approved Posts	2017/2018	2017/2018 Vacancies	% of vacancies
	No. of Employees		No. of Employees		
Top Management	6	8	7	1	12.5
Senior Management	11	29	18	11	38
Professional qualified	6	13	6	7	54
Skilled	136	179	143	36	20
Semi-skilled	124	195	137	60	30
Unskilled	96	101	74	25	27.75
Temporary Employees	2	0	1	0	0
TOTAL	381	525	386	139	27.5

The bulk of the vacancies represents new positions created when the Board reviewed the organisational structure in 2017. At the time there was a moratorium on the filling of vacancies and only critical positions were filled with the concurrence of the Minister of Water and Sanitation.

Vacancies were analysed and prioritized, and a phased approach was followed to suitably fill vacancies. From January 2018 to June 2018 the key operational/compliance positions were recruited in Phase 1 whilst the remaining identified vacancies were advertised in July 2018 for Phase 2 recruitment. The vacancy in top management (Executive: Internal Audit) and Senior Management vacancies was included in the July 2018 recruitment process which is currently unfolding.

The table below reports on the appointments and terminations during the financial year. The figures are however, distorted due to internal appointments in higher positions which are reflected as terminations from a band and appointments in another band.

The actual terminations (employees leaving the employ of Bloem Water) is 12 employees of which 5 represents retirements, 3 resignations, 2 deaths and 2 ill-health retirements.

Employment changes

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period PAYROLL
Top Management	6	1	0	7
Senior Management	11	9	2	18
Professional qualified	6	2	2	6
Skilled	136	18	11	143
Semi-skilled	124	30	17	137
Unskilled	96	0	22	74
Temporary	2	1	2	1
Total	381	61	56	386
Internal appointments in same salary band not included in above appointments		19		
Actual Terminations			12	
* 44 = Internal upward mobility				

Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Death	2	0.52
Resignation	3	0.78
Dismissal	0	0.00
Retirement	5	1.35
Ill health	2	0.53
Expiry of contract	0	0.00
Other	0	0.00
Total	12	3.18

Exit interviews were conducted and reasons presented were pursuing better opportunities and/or career changes.

Labour Relations: Misconduct and disciplinary action

Nature of disciplinary Action	Number
Verbal Warning	0
Written Warning	36
Final Written warning	1
Dismissal	0

Employment Equity

Levels	MALE							
	African		Colored		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	1	0
Senior Management	7	1	1	1	0	0	2	0
Professional qualified	3	2	0	1	0	0	1	0
Skilled	72	3	4	4	0	0	10	2
Semi-skilled	101	12	3	4	0	0	4	1
Unskilled	56	23	0	5	0	0	0	2
TOTAL	241	0	8	0	0	0	18	0

Employment Equity (cont.)

Levels	FEMALE							
	AFRICAN		COLOURED		INDIAN		WHITE	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	3	1	0	1	0	0	1	0
Senior Management	5	1	1	1	0	0	1	0
Professional qualified	2	2	0	2	0	1	0	0
Skilled	43	7	4	2	1	0	9	2
Semi-skilled	30	13	0	4	0	1	0	2
Unskilled	19	14	0	5	0	1	0	2
TOTAL	102	38	5	15	1	3	11	6

Levels	Disabled Staff			
	Male		Female	
	Current	Target	Current	Target
Top Management	0	1	0	0
Senior Management	0	1	0	1
Professional qualified	0	1	0	1
Skilled	1	1	0	1
Semi-skilled	0	1	0	0
Unskilled	2	2	0	0
TOTAL	3	7	0	3

Awards Received

In recognition of excellence, Bloem Water has received three awards of quality excellence during the year under review: two international Diamond awards for promoting and implementing quality culture, and a local award for leadership excellence.



Diamond Arrow Award 2017- Bloemfontein

Diamond Summit Award 2018 - London



Chairperson received an award in New York on behalf of Bloem Water

PART E: FINANCIAL INFORMATION

Bloem Water

Annual Financial Statements

for the year ended 30 June 2018

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Bloem Water

Annual Financial Statements

for the year ended 30 June 2018

Entity information

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

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Bloem Water

Annual Financial Statements

for the year ended 30 June 2018

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Bloem Water

Statement of responsibilities and approval

for the year ended 30 June 2018

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 external 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. The application of SA GAAP as at 1 April 2012 has been mandated by the Accounting Standards Board. A detailed analysis to the application of Directive 12 and the implication thereof 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 Auditor General of South Africa 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 external 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 on the Board's behalf by the Chief Executive.



Dr L Moorosi
Chief Executive

Date: 2018.09.29

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Report of the Auditor-General to Parliament on Bloem Water.

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Bloem Water set out on pages 108 to 166, which comprise statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bloem Water as at 30 June 2018, and its financial performance and cash flows for the year then ended in accordance with the South African Statements of Generally Accepted Accounting Practice (SA Statements of GAAP) and the requirements of the Public Financial Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *Code of ethics for professional accountants* (IESBA code) and the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my unqualified opinion.

Material uncertainty relating to financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. As disclosed in Note 5 to the financial statements the public entity has a significant increase in the allowance for impairment of trade receivables of R297 144 000 (2017: R246 554 000). This condition indicates the existence of a material uncertainty that may cast significant doubt on the public entity's ability to sustain its financial position/performance in future periods.

Emphasis of matters

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

Fruitless and wasteful expenditure

9. As disclosed in note 26 to the financial statements, there is a possible fruitless and wasteful expenditure due to non-compliance with SCM requirements, the amount was yet to be determined at year end.

Irregular expenditure

10. As disclosed in note 27 to the financial statements, irregular expenditure of R1 120 000 (2017: R11 000) was incurred, due to non-compliance with supply chain management (SCM) requirements.

Material impairments

11. As disclosed in note 5 to the financial statements, management provided for impairment of trade receivables of R751 019 000 (2017: R453 875 000) as a result of uncollectable debts.

Restatement of corresponding figures

12. As disclosed in note 28 to the financial statements, the corresponding figures for 30 June 2017 have been restated as a result of errors identified in the financial statements of the public entity at, and for the year ended, 30 June 2018.

Other matter

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

Unaudited supplementary schedule

14. The supplementary information as set out on pages 167 to 169 does not form part of the financial statements and is presented as additional information. I have not audited this statement and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting authority for the financial statements

15. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Statements of GAAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the accounting authority either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Auditor-general's responsibilities for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report

that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on the audit of the annual performance report

Introduction and scope

19. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected strategic objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
20. My procedures address the reported performance information, which must be based on the approved performance planning documents of the public entity. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.
21. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected strategic objectives presented in the annual performance report of the public entity for the year ended 30 June 2018:

Strategic objectives	Pages in the annual performance report
Strategic objective: SO 1- plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery	x – x
Strategic objective: SO 3- securing of supply and quality of raw water resources	x-x
Strategic objective: SO 5- engaging and strengthening strategic partnerships with relevant stakeholders	x – x

22. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related

targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

23. I did not raise any material findings on the usefulness and reliability of the reported performance information for the following Strategic objectives:

- Strategic objective: SO 1- plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery
- Strategic objective: SO 3- securing of supply and quality of raw water resources
- Strategic objective: SO 5- engaging and strengthening strategic partnerships with relevant stakeholders

Other matter

24. I draw attention to the matter below.

Achievement of planned targets

25. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year and explanations provided for the under/ over achievement of a significant number of targets.

Adjustment of material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information of Strategic objective: SO 1- plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

Report on the audit of compliance with legislation

Introduction and scope

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

28. The material findings on compliance with specific matters in key legislations are as follows:

Annual Financial statements

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

Other information

30. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report, which includes the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected strategic objectives presented in the annual performance report that have been specifically reported in this auditor's report.
31. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.
32. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected strategic objectives presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
33. I have read the other information and I have nothing to report in this regard.

Internal control deficiencies

34. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.
35. Management did not adequately review and monitor compliance with applicable laws and regulations, as instances of non-compliance with laws and regulations were identified.
36. Management did not adequately prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.
37. The leadership did not exercise effective oversight responsibility with regard to compliance with laws and regulations, as instances of non-compliance with laws and regulations were identified.

AUDITOR - GENERAL

Bloemfontein

30 September 2018



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Bloem Water

Statement of financial position

at 30 June 2018

	Note	2018 R'000	2017 R'000
Assets			
Non-current assets			
		974 039	902 964
Property, plant and equipment	2	908 955	854 449
Biological assets	3	437	-
Defined benefit asset	16	64 647	48 515
Current assets			
		510 610	439 242
Inventories	4	13 364	13 272
Trade and other receivables	5	196 744	219 519
Cash and cash equivalents	6	228 118	134 067
Infrastructure project receivable	22	72 384	72 384
Total assets			
		<u>1 484 649</u>	<u>1 342 206</u>
Equity and liabilities			
Equity			
		915 103	863 617
Accumulated profit		741 261	647 989
Capital replacement fund		87 350	87 350
Capital development fund		70 217	70 217
Insurance fund		16 275	14 482
Asset DWS reserve fund		-	43 579
Non-current liabilities			
		349 513	293 459
Interest bearing borrowings	7	151 409	190 749
Deferred income	21	198 104	102 710
Current liabilities			
		220 033	185 130
Current portion of interest bearing borrowings	7	44 634	47 455
Trade and other payables	8	175 399	137 675
Total equity and liabilities			
		<u>1 484 649</u>	<u>1 342 206</u>

Bloem Water

Statement of comprehensive income

for the year ended 30 June 2018

	Note	2018 R'000	2017 R'000
Revenue	10	708 823	661 274
Water abstraction costs		<u>(24 959)</u>	<u>(21 004)</u>
Gross income		683 864	640 270
Other income	10.1	3 120	3 745
Chemicals		(17 769)	(15 130)
Depreciation		(48 480)	(60 275)
Energy cost		(92 995)	(93 140)
Repairs and maintenance		(17 185)	(13 706)
Employment costs		(199 067)	(176 699)
Impairment of trade receivables	5	(297 235)	(246 684)
Operating expenses		<u>(42 785)</u>	<u>(43 608)</u>
Operating surplus/(deficit)	11	(28 532)	(5 227)
Finance income	12	96 457	57 335
Finance costs	13	<u>(16 438)</u>	<u>(15 117)</u>
Surplus/(deficit) for the year		51 487	36 991
Total comprehensive surplus/(deficit) for the year		<u>51 487</u>	<u>36 991</u>

Bloem Water

Statement of changes in equity

for the year ended 30 June 2018

	<i>Note</i>	2018 R'000	2017 R'000
Accumulated profit			
Opening balance		647 989	613 358
Total comprehensive income/(loss) for the year		51 487	36 991
Transfer from / (to) the Asset DWS reserve fund		43 579	-
Transfer from / (to) the insurance fund		<u>(1 794)</u>	<u>(2 360)</u>
Closing balance		<u>741 261</u>	<u>647 989</u>
Capital replacement fund			
Opening balance		87 350	87 350
Transfer from / (to) retained earnings		<u>-</u>	<u>-</u>
Closing balance		<u>87 350</u>	<u>87 350</u>
Capital development fund			
Opening balance		70 217	70 217
Transfer from / (to) retained earnings		<u>-</u>	<u>-</u>
Closing balance		<u>70 217</u>	<u>70 217</u>
Insurance fund			
Opening balance		14 482	12 122
Transfer from / (to) retained earnings		<u>1 794</u>	<u>2 360</u>
Closing balance		<u>16 275</u>	<u>14 482</u>
Asset DWS reserve fund			
Opening balance		43 579	43 579
Transfer from / (to) retained earnings		<u>(43 579)</u>	<u>-</u>
Closing balance		<u>-</u>	<u>43 579</u>

Bloem Water

Statement of cash flows

for the year ended 30 June 2018

	Note	2018 R'000	2017 R'000
Cash flow from operating activities			
<i>Net cash inflow from operating activities</i>		198 795	17 416
Cash received from customers		519 013	252 434
Cash paid to suppliers and employees		(312 378)	(224 905)
Cash generated from operating activities	14.1	206 635	27 529
Finance income		12 391	14 240
Finance costs (including borrowing cost capitalised)		(20 231)	(24 353)
Cash flow from investing activities			
<i>Net cash outflow from investing activities</i>		(157 962)	(82 199)
<i>To expand and refurbish</i>			
Additions to property, plant and equipment		(117 678)	(40 417)
Proceeds on disposal of property, plant and equipment		22	16
Contributions made to defined benefit plan		(40 306)	(41 798)
Cash flow from financing activities			
<i>Net cash generated in financing activities</i>		53 234	(37 113)
Deferred income	21	95 394	14 991
Interest bearing borrowings repaid		(42 160)	(52 104)
Net increase/decrease in cash and cash equivalents		94 067	(101 896)
Cash and cash equivalents at the beginning of the year		134 047	235 943
Cash and cash equivalents at end of the year	14.2	228 114	134 047

Bloem Water

Notes to the financial statements

for the year ended 30 June 2018

1. Summary of significant accounting policies

The principle accounting policies applied in the preparation of these annual 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 annual financial statements have been prepared on the historical cost basis except where otherwise indicated. The annual 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.

The annual financial statements are prepared on the basis that the entity will continue to be a going concern.

Statement of compliance

The annual 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 annual financial statements for the year ended 30 June 2018.

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.

Bloem Water

Notes to the financial statements

for the year ended 30 June 2018

(continued)

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. The Directive requires the conversion either to GRAP or IFRS based on certain criteria.

A technical analysis and benchmarking with other Water Boards exercise were conducted based on Directive 12 application and the following were concluded on

- Bloem Water is not a financial institution.
- Bloem Water does not have ordinary shares which are publicly traded.
- Bloem Water's operations are not commercial in nature and currently an insignificant portion of the Entity's funding is acquired through government grants. This is likely to change in future when significant funding might be needed and would be obtained from Government.

From the assessment, it was recommended and approved that GRAP should be the preferred reporting framework for use by the Entity.

In the transition to GRAP, there are new or revised Accounting Standards and Interpretations in issue. These GRAP standards will be effective to Bloem Water from 1 July 2018 as this will be the first financial year for Bloem Water commencing on or after 1 April 2018.

The following indicates the difference between GRAP and GAAP and the relevance and impact to Bloem Water. These standards will be effective for the financial year end commencing 1 July 2018:

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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 11: Construction contracts	IAS 11: Construction contracts	IFRS states that when it is probable that total contract costs will exceed total contract revenue, the expected loss shall be recognised as an expense immediately. GRAP 11 requires an entity to recognise an expected deficit on a contract immediately when it becomes probable that	Not relevant to Bloem Water

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 11: Construction contracts (continued)	IAS 11: Construction contracts (continued)	contract costs will exceed total contract revenue (only for contracts that it had intent to fully recover costs from parties).	
GRAP 21: Impairment of non-cash generating assets	No IFRS equivalent	IAS36: impairment of assets by assessing carrying value against the higher of fair value less costs to sell or value in use. Value in use is based on an analysis of the asset's discounted cash flows.	Currently, Bloem Water does not have assets that meet the definition of non-cash generating assets. As a result, there is no impact for the annual financial statements as at 30 June 2018.
		GRAP 21: Deals with impairment of non-cash generating assets which must be differentiated from cash generating assets (those held with the primary objective of generating a commercial return). An entity needs to establish whether its assets are cash or non-cash generating. GRAP 21 requires that value in use be determined using depreciated replacement cost, service units approach or restoration cost.	

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 23: Revenue from non-exchange transactions	IAS 20: Accounting for government grants and disclosure of government assistance	<p>IAS 20 requires that government grants be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expense the related costs for which the grants are intended to compensate.</p> <p>GRAP 23: Revenue from non-exchange transactions is defined as an instance where the entity receives value from another entity without directly giving approximately equal value in exchange. An inflow or resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow. An asset acquired through a non-exchange transaction shall initially be measured at fair value as at the date of acquisition. Revenue from a non-exchange transaction shall be measured at the amount of the increase in net assets recognised by the entity.</p>	<p>Bloem Water received grants for specific projects and elected to offset the grant income against the cost price of the project. The impact for Bloem Water will be to recognise the income from the grant and disclose the completed project at its gross cost and will affect the 30 June 2016, 30 June 2017 and 30 June 2018 annual financial statements. Accumulated surplus will increase with a corresponding increase in PPE.</p>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 23: Revenue from non-exchange transactions (continued)	IAS 20: Accounting for government grants and disclosure of government assistance (continued)	The amount recognised as a liability shall be the best estimate of the amount required to settle the presentation obligation at reporting date.	<p>The impact for 2017/18 financial year would be as follow:</p> <p>A decrease in Deferred Income liability (Statement of financial position) of approximately R198,1 million.</p> <p>An increase in Government Grants and Subsidies Income (Statement of financial performance) of approximately R102,7 million.</p> <p>An increase in Accumulated Profit (Statement of financial position) of approximately R92,7 million.</p> <p>An increase in Unspent Conditional Grants & Receipts of R2,7 million.</p>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 24: Presentation of budget information	No IFRS equivalent	GRAP 24 must be applied by entities that are required or elect to make publicly available their approved budgets when presenting budget information. The standard requires a comparison of budget amounts and actual amounts arising from the execution of the budget to be included.	Not relevant to Bloem Water as budget information is not made available publicly.
GRAP 25: Employee benefits	IAS 19: Employee benefits	Actuarial gains/losses: IFRS/GAAP allows for the deferral of actuarial gains and losses using the "corridor method" or can recognise in the period which they occur in OCI, whereas GRAP requires actuarial gains and losses to be recognised in full, in surplus or deficit in the year that they occur.	Bloem Water would have to adjust its employee benefit liability (increase / credit) and adjust expenditure and accumulated surplus (debit) with actuarial losses of the past, which under GRAP would have to be recognised immediately. Negative impact on Net Profit/ Loss for the year.

Bloem Water

Notes to the financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 25: Employee benefits (continued)	IAS 19: Employee benefits (continued)	<p>Past service costs: IFRS/GAAP recognises past service costs on a straight-line basis over their vesting period in deficit or surplus. GRAP requires that past service costs be recognised in full, in the year that they arise.</p> <p>Discount rate: IFRS states that the discount rate must be yields on high-quality corporate bonds whereas GRAP refers to yields on government bonds.</p>	<p>The impact on the annual financial statements for Bloem Water is considered to be significant. The Defined Benefit Plan Assets (Statement of financial position) will decrease with approximately R63,6 million. Accumulated profit (Statement of financial position) will decrease with approximately R49 million and Actuarial gain (Statement of financial performance) is expected to decrease with approximately R14.6 million (<i>i.e. a pension fund asset of approximately R1 million will exist for 2017/18 financial year</i>). Additional amendments are of a presentation nature and will not have a significant impact on the entity's annual financial statements.</p>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018
(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 103: Heritage assets	No IFRS equivalent	GRAP refers to Heritage Assets as assets that have cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations. Heritage assets should be recognised when it is probable that economic benefits or service potential will flow to the entity and the cost or fair value can be measured, reliably.	Not relevant as Bloem Water does not have any assets that meet the definition of Heritage assets.
GRAP 104: Financial Instruments	IAS 32; 39 and IFRS 7: Financial instruments	GRAP has different categories for financial instruments, which could impact the way in which those instruments are measured. Only impact on disclosure is the fact that GRAP does not have the concept of "other comprehensive income".	It is expected that the current classification of financial instruments will remain the same between IFRS/GAAP and GRAP. No impact on values are expected. Due to comprehensive disclosure requirement under GAAP, which has already been met by the entity, no significant impact in disclosures expected.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 105: Transfer of functions	No IFRS equivalent	GRAP 105 sets out the principles for the acquirer and the transferor in the transfer of functions between entities under common control.	Not relevant at this point
Guideline on accounting for PPP	No IFRS equivalent	The ASB issued a guide for the use by a grantor (public party) in a PPP agreement on how to account and report on assets, liabilities, revenue and expenditure.	Not relevant at this point
GRAP 107: Mergers	No IFRS equivalent	The standards deals with transactions that result in the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.	Not relevant at this point
GRAP 1: Presentation of FS	IAS 1: Presentation of financial statements	Terminology changes, to highlight the public sector bias of the standards of GRAP. These include: eg: statement of profit or loss and other comprehensive income is referred to as the statement of financial performance; requirements that the budget information be presented; etc.	Changes to be effected, in line with GRAP 1.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 2: Cash Flow Statements	IAS 7: Cash Flow Statements	Terminology changes. GRAP 2 eliminates the use of the indirect method.	Changes to be effected, in line with GRAP 1. The current cash flow statement is presented in the direct format and changes will be limited to terminology changes.
GRAP 12: Inventories	IAS 2: Inventories	IFRS does not have specific requirements for assets (PPE, inventory, intangibles, etc) that are acquired for no consideration. Inventory is subsequently measured at the lower of cost and net realizable value. Standards of GRAP require that assets acquired at no or nominal consideration be recognised at fair value. Inventory is subsequently measured at the lower of cost and current replacement cost.	Bloem Water does not have any inventories acquired for no consideration. As a result, there will be no impact from this difference.
GRAP 13: Leases	IAS 17: Leases	Standards of GRAP are consistent with IAS17 in terms of the discount rate to be used at initial recognition of a finance lease to calculate the present value of the minimum lease payments to be the rate implicit in the lease. GRAP allows entities to disclose depreciation and finance charges relating to leased assets as part of the total depreciation and finance charges respectively.	No expected impact. Bloem Water will however need to consider the impact of future finance lease agreements. The main impact will be disclosure related.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 16: Investment Property	IAS 40: Investment Property	GRAP and IAS are consistent in terms of the principles. GRAP provides specific guidance regarding property that is used to provide housing as a social service, whereby such property does not qualify as investment property, although rentals are earned during transaction.	Not relevant at this point
GRAP 17: Property, Plant and Equipment	IAS 16: Property, Plant and Equipment	IAS does not have specific requirements for assets that are acquired for no consideration. Standards of GRAP require that assets acquired at no or nominal consideration be recognised at fair value.	Bloem Water does not have any tangible assets acquired for no consideration. As a result, there will be no impact from this difference.
GRAP 20: Related party disclosures	IAS 24: Related party disclosures	IAS requires disclosure of transactions and balances with related parties, and that disclosure of nature of the related party relationship needs to be made. Due to public sector nature, GRAP only require disclosure of transactions and balances that are undertaken on terms and conditions that is not normal (non-arm's length).	Expected decrease in disclosure, as most transactions currently reflected as related party transactions, are deemed to be at arms-length. Therefore, less onerous disclosure.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:	
GRAP	IFRS/GAAP	Impact	Relevance/impact to Bloem Water
GRAP 102: Intangible assets	IAS 38: Intangible assets	IAS does not have specific requirements for assets that are acquired for no consideration. Standards of GRAP require that assets acquired at no or nominal consideration be recognised at fair value.	Bloem Water does not have any intangible assets acquired for no consideration. As a result, there will be no impact from this difference.
GRAP 106: Transfer of functions between entities not under common control	IFRS 3: Business combinations	Difference between GRAP and IAS on the treatment of the excess of the purchase consideration over the fair value of the assets acquired and liabilities assumed at acquisition date (i.e. goodwill), whereas the excess is required to be recognised immediately in surplus and deficit.	Not relevant at this point

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.3 Significant accounting judgments, estimates and assumptions

The preparation of the entity's annual 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 annual financial statements are set out below:

a) Pension and other post-employment benefits

Accounting for defined benefit plans may be complex because actuarial assumptions are required to measure the obligation and the expense, with the possibility that actual results differ from the assumed results. These differences are known as actuarial gains and losses. Defined benefit obligations are measured using the Projected Unit Credit Method (PUCM), according to which the entity has to make a reliable estimate of the amount of benefits earned in return for services rendered in current and prior periods, using actuarial techniques. In addition, in cases where defined benefit plans are funded, the entity has to estimate the fair value of plan assets. As a result, the use of the PUCM involves a number of actuarial assumptions. These assumptions include demographic assumptions such as mortality, turnover and retirement age and financial assumptions such as discount rates, salary and benefit levels. Such assumptions are subject to judgements and may develop materially differently than expected and therefore may result in significant impacts on defined benefit obligations. The net pension plan asset at 30 June 2018 is R64 647 026 (2017: R48 515 029). Further details are disclosed in note 16.

b) Allowance for doubtful receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible that impairment and uncollectibility are determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date. Further details are disclosed in note 5.

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Bloem Water

Notes to the annual financial statements

*for the year ended 30 June 2018
(continued)*

1.3 Significant accounting judgments, estimates and assumptions

c) Valuation and depreciation of property, plant and equipment

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash generating units, based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

Useful lives of depreciable assets

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. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

d) Fair value of biological assets

The carrying amounts of biological assets are recognised at fair value. The fair values of game were determined with reference to market prices as at 30 June 2018. Refer to note 3 for further detail on biological assets.

1.4 Property, plant and equipment

Land is carried at cost less accumulated impairment. Land is used for administrative purposes and is not depreciated.

Furniture and office equipment and vehicles and machinery 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.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018
(continued)

1.4 Property, plant and equipment (continued)

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 less its estimated residual value. The estimated useful lives for current and comparative periods are as follows:

Vehicles and machinery:	15 years
Plant equipment:	30 years
Furniture and office equipment:	5 to 25 years
Roads:	50 years
Pipeline and reservoirs:	35 to 40 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.

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 Biological assets

Game stock are measured at fair value less estimated point-of-sale costs. The fair value of biological assets are determined annually based on market prices of similar age, genies, and generic merit after considering its highest and best use. All changes in fair values are recognised in the statement of comprehensive income for the period in which they arise.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.6 Reserve Funds

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. The Board decided that the fund is no longer applicable and was therefore transferred to Accumulated Profit during the 2018 financial year.

1.7 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.

1.8 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.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

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 an 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 Peter Theunissen (Fellow of the Actuarial Society of South Africa) and assisted by Tracey van Hagt (Senior Actuarial Consultant) on behalf of Independent Actuarial Consultants (Pty) Limited at reporting date.

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.

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Bloem Water

Notes to the annual financial statements

*for the year ended 30 June 2018
(continued)*

1.10 Employee benefits (continued)

Retirement benefit obligation

Bloem Water shall recognise the expected cost of short-term employee benefits in the form of compensated absences as follows:

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

Bloem Water shall measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Bloem Water shall recognise the expected cost of bonus payments when, and only when:

- (a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- (b) a reliable estimate of the obligation can be made.

A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

1.11 Finance cost

Finance cost comprises interest payable on borrowings and is recognised using the effective interest rate method. 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, infrastructure receivable, trade and other payables and interest-bearing borrowings.

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

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.12 Financial instruments *(continued)*

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. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets / liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument.

Bloem Water shall recognise a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

Bloem Water shall derecognise a financial asset when, and only when:

- (a) the contractual rights to the cash flows from the financial asset expire; or
- (b) it transfers the financial asset as set out in the Accounting Standards and the transfer qualifies for derecognition in accordance with the Accounting Standards.

Bloem Water transfers a financial asset if, and only if, it either:

- (a) transfers the contractual rights to receive the cash flows of the financial asset; or
- (b) retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in the Accounting Standards.

Bloem Water shall remove a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished— ie when the obligation specified in the contract is discharged or cancelled or expires.

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.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

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 amortised 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.

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.

Trade and other payables

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

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.12 Financial instruments (continued)

Impairment of financial assets

The entity assesses 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.

If, and only if, the recoverable amount of an asset is less than its carrying amount. The carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard. Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard. After the recognition of an impairment loss, the depreciation (amortisation) charge for the asset shall be adjusted in future periods to allocate the asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, Bloem Water determine the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

An impairment loss shall be recognised for a cash-generating unit (the smallest group of cash-generating units to which goodwill or a corporate asset has been allocated) if, and only if, the recoverable amount of the unit (group of units) is less than the carrying

amount of the unit (group of units). The impairment loss shall be allocated to reduce the carrying amount of the assets of the unit (group of units) in the following order:

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.12 Financial instruments *(continued)*

Impairment of financial assets (continued)

(a) first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units); and

(b) then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Bloem Water shall assess at the end of each reporting period whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset.

A reversal of an impairment loss for an asset other than goodwill shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another IFRS (for example, the revaluation model in IAS 16). Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase in accordance with that other IFRS. An impairment loss recognised for goodwill shall not be reversed in a subsequent period.

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.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

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 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.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.16 Capital and income related grants *(continued)*

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.

Government grants, including non-monetary grants at fair value, shall not be recognised until there is reasonable assurance that:

- (a) the entity will comply with the conditions attaching to them; and
- (b) the grants will be received.

1.17 Provisions and contingencies

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.

Bloem Water shall not recognise a contingent liability. Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate (or rates) shall be a pre-tax rate (or rates) that reflect(s) current market assessments of the time value of money and the risks specific to the liability. The discount rate(s) shall not reflect risks for which future cash flow estimates have been adjusted. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision. The timing and amount of the outflow may still be uncertain.

If Bloem Water has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

(a) has a detailed formal plan for the restructuring identifying at least:

(i) the business or part of a business concerned;

(ii) the principal locations affected;

(iii) the location, function, and approximate number of employees who will be compensated for terminating their services;

(iv) the expenditures that will be undertaken; and

(v) when the plan will be implemented; and

(b) has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

1.18 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.

1.19 Implementation agent income

Included in other income is 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.
-

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

1.20 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

1.21 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Where a transaction, event or condition was undertaken without value or substance and which did not yield any desired results or outcome and careful application, attentiveness and caution was applied to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level, such transaction, event or condition is recognized as fruitless and wasteful expenditure.

1.22 Irregular expenditure

Where expenditure has been incurred expenditure that does not comply with any law or regulation the Entity recognises that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with GAAP.

Irregular expenditure is derecognised when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law;
 - (b) recovered from an official liable in law;
 - (c) written-off if it's irrecoverable from an official liable in law; or
 - (d) written-off if it's not condoned and not recoverable.
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Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

2. Property, plant and equipment

	<i>Vehicles and machinery</i> R'000	<i>Plant equipment</i> R'000	<i>Furniture and office equipment</i> R'000	<i>Roads</i> R'000	<i>Pipelines and reservoirs</i> R'000	<i>Land and buildings</i> R'000	<i>Capital projects in progress</i> R'000	<i>Total</i> R'000
Carrying value opening balance 1 July 2017	26 814	37 395	8 497	1 528	376 083	214 070	190 063	854 449
Cost	43 904	93 057	21 413	2 482	1 048 846	275 072	190 063	1 674 836
Accumulated depreciation	(17 090)	(55 662)	(12 916)	(954)	(672 763)	(61 002)	-	(820 387)
Movement 2018	(2 817)	(3 522)	(623)	(55)	(24 838)	(1 205)	87 566	54 506
Additions to property, plant and equipment (inclusive of retention and accrual movement)	460	121	1 254	-	1 694	2 124	93 714	99 367
Transfers (from)/to CAPEX/ property, plant and equipment	-	-	-	-	1 839	8 112	(9 951)	-
Borrowing costs capitalised	-	-	-	-	-	-	3 803	3 803
Impairment/disposal - cost	(203)	-	(234)	-	-	-	-	(437)
Impairment/disposal - accumulated depreciation	64	-	189	-	-	-	-	253
Depreciation	(3 138)	(3 643)	(1 832)	(55)	(28 371)	(11 441)	-	(48 480)
Carrying value closing balance 30 June 2018	23 997	33 873	7 874	1 473	351 245	212 865	277 629	908 955
Cost	44 161	93 178	22 433	2 482	1 052 379	285 308	277 629	1 777 569
Accumulated depreciation	(20 164)	(59 305)	(14 559)	(1 009)	(701 134)	(72 443)	-	(868 614)

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

2. Property, plant and equipment (continued)

	<i>Vehicles and machinery</i> R'000	<i>Plant equipment</i> R'000	<i>Furniture and office equipment</i> R'000	<i>Roads</i> R'000	<i>Pipelines and reservoirs</i> R'000	<i>Land and buildings</i> R'000	<i>Capital projects in progress</i> R'000	<i>Total</i> R'000
Carrying value opening balance <i>1 July 2016</i>	29 843	40 633	9 085	1 583	391 395	214 540	141 548	828 629
Cost	44 106	92 681	20 219	2 482	1 023 841	264 393	141 548	1 589 272
Accumulated depreciation	(14 263)	(52 048)	(11 134)	(899)	(632 446)	(49 853)	-	(760 643)
Movement 2017	(3 030)	(3 238)	(589)	(55)	(15 313)	(470)	48 515	25 820
Additions to property, plant and equipment (inclusive of retention and accrual movement)	582	376	1 426	-	11 287	1 293	62 381	77 345
Transfers (from)/to CAPEX/ property, plant and equipment	-	-	-	-	13 717	9 386	(23 103)	-
Borrowing costs capitalised	-	-	-	-	-	-	9 237	9 237
Impairment/disposal - cost	(785)	-	(233)	-	-	-	-	(1 018)
Impairment/disposal - accumulated depreciation	350	-	182	-	-	-	-	532
Depreciation	(3 177)	(3 614)	(1 964)	(55)	(40 317)	(11 149)	-	(60 276)
Carrying value closing balance <i>30 June 2017</i>	26 814	37 395	8 497	1 528	376 083	214 070	190 063	854 449
Cost	43 904	93 057	21 413	2 482	1 048 846	275 072	190 063	1 674 836
Accumulated depreciation	(17 090)	(55 662)	(12 916)	(954)	(672 763)	(61 002)	-	(820 387)

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
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2. Property, plant and equipment (continued)

Change in estimate

Class	Original Cost R'000	Depreciation adjustment R'000
Pipeline and Reservoirs	541 274	13 053

Depreciation charges for the 2018 financial year includes the above changes in estimates made during the financial year. The asset classes reflected above include assets that were nearing the end of its useful life but are still in use.

Bloem Water established that these items of property, plant and equipment would continue to be utilised for further number of years and necessitated a review of the original useful life and residual values linked to it. The change in accounting estimates have been reflected above.

Borrowing costs on general borrowings are capitalised at an average rate of 9,63% (2017: 9,46%) on qualifying assets. No specific borrowings existed at year end.

Amounts capitalised during the year (refer to note 13)	<u>3 793</u>	<u>9 237</u>
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- 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 R2 229 453 (2017: R1 508 083)

3. Biological assets

Game

Fair value adjustment	<u>437</u>	<u>-</u>
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The fair value was based on an estimated 201 game, the most significant categories being Blesbok and Springbok.

The fair values of game are based on market related prices.

These assets are not restricted nor is it pledged as security.

Bloem Water
Notes to the annual financial statements
for the year ended 30 June 2018
(continued)

4. Inventories	2018 R'000	2017 R'000
Inventory comprise of the following:		
Chemicals	4 262	4 936
Consumables	6 932	6 071
Water	2 170	2 265
	<u>13 364</u>	<u>13 272</u>

The amount of inventories written-off to net realisable value through expenditure is R0 (2017: R0).

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Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018
(continued)

	2018 R'000	2017 R'000
5. Trade and other receivables		
Trade receivables	185 631	208 989
Gross trade receivables	936 650	662 864
Less: Allowance for impairment	(751 019)	(453 875)
Other receivables	1 116	1 135
Deposits – Eskom (SOC) Ltd and Centlec (SOC) Ltd	9 997	9 395
	<u>196 744</u>	<u>219 519</u>
Bad debt written off	91	130
Increase in allowance for impairment	297 144	246 554
Impairment of trade receivables	<u>297 235</u>	<u>246 684</u>

There is no material difference between the fair value of receivables and their carrying amount.

Trade receivables exceeding payment terms are interest bearing at the prime overdraft rate plus 200 basis points. Payment terms are generally 30 days from statement date. At year-end the prime overdraft rate was 10% (2017: 10,5%). Movements in the provision for impairment of receivables were as follows:

	<i>Individually and collectively impaired</i> R'000
Balance at 30 June 2016	207 321
Provision raised during the year	<u>246 554</u>
Balance at 30 June 2017	<u>453 875</u>
Balance at 30 June 2017	453 875
Provision raised during the year	<u>297 144</u>
Balance at 30 June 2018	<u>751 019</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

5. Trade and other receivables (continued)

	<i>Gross</i> 2018 R'000	<i>Impairment</i> 2018 R'000	<i>Gross</i> 2017 R'000	<i>Impairment</i> 2017 R'000
At 30 June 2018, the age analysis for trade receivables was as follows:				
Not past due	102 765	26 462	100 713	94 675
Past due 30 to 60 days	66 127	20 229	65 856	21 185
Past due 60 to 90 days	20 998	20 917	70 242	69 832
Past due more than 90 days	746 760	683 411	426 053	268 183
Total	<u>936 650</u>	<u>751 019</u>	<u>662 864</u>	<u>453 875</u>

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.

	<i>Current</i> 2018 R'000	<i>Overdue</i> 2018 R'000
At 30 June 2018, the concentration of credit risk is as follows:		
Mangaung Metropolitan Municipality	93 751	584 578
Kopanong Local Municipality	6 314	240 823
Mantsopa Local Municipality	213	212
Other	2 487	8 272
Total	<u>102 765</u>	<u>833 885</u>

	2018 R'000	2017 R'000
6. Cash and cash equivalents		
ABSA Bank*	40 177	20 000
Nedbank*	40 185	20 004
Investec*	50 492	21 565
Current account – First National Bank	3 251	6 934
Call account – First National Bank	79 273	22 777
Money Market account – Standard Bank	14 720	42 767
Petty cash on hand	20	20
	<u>228 118</u>	<u>134 067</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

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 6,8% and 7,72% per annum (2017: between 6,45% and 7,73% per annum). As these investments are short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value they are classified as cash and cash equivalents. The short-term investments have therefore been allocated to cash and cash equivalents in the statement of financial position for the financial years. The reallocation has not affected or altered the current asset position of Bloem Water.

Interest on the current accounts were at 5% per annum (2017: 5% per annum). The interest on the money market accounts was 7,12% at year-end (2017: 7,55%).

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Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
7. Interest bearing borrowings		
7.1 Development Bank of South Africa		
Total amount outstanding	4 870	6 230
Less: Current portion of loan	<u>(1 558)</u>	<u>(1 467)</u>
	<u>3 312</u>	<u>4 763</u>
<p>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.</p>		
7.2 Nedbank		
Total amount outstanding	30 710	37 864
Less: Current portion of loan	<u>(7 824)</u>	<u>(7 159)</u>
	<u>22 886</u>	<u>30 705</u>
<p>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.</p>		
7.3 Sanlam		
Total amount outstanding	5 878	16 510
Less: Current portion of loan	<u>(5 878)</u>	<u>(10 957)</u>
	<u>-</u>	<u>5 553</u>
<p>The loan is unsecured and bears interest at the 6-month JIBAR rate plus 1,45%. Interest varied between 8.917% and 9.4% (2017: 9,117% and 9,408%) per annum. The effective rate at 30 June 2018 was 9,042% (2017: 9,4%). Average repayments of R5 743 282 are made on a six-monthly basis. The agreement came into effect on 9 August 2008 and will continue until 8 August 2018.</p>		

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
7. Interest bearing borrowings (continued)		
7.4 Nedbank		
Total amount outstanding	154 581	177 579
Less: Current portion of loan	<u>(29 370)</u>	<u>(27 852)</u>
	<u>125 211</u>	<u>149 727</u>
<p>The loan is unsecured and bears interest at a fixed rate of 9,8% per annum. The loan facility amounts to approximately R269,6 million and has a draw down arrangement. 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.</p>		
7.5 Corporate credit card		
Total amount outstanding	4	20
Less: Current portion of loan	<u>(4)</u>	<u>(20)</u>
Corporate Credit Card account	<u>-</u>	<u>-</u>
<p>The credit card account is unsecured and bears interest at 17,45% per annum.</p>		
7.6 Total borrowings		
Total amount outstanding	196 043	238 204
Less: Current portion (payable within 12 months)	<u>(44 634)</u>	<u>(47 455)</u>
Total long-term interest-bearing borrowings	<u>151 409</u>	<u>190 749</u>

Bloem Water
Notes to the annual financial statements
for the year ended 30 June 2018
(continued)

	2018 R'000	2017 R'000
8. Trade and other payables		
Trade payables	21 285	9 864
Other payables	154 114	127 811
Accruals	45 043	61 073
SA Revenue Services – Value Added Tax	85 806	46 319
Cost recovery project	479	1 452
Payroll accruals	22 786	18 967
	<u>175 399</u>	<u>137 675</u>
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 of South Africa.		
10. Revenue		
Water sales	<u>708 823</u>	<u>661 274</u>
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, amongst other, include skills development grant, profit on disposal of assets, employee rent and cost recoupments, implementation agent fee, insurance proceeds, etc.		
	<u>3 120</u>	<u>3 745</u>

Bloem Water
Notes to the annual financial statements
for the year ended 30 June 2018
(continued)

	2018 R'000	2017 R'000
11. Operating surplus/(deficit)		
The following amounts have been included in operating surplus/(deficit):		
Depreciation	48 480	60 275
Operating lease expenditure	1 001	1 117
Internal and external auditors' remuneration	2 758	1 529
Increase in allowance for impairment of trade receivables	297 144	246 554
Bad debts written off	91	130
Employee benefits relating to the pension fund assets and obligations	15 860	17 588
Actuarial losses	1 057	461
Interest cost on benefit obligation	23 943	22 576
Current service costs	15 617	17 432
Expected return on plan assets	(24 757)	(22 881)
Board member emoluments (<i>refer to note 17</i>)	1 031	923
Key management emoluments (<i>refer to note 17</i>)	17 181	12 564
12. Finance income		
Investment income	5 882	7 769
Interest on trade receivables	84 067	43 096
Interest on cash and cash equivalents	6 508	6 470
	<u>96 457</u>	<u>57 335</u>
13. Finance costs		
Interest on loans and borrowings	20 226	24 341
Borrowing costs capitalised	(3 793)	(9 237)
Other	5	13
	<u>16 438</u>	<u>15 117</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
14. Notes to the statement of cash flows		
14.1 Cash flow from operating activities		
Operating surplus/(deficit) before finance income and costs	(28 532)	(5 227)
Adjusted for:	373 449	333 892
Depreciation of property, plant and equipment	48 480	60 275
Fair value adjustment of biological assets	(437)	
Increase in payroll accrual	3 819	3 040
Increase in allowance for impairment of trade receivables and doubtful debts written off	297 235	246 684
Loss on disposal of property, plant and equipment	178	476
Movement in defined benefit pension asset	24 174	23 417
Movement in working capital	(138 282)	(301 137)
Increase in inventories	(92)	(1 035)
Increase in trade and other receivables	(190 394)	(326 840)
Increase/decrease in infrastructure project receivables	-	54 751
Increase in trade and other payables	52 204	(28 013)
	<u>206 635</u>	<u>27 529</u>
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	228 118	134 067
Corporate credit card	(4)	(20)
	<u>228 114</u>	<u>134 047</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

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 2018, 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 due to the nature of its customers and the extensive period it takes to recover amounts due.

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:

	2018	2017
	R'000	R'000
Mangaung Metropolitan Municipality	678 329	455 916
Kopanong Local Municipality	247 137	195 408
Mantsopa Local Municipality	425	201
Other	10 759	11 339
	<u>936 650</u>	<u>662 864</u>

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 (refer to note 5)	196 744	219 519
Cash and cash equivalent (refer to note 6)	228 118	134 067
Infrastructure project receivable (refer to note 22)	72 384	72 384
	<u>497 246</u>	<u>425 970</u>

A maturity analysis of trade receivables are set out in note 5.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

15. Financial instruments (continued)

Interest rate risk

Interest rate risk arises from aspects of the entities namely, variable rate interest bearing loans. 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:

<i>Variable rate interest bearing borrowings</i>	<i>Interest rate per annum</i>	2018 R'000	2017 R'000
Sanlam	8,92% to 9,4%	<u>(5 787)</u>	<u>(16 510)</u>

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 2017.

	<i>Increase in interest rate</i>		<i>Decrease in interest rate</i>	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000
Variable rate interest bearing borrowings	<u>(58)</u>	<u>(165)</u>	<u>58</u>	<u>165</u>

- Loans and borrowings to the value of R190 165 (2017: R221 693) 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 classified as cash and cash equivalents to the value of R130 817 (2017: R61 568 525) 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.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

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:

	<i>Within 12 months</i> R'000	<i>Between 1 to 5 years</i> R'000	<i>More than 5 years</i> R'000
Nedbank	10 443	26 118	-
Nedbank	38 595	154 379	-
Development Bank of South Africa	1 845	3 690	-
Sanlam	5 993	-	-
Total	<u>56 876</u>	<u>184 187</u>	-

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.

	2018 R'000	2017 R'000
Capital is monitored on the debt-to-adjusted-capital ratio.		
Total debt	569 546	400 901
Less: Cash and cash equivalents	<u>(228 118)</u>	<u>(134 067)</u>
Net debt	<u>341 428</u>	<u>266 834</u>
Total equity	915 103	863 617
Less: Subordinated debt instruments	<u>-</u>	<u>-</u>
Adjusted capital	<u>915 103</u>	<u>863 617</u>
Debt-to-adjusted-capital ratio	37%	31%

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Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

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:

	2018 R'000	2017 R'000
<i>Financial assets</i>		
Trade and other receivables	196 744	219 519
Cash and cash equivalents	228 118	134 067
Infrastructure project receivable	72 384	72 384
	<u>497 246</u>	<u>425 970</u>
<i>Financial liabilities</i>		
Interest bearing loans and borrowings – non-current	151 409	190 749
Trade and other payables	66 807	72 389
Current portion of interest bearing borrowings	44 634	47 435
	<u>262 850</u>	<u>310 573</u>

16. Post retirement 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	(15 617)	(17 432)
Interest cost on benefit obligation	(23 943)	(22 576)
Expected return on plan assets	24 757	22 881
Net actuarial gain / (loss) recognised in the year	<u>(1 057)</u>	<u>(461)</u>
	<u>(15 860)</u>	<u>(17 588)</u>

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Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
16. Post retirement employee benefits (continued)		
Present value of the defined benefit obligation	(267 608)	(238 221)
Fair value of plan assets	<u>268 642</u>	<u>237 736</u>
Surplus of plan obligations over plan assets	1 034	(485)
Actuarial losses not recognised	<u>63 613</u>	<u>48 999</u>
Defined benefit asset	<u><u>64 647</u></u>	<u><u>48 515</u></u>
The principal actuarial assumptions used were:	%	%
Pre-retirement discount rate	10.72	10.05
General salary increase rate	8.46	8.02
Expected rate of return on assets	10.72	10.05
Inflation	7.46	7.02
Investment return/salary differential	2.08	1.88
Post-retirement discount rate*	3.03	2.84
Pre-retirement Mortality – SA 85-90 ultimate with a light AIDS loading		
Post-retirement Mortality - SA 85-90 ultimate with a light AIDS loading		
*This rate implicitly takes into account the pension increases policy of the Trustees of 100% of inflation.		
	2018 R'000	2017 R'000
The assets of the fund as at the valuation date were invested as follows:		
Prudential Inflation Plus	65 929	69 436
Coronation Managed	92 890	61 118
Sanlam Absolute Return	107 743	107 303
Cash at bank	3 111	2 342
Sundry debtors	(144)	(245)
Sundry creditors	<u>(887)</u>	<u>(2 218)</u>
Total assets	<u><u>268 642</u></u>	<u><u>237 736</u></u>
Limits of the corridor:		
Unrecognised actuarial gains at 1 July	49 000	33 053
Limits of the corridor	(26 761)	(23 822)
Excess loss	38 853	25 178
Average remaining lifetime	24	24
Actuarial loss to be recognised	<u><u>(1 653)</u></u>	<u><u>(1 057)</u></u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000			
16. Post retirement employee benefits (continued)					
<i>Benefit liability</i>					
Present value of the defined benefit obligation at 1 July	238 221	219 469			
Interest cost	23 943	22 576			
Current service cost	15 617	17 432			
Employee cost	6 313	5 829			
Benefits paid	(23 138)	(30 026)			
Risk premiums	-	-			
Actuarial loss not recognised	6 652	2 941			
Defined benefit liability	267 609	238 221			
<i>Benefit asset</i>					
Fair value of the asset at 1 July	237 736	216 550			
Expected return on assets	24 756	22 882			
Contributions	40 306	41 798			
Benefits paid	(23 138)	(30 027)			
Actuarial gains / (losses) not recognised	(11 018)	(13 467)			
Present value of the asset	268 642	237 736			
<i>Sensitivity analysis</i>					
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:					
	<i>1% Increase</i> R'000	<i>Core assumption</i> R'000	<i>1% Decrease</i> R'000		
Effect on service cost	156	15 617	(156)		
Effect on interest cost	239	23 943	(239)		
Effect on defined benefit obligation	2 676	267 608	(2 676)		
	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Present value of defined benefit obligation	(267 608)	(238 221)	(219 469)	(192 503)	(164 556)
Fair value of plan asset	268 642	237 736	216 550	184 900	160 369
	1 034	(485)	(2 919)	(7 603)	(4 187)

The Projected Unit Credit Method as used to place a value on the past service liabilities. The actuary discounted the Fund's liabilities with reference to the yield on government debt. Reliance was placed on JSE Zero Coupon Nominal Bond Curve as at valuation date. A gross discount rate of 10.72% per annum, based on the effective yield on the above curve at duration 20 years. The salary increases, and investment return assumptions reflect a "real return" of 2.08% (10.72% investment return relative to 8.46% salary inflation). There have been no experience adjustments made.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

17. Directors and key management emoluments

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

2018 Board member	Board activity fees R	Expense allowance R	Total remuneration R
Mr TB Phitsane	106 598	34 321	140 919
Ms P Matete	78 268	2 547	80 815
Adv LR Bomela	39 649	921	40 570
Dr MJ Ellman	107 698	3 766	111 465
Ms MSS Maboe Phike	220 745	95 793	316 538
Mr Z Mkiva	60 304	24 165	84 469
Mr N Mokhesi	37 621	3 758	41 379
Ms CM Mahlakahlaka	133 516	2 547	136 063
Dr J van der Merwe	54 189	24 612	78 801
	<hr/>	<hr/>	<hr/>
	838 589	192 430	1 031 018

2017 Board member	Board activity fees R	Expense allowance R	Total remuneration R
Mr TB Phitsane	119 342	8 276	127 618
Ms P Matete	64 994	263	65 257
Adv LR Bomela	52 333	539	52 872
Dr MJ Ellman	84 740	617	85 357
Ms MSS Maboe Phike	146 401	63 481	209 882
Mr Z Mkiva	72 414	17 635	90 049
Mr N Mokhesi	36 534	4 621	41 155
Ms CM Phetwe	57 361	24 933	82 294
Dr J van der Merwe	133 318	35 296	168 614
	<hr/>	<hr/>	<hr/>
	767 437	155 661	923 098

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

17. Directors and key management emoluments (continued)

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

2018 Key management	Short term	Other	Incentive	Total
	employee	long-term	bonus	remuneration
	benefits	benefits		
	R	R	R	R
Dr L Moorosi	1 996 585	178 228	774 934	2 949 747
Mr OJ Stadler	1 630 269	364 585	631 347	2 626 201
Mr MG Rapudungoane	1 520 956	327 344	558 930	2 407 230
Mr TS Ngubeni	1 617 069	326 264	483 692	2 427 025
Ms NP Silevu	1 483 161	269 549	515 159	2 267 869
Ms SL Meyer	1 837 768	149 155	610 105	2 597 028
Ms NM Motlhaolwa	1 150 685	241 573	513 277	1 905 535
	<u>11 236 493</u>	<u>1 856 698</u>	<u>4 087 444</u>	<u>17 180 635</u>

2017 Key management	Short term	Other	Incentive	Total
	employee	long-term	bonus	remuneration
	benefits	benefits		
	R	R	R	R
Dr L Moorosi	1 996 585	181 176	436 833	2 614 594
Mr OJ Stadler	1 498 282	336 275	348 006	2 182 563
Mr MG Rapudungoane	1 078 768	231 321	198 602	1 508 691
Mr TS Ngubeni	1 270 860	315 277	301 024	1 887 161
Ms NP Silevu	1 018 507	238 513	242 196	1 499 216
Ms SL Meyer	1 666 311	128 418	622 294	2 417 023
Ms TP Kgantsi	376 058	78 996	-	455 054
	<u>8 905 371</u>	<u>1 509 976</u>	<u>2 148 955</u>	<u>12 564 302</u>

Board meetings

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

2018 Board member	Board meetings attended	Board activities / committee meetings
Mr TB Phitsane	5	6
Ms P Matete	6	2
Adv LR Bomela	2	6
Dr MJ Ellman	4	16
Ms MSS Maboe Phike	7	27
Mr Z Mkiva	4	9
Mr N Mokhesi	3	4
Ms CM Mahlakahlaka	7	11
Dr J van der Merwe	2	9

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

17. Directors and key management emoluments (continued)

2017 Board member	Board meetings attended	Board activities / committee meetings
Mr TB Phitsane	4	8
Ms P Matete	5	7
Adv LR Bomela	3	8
Dr MJ Ellman	4	13
Ms MSS Maboe Phike	5	22
Mr Z Mkiva	5	11
Mr N Mokhesi	3	5
Ms CM Phetwe	5	10
Dr J van der Merwe	5	18

17.1 Number of employees

According to the payroll system the entity had 386 (2017: 383) employees (including learnerships) as at 30 June 2018.

18. Capital commitments

	2018 R'000	2017 R'000
<i>Commitments</i>		
Estimated capital expenditure	111 218	182 010
Approved and contracted	61 057	43 273
Approved not yet contracted	50 161	138 737
The capital expenditure is expected to be incurred as follows:	111 218	182 010
Within one year	111 218	182 010
Between one and five years	-	-

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.

A commitment of R410 million (Including VAT) have been made on the construction of steel Pipeline Parallel existing Caledon/Bfn PCP Line for 33.7km length, 1000mm diameter from Lieuwkop to Brandkop. The appointment is subject to confirmation of financial allocation per year as planned from the Department of Water and Sanitation.

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

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(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:

	2018 R'000	2017 R'000
Statement of comprehensive income		
<i>Transactions with the Department of Water and Sanitation</i>		
Water abstraction cost	18 574	16 406
Water research cost	4 747	4 332
Catchment management cost	1 356	874
<i>Transactions with other related parties</i>		
Electricity cost - Eskom (SOC) Ltd and Centlec (SOC) Ltd	92 995	93 140
Water sales to Municipalities	693 272	641 016
Provision for impairment raised for Municipalities	747 504	448 652
Board members' and key management emoluments are set out in note 17.		
Statement of financial position as at 30 June		
Trade and other payables (Current liabilities)		
Amounts owed to The Department of Water and Sanitation	17 092	10 773
Trade receivables (Current assets)		
Amounts owed by Municipalities (refer note 5)	925 891	651 527
Deferred Income (Non-current liabilities)		
Deferred income recognised on Department of Water and Sanitation Grant	198 104	102 710
Infrastructure project receivable (Current assets)		
Infrastructure project receivable from Department of Water and Sanitation	72 384	72 384

20. Operating lease commitments

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

Minimum future lease payments

Within one year	-	353
Two to five years	-	-
More than five years	-	-
	<u>-</u>	<u>353</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
21. Deferred income		
Department of Water and Sanitation	198 104	102 710
	<hr/>	<hr/>
Opening balance	102 710	87 719
Grant received during financial year	95 394	14 991
Completed projects credited against PPE	-	-
Closing balance	<u>198 104</u>	<u>102 710</u>

Funds received during the financial year were for the Steel bypass line parallel to existing Caledon/Bfn PCP line for 33.7km length, 1000mm diameter from LieuwKop to Brandkop. Funds were also received in prior years for the Rustfontein to Botshabelo Pipeline project and the cost will be credited against property, plant and equipment as per accounting standards when the project is completed.

22. Infrastructure project receivable

Department of Water and Sanitation

Reconciliation of opening balance to closing balance

Opening balance of fund advance by Bloem Water in respect of the projects	72 384	127 136
Funds received from the Department of Water and Sanitation and Ngwathe Local Municipality (excluding VAT) for the financial year	-	(54 752)
Funds utilised in respect of the project (excluding VAT) for the financial year	-	-
Implementation agent fee (excluding VAT) for the financial year	-	-
Closing balance of funds advanced by Bloem Water in respect of the project	<u>72 384</u>	<u>72 384</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
22. Infrastructure project receivable (continued)		
<i>Reconciliation of funds received and paid on the project since inception:</i>		
Funds received from the Department of Water and Sanitation and Ngwathe Local Municipality (excluding 14% VAT)	(520 603)	(520 603)
Funds utilised in respect of the project (excluding 14%VAT)	546 459	546 459
Implementation agent fee (excluding 14% VAT)	46 528	46 528
Funds advanced by Bloem Water in respect of the project	<u>72 384</u>	<u>72 384</u>
<p>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.</p>		
<p>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 R0 (2017: R0) (excluding 14% VAT). The agent fee income is included in other income on the statement of comprehensive income.</p>		
<p>In terms of the implementation agent agreement, the following funds have been committed.</p>		
Funds committed by Department of Water and Sanitation (including 14% VAT).		
2013/14		230 000
2014/15		335 337
2015/16		*
Funds for 2015/16 were committed in terms of agreed scope		
Funds received at year end (including 14% VAT).		593 499
Funds utilised in respect of the project (including 14% VAT)	622 963	622 963
Implementing agent fee being 10% of construction cost (including 14% VAT)	<u>53 042</u>	<u>53 042</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

23. Events after the reporting date

A subsequent payment of R44,6 million was received on arrears at 31 August 2018 by Mangaung Metropolitan Municipality and have been factored into the allowance for impairment of trade receivables calculation.

24. Going concern

We draw attention to the fact that Bloem Water made a profit of R51,4 million for the current financial year.

At year-end, the company's total assets still exceeded its total liabilities with approximately R915 million and the current assets exceeds its current liabilities with approximately R291 million. The entity has sufficient cash resources to settle its short-term liabilities as they become due in the normal course of business.

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

25. Contingent liabilities

Bloem Water is involved in an ongoing litigation regarding the cancellation of a service contract in the prior years due to non-performance of the supplier. The supplier issued a counter claim against Bloem Water for contract breach. Management has not raised a liability in the annual financial statements as the outcome of this claim is not yet known. The value of the claim is estimated at +/-R5 million.

Bloem Water is also involved in a number of pending labour arbitration matters. No liability has been recognised in the annual 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 value of the claims is estimated at +/-R2,9 million.

Bloem Water is involved in a case against Gariep District residents who sued Bloem Water to restore water supply to full capacity. The case is ongoing and estimated at +/-R350 000. Management has not raised a liability in the annual financial statements as the outcome of this claim is not yet known.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

	2018	2017
	R'000	R'000

25. Contingent liabilities (continued)

Bloem Water were instructed to institute legal action against various Bloemfontein businessmen who stopped the construction of the steel Pipeline Parallel existing Caledon/Bfn PCP Line for 33.7km length, 1000mm diameter from Lieuwkop to Brandkop project implementation thrice and threatening more stoppages. The case is ongoing and estimated at +/-R350 000. Management has not raised a liability in the annual financial statements as the outcome of this claim is not yet known.

26. Fruitless and Wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Fruitless and wasteful expenditure – current year	-	-
Fruitless and wasteful expenditure closing balance	<u>-</u>	<u>-</u>

Possible fruitless and wasteful expenditure on the Rustfontein to Botshabelo Pipeline project pending investigations.

27. Irregular Expenditure

Reconciliation of irregular expenditure

Opening balance	11	-
Irregular expenditure – current year	1 120	11
Irregular expenditure closing balance	<u>1 131</u>	<u>11</u>

Non-compliance with National Treasury Instruction note nr 3 of 2016/17.

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018

(continued)

28. Prior period errors

During the 2017/18 financial year it was established that the Deferred Income Capital Grant Project: The Rustfontein to Botshabelo Pipeline project was not yet available for use at 30 June 2017 as per accounting standards to be credited against property, plant and equipment. Financial statement extracts would appear as follows after the retrospective correction of the prior period accounting error.

Reconciliation of the effect in the Statement of Financial Position as at 30 June 2018	As previous reported in 2017 R'000	Prior year adjustment R'000	2017 Restated R'000
<i>Non-current assets</i>			
Property, plant and equipment (Capital projects in progress) - note 2	776 761	77 688	854 449
<i>Non-current liabilities</i>			
Deferred income - note 20	25 022	77 688	102 710

Notes to the Annual Financial Statements for the year ended 30 June 2018

2. Property, plant and equipment

Capital projects in progress

Movement – Deferred Income project completed	(77 688)	77 688	-
Cost at 30 June 2017	112 374	77 688	190 062
Property, plant and equipment - Carry value closing balance at 30 June 2017	776 761	77 688	854 449

21. Deferred income

Department of Water and Sanitation

Opening balance	87 719	-	87 719
Grant received during financial year	14 991	-	14 991
Completed projects credited against PPE	(77 688)	77 688	-
Closing balance	<u>25 022</u>	<u>77 688</u>	<u>102 710</u>

Bloem Water

Notes to the annual financial statements

for the year ended 30 June 2018
(continued)

28. Prior period errors (continued)

During the 2017/18 financial year it was established that Distribution cost should be reclassified. Financial statement extracts would appear as follows after the retrospective correction of the prior period accounting error.

Reconciliation of the effect in the Statement of comprehensive income	As previous reported in 2017 R'000	Prior year adjustment R'000	2017 Restated R'000
Distribution cost	14 367	(14 367)	-
Employment cost	170 300	6 399	176 699
Repairs and maintenance	11 473	2 233	13 706
Operating expenses	37 873	5 735	43 608

During the 2017/18 financial year it was established that there was non-compliance with National Treasury Instruction note nr 3 of 2016/17:

27. Irregular expenditure

Irregular expenditure	-	11	11	-
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Bloem Water

Schedule not covered by audit opinion

Detailed statement of comprehensive income

for the year ended 30 June 2018

	2018 R'000	2017 R'000
Revenue		
Bulk water sales	708 823	661 274
Water purchased	(24 959)	(21 004)
Water opening stock	2 265	1 448
Water closing stock	(2 170)	(2 265)
Water resource expenditure	24 864	21 821
Gross income	683 864	640 270
Other income	3 120	3 745
Other income	2 927	3 871
Rental income	371	351
Profit/(loss) on sale of assets	(178)	(477)
Expenses		
Impairment of trade receivables	(297 235)	(246 684)
Chemicals	(17 769)	(15 130)
Depreciation	(48 480)	(60 275)
Electricity	(92 995)	(93 140)
Repairs and maintenance	(17 185)	(13 706)
Employment costs	(199 067)	(176 699)
Payroll accrual	(3 820)	(3 040)
Medical expenses	(12 767)	(11 020)
Salaries and wages	(178 020)	(158 813)
Transport cost	(7 597)	(6 399)
Training and development	(416)	(362)
Defined benefit expenses	3 553	2 935

Detailed statement of comprehensive income

for the year ended 30 June 2018

(continued)

	2018 R'000	2017 R'000
Other operating expenses	(42 785)	(43 608)
Advertising	(407)	(370)
Audit fees	(2 758)	(1 529)
Bank charges	(114)	(103)
Bursaries and donations	-	(85)
Cleaning costs	(44)	(325)
Computer and IT expenditure	(2 398)	(2 195)
Conference seminars and workshops costs	(939)	(441)
Consulting costs	(741)	(3 780)
Contractors	(349)	(109)
Courier and postage	(13)	(7)
General and administration expenses	(812)	(946)
Insurance	(1 906)	(2 416)
Legal and contract costs	(3 504)	(3 898)
Marketing costs	(947)	(2 153)
Printing and stationary	(1 888)	(1 741)
Programmes and initiatives	(12 561)	(9 554)
Protective clothing and uniforms	(75)	(47)
Relocation costs	(52)	(15)
Rent paid – heavy duty equipment	(474)	(620)
Safety and security	(444)	(108)
Infrastructure project – consultation expenses	-	(2 402)
Service contracts	(70)	(103)
Subscriptions licenses and membership fees	(287)	(641)
Telephone and fax	(2 480)	(1 958)
Tools and equipment	(91)	(93)
Transport cost	(5 810)	(5 735)
Travelling and stakeholder visits	(3 621)	(2 231)
Operating surplus/(deficit)	(28 532)	(5 227)
Finance income	96 457	57 335
Finance expenses	(16 438)	(15 117)
Interest on bank loans and overdrafts	(16 433)	(15 104)
Other finance costs	(5)	(13)
Surplus/(Deficit) for the year	<u>51 487</u>	<u>36 991</u>
Total comprehensive surplus/(deficit) for the year	<u>51 487</u>	<u>36 991</u>

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