Amatola Water · Amanzi

bringing water to life

INTEGRATED ANNUAL REPORT 13/14



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Report Profile

Management is committed to integrated reporting and aims to demonstrate Amatola Water's ability to create and sustain value for its stakeholders. This report covering performance and activities of the organisation for the period 1July 2013 to 30th June 2014 and is the first year of adopting International Integrated reporting framework.

This Integrated Report demonstrates how the utility's primary function of the provision of bulk water supply services of potable water, as well as related services has generated and will continue to generate value for stakeholders. This has been achieved by creating a link between the material issues and risks, the strategies and targets, financial and operational performance, as well as disclosure of the utility's governance and remuneration practices.

This Integrated Annual Report is our primary report to our Shareholder (the Minister of Water and Sanitation) and stakeholders including customers, regulatory bodies, investors, employees and civil society. It covers our non-financial, financial and operational performance and prospects in relation to our strategic objectives. The Report aims to provide our Shareholder and stakeholders with the measure to assess Amatola Water's ability to create and sustain value in the short, medium and long term.

The organisation's external and internal auditors provide assurance on the utility's performance and financial information.



Reporting Frameworks

As a national business enterprise, all of Amatola Water's operations are conducted in the Republic of South Africa and are governed by the provisions of the Water Services Act (No. 108 of 1997).

Amatola Water has applied the recommendations of King III and other relevant provisions including local and international best reporting practices in the preparation of the integrated annual report.

We have throughout this process also remained mindful of the Public Finance Management Act, 1999 (Act 1 of 1999) as amended, and its references to annual reporting. The guidelines and criteria for good reporting, monitoring and evaluation systems, and service delivery indicators recommended by National Treasury have been noted.

Our Integrated Annual Report conforms to the requirements of local and international statutory frameworks. The Global Reporting Initiative (GRI) G3 Guidelines remain a recommended source of guidance for sustainability reporting and thus followed in the report. The Guidelines are referenced not only as an emerging transparency trend throughout the world, but also as a mechanism for identifying data that may be of material benefit for organisations to manage and report on.

This Integrated Annual Report has been approved by the Board of Amatola Water and has been signed on their behalf by the Chairperson, Ms Nothemba Mlonzi and the Interim Chief Executive, Mr Mzimkulu Msiwa.



Overview of AMATOLA WATER

Legislative Mandate

Amatola Water is a National Government Business Enterprise operating in the water sector as an essential service utility. It was established as a water board in 1998 in terms of the Water Services Act (Act 108 of 1997) and is accountable to the Minister of Water and Sanitation as its executive authority.

In accordance with Section 29 of the Water Services Act, Amatola Water's primary function is the provision of bulk water supply services of both potable and untreated water, as well as that of waste water treatment and other related services in order to enhance the quality of life and socio-economic potential of the people of the Eastern Cape.

In addition, as stipulated under the provisions of Section 30 of the Water Services Act, the utility also offers services in:

- Operation and maintenance of water treatment works and dams
- Management Services to waters services institutions
- Project Implementation
- Concessions; and
- Advisory Services

Service Area

Amatola Water's gazetted service area is approximately 47 515km^2. The area includes most of the Amathole and Chris Hani District Municipalities, the Ndlambe Local Municipality and smaller portions of the Cacadu and Joe Gqabi District Municipalities.

Although Amatola Water's area of supply was gazetted in 1997 to cover the magisterial districts of Peddie, Mdantsane, East London, Komga, Zwelitsha, Stutterheim, Keiskammahoek, Middledrift and Victoria East, Amatola Water is currently only operating bulk infrastucture in the former Ciskei Homeland areas which are characterized by mostly social schemes and the economic schemes in the major towns within these magisterial districts are not operated by Amatola Water.

The organisation owns and operates 13 bulk water treatment works and associated bulk distribution infrastructure, equaling a total of 110 Mℓ/ day of water treatment capacity and a daily production capacity of approximately 79 Mℓ/ day. The associated bulk distribution infrastructure includes 792km of pipelines, 31 pump stations and 182 reservoirs.



Vision, Mission and Organisational Values

Amatola Water's vision, mission and values are reviewed annually to ensure alignment to its mandate and shareholder's strategic intent.

Vision

To lead sustainable bulk water services in the Eastern Cape.

Mission

Amatola Water strives to contribute to the public health and community livelihoods by providing bulk water, bulk sanitation to Water Services Authorities and managing water resource management infrastructure.

Values

We are inspired by an unwavering commitment to empower our stakeholders through the consistent demonstration of

- Responsibility
- Excellence
- Integrity
- Accountability



External Environment

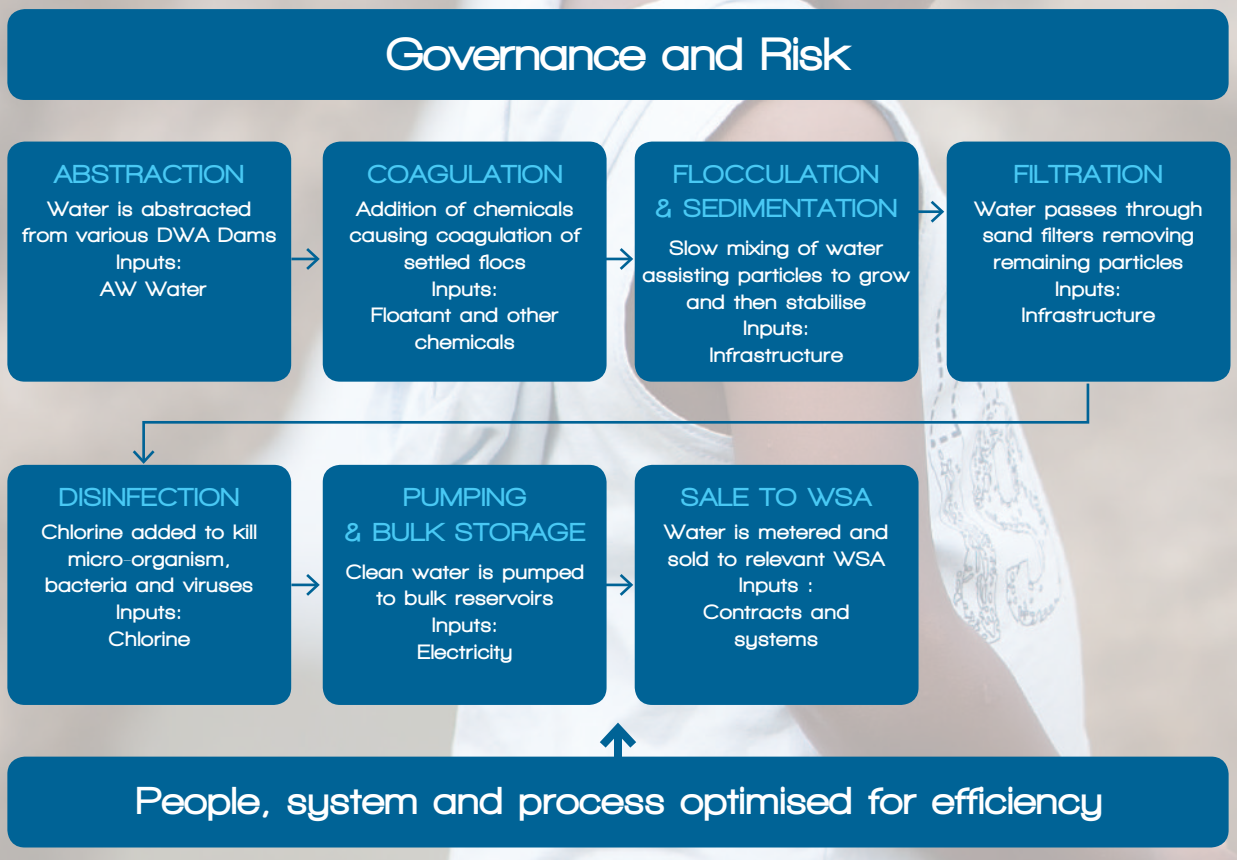
Amatola Water operates in the water sector in the Eastern Cape Province of the Republic of South Africa. Supply of water in the water sector in South Africa is predominantly performed by Local Government and Public Entities. The Province Amatola Water operates within has a significant amount of water service delivery backlogs and increasing demand for potable water. The Province is vast, with significant levels of poverty and a large number of the population categorised as indigents.

Access to water services for all citizens is enshrined in the South African Constitution and the Government, currently in its fifth term, is actively co-ordinating and supporting all institutions assisting in this service provision. The Department of Water and Sanitation provides funding for infrastructure development in the Province. The Department also ensures sufficient raw water, which is the main input in the Amatola Water business model.



Business Model & STRATEGY

Business Model




VENICE

Strategy and Resource Allocation

Amatola Water is starting its second year of its 20-year strategic direction. The strategic direction is based on what Amatola Water, as an Entity of State, understands its purpose, mandate and role in service delivery in the Province is. In the second year the Board has refined some of the strategy based on its experience in the last year as well as alignment to latest government direction.

In this process of alignment, the organisation, for the first time has adopted a 20-year planning horizon for its long-term strategic goals, as the State has done in documents such as the National Development Plan. During the alignment process some of the key documents consulted were: National Development Plan; the President's State of the Nation Address; Department of Water and Sanitation policy documents; and the Department of Water and Sanitation's Annual Performance Plan.

According to Schedule 4B of the South African Constitution, local government must provide water and sanitation services limited to potable water supply systems and domestic waste water and sewage disposable systems. With local government mandated with the distribution of potable water, the abstraction of raw water and the production of potable water therefore remains the responsibility of water boards. The Institutional Reform and Re-alignment (IRR) documents further confirm the water board's role.

As such Amatola Water desires to provide bulk potable water, bulk sanitation to Water Service Authorities and managing water resource management infrastructure in the Eastern Cape. Amatola Water intends to achieve this over time by:

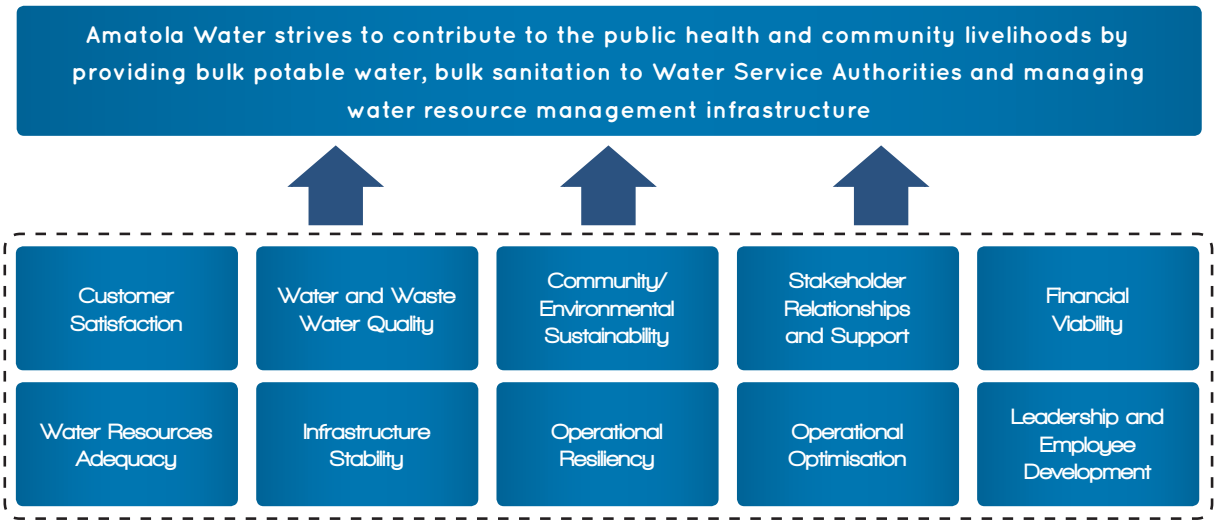
1. Focusing first on its Primary business of bulk potable water. Starting with the upgrade of six water treatment works increasing services available for consumers through the relevant municipalities.
2. Then to take Right of Use of municipal owned bulk water and sanitation infrastructure in individual geographical areas.
3. Increasing from its current base and expertise the operations and maintenance of dams for the Department of Water and Sanitation within the Province.
4. Providing Project Implementation Agency services and Advisory services on bulk water services within the province, assisting in the development of the relevant infrastructure in the Province.

As a unique post-democracy rural water board, the utility believes this new strategic direction will allow it to perform the function it was created for in a manner that successfully contributes to the quality of life of the citizens within the Eastern Cape.

As part of Amatola Water's contribution to a decent standard of living for all South African citizens and enhancing rural livelihoods, the utility has adopted the Guidelines for Human Settlement Planning and Design (Red Book) standard of approximately 750 litres per household per day on all infrastructure projects.

In this regard, the organisation believes that, in considering the 20-year planning cycle and the National Development Plan, it needs to start now to achieve the desired standard for all South Africans.

In setting goals, objectives and targets in order to achieve its Mission, Amatola Water used the 10 outcomes of a successful water utility as its framework, as indicated below. These are represented in the following figure.



Amatola Water 20 year Long-term Strategic Goals

WSU Area (10 Outcomes)	20 Year Objectives
Product Quality (Primary)	Blue and Green Drop certification for all bulk works - (owned and ROU)
	Providing accredited laboratory water services for the entire province
Primary Product Quantity	Increase volumes to 350 mega litres per day
Customer Satisfaction	80% of WSAs in the province as contracted customers through ownership or ROU
Employee / Leadership Development	Enhanced Strategic Effectiveness
	Build Cross-Functional Excellence / Effectiveness
	Develop Operational Competence (individual)
	Renowned knowledge hub for water services sector in EC
Water Resource Adequacy	98% Assurance of Supply at a minimum service level of 750ℓ per household per day
Community Sustainability	Contribute to decent living standards and enhance public health within communities in EC through quality adequate water services
Financial Viability Baseline: current volume 31 million m^3 / annum (± 120,000 households)	Improve solvency, liquidity and profitability to achieve a AA- Finch rating
Infrastructure Stability	80 % of the infrastructure master plan implemented (investment / needed resources)
	98% Availability of Water Supply and 90% reliability of sanitation services
Operational Resiliency	Bulk water utility with interconnected regional schemes in the Eastern Cape
	Fully implemented businesses continuity system (IMS, Quality Systems, Knowledge Management)
Operational Optimisation	Continuous improvement philosophy institutionalized
	Continuous alignment of People, Skills, Systems, Policies and Procedures for Strategy Implementation
Stakeholder Support	To be the centre of a fully-fledged provincial water utility (IRR)
	Strong and well established relationships with stakeholders – internal and external

Amatola Water 5 year Medium Term Strategic Objectives

WSU Area (10 Outcomes)	5 Year Objectives
CS: Customer Satisfaction	2 additional Bulk water supply contracts with WSA (3 currently) (ROU)
	Increase volumes to 160 mega litres per day
	Improved customer satisfaction 7.5/10 average score
	Acquire contracts for Water Resource Infrastructure Management
	Acquire contracts for Waste Water Works
WQ: Water and Waste Water Quality	Achieve Statutory Quality compliance at all AW Owned and ROU plants efficiently
	Blue drop advisory services
CE: Community / Environmental Sustainability	Contribute to decent living standards and enhance public health within communities in ADM through quality adequate water services
	Provide services and invest in technologies / systems in an environmentally responsible and sustainable manner
SS: Stakeholder Relationships & Support	Strengthen and deepen relationships with statutory, contracted and non-statutory stakeholders
	Be centre of new provincial regional bulk utility
FV: Financial Viability	On-going strengthening of Balance Sheet to sustainable services (Ratios)
	Surplus per financial year contribution to build reserves for infrastructure investment
	Explore sourcing of funding alternatives for growth of new infrastructure (excluding replacement)
	Sustainable and affordable Tariff
WA: Water Resource Adequacy	98% Assurance of supply in ADM, Ndlambe and ORTDM Region (Sandile and Mzintlava Dams)
IS: Infrastructure Stability	90% Availability of water supply for all bulk services
	AW Plant Upgrade and KSD PI Projects
	Develop an EC water master plan to direct future funding streams
	Minimise production and distribution water losses
OR: Operational Resiliency	Interconnected supply to Amahlathi, Ngqushwa, Nkonkobe, Ndlambe
	Business continuity system implemented
	Fully implemented IMS system
	Accredited laboratory providing services across the entire Eastern Cape
OO: Operational Optimisation	Aligning People, Skills, Systems, Policies and Procedures for Strategy Implementation
	Fully functional governance, compliance, risk and fraud prevention systems for clean audit
	Continuous improvement system
ED: Leadership & Employee Development	Enhanced Strategic Effectiveness
	Build Cross-Functional Excellence / Effectiveness
	Develop Operational Competence (individual)
	Entrenching the appropriate corporate culture: Decisive Leadership; resolving Organisational Politics and Issues of Conflict
	To be a renowned knowledge hub for the water services sector in the Eastern Cape

Catalytic Initiatives

To lead the achievement of these Goals and objectives set Amatola Water has identified five key catalytic initiatives that will drive the achievement of the objectives as they are implemented. These are as follows:

1. Institutional Realignment and Reform.
2. Amatola Water Plant Upgrade and KSD PI Projects.
3. Aligning People, Skills, Systems, Policies and Procedures for Strategy Implementation.
4. Entrenching the appropriate corporate culture: Decisive Leadership; resolving Organisational Politics; and Issues of Conflict.
5. Fully functional governance, compliance, risk and fraud prevention systems for clean audit.

Amatola Water has compiled its budget based on the strategy in order to allocate financial resources appropriate for the implementation of strategy. Human resources are also being reviewed for the efficient implementation of strategy.

Monitoring and Evaluating

To measure and manage the successful implementation of its strategy Amatola Water has developed and monitors a balanced scorecard with clear measures and targets for the next five years. Amatola Water has also developed a comprehensive corporate performance management system which includes divisional and corporate reviews by management as well as oversight by Board committees detailed in the governance section of this document.

Social, Environmental and Stakeholder Engagement Considerations

Stakeholder engagements are key to the success of Amatola Water and the success of its strategy. As such it is included in the ten areas and is detailed in the sections Stakeholder Relationship and Support later in this document.

Social considerations are key to Amatola Water successfully delivering on its mandate and performing its role in service delivery in the country. Considering that Amatola Water is a rural water board servicing rural areas predominately made up of indigents and with significant service backlogs the Board is very focused on the social good it can perform through successful strategy implementation. As such this is also included in the Ten Areas of Successful Water Utility under Community Sustainability.

Maintaining Environmental Integrity and preserving nature for generations to come is a principle Amatola Water adheres to and is also included within the ten areas under Environmental Sustainability.

Integrated Risk Management and Fraud Prevention

Integrated Risk Management

Integrated risk management at Amatola Water encompasses all significant business risks, including operational risks which have the potential to undermine the achievement of the organisation's business objectives.

The Amatola Water Board has delegated the function of risk management responsibility to the Chief Executive Officer, who acts as the Chief Risk Officer. As the Chief Risk Officer, the Chief Executive Officer influences and monitors the strategic direction of the organisation and its approach to risk management through policy development and monitoring.

The Amatola Water Board ensures that the organisation maintains adequate accounting records and that processes have been implemented to identify and manage business risk.

The organisation's risk management efforts are guided by an Integrated Risk Management Framework and Risk Management Policy. Assisted by its Internal Auditors, Amatola Water undertakes a business risk identification process every second year to facilitate the Board's assurance of strategy development and implementation, so as to mitigate the identified risks. Information gathered during the business risk identification process forms the core of the internal audit planning strategy to ensure resources are focused.

This information also assists the Board with oversight and the Amatola Water management with setting standards for the implementation of appropriate internal control systems. Methods, procedures and systems are implemented to assist with:

- Safeguarding of assets and reduction of risk of losses through error, fraud or other irregularities;
- Ensuring the accuracy and completeness of accounting records; and
- Achieving timely preparation of financial statements and information in compliance with relevant legislation and generally accepted accounting policies and procedures.

In acknowledging the relationship that exists between risk, the implementation of the business strategy and the achievement of organisational objectives, Amatola Water has identified its highest risks as those that are most likely to have a significant impact on the achievement of its key strategic business objectives.

The following table details the organisations' strategic risk register, as aligned to Amatola Water's strategic objectives.

Risk Reference	Strategic Objective	10 Areas	Risk Description
SR1	Increased customer base and penetration (delivery options/ services).	Customer Satisfaction.	Inability to increase Primary Revenue resulting in declining financial viability and relevance in the sector and region
SR2	Increased customer base and penetration (delivery options/ services).	Leadership and Employee Development.	Inability to increase Primary Revenue resulting in declining financial viability and relevance in the sector and region
SR3	Enhanced strategic effectiveness. Build cross-functional excellence/ effectiveness. Develop operational competence (individual).	Financial Viability.	Shortage of ring fenced grant funding for capital and O&M resulting in Bad Debts and reducing service delivery

Risk Reference	Strategic Objective	10 Areas	Risk Description
SR4	Ongoing strengthening of balance sheet to sustainable services (ratios). Surplus per financial year contribution to build reserves and infrastructure investment. Explore sourcing of funding alternatives for infrastructure development. Sustainable and affordable tariff.	Financial Viability.	Qualified audit resulting in disestablishment (IRR).
SR5	Strengthen and deepen relationships with statutory, contracted and non statutory stakeholders.	Community/ Environmental Sustainability.	AW becoming irrelevant in the mind of WSAs, Communities and key water sector roleplayers
SR6	Reliable infrastructure. Upgrade plants to provide minimum 5 megs per day. Influence Provincial Water Infrastructure Sector Planning (Master Planning). Minimise production and distribution losses.	Infrastructure Stability.	Continuously operating infrastructure above design capacity or standard operating procedures resulting in asset stripping or premature infrastructure obsolescence.
SR7	Ongoing strengthening of balance sheet to sustainable services (ratios). Surplus per financial year contribution to build reserves and infrastructure investment. Explore sourcing of funding alternatives for infrastructure development. Sustainable and affordable tariff.	Financial Viability.	Inability to access the capital markets.
SR8	Improved customer satisfaction. Strengthen and deepen relationships with statutory, contracted and non statutory stakeholders.	Stakeholder Relationships and Support.	Misalignment between AW deliverables with that of customers' expectations/ needs and inability to manage misperceptions resulting in loss of business
SR9	Enhanced strategic effectiveness. Build cross-functional excellence/ effectiveness. Develop operational competence (individual).	Leadership and Employee Development.	Inability to position AW in the mind of customers and stakeholders as leader on water sector policy and setting the agenda
SR10	Ensure uninterrupted water supply services to customers.	Operational Resiliency.	Business disruptions resulting in financial and image loss

Fraud Prevention

One of the critical risks of any business is fraud and as such, the Amatola Water Board regards Fraud Management as a critical area. As a result Amatola Water's Risk Management Framework comprises a separate Fraud Prevention Committee which accounts to the Corporate Risk Committee.

Set processes and procedures are being addressed to maintain the highest degree of integrity when managing fraud and ethical issues; with various fraud prevention initiatives in place, including an independently managed fraud tip-off line, declarations of interest, educational posters and information sharing and various policies.


Giraffe

Opportunities

Amatola Water is located and operates in the Eastern Cape Province. The Eastern Cape Province has its own set of challenges, history and socio-economic factors; with two previous homelands, large rural areas and only a single post 1994 water board operating in a small portion of the Province. According to the 2011 census, access to piped water in the Province amounted to 72.5 percent of the Province's total source of water which amounts to 27.5 percent without access. A staggering 52.7 percent of households in the OR Tambo District reported that they used dams, rivers, streams and springs as their main source of water. Access to flush or chemical toilet in the Province was 38.7 percent in 2011, leaving the majority of the population without this basic service. Considering the challenges faced by the Province there are a great many opportunities for Amatola Water to assist in service delivery and making a significant contribution to improving community sustainability in the Province while also growing its business at the same time.

The Institutional Realignment and Reform process is by far the single greatest and most material opportunity for Amatola Water. Led by the Department of Water and Sanitation this process covers the extension of existing water boards such as Amatola Water's operating area, with the related customer and asset base. Chapter four of the Government's National Development Plan indicates the creation of Regional Water Utilities in South Africa by 2017. This process is positioned as the solution to transform the water sector in the Province and address the backlogs referred to above.

Amatola Water received a directive by the Minister to perform a Due Diligence of the creation of such a Utility in the Province. The Due Diligence indicated that the formation of a Regional Utility could provide a unique solution to resolving the challenges in the Province. The Southern Water Utility in this due diligence would perform the tasks of Bulk Water Provision, Bulk Sanitation Provision and Water Resource Infrastructure Management, taking operating control and then asset transfer over time. This proposal addresses four ground breaking challenges as follows:

1. A utility that covers the whole of the Eastern Cape.
2. The takeover of all water resources infrastructure in the Province addressing primarily municipal supply (as opposed to irrigation).
3. The takeover, over a period of time and after suitable consultation, of all the municipal bulk water and wastewater infrastructure in the Province.
4. The provision of bulk services to ensure that the level of service outlined in the Guideline for Human Settlement Planning and Design, i.e. 750l per household per day, is available not only in the established urban areas in the Province but also the rural communities in the former Ciskei and Transkei.

The financial modelling exercise has revealed that such an organisation would be viable in the long-term on the assumption that all of the bulk infrastructure is eventually run by the Utility. To be viable and to be the solution for the entire province there would be no "cherry-picking" the most financially viable schemes by any party as if this is done it doesn't allow for the cross-subsidization of social schemes in rural areas and will not address current inequalities. A starting tariff of R5 for bulk water would be sustainable, a 25 percent drop from the current tariff and below the average for water boards in the country. The Utility will also be able to fund any major water resource infrastructure needs going forward (it is anticipated that there are six medium-sized dams needed within the next twenty years). In addition, the organisation will be completely self-sufficient in ten years and thus able to fund all of its capital expenditure requirements from thereon internally, including all of the major expansion requirements in the former Ciskei and Transkei. This would be of major benefit to the national fiscus as it will effectively mean that this expenditure becomes "off balance sheet" from the national fiscus perspective. This will amount to Water Infrastructure of R6. 292 billion, Wastewater Infrastructure of: R7.311 billion and Dams of R5.341 billion. In total the Utility will also have access to R8. 582 billion of finance. The institutional arrangements of the Regional Utility are still to be formulated and could result in the assimilation of Amatola Water into this new regional entity.

Sustainability and Outlook

Amatola Water's future outlook regarding sustainability is a positive one and is based on three key items. Firstly, is the reliability of being able to supply its primary product of bulk potable water. Water Resources in the region are reliable and current capacity meets the 98 percent reliability of supply, indicating the availability of raw water. Amatola Water infrastructure that treats and supply this water is consistently being maintained and most importantly is in the process of being upgraded. With the R500 million transfer to Amatola Water over the next two years, Amatola Water will upgrade six of its works that are currently operating above design capacity. This will greatly improve the reliability of the infrastructure and increase supply to meet pent up demand, allowing the utility at the same time to increase its revenue to a more sustainable level.

Secondly, with its primary business and core mandate Amatola Water has long-term agreements in place with the relevant municipalities. These long-term agreements are commitments to long-term take off and thus the consistency and sustainability of the customers to purchase the product from Amatola Water.

Thirdly, on Primary Business, Amatola Water's customers pay their accounts timeously, unlike the current challenge faced by some other water boards. This indicates that not only can Amatola Water produce and sell its primary product, but can also expect timeous payment, allowing for a sustainable business model.

Directive from Minister

Amatola Water received a single Directive from the Minister in the reporting period. The Honorable Minister, Mrs B Molewa, of the then Department of Water and Environmental Affairs, sent a directive to Amatola Water dated 3 February 2014. An abstract from the directive was as follows:

" I am now directing Amatola Water, in accordance with section 41(1) of the Water Services Act, 1997 (Act No 108 of 1997) to prepare the due diligence report and report to me by 31 March 2014. Since the preparation of a due diligence report and report to me by 31 March 2014. Since the preparation of a due diligence report is a viable activity, I expect you to undertake it at your own cost."

Amatola Water undertook this directive using internal resources supported by external consultants, where necessary, due to the tight timeframes. The external consultant expenditure on this due diligence for Amatola Water was R614 435.

Amatola Water completed the Due Diligence successfully and submitted it to the Honorable Minister by the required date of 31st March 2014.

The Due Diligence found that the creation of such as entity in the Eastern Cape, responsible for water resource infrastructure, bulk water and bulk sanitation would not only be a viable entity but would be able to address bulk backlogs in the Province, fund necessary infrastructure and do this at a reduced tariff through economies of scale and efficiencies. As such, this would be a significant game changer for the citizens of the Eastern Cape in addressing inequality and ensuring yard access to Water and Sanitation services.

Dear Ms Mlonzi

MINISTER'S CONSULTATION ON THE REALIGNMENT OF WATER BOARDS

Your letter dated 26 July 2013 wherein you responded to my intention to realign Water Boards, has reference. Your commitment to support the process is greatly appreciated.

As communicated to you earlier, Amatola Water will be realigned into the Southern Regional Water Utility. I am now directing Amatola Water, in accordance with section 41(1) of the Water Services Act, 1997 (Act No 108 of 1997) to prepare the due diligence report and report to me by 31 March 2014. Since the preparation of a due diligence report is a viable activity, I expect you to undertake it at your own cost.

I attach the terms of reference to guide you in accomplishing this task.

Yours sincerely

MRS B E E MOLEWA, MP
MINISTER OF WATER AND ENVIRONMENTAL AFFAIRS

DATE: 2014/02/03



Performance
REVIEW

Performance Against Predetermined Objectives

As indicated by King III and the principles of Integrated Reporting, Performance against pre-determined objectives is a key element that stands alongside financial reporting when reporting on the success and failures of a business in the period reviewed. In the public sector the importance of this performance and related performance information is re-emphasized by being the primary indicator for achieving the institution's mandate rather than financial performance alone. This performance review strives to achieve a transparent view of Amatola Water's overall performance in the 2013/ 2014 financial year, dating from July 2013 to June 2014.

The pre-determined objectives for Amatola Water comprise the organisation's balanced scorecard which is approved by the Board and submitted to the Minister for approval as part of the Shareholders Compact. The standard balance scorecard approach and the guidelines for Integrated Reporting were adopted during the reporting period.

The year under review was Amatola Water first year of implementing its 20-year National Development Plan aligned strategy and accompanying scorecard. The strategy included a significant refocus on the organisation's primary mandate and the developments in this area. Many of the targets set were based on new measures and were set aggressively to rapidly implement this change in direction. Although progress was made on the majority of targets not met, Amatola Water has also moved away from categorising targets as partially achieved and indicated them only as achieved in total or not. About 62 percent of these targets were achieved, which although below the institution's target of 75 percent achievement, still represent a considerable change in direction and success.

What is most commendable is that key service delivery, financial and change in strategy indicators were all achieved.



What we have done well?

1. Achieving Key Service Delivery Indicators regarding the Primary Mandate of bulk water

- **Quantity:** 110 Mℓ/day of bulk potable water was supplied by Amatola Water owned (92 Mℓ/day) and Right of Use (ROU) plants (18Mℓ/day), significantly above the 87Mℓ/day target and 85 Mℓ/day baseline.

- **Quality:** SANS Class 1 potable water standard was achieved at 98.4 percent above the 98 percent target including at the new ROU plant, indicating how Amatola Water was able to supply the additional quantity of water while still maintaining high quality water standards.

- **Assurance of Supply:** Achieving 98 percent assurance of supply as the source (dam) and 98.9 percent uninterrupted supply with adequate pressure at supply reservoirs to customers, achieves the set targets and meets the highest reliability of supply standards for customer and consumers.

- **Minimised losses:** Production and network losses combined were reduced impressively to 10 percent, against a target of 12 percent and a baseline of 15 percent. This is a significant achievement, minimising the environmental, financial and social impact of such losses and unaccounted for water.

2. Financial Improvement and Stability

- Amatola Water achieved a surplus of R29 million indicating the stability of the financial turn-around achieved the previous year. Combined with exceeding gross profit margin, net profit margin and return on asset targets the utility is achieving improving financial standing.

3. Strategic Direction

- The restructure of the Amatola Water business and related revenue aligned with its new strategy is not only demonstrated by the increased water quantity sold but also displayed by significantly exceeding its target of Primary business being 55 percent of Revenue by achieving 71 percent Primary business revenue.

What we have not done well?

Although there has been significant success there are still many areas in which Amatola Water can further improve its performance.

1. Scorecard Target Achievement

- Although Amatola Water has significantly improved from achieving 56 percent of its targets in the previous year to 62 percent this year, this is still well below its target of 75 percent. As the organisation moves into its second year of implementing the strategy it is expected that this target will be achieved.

2. Capex Initiatives

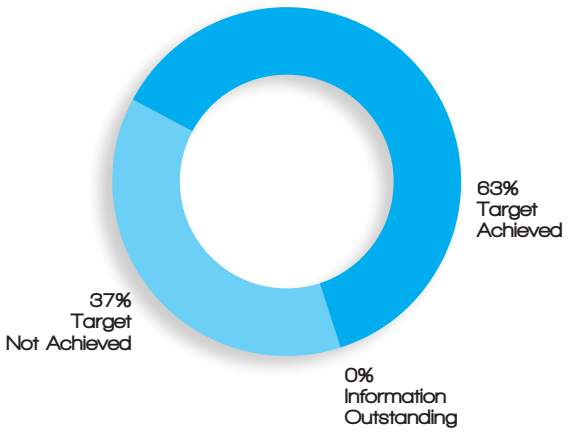
- Putting the Capex program back on track after years of financial instability and a lack of funding is challenging. As such there has been a significant improvement in all the Capex indicators from previous years but the target on Capex spend and project completion dates were not met. Amatola Water is increasing its capacity in this area and making significant progress for spending the R500 million grant funding to upgrade infrastructure over the next two financial years.

3. Cost drivers and Employee initiatives

- Percentage Employment cost and revenue per employee indicators were not achieved, although there were improvements in these areas. The Board will continue to concentrate on managing the related costs.

- Staff turnover at 13 percent was significantly higher than the target of 6 percent. This is largely attributed to the previous financial difficulties and has already started improving in the later part of the year under review.

Overall the results are as per the graph below:



Performance Review 2013/2014

WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Base line	Y1 Target	Y1 actual	Comments	
Stakeholder and Customer Perspective									
CS	CS1	Increased customer base and penetration (delivery options/ services)	CS1.1	Number of bulk potable water supply agreements	3	3	3	Bulk water supply contracts in place for Ndlambe, ADM & BCMM.	♦♦♦♦
			CS1.2	Number of ROU agreements in place	0	1	1	Makana LM.	♦♦♦♦
			CS1.3	Volume of Water Sold by owned and ROU plants	85 ml/ day	87	110	AW owned plants 92 mℓ/ day plus 18 Mℓ/day at ROU Plant (Makana). Increased demand on AW owned plant combined with operating above design capacity. The ROU contract signed greater in volume than expected.	♦♦♦♦
CS	CS2	Improved customer satisfaction	CS2.1	Average Customer satisfaction score	n/a	6	-	System still being developed.	♦♦
			CS2.2	% compliance to customer KPA as per customer charter	n/a	70%	99%		♦♦♦♦
WQ	WQ1	Achieve SANS at All AW Owned & ROU plants efficiently	WQ1.1	% Compliance SANS Class 1 potable water (Owned and ROU)	99%	98%	98.4%		♦♦♦♦
			WQ1.2	% Compliance with effluent license standards (Owned and Rou)	N/A	60%	N/A	This is a 5-year objective. In this year AW had no owned or ROU effluent plants and the indicator is N/A and excluded.	♦♦♦♦
CE	CE1	Contribute to decent standard of living and in support of rural livelihoods	CE1.1	Number AW Schemes with capacity to supply 750l per household per day at terminal reservoir	2	2	2	Laing & Nahoon capacity in place.	♦♦♦♦
CE	CE2	Provide services and invest in technologies / systems in an environmentally responsible and sustainable manner	CE2.1	% compliance with environmental management plans across AW (owned and ROU)	N/A	50%	50%		♦♦♦♦
			CE2.2	No of alternative energy technologies introduced	1	1	1	Introduce and approved for Sandile Upgrade.	♦♦♦♦
			CE2.3	No of Permanent jobs created in programs	0	30	30	30 permanent appointments made in 2013/14 financial year.	♦♦♦♦
			CE2.4	No. of Temporary Jobs Created (indirect)	N/A	90	979	78 temporary jobs created in AW and 901 jobs created for PIA Projects.	♦♦♦♦
SS	SS.1	Strengthen and deepen relationships with statutory, contracted and non statutory stakeholders	SS1.1	% Compliance with Executive Authority mandates (MTEF, NDP and DWA Strategy)	100%	100%	0%	DWA changed the due dates of quarterly reports during the year. AW current systems could not meet this new deadline. System is being reviewed.could not meet this new deadline. System is being reviewed.	♦♦
			SS1.2	% Compliance with contractual commitments (excl customers)	95%	95%	78%	The target has not been met for the year, although there has been an improvement during the year. The dispute with DWA negatively affects this overall result.	♦♦
			SS1.3	No of consultative meetings with key interest groups	N/A	4	4		♦♦♦♦

♦♦♦♦ Target achieved ♦♦ Target not achieved

WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Base line	Y1 Target	Y1 actual	Comments	
Finance Perspective									
FV	FV1	Ongoing strengthening of Balance Sheet to sustainable services (Ratios)	FV1.1	Liquidity Ratios: Current ratio	0.87	1.25	1.13	The current ratio is not favorable at the end of the fourth quarter as the current liabilities have increased more than the rate of increase in current assets. Management will monitor closely the working capital management in the forthcoming year.	
			FV1.2	Debtors Days	113	70	122	The debtors' days is adverse and management is actively working on resolving this issue, ORTDM is the largest Debtor contributing to this.	
			FV1.3	Employee to revenue (R Million)	R0.9	R 1 mil	R0.75	Employee to revenue is adverse as the number of employees has increased and revenue is below target	
			FV1.4	Solvency ratio	0.87	1.25	1.99	Solvency ratio is favourable	
			FV1.5	Return on assets %	0.02%	0.1%	4.8%	Return on assets is favourable due to higher than expected surplus at the end of Year 1.	
			FV1.6	Net profit margin % (All)	-	3%	9%	Increases in the volumes sold for potable and raw water has contributed positively to the surplus.	
			FV1.7	Gross profit margin % (All)	22%	25%	34%	Increases in the volumes sold for potable and raw water has contributed positively to the gross profit.	
			FV1.8	Total expenditure R in 000		R550	R312	Overall expenditure has been cut back with the significant reduction in secondary business	
			FV1.9	BBBEE spend	-	100%	100%	The target has been achieved in the fourth quarter however there is a need for improvement on BBBEE spend on Qualifying Small Enterprises and Emerging Micro Enterprises in the coming quarters	
			FV1.10	Electricity Cost (R/KL)	0.56	0.60	0.67	Electricity usage per kilolitre is adverse. The increase in the rate is attributable to the increase in water sales	
			FV1.11	Chemical Cost (R/KL)	0.34	0.36	0.28	Chemical usage has exceeded targeted usage per kilolitre	

Target achieved Target not achieved

WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Base line	Y1 Target	Y1 actual	Comments	
FV	FV2	Surplus per financial year contribution to build reserves for infrastructure investment	FV2.1	Revenue in Rands (in million rands)	R423	R352	R338	Although Primary business Revenue is higher than budget, Secondary Revenue is significantly below particularly with end of ADM contract.	
			FV2.2	Surplus in Rands (in Million)	0	R10	R29	Higher than expected surplus due to higher sales of potable water and monthly recognition of project revenues.	
			FV2.3	Amount of targeted surplus placed in reserve fund (in million Rand)	0	R6	18.9	Management targets to put into reserves 60% of the surplus.	
			FV2.4	% Revenue Secondary Business / Total Revenue	55%	45%	33%	Section 30 revenue has been generally lower than budgeted due to loss of revenue from the termination of Joe Gqabi and ADM contract.	
			FV2.5	% Labour costs of total costs	41%	38%	39%	The labour costs to total cost ratio is adverse. Management is proactively monitoring labour costs.	
FV	FV3	Explore sourcing of funding alternatives for infrastructure development	FV3.1	Amount of Grant funding secured	R0	R0	0	Not Required this year.	
			FV3.2	Amount of Lending (capital market) funding secured	0		0	Not Required this year.	
			FV3.3	Amount of Development Agency funding secured	0		0	Not Required this year.	
FV	FV4	Sustainable & Affordable Tariff	FV4.1	% average increase of tariff (within government targeted inflation)	10%	8%	9%	Tariff negotiations and consultation is completed. The Minister has approved an average tariff increase of 9% for Amatola Water in line with our submission.	
Internal Processes Quadrant									
WA	WA1	Adequate water security and assurance in support of water supply	WA1.1	% assurance level (1 in 50 year drought / restriction)	98%	98%	98%	No failures to supply raw water to WTWs during the year.	
IS	IS1	Reliable infrastructure	IS1.1	% Infrastructure CAPEX vs. Revenue	0%	4%	3%	The target has not been achieved there is great need to increase revenue generated from operations in order to start with top priority Capex projects.	
			IS1.2	Overall capex project completion dates within targets as a percentage	0%	75%	63%	Ndlambe Bulk Water Supply project delays have resulted in the 75% target being missed.	
			IS1.3	Increased access to services measured by Rand spend on Capex Projects	R0	R26 Mil	R 8.7 Mil	Divisional capacity constraints have hampered project implementation resulting in reduced expenditure of the capex budget.	
			IS1.4	% Infrastructure Maintenance of Revenue	8%	6%	8%	With a combined focus on maintenance to ensure reliability and condition of assets the target was exceeded.	

Target achieved Target not achieved

WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Base line	Y1 Target	Y1 actual	Comments	
IS	IS2	Influence Provincial Water Infrastructure Sector Planning	IS2.1	% alignment of water supply schemes to adequate water resources	N/A	95%	98.97.%	Resources are aligned to schemes based on current demand as detailed in AW Business Plan.	✓
IS	IS3	Minimize produced and distributed water to efficiently reduce water losses	IS3.1	% total water loss AW Owned and ROU	15%	12%	10%	AW had no ROU plant schemes with responsibility for full water loss. Consistent focus and effort throughout the year has produced significantly positive results.	✓
IS	IS4	Upgrade plants to provide minimum 5 megs per day	IS4.1	No. of plants commissioned at 5 megs per day	4	4	4	Nahoon, Laing, Peddie and Sandile capacity exceeds 5mℓ/day.	✓
OR	OR1	Ensure uninterrupted water supply, with adequate pressure to customers	OR1.1	No. unplanned interruptions to supply >24 hours		98%	99.32%	Through continued focus AW achieved that water supply with adequate pressure 99.32% of the time.	✓
OO	OO1	Adequate systems, structures, policies and processes to enable strategy implementation	OO1.1	% compliance with predetermined KPA timeframes SCM, HR and SHEQ	n/a	75%	0%	The system for this new measure is still not fully setup.	✗
OO	OO2	As responsible public entity ensure strong Governance, Compliance, Risk and Fraud Prevention systems	OO2.1	Un-qualified Audit	Y	Y	Y	Achieved	✓
			OO2.2	Effective internal controls and risk management Internal audit findings: Number Repeats	n/a	2	57	These items are being closely followed by the CEO Office and the Audit and Risk Committee and progress is being consistently made in resolving and reducing these.	✗
			OO2.3	Effective internal controls and risk management Internal audit findings: Number unresolved	n/a	2	35		
			OO2.4	% Compliance to KING III	n/a	50%	88%		✓
			OO2.5	% Compliance to applicable legislation in Legal Register	n/a	80%	100%	There is no non-compliance reports of non-compliance against primary legislation i.e PFMA, WSA, NWA.	✓
			OO2.6	% implementation of Integrated Risk Framework and Fraud Prevention Plan	n/a	60%	60%	Strategic risks are completed, Divisional risks are completed and the process risks are in progress.	✓
			OO2.7	Board member attendance	n/a	80%	72%		✗
			OO2.8	Improved controls and risk mitigation, indicated by number of Breaches of materiality and significance framework	n/a	0	0		✓

✓ Target achieved ✗ Target not achieved

WSU	Ob No.	Objectives	Me No.	Measure / Indicator	Base line	Y1 Target	Y1 actual	Comments	
Learning and Growth Quadrant									
LG	LG1	Enhanced Strategic Effectiveness	LG1.1	% Achieved of the Corporate Scorecard Targets		75%	63%	With the new strategy AW is having challenges meeting this aggressive target. Focussed efforts and continued M&E are in place to correct this.	
			LG1.2	No. of interactions between Board and Executive Authority		2	3		
			LG1.3	Average Board Committee Rating of adequacy of submissions (Out of 5)	n/a	3	2.7		
			LG1.4	% MANCO resolutions which are implemented in prescribed timeframes	n/a	90%	85%		
	LG2	Build Cross-Functional Excellence/ Effectiveness	LG2.1	Average Divisional Performance Review Scores	n/a	3	2.7		
			LG2.2	% identified critical posts filled by predetermined recruitment time	n/a	80%	80%	Target met	
	LG3	Develop Operational Competence (individual)	LG3.1	No. of organisational beneficial schemes developed and successfully implemented	n/a	2	1	Reward Management guidelines documented as per HR Committee report for Q1	
			LG3.2	% implementation of PDPs	70	85%	109%	Target Exceeded	
			LG3.3	% Staff Turnover	9%	6%	13%		
			LG3.4	DWA Total Number of staff presently on Training courses, learner-ships, bursaries	21	150	238	Target Exceeded	

Target achieved Target not achieved

Chairman's REPORT

" All key service delivery targets have been met as Amatola Water continues to supply high quality, reliable bulk potable water in an efficient manner. "



The reporting year 2013/2014 has come to a close, and I am delighted to inform stakeholders that the period under review has seen positive results being posted for Amatola Water. All key service delivery targets have been met as Amatola Water continues to supply high quality, reliable bulk potable water in an efficient manner.

I am pleased to report that Amatola Water received an unqualified audit report and made a R29 million surplus for the year. Reserves have also increased to R80 million compared to the previous year's report R20 million. Included in this change are the prior year's adjustments based on resolved items during this financial year that had affected previous years as well. These reserves will allow for the further maintenance and extension of Amatola Water infrastructure overtime.

Issues of non-payment of water boards by municipalities and water service interruptions due to water resource availability have been highlighted in the media in various parts of our country. I am pleased to report that this is not the case at Amatola Water, as the utility is consistently and timeously receiving payment from its municipal clients for its bulk potable water.

Although climate change, degrading raw water quality and competition for raw water resources will affect everyone in the foreseeable future, Amatola Water has sufficient water to meet the demand in its operating region.

Ensuring the sustainably of this turnaround and with it the long-term sustainability of the organisation is contained in the organisation's strategy. The refinement, execution and implementation of the organisation's 20 year, National Development Plan (NDP) aligned strategy progresses consistently. The R500 million upgrade of six of Amatola Water's water treatment plants over the next two years is the cornerstone of the medium-term sustainability and realignment. Significant progress has been made to realign the business to its core mandate, with Primary Business accounting for 71 percent of revenue, compared to 49 percent of revenue just two years ago.
The Board successfully continues to provide oversight and a high-level of progressively improving governance

with Integrated Reporting included for the first time in this Annual Report as well as a King III compliance tool. Although Amatola Water has its own challenges as an organisation, the greater challenge is that of Water Services delivery in the Eastern Cape. With two previous homelands and large rural areas, the Province has 27.5 percent of its people without access to piped water and a staggering 61.3 percent without appropriate sanitation or toilets in the Province. It is the women of the Province that continue to suffer most in this situation and this cycle cannot be perpetuated any longer. Strong action is required. This is the challenge that together with National, Regional and Provincial Government, Amatola Water will help resolve and is ready to play its role of bulk potable water provision.

The Due Diligence study on a Province-wide Regional Water Entity has clearly indicated the viability and positive impact that such an organisation would have in transforming water services delivery in the Eastern Cape and is the type of strong action that is required to really change the lives of people in the Province. This Regional Entity would be responsible for all Bulk Water and Sanitation in the Province, ensuring availability of quality water, reducing the complexity and skills requirements of municipalities and allowing them to focus on reticulation, eliminating backlogs and improving service delivery. As such Amatola Water is fully committed to supporting the Department of Water and Sanitation in this process. The ability of such an organisation to develop and in the future fund the required bulk water and sanitation infrastructure required to eliminate the backlogs and make a real difference in the lives of communities in the Province is an exciting reality requiring full support by all stakeholders, for a better future for all.

The challenge of economic transformation, women empowerment and employment are also of central importance to the Board of Amatola Water. Amatola Water is planning to improve its contribution in these areas, especially through the Project Implementation Agency work it performs and is finalising new Supply Chain Management strategies to enable this.

As the term of the current Board of Amatola Water comes to an end, it is important to review the accomplishments during the Board term:

GOVERNANCE: A Responsible Corporate Citizen

Amatola Water has continued to uphold the principles of Corporate Governance and appropriate best practices. The utility has throughout the Board term aspired to be a good corporate citizen by complying and adhering to relevant legislations – conducting its business with an unwavering commitment to integrity, excellence and accountability and throughout the Board term endeavoured to apply the principles of appropriate corporate governance policies and practices in so far as practicable.

The Board believes that strong corporate governance is essential for the achievement of sustainable value for all stakeholders. Accordingly, it committed to entrenching the highest levels of corporate governance and continued to make significant progress in implementing structures, policies and procedures, all aimed at strengthening governance within the organisation.

Guided by the legislative and applicable best practices as derived from the King III and the Integrated Reporting Framework, the organisation inculcated integrated reporting into its policy statement and organisational strategy, utilitisng the recommendations of King III and other relevant provisions including local and international best reporting practices in preparation the utility's first Integrated Annual Report in 2014.

By continually evaluating areas such as these, where governance can best be strengthened, the Board unremittingly ensured that Amatola Water remained a good corporate citizen.

RISK: Towards Integrated Risk Management

Managing risk has been the cornerstone of Amatola Water's success throughout the Board term. Special focus was placed on integrated risk management within the organisation. In this regard, the adoption of a new broader integrated enterprise risk management framework and risk management policy to guide the organisation's risk management efforts was facilitated, with the organisation's Chief Executive Officer as the Chief Risk Officer.

Through the framework, a business risk identification was process was undertaken, forming the core of the internal audit planning strategy, and consequently resulted in the organisation's strategic risk register, as aligned to its strategic objectives. Following a review of its practices and procedures, the implementation of the organisation's Integrated Risk Management Framework and policy is currently underway.

Amatola Water integrates enterprise risk management practices as an integral management function into all aspects of its business in order to ensure effective responsiveness and timely identification and management of risks; and continues to dedicate special focus on managing risk and having appropriate remediation where required.

STRATEGY: A meaningful long-term strategy

The Board term saw the organisation moving from a 10 year Growth Strategy launched in 2010, to extending its foot print in the Province (which was not without its fair share of challenges), resulting in four regional offices and increased staff complement to service the entire Eastern Cape - to a detailed review of its overall strategy and in turn developed a new 20 year strategic direction and organisational goals.

The new strategy combines the relevant thinking of the National Development Plan and includes clear objectives, measures and targets for the first five years of strategy implementation. The strategy focuses on Amatola Water's primary mandate of production and regional distribution of bulk potable water, with a long term goal to increase Primary business activities to constitute 90 percent of Amatola Water business by 2034.

Amatola Water has positioned itself as an agent of socio-economic change through the provision of safe, environmentally friendly, quality, cost effective and sustainable water services to meet the specific needs of the people of the Eastern Cape. The utility's overriding priority is to contribute positively to the public health of rural communities and support their economic development and sustainability. In this regard, the utility strives to move towards improving rural livelihoods by providing 750 litres per household per day.

Amatola Water is in its second year of this 20-year strategic direction. As a unique post-democracy rural water board, the utility believes that this new strategic direction will allow it to perform its primary business of bulk potable water supply in the Province in a manner that enhances rural livelihoods and contributes to a decent standard of living for all.

In addition, through the new strategy, the organisation is poised for the Department of Water and Sanitation's process of consolidating and rationalizing its public institutions in order to improve service delivery. Amatola Water is in the process of preparing itself for the transformation into a Regional Utility with expanded functions and gazetted area.

PERFORMANCE: A Utility Focused on Community Sustainability

Amatola Water strives to be a sustainable and viable institution in the water sector through the review and implementation of streamlined business processes. Some of the highlights over the four year period include:

- Uninterrupted supply of bulk potable water to Water Services Authorities as per the Service Level Agreements entered into.
- Rising above significant constraints related to escalating operating costs and challenges in debtors recovery that threatened the organisation's financial standing and liquidity.

- Moving from a 27.6 million deficit in 2010 and a qualified audit opinion, to a profit of R29 million at the end of the 2013/2014 reporting period – after having focused energies on increasing internal efficiencies and in realising increased revenue growth in the Amatola Water business.
- Sound and productive relations with the Department of Water and Sanitation; and increased understanding with the rest of the Amatola Water stakeholders, as guided by the organisation-wide Stakeholder Management Framework.
- SHEQ accreditation for OHSAS 1801:2007 retained as testimony of Amatola Water's commitment to ensuring the health and safety of all employees, contractors and visitors to its facilities.
- The attainment of the E-SETA accreditation in 2010 and the recognition of Amatola Water as a training provider which can offer structured training.
- The incorporation of the Albany Coast Water Board into Amatola Water in March 2010, which consequently resulted in the increase in the gazetted operational area of the utility to include the entire Ndlambe Municipal area where the former Albany Coats Water Board operated.
- Significant strides made in the establishment of the Amatola Water Learning Academy – the first skills hub of its kind in the Eastern Cape Province water sector.
- Achievement of Blue Drop Certification year-on-year for Amatola Water's main water treatment plants (Peddie, Sandile, Laing, Nahoon) and for the various Water Services Authorities' water and sanitation works managed by the utility, including Joe Gqabi and Amathole District Municipalities, as well as the Buffalo City Metropolitan Municipality – has demonstrated Amatola Water's emphatic commitment to service excellence.
- Achievement of improved Blue and Green Drop scores for the municipal infrastructure operated by Amatola Water.
- A renewed focus on community sustainability and improved rural livelihoods through the utility's policy position of 750 litres per household per day.

Acknowledgements

Great efforts were placed on strengthening and developing sound relationships with Amatola Water's various stakeholders during the past four years, and the utility endevours to continue on this path in the forseeable future, nurturing these relationships for the future success of Amatola Water.

In this regard, I would like to acknowledge the Minister of Water and Sanitation as our principal stakeholder, together with her Department for the direction and guidance bestowed on Amatola Water.

To the staff of Amatola Water, thank you for your commitment and dedication in ensuring the success of Amatola Water.

To the management of the utility, under the leadership of Interim Chief Executive, Mr Mzimkulu Msiwa - I commend you for your efforts in steering this organisation into a vibrant, self-sustainable entity focused on improving the lives of the people of the Eastern Cape Province.

The Board also takes this opportunity to thank the following executives, who have since left Amatola Water – Craig Step, Nomonde Mnukwa, Jabulani Dlamuka and Xola Bomela for their contribution and selfless dedication to the organisation over the years.

My heartfelt gratitude goes to the Amatola Water Board for their unwavering commitment and unrelenting guidance and oversight over the affairs of the organisation.

Finally, I would like to thank all Amatola Water stakeholders, including the Water Services Authorities and various Government Departments and Local Municipalities for their business and trust in Amatola Water. We look forward to a continued fruitful and mutually beneficial relationship in future.

Nothemba Mlonzi

Chairman of the Board

Chief Executive's REPORT



" As part of progressively ensuring that water, as a basic need, is extended to most of the un-serviced segments of the community, Amatola Water has embarked on a R 500 million expansion / augmentation programme of its Water Treatment Works."

This Annual Report reflects on the 2013/2014 achievements and challenges in the implementation of the strategy and associated catalytic projects. Below are some of the highlights for the review period.

	Reported in 2012/2013 Annual Report	Reported in 2013/ 2014 Annual Report
Audit Opinion	Unqualified	Unqualified
Surplus	R25 Million	R29 Million
Reserves	R20 Million	R80 Million
Kℓ Sold	39 565 Mℓ	41 630 Mℓ
Total Revenue	R352 Million	R328 Million (excludes other income)
Percentage Primary Business	55 Percent	71.9 Percent

2012/2013 figures have been re-stated as disclosed in the Annual Financial Statement section.

The resolution of various items during the year under review, most significantly with the appreciated assistance of the Department of Water and Sanitation, has affected the organisation's performance for the previous financial years and led to these items being re-stated and correctly displayed as indicated in the Annual Financial Statements.

The strategy and annual performance plans of Amatola Water are geared towards achieving the 10 internationally recognised outcomes of a successful water utility. These 10 areas are elaborated in detail under the section dealing with strategy and resource allocation.

The organisation has once more excelled in producing good quality drinking water and as Heath Williams says; "Water treatment addresses the inherent conflict between those who discharge waste into waterways and those that need that water for use in their homes or in their farms, who fish or swim. Water treatment for domestic use, for example, has extended lives in the last 100 years by more years than all medical procedures combined. It's one of the best, more cost effective things that can be done to improve life for all."

As part of progressively ensuring that water, as a basic need, is extended to most of the un-serviced segments of the community, Amatola Water has embarked on a R 500 million expansion / augmentation programme of its Water Treatment Works.

We have also collaborated with Ndlambe Local Municipality and OR Tambo District Municipality in rolling out major water and waste water infrastructure extension. The total infrastructure that is being rolled out through the collaboration is R447 million, R730 million and R574 million in the 2013/14, 2014/15 and 2015/16 financial years respectively.

Community sustainability has been at the centre of our activities, and to this end, the extension of our infrastructure will ensure that rural livelihoods are enhanced. Our contribution in this regard is to ensure that sufficient clean water is available to each rural household to support drinking, hygiene, small scale horticulture, small scale piggery and poultry projects, as well as traditional uses; and hence 750 litres per household per day will be available to each household with a tap for each household.

Amatola Water has ensured that the Water Services Authorities that it serves have had uninterrupted supply of bulk potable water as per the Service Level Agreements (Bulk Potable Supply Agreements).

Water Services Authorities have reciprocated by always paying their Bulk Potable Water accounts on time. This is in line with our belief and philosophy that happy customers pay their bills which also enables Amatola Water to maintain its infrastructure and extend its infrastructure networks.

The financial health of the organisation continues to improve and is reflected by the surplus of R29 million compared to R38 million as re-stated in the previous year. It is the intention of Amatola Water to continue to strengthen its balance sheet while also providing a quality service to the municipalities at an affordable tariff.

In line with the Dublin Principles we have ensured that water efficiency and conservation measures are rigorously implemented. In line with this, the utility has managed to reduce its production and distribution losses combined to 10 percent.

Significant strides have been made in improving the internal control environment to ensure compliance, managing risks and thus contribute to good corporate governance.

Our relations with the Department of Water and Sanitation are sound and productive and thus contribute to significantly enhancing the performance of the water sector.

The development of employees for operational and leadership roles in the water sector is receiving high attention in the organisation.

The low-lights / challenges, however, are related to the utility's gazette area of operation. Although Amatola Water's area of supply was gazetted in 1997 to cover the magisterial districts of Peddie, Mdantsane, East London, Komga, Zwelitsha, Stutterheim, Keiskammahoek, Middledrift and Victoria East, we are currently operating in the former Ciskei Homeland areas which are characterized by mostly social schemes and the economic schemes in the major towns within these magisterial districts are not operated by Amatola Water.

Given the socio-economic conditions prevailing in these social scheme areas, the viability of Amatola Water will always be under threat.

I wish to thank the Board for its leadership, the staff of Amatola Water for their dedication, Organised Labour for its support, the Regional Office of the Department of Water and Sanitation for their guidance and support, the Acting Director General for being the pillar of strength during the tough times we faced as an organisation and particularly his leadership in the resolution of the Makana Local Municipality Water Crisis Intervention.

Mzimkulu Msiwa
Amatola Water Interim Chief Executive

Review of OPERATIONS

Optimising Operational Efficiencies

Water Production

An increase of 4.6 percent on bulk potable water supply was recorded during the 2013/2014 reporting period. The increase was mainly due to the increased demand from Buffalo City Metro and the Amathole District Municipality's rural supply schemes. Most of the plants operated by Amatola Water ran above operational capacity, which resulted in some increase in water sales. The bulk raw water supply also increased by 7.6 percent.

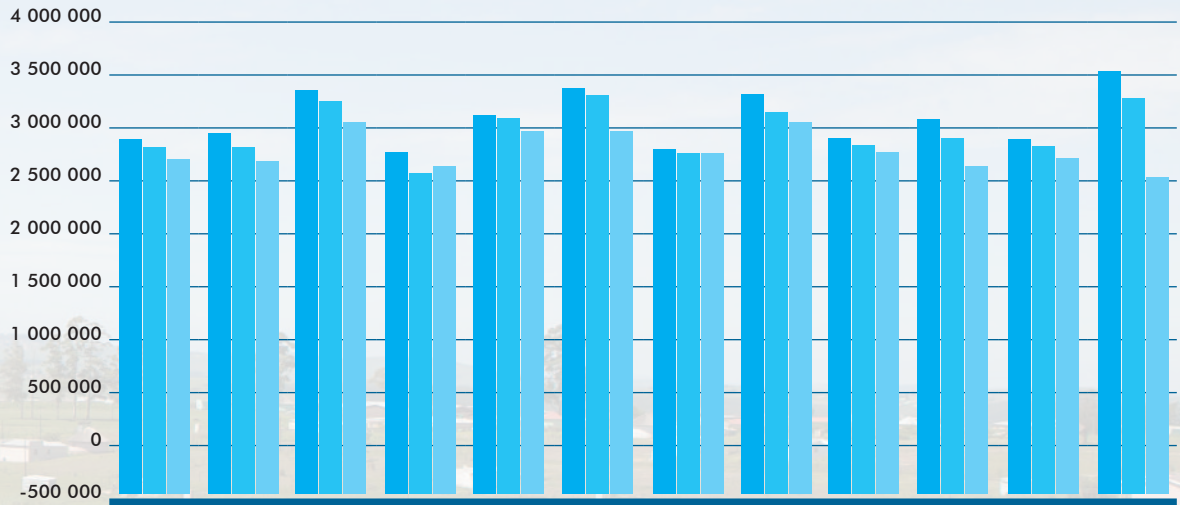
Storage and Supply Capacity Expansion

Amatola Water's clients received an assurance of supply of 99.32 percent during the year under review which is more than the projected target of 98 percent. The organisation is in the process of upgrading six of its plants, namely; Nahoon, Sandile, Mascincedane, Binfield, Debe and Peddie water treatment works to meet the demand and also to address the current backlogs in the Eastern Cape. Funds from National Treasury will be used to subsidize the upgrades to ensure that every household has excess to potable water in these areas. At the end of the reporting period the projects were at tender stages with construction envisaged to start in the next financial year.

Water Losses

Interventions to reduce water losses during the previous financial year at all Amatola Water plants paid off. Plant production water losses reduced from 5.32 percent to 4.22 percent, with an overall total water loss of 9.8 percent against the 19 percent national standards. The high water losses in some of the plants were due to the plants operating above capacity and required frequent backwashing. These plants will be upgraded in the near future to meet the demand.

Routine maintenance and inspections throughout the abstraction, treatment and distribution infrastructure has been invaluable in minimizing water losses in the other plants. Through the implementation of programmes such as meter calibration and maintenance, network inspection, monthly water balance reviews, network planned maintenance, water losses were recorded at 5.53 percent in distribution networks versus 9.49 percent of the previous year. The telemetry system is closely monitored and network controllers are guided to problematic reservoirs to check pipelines for burst and overflowing of network reservoirs.



	07/ 2013	08/ 2013	09/ 2013	10/ 2013	11/ 2013	12/ 2013	01/ 2014	02/ 2014	03/ 2014	04/ 2014	05/ 2014	06/ 2014
Raw Water In (Kℓ)	2 885	2 950	3 309	2 752	3 138	3 346	2 755	3 305	2 877	3 094	2 859	3 518
Treated Water Out (Kℓ)	2 789	2 866	3 193	2 590	3 070	3 243	2 661	3 196	2 721	2 811	2 740	3 359
Plant Loss (%)	3.32	2.84	3.51	5.88	2.16	3.06	3.41	3.29	5.41	9.14	4.18	4.50
Volume Billed (Kℓ)	2 613	2 660	3 010	2 615	2 880	2 990	2 620	3 029	2 562	2 658	2 605	3 046
Network Loss (%)	6.30	7.19	5.71	-0.95	6.21	7.80	1.53	5.24	5.85	5.45	4.91	9.31

Non-Revenue Water

Bulk and distribution losses within the Amatola Water bulk systems are monitored through a combined effort in water loss/demand management program, resulting in monthly water loss reports. A combination of bulk water meter balance reports, meter variance reports and water meter line diagrams are used to track down water losses. Water meters are calibrated according to a set programme and specific needs.

Water balances are recorded monthly for all water abstracted, treated and distributed within the supply networks of Amatola Water. Key focus areas include the Peddie Regional Scheme, Binfield Park Scheme as well as the Sandile Scheme.

The identification of problem areas is done through logging of key water meters and physical inspection of bulk pipeline routes. Early identification of water losses has assisted the water board in addressing and reducing water losses which, in turn, has resulted in reduced loss of revenue.

Amatola Water completed Phase 1 of the Kouga Municipality water conservation and demand management project during the financial year.

Phase 2 of the project has been allocated a further R1 million for the 2014/2015 financial year.

Production Efficiency

Pump Efficiency Monitoring Programme

There has been an impressive 9.4 percent decrease in the ratio of KWh/cubic metre of water produced from 0.861 in 2012/2013 to 0.780 in the 2013/2014 financial year.

It is also anticipated that as soon as pump refurbishments have been completed, there will be an increase in overall pump efficiency resulting in a further overall decrease in the ratio for the 2014/2015 financial year.

Additional factors that have also contributed to this decrease in the ratio include the following:

- Plant losses decreased from 5.63 percent in 2012/2013 to 4.23 percent in 2013/2014
- Network losses decreased from 9.49 percent in 2012/2013 to 5.38 percent in 2013/2014
- Total water production increased by 4.6 percent year on year whilst the electricity usage decreased by 9.15 percent.

The refurbishment of two inefficient pumps at Laing water works, Craighead pump station and full replacement of the pump at Zwelitsha booster station were cited as the main contributors to this decrease in electricity consumption.

Below, is the KWh/cubic meter of water produced ratio tables for the 2012/2013 and 2013/2014 financial years.

July 2012 to June 2013						
WTW	Capacity Mℓ/d	Total 12/13 Kwh	Total 12/13 m^3	12/123 Kwh/m^3	Mℓ/d	% Cap
Rooikrantz WTW	1.2	181655	0	0.00	0.00	0.00
Masincedane WTW	2	58718	1094495	0.05	3.04	152.01
Glenmore WTW	0.5	208507	258670	0.81	0.72	143.71
Peddie WTW	6.56	720090	2530114	0.28	7.03	107.14
Mnyameni WTW	0.29	8307	101360	0.08	0.28	97.09
Nahoon WTW	33.7	9942344	12398800	0.80	34.44	102.20
Laing WTW	33	10315856	8742031	1.18	24.28	73.59
Sandile WTW	18	4998394	6867296	0.73	19.08	105.98

July 2012 to June 2013						
WTW	Capacity Mℓ/d	Total 12/13 Kwh	Total 12/13 m³	12/123 Kwh/m³	Mℓ/d	% Cap
Debe WTW	1.5	884772	731692	1.21	2.03	135.50
Bindfield Park WTW	4.8	1014165	1576155	0.64	4.38	91.21
Albany Coast	2.41	1934224	844772	2.29	2.35	97.37
Total	**103.96**	**30267032**	**35145385**	**0.861**	**97.63**	**93.91**

July 2013 to June 2014						
WTW	Capacity Mℓ/d	Total 12/13 Kwh	Total 12/13 m³	12/123 Kwh/m³	Mℓ/d	% Cap
Rooikrantz WTW	1.2	169708	0	0.00	0.00	0.00
Masincedane WTW	2	72438	955929	0.08	2.66	132.77
Glenmore WTW	0.5	158784	209442	0.76	0.58	116.36
Peddie WTW	6.56	730057	2710960	0.27	7.53	114.79
Mnyameni WTW	0.29	7815	101924	0.08	0.28	97.63
Nahoon WTW	33.7	9467172	12381422	0.76	34.39	102.06
Laing WTW	33	7999567	8874544	0.90	24.65	74.70
Sandile WTW	18	4759635	6524421	0.73	18.12	100.69
Debe WTW	1.5	893853	774180	1.15	2.15	143.37
Bindfield Park WTW	4.8	1102570	1910560	0.58	5.31	110.56
Albany Coast	2.41	2134767	799599	2.67	2.22	92.16
Total	**103.96**	**27496366**	**35242981**	**0.780**	**97.90**	**94.17**

Plant and Systems Management

Safety, Health and Environment

The organisation has continued with the implementation and improvement to the OHSAS 18001 Management System.

The OHSAS 18001 Management System has provided Amatola Water with a formal structure to identify and control work-related health and safety risks of our workforce, contractors and visitors thereby providing a safe working environment for all concerned. This system has also served as proof of the organisation's commitment to improving the health and safety for its employees, with evidence of compliance to the legal requirements.

The number of internal OSHAS 18001 Audit, including night audits steadily increased. This is an indication of greater participation in the OSHAS 18001 implemented and Amatola Water's commitment to continual improvement of our systems.

Electronic SHE Legal Register

An electronic Safety, Health & Environment (SHE) Legal Register, which entails arrangements for tracking external developments and reflects new or changed legislation, was developed. As part of this project plan, numerous workshops were held, relevant staff trained on the requirements of the register.

Noise and Light Surveys

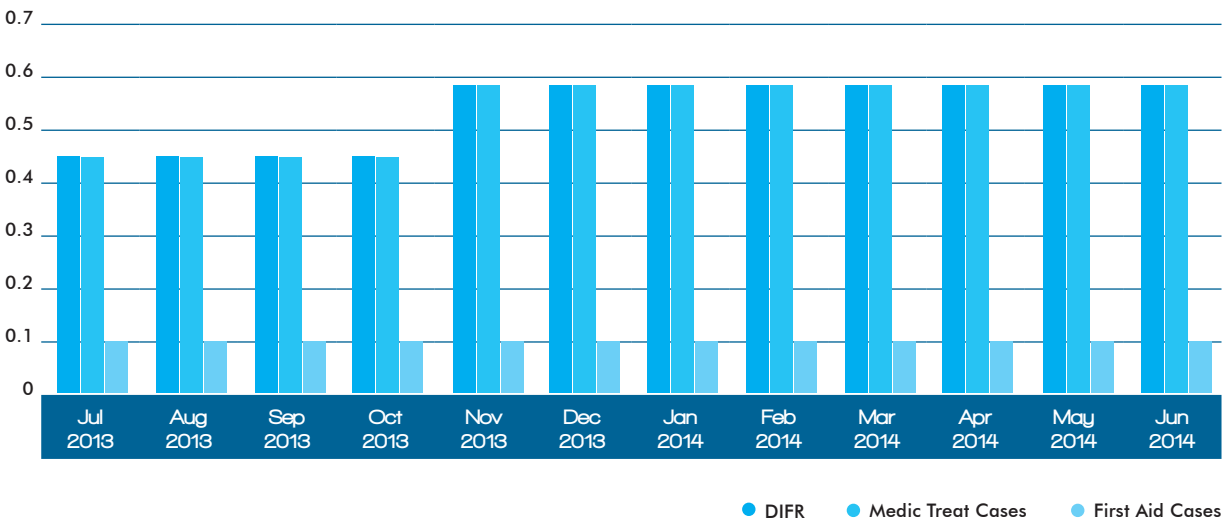
During this period Noise and light Surveys were reviewed by an approved Inspection Authority and findings were disseminated accordingly for implementation and action.

Disabling Incident Frequency Rate (DIFR)

The organisation has collected statistical information to determine its occupational health and safety in relation to occupation health diseases, rate of injuries and lost days management system. The following graphical information shows the 2013/2014 disabling injury frequency rate and annual trend in this indicator.

The disabling incident frequency rate (DIFR) for the organisation still stands on 0.59, which is well within the target of 0.80.

Disabling Incident Frequency Rate 2013/2014



Geographical Information Systems (GIS)

The collection, verification and maintenance of spatial data for infrastructure within Amatola Water's area of operation was an ongoing task during the reporting period. The updating of attribute data has also been ongoing as new infrastructure is developed. Global Positioning System (GPS) data has been collected during the past year to verify spatial data of Amatola Water's infrastructure using a sub-meter accuracy GPS unit. Schematic diagrams of water schemes were updated on a continued basis. This information was then used to assist with the management of water losses within the organisation's systems.

Continued support has been given to the Water Conservation and Water Demand Management unit to assist in the management of water losses within the organisation's systems.



Infrastructure Stability and Resilience

Operational Resiliency

Amatola Water operates and maintains 11 conventional water treatment works and one desalination treatment works. The Albany Coast desalination works is located at Bushmans River in the Ndlambe Municipality. The works abstracts raw water from beach wells, removes the salt content via reverse osmosis and supplies bulk water for the Bushmans River and Kenton-on-Sea settlements. The remaining treatment works abstract raw water from dams in the region.

The water treatment works capacities are reflected in the following table:

Water Treatment Works (WTW)	Daily capacity in Mℓ/d
Binfield Park WTW	4.80
Dabi WTW (has been closed since end of Nov 2009)	0.72
Albany Coast WTW	2.4
Debe Nek WTW	1.50
Glenmore (Enxuba) WTW	0.50
Laing WTW	33.00
Masincedane (Keiskammahoek)	4.00
Upper Mnyameni WTW	0.56
Nahoon WTW	33.70
Peddie Regional WTW	6.56
Rooikrantz WTW (closed since mid Dec 2010, not decommissioned yet for emergency purposes)	1.20
Sandile WTW	18.00
Total Treatment Capacity	**106.94**

Amatola Water managed to secure R500 million grant funding from the national fiscus to upgrade its bulk infrastructure for improved service delivery and access to quality water services, while realizing the economies of scale to simultaneously reduce bulk water tariffs to Water Services Authorities. The funding will be made available over the 2014/2015 and 2015/2016 financial years.

The project objective is to upgrade the Peddie, Sandile, Debe Nek, Masincedane, Binfield and Nahoon water supply scheme infrastructure. These upgrades will allow Amatola Water to provide bulk potable water capacity to eliminate backlogs and increase water supply to a maximum 750 litres per household per day. The project will result in the improvement in quality of life to 47 142 households.

Key deliverables for this project include:

- The elimination of rural household backlogs and the increase in household supply to a maximum 750 litres per day where required.
- The reduction in bulk water supply tariffs as sales volumes increase over time.
- The supply of Blue Drop certified water within the six water supply schemes.
- The upgrade of the following Amatola Water treatment works:

Treatment Works	Municipality Served	Current Capacity (Mℓ/day)	Proposed Capacity (Mℓ/day)
Sandile	Nkonkobe, Ngqushwa and Buffalo City Metro	18	80
Nahoon	Buffalo City Metro (Mdantsane area)	33	40
Debe Nek	Nkonkobe	1.5	5
Masincedane	Amahlathi	4	6
Binfield	Nkonkobe	4.8	12
Totals		**61.3**	**143**

Potable Water Production

The production of potable water increased by 4.6 percent compared to the previous year, due to an increase in demand by Buffalo City Metropolitan Municipality. An average total plant production loss of three percent was achieved during the year compared with the Southern African Association for Water Untilities (SAAWU) benchmark of seven percent. Similarly, total network losses for treated water have decreased from 9.49 to 5.38 percent against the 12 percent SAAWU benchmark over the past year.

Infrastructure Master Plan

Amatola Water progressed well with the review of its Infrastructure Master Plan (IMP), which was initiated in the previous financial year. The IMP is a twenty year capital expenditure programme to ensure that the existing infrastructure operated by Amatola Water can meet the future demands of the region in a sustainable, efficient and effective manner.

The plan is now at a draft stage and is expected to be finalized in the 2014/2015 financial year.

Section 29 Infrastructure Development

The utility's challenging financial position in previous years resulted in the curtailment of the internally funded infrastructure capital project programme. External funding was however sourced during the review period through the national fiscus to address the financial viability of the organisation's primary business. Key projects include the upgrade of the Nahoon, Sandile, Peddie, Masincedane, Binfield and Debe water supply schemes.

			MTEF Allocations			
Project	Estimated Total Budget	Funding Source	2013/14	2014/15	2015/16	Total Allocations
Six WTW Upgrade	R 500 000 000	RBIG	R -	R 150 000 000	R 350 000 000	R 500 000 000
Nahoon East Coast Pipeline	R 260 730 528	RBIG/AW	R 1 600 000	R -	R -	R 1 600 000
Laing Raw Water Pipeline	R 4 138 200	AW	R 2 475 962	R -	R -	R 2 475 962
Nahoon Rising Main Replacement	R 1 482 911	AW	R 1 400 000	R 182 911	R -	R 1 582 911
Totals	R 760 730 528		R 5 475 962	R 150 182 911	R 350 000 000	R 505 658 873

Nahoon/ East Coat Bulk Supply Pipeline

Amatola Water completed a feasibility study and the preliminary design for the upgrade of a portion of its bulk infrastructure on the Nahoon Scheme. The bulk infrastructure upgrade is comprised of a bulk water pipeline from the Nahoon Dam Water Treatment Works to Beacon Bay, to augment the supply to Cambridge, Vincent, Beacon Bay, Wembley and Gonubie. The project is funded through the DWA Regional Bulk Infrastructure Grant programme and implemented jointly by Amatola Water and the Buffalo City Metropolitan Municipality (BCMM).

The upgrade is informed by the need to:

- Alleviate water supply demand pressures from the existing BCMM-owned Umzonyana Water Treatment Works.
- Maximize usage of the available safe yield allocation from Nahoon Dam.
- Provide for future development needs so as to address the social housing needs within the BCMM area.

The project is estimated to cost around R206 million to upgrade the treatment works from 33 to 40Mℓ/ day, and to construct a bulk pipeline along the N6 national road to Beacon Bay.

Due to the ever increasing supply challenges within the Great Kei Municipality, the feasibility study has been extended to investigate other medium to long term supply scenarios towards the Great Kei Municipality, including the East Coast Resorts within the Amathole District Municipality. Centralised supply options investigated were from the Nahoon Water Treatment Works and from a new regional water treatment works in the vicinity of the Wriggleswade Dam. Whereas the decentralised supply options include local off-channel storage dams, desalination and the re-use of treated effluent.

The regional water treatment works also provides other supply opportunities within the BCMM, such as Bhisho and other areas in the vicinity of Bhisho.

Planned Maintenance

The past financial year has once again seen a steady trend of moving from corrective maintenance to that of a more proactive maintenance philosophy. The proactive maintenance philosophy coupled with continuous plant and system improvement initiatives have played a major role in production equipment availability and reliability. This is evident in most water treatment plants achieving consistently high water quality and also sustaining increases in volumes of water sold. Although minor, volumes of water sold for the 2013/2014 financial year increased by 4.6 percent over the previous financial year.

The implementation of a proactive planned maintenance schedule for all primary business reservoirs and pipelines which started in the 2012/2013 financial year has now also been completed and is being implemented.

The implementation of a planned maintenance system for all critical PLC batteries at the various plants and pump stations was completed during the term.

The primary business achieved a ratio of 81:19 for planned versus unplanned maintenance and thereby exceeding the organisation's benchmark target of 80:20. An impressive total of 95 percent of planned maintenance and 96 percent of unplanned maintenance were also completed.

Although many challenges were experienced with the implementation of the artisan utilization report, there has been a general improvement in this regard from the previous financial year. This has been the main contributor to Amatola Water achieving the good results indicated above.

Three Year Telemetry Plan

Amatola Water has developed a three year master telemetry plan for all Primary Business plants. This plan is divided up into short, medium and long term interventions. All identified short term interventions were undertaken during the 2013/2014 financial year where budget was available. Items planned medium and long term interventions Amatola Water will have to budget for accordingly.

This plan has now been updated for the 2014/2015 financial year as well as for the corresponding next two financial years.

Amatola Water Infrastructure Upgrades to Improve Rural Livelihoods

Amatola Water was awarded a R500 million investment from the Regional Bulk Infrastructure Grant (RBIG) to overhaul its primary infrastructure, in a bid to increase production capacity and ensure safe, sustainable and reliable water supply.

The project will benefit six of the utility's water treatment plants and help boost each plant's production capacity to just over 5 mega litres per day.

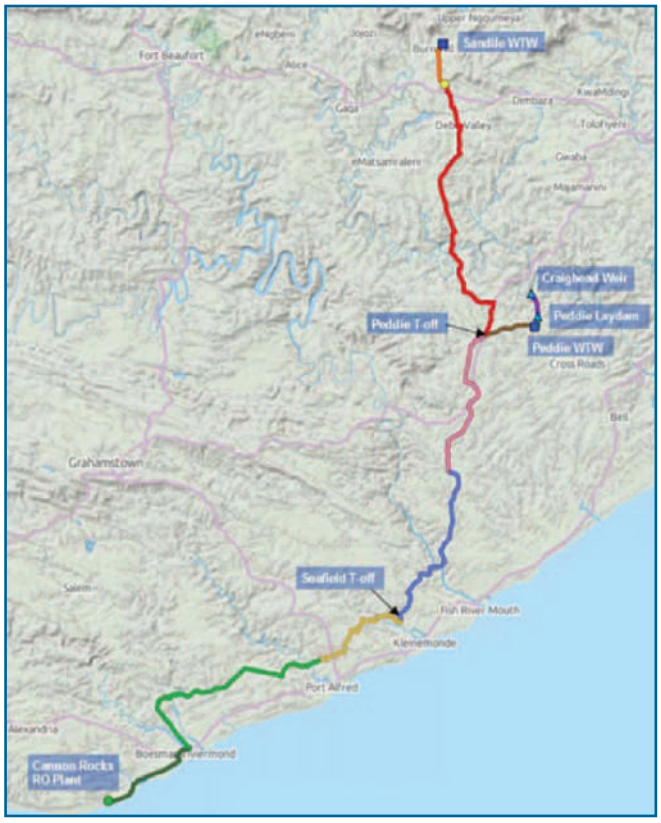
The six plants that have been earmarked for the upgrades are Nahoon, Sandile, Peddie, Debe Nek, Masincedane and Binfield with water treatment capacity to be increased from 61 to 143 Ml per day.

Of the R500 million, around R137 million is earmarked for the upgrading of the water treatment works. Close to R195 million has been set aside for the associated distribution infrastructure to ensure the additional supply can be distributed efficiently to recipient communities; while a further R167, 078 million will be has been earmarked for the village reticulation infrastructure to be constructed to ensure backlogs are eliminated and assurance of supply meets the required standards.

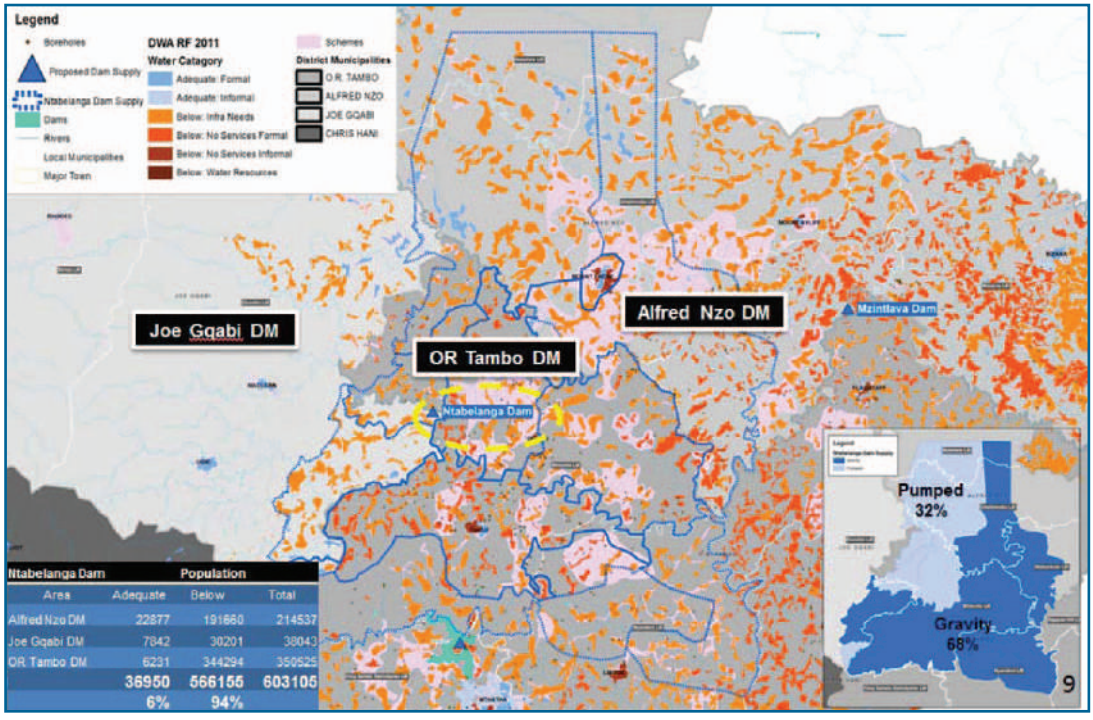
Communities falling within the Ngqushwa, Nkonkobe and Amahlathi Municipalities located within the Amathole District Municipality which are economically depressed and currently receiving a minimum standard of 25 litres per person per today of water; as well as the Mdantsane area of the Buffalo City Metropolitan Municipality, where a similar situation exists, are among those that will mainly benefit from the project.

An estimated 4057 predominantly indigent households will receive access to piped water and for the first time will benefit from access to safe, sustainable and reliable water supply. In addition about 47 152 households will have access to adequate water supply of 750 liters per day, as opposed to the minimum standard of 25 litres per person per day, so as to promote economic development.

Apart from the improved Blue Drop quality water supply to the Buffalo City Metroplotan Municipality, Nkonkobe, Ngqushwa and Amahlathi local municipalities, other spinoffs of the project, directly linked to the improved level of water supply include, among others, an improved quality of life and household health, as well as increased economic and social growth.



Sandile Bulk Water Supply to Ndlambe Municipality



Proposed Ntabelanga Dam Bulk Water Supply Region

Section 30 Infrastructure Development

Amatola Water's Section 30 business remains a significant part of the organisation's business model. The utility implemented over R447 million of water infrastructure development projects for various clients in the Eastern Cape Province. Significant appointments for the 2013/2014 financial year are reflected in the following table:

			MTEF Allocations			
Project	Estimated Total Budget	Funding Source	2013/14	2014/15	2015/16	Total Allocations
KSD PI	R 2 596 180 221	RBIG / MIG	R 200 000 000	R 300 000 000	R 350 000 000	R 850 000 000
Sidwadweni BWS	R 407 500 000	MIG	R 120 000 000	R 80 000 000	R -	R 200 000 000
Coffee Bay BWS	R 206 000 000	MIG	R 5 000 000	R 108 000 000	R -	R 113 000 000
Ndlambe BWS	R 262 000 000	RBIG	R 50 000 000	R 113 000 000	R 80 000 000	R 243 000 000
RRU	R 21 900 000	DWA	R 4 500 000	R 7 800 000	R -	R 12 300 000
Kirkwood Feasibility Study	R 882 000	RBIG	R 882 000	R -	R -	R 882 000
Jansenville Feasibility Study	R 2 000 000	RBIG	R 2 000 000	R -	R -	R 2 000 000
Misgund Feasibility Study	R 1 300 000	RBIG	R 1 300 000	R -	R -	R 1 300 000
Sterkspruit BWS	R 75 200 194	MIG	R 33 000 000	R 22 000 000	R 20 000 000	R 75 000 000
Paterson BWS	R 78 000 000	RBIG / SRVM	R 16 000 000	R -	R -	R 16 000 000
ORTDM MWIG Programme	R 238 631 000	MWIG	R 14 886 000	R 99 442 000	R 124 303 000	R 238 631 000
Totals	R 3 650 962 415		R 447 568 000	R 730 242 000	R 574 303 000	R 1 752 113 000

Contributing to Government's Strategic Infrastructure Projects (SIPs)

Strategic Infrastructure Projects (SIP) 18

Department of Water and Sanitation

The Operation and Maintenance Agreement that Amatola Water has with the Department of Water and Sanitation (DWS) to manage the department's 21 dams has translated to many other opportunities for the utility. These include the appointment as the department's project implementing agent in cases where either a new bulk water infrastructure is to be constructed or where emergency interventions are required due to drought, floods, gross water quality negligence or the upgrade and refurbishment of dysfunctional infrastructure.

The two parties meet on a regular basis to facilitate the management contract and to discuss issues pertaining to normal operations, maintenance and dam safety among others. Amatola Water also represents the department at site and irrigation meetings.

National Department of Public Works

Amatola Water has been performing dam safety and the operation and maintenance of standalone water and sewer systems at various National Department of Public Works dams. The agreed upon budget for this work increased from R14 million to R17 million. Amatola Water now manages 20 of the original 78 systems, which include six major water and sewerage works at Patensie, Kirkwood and St Albans Correctional Services. Amatola Water was tasked to run the major works while the department used its own staff to run the small standalone systems.

Amatola Water was also appointed to assist the department with its Blue and Green Drop compliance and was commended to have the most data on the system. Water quality is measured on a regular basis at the Amatola Water Scientific Services Laboratory and data loaded monthly onto the system. Regular site visits with preventative maintenance reduce the department's unplanned maintenance costs.

OR Tambo District Municipality

Amatola Water provided support to OR Tambo District Municipality (ORTDM) as part of a three-year contract. Support was provided in the following areas:

- Water Services Unit (WSU 2) - Port St John's and Ingquza Hill Local Municipalities and
- Water Services Unit (WSU 4) - Mhlontlo Local Municipality

The financial year under review was the first year of the Blue Drop Management Contract, which involves managing the Blue Drop Compliance for the entire ORTDM region.

Amatola Water has been at the core of improving the overall Blue Drop score of the OR Tambo District Municipality. This journey has entailed the management of five Key Performance Areas:

- Blue drop KPA 1 – Risk Management
- Blue drop KPA 2 – Process Management
- Blue drop KPA 3 – Water Quality Compliance
- Blue drop KPA 4 – Management Accountability
- Blue drop KPA 5 – Asset Management

The annual budget for the 2013/2014 financial year was R14, 86 million. Audited results of the municipality's Blue Drop performance will be released in the next financial year. Amatola Water anticipates an overall improvement of more than 20 percent for the first assessment as compared to the previous audited Blue Drop score.

The Contract also allows for additional services to be carried out by Amatola Water. For the financial year under review these services include the following:

- Mthatha pipe replacement project
- ORTDM Municipal Water Infrastructure Grant (MWIG)
- Qunu Emergency Water Supply

The Mthatha pipe replacement project is funded through the Municipal Infrastructure Grant (MIG) at a budget value of R80 million. The project entails the replacement of dilapidated asbestos cement pipes around the town of Mthatha. By the end of the reporting period, the following projects were under construction: Lower Fortgale and Ikwezi pipe replacement projects. An intensive scoping

of the entire district's surveillance monitoring system will also be undertaken as part of the project.

Contributing to SIP18 in ORTDM (MWIG)

ORTDM appointed Amatola Water to implement its first ever Municipal Water Infrastructure Grant (MWIG) projects for Wards 26 and 28) in the King Sabata Dalindyebo Municipality and Ntontela at Ngquza Hill. The budget for the 2013/2014 financial year was R14.8 million. This included drilling and equipping of boreholes, as well as the protection of springs, rising mains and command reservoirs.

All three projects are multi-year projects.During the first year of this intervention Amatola Water managed to protect at least 22 springs in Ntontela at Ngquza Hill which benefited at least 357 households as part of phase one of the project.

The two wards' hand pumps for the low yielding boreholes were equipped benefiting at least 150 and 120 households respectively.

Phase two of the project will commence in 2014/2015 financial year.

Providing support to the Former State President's Funeral

During the passing of the former Sate President, in December 2013, Amatola Water was tasked by ORTDM to attend to water supply challenges at Qunu, in preparation for the state funeral of Former President Nelson Mandela. The utility worked tirelessly restoring water at Upper Qunu, Jonope Lwalweni, Magubu, Nkalane and Empa villages.

Some of the challenges experienced were:

- Insufficient yield from existing boreholes
- Insufficient storage facility (reservoir)
- Non functional boreholes
- Collapsed pipes
- Connection of rainwater harvesting tanks to public viewing areas including the main home of the former President.
- Major borehole running with diesel engine with bad access road.

During the rainy preparation week, Amatola Water managed to commission a 5 ℓ/s borehole powered by Eskom, with a permanent diesel standby generator that can run the borehole for at least 24 hours continuously.

Within a week, the communities of Upper Qunu, Jonope, Lwalweni, Magubu, Nkalane, and Empa had sustainable water supply.

The intervention was not complete without ensuring that the receiving town of Mthatha and its Airport had sustainable water supply and the streets were free of spillages.

- The team has managed to repair at least 19 sewer pumpstations around Mthatha town.
- A close monitoring of the Airport reservoir and fixing of its booster pumpstation to ensure that all the fire hydrants have the desired pressure for any emergency that could arise.
- The integrity of Eskom power was questioned, which led to Amatola Water taking no risk by providing at least a 1250 kVA for Mthatha Dam raw water pumpstation and a 200 kVA for Mhlahlane water treatment plant.

During this period there were no water shortages for Mthatha and no spillages reported.

Kind Sabata Dalindyebo Presidential Intervention Water Services Programme

The OR Tambo District Municipality reached a major milestone in the provision of water services in Mthatha as part of the King Sabata Dalindyebo Presidential Intervention (KSD PI) water and waste water infrastructure upgrade projects.

In 2009, due to the socio-economic decline of Mthatha, the Presidency declared the town as a Rapid High Impact Presidential Intervention Node. Its main objective being the full revitalisation of Mthatha, and in the process speeding up service delivery in the area as well as to address the persistent infrastructure backlogs and service delivery challenges.

As a result, infrastructure development was highlighted as a high priority of the intervention, especially housing, the construction of roads, and the overhaul of the water and sanitation infrastructure.

In order to address these challenges, the OR Tambo District Municipality, as the water service provider to the town of Mthatha, in conjunction with the King Sabata Dalindyebo Local Municipality (KSD LM), embarked on developing a Master Plan aimed at turning around the declining state of its urban functional areas into an improved and good state by 2030.

As the only major town in the area, Mthatha is an important regional service centre and economic hub for the KSD area. The town is surrounded by many small rural towns which are dependent on its infrastructure and economy. Mthatha has also experiences outward growth due to the migration of people coming from the adjacent rural municipalities moving to the town to find better livelihoods and access to the town's socio-economic activity.

This, however has led to a steady deterioration of the town and its immediate surrounds, and pointed to a lot of challenges including dilapidated infrastructure which include water, sanitation, roads, electricity and housing as well as the need for improved service delivery.

To fast track the implementation of the interventions and to support the OR Tambo District Municipality as the water services provider, the Amatola Water Board was appointed as the implementing agent for about 20 water and sanitation projects worth over R2 729 billion. The development of the water and sanitation plants and infrastructure within this region, aims to promote and facilitate effective and efficient implementation of the water and sanitation component of the KSD PI and ensure a co-ordinated approach in the roll out of these projects.

For the people of this region, these water and sanitation projects would mean the promotion of economic development and growth of the KSD local municipalities. It will further enhance their livelihoods by addressing the water and wastewater infrastructure capacity to ensure stability and reliability for current population and future generation.

The Water Services Intervention Programme comprises a five year R2.9 billion water supply augmentation and extension programme, the extension of bulk distribution mains by 211km along the Airport, Nqadu, Libode and Mnqanduli supply corridors, as well as the construction of an additional 11 bulk pump stations and 28 bulk command reservoirs.

In addition, water treatment capacity in the region will be increased from 60 to 150 Mℓ per day.

This will result in water supply to the KSD, Nyandeni & Mhlontlo local municipalities being elevated to Blue Drop quality standards; adequate water supply for sustainable urban and rural livelihoods for 661 389 people in the area; as well as adequate water in order to promote economic development and rural livelihoods; and for the development of 17 000 new housing units.

Along with this:

- 999 Villages which currently have no formal services at all, will be supplied using the 750 litres per household per day standard. About 1057 villages which currently have some level of service, but not consistently at RDP standards will be supplied.
- 85 villages which currently have services at the minimum standard and these will be further improved.

Water supply to the region will be enhanced by tapping into the capacity of the Mthatha Dam, which is the biggest dam in the Eastern Cape with a volume of 254 million cubic meters. The Mthatha Dam will feed into four supply corridors in the area via two major regional water treatment works at Thornhill and Rosedale, namely:

- Rosedale to Nqadu
- Rosedale to Libode and Ngqeleni
- Thornhill to airport, Bedford hospital, military base and surrounding areas
- Thornhill to Mqanduli via Viedgesville.

The dam is currently underutilised; however has enough capacity to supply quality water to the KSD, Nyandeni, Mhlontlo and Port St Johns local municipalities.

Ultimately the supply area of Mthatha Dam will be extended to a 50km radius of supply and will significantly improve service delivery standards and the quality of life in the region, as the people in the surrounding rural areas will, for the first time in their history receive quality treated and purified water for consumption.

The successful implementation of the Intervention will go a long way towards transforming Mthatha into the economic and social powerhouse of the OR Tambo District Municipality and the whole of the Eastern Cape.

Coffee Bay Regional Water Supply Scheme

The project broadly consists of:

- Extension of the existing Coffee Bay Regional Water Supply to incorporate the entire Ward 23 and 24 areas of the KSD LM.
- Construction of pump stations, rising mains, command reservoirs, village reservoirs and reticulation.
- Increasing the capacity of the water treatment works to 3Mℓ/day.

With Phase 1 already completed, an additional R113 million funding through the MIG programme was allocated to Phase 2 of the project. Legal challenges have however delayed the implementation of phase 2, which was expected to be completed at the beginning of the 2013/2014 financial year.

Sidwadweni Regional Water Supply Scheme

Amatola Water was appointed by the OR Tambo District Municipality to implement the Sidwadweni Bulk Water Supply project, with an allocated budget of R203 961 738. The project comprised of two phases, including Phase 5a Part 2 and Bulk Augmentation.

Phase 5a Part 2 of the project is now complete and comprised the construction of bulk mains, village reticulation, reservoirs and pump stations around the town of Tsolo.

The final design of the interim bulk water abstraction and treatment infrastructure has been completed, while the final bulk supply is at a master planning level that will see the construction of a 50Mℓ/day water treatment works near the preferred Ntabelanga Dam site for the Mzimvubu Strategic Infrastructure Programme project.

Ndlambe Regional Bulk Water Supply

Amatola Water assisted Ndlambe Municipality with a Rapid Response Project to upgrade Seafields Water Treatment Works. The project was funded by the Department of Water and Sanitation and entailed the complete redesign of the treatment process so that the works can produce SANS 241 Class 1 water. New control valves, dosing equipment, filters

and disinfection system were installed. Site storage reservoirs were installed and this package plant was upgraded to the value of R1, 55 million. An operations and maintenance manual was developed and staff trained to operate the treatment works effectively. These interventions assisted the Ndlambe Municipality to improve its Blue Drop scoring.

Ndlambe Municipality also received grunt funding to develop a regional bulk supply pipeline which will assist the municipality with the provision of potable water. A long-term plan for the construction of the regional water supply scheme for the Ndlambe Municipality is in progress. Amatola Water has been appointed by the Department of Water and Sanitation to implement this project. The year under review has seen the utility starting with the construction phase for the project, which entails pipelines and reservoirs.

Amatola Water was appointed as Implementing Agent for the Ndlambe Bulk Water Supply Project. The provision of sustainable bulk water supply at an acceptable quality within the Ndlambe Municipality is currently hampered due to the nature of existing water resources that is unreliable in terms of assurance of supply and water quality related matters.The purpose of the study is to investigate and determine the most beneficial regional bulk water supply alternative. Alternative water resources that was considered are new surface water resources (Lower Fish River), desalination, groundwater and re-use in the form of centralised, decentralised (local) and a combination of supply alternatives.

The objective is to ensure long term sustainable bulk water supply that will allow for socio-economic development, while also considering short term interventions to provide short term relief in terms of bulk water supply.

One of the key socio-economic drivers of the study is the proposed Thornhill Housing Development in Port Alfred. The Thornhill development will comprise of 5000 social housing opportunities, which have been hampered by the lack of sustainable bulk water services.

The Feasibility Study was completed in December 2012 and the preferred alternative was established as Fish River Supply to Ndlambe East via an inland route augmented by groundwater in Port Alfred and centralised desalination - Brackish Water Reverse Osmosis plant (BWRO) in Ndlambe West with a cost estimate of R 1 136 000 000.
Quick Wins to the value of R214 million were implemented and completed in June 2014. These will allow for uninterrupted water supply in Alexandria and 7 Mℓ/day SANS 241 water supply in Port Alfred through the new Port Alfred BWRO plant. The remainder of the project will be implemented over a three-year period up to April 2017.

Amatola Water's involvement with the Ndlambe Local Municipality remains varied, since the utility provides bulk potable water to the municipality through the Albany Desalination (Reverse Osmosis) plant.

Makana Municipality

Amatola Water entered into a five year Right of Use (RoU) contract with Makana Municipality on the 1st of October 2013. The contract entails the capacitating of the Makana bulk water infrastructure - being the Waainek, James Kleynhans, Riebeeck East and Alicedale bulk water systems - to meet the needs of the Municipality amidst serious failure in service delivery to the consumers in the municipal area. The initial impact of interventions was seen through the introduction of a Department of Water and Sanitation funded Rapid Response Unit (RRU) to conduct emergency repairs to the municipality's infrastructure.

The RRU intervention realized quick turnaround of the situation in Makana between August and October 2013 and enabled water supply to be restored to the community. The five year RoU contract was then implemented to operate and maintain the four main water treatment systems as aligned with the Blue Drop Key Performance Areas, while a project to refurbish the municipality's water infrastructure ran concurrently. The RoU contract immediately saw an improvement in water quality since October 2013 and reached a consistent SANS quality compliance of 99.4 percent on the final water leaving the two major plants in Grahamstown.

Potable water sales from the four plants saw a steady increase from 461 077 Kℓ, with a revenue value of R 1,2 million in October 2013 up to 587 727 Kℓ, with a revenue value of R 1,5 million in June 2014. This figure has been projected to rise due to a rapid increase in the settlement rate in Makana, as well as an increase in the academic learners in Grahamstown.

A tripartite agreement was concluded with the Eastern Cape Development Corporation (ECDC), Amatola Water and Makana Municipality to fund Crisis Intervention Projects to the value of R50 million over the next financial year.

This funding saw the emergency repairs of motors and pumps in the Howiesons Poort pump station, and James Kleynhans Water Treatment Works, the purchase of more pump sets for both these pump stations, the refurbishment of air valves on the Howiesons Poort rising main, upgrading of the panels, installation of bulk meters, installation of telemetry system, refurbishment of filters and clarifiers amongst the six intervention areas of the project.

The integrity of the electrical supply to the pump stations has been in very bad condition which caused many failures in the water supply. The upgrade of the existing overhead electrical line and the installation of a new overhead line from the Thomas Baines Reserve are under way so as to improve the integrity of the electrical supply to the pump stations. This work is estimated to be completed by November 2014.

The Settlers Dam pump station has been completely refurbished with a new pump set and electrical panel. The Howiesons Poort panels were completed and commissioned. The telemetry system has been installed and extended to incorporate all the information from various reservoirs and pump stations in one place.

Various media articles have highlighted Amatola Water successes to date in the areas, especially around the Science and the National Arts Festivals, which saw an incident free bulk water supply to the town with very few isolated interruptions caused by leaks and breaks. The striking Municipal staff during the Festival saw Amatola Water carrying the responsibility of many tasks over and above bulk water supply to ensure continuous supply of water that met SANS quality.

While there is a lot of work still to be done in the area, Amatola Water has the capacity to capacitate the Makana Municipality to eventually manage the water supply infrastructure after the Right of Use (RoU) contract expires.

Sterkspruit Water Treatment Works

Amatola Water was appointed by Joe Gqabi District Municipality as implementing agent to refurbish and upgrade the Sterkspruit Water Treatment Works. A revised amount of R 60.6 million was allocated for the project under the MIG programme.

For the upgrade Amatola Water has appointed a service provider to do the design and construction supervision. The first phase of the project has been completed. Amatola Water is currently implementing phase 2 of the project with a value of R 75, 2 million.

Amathole District Municipality

June 30, 2014 marked the end of the three-year Operations and Maintenance contract between Amatola Water and the Amathole District Municipality (ADM). The contract covered the refurbishment, operation, maintenance and management of the entire ADM water and waste water treatment works. The termination of the contract followed after ADM gave notice to Amatola Water in December 2013, to negotiate the transfer of the contract and services back to the District Municipality, in line with the provisions of Section 78 of the Municipal Systems Act.

A task team was then formed to undertake the transfer plan and to ensure a smooth and seamless transfer of the Operation & Management function back to ADM.

The Going Concern option was considered but individual plant solutions were implemented. This was done in a manner to ensure continuity of service, with minimal job losses and essentially ensure that the transfer of the function was made together with the resources and the people concerned on equivalent employment terms and conditions.

Pursuant to this, most of the employees on the ADM Contract were permanently relocated to various contracts, including Public Works, Makana, Primary Operations and Engineering, Dams, ORTDM and some temporary relocated to the Ndlambe Construction Project.

Amatola Water successes in implementing the ADM contract include, amongst others, a significant improvement in final water quality, water production throughput, water works availability and water treatment works water losses. The Blue and Green Drop scores also saw a huge improvement at a number of ADM plants as demonstrated in figures 1 and 2:

Background and Snapshot
The ADM Operation and Maintenance Contract journey and experience – Water

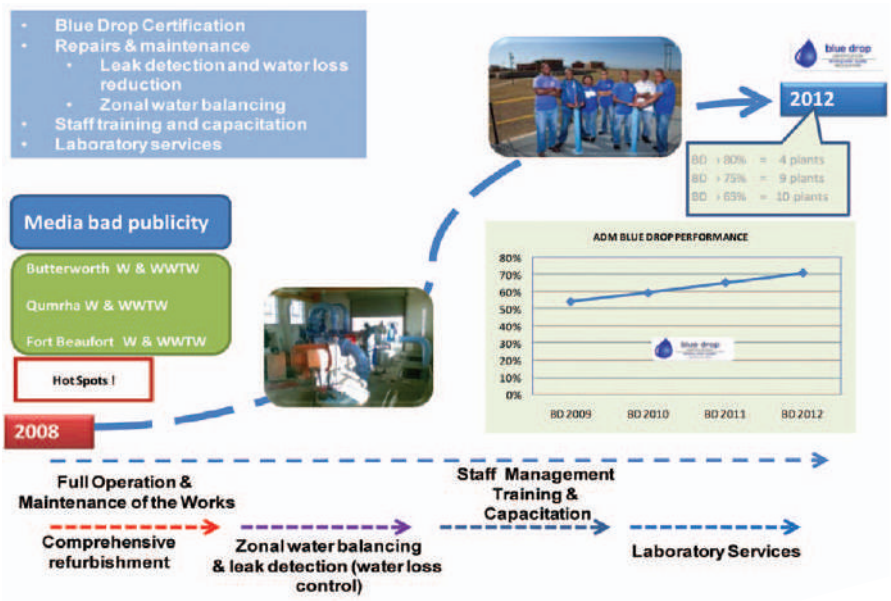
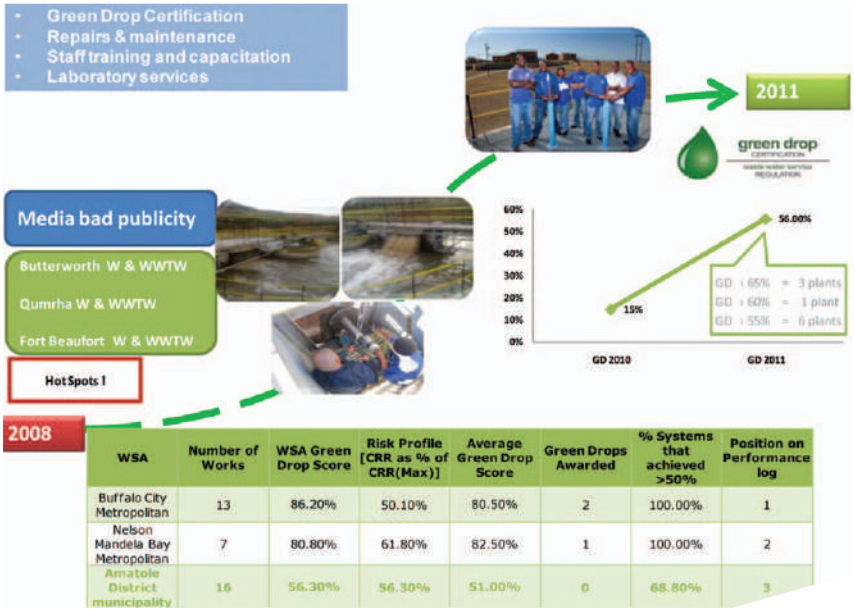


Figure 1: Performance of the contract on water treatment over time (source: DWA Blue Drop 2012)

Background and Snapshot
The ADM Operation and Maintenance Contract journey and experience – Waste Water



WSA	Number of Works	WSA Green Drop Score	Risk Profile [CRR as % of CRR(Max)]	Average Green Drop Score	Green Drops Awarded	% Systems that achieved >50%	Position on Performance log
Buffalo City Metropolitan	13	86.20%	50.10%	80.50%	2	100.00%	1
Nelson Mandela Bay Metropolitan	7	80.80%	61.80%	82.50%	1	100.00%	2
Amatole District municipality	16	56.30%	56.30%	51.00%	0	68.80%	3

Figure 2: Performance of the contract on wastewater treatment over time (source: DWA Green Drop 2011)

The general performance of the bulk water service infrastructure increased. The submission of water quality results and data to the Department of Water Affairs Blue Drop System also significantly improved.

Amatola Water was also appointed by the Department of Labour to take on the legal responsibility of all ADM plants, as per Occupational Health and Safety (OHS) Act requirements at the time.

Strategic Infrastructure Projects (SIP) 3

Mzimvubu Dam Water Services Master Planning

The year under review saw Amatola Water undertake Master Planning services for one of the Province's biggest water projects to date, the Mzimvubu/ Ntabelanga Dam Water Project, which entails the construction of a dam and additional infrastructure, such as irrigation development, a hydropower plant and bulk distribution infrastructure.

The project will cost an estimated R12 billion and falls in the Mzimvubu to Keiskamma water management area, spanning the OR Tambo, Alfred Nzo, and Joe Gqabi district municipalities in the Eastern Cape Province.The construction of the dam is part of government's Infrastructure Development Programme falling under SIP 3 and a quest to address clean water provision challenges in the Eastern Cape Province.

This project is expected to provide adequate water supply to over 603 105 people; accelerate and stimulate social and economic upliftment of the communities in predominantly rural areas in the region; as well as address the existing water supply backlogs and the inadequate capacity of the local water services infrastructure to support the large rural population in the Mzimvubu Catchment.

A major spin-off of the project would be the elevation of the water supply to Blue Drop quality standards in the O.R. Tambo, Joe Gqabi and Alfred Nzo District Municipalities.

The water service intervention comprises a two year R5,375 billion water supply augmentation and extension programme, including a 100 Mℓ/ day water treatment works at Ntabelanga Dam and the extension of bulk mains, reservoirs and pump stations.

A milestone on the project took place on the 11th of April 2014, when His Excellency, President Jacob Zuma launched the Mzimvubu Water Project at Tsolo Junction, in partnership with the Department of Water Affairs, OR Tambo District Municipality (ORTDM) and Amatola Water (AW) as the Utility in the Eastern Cape.

Addressing over 2000 community members who attended the launch at Tsolo Junction, President Zuma said the dam would become the tenth largest in the country and would store approximately 490 million cubic meters of water.

"This dam is also strategically placed for a possible supply to the Nelson Mandela Bay Municipality and the Orange/Vaal River System and other parts in the longer term."

"This is an important part of our efforts at equity and distribution, ensuring that we increase on the 95.2% communities who now have access to clean water," said Zuma.

Ntabelanga on the Tsitsa River, will be used for domestic and agricultural water supply requirements, while the Laleni dam, also earmarked for construction, would be used for hydro power generation. This dam will have a potential to generate 35 megawatts of base power or up to 180 megawatts of peaking power when operated jointly with the Ntabelanga Dam.

A detailed design of Ntabelanga dam and associated works and infrastructure is underway. Construction of the dam and associated works and infrastructure is expected to commence in December 2014, while work on the Laleni hydro-power scheme will start in 2016/17.

Around 6700 temporary jobs will be created during construction phase of the project, while 6500 permanent jobs will become available during the operation and maintenance of the scheme, as well as on irrigation fields and in downstream economic activities.

Water Resources Adequacy

Amatole Integrated System

Amatola Water draws raw water from a number of systems. The Amatole Water Supply System (AWSS) is however the only inter-basin transfer supply system within the Amatola Water supply area.

The Amatole Water Resources System supplies the water requirements of the Buffalo City Metropolitan Municipality consisting of East London, Mdantsane, King Williams Town and Bhisho urban complex, the town of Stutterheim and Mlungisi, as well as villages in the surrounding rural areas.

The water resources of the Amatole System are regulated by seven dams namely - Gubu, Wriggleswade, Maden, Rooikrantz, Laing, Bridledrift and Nahoon Dams. Amatola continues to monitor water losses within this bulk treatment and distribution system on a regular basis.

The Wriggleswade Dam provides an additional safe yield of 31.8 million m^3/a. A percentage of this yield, approximately 18 million m^3/a is reserved for domestic or industrial use. The finalisation of the volume of water required for environmental purposes will reduce the available yield for domestic or industrial use and thereby moving the augmentation date forward.

Various water demand strategies have been compiled and tabled in a report to be implemented by various stakeholders in the near future. The effective implementation of these strategies will then determine the expected augmentation date within the Amatole System.

Drought Management

A study to determine rules to optimise the operation of the system has been initiated by the Department of Water and Sanitation and completed by the Operating Rules Study Team. The operating rules, which have since been approved by the Department, entail a transfer of water from the Wriggleswade Dam to dams downstream in the system when the water levels in these lower dams drop to pre-determined levels. The transfer rates are such that they sustain the requirements on the dams only and are not used to re-fill the dams.

The Amatole Systems Analysis Technical Steering Group (ASATSG) has reviewed the system yield, based on the adopted operating rules, using the Water Resources Yield Model. The ASATSG has further reviewed the system yield based on varying operating rules. The results of which indicate that the system yield could be further increased to 108.1 million m^3/a by adjusting the transfer trigger dam levels of the downstream dams under Scenario 1 i.e. transfer when Wriggleswade Dam is spilling.

The yield of the system, when operated as an integrated system in accordance with the current approved operating rules, is 5.4 percent or some 5.2 million m^3/a greater than the sum of the yields of the individual dams. Integrated system operation is therefore an imperative to ensure reconciliation of supply and requirement going forward.

Agreements have not as yet been concluded with Buffalo City Metropolitan Municipality (BCMM) to facilitate the effective implementation of the new adopted operating rules. Despite the above, the system yield of 100.1 million m^3/a has been used as the basis for the current reconciliation planning. The higher possible yield of 108.1 million m^3/a as per the ASATSG presentation of June 2012, has however been considered as a scenario in the reconciliation planning.

The capacity of Wriggleswade Dam can be utilised to supplement either the Bridledrift and/or Nahoon Dams. This is made possible by a tunnel and canal system that has the capacity to transport 3 $m^3/$ second or 259 200 Kℓ/day either into the Buffalo River or Nahoon River catchments. Water can be released into the Yellowwoods River that flows into the Buffalo River



to supplement Laing and Bridle Drift Dams or into the Inkobongo River that flows into the Nahoon River, feeding into the Nahoon Dam.

Yellow Woods Transfer

Previous environmental studies on the Kwa-Nkwebu River, a tributary of the Yellow Woods River, recommend limiting the rate of transfer between the Wriggleswade and Laing Dams to a rate lower than that for which the transfer system had been designed, in order to protect an environmentally sensitive reach of the river. It was initially envisaged that this would limit the yield possible from the System, requiring by-pass infrastructure to circumvent the constraint.

The new adopted operating rules are however such that transfers are undertaken at lower rates, but over longer periods of time, thereby avoiding the need for by-pass infrastructure to ensure that the system yield is achievable.

Water Balance

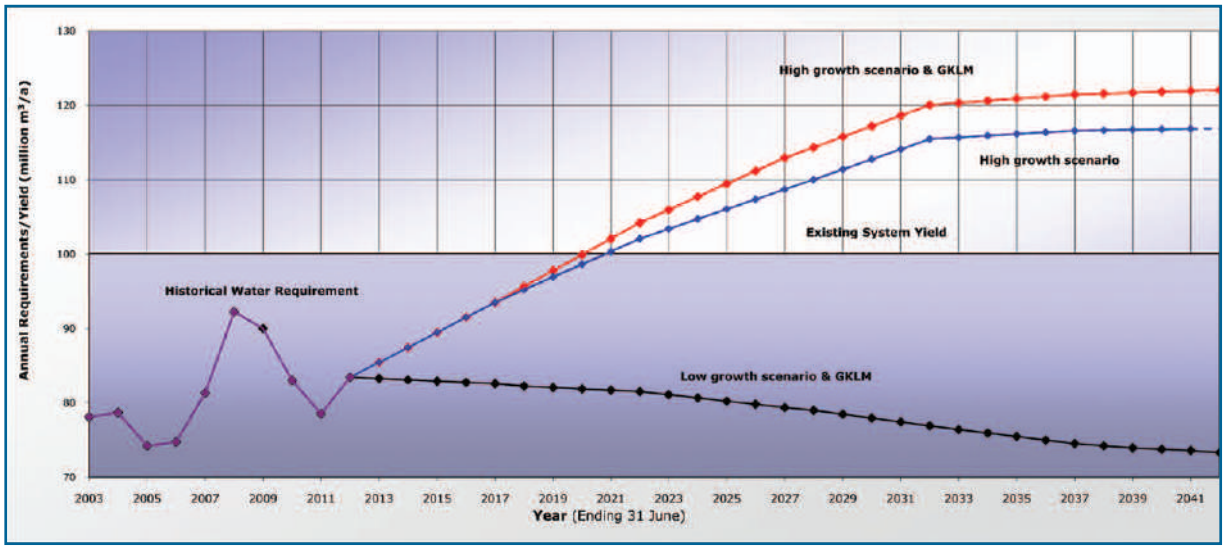
Figure 1 shows the current high- and low-growth water requirement scenarios against supply available from the System, as per the current operating rules. Similar graphs have been provided for system yields based on the individual dams, as well as for various proposed amendments to the current operating rules.

Based on the high-growth water requirement scenario, measures to reduce the requirement or to increase the system yield would have to be implemented by:

- Yield of individual dams (94.9 million m³/a): 2018
- Current operating rules (100.1 million m³/a): 2021
- Maximum yield possible from the System (108.1 million m³/a): 2026

Based on the low water requirement scenario, the System has adequate yield to meet the requirements inclusive of supplies to the Great Kei area indefinitely.

Figure 1:



Developments

The ASATSG has undertaken a conceptual (desktop) review of the Sandile/Binfield Park Dams supply augmentation option, identified in the Strategy Study as one of the more favourable augmentation options due to its low URV and short lead time (no need to construct a dam; it uses surplus yields from these existing dams). The findings of the review however indicated that the surplus yields available from these dams to augment supplies to the AWSS are significantly lower than previously anticipated and that more detailed investigations are required to confirm the dam yields. The need to register and monitor water use from these dams was also identified. It can also be noted that the Department of Agriculture and Rural Development (DoARD) are reviewing the agricultural water requirements from these dams, whilst the Department of Water and Sanitation has initiated processes to develop operating rules for the respective dams.

The following schemes/options are considered the most viable of the options identified to date and should be put forward for more in-depth study for consideration for implementation:

- Wesselshoek Dam (Kwelera River)
  - the most favourable of the options at this point in time;
- Ravenswood Dam (Keiskamma River)
  - only if a large yielding dam is required; and
- Stone Island Dam (Nahoon River)
  - potential environmental implications.

Note: * A number of the above comments were extracted from the draft status report 2012 of the Amatole System to provide information on the whole complexity of status and future water resource development requirements to ensure sustainable water resources within the Amatole Region.

A similar operational analysis report was completed by the Department of Water and Sanitation for the Sandile and Binfield Park Dams. A draft report was completed during December 2012 that provides drought operating rules for these systems.

Kouga Water Demand Management Project

Amatola Water entered into a three year tripartite agreement with the Department of Water and Sanitation and Kouga Municipality, under which Amatola Water implemented a water conservation and water demand management project. A budget of R1.5 million (Phase 1) for the 2012/13 year and R 1.0 million (Phase 2) was set aside for the 2013/2014 period.

Phase 1 of the project mainly focused on the inspection and replacement of billing meters on the Jeffrey's Bay and Humansdorp towns within Kouga Municipality.

While Phase 2's key focus was on the repair and maintenance of parts of the bulk infrastructure within the townships of Kruisfontein, Graslaagte and Bo-Blok within Humansdorp, as well as the leaking steel tank reservoir at Die Berg and air valve installation within Jeffrey's Bay.

These actions resulted in a reduction in bulk distribution within Humansdorp from 34 percent to 19 percent during 2013/2014. The cumulative volume of potable water sales at Humansdorp increased by approximately 180 000 Kℓ/a over the two years, which had a resultant effect of additional income of about R 1 million/a in Humansdorp.

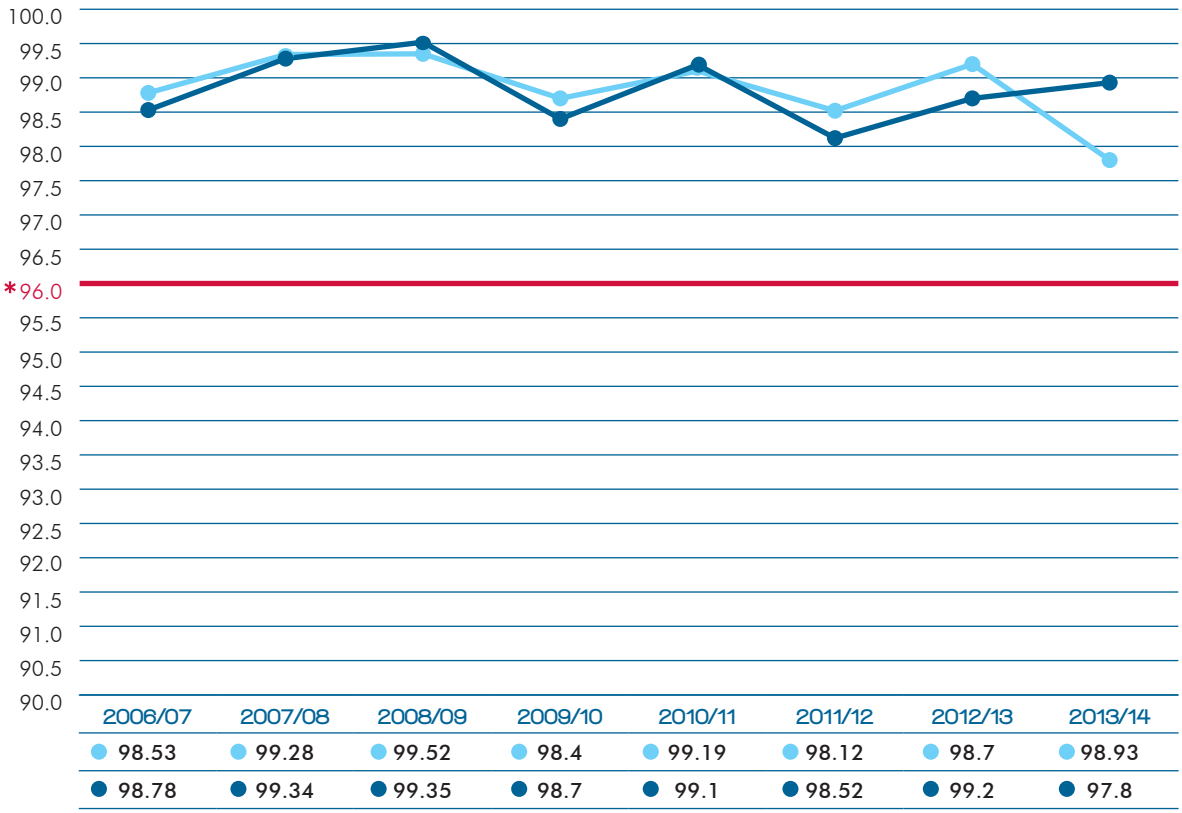
Within Jeffrey's Bay it was more difficult to quantify the possible benefits from the water conservation and water demand management (WCWDM) actions taken during the two year period. Amatola Water is planning to assist Kouga Municipality to address this during Phase 3 of the project from July 2014.

Product Quality

Water Quality

During the reporting period Amatola Water ensured that water quality compliance at all its water treatment works and distribution network was in line with the SANS 241:2011 Part 1 and 2.

Water Quality Results - % level of compliance



	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Water Works	98.53	99.28	99.52	98.4	99.19	98.12	98.7	98.93
Distribution Network	98.78	99.34	99.35	98.7	99.1	98.52	99.2	97.8

- Water Works
- Distribution Network
- * SANS 241 Drinking Water Standard

The implementation of SANS 241:2011 during the period posed some challenges for Amatola Water, with stricter parameters that led to a slight decrease on the distribution network. However, the organisation still managed to comply to SANS. The SANS 241:2014 draft is out for comments and will bring more realistic parameters. The Department of Water and Sanitation (DWS) has already changed the Blue Drop Compliance requirements and set its own standards which are a combination of the SANS 241:2011 and 2006 to regulate the Blue Drop System.

Amatola Water also experienced a number of floods in the region during December 2013 and January 2014 which also contributed to the high chemical usage in the period of review. By constantly monitoring the dosing systems and applying optimum dosing during the floods, the organisation managed to lower chemical usage, resulting in significant savings.

Blue and Green Drop Certification

Although Amatola Water indicated its Blue Drop Readiness as part of its KPIs, it failed to report on the outcome due to the non-availability of results from the Department of Water and Sanitation. At the previous WISA Conference in May 2014, the department acknowledged the participation of the organisation in the Blue and Green Drop system but decided not to release the results for the past two years. It is anticipated that the result will be made available during the next financial year.

The Buffalo City Metropolitan Municipality, together with Amatola Water setup regular meetings to integrate the Water Safety Plans so that there is a common set of Identified Risks that will be a holistic risk plan for the entire system.

Amatola Water also setup a Blue Drop Committee which meets on a monthly basis to update its own Blue Drop Readiness Plan.

Scientific Services

Since the withdrawal of its accreditation in January 2012, the Amatola Water laboratory has embarked on a turnaround strategy to regain the accreditation. The next assessment is scheduled for August 2014.

The chemistry methods identified for accreditation include Ammonia, Chloride and Sulphate, as well as Fluoride, Phosphate, Turbidity, pH, Electrical Conductivity, Alkalinity and Chemical Oxygen Demand. While the microbiology methods include E. Coli/ Feacal Coliforms, Total Coliform with HPC. A new building identified for the microbiology lab has been renovated and is currently in use.

The lab purchased a new ICP instrument during 2013/2014 financial period. The ICP methods (8 Methods, Ca, Mg, Na, K, Fe. Al, Mn and Zn) which were included in the scope of 2014 accreditation have been withdrawn due to insufficient data available to prove the stability and reliability of the instruments i.e. PTS and QC charts. The lab has identified 12 ICP methods which will be included in 2015 when SANAS return to conduct the six months assessment.

The laboratory continued with assisting Makana Municipality with the sampling and analysis of the three regions- Riebeeck East, Grahamstown and Alicedale. The laboratory is also assisting the Joe Gqabi District Municipality with its monthly compliance monitoring programme.

The Information Management System (IMS) programme has been implemented to assist the Operations Division in dealing with non-complying plants and networks. All IMS problems are attended by the plant Superintendents and the laboratory accept the final closure of the non-conforming points. The laboratory is currently using SAN241: 2011 for compliance monitoring.

Water quality results for the past year are presented in the following table. It is pleasing to note that 98.92 percent compliance to SANS241 class water was achieved by the organisation during the reporting period. This is nominally less than the target of 99 percent compliance set as a strategic objective by the Board for the past year but exceeds the SANS 96 percent compliance requirement.

Amatola Water Annual Quality Compliance:

Scheme name	Final WTW	Reservoirs
Albany Coast	100	96.4
Binfield	99.8	98.8
Debe	98.8	97.7
Glenmore	98.7	97.8
Laing	99.10	98.8
Masincedane	99.	na
Mnyameni	97.10	na
Nahoon	98.4	98.7
Rooikrantz	na	98.7
Sandile	99.2	98.9
Peddie	98.1	96.9
Peddie-Chalumna	na	94.8
Peddie-Bira	na	97.9
Average	**98.57**	**97.65**
Overall compliance	**98.11**	

Leadership and Employee Development

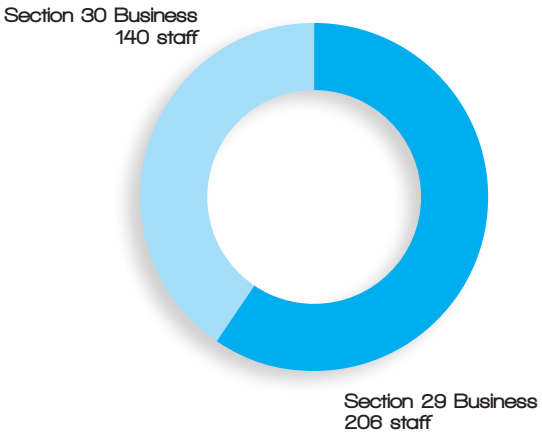
Workforce Profile

Every effort has been made to ensure that Amatola Water employs the right people and that it obtains and retains the right skills in order to take the organisation forward, in terms of its performance capability, resourcefulness and delivering on the mandate.

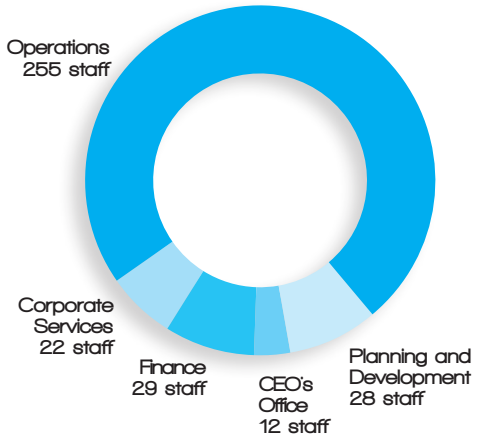
Staff recruitment was kept to a minimum, with only 19 replacements for critical and scarce skills positions during the year on a like-for- like basis so as to maintain the current level of staff numbers but also ensuring continuity to service delivery, cost effectiveness as well as vigorously minimizing staff losses.

A staff complement of 355 had been projected for the period ending June 2014. An actual staff complement of 346 was maintained at a lower total than the projected staff complement, with 206 employees for section 29 business and 140 employees for section 30 business, as reflected below.

Staff compliment - June 2014



Staff establishment per division - June 2014

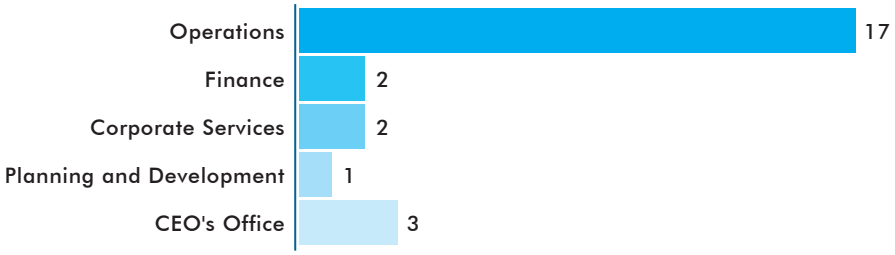




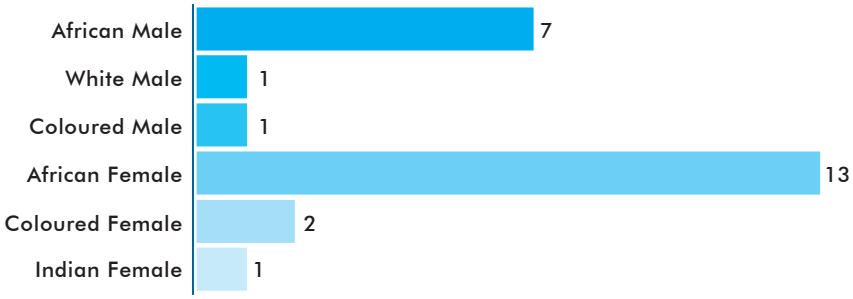
Amatola Water had targeted 90 percent compliance with its recruitment plan in the year under review. However, due to a moratorium placed on recruitment the set target could not be achieved, despite the Board's approved exceptions to the moratorium.

During the year under review, only 25 appointments were made, as per the graphs below.

The recruitment of permanent employees per division:



In promoting equal opportunity employment, the employment of permanent staff fell within the following race and gender categories in line with the Employment Equity Plan of Amatola Water.



The organisation continually assessed its current and future workforce needs, aligning these with its business objectives. Staff recruitment focused on well managed attraction, retention and engagement of staff with the necessary expertise, experience and skills within a framework that ensures employment equity and diversity. Transformation regarding equity and diversity was encapsulated in the organisation's Employment Equity Plan that is periodically reviewed.

Recruitment for Key Executve Positions

The organisation is in the process of filling key vacant executive positions, which include the Chief Executive Officer and the Director for Finance. Nominations were made to the Minister of Water and Sanitation by the Board, for the appointment of the Chief Executive Officer. This process is currently being finalized.

Employment Profile

Amatola Water subscribes to the principles of Employment Equity and as such has continued to implement its five–year Employment Equity Plan (2009-2014). The plan guides the organisation's human resource practices in promoting employment equity, the recruitment and development of employees from designated groups and the advancement of gender representation. The annual (2013/2014) Employment Equity Report was submitted to the Department of Labour as stipulated in the Employment Equity Act.

Amatola Water staff profile as at 30 June 2014 is reflected in the following table:

	Male				Female				Disability		
Occupational levels	A	C	I	W	A	C	I	W	Male	Female	Total
Top Management	0	0	0	0	0	0	0	0	0	0	**0**
Senior Management	1	0	0	1	1	0	0	0	0	0	**3**
Professionals and Mid-Management	11	0	2	6	4	2	1	0	0	0	**26**
Skilled technical workers and Junior Management	50	11	1	10	14	3	1	6	0	0	**96**
Semi- Skilled	106	6	0	3	43	4	0	4	2	0	**166**
Unskilled	50	0	0	0	5	0	0	0	1	0	**55**
Totals Permanent	**218**	**17**	**3**	**20**	**67**	**9**	**2**	**10**	**3**	**0**	**346**

Gap analysis between EAP targets and Amatola Water workforce profile:

Workforce profile per occupational level and economically active population						
Designated				Female		
Occupational Level	AW	EAP	GAP	AW	EAP	GAP
Top Management	0%	94.2%	94.2%	0%	46.2%	46.2%
Senior Management	67%	94.2%	27.2%	33%	46.2%	13.2%
Professionally Qualified & Middle Management	77%	94.2%	17.2%	27%	46.2%	19.2%
Skilled Technical or Junior Management	90%	94.2%	4.2%	25%	46.2%	21.5%
Semi-Skilled	98%	94.2%	0%	30.7%	46.2%	15.5%
Unskilled	100%	94.2%	0%	9%	46.2%	37.2%

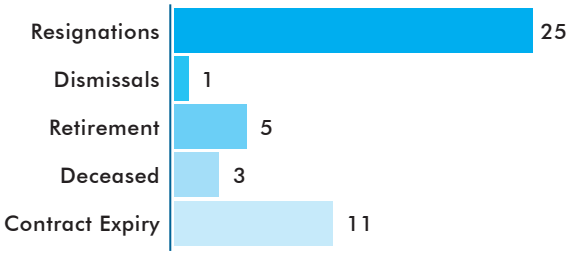
Employment Opportunities

Employment opportunities were created through a number of projects and programmes implemented by Amatola Water. A total of 108 employees were appointed in fixed-term contracts in line with the project period. The 108 fixed-term contract employees were made up of 31 females and 77 males. Most of these employees were from previously disadvantaged areas, contributing to employment in those areas.

Labour Turnover

Labour turnover increased from nine percent in 2012/2013, up to 13 percent in the 2013/2014 period. This negatively exceeded the 2012/2013 staff turnover by four percent. The increase in labour turnover could be attributed to the job insecurity caused by Section 30 business contract expiry or termination and consequent low staff morale.

Staff exits are detailed below:



Organisational Culture

Aiming at improving organisational behaviour the organisational values of Integrity, Excellence, Accountability and Responsibility define the working environment within the organisation. Amatola Water recognises the importance of living these core values to ensure that due consideration is given to the needs and interests of all stakeholders.

Change management initiatives with specific focus on effective and efficient communication were maintained through quarterly human resources road shows, staff information sessions, divisional meetings, extended management committee meetings and electronic staff briefs. The creation of a positive culture that underpins the implementation of the corporate strategy and organisational citizenship remained one of the key priorities.

Organisational Design and Development

Amatola Water's turnaround strategy for 2013/2014 focused on aligning Amatola Water's structure with the Business Strategy; a framework for the restructuring of the organisation's Primary, Secondary and Support functions at a functional and activity level and included the ring-fencing of Section 29 and Section 30 business activities. In the Business plan for 2013/2017, a staff complement of 355 had been projected for the period ending June 2014. An actual staff complement of 346 was achieved, comprising of 206 employees for Section 29 business and 140 employees for Section 30 business.

Performance Management

Individual staff performance contracts are aligned with the organisational objectives to ensure that the strategies formulated by the Board and Senior Management are operationalised. Performance is reviewed on a quarterly basis to ensure progress is monitored, challenges are identified and appropriate solutions developed.

Personal Development Plans (PDPs) are a part of Amatola Water's Performance Management System. The goal is to improve organisational performance by focusing on those issues that are most important to Amatola Water and support effective employee performance management to facilitate both performance planning and feedback at the end of the performance period. It is annually developed to assess employee's interest in management and professional advancement, and to help in career planning. The PDP is part of each employee's annual performance contract and is aligned with the organisation's Skills Development Plan.

Amatola Water's Remuneration Policy stipulates that payment of Performance Bonuses is dependent on the financial performance of the organisation, as determined by the Board each year, once the organisation's financial audit is complete.

During 2012/2013 the Board approved a once off additional surplus reward to all employees which was implemented in the year under review. The surplus reward was applicable to staff in the employ of Amatola Water on the date of approval by the Board at the then existing remuneration rates.

Training and Development

Amatola Water's training priorities are dictated by its Workplace Skills Plan, which is the product of a detailed performance development plan and a skills needs audit. The plan also stipulates to the Energy & Water SETA (EWSETA) what training the organisation will provide to its employees in a 12 month period based on the operational requirements of the organisation and the critical skills identified by the SETA. In conjunction with the Energy & Water SETA and the organisation's own strategic plan, Amatola Water focused on the following training interventions:

- Technical Training i.e. Engineers, Technicians & Artisans
- Safety, Health & Environment
- Induction
- Learnership in Water & Waste Water Purification
- Financial Study Assistance: Scarce and Critical Skills

Learnership Programme in Water and Wastewater Purification

The Amatola Water Learnership programme forms part of a route towards achieving a nationally recognised qualification. It is a structured learning experience which is a combination of theoretical and workplace learning and is directed towards the achievement of a South African Qualifications Authority (SAQA) registered qualification.

In an effort to commit in training and development initiatives, the learnership programme has continuously been implemented for several years and is guided by the Skills Development Committee. With a competency-based approach, Amatola Water is steadily building its workforce through a wide array of formal, informal and networking development opportunities for employees.

Amatola Water has contracted 10 general workers to participate in an in-house learnership programme, on Water and Wastewater Process Controller NQF Level 4, for 12 months. The programme is developed according to the critical and scarce skills needs that have been identified in the Sector Skills Plan.

Learning Academy

Amatola Water has full accreditation from the Energy & Water SETA as a training provider on Water and Wastewater Treatment Process Control Supervision at NQFL 2 & 4.

Since 2002 Amatola Water has been providing learnership opportunities to its internal staff and communities adjacent as part of its skills development programme.

During 2013/2014 financial year, Amatola Water in conjunction with the Department of Water Affairs continued and completed the roll-out of the learnership programme on Water and Waste Water Treatment for 21 learners from Shixini in Mbashe Local Municipality.

Financial Study Assistance: Scarce and Critical Skills

Amatola Water is committed to continuously developing its qualified and skilled staff. As part of its endeavors towards staff development and staff retention, it has awarded study assistance to 26 employees to assist them to further their studies in 2014/2015, with the aim of creating a pool for retention.

Support to Assist Staff to Register with Professional Bodies

A total of three new technicians were registered as Candidate Technicians with Engineering Council of South Africa (ECSA) during the reporting period.

Recognition of Prior Learning

During the reporting period, four plumbing candidates were assessed through recognition of prior learning and were placed for Trade Test. During this reporting period, 13 Artisan Aids were assessed in the mechanical discipline, one in electrical and one in painting.

Employee Relations and Employee Wellness

Amatola Water has a recognition agreement with the South African Municipal Workers Union (SAMWU), which is the sole bargaining agent within the organisation. Through the Local Labour Forum Amatola Water continued to foster a culture of consultation and participative decision making.

The Organisational Rights Agreement signed between worker representatives and the employer remains the guiding document for engagement and consultation. Amatola Water remained a player in the recently agreed upon bargaining council as a platform for salaries and service related benefits negotiations.

Employee Wellness and Lifestyle Management

Amatola Water Employee Referral Program remained the cornerstone for employee support on psycho-social referral matters. Through this referral system, employees were offered an opportunity to manage their personal affairs with the help of the professional support.

Throughout the year, companywide wellness events helped to provide employees with an opportunity to socialize and recharge their minds, bodies and souls. Professional service providers were organized from a variety of psycho-social fields.

Amatola Water also has an in-house occupational health services and wellness services manned by a fulltime Occupational Health Nurse together with contracted services from doctors practising in the occupational health field. Compliance with the Medicine and Related Substances Act, Labour Relations Act, Nursing Act, COIDA, will always be the critical focus of the business.

The primary focus of the organisation's occupational health system is the pre-employment baseline medical surveillance, annual surveillance and compliance conducted with the view to ensuring the employment practices of the organisation meet the employment legislation requirements as well as optimum utilization of the workforce. Periodic surveillance formed part of the practice to ensure the suitability of employees for specific jobs as well as to avoid threatening diseases like asbestosis and noise-induced-hearing loss. The organisation operates in an environment where diseases like typhoid, hepatitis, and other chemicals related biological reactions pose real threats to the employees of Amatola Water. A water-tight medical procedure with regards to risk assessment and screening was ensured in order to prevent adverse effects on the employees.

HIV and Aids

HIV and AIDS receive top priority in the organisation. The fact that there is currently no cure for the disease, the stigma it still carries within communities together with its implications to the family lives of the employees is equally a challenge to Amatola Water.

In partnership with relevant stakeholders, Amatola Water Peer Educators strived for the implementation and management of pragmatic initiatives aimed at educating and improving the lifestyles of the employees and their families, infected or affected. This includes risk assessment or prevalence study, educating and empowering employees about the disease, a comprehensive voluntary counseling and testing (VCT) programme managed jointly with community organisations involved in HIV/AIDS programmes as well as studying its impact on the company's human resources strategy.

Stakeholder Management and Support

Stakeholder Relations and Support

Amatola Water has developed a lucid stakeholder engagement plan with the intention of accelerating efforts of building valuable mutually beneficial relationships, while taking into consideration its core objectives and the wider environment in which it operates.

Areas in which the utility seeks to strengthen its stakeholder engagement include:

- Improved customer service
- Build partnerships with other sector partners to leverage different strengths and mandates
- Increase engagement with sector players to identify opportunities
- Leverage Amatola Water expertise to shape and influence policy
- Build strong communities around projects that Amatola Water is implementing

The renewed focus on stakeholder management helps the Amatola Water ensure that the organisation is aware of, and thus able to deliver on the expectations of its stakeholders.

The review period saw Amatola Water undertake a stakeholder mapping exercise to prioritise its engagement efforts and to understand the range of stakeholders and their influence on its business.

Besides the utility's Executive Authority – the Department of Water Affairs and Sanitation, Amatola Water's external stakeholders include the Province's traditional leadership, Provincial Government, South African Local Government Association (SALGA), project partners, clients, suppliers, business associations as well as various lobby groups. The internal stakeholders include Management Committee (Manco), Extended Management Committee, Organised Labour and staff in general.

Structured Engagement

Amatola Water places a significant value on reporting and communicating in an open and honest way with all its stakeholders. The organisation continued to build on the success of the stakeholder management framework which was developed in the last financial year. A coherent stakeholder relationship management plan was implemented with an intention to accelerate and build strong stakeholder relationships. Ongoing structured engagements with key stakeholders continued to enhance the Amatola Water business.

These engagements have served to build the capacity of Amatola Water to guide, advise and support the various Water Services Authorities in delivering on their local government developmental mandates. In this regard, the utility continued to facilitate discussions with the Department of Water Affairs, Provincial government, local municipalities and civil society.

Equally Amatola Water has been working tirelessly in strengthening relations with its internal stakeholders at different platforms such as Local Labour Forum with Organised Labour, Extended Management Committee Forum, and Staff Information Session.

These engagements have not only resulted in improved relations with the targeted stakeholders,

but have also enhanced the ability of Amatola Water to harness the collective resources towards supporting the sector.

Key Strategic Engagements with Major Stakeholders

Partnerships with stakeholders have been facilitated. Most of these are geared towards providing support to municipalities in various areas. During the reporting period, the following forums were facilitated:

Department of Water and Sanitation

- ### Legislative Compliance
  Amatola Water complied with all legislative requirements in terms of the submission of its Annual Report, the Shareholders Compact and Business Plan by the required submission dates. Quarterly reports were also submitted to the Department timeously.

- ### Due Diligence
  Within the framework of Institutional Realignment and Reform, the Minister of Water and Sanitation (former Department of Water Affairs) issued a Directive in February 2014 to Amatola Water to submit Due Diligence on the Southern Water Utility by 31 March 2014. The Due Diligence was successfully submitted within the set timeframe to the Minister and the Department. The study indicated that the establishment of a Southern Water Utility covering the Eastern Cape would significantly improve service delivery and be able to fund general bulk water services infrastructure in the Province.

- ### KSD Presidential Intervention
  Amatola Water is the Implementing Agent for this infrastructure project and actively participates in various workstreams and technical committees.

- ### National Water Policy Review Consultation
  The platform is made up of all Department of Water and Sanitation agencies and looks at various changes to current legislation to better maximise delivery of water and sanitation services. Amatola Water participates and ensures meaningful contribution at these consultations.

- ### Mzimvubu / Ntabelanga Water Project Working Group
  Amatola Water is a partner in the project and an active participant in the discussions relating to the viability and implementation of the project. The purpose of the Working Group is to present the Eastern Cape Platform on the Mzimvubu Development as part of a Strategic Infrastructure Programme.

- ### Water Utilitites Communicators Forum
  Amatola Water is part of the Department of Water and Sanitation's Communicators Forum, which aims to build relations and focuses on cross cutting issues facing the Department and its entities.

Office of The Premier

Amatola Water participates in the Economic Cluster Committee. Two presentations were made to this committee in the review period. A presentation on the establishment of a Regional Utility was also made to the Cabinet Committee.

Provincial Treasury

Engagements between Amatola Water and the Provincial Treasury have mainly centred around the funding for the King Sabata Dalindyebo Presidential Intervention (KSD PI).

Eastern Cape Planning Commission

Amatola Water actively participates in the Commission's Infrastructure Dialogue Forum with the intention to influence the provincial water and infrastructure plan. The dialogue forms part of the Commission's Vision 2030 for the Eastern Cape and covers areas such as Transport, Water, ICT and Energy.

Coega IDZ and Nelson Mandela Bay Metro

In conjunction with the Department of Water and Sanitation, Amatola Water participated in discussions with Nelson Mandela Metro, Coega IDZ and the Department regarding potential water supply options for the Coega Industrial Development Zone (IDZ) and the proposed Southern Water Utility for the Eastern Cape.

Sector Institutional Relations

Forum Interactions

Amatola Water participates in various forums within the water sector at local, provincial and national government levels. Local government interaction occurs on a one on one basis with municipalities and at the meetings of the Eastern Cape Water Committee and its sub-structures. The purpose of the Committee is to co-ordinate the development and management of water services in the Eastern Cape Province with a focus on backlog eradication, sanitation, infrastructure asset management and revenue generation linked to water services.

National forum activities undertaken by the organisation include active membership of the South African Association of Water Utilities (SAAWU) and service on various project steering committees of national studies undertaken by the Water Research Commission (WRC). Amatola Water is also a patron member of the Water Institute of Southern Africa (WISA).

At the provincial level Amatola Water actively engages with various government departments, in particular with the Department of Water and Sanitation regarding secondary services.

Customer Satisfaction

Achieving full adherence to the corporate values of Amatola Water is largely dependent on the organisation's ability to communicate in a continuous, transparent and precise manner with its customers and stakeholders. The organisation utilises service level agreements to regulate customer relations when rendering services. The supply of bulk water is regulated through bulk supply agreements and secondary services are regulated through Memorandums of Agreement.

Bulk Supply Agreements

The Water Services Act 108 of 1997 requires that the water board enters into supply agreements with its customers. Amatola Water has three bulk supply contracts with the Buffalo City Metropolitan Municipality (BCMM), the Amathole District Municipality (ADM) and the Ndlambe Local Municipality (NLM).

The existing agreement with BCMM is for a thirty year period ending in 2033. The bulk potable water supply agreement between Amatola Water and ADM is a three year supply contract which has been extended until June 2017, while the bulk supply agreement between the NLM and Amatola Water is effective for a 20 year period until July 2030.

Memorandums of Agreement

Amatola Water has entered into two significant Memorandums of Understanding for the operation and maintenance of customer infrastructure. The customers include the Makana Municipality and the Department of Public Works.

Supply Points

Water supply connections to Amatola Water infrastructure increased during the year. The number of bulk connections/supply points decreased by 16 bulk consumer points as they were incorrectly classified as bulk while they were actually domestic suppliers. The Rooikrantz area is now supplied from the Kei Road Water Treatment Works while the Dabi area is supplied from the Peddie Regional Water Treatment Works. Amatola Water has handed over the domestic /industrial customers over to ADM with effect from 1 July 2014.

Year	Bulk	Domestic/Industrial
2005/06	292	121
2006/07	292	125
2007/08	323	127
2008/09	324	130
2009/10	332	132
2010/11	353	171
2011/12	316	197
2012/13	345	160
2013/14	329	176

Client Relations

Water Services Authority IDP Engagement Sessions

Amatola Water participates in the review of Integrated Development Plans (IDP) of the various Water Services Authorities in the Province. The intention is to ensure that Amatola Water projects are included in the IDPs so that they can be properly funded.


water affairs
Department:
Water Affairs
REPUBLIC OF SOUTH AFRICA
O.R. TAMBO
DISTRICT MUNICIPALITY
Amatola
bringing water to life

Community and Environmental Sustainability

Environmental Services

With increasing pressure on environmental resources, there exists a challenge to integrate social, economic and environmental factors in to planning, implementing and decision-making so that resource development and use is able to serve both current and future generations sustainably.

The annual strategic review and the development of Amatola Water's 20-year goals and 5-year objectives provided an ideal opportunity to assess and review environmental sustainability issues for the organisation. Several key environmental challenges have been identified for Amatola Water. These have relevance both as a consequence of Amatola Water activity, but may also have a consequence to Amatola Water activity. Broadly, these are Amatola Water's environmental footprint, environmental compliance, monitoring and auditing, integrated environmental management, technological challenges, climate change uncertainty and organisational environmental awareness.

Over the past year, several initiatives have contributed to addressing facets of these key challenges. The development of Amatola Water's Environmental Sustainability Strategy serves as framework for matters relevant to environmental sustainability and governance for the organisation. The strategy recognizes the role that Amatola Water plays in giving effect to the National Development Plan, particularly within the context of the Eastern Cape. Aligning the long- and short-term growth vision for the organisation allowed for the identification of key strategic environmental interventions that are critical to supporting and achieving environmental sustainability for Amatola Water.

These include: monitoring, assessing and evaluating effect of and on organisational activities; managing and mitigating environmental impacts; promoting environmental awareness; supporting co-operative environmental governance; enhancing organisational sustainability; and participating in relevant environmental research.

Providing environmental inputs at the outset of internal and external development projects have meant that environmental issues could address, or influence, key decisions timeously. As details of technical designs became available, relevant environmental authorisation applications were submitted to relevant provincial and national authorities, thus preventing project delays due to relevant authorisations not being in place.

Continued service to the Water Research Commission through participating in reference groups and reviewing research proposals and conference abstracts created an opportunity to remain informed of water sector research and technology developments, and contributes to Amatola Water's involvement in professional networking. Ongoing participation in provincial forums such as the Environmental Quality Management Forum and the Renewable Energy and Energy Efficiency Forum meant that Amatola Water remained abreast of relevant local environmental legislation and relevant information pertaining to environmental management. These varied environmental inputs contribute to ensuring environmental monitoring and compliance within an integrated environmental management framework.



Community Sustainability

Social Contribution

The prosperity of Amatola Water business is closely aligned to the health and well-being of the communities in which it operates. The provision of safe and reliable supply of water is Amatola Water's principal and most effective avenue of corporate social investment. This stance is founded on the understanding that an improvement in water services provision is a vital enabler of broader local, regional and national socio-economic development and advancement. In this regard, the utility continued to channel its social contribution efforts into areas where it could deploy its internal resources effectively in order to secure maximum social benefit. This has led to partnerships with both local and national government in order to advance service delivery imperatives.

Improved Standards

As part of Amatola Water's contribution to a decent standard of living for all South Africans, it has adopted the design standard of 750 litres per household per day on all infrastructure projects, in order to align with intent of the National Development Plan.

The improved standard as implemented will allow for greater social and economic development, as well as assist in addressing inequalities in the access to water services. Some of the positive spin-offs to be derived from this improved standard include home connections, the ability to be able to water a small garden and the ability to have a shower like citizens living in a town or city.

Amatola Water will continue to advocate for this design standard in various policy platforms for a broader adoption and continued development of rural communities.

Education and Outreach

National Water Week

Amatola Water hosted 100 learners and educators from 22 high schools in and around East London who descended on Amatola Water facilities as part of the 2014 National Water Week celebrations on 26 March 2014.

All eager to learn about water - the Grade 12 learners who are top achievers in Maths and Science were taken on tour of the Nahoon water treatment works and educated on water treatment processes and were also exposed on how water is tested at the utility's two laboratories.

The Department of Water and Sanitation's Water Sector Support unit also presented the different careers and bursary schemes available within the department, all aimed at assisting the learners to make informed career decisions and to be aware of the various career opportunities that exist in the water sector.

School Tour Programme

Amatola Water continued to host various groups from Universities, FET Colleges, High and Primary Schools within the Eastern Cape at its various water treatment plants for guided tours. The educational tours took place at Nahoon Dam, Butterworth WTW, Wriggleswade Dam and Laing WTW. A poster with all the steps in purifying water at the water treatment works was distributed at various platforms such as school tours and other events where learners and students were hosted.

About 285 learners, 25 students and 25 teachers who attended Geography Teacher's Conference in East London visited the water treatment works during the year under review.

Amatola Water is continuously being praised by schools and institutions for its outstanding educational support and exceptional presentations during these tours.

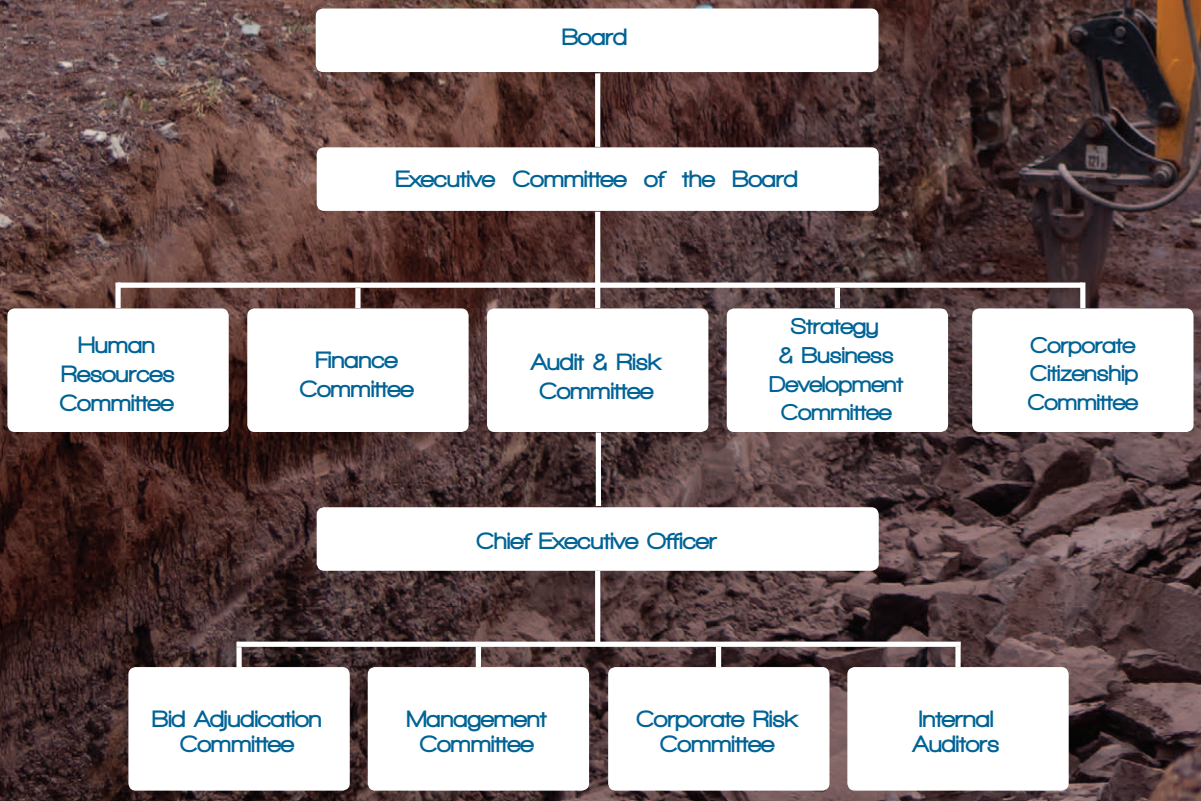
Corporate GOVERNANCE

Amatola Water Governance Structure

Amatola Water is wholly owned by the government of the Republic of South Africa through the Department of Water and Sanitation, as duly represented by the Minister of Water and Sanitation as the sole shareholder and Executive Authority.

As a national business enterprise, all of Amatola Water's operations are conducted in the Republic of South Africa and are governed by the provisions of the Water Services Act (Act 108 of 1997). The organisation's governance structure supports its ability to create value both in the short, medium and long term.

A non-executive Board as appointed by the Minister of Water and Sanitation and charged with providing oversight and strategic leadership is the Accounting Authority, while the Chief Executive Officer as the Accounting Officer - with the assistance of a multi-functional Management Committee – supports the Board and oversees the overall performance of the organisation.




JCB
JCB
ANIX PLANT

The Board of Amatola Water

The Board of Amatola Water constitutes the Accounting Authority of Amatola Water, reporting to the Executive Authority – the Minister of Water and Sanitation. It comprises 13 members including the Chairperson and the Chief Executive Officer of the organisation.

All members, with the exception of the Chief Executive Officer who is an ex-officio member, are non-executive directors nominated by various stakeholders and appointed by the then Minister of Water and Environmental Affairs.

Board Term of Appointment

The Board is appointed for a period of four years. The current Board's term was until 28 February, but was extended by the Executive Authority pending the 2014 Election period and the appointment of a new Board. The current Board's membership will therefore endevour until the new Board is appointed.

Board meetings are held on a quarterly basis, where decisions regarding overall policy and the implementation thereof are finalised.

The main responsibilities of the Board are:

- Ensuring efficiency and effectiveness of operations, optimum utilisation of resources, legal compliance, safeguarding of assets and the existence of sound and effective internal controls
- Adoption of strategic plan



Lynette Louw | Chief Sizakele Ngwekazi | Khululwa Ncamiso | Simphiwe Dzengwa | Sakhumzi Somyo | Nombulelo Hackula | Mzimkulu Msiwa

- Review and approval of business plans, budgets, major contracts and commitments
- Accountability for the process of risk management
- Monitoring performance
- Approval of major policy decisions
- Appointing the Chief Executive Officer
- Presentation of the financial statements and the assurance of integrity, objectivity and reliability of these statements; and
- Annual performance assessments of all sub-committees.

A Board Charter has been adopted to guide the members in discharging their duties and responsibilities and a performance management system is utilised with individual Board members being assessed using the Department of Water Affairs' performance Management Toolkit.

Corporate Governance Statement

Amatola Water Board members pledge their commitment to ensuring that the affairs of the organisation are conducted with integrity and in accordance with generally accepted corporate practices. The Board is committed to upholding the governance principles incorporated in the Code of Corporate Practices and Conduct set out in the King III Report, the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) and the provisions of the Water Services Act (Act 108 of 1997).



Nothemba Mlonzi | Mhleli Matika | Ntombenhle Rulumeni | Zikhona Ramncwana | Mxolisi Koyo | Lionel Billings

Board Member Profiles

To complement its leadership structures, the Amatola Water Board utilizes the diverse range of skills, background, gender, competence and experience of its members. Below is a synopsis of the Board members skills and expertise.

Rosette Nothemba Mlonzi
Chairperson

Ms Mlonzi is a prominent judge with more than eighteen years experience in legal practice and business. She is the founder and managing director of Econ Oil and Energy. She has served in various boards in South Africa, including the Eastern Cape Development Corporation and the South African National Energy Development Institute.

Amatola Water Committees

Chairman and Head of Executive Committee of the Board (EXCO)

Mxolisi Koyo
Member

Cllr Koyo is the Executive Mayor of Chris Hani District Municipality and the Deputy Chairman of the South African Local Government Association (SALGA) in the Eastern Cape. He has extensive experience in finance, procurement and human resources. He holds a Bachelor of Agriculture degree from Fort Hare University and qualifications in the field of local government.

Amatola Water Committees

Head of Finance Committee and member of EXCO and Corporate Citizenship Committees.

Simphiwe Dzengwa
Member

Mr Dzengwa is a full member of the Institute of Directors and has vast experience in Board and Corporate Governance matters. He is a developmental activist who has served in various leadership positions in community, youth and political organisations. His most recent engagements are as the Head of Innovate Eastern Cape and Board member of the Municipal Demarcation Board.

Amatola Water Committees

Member of Finance and Strategy & Business Development Committees.

Prof Lynette Louw
Member

Prof Louw is the Head of Department and Raymond Ackerman Chair of Management at Rhodes University's Management Department. She is a recipient of various research awards, serves on journal editorial boards, co-author and editor of Management and Strategic Management textbooks. Her areas of speciality include Strategic management, International Organisational Behaviour, Intercultural and Cross-cultural management.

Amatola Water Committees

Head of Strategy & Business Development and member of EXCO and Finance Committees.

Ntombenhle Rulumeni
Member

Ms Rulumeni is a Councillor for the Buffalo City Metro Municipality. She has a mixture of national and international experience in various areas including Strategic Mentorship and Coaching. She has worked for the German Technical Cooperation as Technical Advisor and has previously worked for the British Council in the United Kingdom as a Project Manager for British Investments in South Africa.

Amatola Water Committees

Member of Audit & Risk and Strategy & Business Development Committees.

Nombulelo Hackula
Member – Resigned as of 13 June 2014

Ms Hackula is the Head of Social Development and Special Programmes Department in the Eastern Cape. She has vast experience in both corporate and government spheres, having worked at Daimler Chrysler South Africa and held various top positions in government departments. Her areas of interest/expertise include strategy development, organizational transformation, supply chain management and change management. Ms Hackula resigned from the Board as of 13 June 2014.

Amatola Water Committees

Head of Corporate Citizenship Committee and member of EXCO and Finance Committees.

Sakhumzi Somyo
Member – Resigned as of 27 June 2014

Mr Somyo is a member of the Eastern Cape Provincial Legislature and former Executive Mayor of the Amathole District Municipality. He is a prominent government role player who has previously served as Chairman of the Eastern Cape branch of the South African Local Government Association (SALGA) and as a National Executive Committee Member of SALGA. Mr Somyo resigned from the Board as of 27 June 2014.

Amatola Water Committees

Member of Audit & Risk Committee

Zikhona Ramncwana
Member

Ms Ramncwana is currently the National Employment Equity and Employee Wellness Manager for Transnet National Ports Authority and former Human Resources Manager for Transnet Port Terminals in East London. She has qualifications in Organisational Development, Project Management, Navigator Leadership, and Honours in Industrial Relations and Human Resources.

Amatola Water Committees

Member of Human Resources Committee.

Sizakele Ngwekazi
Member

Chief Ngwekazi is a teacher by profession and the head of Amabhele Traditional Community in Peddie. He is the deputy secretary of the Congress of Traditional Leaders in the Eastern Cape, a member of the Rural Development Forum in the Rharhabe Kingdom and the Provincial House of Traditional Leaders, in the Eastern Cape. He also serves on the Nompumelelo Hospital Board.

Amatola Water Committees
Member of Human Resources and Corporate Citizenship Committees.

Lionel Billings
Member – Resigned as of 2 September 2014

Mr Billings is the National Consulting Manager at Business Partners. As a qualified chartered accountant and member of the South African Institute of Chartered Accountants, he is passionate about commerce and industry. His work experience includes stints at Volkswagen SA, Telkom SA and the Coega Development Corporation.

Amatola Water Committees
Member of Finance Committee.

Mzimkulu Msiwa
Interim CEO

Mr Msiwa is the interim Chief Executive of Amatola Water and a permanent attendant of Board meetings. He is a professional Engineer holding, among other qualifications, a Masters Degree in Business Leadership (UNISA) and BSc in Civil Engineering (Natal University). He is a former Chief Executive of Umgeni Water and has worked for various organisations including Nelson Mandela Metro. He specialises in the development and implementation of the turn-around strategies in the water sector.

Khululwa Ncamiso
Member

Ms Ncamiso is a Councillor and a former Speaker of the Council of Ndlambe Local Municipality. Her qualifications include a Teacher's Diploma from the Cape College of Education, an Advanced Certificate in Education from Rhodes University, a Certificate in Executive Leadership Municipal Development Programme from the University of Pretoria and a Local Government Law Administration Certificate from the University of Fort Hare.

Amatola Water Committees
Member of Human Resources Committee.

Mhleli Matika
Member

Mr Matika is a former councillor of Buffalo City Municipality Metro (BCMM) He has an extensive background in union affairs, human resources management and labour matters and has served as the Chairman of the SALGBC Executive Committee and an EXCO member in the Eastern Cape branch.

Amatola Water Committees
Head of Human Resources Committee and member of EXCO and Strategy & Business Development Committees.

Non Executive Board Member's Emoluments for the year ended 30 June 2014

Name	Board Meetings	Travel and other Reimbursements	2014 Totals	2013 Totals
NR Mlonzi - Chairperson	42 299.03	0.00	42 299.03	45 104.84
L Louw	101 562.55	1 645.72	103 208.27	49 594.58
M Koyo	42 514.23	0.00	42 514.23	46 224.01
S Somyo	25 892.34	0.00	25 892.34	43 076.14
M Matika	102 280.33	10 190.40	112 470.73	58 193.24
S Ngwekazi	39 258.37	11 987.76	51 246.13	39 967.51
N Hackula	27 035.64	661.09	27 696.73	28 796.56
N Rulumeni	39 531.02	0.00	39 531.02	43 996.57
Z Ramncwana	68 483.41	1 817.00	70 300.41	34 982.06
S Dzengwa	59 610.61	0.00	59 610.61	54 057.86
KC Ncamiso	31 479.28	8 036.40	39 515.68	47 312.09
L Billings	8 443.54	1 781.20	10 224.74	17 688.92
Audit Committee				
* K Mockler	53 159.91	25 305.00	78 464.91	71 090.58
* N Meinie - Anderson	0.00	0.00	0.00	4 602.15
* L Manquku	16 721.15	1 129.12	17 850.27	0.00
* G Spalding	19 936.50	0.00	19 936.50	0.00
Total	678 207.91	62 553.69	740 761.60	584 687.11

* Non Board members - Independant Audit and Risk Committee members

Board Committees

The Amatola Water Board, being dedicated to offering value-add, has streamlined its board committees to not only comply with the regulatory requirements which influence its design, but also to add to the effectiveness of service delivery.

The Board has established six committees to assist it in discharging its responsibilities, namely:

- Executive Committee
- Audit & Risk Committee
- Corporate Citizenship Committee
- Strategy & Business Development Committee
- Human Resources Committee
- Finance Committee

Attendance at Board and Committee Meetings

The Amatola Water Board has aspired to maintain its objectives of an 80% attendance at all meetings of the Board and its committees. Below is a dashboard depiction of the attendance of the Board Members per meeting.

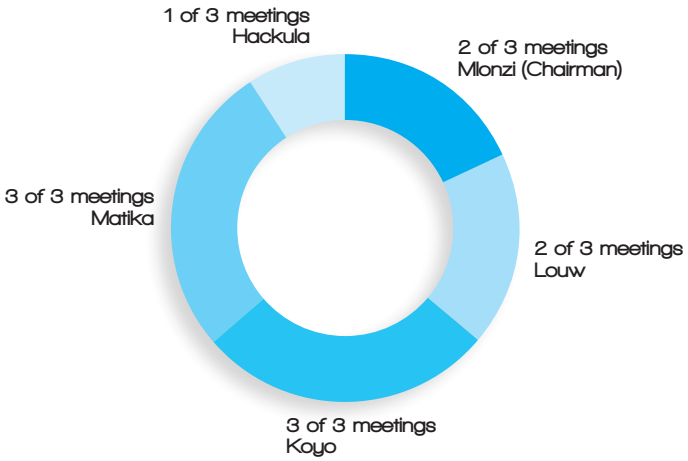
Members	Special Board Meeting 05 Jul 2013	TELECON 13 Sept 2013	Board Meeting 27 Sept 2013	Telecon Board approval of Annual Report 10 Oct 2013	Board Meeting 2 Dec 2013	Board Meeting 7 March 2014	Board Meeting 25 Apr 2014	Telecon Appointment of CEO 20 Mar 2014	Attendance out of 8 Meetings
Mlonzi	1	1	1	-	1	1	1	1	7
Louw	1	1	1	1	1	1	1	1	8
Koyo	1	-	1	1	1	-	-	1	5
Matika	1	1	1	1	1	1	1	1	8
Hackula	1	-	1	1	-	-	-	-	3
Somyo	-	-	1	1	-	-	1	-	3
Dzengwa	1	1	1	1	-	1	1	1	7
Ngwekazi	1	-	1	1	1	1	1	1	7
Ramcwana	1	-	1	-	1	-	1	1	5
Rulumeni	-	-	1	1	1	1	1	1	6
Ncamiso	1	-	-	1	1		1	1	5
Billings	-	1	-	-	-	1	-	1	3
Mockler	1	-	-	-	-	-	-	-	1
Mangquku	-	-	-	1	-	-	-	-	1
Spalding	-	-	-	1	-	-	-	-	1

Executive Committee

The Executive Committee functions as the secondary governance structure of the Board and is responsible for monitoring the execution of Amatola Water's strategy and adherence to broad governance policies in delivering the core business of the organisation. It deliberates on issues relating to business planning and monitors business and executive performance.

The committee meets quarterly before all Board meetings.

Executive Committee meeting attendance



Audit and Risk Committee

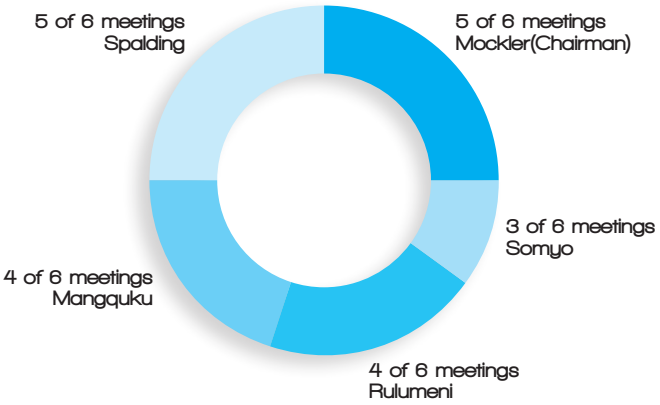
The Audit and Risk Committee is responsible for overseeing internal control, financial reporting and compliance with regulatory matters. It reviews:

- The adequacy of internal controls and risk management systems
- The Annual Financial Statements
- Other information in the Annual Report for consistence with the financial statements
- Audit findings
- The process of preparing financial information
- The process of monitoring compliance with laws and regulations
- The process of monitoring compliance with the internal Code of Conduct
- Fraud prevention strategy

The Amatola Water Board complies to the Public Finance Management Act (PFMA) in appointing an independent Chairman of the Audit and Risk Committee and consisting of a majority of independent members.

The committee meets at least three times annually.

Audit and Risk Committee meeting attendance

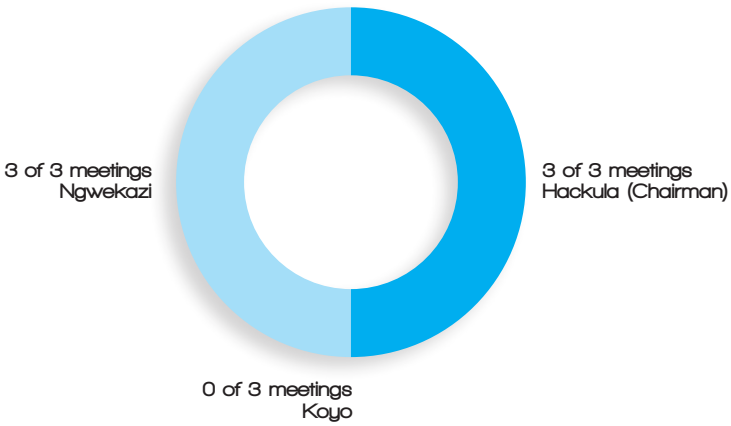


Corporate Citizenship Committee

The role of the Corporate Citizenship Committee is to assist the Board in fulfilling its oversight responsibilities. Its focus is on matters relating to, or having a bearing on the overall corporate citizenship of Amatola Water. The responsibility for the formulation of related policies and strategies is assigned to this committee.

The committee meets quarterly.

Corporate Citizenship Committee meeting attendance

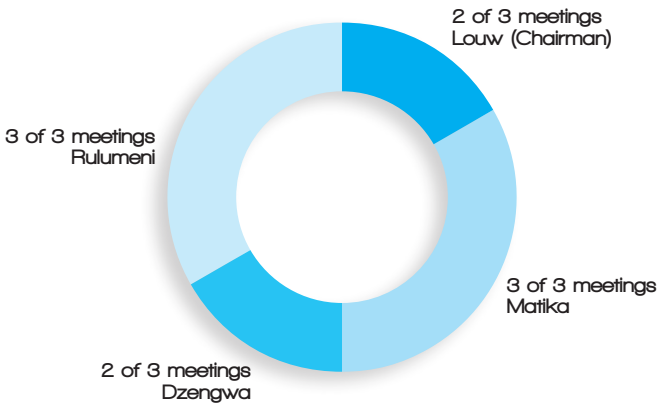


Strategy and Business Development Committee

The Strategy and Business Development Committee assists the Board in fulfilling its oversight responsibilities. The specific focus of the Committee is on matters relating to, or having a bearing on strategic direction and general performance of Amatola Water including business development.

The committee meets quarterly.

Strategy and Business Development Committee meeting attendance



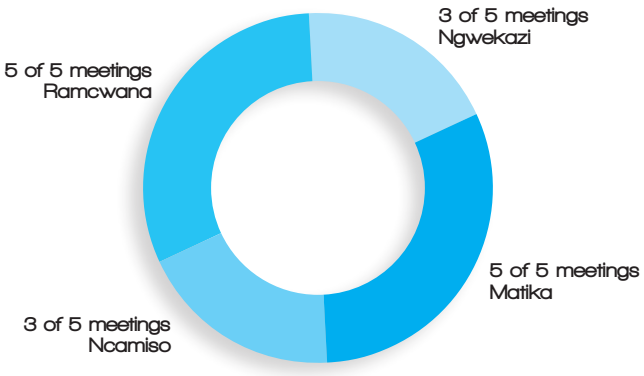
Human Resource Committee

As part of its provision of leadership in the implementation of transformation and human resource programmes and initiatives, the HR Committee:

- Evaluates the human resource policies of Amatola Water in order to ascertain that they comply with the Labour laws of the Republic of South Africa.
- Advances the strategic objectives of Amatola Water so that they are suitably developed and improved as far as is necessary in order to advance the interests of Amatola Water and its employees.
- Monitors the implementation of the said policies through periodic management reports and makes recommendations as well as report to the Board of Amatola Water.
- Has authority to approve all HR related strategies and plans aligned to the HR policies already approved by the Board.

The committee meets quarterly.

Human Resource Committee meeting attendance

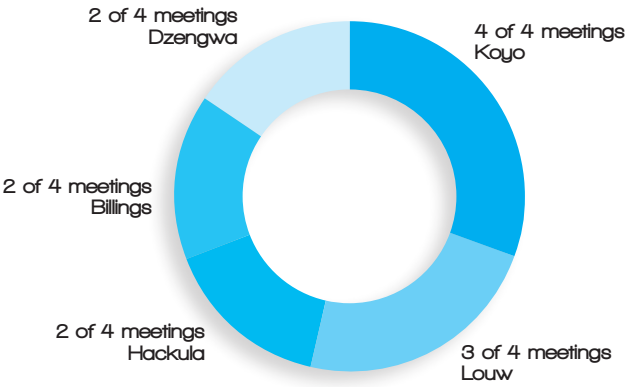


Finance Committee

The focus of the Finance Committee lies on matters relating to, or which have a bearing on the overall financial management and performance of Amatola Water. The responsibility for policies and strategies relating to Treasury activities, procurement, optimum debtors management and budgeting also rests with this committee.

The committee meets quarterly.

Finance Committee meeting attendance



Management Committee and Company Secretary

The Management Committee

The Management Committee comprises the Chief Executive Officer and four Divisional Directors. The core responsibilities of the Management Committee include the development and implementation of policies and procedures as well as managing the daily operations of the organisation.

Management ensures that relevant legislation and regulations are adhered to and that adequate internal financial controls are developed, implemented and maintained.

The Company Secretary

The Company Secretary is the custodian of all governance, ethical and legal matters in the organisation and is a central link between the Board and the Management Committee of the organisation, providing guidance to the Board and its sub-committees on the manner in which to discharge their responsibilities, as well as providing advice and support to the Management Committee on all governance, ethical and legal matters in the organisation.

The Company Secretary provides the following support to the Board:

- Guidance to Board members related to the discharge of their duties
- Development of systems, processes and procedures to support the Board
- Induction of new Board members
- Updating the Board on new and relevant legislation
- Guidance on ethics and good corporate governance
- Assistance with the Enterprise Wide Integrated Risk Management
- Roll-out of the legislative compliance model



Jabulani Dlamuka | Jason Flowerday | Gulshan Singh | Mzimkulu Msiwa | Xola Bomela | Yondela Roboji | Craig Thompson

Mzimkulu Msiwa
Interim Chief Executive Officer

Mr Msiwa is a professional Engineer holding among other qualifications a Masters Degree in Business Leadership (UNISA) and BSc Civil Engineering (Natal University). He is a former Chief Executive of Umgeni Water and has worked for various organisations including Nelson Mandela Metro (then Port Elizabeth Municipality). He specializes in the development and implementation of the Turn-Around Strategies in the water sector. He is currently retired and holds the position of Interim CEO at Amatola Water.

Craig Thompson
Planning and Development

Mr Thompson is a seasoned Professional Engineer with a vast experience in the public and private sectors. He holds a Bachelor of Science degree in Civil Engineering. His area of responsibility includes infrastructure planning, project development, scientific services and water resources.

Jabulani Dlamuka
Finance

Mr Dlamuka is a Chartered Accountant with a Bachelor of Commerce Honours in Accounting from the University of KwaZulu Natal. He has extensive experience in the accounting and related fields and has worked for distinguished institutions such as Transnet, Umgeni Water and eThekwini Municipality.

Yondela Roboji
Corporate Services

Ms Roboji has over 15 years experience in the Corporate Services sphere obtained from working in various public sector institutions. She has post graduate qualifications in Industrial Psychology and Business Information Systems. Her areas of expertise include corporate services, strategy and policy formulation, knowledge management and ICT governance.

Jason Flowerday
Strategy & Performance Monitoring

Mr Flowerday holds a Bachelors degree in Commerce from UNISA, Post Graduate Diploma in Management Studies and Senior Management Development programme from the University of Stellenbosch and a Masters in Business Administration from the Business School of the Netherlands. His key areas of responsibility are strategy development and implementation, performance monitoring and evaluation, as well as sector policy engagement. He has extensive experience in wide ranging disciplines, including consulting work for KPMG and similiar organisations.

Xola Bomela
Operations

Mr Bomela is a Professional Engineer responsible for operations, engineering, maintenance and physical asset management support. His qualifications include a bachelor's degree in Electrical Engineering from the University of Cape Town, a Master of Science degree in Electrical Engineering and a Masters in Business Administration from Stellenbosch University.

Gulshan Singh
Company Secretary

Advocate Singh practices in the Amatola Water Board, as the Company Secretary responsible for Governance, Risk and Compliance. Her qualifications include an LLB and LLM (Masters in Maritime Studies) as foundational degrees. She commenced her private practice affiliated with the Kwa-Zulu Natal Society of Advocates, gaining experience in commercial, civil and criminal matters. She expanded her horizon by working in both National and Provincial Public Entities. She served as a Board member and an Audit and Risk Committee member in the Eastern Cape Information Technology Initiative and has collectively served on 19 various operational and oversight committees, which has enhanced her experience and knowledge in Governance, Risk and Compliance.

Advocate Singh has been appointed as the Company Secretary since April 2014, taking over from Ms. Zamela Kiviet, who resigned in December 2013.

Executive Management Cost for the year ended 30 June 2014

Name	Cash Component/ Fees	Backpay	Vehicle Allowance Package + Fringe Benefits	Re-imbursive allowances	Family Cover, Disability and Group Life	Performance Bonus	AW Pension / Provident Package	Leave Payout	Medical Package	2014 Total	2013 Total
Mr M Msiwa: CEO	1 898 692.80	0.00	0.00	0.00	0.00	73 309.84	0.00	0.00	0.00	1 972 002.64	1 784 190.96
J Dlamuka Divisional Director: Finance	880 251.61	14 137.21	220 000.00	4 817.90	52 425.34	55 591.88	170 318.59	24 563.62	0.00	1 422 106.15	1 314 056.08
C Thompson Divisional Director: P & D	1 277 758.52	15 414.00	144 000.00	73 502.63	81 212.56	60 612.59	0.00	0.00	68 430.00	1 720 930.30	1 425 617.78
M Gogwana Divisional Director: Corporate Services	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	878 492.11
X Bomela Divisional Director: Operations	1 265 738.02	15 884.76	201 616.40	153 688.51	58 881.30	62 463.77	0.00	0.00	90 708.00	1 848 980.76	1 497 803.41
Y Roboji Divisiona Director Corporate Services	303 090.36	0.00	60 525.00	4 140.72	22 235.70	0.00	92 270.16	0.00	17 480.00	499 741.94	0.00
Total	5 625 531.31	45 435.97	626 141.40	236 149.76	214 754.90	251 978.08	262 588.75	24 563.62	176 618.00	7 463 761.79	6 900 160.34

Corporate Governance

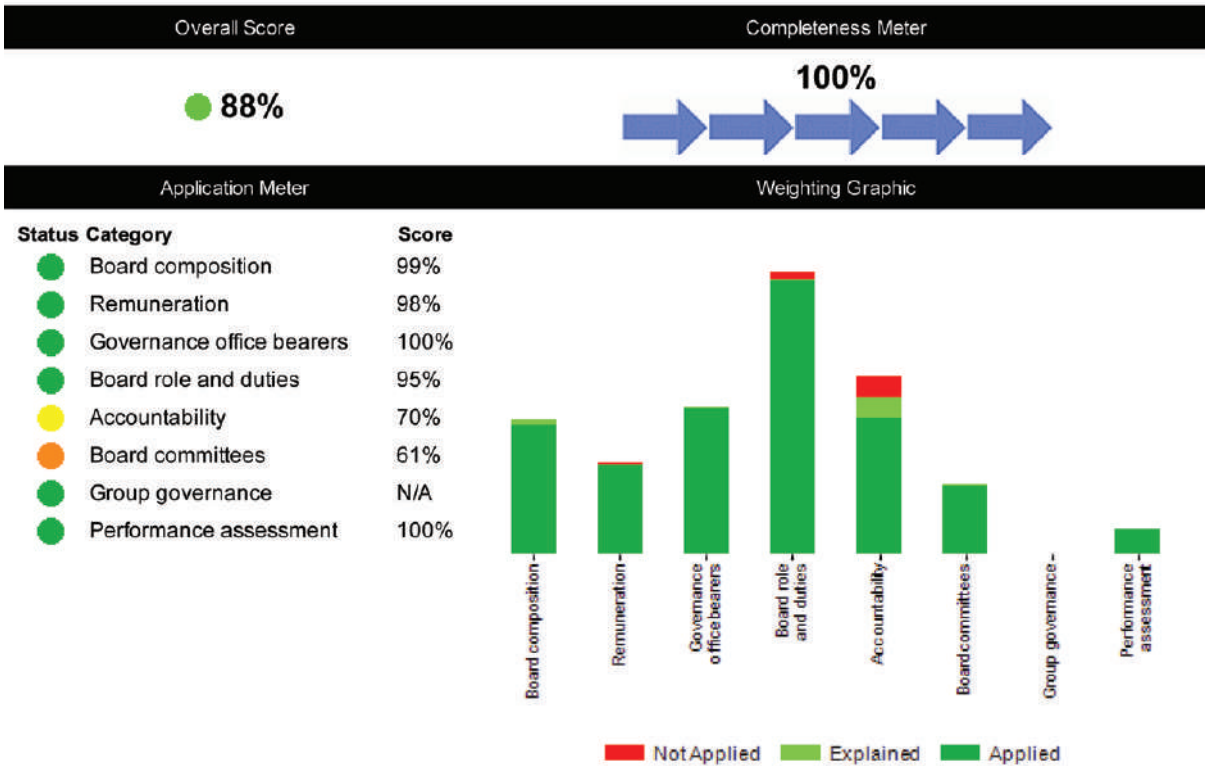
King III Compliance

The Amatola Water Board, as custodian and promoter of Good Corporate Governance, is committed to compliance and the implementation of the provisions and recommendations of King III.

The Board has adopted an independent system of assessing governance against the King III principles and the PFMA. The instrument assists Amatola Water with monitoring and reporting on its compliance to the King III principles and furthermore aids the Board in enhancing compliance to these principles.

The key focus area of integrated reporting still needs to be developed going forward.

Below is a dashboard report of the status of compliance to the King III principles.



Internal Audit

The annual internal audit, which is an outsourced activity, plays an important role in Amatola Water's corporate governance. The internal audit measures:

- The effectiveness and application of policies, procedures, systems and processes
- Management risks
- Effectiveness of internal controls
- Reliability of accounting records and compliance with legislation
- Safeguarding of assets

Social and Transformation Issues

Central in the transformation agenda of Amatola Water is its corporate citizenship which seeks to define the organisation's commitment to all its stakeholders which include its principals (the Department of Water and Sanitation), labour, communities, partners in government, municipalities, organised business formations and other formations of civil society including the environment.

The provision of sustainable bulk water services drives these noble ideals through a series of goals which serve as a unifying thread for the achievement of the primary existence of Amatola Water. The commitment by Amatola Water has been sufficiently displayed in the manner in which it engages with its social partners for the general good of civil society.

Broad-Based Black Economic Empowerment (BBBEE)

Amatola Water subscribes to the tenets of the Preferential Procurement Policy Framework Act 5 of 2000, and is fully committed to the principles of social transformation and the underlying black economic empowerment principles. Amatola Water has introduced the new Broad-Based Black Economic Empowerment Codes of Good Practice into all activities in line with its Level 2 BBBEE rating.

Code of Ethics

AW has an internal Code of Ethics for its employees, requiring all employees to maintain the highest standards of behaviour and ethics. All employees are required to adhere to this code in terms of their employment engagement. A separate Code of Ethics regulates the conduct of the Board.

Going Concern

The Board is satisfied that Amatola Water has adequate resources to remain operational for the foreseeable future. For this reason, Amatola Water continues to adopt the 'Going Concern' basis in preparing its accounts. The independent auditors concur with this basis.

G3 Profile Disclosures

G3 Profile Disclosures	Profiles	Annual Report Page Reference
1.	Strategy and Analysis	
1.1	Statement from the most senior decision-maker of the organisation.	Chairman's Report Page 27
2.	Organisation Profile	
2.1	Name of the organisation.	Legislative Mandate page 3 or www.amatolawater.co.za
	Operational structure of the organisation	Corporate Governance page 75
2.2	Primary brands, products, and/or services.	Legislative Mandate page 3 or www.amatolawater.co.za
	Countries in which the organisation's operations are located	Corporate Governance page 75
	Nature of ownership	Corporate Governance page 75
2.3	Operational structure of the organisation	Corporate Governance page 75
2.4	Location of the organisation's headquarters	Back cover or www.amatolawater.co.za
	Awards received in the reporting period	OHSAS 18001:2007
2.5	Countries in which the organisation's operations are located	Corporate Governance page 75
2.6	Nature of ownership	Legislative Mandate page 3 or Corporate Governance page 75
2.7	Markets served	Operational Map page 149
2.8	Scale of the reporting organisation	Historical Statistical Overview page 149
2.9	Significant changes during the reporting period in terms of size, structure or ownership	No significant changes
2.10	Awards received in the reporting period	None
3.	Report Parameters	
3.1	Reporting period for information provided	Approval of the Financial Statements page 107
3.2	Date of most recent previous report	1 November 2013
3.3	Reporting cycle	Approval of the Financial Statements page 107
3.4	Contact point for questions about the report or its contents	Back cover or www.amatolawater.co.za
3.5	Process for defining report content	As defined by Water Services Act No. 108 of 1997 and the Public Finance Management Act No. 1 of 1999 and www.amatolawater.co.za
3.6	Boundary of the report	As defined by Water Services Act No. 108 of 1997 and the Public Finance Management Act No.1 of 1999 Report Profile page 1

G3 Profile Disclosures	Profiles	Annual Report Page Reference
3.7	Any specific limitations on the scope or boundary of the report	No limitations Refer to page 1
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	Refer to Annual Financial Statements on page 139
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	Page 139
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	None
3.12	Table identifying the location of the standard disclosures in the report	Current table serves this purpose
4.	Governance, Commitments and Engagement	
4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Corporate Governance page 75
4.2	Indicate whether the chair of the highest governance body is also an executive officer	Corporate Governance page 75
4.3	For organisations with a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance page 75
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Review of Operations page 33
4.14	List of stakeholder groups engaged by the organisation	Stakeholder Management and Support page 67
4.15	Basis for identification and selection of stakeholders with whom to engage	Page 67

Performance

G3 Performance Indicators

Report on performance indicators (minimum of 10 performance indicators, including at least one from each of; social, economic and environment) as per table below:

Indicator Reference	Indicator Description	Page No.	Amatola Water Summary Disclosure	Fully Disclosed
Economic Performance Indicators				
EC 1	(Core Indicator) Direct economic value generated & distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	127	The report indicates the 2014 total revenue (R328 million), operating expenses (R316 million), cost of sales: direct salaries, Corporate social responsibility spending has been limited, Accumulated surplus (R29 million), Payments on interest bearing borrowings (R1.5 million)	Yes
EC 3	(Core Indicator) Coverage of the organization's defined benefit plan obligations	124	Amatola Water operates a defined contribution plan	Yes
EC 4	(Core Indicator) Significant financial assistance received from government	138	No assistance received from Government. All transactions are of a related party nature.	Yes
Environmental Performance Indicators				
EN 4	(Core Indicator) Indirect energy consumption by primary energy source	35	Total kWh of electricity consumed by water treatment works disclosed in the report.	Yes
EN 7	(Additional Indicator) Initiatives to reduce indirect energy consumption and reductions achieved	35	There has been an impressive 9.4% decrease in the ratio of kW/h m^3 of water produced.	Yes
EN 8	(Core Indicator) Total water withdrawal by source	100	Total volume abstracted from surface water is disclosed.	Yes
EN 28	(Core Indicator) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No fines have been imposed.	Yes
Labour Practices and Decent Work Performance Indicators				
LA 1	(Core Indicator) Total workforce by employment type, employment contract and region	60	The following is disclosed in the report: - Permanent employees 346 - Breakdown of staff according to level, race and gender	Yes
LA 2	(Core Indicator) Total number and rate of employee turnover by age group, gender and region	60	A breakdown of permanent staff according to race and gender is disclosed	Yes

Indicator Reference	Indicator Description	Page No.	Amatola Water Summary Disclosure	Fully Disclosed
LA 4	(Core Indicator) Percentage of employees covered by collective bargaining agreements	65	Amatola Water is 75% unionised	Yes
LA 7	(Core Indicator) Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	37 60	The following is disclosed in the report: - Disabling incident frequency rate 0.59 - Absenteeism 0.28% decrease	Yes
LA 8	(Core Indicator) Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	66	Employee Wellness and Occupational Health Programs	Partial
LA 12	(Additional Indicator) Percentage of employees receiving regular performance and career development reviews	64	Annual performance assessment reviews	Partial
Human Rights Performance Indicators				
HR 5	(Core Indicator) Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	65	Amatola Water is 75% unionised and a collective bargaining agreement is in place.	Yes
HR 6	(Core Indicator) Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		No child labour has been utilised	Yes
Society Performance Indicators				
SO 8	(Core Indicator) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No significant fines imposed	Yes

Financial SUSTAINABILITY

Amatola Water Financial Status

The 2013/2014 financial year was a period of great strides and commitments by Amatola Water as it undertook some of its biggest projects to date and executed them with great passion and skill, however these did not come without challenges.

During the review period we managed to achieve a majority of the set targets and maintained the financial gains made from the previous financial period, and placing the organisation on a very sound footing. These are some of the achievements:

- Surplus for the year has increased from R25 million before restatement for prior year error (R38 million) to R29 million;
- We improved the liquidity position from R106 million to more than R122 million as at the end of June 2014;
- An average salary increase of 7,5% was made to Amatola Water employees for the year under review;
- Capital expenditure R10,4 million was made in the 2013/2014 financial year;
- SCM issued and completed public participation process of more than 40 tenders.

During the year Amatola Water assessed the useful life of assets and found that the infrastructure and immovable assets to have been adequately defined, however the movable assets of Amatola Water, through assessment of the historical use of the assets, adjusted the useful life of these assets to mirror the actual usage of these assets within Amatola Water, this resulted in the decrease in depreciation of R3 million. This was accounted for in terms of change in estimated value, thereby adjusting the income statement prospectively.

A number of significant prior year errors and adjustments were made to the accounting records of Amatola Water:

- Claim for over charge on the Glenmore and Peddie abstraction points was acknowledged by the department of Water and Sanitation, this had wide ranging effects including VAT and interest provision raised in prior years.
- Prior year classification matters have also been noted and corrected in the accounting records of Amatola Water.



Amatola Water's gross profit has not changed on a year on year basis and leaves the entity on a lagging on its target of achieving a gross profit margin of 50% in order to adequately cover its overhead costs and ensure that financial viability and sustainability is achieved.

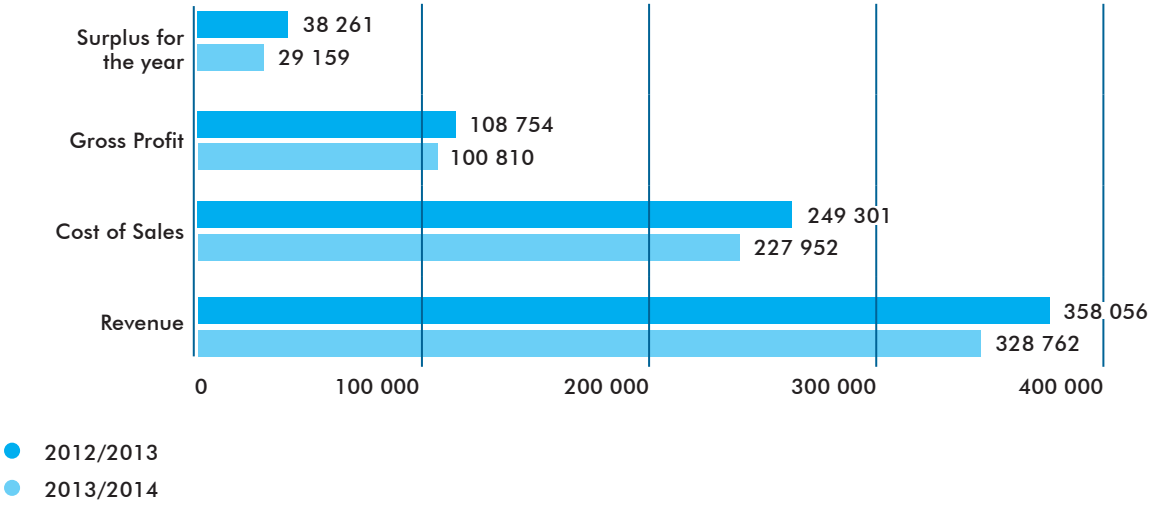
Labour costs, both direct and indirect remain stubbornly high, albeit better than previous year which was above the 40% of total cost. However, we have interventions to remedy this situation, such as strict control on overtime, while also reviewing and streamlining the HR policies to efficiently manage the discretionary benefits that potentially increase the labour cost spend if they remain unchecked.

Amatola Water's asset base is very weak and therefore we have begun the process of refurbishing the infrastructure assets to increase capacity and productivity to ensure that all of our assets operate at a financially viable capacity and to also ensure suppressed water demand is met with the available capacity. This will have the resultant effect of increasing the asset base of Amatola Water thereby allowing the entity to be able to become self-funding via capital replacement reserves and access to capital markets as dictated in the 20 year strategic view of Amatola Water.

Debt recovery in the public sector is a key stumbling block and Amatola Water is also bearing the brunt of poor debt quality and extra-ordinarily long debtors' days with its key customers necessitating a bad debt provision of R7 million being raised for the year. Numerous interventions have been propos ed and implemented within Amatola Water, however legislative and regulatory requirements sometimes curtail the effectiveness of these interventions.

Amatola Water has aggressively undertaken to clear all outstanding debts with its principal Department of Water and Sanitation. This is evidenced by the timeous payment of all debt to its key accounts and by settling its long outstanding raw water debt over an 18 month period. These payments have been met and it is expected that on settlement of the agreement, the funds will directed to settling the outstanding balance on the raw water over a period of 6 months.

Consolidated Results 2013/2014



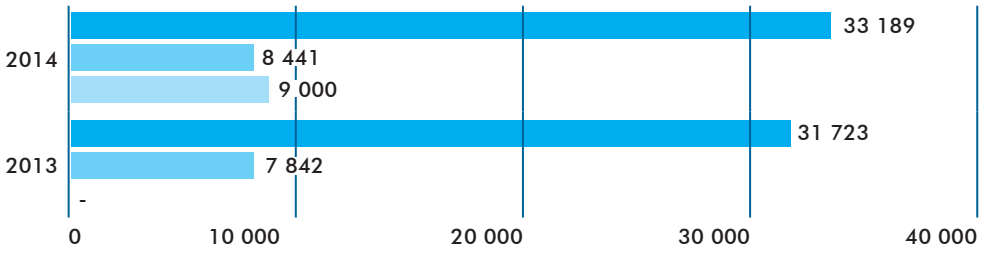
Consolidated Financial Performance

Primary Business

In our supply of potable water to municipalities, also known as section 29 activities in terms of Water Services Act, we managed to increase the volume supplied for potable water by 5% year on year and the volumes for the raw water supply by 8% year on year, this coupled with the average of 9% tariff increase granted per the standard process of tariff consultation as per the legislative framework has increased its sales of water by 15% (18% in raw water sales).

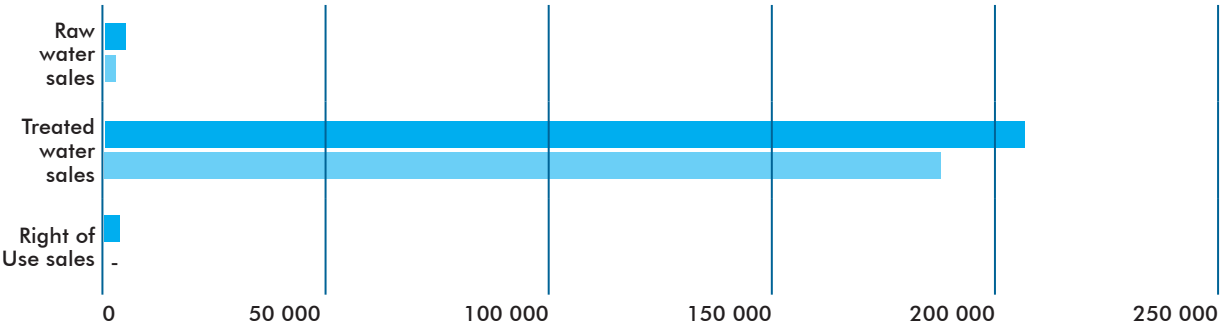
Amatola Water concluded a right of use agreement in the current financial year and volumetric water sales on this agreement increased the primary water revenue of Amatola Water by R12 million. Amatola Water is looking into entering into long term right of use agreements in order to achieve its stated objective of decreasing its reliance on secondary related revenues and bringing the primary business to the fore.

Sales Mix by Volume - Primary



- Treated Water Volume
- Raw Water Volume Sold
- Right of Use Sold

Sales Mix by Revenue - Primary



- 2014
- 2013

The plants that are under recovering are part of the plan of upgrading and rationalizing supply to ensure that these are viable, Amatola Water is looking to bring this upgrade capacity on line within the next 2 years and ensure that the strategic goals of focusing on the mandate of a water board. Our focus therefore in the coming year will be to improve production in these water works through a major capital injection, the construction phase of these projects has commenced and significant spending on CAPEX is expected.

Amatola Water has ensured its sustainability by ensuring that it has adequate water resources to draw on in order to supply its gazetted and any extended area of operation, it has entered into long term Bulk Water Supply Agreements with 3 of its main customers and is actively seeking on entering into Right of Use contracts on a long term basis, as well as the major capital injection to upgrade and increase capacity in the next 2 years.

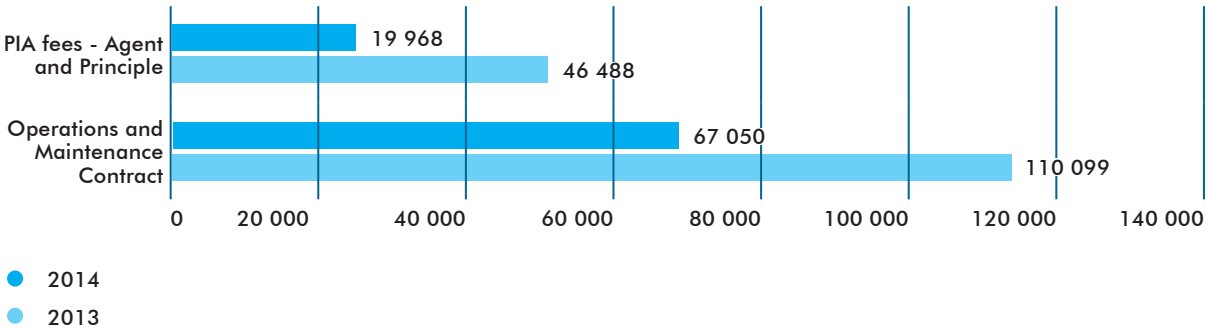
Secondary Business

Secondary business has reduced in the 2013/2014 financial year with the termination of the Operations and Maintenance Joe Gqabi contract in August 2013 and the scaling down of activities in the Amathole District Municipality as from November 2013 with final hand over of all plants on 30th June 2014. Although abrupt, this was in line with Amatola Water strategy of refocusing on Primary Acitvities and has allowed it to focus on finding strategic balance between activities in the streams of revenue.

The OR Tambo District Municipality Operations and Maintenance contract was, at the beginning of 2013/2014 financial year, converted into the Blue Drop Management Contract which has come to an end at 30 June 2014. During the year Amatola continued with its flagship contracts of the KSD Presidential Intervention Project and Ndlambe Bulk Water Supply Project and became involved at the request of the Department of Water and Sanitation in the Makana Crisis Intervention Project. Amatola Water has made significant strides in its PIA work and has earned credible revenue from the work done. However turnaround times in payment of certificates from principals and internal deficiencies in the billing processes have hampered the speed in which these projects have been implemented.

Amatola Water will focus on fast tracking the billing process to ensure that contract terms are met and is engaging with principals to find a manner in which funding can be disbursed efficiently to not compromise the service delivery mandate these PIA work contain.

Sales Mix by Revenue - Secondary



Support Services

Amatola Water support service costs contribute negatively to the achievement of targeted surpluses and key ratios despite numerous cost cutting measure implemented. The main driver of these costs are the fixed labour costs which have been noted to be excessively high and management is developing strategies to curb these costs through rationalizing of discretionary benefit policies. Support costs need to be carefully monitored and any opportunity to decrease these costs will be explored with a strong focus of getting the organization to embrace direct allocation of resources consistently.

Supply Chain Management

Supply chain has made significant improvements in the period under review, dispensing more than 40 open tender processes, regularizing the organisation of the BSC, BEC and BAC meetings and providing administrative support when needed. However major challenges include shortages in personnel and key skills in critical positions to execute supply chain policy demands, lack of proper demand management plan by the organization as well as erratic procurement procedures and the continuous under-performance against SCM objectives such as BBB-EE spend on women owned business.

Records management within the supply chain unit is a critical deficiency that has led to a number of repeat findings being raised from our audit. Similarly, an adequate plan to deal with internal and external audit findings has not been developed sufficiently to ensure that these repeat findings are a thing of the past. It is imperative that these issues highlighted are dealt with swiftly to ensure compliance with legislation, regulation and policy. This will enable us to ensure that the sourcing of our goods and services is compliant with S217 of the constitution.

Plans are underway to alleviate the pressures on the SCM unit and to provide procedures and guidelines to ensure compliance to policies and regulations. These include capacitating the unit and providing comprehensive training and development of employees, awareness of the SCM policy objectives within the organisation and continuously monitoring of implementation and performance of the organisation on supply chain management matters.

Going forward

For the coming financial year we expect even more improved financial performance and these are some of the things we are going to focus on:

- Capacitating Supply Chain Unit/department;
- Obtain the borrowing limit from the National Treasurer
- Maintain profitability while increasing capacity through the capital expansion programme. This is a combination of strict cost containment measures on overhead costs and discretionary spending, while increasing volumes of potable water sold.
- Reduction of engagement in section 30 activities with a primary focus in section 29 activities in to order to achieve a 70/30 ratio between primary and secondary activities in the medium term (70% Primary Activities/30% Secondary Activities).

Year 2014/15 also marks beginning of the construction phase on the upgrade of our water treatment plants and we expect improvements in volumes and revenue over the next two to three years.

Annual Financial STATEMENTS

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ACCOUNTING BASIS

The financial statements that follow on pages 105 to 151 summarise the financial performance and standing of Amatola Water Board for the year ended 30 June 2014.

The financial statements have been compiled and are presented in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) and comply with the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999) and the Water Services Act (Act 108 of 1997). At the date of authorisation of these financial statements, the Accounting Standards Board (ASB) had revoked SA GAAP effective for years ending 1 December 2012. The ASB has indicated that Government Business Enterprises (GBE) should continue applying the accounting frameworks that were applicable prior to 1 December 2012 until a new framework has been issued. As such, there are no new standards of SA GAAP that will become effective for Amatola Water. Publication of Amatola Water's financial statements is undertaken to create public awareness and understanding of the financial management and policies that have been used within Amatola Water's organisation to regulate the financial affairs of the business and to safeguard it from excessive or avoidable.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee Responsibility

The committee reports that it has complied with its responsibilities arising from Section 51(1)(a) of the Public Finance Management Act of 1999 and Treasury Regulation 27.1. The committee also reports that it has adopted appropriate formal terms of reference as per its charter, has regulated its affairs in compliance with this charter and has fulfilled all its responsibilities as contained therein.

The Effectiveness of Internal Control

The system of internal control has not been effective and adequate during the year as evidenced by:

- Various reports of the internal auditors;
- The audit report on the annual financial statements; and
- The management letter of the external auditors to management

The above reports drew attention to a number of shortcomings in the exercise of good internal control. In a few instances it was indicated that policies and procedures needed to be improved but most of the unsatisfactory features reported on related to failure to comply with policies and procedures which were satisfactory.

A similar situation existed in the previous financial year. In last year's report the committee stated that management had put in a plan to deal with the shortcomings. The plan was implemented and though not all shortcomings have been dealt with, significant progress has been made. This has been confirmed by the internal auditors who have again been tasked with conducting a follow up exercise. The committee however has expressed its concern that the shortcomings mentioned have not all been dealt with for the third year in succession. The committee has impressed upon management the need to deal with all the issues as a matter of urgency and the committee will be meeting more frequently to monitor progress in this regard. Management has committed itself to making material progress in this regard by the end of 2014.

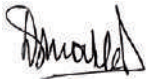
Risk Assessment and Management

The enterprise risk management framework is now in place and the risk assessment and mitigation plan was updated during the year. The committee monitored the assessment process and ensured that the mitigation plan was implemented.

Evaluation of Financial Statements

The committee:

- Reviewed the audited financial statements to be included in the Integrated Annual Report, with the external auditors and the Accounting Authority;
- Reviewed the external auditors management letter and management responses;
- Reviewed the accounting policies and practices;
- Satisfied itself that the significant adjustments resulting from the audit were complete, accurate and valid; and
- Reviewed the Annual Financial Statements and recommended to the Board that they be adopted.



Ken Mockler
Chairperson: Audit and Risk Committee
East London: 23 October 2014

APPROVAL OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

The Board is responsible for the preparation and fair presentation of the annual financial statements of Amatola Water, comprising the statement of financial position at 30 June 2014, and the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Water Services Act 108 of 1997 and sub-section55(1)(b) of the Public Finance Management Act of 1999, as set out on pages 105 to 151.

The Board's responsibility includes: overseeing the implementing and maintaining of internal control relevant to the preparation and fair presentation of these financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board's responsibility also includes ensuring adequate accounting records and that an effective system of risk management is adopted, as well as the preparation of the supplementary schedules included in these financial statements.

The Board has made an assessment of the entity's ability to continue as a going concern and is satisfied that Amatola Water has adequate resources to remain operational for the forseeable future.

The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the Annual Financial Statements

The annual financial statements of Amatola Water, as identified in the first paragraph, were approved by the Board on 23 October 2014 and are signed on its behalf by



Nothemba Mlonzi - Chairperson



Mzimkulu Msiwa - Interim Chief Executive

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Co. Reg. No. 2005/002308/21

Independent Auditor's Report

To Parliament and the Executive Authority, the Minister of Water and Sanitation, on Amatola Water Board

REPORT ON THE FINANCIAL STATEMENTS

Introduction

We have audited the financial statements of the Amatola Water Board set out on pages 115 to 151, which comprise the statement of financial position as at 30 June 2014, 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, comprising a summary of significant accounting policies and other explanatory information.

Accounting authorities' responsibility for the financial statements

The board of directors which constitute the accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa, and for such internal control as the accounting authority determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Chief Executive: Ajen Sita



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Amatola Water Board at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with South African Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 16 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered during the year end 30 June 2014 in the financial statements of Amatola Water Board at, and for the year ended, 30 June 2013.

Possible irregular and fruitless and wasteful expenditure not disclosed

As disclosed in note 21 and note 22 of the financial statements, the entity has identified the audited irregular expenditure and fruitless and wasteful expenditure for 30 June 2014. Due to a forensic investigation by an independent audit firm alluding to possible further irregular and fruitless and wasteful expenditure not disclosed, requiring further investigation to conclude, we draw your attention to this matter disclosed in note 25.

Other matter

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

Other reports required by the Public Finance Management Act of South Africa

As part of our audit of the financial statements for the year ended 30 June 2014, we have read the Accounting Authority's Report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

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Chief Executive: Apri Pillay

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REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

An independent audit firm performed an investigation at the request of the Board, which covers the period 1 July 2013 to 30 June 2014. The scope of the forensic investigation covers the procurement processes through-out the financial period under review. The investigation was initiated by **Amatola Water's accounting authority as a fraud** investigation on any potential irregularities into the procurement process in a number of contracts. The draft forensic report was received indicating that no fraud had taken place, however there is potential irregular and fruitless and wasteful expenditure but that this would need further investigation to conclude. Therefore, the Board is currently considering what further investigations need to be carried out to establish whether the expenditure relating to the contracts investigated are irregular and therefore still requires finalisation.

Auditing Profession Act

In accordance with our responsibilities in terms of section 44(2) and 44(3) of the Auditing Profession Act, we report that we have identified two unlawful acts or omissions committed by persons responsible for the management of Amatola Water which constitute reportable irregularities in terms of the Auditing Profession Act, and have reported such matters to the Independent Regulatory Board for Auditors. The matters pertaining to the reportable irregularities have been described in Note 24 to the Annual Financial Statements.

Public Audit Act Requirements (PAA)

In accordance with the Public Audit Act of South Africa, and the General Notice issued in terms thereof, we report the following findings relevant to performance against predetermined objectives for the selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. We performed tests to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, we do not express an opinion or conclusion on these matters

Predetermined Objectives

We performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the entity for the year ended 30 June 2014:

- Objective 1: Increased customer base and penetration (delivery options/services)
- Objective 3: Achieve South African National Standards at All Amatola Water Owned & Right Of Use plants efficiently

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- Objective 4: Contribute to decent standard of living and in support of rural livelihoods
- Objective 6: Strengthen and deepen relationships with statutory, contracted and non-statutory stakeholders
- Objective 9: Explore sourcing of funding alternatives for infrastructure development
- Objective 11: Adequate water security and assurance in support of water supply
- Objective 12: Reliable infrastructure
- Objective 13: Influence Provincial Water Infrastructure Sector Planning
- Objective 14: Minimise produced and distributed water to efficiently reduce water losses
- Objective 16: Ensure uninterrupted water supply, with adequate pressure to customers
- Objective 17: Adequate systems, structures, policies and processes to enable strategy implementation

We evaluated the reported performance information against the overall criteria of usefulness and reliability.

We evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned objectives. We further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPI).

We assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

We did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

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Additional matters

Although we raised no material findings on the usefulness and reliability of the reported performance information for the selected objectives, we draw attention to the following matters:
Achievement of planned objectives

Refer to the annual performance report on page(s) 24 to 28 for information on the achievement of planned targets for the year.

Compliance with legislation

We performed procedures to obtain evidence that the entity had complied with legislation regarding financial matters, financial management and other related matters. Our findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the

PAA, are as follows:

Annual Financial Statements and Annual report

Material misstatements of current assets, liabilities, revenue, expenditure and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected and the supporting records were provided subsequently, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

Effective and appropriate steps were not taken to collect all money due, as required by section 51(1)(b)(i) of the Public Finance Management Act and Treasury Regulations 31.1.2(a) and 31.1.2(e).

Audit committee

Despite the audit committee reviewing the adequacy, reliability and accuracy of financial information provided to management and other users of such information, as required by Treasury Regulation 27.1.8(d), it was not effective due to the high level based approach of review resulting in inadequate recommendations focusing sufficiently on the financial statement close process, as well as management not implementing processes to remedy findings. This is evident from the number of material findings (disclosures and balances/transactions) from the external audit.

Despite the audit committee reviewing the institution's compliance with legal and regulatory provisions, as required by Treasury Regulation 27.1.8(f), it was not effective due to management not implementing processes to remedy the findings. This is evident from the material non-compliance findings from the external audit.

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Chief Executive: Zyda Rylo

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Consequence management

Irregular and fruitless and wasteful expenditure

Effective and appropriate disciplinary steps were not taken against officials who incurred and/or permitted irregular expenditure, as required by section 51(1) (e) (iii) of the Public Finance Management Act. This is because instances of irregular expenditure were not investigated.

Internal Audit

Despite internal audit reviewing the reliability and integrity of financial and operational information, as required by Treasury Regulation 27.2.10(b), it was not effective due to the extent of review of the financial statement close process not being adequate, as well as management not implementing processes to remedy findings. This is evident from the number of material findings (disclosures and balances/transactions) from the external audit.

Despite internal audit evaluating compliance with laws and regulations, as required by Treasury Regulation 27.2.10(e), it was not effective due to management not implementing processes to remedy the findings. This is evident from the material non-compliance findings from the external audit.

Expenditure Management

The accounting authority did not take effective steps to prevent irregular expenditure, as required by section 51(1) (b) (ii) of the Public Finance Management Act. The irregular expenditure occurred due to goods and services being contracted for without following a procurement process.

Internal control

We considered internal control relevant to our audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on non-compliance with legislation included in this report.

Leadership

Management did not have policies and procedures in place for a number of processes, the most significant being the financial statement close process.
Actions plans were not implemented to address supply chain management audit findings arising from the prior year.

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Financial and performance management

The entity's financial and performance management systems are not appropriately designed to identify material misstatements relating to revenue, expenditure, receivables, accrued income and payments received in advance. The financial statements submitted for audit were materially misstated.

Management did not sufficiently and effectively implement and execute monitoring controls to ensure compliance with laws and regulations. As a result of the ineffective controls irregular expenditure was incurred and was not prevented or detected timeously.

Governance

There is not an adequately effective internal audit unit that identifies internal control deficiencies and recommends corrective action effectively. Internal audit acts under the direction of the audit committee and within a limited budget and therefore does not necessarily cover all the required areas. The internal audit does report to the audit committee, but this is not always acted on sufficiently by the audit committee and management.

The audit committee does promote accountability and service delivery through evaluating and monitoring responses to risks and providing oversight over the effectiveness of the internal control environment including financial and performance reporting and compliance with laws and regulations. The audit committee does provide instructions to management, but this is not always acted on sufficiently by management.

OTHER REPORTS

Investigations

An independent audit firm performed an investigation, at the request of the Board, which covers the period 1 July 2013 to 30 June 2014. The scope of the forensic investigation covers the procurement processes through-out the financial period under review. The investigation was initiated by Amatola Water's Board as a fraud investigation on any potential irregularities into the procurement process in a number of contracts. The draft forensic report was received indicating that no fraud had taken place, however there is potential irregular and fruitless and wasteful expenditure but that this would need further investigation to conclude. The Board is currently considering further investigations to establish whether the expenditure investigated is irregular.

Yours faithfully,

Ernst & Young Inc.
Director - Mark Biggs
Registered Auditor
Chartered Accountant (SA)

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Chief Executive: Andile Sila

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2014

VOLUME	NOTES	2014 R 000	Restated 2013 R 000
REVENUE	2	**328 762**	**358 054**
Cost of sales	3	(227 952)	(249 300)
Gross Profit		100 810	108 754
Other income	2	3 771	6 835
Operating and administrative expenses	3	(88 721)	(82 026)
Operating Profit		**15 860**	**33 563**
Finance income	4	13 585	7 195
Finance cost		(286)	(2 497)
Surplus for the year		**29 159**	**38 261**
Surplus for the year		**29 159**	**38 261**
Other comprehensive income		-	-
Total other comprehensive surplus		**29 159**	**38 261**

STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

	NOTES	2014 R'000	Restated 2013 R'000	Restated 2012 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5	285 531	292 526	297 882
Total non-current assets		285 531	292 526	297 882
Current assets				
Inventories	6	1 501	1 584	1 607
Trade and other receivables	7	260 666	303 577	143 303
Cash and cash equivalents	8	124 170	106 402	54 764
Total current assets		386 337	411 563	199 674
TOTAL ASSETS		**671 868**	**704 089**	**497 556**
EQUITY AND LIABILITIES				
Equity and reserves				
Capital contribution		274 557	274 557	274 557
Accumulated Surplus		80 202	51 042	12 781
Total equity and reserves		354 759	325 599	287 338
Non-current liabilities				
Interest bearing long term borrowings	9	1 517	10 448	982
Total non-current liabilities		1 517	10 448	982
Current liabilities				
Trade and other payables	10	305 509	332 159	205 396
Current portion of interest bearing long term borrowings	9	9 010	26 441	865
Provisions	11	1 073	9 442	2 975
Total current liabilities		315 592	368 042	209 236
TOTAL EQUITY AND LIABILITIES		**671 868**	**704 089**	**497 556**

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2014

	Notes	Capital contribution R'000	Accumulated Surplus / (deficit) R'000	Total R'000
Balance at 1 July 2012		**274 557**	**(5 038)**	**269 519**
Prior period adjustments and error	16	-	17 819	17 819
Balance at 1 July 2012 - restated		**274 557**	**12 781**	**287 338**
Restated surplus for the year		-	38 261	38 261
Prior period adjustments and error	16	-	13 178	13 178
Surplus for the year (previously reported)		-	25 083	25 083
Balance at 30 June 2013		**274 557**	**51 042**	**325 599**
Surplus for the year		-	29 160	29 160
Balance at 30 June 2014		**274 557**	**80 202**	**354 759**

STATEMENT OF CASH FLOWS

for the year ended 30 June 2014

	Notes	2014 R'000	2013 R'000
CASH FLOWS GENERATED FROM OPERATING ACTIVITIES		54 505	58 036
Cash receipts from consumers		417 699	247 910
Cash paid to suppliers and employees		(369 248)	(193 504)
Cash generated by operations	14	48 451	54 406
Interest income	4	6 340	3 893
Interest expense		(286)	(263)
CASH UTILISED IN INVESTING ACTIVITIES		(10 375)	(7 328)
Additions to property, plant & equipment		(10 404)	(7 328)
Proceeds on sale of property, plant & equipment		29	-
CASH UTILISED IN FINANCING ACTIVITIES		(26 362)	930
Proceeds from long term borrowings		-	1 946
Repayment of interest-bearing borrowings		(26 362)	(1 016)
CASH AND CASH EQUIVALENTS FOR THE YEAR			
Net increase for the year		17 768	51 638
At the beginning of the year		106 402	54 764
At end of year	8	124 170	106 402

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014

1. ACCOUNTING POLICIES

Basis of preparation

The Financial Statements are prepared on the historical costs basis except for certain financial instruments carried at fair value and incorporate the following principal accounting policies, which conform to South African Statements of Generally Accepted Accounting Practice (SA GAAP), the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999) and the Water Services Act (Act 108 of 1997). These principal accounting policies are consistent with the previous year.

The financial statements are prepared on SA GAAP based on the pronouncement by the Accounting Standard Boards, via Directive 5: Determining the GRAP reporting framework, that government business enterprises who were applying SA GAAP as of 01 April 2012, continue applying SA GAAP until further notice, consequently the are no standards approved not yet effective.

Functional currency

The functional currency of Amatola Water is the South African Rand (ZAR).

Capital contribution

Capital contribution comprises of Inventory and Property, Plant and Equipment transferred from the Department of Water and Sanitation.

Property, plant and equipment

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

Cost model

Property, plant and equipment held for use in the production or supply of goods or services or for administrative purposes are stated at cost, less accumulated depreciation and any impairment losses.

Property, plant and equipment which were transferred to Amatola Water at no cost from Department of Water and Sanitation are recorded at depreciated replacement cost of the assets on the date of transfer, with the resultant credit being recorded as a Capital Contribution.

Depreciation commences when assets are capable of operating in the manner intended by management.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis over their useful lives as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

Property, Plant and Equipment Depreciation Table	
Buildings	20 yrs
Pipelines	30 yrs
Reservoirs	35 yrs
Pump stations	
Building and civil works	35 yrs
Electrical	15 yrs
Mechanical	20 yrs
Water treatment works	
Building and civil works	50 yrs
Electrical	15 yrs
Mechanical	20 yrs
Other equipment	
Furniture and fittings	12 yrs
Implements, Electronic equipment and Office equipment	10 yrs
Computer equipment and software	5 yrs
Plant and equipment	10 yrs
Scientific equipment	9 yrs
Motor vehicles	10 yrs

The residual value and the useful life of each asset are reviewed at each financial year end.

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets where the is reasonable certainty of ownership at the end of the lease term or the lease term.

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

Software costs

Packaged software and the direct costs associated with the development and installation thereof are capitalised. Software is depreciated in full on a straight-line basis over five years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

Inventory

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventory is valued at the lower of the weighted average cost and estimated net realisable value. Inventory comprises of plant spares and stores, chemicals and fuel.

No value is included in the Annual Financial Statements for water held in reservoirs and pipelines as this value has been calculated as not significant.

Impairment

The carrying amounts of the entity's assets, other than inventories and trade receivables, which are separately assessed and provided against where necessary, are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of the asset's fair value less expenses to sell the asset, or the asset's value in use. Value in use is estimated taking into account future cash flows, forecast market conditions and the expected useful lives of the assets.

Such cash flows are discounted using a rate that reflects current market value of money and the risks associated with the specific asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in surplus or deficit.

Revenue recognition

Revenue, which excludes Value Added Tax, is measured at the fair value of the consideration received or receivable and represents water sales to customers and management services rendered.

Revenue from the sale of water and management services rendered is recognised when all the following conditions have been satisfied:

- the significant risks and rewards of ownership have been transferred to the consumer;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

Project Revenue

For revenue arising from the rendering of services, provided that all of the following criteria are met, revenue is recognised by reference to the stage of completion of the transaction at the balance sheet date:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits will flow to the seller;
- the stage of completion at the balance sheet date can be measured reliably; and
- the costs incurred, or to be incurred, in respect of the transaction can be measured reliably.

The stage of completion is based on the approved amounts invoiced against the budgeted costs of each project.

Interest income

Interest is recognised on a time proportionate basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to Amatola Water.

Provisions

Provisions are recognised when Amatola Water has a present legal and constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Legal claims provisions are raised to the extent that it is probable Amatola Water will be required to honour obligations. Legal claims consist of supply matters, finalisation of which is expected within the next financial year.

Leases

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

Finance Leases:

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether 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 or assets, even if that right is not explicitly specified in an arrangement.

In the capacity of a lessee:

Finance lease

Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

The corresponding rental obligations and net finance charges, are included in other short term and other long term payables respectively. The interest element of the finance cost is charged to surplus or deficit within finance cost over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

Finance charges are recognised in finance costs in the statement of comprehensive income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that Amatola Water will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance lease liabilities are derecognised in accordance with the derecognition requirements for financial liabilities.The property plant and equipment acquired under finance leases are depreciated or amortised over the shorter of the useful life of the asset and the lease term.

Operating leases:
Rentals payable under operating leases with fixed escalation clauses are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Financial Instruments

Initial Recognition and Measurement
A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are initially measured at fair value or amortised cost which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

Amatola Water classifies its financial instruments into the following categories:

- Loans and receivables
  - Trade and other receivables
- Other financial assets
  - Cash and cash equivalents
  - Trade and other payables
  - Interest bearing borrowings

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Management re-evaluates such designation at least at each reporting date.

Trade and other receivables
Trade and other receivables are stated at amortised cost, less impairment losses.

Trade and other receivables are assessed, at each reporting date, to determine whether there is objective evidence that will result in an impairment. An impairment exists if one or more events that has occurred since the initial recognition of the asset, has an impact on the estimated future cash flows of the assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses

that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in statement of profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised as income in the statement of comprehensive income.

Cash and cash equivalents
Cash and cash equivalents are measured at amortised cost.

Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Trade and other payables
Short-term payables with no stated interest rate are measured at the original invoice amount as the effect of discounting is immaterial.

Interest-bearing borrowings
Interest-bearing borrowings are reflected at amortised cost, applying the yield-to-maturity basis.

Employee benefits

Short term employee benefits
The cost of all short term employee benefits is recognised during the period in which the employee renders the related service.

Accruals for employee entitlements to salaries, wages, annual bonus, performance bonuses and annual leave represent the amount which the entity has a present obligation to pay as a result of employees' services provided to the statement of financial position date. The accruals have been calculated based on current salary and wage rates.

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

Defined contribution plans
The entity's policy is to provide retirement benefits for employees. Obligations for contributions to defined contribution provident plans are recognised as an expense in the Statement of Comprehensive Income as incurred.

Related Parties
The entity is wholly owned by its shareholder, the Department of Water and Sanitation. Amatola Water is a schedule 3B public entity in terms of the Public Finance Management Act.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance Management Act) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of the public entities.

IAS 24 Related Party disclosures provides government related entities an exemption in respect of its relationship with government related entities at national and local levels of government.

Commitments

Commitment arises when a decision is made to incur a liability in the form of a purchase contract or similar documentation. Such a contractual commitment would be accompanied by, but not limited to, actions taken to determine the amount of the eventual resource outflow or a reliable estimate and conditions to be satisfied to establish an obligation.

Commitments are not disclosed as liabilities on the statement of financial position, they are disclosed in the notes to the financial statements.

Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (PFMA) and the Public Office Bearers Act (Act No. 20 of 1998), State Tender Board Act, 1968 (Act No. 86 of 1968) or is in contravention of the entity's supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Comprehensive Income and where recovered, it is subsequently accounted for as revenue in the Statement of Comprehensive Income.

Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Comprehensive Income.

Significant judgements and Key Sources of estimation uncertainty.

Amatola Water applies significant judgements and sources of estimation uncertainty relating to the following:

Useful life of property, plant and equipment: Method applied on useful life assessment is historical basis of use and longevity of use in Amatola Water care.

Impairment of assets: Impairment of assets are assessed for indicators of impairment as described in IAS 36, however not limited to them. Other indicators assessed include:

- Management's future plans with regards to rationalisation of supply schemes.
- Availability of water resources within the supply scheme of each asset.

Provision for doubtful debts: Provision for doubtful debts has been assessed on a debtor by debtor basis and reasons for considering the debtor doubtful interrogated by management.

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist, that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

2. REVENUE

		2014 Kl' 000	2013 Kl' 000
Revenue comprises:			
Volume			
	Treated water volume sold	33 189	31 723
	Raw water volume sold	8 441	7 842
		2014 R'000	2013 R'000
Section 29			
	Raw water sales	13 249	11 192
	Treated water sales	211 167	183 864
	Right of use	12 029	-
		236 445	195 056
Section 30			
	PIA fees - agent and principal	19 968	46 488
	Operations and maintenance agreement	67 050	110 099
	Project costs recoveries	5 299	6 411
		92 317	162 998
Total revenue		**328 762**	**358 054**
	Sundry income	3 771	6 835
Other income		**3 771**	**6 835**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

3. COST OF SALES AND OPERATING EXPENSES

	2014 R'000	2013 R'000
Cost by function		
Cost of sales	227 952	249 300
Operating and administrative expenses	88 721	82 026
	316 673	**331 326**
The net operating surplus is stated after taking the following into account:		
Cost of sales - Primary business		
Raw water purchases	63 591	53 601
Water research levies	2 174	1 828
Electricity	28 001	26 133
Chemicals	7 361	10 418
Employee benefit costs	47 931	43 872
Depreciation and impairment	14 088	13 309
	163 146	149 161
Cost of sales - Secondary business		
Chemicals	4 241	6 797
Employee benefit costs	43 336	49 573
Repairs & maintenance	15 266	26 855
Diesel	-	1 307
Project costs	1 963	15 607
	64 806	100 139
Auditors' remuneration and other material expenses:		
External audit fee - current	501	580
External audit fee - additional fees for prior year and other audit services	-	432
Internal audit fee	350	485
Bad debts provision	7 195	5 411
Consultancy fees	1 619	2 561
Depreciation and impairment	3 228	(628)
Employee benefit costs relating to support services	26 525	29 157
Non-executive board member emoluments (i)		
Board member fees	673	542
Travel disbursements	55	43
Executive management emoluments (ii)	7 464	6 904
Other general expenses	13 314	9 315
Accomodation	3 059	2 510
Security	1 449	1 703
Insurance	1 917	1 662

	2014 R'000	2013 R'000
Training	1 001	620
Operating lease payments	8 460	9 311
Repairs and maintenance	11 027	7 980
Technical service fees	830	3 437
Loss on disposal of property, plant & equipment	54	1
	88 721	82 026

(i) Refer to the non-executive board member emoluments table on page 82 in the annual integrated report.
(ii) Refer to the executive management emoluments table on page 90 in the annual integrated report.

4. FINANCE INCOME

	2014 R'000	2013 R'000
Income from financial asset - cash and cash equivalents	6 329	3 881
Interest Income relating to trade and other receivables	2 397	3 314
Reversal of interest provision	4 859	-
	13 585	**7 195**

The reversal of interest provision relates to interest raised in prior years regarding long outstanding Department of Water and Sanitation debt. Refer to prior period error note 16.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

5. PROPERTY, PLANT AND EQUIPMENT

30 June 2014 Assets	Opening Cost R'000	Additions R'000	Disposals R'000	Closing Cost R'000	Opening Accumulated Depreciation R'000	Depreciation Charge R'000	Accumulated Depreciation on Disposal R'000	Closing Accumulated Depreciation R'000	Net Carrying amount end of year R'000
Immovable Assets									
Land	5 410	-	-	5 410	-	-	-	-	5 410
Buildings	22 837	-	-	22 837	(9 073)	(1 137)	-	(10 210)	12 627
Buildings and Civil Works	82 183	-	-	82 183	(20 714)	(1 739)	-	(22 453)	59 730
Water Treatment Works	74 439	-	-	74 439	(18 203)	(1 510)	-	(19 713)	54 726
Pumpstations	7 744	-	-	7 744	(2 511)	(229)	-	(2 740)	5 004
Pipelines	154 160	-	-	154 160	(68 124)	(5 423)	-	(73 547)	80 613
Reservoirs	95 871	-	-	95 871	(22 215)	(2 919)	-	(25 134)	70 737
Pumpstations	7 461	-	-	7 461	(3 654)	(395)	-	(4 049)	3 412
Electrical	1 455	-	-	1 455	(1 141)	(95)	-	(1 236)	219
Mechanical	6 006	-	-	6 006	(2 513)	(300)	-	(2 813)	3 193
Treatment Works	35 391	-	-	35 391	(9 852)	(1 877)	-	(11 729)	23 662
Electrical	8 820	-	-	8 820	(2 377)	(558)	-	(2 935)	5 885
Mechanical	26 571	-	-	26 571	(7 475)	(1 319)	-	(8 794)	17 777
Movable Assets									
Furniture and Fittings	2 332	120	(54)	2 398	(1 803)	(100)	45	(1 859)	539
Machinery, Plant & Equipment	43 653	3 626	(447)	46 833	(33 720)	(3 356)	375	(36 700)	10 133
Computer Hardware	11 490	1 385	(439)	12 436	(8 315)	(1 466)	368	(9 413)	3 023
Computer Software	4 478	584	(8)	5 054	(3 217)	(560)	7	(3 770)	1 284
Electronic Equipment	3 272	67	-	3 339	(2 759)	(192)	-	(2 951)	388
Implements	1 164	40	-	1 204	(897)	(73)	-	(970)	234
Office Equipment	756	62	-	818	(606)	(44)	-	(650)	168
Plant and Machinery	17 466	4	-	17 470	(14 376)	(566)	-	(14 942)	2 528
Scientific Equipment	5 027	1 484	-	6 512	(3 550)	(454)	-	(4 004)	2 508
Motor Vehicles	4 694	-	-	4 693	(3 705)	(210)	-	(3 915)	778
Leased vehicles	1 946	-	-	1 946	(486)	(161)	-	(647)	1 299
Capital Work in Progress	9 934	6 658	-	16 592	-	-	-	-	16 592
	465 872	10 404	(501)	475 775	(173 346)	(17 317)	420	(190 243)	285 531

30 June 2013 Assets	Opening Cost R'000	Additions R'000	Disposals R'000	Closing Cost R'000	Opening Accumulated Depreciation R'000	Depreciation Charge R'000	Accumulated Depreciation on Disposal R'000	Closing Accumulated Depreciation R'000	Net Carrying amount end of year R'000
Immovable Assets									
Land	5 410	-	-	5 410	-	-	-	-	5 410
Buildings	21 972	865	-	22 837	(7 958)	(1 115)	-	(9 073)	13 764
Buildings and Civil Works	82 183	-	-	82 183	(18 969)	(1 745)	-	(20 714)	61 469
Water Treatment Works	74 439	-	-	74 439	(16 687)	(1 516)	-	(18 203)	56 236
Pumpstations	7 744	-	-	7 744	(2 282)	(229)	-	(2 511)	5 233
Pipelines	153 579	581	-	154 160	(62 672)	(5 452)	-	(68 124)	86 036
Reservoirs	95 871	-	-	95 871	(19 290)	(2 925)	-	(22 215)	73 656
Pumpstations	7 322	139	-	7 461	(3 260)	(394)	-	(3 654)	3 807
Electrical	1 443	12	-	1 455	(1 047)	(94)	-	(1 141)	314
Mechanical	5 879	127	-	6 006	(2 213)	(300)	-	(2 513)	3 493
Treatment Works	34 311	1 080	-	35 391	(8 016)	(1 836)	-	(9 852)	25 539
Electrical	8 112	708	-	8 820	(1 848)	(529)	-	(2 377)	6 443
Mechanical	26 199	372	-	26 571	(6 168)	(1 307)	-	(7 475)	19 096
Movable Assets									
Furniture and Fittings	2 316	16	-	2 332	(1 784)	(18)	-	(1 803)	529
Machinery, Plant & Equipment	42 317	1 503	(167)	43 653	(35 499)	1 614	166	(33 720)	9 933
Computer Hardware	10 948	668	(126)	11 490	(9 670)	1 229	126	(8 315)	3 175
Computer Software	4 113	365	-	4 478	(3 712)	495	-	(3 217)	1 261
Electronic Equipment	3 261	13	(2)	3 272	(3 012)	251	2	(2 759)	513
Implements	1 172	10	(18)	1 164	(952)	38	17	(897)	267
Office Equipment	729	27	-	756	(634)	28	-	(606)	150
Plant and Machinery	17 319	147	-	17 466	(13 847)	(528)	-	(14 376)	3 090
Scientific Equipment	4 775	273	(21)	5 027	(3 672)	101	21	(3 550)	1 477
Motor Vehicles	4 432	262	-	4 694	(3 382)	(323)	-	(3 705)	989
Leased vehicles	-	1 946	-	1 946	-	(486)	-	(486)	1 460
Capital Work in Progress	8 999	7 549	(6 614)	9 934	-	-	-	-	9 934
	458 712	13 941	(6 781)	465 872	(160 830)	(12 680)	166	(173 346)	292 526

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

Generally Accepted Accounting Practice requires that financial statements should reflect the economic substance of events and transactions and not merely the legal form. Amatola Water recognises and records those assets which are resources controlled by the enterprise and result in receipt of economic benefits or rewards and in incurring risks incidental to ownership, even though legal ownership has not passed. The Transfer Agreement between Department of Water and Sanitation and Amatola Water requires that the assets are recorded at the depreciated replacement cost. The Transfer Agreement between Amatola Water and Department of Water and Sanitation was concluded with effect from 1 July 1998. In terms of Section 63(1)(c) of the National Water Act 1998 (Act 36 of 1998), powers and responsibility for the control, operation, administration and maintenance of immovable assets were delegated to Amatola Water by the Minister of Water and Sanitation.

In terms of the Transfer Agreement, Department of Water and Sanitation has agreed to transfer the major water services works to Amatola Water. These works comprise pipelines, reservoirs, pump stations and water treatment works in Amatola's designated area. In terms of Section 73(2)(a) of the Water Services Act 1997(Act 108 of 1997), legal ownership will be transferred with the written approval of the Minister of Water And Sanitation and on registration of the properties in the name of Amatola Water by the Registrar of Deeds.

Amatola Water has pledged the following assets as security for its finance lease obligation and 10 year bond agreement:

	Carrying value 2014 R'000	Carrying value 2013 R'000
Finance lease: TLB Sitemaster and the MAN flat bed truck	1 299	1 460
Bond agreement: ERF 31427 East London	1 332	1 332

6. INVENTORIES

	2014 R'000	2013 R'000
Plant spares and stores	1 088	1 386
Chemicals	345	167
Fuel	68	31
	1 501	**1 584**

7. TRADE AND OTHER RECEIVABLES

	2014 R'000	2013 R'000
Trade receivables	49 536	47 552
Less: Provision	(675)	(917)
	48 861	**46 635**

	2014 R'000	2013 R'000
Other receivables	204 521	246 463
Less: Provision	(12 689)	(5 242)
	191 832	**241 221**
Department of Water and Sanitation receivable - Overcharge on Peddie and Glenmore abstraction	19 973	15 720
	260 666	**303 577**

Refer to note 18.2 for further details on the impairment of debtors.

8. CASH AND CASH EQUIVALENTS

	2014 R'000	2013 R'000
Cash and cash equivalents comprises of:		
Bank	67 220	34 276
Short-term deposits	56 950	72 126
	124 170	**106 402**

The carrying amount of bank and cash is held at amortised cost and approximates its fair value.

Guarantees
Guarantees in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short term deposits.

ESKOM	1 000	1 000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

9. LONG TERM BORROWINGS

	2014 R'000	2013 R'000
Unsecured		
Department of Water Affairs		
Raw water purchases	8 429	34 299
Secured		
Stannic - Finance lease	1 207	1 608
Nedbank - Bond	891	982
Total borrowings	**10 527**	**36 889**
Less: current portion	(9 010)	(26 441)
Total long term borrowings	**1 517**	**10 448**

Of the R34 299 716 an amount of R33 715 268 is repayable over 16 months in monthly installments of R 2 107 204, final payment is due on 1st October 2014. This is an interest free loan as per agreement between Amatola Water and the Department of Water and Sanitation.

Nedbank
The Nedbank bond is secured by erf 31427 East London. It is repayable over 10 years in monthly installments of R14 312, final payment on 28 February 2021. The average rate of interest for the year was 8.5%.

Should Amatola Water default on the bond, Nedbank reserves the right to invoke the clauses in the bond agreement to settle the outstanding debt.

Stannic
The finance lease is secured by the TLB Sitemaster and the MAN flat bed truck. It is repayable over 5 years in installments of R24 467. and R14 454. respectively. Final payment on 1 March 2017. The effective interest rate is 8.4%.

Should Amatola Water default on the finance lease, Stannic reserves the right to invoke clauses in the finance lease master agreement to repossess the assets to settle the outstanding debt.

	2014 R'000	2013 R'000
Reconciliation of movement in long term borrowings for the year		
Balance at the beginning of the year	36 889	1 847
Loans advanced/conversion of payables to long term borrowing	-	37 930
Loans repaid	(26 362)	(2 888)
Balance at the end of the year	10 527	36 889

10. TRADE AND OTHER PAYABLES

	2014 R'000	2013 R'000
Trade creditors	201 483	205 217
VAT Payable	8 901	5 919
Other	57 207	75 121
Advances	37 918	45 902
	305 509	**332 159**

11. PROVISIONS

2014	Performance Bonus	Department of Water and Sanitation Interest Provision	Provision for Litigation	Long Service Award	Total
At beginning of year	4 029	4 858	-	555	9 442
Arising during the year	-	-	550	(32)	518
Reversed during the year		(4 858)	-	-	(4 858)
Utilised during the year	(4 029)	-	-	-	(4 029)
At end of year	**-**	**-**	**550**	**523**	**1 073**
2013					
At beginning of year	-	2 312	-	555	2 867
Arising during the year	4 029	4 001	-	-	8 030
Utilised during the year	-	-	-	-	-
Prior period adjustment	-	(1 455)	-	-	(1 455)
At end of year	**4 029**	**4 858**	**-**	**555**	**9 442**

Provision relates to the Amatola Water vs Taylor and associates case where Amatola Water entered into a cession agreement with its contractor relating to funds obtained from Taylor and associates. Due to non-performance of the contractor Amatola Water cancelled the contract and the cession. The funder of the cession agreement, Taylor and Associates is suing Amatola Water for payments not made under the cession. The uncertainty in payment is based on wrap up of the litigation matters.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

12. COMMITMENTS

	2014 R'000	2013 R'000
Operating commitments contracted for	3 799	8 606
Capital commitments contracted for Property, Plant and Equipment	8 389	6 734
	12 188	**15 340**
Capital commitments authorised but not contracted for	523 197	49 587
	523 197	**49 587**

Capital commitments authorised but not contracted for are commitments relating to the infrastructure upgrades and approved CAPEX budget. These will be contracted for in the next financial year.

The proposed capital expenditure will be funded by grant funding and internally generated funds.

Finance lease commitments - motor vehicles
During the period under review Amatola Water entered into 2 finance lease arrangements for the acquisition of heavy duty motor vehicles for a period of 5 years. On termination of the lease period the ownership of the vehicles transfers to Amatola Water for no consideration.

	Minimum Lease Payments R'000	Finance Charges R'000	Present Value of Minimum Lease Payments R'000
Less than 1 year	472	84	388
More than 1 year and less than 5 years	886	67	819
Total	**1 358**	**151**	**1 207**

The inherent interes rate in the finance leases is 8.7%

Operating lease commitments - motor vehicles
One hundred and fourteen motor vehicles are leased under non-cancellable operating leases. The lease payments include a maintenance portion for the duration of the lease term. The leases are for an initial period of five years. The future minimum lease payments under the non-cancellable operating leases are as follows:

	R'000	R'000
Less than 1 year	2 274	5 612
More than 1 year and less than 5 years	909	3 537
Total	**3 183**	**9 149**

No escalation clauses exist in the operating lease.

Operating lease commitments - office equipment
Amatola Water rents office machinery for use for normal business purposes. The lease payments include service agreements and monthly rental amounts. These leases are over a variable period ranging between 1 month to 3 years.

	R'000	R'000
Less than 1 year	89	206
More than 1 year and less than 5 years	61	117
Total	**150**	**323**

No escalation clauses exist in the operating leases.

13. CONTINGENT LIABILITIES

	2014 R'000	2013 R'000
Contingent Liabilities		
DWA Water Research Levy	35 173	33 592

Amatola Water is in dispute with the Department of Water and Sanitation in relation to charges and interest raised on the departments Water Research Levy/ Catchment Management Area accounts. These charges and interest have been raised on the meter readings even though the accounts have not been reconciled for a number of years and Amatola Water has not received statements but payment has been made on a timely basis based on the meter readings.

The liability has been discussed with the Department of Water and Sanitation and presentations made to the department providing proof of settlement of the Research levy on a monthly basis.

The financial impact of the liability should it be realised would be a decrease in equity and an increase in liabilities of Amatola Water.

Litigation contingent liabilities

	2014 R'000	2013 R'000
Rodney Randall and Others:		
Claim for damages by service provider injured on site. Matter has been referred to Amatola Water's insurers.		
The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the timing of this litigation is uncertain.	2 453	-
C Nompumza:		
Claim for damages by student who was injured on site during a planned school visit. Matter has beeen referred to Amatola Water's insurers.		
The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the timing of this litigation is uncertain.	50	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

	2014 R'000	2013 R'000
Makisi's Building Construction CC:		
Claim for damages by service provider whose equipment was damaged whilst performing work for Amatola Water. This matter is not an insured event that can be referred to Amatola Water insurer's.		
The matter is under jurisdiction of the courts, the date of the hearing is not finalised and therefore the timing of this litigation is uncertain.	100	-

14. NOTES TO THE STATEMENT OF CASH FLOWS

	2014 R'000	2013 R'000
Net cash generated from operations	32 107	87 894
Adjusted for:		
Operating surplus / (deficit)	29 159	38 261
Interest income	(13 585)	(7 195)
Interest expense	286	2 497
Operating surplus before interest	15 860	33 563
Non cash items		
Debtors discounting	2 386	3 302
Reversal Interest provision for long outstanding debt	4 859	(2 234)
Re-financing of long outstanding raw water debt into long term loan	-	34 115
Depreciation and impairment	17 317	12 680
Loss on disposal of property, plant & equipment	54	1
Movement in Provisions	(8 369)	6 467
Changes in working capital	16 344	(33 488)
Decrease in inventories	83	22
Decrease/(Increase) in trade and other receivables	42 911	(160 273)
(Decrease)/Increase in trade and other payables	(26 650)	126 763
	48 451	54 406

15. RELATED PARTIES

Amatola Water has entered into various purchase, service and borrowing transactions with its Executive Authority, Department of Water and Sanitation, in the ordinary course of business.

	2014 R'000	2013 R'000
Projects Revenue - Department of Water and Sanitation	129 555	73 000
Dam Management Fees paid by Department of Water and Sanitation to Amatola Water	7 149	8 861
Raw water purchases from Department of Water and Sanitation (Refer to note 3)	63 591	53 601
Water Research Levy	2 174	1 830
Department of Water and Sanitation Receivable	73 735	39 681
Department of Water and Sanitation Payable	44 318	40 616
Borrowings from Department of Water and Sanitation (Refer to note 9)	8 429	34 299
Key Management Personnel		
Key Management Personnel compensation comprised of the following:		
Executive Directors		
Short-term employee benefits	7 464	6 904
Non - Executive Directors		
Short-term employee benefits	728	585

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

16. PRIOR PERIOD ERRORS

Prior period error relating to 2012:

During the financial year the following prior period errors and adjustments were found:

Statement of financial position effect

	Trade and other payables (Debit)/Credit R'000	Accumulated Surplus (Debit)/Credit R'000	Trade and other receivables Debit/(Credit) R'000	Provisions (Debit)/Credit R'000
Previously reported	209 833	(5 038)	131 074	4 129
Department of Water and Sanitation incorrectly charged Amatola Water a Depreciation charge, Capital Replacement charge and Return on Asset charge on a river abstraction. In the 2014 year, Department of Water and Sanitation accepted and acknowledged the overcharge to Amatola Water. This amount has been quantified as a R17 million adjustment.	(4 885)	17 113	12 229	-
Mvula Trust accrual raised in 2013 instead of 2012 financial year. The Amount of R605 000 related to invoices for 2012 but were only raised as accruals in the 2013 financial year. These amounts are being transferred to the correct financial year.	605	(605)	-	-
Revenue from closed projects recognised in 2014 that related to 2012 financial year. A number of projects were closed in the 2012 financial year, however the revenue for these were accounted for in the 2014 financial when the majority of the projects were purported to be closed. This revenue related to 2012 financial period, the error is corrected and is being recognised in the correct period.	(157)	157	-	-
IAS 19 Long Service Award not raised in 2012. IAS 19 was not applied by Amatola Water in relation to its Long Service Awards policy. Amatola Water calculated the long service awards in the 2014 and 2013 year financial year, to the value of R523 and R555 respectively, and has thus disclosed these amounts retrospectively as required by IAS 8. The changes between the financial years are not material as such, the value for 2012 is R555.	-	(555)	-	555

	Trade and other payables (Debit)/Credit R'000	Accumulated Surplus (Debit)/Credit R'000	Trade and other receivables Debit/(Credit) R'000	Provisions (Debit)/Credit R'000
Interest provision reversal. Interest provision was raised for the 2012 financial year as it was considered prudent and no evidence of the debt being interest free could be provided. Confirmation was received in the 2014 financial year that the outstanding debt would be interest free, and thus interest is reversed.	-	1 709	-	(1 709)
	205 396	12 781	143 303	2 975

Prior period error relating to 2013

The effect on the prior period information is as follows:

Statement of comprehensive income effect

	Revenue (Debit)/Credit R'000	Cost of Sales Debit/(Credit) R'000	Other income (Debit)/Credit R'000	Operating Expenses Debit/(Credit) R'000	Finance Costs Debit/(Credit) R'000
Previously reported	352 519	247 097	-	83 582	3 952
Amatola Water had not correctly classified the Cost of Sales disclosure relating to: • Employee Benefits • Depreciation • Repairs and Maintenance This has therefore provided a classification error to the cost of sales amount and corresponding operating expenses.	-	5 266	-	(5 266)	-
Project Cost Recoveries incorrectly classified as operating expenses. The cost recoveries of Amatola Water relating to employees in the secondary business were recognised into operating expenses instead of disclosed as Revenue.	6 411	-		6 411	-
Project Costs incorrectly recognised to operating expense. Project costs, of an agency nature, were incorrectly recognised into operating expenditure in the prior year. This related in overstatement of revenue and overstatement of operating expenditure.	(2 701)	-	-	(2 701)	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

	Revenue (Debit)/Credit R'000	Cost of Sales Debit/(Credit) R'000	Other income (Debit)/Credit R'000	Operating Expenses Debit/(Credit) R'000	Finance Costs Debit/(Credit) R'000
Project revenue from closed projects not accounted. Project revenues from closed projects was not accounted for in the 2013 financial year and was disclosed as advances. These projects were closed in the 2013 financial year and close out reports received as well.	8 055	-		-	-
Reversal of 2012 accrual for Mvula trust. The Amount of R605 000 related to invoices for 2012 but were only raised as accruals in the 2013 financial year. These amounts are being transferred to the correct financial year.	605	-		-	-
Interest provision reversal. Interest provision was raised for the 2012 financial year as it was considered prudent and no evidence of the debt being interest free could be provided. Confirmation was received in the 2014 financial year that the outstanding debt would be interest free, and thus interest is reversed.	-	-	-	-	(1 455)
Return on Asset, Depreciation and Operations and Maintenance amount paid to Department of Water and Sanitation relating to Peddie and Glenmore Schemes that are adjusted by Department of Water and Sanitation due to agreement on charges for the scheme. Amatola Water paid the charges stated above based on invoices received from Department of Water and Sanitation, a claim that these invoices on the schemes should not contain these charges was lodged and accepted by Department of Water and Sanitation in 2014, therefore an adjustment is required the amounts already paid.	-	(3 063)	-	-	-
Other income was previously not considered as a separate revenue stream to Amatola Water and presented as secondary revenue from operation and maintenance contracts. In the current financial year, with specific focus on business stream revenue being sharpened other income has been presented as a separate line item from this line item and the comparative figure has been presented in the corresponding manner.	(6 835)		6835		
	358 054	249 300	6 835	82 026	2 497

Statement of financial position effect

	Trade and other receivables Debit/(Credit) R'000	Trade and Other Payables (Debit)/Credit R'000	Provisions (Debit)/Credit R'000
Previously reported	284 930	342 105	11 847
2012 prior period error effect	12 229	(4 437)	(1 154)
Misclassification of provisions to trade and other payables.			
Provisions in the prior year were understated due to classification of a provision as a trade payables.	-	(204)	204
Project revenue from closed projects not accounted.			
A number of projects were closed in the 2013 financial year, however the revenue for these was accounted for in the 2014 financial when the majority of the projects were purported to be closed. This revenue related to 2013 financial period and the error is corrected and is being recognised in the correct period.	-	(8 055)	-
Project Advances incorrectly recorded as accrued income.			
Advance receipts in the 2013 financial year were not transferred from accrued income (asset) to the advance account (liability), this resulted in the trade and other receivables and trade and other payables being mistated.	2 927	2 927	-
Mvula Trust accrual raised in 2013 instead of 2012 financial year.			
The Amount of R605 000 related to invoices for 2012 but were only raised as accruals in the 2013 financial year. These amounts are being transferred to the correct financial year.	-	(605)	-
Interest provision reversal.			
Interest provision was raised for the 2013 financial year as it was considered prudent and no evidence of the debt being interest free could be provided. Confirmation was received in the 2014 financial year that the outstanding debt would be interest free, and thus interest is reversed.	-	-	(1 455)
Return on Asset, Depreciation and Operations and Maintenance amount paid to Department of Water and Sanitation relating to Peddie and Glenmore Schemes that are adjusted by Department of Water and Sanitation due to agreement on charges for the scheme.			
Amatola Water paid the charges stated above based on invoices received from Department of Water and Sanitation, a claim that these invoices on the schemes should not contain these charges was lodged and accepted by Department of Water and Sanitation in 2014, therefore an adjustment is required the amounts already paid.	3 491	428	-
	303 577	332 159	9 442

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

The equity of Amatola Water increases by R30,997 million and prior year surplus reported increases by R13,178 million.

	Accumulated Surplus R'000
Previously reported	20 046
Project revenue from closed projects not accounted 2012 and 2013	8 212
Defined Benefit Service costs not recognised	(555)
Department of Water and Sanitation incorrectly invoicing Amatola Water for raw water purchases	17 113
Interest provision reversal - 2012 and 2013	3 163
Return on Asset, Depreciation and Operations and Maintenance amount paid to Department of Water and Sanitation relating to Peddie and Glenmore Schemes that are adjusted by Department of Water and Sanitation due to agreement on charges for the scheme	3 063
	51 042

17. CHANGE IN ESTIMATE

During the year, Amatola Water conducted an operational review of its assets which has resulted in changes in the expected usage of certain items of property, plant and equipment. As a result there have been changes in the remaining useful lives of assets. The effect of these changes on actual and expected depreciation expense, included in the cost of the assets, in the current and future year respectively, is as provided for in IAS 8: Accounting policies, Change in accounting estimates and Errors.

	2014 R'000
(Decrease)/Increase in depreciation expense	(1665)

18. FINANCIAL INSTRUMENTS

Amatola Water adheres to a management strategy that makes explicit provision for ongoing review and active management of the organisation's exposure to financial risks.

Exposure to interest rate and credit risk arises in the normal course of the entity's business.

18.1 Maturity profile of financial instruments

Amatola Water's maturity profile is based on undiscounted cashflows of financial assets and liabilities based on the earliest date at which Amatola Water can be expected to pay.

Maturity profiles of the financial assets and liabilities are summarised as follows:

	2014				
	Current interest rate	0 - 12 months R'000	1 - 5 years R'000	>5 years R'000"	TOTAL
Assets					
Cash and cash equivalents	5.8%	124 170	-	-	124 170
Trade and other receivables	9.0%	260 666	-	-	260 666
Liabilities					
Trade and other payables	9.0%	(305 509)	-	-	(305 509)
Long term loans	9.0%	(9 010)	(1 257)	(260)	(10 527)
		70 318	**(1 257)**	**(260)**	**68 800**

	2013				
	Current interest rate	0 - 12 months R'000	1 - 5 years R'000	>5 years R'000"	TOTAL
Assets					
Cash and cash equivalents	5.6%	106 402	-	-	106 402
Trade and other receivables	9.0%	303 577	-	-	303 577
Liabilities					
Trade and other payables	9.0%	(332 159)	-	-	(332 159)
Long term loans	8.4%	(26 441)	(10 052)	(396)	(36 889)
		51 378	**(10 052)**	**(396)**	**40 931**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

18.2 Credit risk

Financial assets which potentially subjects the entity to concentrations of credit risk consist principally of cash and trade receivables.

The entity's cash equivalents are placed with high credit quality financial institutions.

Credit risk with respect to trade receivables is limited as trade receivables mainly comprise (95 percent) bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers. The quality of the trade receivables is not in question as they relate to the fiscus and would not be adversely rated.

Credit risk with respect to sundry receivables is also limited as sundry receivables mainly comprise of Department of Water and Sanitation, Local and District Municipalities in relation to Municipal Infrastructure Grant, Regional Bulk Infrastructure and other capital funding.

Ongoing credit evaluation is performed on the financial condition of receivables of mainly smaller Local Municipalities and the District Municipalities. Trade receivables are presented net of impairment losses.

The are no credit ratings carried out by Amatola Water on these receivables.

The carrying amounts of financial assets represent the maximum exposure to credit risk. Amatola Water's maximum exposure to credit risk at reporting date was as follows:

	2014 R'000	2013 R'000
Cash and equivalent (excluding petty cash)	124 170	106 402
Trade and other receivables (excluding provision for impairment)	274 030	309 736

Impairment losses
The aging of trade receivables at the reporting date was:

	Gross 2014 R'000	Impairment 2014 R'000	Gross 2013 R'000	Impairment 2013 R'000
Not past due date	27 535	20	41 167	-
One month past due date	8 553	14	4 705	-
Two months past due date	2 860	18	753	-
Three months past due date	7 207	19	(8)	-
More than four months past due date	3 454	604	935	917
	49 609	**675**	**47 552**	**917**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2014 R'000	2013 R'000
Balance as at 1 July	917	99
Impairment loss increased / (decreased)	(243)	818
Balance at 30 June	**675**	**917**

The aging of other receivables at the reporting date was:

	Gross 2014 R'000	Impairment 2014 R'000	Gross 2013 R'000	Impairment 2013 R'000
Not past due date	143 032	-	213 003	-
One month past due date	12 207	-	11 311	-
Two months past due date	4 130	-	9 779	82
Three months past due date	3 689	-	235	-
More than four months past due date	30 306	12 668	9 500	5 160
	193 364	**12 668**	**243 828**	**5 242**

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

	2014 R'000	2013 R'000
Balance as at 1 July	5 242	649
Impairment loss increased	7 447	4 593
Balance at 30 June	**12 689**	**5 242**

18.3 Interest rate risk

The entity generally adopts a policy of ensuring that it's exposure to changes in the interest rates is on a floating rate basis.

Financial assets and liabilities afffected by interest rate risk are cash and cash equivalents and Long term Borrowings.

Amatola Water does not have significant assets that are affected by the interest rate risk as the cash equivalents are held for operational rather than investing activities and the current borrowing capability of Amatola Water is minimal. Interest rate risk is monitored for movements in interest rate and the sensitivity of our finacial assets to such movement.

Sensitivity analysis
In order to calculate the cash flow sensitivity analysis for variable rate instruments, the average long term loans and borrowings for the period was determined. A change of 100 basis points in interest rates at the reporting date would have a maximum increase / (decrease) of approximately R8 443 in surplus.

18.4 Liquidity risk

The entity manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash flows. Adequate reserves, liquid resources and unutilised borrowing facilities are also maintained.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

19. EMPLOYEE BENEFITS

The entity provides retirement benefits for all permanent employees by making contributions to a defined contribution pension and provident fund. The fund, Orion, is administered by Old Mutual and subject to the Pension Funds Act, 1956 as amended.

	2014 Number of staff	2014 R'000	2013 Number of staff	2013 R'000
Provident fund contributions	258	6 361	274	5 586
Pension fund contributions	55	1 737	55	1 512

Amatola Water provides Long Service Awards and Retirement Gifts which are defined as other long service awards in IAS 19. These are reconciled as follows:

	Retirement Gifts R'000	Long Service Awards R'000
Balance as at 01 July 2012	103	386
Current Service costs recognised to statement of comprehensive income	14	96
Retirement gifts/Long Service Awards paid	(15)	(29)
Balance as at 01 July 2013	102	453
Current Service costs recognised to statement of comprehensive income	2	54
Retirement gifts/Long Service Awards paid	(8)	(80)
Balance as at 30 June 2014	96	427

20. KEY SOURCES OF ESTIMATION UNCERTAINTY

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that management have assessed as having a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Going concern

Management of Amatola Water has considered the going concern ability of the entity and conculuded that the going concern assumption is valid due to the following:

- National Treasury has allocated R500 million in grant funding for Amatola Water to upgrade its plants for the next two years.
- Amatola Water is contracted to provide bulk water to 3 municipalities in the region for a period of more than 12 months.
- Amatola Water has recently entered into Section 30 contracts of more than R1 billion on the King Sabata Dalindyebo Presidential Intervention contract, as provided by the Department of Water and Sanitation.
- Amatola Water has entered into an agreement with Department of Water and Sanitation and converted R37 million of the R86 million Department of Water and Sanitation payable into a long term debt, payment on the outstanding is due to be completed in November 2014. The principle of raw water abstraction from river versus dam has been finalised with a R17 million reduction in debt to Department of Water and Sanitation and a R3 million saving per year in raw water costs.
- The provision of water is an essential supply and thus it is expected that this provision will not be compromised by national government.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure

	2014 R'000	2013 R'000
Opening balance	82	82
Fruitless and wasteful expenditure - current year	102	-
Transfer to receivables for recovery	(3)	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	181	82

Analysis of current year fruitless and wasteful expenditure

Incident	Value R'000	Disciplinary steps taken/Criminal proceedings
Interest on late payments	11	Investigations to be undertaken and disciplinary action to be instituted. Prelimnary comments on findings to be presented to accounting officer.
Penalties and interest from SARS submission	88	Relates to payment from prior years and the relevant personnel have left the employ of Amatola Water.
Traffic fines	3	

22. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure

	2014 R'000	2013 R'000
Opening Balance	57 691	48 161
Irregular expenditure - Current year		
• Relating to overspending on contracts awarded	14 909	9 530
• Other irregular expenditure	5 917	11 025
Irregular expenditure condoned	(11 025)	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	(21 646)	(11 025)
	56 871	57 691

Irregular expenditure of R21,646 million incurred in the 2013/14 financial period was condoned after year end.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2014 (continued)

Analysis of current irregular expenditure

Incident	Value R'000	Disciplinary steps taken/Criminal proceedings
Procurement policy not adhered to in awarding of bids	-	Preliminary comments on the sourcing of the irregular expenditure have been provided to the accounting officer, no disciplinary action has been taken as yet. Supply chain procedures and processes are being strengthened to ensure that irregular expenditure and fruitless and wasteful expenditure is avoided, this is done by capacitating the department as well as on going training of the SCM officials.
Procurement policy not adhered to in contracting	5 917	
Overspending on expired contracts	14 909	

23. TAXATION

Amatola Water is exempt from income taxation in terms of section 10(1)(t)(ix) of the Income Tax Act.

24. REPORTABLE IRREGULARITIES

A reportable irregularity was indentified during the current year's audit (2013/2014) as no income tax, Unemployment Insurance Fund and Skills Development Levy were declared on the monthly payments made to the Interim Chief Executive. When evaluating these payments against the Fourth Schedule of the Income Tax Act and Interpretation Note 17 of South African Revenue Services the auditors believed that Amatola Water had not interpreted the tax legislation correctly and has therefore not acted in compliance with the Income Tax Act.

Amatola Water has, as an interim measure, withheld employee tax at a rate of 25% from the payments made subsequent to the irregularity being identified and is in communication with the South African Revenue Services in order to determine whether the Interim Chief Executive qualifies as an independent contractor, the amount of withholding tax that should be withheld on payments made and any liability that will be incurred as a result of the reported irregularity.

A second reportable irregularity was identified during the current year's audit (2013/2014) as Value Added Tax was not declared as output Value Added Tax on payables that were not paid after 12 months. When evaluating payables against section 22 (3) of the Value Added Tax Act which provides that if a vendor has not paid a debt within 12 months after the date on which it became payable, and has claimed the Value Added Tax portion of that debt as input tax, he must treat the Value Added Tax portion as output tax in the period after the 12 months have elapsed. Therefore he has to claw back the Value Added Tax and pay it to SARS. Amatola owed R43 339 874 to the Department of Water and Sanitation relating to 2011 and 2012 invoices. The Value Added Tax on these invoices was claimed but not reversed after 12 months.

Amatola Water has corrected this error in the current year by including the VAT claw back, as required by section 22 (3) of the Value Added Tax Act in its VAT 201 for the month of September 2014, this will be paid over to SARS with the VAT payment on the 30th of October 2014.

Section 45 of the Auditing Professions Act imposes an obligation on the registered auditor to report any unlawful act or omission by a person responsible for the management of an entity, which has caused or is likely to cause a material financial loss to the entity or its creditors to the Independent Regulatory Board for Auditors (IRBA). Both Reportable Irregularities were reported to IRBA on 9 October 2014.

25 . EVENTS AFTER REPORTING DATE

During the year under review, the Board of Amatola Water commissioned a fraud investigation into the procurement process in a number of contracts. No evidence of fraud was found, the report noted that possible irregular expenditure to the maximum value of R12, 768,151 and possible fruitless and wasteful expenditure to the maximum value R1, 035,200 could have been incurred in connection with some of those contracts, but that this would need further investigation to conclude.

Therefore, the Board is currently considering what further investigations need to be carried out to establish whether the expenditure relating to the contracts investigated are irregular and therefore still requires finalisation.

2013/2014 ANNEXURES

SPLIT OF PRIMARY AND OTHER ACTIVITIES

for the year ended 30 June 2014

	Primary Activity (Bulk Supply) 2014 R'000	Primary Activity (Bulk Supply) 2013 R'000	Primary Activity (Bulk Supply) 2012 R'000	Other Activity 2014 R'000	Other Activity 2013 R'000	Other Activity 2012 R'000	Total 2014 R'000	Total 2013 R'000	Total 2012 R'000
Revenue	236 446	195 057	172 740	96 087	169 834	178 113	332 533	364 891	350 853
Cost of Sales	(163 146)	(149 162)	(135 782)	(64 806)	(100 139)	(103 075)	(227 952)	(249 301)	(238 857)
Gross profit	73 300	45 895	36 958	31 281	69 694	75 038	104 580	115 589	111 996
Operating and Administration Expenses	(62 183)	(32 569)	(35 706)	(26 536)	(49 458)	(72 497)	(88 719)	(82 027)	(108 203)
Net operating deficit	**11 118**	**13 326**	**1 252**	**4 744**	**20 236**	**2 541**	**15 861**	**33 562**	**3 793**
Interest Income	9 522	2 857	2 954	4 063	4 338	5 998	13 585	7 195	8 952
Finance Cost	(200)	(992)	(945)	(86)	(1 506)	(1 919)	(286)	(2 497)	(2 864)
Surplus for the year	**20 439**	**15 191**	**3 261**	**8 722**	**23 069**	**6 620**	**29 160**	**38 260**	**9 881**

The supplementary information presented does not form part of the annual financial statements and is unaudited.

FIVE YEAR HISTORICAL STATISTICAL OVERVIEW 2010 – 2014

	2014 R000	%	2013 R000	%	2012 R000	%	2011 R000	%	2010 R000	%
Operations										
Revenue	328 763	(8.2)	358 056	1.9	351 302	46.7	239 546	(4.4)	239 546	(4.4)
Cost of Sales	227 952	(8.6)	249 301	(2.6)	255 970	65.1	155 084	(13.0)	155 084	(13.0)
Operating and Admin Expenses	88 719	8.2	82 027	(23.8)	107 648	0.3	107 295	38.3	107 295	38.3
Net finance income	13 299	183.1	4 698	7.3	4 379	(30.2)	6 276	(57.9)	5 249	(64.8)
Net Operating (Deficit)/Surplus	25 390	(19.2)	31 425	(495.9)	(7 937)	(52.1)	(16 557)	(270.3)	(17 584)	339.4
Financial Position										
Capital Contribution	274 557	(0.0)	274 557	-	274 557	-	274 557	-	274 557	-
Reserves	-	-	-	-	-	-	-		-	
Retained (Deficit)/Surplus	80 202	57.1	51 042	299.3	12 781	(111.7)	42 939	(13.9)	42 939	(13.9)
Long-term Liabilities	1 517	(85.5)	10 448	963.8	982	(76.3)	4 142	(35.6)	4 142	(35.6)
Current Liabilities	315 592	(14.3)	368 042	75.9	209 236	85.4	115 852	22.2	115 852	22.2
Total Equity and Liabilities	671 868	(4.6)	704 089	41.5	497 556	11.0	437 290	2.7	437 290	2.7
Non-current Assets	285 531	(2.4)	292 525	(1.8)	297 881	(1.4)	301 977	13.2	301 977	13.2
Current Assets	386 338	(6.1)	411 564	119.6	187 445	38.5	135 313	(14.8)	135 313	(14.8)
Total Assets	671 869	(4.6)	704 088	45.1	485 327	11.0	437 290	2.7	437 290	2.7
Cash Flow Position										
Cash flow from Operating Activities	54 504	(6.1)	58 036	(159.5)	22 364	240.9	(15 869)	437.9	(15 869)	437.9
Cash Flow util. in /gen. from Investing Activities	(10 375)	41.6	(7 328)	(1 301.3)	(523)	105.5	9 489	(146.9)	9 489	(146.9)
Cash Flow utilised in Financing Activities	(26 362)	2 934.6	930	133.0	(2 829)	(4.8)	(2 697)	35.7	(2 697)	35.7
Net Cash Increase/(Decrease) for year	17 768	65.6	51 638	(171.6)	19 012	309.4	(9 077)	(64.0)	(9 077)	(64.0)
Ratios										
Revenue (Kilolitres x 1000)										
Treated Water Sales	33 189	4.6	31 723	2.9	30 835	0.7	30 635	(1.6)	30 635	(1.6)
Raw Water Sales	8 441	7.6	7 842	(4.0)	8 168	(2.8)	8 401	7.0	8 401	7.0
Total Water Sales	41 630	5.2	39 565	1.4	39 003	(0.1)	39 036	0.2	39 036	0.2
Revenue (R'000): Other Activity										
Treated Water Sales	211 167	14.8	183 864	13.5	161 930	18.9	136 153	5.1	136 153	5.1

The supplementary information presented does not form part of the annual financial statements and is unaudited.

FIVE YEAR HISTORICAL STATISTICAL OVERVIEW 2010 – 2014

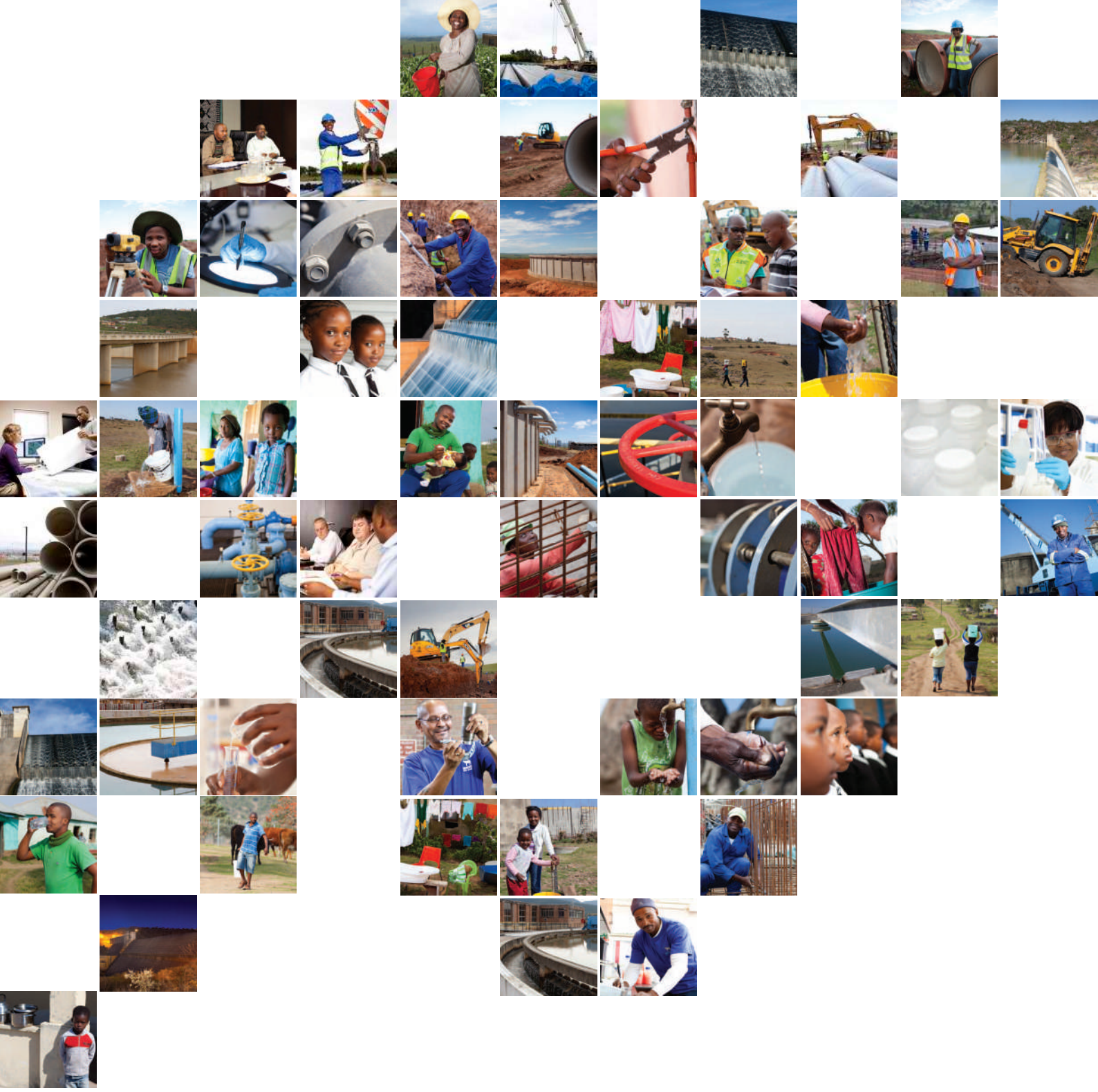
	2014 R000	%	2013 R000	%	2012 R000	%	2011 R000	%	2010 R000	%
Raw Water Sales	13 249	18.4	11 192	3.5	10 810	3.2	10 479	34.8	10 479	34.8
Total Water Sales	224 417	15.1	195 057	12.9	172 740	17.8	146 632	6.8	146 632	6.8
Revenue (R'000): Primary Activity										
Bulk Supply: Urban and Peri-urban	161 222	12.1	143 850	11.1	129 468	23.5	104 846	4.4	104 846	4.4
Bulk Supply: Rural	58 301	24.1	46 984	20.9	38 860	5.2	36 934	15.9	36 934	15.9
Revenue (R'000): Other Activity										
Industrial and Domestic Reticulation	4893	15.9	4223	(4.3)	4 412	(9.1)	4 852	(1.5)	4852	(1.5)
Average Raw Water Sales Tariff (R/Kℓ)	1.570	10.0	1.427	7.8	1.3	6.1	1.2	25.9	1.247	25.9
Average Treated Water Sales Tariff (R/Kℓ)	6.36	9.8	5.80	10.4	5.3	18.2	4.4	6.8	4.44	6.8
Average Water Sales Tariff (R/Kℓ)	5.39	9.3	4.93	11.3	4.4	17.9	3.8	6.6	3.76	6.6
Cost of Sales (R/Kℓ)	3.92	3.9	3.77	7.4	3.5	45.8	2.4	10.0	2.41	10.0
Labour Cost (R/Kℓ)	1.15	3.8	1.11	(14.0)	1.3	36.8	0.9	13.6	0.94	13.6
Electricity cost (R/Kℓ)	0.67	1.8	0.66	17.6	0.6	60.7	0.3	58.8	0.35	58.8
Chemical cost (R/Kℓ)	0.22	(32.5)	0.33	(2.2)	0.3	142.4	0.1	(13.4)	0.14	(13.4)
Raw water purchases (R/Kℓ)	1.53	12.8	1.35	0.5	1.3	39.1	1.0	(1.1)	0.97	(1.1)
Water research levies(R/Kℓ)	0.05	0.0	0.05	0.0	0.0	0.0	0.0	(4.4)	0.04	(4.4)
Current Ratio	1.22	9.5	1.12	28.2	0.9	(24.9)	1.2	(30.8)	1.16	(30.8)
Trade Debtors (days)	289	(6.5)	309	127.2	136.2	(15.8)	161.8	54.1	162	54.1
Return on Assets	0.04	169.6	(0.053)	-	(0.1)	-	(0.1)	307.7	(0.053)	307.7
Debt-Equity Ratio	0.89	31.5	1.16	45.2	0.8	110.4	0.4	22.8	0.38	22.8
Working Ratio	0.95	-	0.93	(8.0)	1.0	(2.0)	1.0	5.0	1.03	5.0
Productivity										
Number of Employees	440	3.8	424	(6.8)	455.0	24.0	367.0	10.9	367	10.9
Average Revenue per Employee (R'000)	747	(11.5)	844	9.4	772.1	18.3	652.7	(13.8)	653	(13.8)
Cash Disbursed to Employees	125 256	56.7	79 933	(17.4)	96 788.6	34.0	72 226.6	12.4	72 227	12.4
Net increase /(decrease) in cash and cash equivalents	17 768	65.6	51 638	(171.6)	19 012.1	309.4	(9 077.4)	(64.0)	-9 077	(64.0)

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Amatola Water Area of Operation 2013/2014




MALUTI
MATATIELE
ALFRED NZO
STERKSPRUIT
LADY GREY
ALIWAL NORTH
MOUNT FLETCHER
RHODES
MOUNT AYLIFF
MOUNT FRERE
BIZANA
JOE GQABI
BARKLY EAST
TABANKULU
MACLEAR
PORT EDWARD
JAMESTOWN
QUMBU
FLAGSTAFF
UGIE
TSOLO
LUSIKISIKI
MKAMBATI
ELLIOT
O.R. TAMBO
DORDRECHT
MBOTYI
NDWE
CALA
LIBODE
STERKSTROOM
MTHATHA
NGQELENI
PORT ST JOHNS
NGCOBO
LADY FRERE
MQANDULI
QUEENSTOWN
ELLIOTDALE
COFIMVABA
TSOMO
COFFEE BAY
DUTYWA
WHITTLESEA
NGQAMAKHWE
WILLOWVALE
CATHCART
BUTTERWORTH
AMATHOLE
MAZEPPA BAY
SEYMOUR
STUTTERHEIM
KOMGA
CENTANE
KEISKAMMAHOEK
KEI ROAD
KEI MOUTH
ALICE
BEAUFORT
MIDDLEDRIFT
BHISHO
KING WILLIAM'S TOWN
EAST LONDON
BUFFALO CITY METRO
PEDDIE
HAMBURG
GRAHAMSTOWN
BATHURST
PORT ALFRED
KENTON ON SEA
CANNON ROCKS
SOUTH AFRICA
EASTERN CAPE



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