

ANNUAL FINANCIAL STATEMENTS

Statement of Changes in Equity

Balance at 01 July 2009
 Changes in equity
 Comprehensive loss for the year
 directly

	Non-distributable reserve R '000	Retained income R '000
	422 036	174 166
	-	(10 400)
	4 671	(4 671)
	4 671	(4 671)
	426 701	
	-	4 739
		4 739
		431 440

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Statement of Financial Position for the year ended 30 June 2011

		2011	2010
	Note(s)	R '000	R '000
Assets			
Non-Current Assets			
Property, plant and equipment	3	378 416	339 011
Intangible assets	4	5 933	5 739
Investments	5	29 808	26 922
		<u>414 157</u>	<u>371 672</u>
Current Assets			
Inventories	7	4 307	5 144
Trade and other receivables	8	89 491	78 705
Cash and cash equivalents	9	279 328	316 081
		<u>373 126</u>	<u>399 930</u>
Total Assets		<u>787 283</u>	<u>771 602</u>
Equity and Liabilities			
Equity			
Reserves		431 440	426 701
Retained income		196 779	159 056
		<u>628 219</u>	<u>585 757</u>
Liabilities			
Non-Current Liabilities			
Borrowings	10	22 315	26 612
Retirement benefit obligation	6	13 364	12 130
		<u>35 679</u>	<u>38 742</u>
Current Liabilities			
Borrowings	10	4 303	4 693
Trade and other payables	11	101 435	130 300
Provisions		16 908	12 110
Bank overdraft	9	739	-
		<u>123 385</u>	<u>147 103</u>
Total Liabilities		<u>159 064</u>	<u>185 845</u>
Total Equity and Liabilities		<u>787 283</u>	<u>771 602</u>

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Statement of Comprehensive Income

	Note	2011 R '000	2010 R '000
Revenue		287 994	249 639
Cost of sales		(88 668)	(68 004)
Raw water purchased		(25 455)	(20 417)
Chemical		(7 733)	(7 171)
Electricity		(55 480)	(40 416)
Gross profit		199 326	181 635
Employee costs		(97 736)	(82 036)
Repairs and maintenance		(23 891)	(18 839)
Bad debts		(33 696)	(79 618)
Fair value adjustments		719	(815)
Depreciation, amortisation and impairments		(21 028)	(20 205)
Operating expenses		(34 275)	(37 023)
Operating loss	12	(11 300)	(56 086)
Investment revenue		14 571	21 213
Revenue - investment (Investment income)		17 559	25 593
Finance costs		(2 988)	(4 380)
Other income		39 336	23 915
Profit (loss) for the year		42 607	(10 958)
Other comprehensive income:			
Actuarial gains and losses on defined benefit plans		(145)	519
Total comprehensive income (loss)		42 462	(10 439)
Total comprehensive income (loss) attributable to:			
Owners of the parent		42 462	(10 439)

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Statement of Changes in Equity

	Non-distributable reserve R '000	Retained income R '000	Total equity R '000
Balance at 01 July 2009	422 036	174 166	596 202
Changes in equity			
Total comprehensive loss for the year	-	(10 439)	(10 439)
Loan redeemed directly	4 671	(4 671)	-
Total changes	4 671	(15 110)	(10 439)
Balance at 01 July 2010	426 701	159 056	585 757
Changes in equity			
Total comprehensive income for the year	-	42 462	42 462
Loan redeemed directly	4 739	(4 739)	-
Total changes	4 739	37 723	42 462
Balance at 30 June 2011	431 440	196 779	628 219

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Statement of Cash Flows

	Note(s)	2011 R '000	2010 R '000
Cash flows from operating activities			
Cash generated from operations	16	17 182	(6 133)
Interest income		17 559	25 593
Finance costs		(2 988)	(4 380)
Net cash from operating activities		31 753	15 080
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(60 106)	(23 485)
Sale of property, plant and equipment	3	-	818
Purchase of other intangible assets	4	(847)	(687)
Sale of financial assets		(3 605)	(3 097)
Net cash from investing activities		(64 558)	(26 451)
Cash flows from financing activities			
Repayment of borrowings		(4 687)	(4 803)
Net cash from financing activities		(4 687)	(4 803)
Total cash movement for the year		(37 492)	(16 174)
Cash at the beginning of the year		316 081	332 255
Total cash at end of the year	9	278 589	316 081

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with International Financial Reporting Standards, and the Water Services Act no. 2108 of 1977 and the Public Finance Management Act no. 1 of 1999. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1. Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include.

Trade receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

Impairment testing

IAS 36, Impairment of Assets, states that an entity shall assess as each reporting date whether there is any indicator that an assets (or cash generating unit) may be impaired. If such indication exists, the entity is required to estimate the recoverable amount of assets (cash generating unit). As a minimum, external and internal sources, as required by the standard, need to be considered.

Taxation

LNW is exempt from tax in terms of section 10(1) (ca) of the Income Tax Act. LNW is subject to VAT. Judgement is required in determining the VAT payable or recoverable by the entity and involves interpretation of the tax laws, assessment of the interpretations and guidelines issued by the tax authority in South Africa, as well advice received from the Advisers.

Useful lives and residual of property, plant and equipment

Property, plant and equipment are depreciated over its useful life taking in to account residual values where appropriate. The actual useful lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re assessing assets useful lives, factors such as technological innovations, product life and maintenance programmes are taken into account. Residual values estimates consider such issue as future market conditions, the remaining life of the asset and projected disposal values.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Defined benefit retirement plans

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

1.2. Property, plant and equipment

Property, plant and equipment are stated at capitalised initial and subsequent costs (i.e. gross carrying amount) less subsequent accumulated depreciation and impairment losses and is measured and recognised on the historical cost basis. The gross carrying amount of purchased and self constructed assets includes all initial and subsequent costs necessary to place the asset in a condition necessary to meet their intended use. Directly attributable costs are recognised. Capitalisation of self constructed assets in the gross carrying amount of an asset during the commissioning period in which it is impossible to operate at normal levels. Capitalisation costs cease once the asset is put into operation and subsequently recognised costs are componentised in order to substantially reflect the useful lives of the significant asset components.

Assets are depreciated on the straight-line basis at rates that will reduce the historical costs to estimated residual values over the estimated useful lives of the assets. Residual values and useful lives of assets are reviewed and adjusted, if appropriate, at each reporting date.

An asset carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the greater of the asset's value in use or the estimated net selling price of the asset.

Gains and losses on disposals of an item of property, plant and equipment is determined by comparing the net proceeds to the carrying amount. These are included in the Statement of Financial Performance. Repair and maintenance, not materially adding to the value of the assets, are charged to the Statement of Financial Performance during the period in which they are incurred.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.2 Property, plant and equipment (continued)

Land and Servitudes and surface rights are not depreciated and are stated at historical cost less accumulated impairment losses. All other plant and equipment are depreciated. A register is kept at the LNW head office of all land and servitudes.

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

Item	Average useful life
Buildings	9-32 years
Machinery and equipment	3- 12 years
Furniture	3- 10 years
Motor vehicles	2-10 years
Water Works	3-52 years
Telemetry	3- 5 years

The above guidelines are reassessed on an annual basis, and revised as appropriate.

The residual value of each asset is reviewed at each financial period end.

1.3. Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.

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Accounting Policies

1.3. Intangible assets (continued)

- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows.

Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

1.4. Financial instruments

Classification

The Board classifies financial assets and financial liabilities into the following categories:

- Held to maturity investment
- Loans and receivables
- cash and cash equivalents

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4. Financial instruments (continued)

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Held to maturity

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturity that the Board has the positive intent and ability to hold to maturity.

If the Board were to sell other than an insignificant amount of held to maturity assets, the entire category would be tainted and reclassified as available for sale.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Board intends to sell in the future. They arise when the Board provides money, goods or services directly to a debtor with no intention of trading the receivables.

Cash and cash equivalents

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, and investments in money market instruments and bank overdrafts, all of which are available for use by the Board unless otherwise stated.

Cash and cash equivalents are carried at fair value in the statement of financial position.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4. Financial instruments (continued)

Initial recognition and measurement

Purchases and sales of financial assets at fair value through profit and loss and held to maturity are recognised on trade date the date on which the Board commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets (or, where applicable, a part of a financial asset or part of LNW of similar financial assets) are derecognised when the contractual right to receive cash flows from the financial assets have expired or where the Board has transferred substantially all the risks and rewards of ownership, without retaining control. Any interest in the transferred financial assets that is created or retained by the Board is recognised as a separate asset or liability.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

The carrying amount of all financial assets is reduced directly by the impairment loss with the exception of trade and other receivables where the carrying value is reduced through the use of an allowance for doubtful debts account.

Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4. Financial instruments (continued)

An allowance for impairment of trade and other receivables is established when there is objective evidence that the group and LNW will not be able to collect all amounts due according to the original terms of the receivables. Significant difficulties of the debtor, probability that the debtors will enter bankruptcy or financial re organisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate, where significant.

The carrying amount of trade and other receivables is reduced through the use of an allowance for doubtful debts account. When a trade receivable is uncollectible it is written off against this allowance account. Subsequent recoveries of amounts previously written off are recognised in the profit and loss.

Changes in the carrying amount of the allowance account are recognised through profit or loss. Increases or decreases in trade and other receivable allowance that affect profit or loss are reflected in the statement of comprehensive income

Trade and other payables

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

Financial liabilities

The financial liabilities of the group are all classified as 'other financial liabilities' and consist of borrowings which are initially measured at fair value plus any directly transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and allocating interest over the relevant period. The effective interest rate is the rate that exactly estimated future payments through the expected life of the financial liability, or where appropriate, over a shorter period.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.4. Financial instruments (continued)

Financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as de-recognition of the original liability and recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of Financial instruments

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from group of similar transactions such as in the Group's trading activity.

Borrowings

Borrowings are initially measured at fair value plus any directly attributable transaction cost incurred, and are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the of the borrowings, using the effective interest rate method. Borrowings are classified as current liabilities unless LNW has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

1.5. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.5. Leases (continued)

Operating leases – lessor

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight line basis over the period of the lease, except where another system basis is more representative of the time pattern in which economic benefits from the leased asset is consumed. Contingent rentals arising under operating leases are recognised in the period they are earned.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

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

1.6. Inventories

Inventories are stated at the lower of cost and net realisable value on the weighted average cost basis. Cost of inventories includes cost of freight, shipping and handling. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

1.7. Employee benefits

Short term employee benefits

LNW has introduced a Performance Bonus Scheme for all staff members whereby the performance of each employee is annually assessed or evaluated and an incentive bonus is payable on the basis of such assessments. The benefits are recognised in the Statement of Financial Performance in the year that the benefits are rewarded.

Lepelle Northern Water

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Accounting Policies

1.7. Employee benefits (continued)

Defined benefit retirement plans

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

Post Retirement Medical Care benefits

LNW provides post retirement medical care benefits to its employees. Their entitlement to the benefit is dependent on the employee remaining in service until retirement and is subject to periodic review. The projected unit credit method is used to determine the present value of the post retirement medical care plan and is related to current service cost. Actuarial gains or losses in respect of post retirement medical care benefits are recognised against income in the year in which they occur. This post retirement fund is partially backed up by a separate insurance investment.

Post retirement employee benefits

LNW provides pension benefits for all employees by way of contributions to two retirement funds, a pension fund as well as a provident fund. Employees are obliged to choose between one of these two retirement funds:

- The Lepelle Northern Water Pension Fund is a defined benefit fund which is governed by the Pension Fund Act, 1956. The assets of the fund are held separately from the assets of the LNW's funds under control of the trustees of the fund. Actuarial valuations are carried out at each balance sheet date. The fund is funded by payments from employees as well as LNW.

This defined benefit fund consists of pensioner members and employee members. The benefit costs and contributions are assessed using the unit credit method. Under this method, the solvency of the fund is assessed by comparing the present value of benefits to the value of the fund assets at the date of assessment.

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Accounting Policies

1.7. Employee benefits (continued)

No actuarial surplus is recognised, but actuarial losses are immediately recognised as an expense as LNW is obliged to fund such losses in terms of the fund rules.

- The Meshawu National Local Government Retirement Fund is a Provident Retirement Fund which was established as a result of a collective agreement and is a defined contribution fund and there are no unfunded liabilities.
- The fund is funded by contributions made by both LNW and employee members. LNW's contributions are charged to the Statement of Financial Performance.

Contributions to both these funds are recognised as an expense as and when employees have rendered service entitling them to contributions.

1.8. Provisions and contingencies

Provisions

Provisions are recognised when the Board has a present obligation legal or constructive as a result of past events, from which it is probable that an outflow of economic benefits will be required to settle the obligation and the obligation can be estimated reliably. Provisions are provided for by assessing all legal claims to determine if a present obligation exists and if it can be reliably measured. In this process management applies its judgment to all the facts and by taking into account the advice from legal and other advisors.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as accretion expenses within finance charges.

Contingent liabilities

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Accounting Policies

1.8. Provisions and contingencies (continued)

Management applies its judgement to the facts and advice it receives from its attorneys, advocates and other advisors in assessing if a loss outcome is probable, reasonably possible or remote. Such judgements are used to determine if the obligation is recognised as a contingent liability in terms of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. Contingent liabilities are not recognised in the statement of financial position of the board in note 16.

Contingent assets

Contingent assets are not recognised, but are disclosed when an inflow of economic benefit is probable.

Commitments

Items are classified as commitments where the Board has committed itself to future transactions.

1.9. Revenue

Sale of water

Revenue comprises the fair value of the consideration received or receivable for the sale of water in the ordinary course of business. Revenue is shown net of VAT, rebates and discounts. All amounts invoiced to a customer in a sales transaction related to distribution and handling costs are classified as revenue, with the costs related to distribution shown as distribution costs within sales. Turnover comprises the invoiced value of sales excluding value added tax.

Revenue is recognised when the amount of revenue can be reliably measured, and it is probable that future economic benefits will flow to the entity and criteria have been met. Sales are recognised on the relevant terms of delivery at which point the risk of loss has been transferred to the customer. Sales are recognised based on the relevant terms of delivery at which point the risk of loss and the customer has accepted the product in accordance with the supply contract.

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Financial Statements for the year ended 30 June 2011

Accounting Policies

1.9. Revenue (continued)

Interest received

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the carrying amount is reduced to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

1.10. Fruitless and Wasteful expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement of the Public Finance Management Act. Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charge against the statement of comprehensive income in the period it was incurred.

1.11. General reserve fund

Any surplus funds which have not been set aside for a specific purpose or particular fund, may at the discretion of the Board, be transferred to the General Reserve Fund. The fund may be applied by the Board at its discretion for any purpose for which it is permitted in terms of the Water Services Act.

1.12. Comparative figures

When necessary, comparative figures and accounting policies have been adjusted to conform with changes in presentation in the current period.

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Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011	2010
	R '000	R '000

2. New Standards and Interpretations

2.1. Standards and interpretations effective and adopted in the current year

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

2.2. Standards and interpretations not yet effective

The board has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the board's accounting periods beginning on or after 01 July 2011 or later periods:

2.3. Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the board's accounting periods beginning on or after 01 July 2011 or later periods but are not relevant to its operations:

May 2008 Annual Improvements to IFRS's: Amendments to IAS 39 Financial Instruments: Recognition and Measurement

IAS 39 (AC 133) prohibits the classification of financial instruments into or out of the fair value through profit or loss category after initial recognition. The amendments set out a number of changes in circumstances that are not considered to be reclassifications for this purpose.

The amendments have also removed references to the designation of hedging instruments at the segment level.

The amendments further clarify that the revised effective interest rate calculated when fair value hedge accounting ceases, in accordance with paragraph 92 IAS 39 (AC 133) should be used for the remeasurement of the hedged item when paragraph AG8 of IAS 39 (AC 133) is applicable.

The effective date of the amendment is for years beginning on or after 01 January 2009.

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Notes to the Financial Statements

2011	2010
R '000	R '000

2. New Standards and Interpretations (continued)

The board does not envisage the adoption of the standard until such time as it becomes applicable to the board's operations.

It is unlikely that the amendment will have a material impact on the board's financial statements.

IAS 7 Statement of Cash flows: Consequential amendments due to IAS 27 (Amended) Consolidated and Separate Financial Statements

Cash flows arising from changes in level of control, where control is not lost, are equity transactions and are therefore accounted for as cash flows from financing transactions.

The effective date of the amendment is for years beginning on or after 01 July 2009.

The board does not envisage the adoption of the standard until such time as it becomes applicable to the board's operations.

It is unlikely that the amendment will have a material impact on the board's financial statements.

Amendment to IAS 39 and IFRS 7: Reclassification of Financial Assets

The amendment permits an entity to reclassify certain financial assets out of the fair value through profit or loss category if certain stringent conditions are met. It also permits an entity to transfer from the available for sale category to loans and receivables under certain circumstances. Additional disclosures are required in the event of any of these reclassifications.

The effective date of the amendment is for years beginning on or after 01 July 2008.

The board does not envisage the adoption of the standard until such time as it becomes applicable to the board's operations.

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Notes to the Financial Statements

2011	2010
R '000	R '000

2. New Standards and Interpretations (continued)

It is unlikely that the amendment will have a material impact on the board's financial statements.

Amendments to IFRS 7: Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments

The amendment requires additional disclosures about fair value measurement, including separating fair value measures into a hierarchy. The amendments also require liquidity risk disclosure to be separated between non derivative financial liabilities and derivative financial liabilities.

The effective date of the amendment is for years beginning on or after 01 January 2009.

The board expects to adopt the amendment for the first time in the 2010 financial statements.

The board does not envisage the adoption of the standard until such time as it becomes applicable to the board's operations.

It is unlikely that the amendment will have a material impact on the board's financial statements.

3. Property, plant and equipment

	2011			2010		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Buildings	8 140	(437)	7 703	8 140	(385)	7 755
Plant and machinery	13 469	(5 676)	7 793	9 193	(4 480)	4 713
Furniture and fixtures	2 751	(1 638)	1 113	2 451	(1 332)	1 119
Motor vehicles	22 582	(10 777)	11 805	18 200	(8 093)	10 107
IT equipment	4 043	(2 963)	1 080	3 550	(2 422)	1 128
Water Works	453 087	(173 314)	279 773	448 089	(158 209)	289 880
Assets under construction	68 441	-	68 441	23 979	-	23 979
Telemetry	2 130	(1 422)	708	1 666	(1 336)	330
Total	574 643	(196 227)	378 416	515 268	(176 257)	339 011

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	7 755	-	-	(52)	7 703
Plant and machinery	4 713	4 292	(4)	(1 208)	7 793
Furniture and fixtures	1 119	300	-	(308)	1 113
Motor vehicles	10 107	5 056	(307)	(3 051)	11 805
IT equipment	1 128	535	(20)	(563)	1 080
Water Works	289 880	4 998	-	(15 105)	279 773
Assets under construction	23 979	44 462	-	-	68 441
Telemetry	330	463	-	(86)	708
	339 011	60 106	(331)	(20 373)	378 416

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Buildings	7 806	-	-	(51)	7 755
Plant and machinery	3 814	1 780	(52)	(826)	4 713
Furniture and fixtures	873	467	(1)	(217)	1 119
Motor vehicles	10 912	3 186	(1 055)	(2 937)	10 107
IT equipment	1 107	495	(7)	(503)	1 128
Water Works	305 003	-	-	(15 123)	289 880
Assets under construction	6 455	17 524	-	-	23 979
Telemetry	346	33	-	(49)	330
	336 316	23 485	(1 115)	(19 706)	339 011

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011			2010		
	R '000			R '000		
4. Intangible assets						
	2011			2010		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Software	8 485	(3 333)	5 152	7 639	(2 681)	4 958
Servitudes	781	-	781	781	-	781
Total	9 266	(3 333)	5 933	8 420	(2 681)	5 739

Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Software	4 958	847	(653)	5 152
Servitudes	781	-	-	781
	5 739	847	(653)	5 933

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Transfers	Amortisation	Total
Software	4 806	687	(37)	(498)	4 958
Servitudes	781	-	-	-	781
	5 587	687	(37)	(498)	5 739

5. Investments

At fair value through profit or loss - designated

Investment	29 808	26 922
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Non-current assets

At maturity value through profit or loss - designated	29 808	26 922
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Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
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6. Pension fund and post-retirement medical aid obligation

Pension Fund obligation

LNW provides for pension for all the employees by payments to two pension funds:

The Lepelle Northern Water Pension Fund is a defined benefit fund which is governed by the Pension Fund Act, 1956. The defined benefit fund requires actuarial valuation at intervals not exceeding three years. An actuarial valuation was performed med as at July 1, 2010 and the valuator reported that the Fund was in a sound financial position, and that the present rates of contribution were adequate to enable the fund to provide the benefits to which members are entitled. The next statutory valuation will be carried out on 1 July 2010. At the year end the active employee's memberships were 41 and continuation members 23. The status of the fund at year end is as follows:

Change in Liability

Opening Balance	33 398	25 660
Service Cost	2 347	1 445
Interest Cost	3 106	2 558
Actuarial (Gain)/Loss	154	4 611
Benefits Paid	(2 459)	(1 401)
Member contribution past service cost settlement	-	525
Closing Balance	36 546	33 398

Opening Balance/ service cost	13,0
Interest cost	9,50%

6. Pension fund and post-retirement medical aid obligation (Continued)

Change in Plan Assets

Opening balance	35 310	30 795
Actual return	992	4 166
Expected return	3 313	3 081
Actuarial gain/(loss)	(2 321)	1 085
Contributions by participants	1 959	1 750
employee	588	525
employer	1 371	1 225
Benefits paid settlement	(2 459)	(1 401)
Closing Balance	35 802	35 310

Opening A/L %	10%	9,95%
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Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
6. Pension fund and post-retirement medical aid obligation (Continued)		
Funding Level		
Projected Benefit Obligation	(36 546)	(33 398)
Plan Assets	35 802	35 310
Asset/(Liability)	(744)	1 912
Balance Sheet		
Projected Benefit Obligation	36 546	33 398
Plan Assets	(35 802)	(35 310)
Net Obligation/(Asset)	744	(1 912)
Unrecognised past service cost	-	-
Unrecognised s58	(744)	1 912
Net Obligation/(Asset) to be in Balance Sheet	-	-
Income Statement		
Service Cost	2 347	1 445
Interest Cost	3 106	2 558
Expected return on plan assets	(3 313)	(3 081)
Change in s59 amount	(2 338)	(2 274)
Actuarial loss/(gain) recognised	-	2 577
Settlement cost recognised	-	-
	(198)	1 225
Key Valuation Assumptions		
Discount Rate	9,00%	9,00%
Salary Increase rate	8,86%	8,86%
Pension Increase Rate	4,80%	4,80%
General Inflation rate	6,00%	6,00%
Expected Return on plan assets	9,00%	9,45%
Projected Benefit Obligation	(13 364)	(12 132)
Plan Assets	-	-
Asset/(Liability)	(13 364)	(12 132)
Unrecognised actuarial gains/(losses)		
Opening Balance	(442)	(518)
Amount recognised	-	-
Corridor Max	(442)	1 151
Balance to be amortised	-	-
Amort Period	-	-
New gains/(losses)	-	-
	(442)	518
Closing Balance	-	-

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
6. Pension fund and post-retirement medical aid obligation (Continued)		
Balance Sheet		
Projected Benefit Obligation	13 364	12 132
Plan Assets	-	-
Net Obligation/(Asset)	13 364	12 132
Unrecognised actuarial gains/(losses)	-	-
Miscellaneous	-	-
Unrecognised s58	-	-
Net Obligation/(Asset) to be in Balance Sheet	13 364	12 132
Income Statement		
Service Cost	430	535
Interest Cost	1 102	1 045
Expected return on plan assets	-	-
Change in s59 amount	-	-
Actuarial loss/(gain) recognised	145	(518)
Member contribution and risk benefits	-	-
Sale of business	-	-
Amount recognised in income statement	1 677	1 062
Reconciliation of balance sheet item		
Opening value	12 130	11 512
Benefits paid	(443)	-
Amount recognised in Income Statement	1 677	1 062
Closing value	13 364	12 574
Key Valuation Assumptions		
Discount Rate	9,00%	9,30%
General Inflation rate	6,00%	6,00%
Medical Fund Increase rate	8,00%	8,00%
Expected Return on plan assets	8,86%	9,45%
Sensitivity of results		
1% increase in medical aid inflation	2031	1832
increase in accrued liability	15.2%	15.10%
	351	266
increase in service cost and interest cost		277 000
	18.2%	17.5%
1% decrease in medical aid inflation	-1657	-1 492
decrease in accrued liability	-12.4%	-12.3%
	-91	-214
decrease in service cost and interest cost	-6.0%	-14%

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
7. Inventories		
Chemicals	994	1 360
Maintenance stock	1 585	1 903
Water Inventory	274	310
Assurance stock	1 571	1 571
	<u>4 424</u>	<u>5 144</u>
Inventories (write-downs)	(117)	-
	<u>4 307</u>	<u>5 144</u>
8. Trade and other receivables		
Trade receivables	42 810	20 106
Pre-payments	1 170	616
Loans to employees	749	393
Purification and sewerage plants operated on behalf of municipalities	42 775	56 484
Advance payments to suppliers	1 987	1 106
	<u>89 491</u>	<u>78 705</u>

None of the financial assets that are fully performing have been renegotiated in the last year.

Credit quality of trade and other receivables

The credit quality of trade and other receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

Trade and other receivables past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2011, R29 902 (2010: R 42 917) were past due but not impaired.

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

Current	35 356	25 570
30 days	83	13 381
60 days	17 432	8 983
90 days and over	282 254	228 795
Total	<u>335 125</u>	<u>276 729</u>

Reconciliation of provision for impairment of trade and other receivables

Opening balance	(258 618)	(179 624)
Provision for impairment	(33 696)	(79 618)
Unused amounts reversed	-	624
	<u>(292 314)</u>	<u>(258 618)</u>

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	37	37
Bank balances	-	13 079
Short-term deposits	279 291	302 965
Bank overdraft	(739)	-
	278 589	316 081
Current assets	279 328	316 081
Current liabilities	(739)	-
	278 589	316 081

10. Borrowings

Non-current liabilities

At amortised cost

	22 315	26 612
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Current liabilities

At amortised cost

	4 303	4 693
	26 618	31 305

Department of water affairs and forestry

Loan to acquire the Duiwelskoof water purification scheme

	578	650
Capital portion of annual instalment	(35)	(72)

Undefined Difference

	-	-
Balance at end of year	543	578

The loan is repayable in annual instalments of R102 000 on 31 March each year, interest is charged at 10.4% p.a. and is repayable at 31 March 2020.

Development bank of southern Africa limited

Outstanding amount	11 657	14 321
Capital portion of annual instalment	(2 664)	(2 664)
Balance at end of year	8 993	11 657

The loan is repayable over a period of 20 years commencing 1 October 1984 in six-monthly instalments of R2 015 218. The final instalment is payable on 30 September 2014. Interest is payable at a rate of 10% p.a.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
10. Borrowings (continued)		
Potgietersrus platinum's limited		
Loan to provide water to Mogalakwena Municipality	-	359
Capital portion of instalments	-	(359)
Balance at end of year	-	-

This loan is repayable over period of 7 years in monthly instalments of R59 428 up to 30 January 2011. Interest is charged at prime rate less 2%.

Development bank of southern Africa limited		
Amount owing	14 377	15 974
Capital portion of instalments	(1 598)	(1 597)
Balance at end of year	12 779	14 377

This loan is repayable over a period of 15 years as from 19 August 2005 in fixed capital six monthly instalments of R798 705 plus interest charged at 9,2% per annum.

11. Trade and other payables		
Trade payables	22 415	66 082
Amounts received in advance	11 374	11 908
VAT	24 222	19 596
Suppliers	43 119	31 903
Interest Accrued	305	811
	101 435	130 300

12. Operating loss

Operating loss for the year is stated after accounting for the following:

Operating lease charges		
Premises		
• Contractual amounts	1 668	1 479
Equipment		
• Contractual amounts	330	553
	1 998	2 032
Loss on sale of property, plant and equipment	(331)	(297)
Amortisation on intangible assets	656	498
Depreciation on property, plant and equipment	20 372	19 707
Employee costs	101 349	82 036
Research and development	143	-

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
13. Fair value adjustments		
Fair Value Adjustments	(719)	815
14. Auditors' remuneration		
Fees	1 836	1 410
Expenses	651	58
	2 487	1 468
15. Operating lease		
LNW leases photocopy, facsimile machines and offices under operating leases which expires up to 2011		
The future minimum commitments are as follows:		
Payable within a year	1 076	1 659
Expenses	59	126
	1 135	1 785
16. Cash generated from operations		
Profit before taxation	42 607	(10 958)
Adjustments for:		
Depreciation and amortisation	21 028	20 205
Loss on sale of assets	326	297
Interest received	(17 559)	(25 593)
Finance costs	2 988	4 380
Fair value adjustments	719	(815)
Movements in retirement benefit assets and liabilities	1 089	1 137
Movements in provisions	4 798	1 257
Prior year adjustment	-	15 127
Changes in working capital:		
Inventories	837	(718)
Trade and other receivables	(10 786)	18 936
Trade and other payables	(28 865)	(29 388)
	17 182	(6 133)

17. Contingencies

LNW did not pay its Raw Water account since 2002 as the Department of water affairs invoicing system was inadequate and billings for the entire period since non payment by LNW was only finalised in 2008. LNW has paid substantial amount of the arrears relating to period 2002 to 2008. LNW and DWA are in process of reconciling the Raw Water account to determine whether interest of approximately R34 million on the outstanding amounts is due or not for the period of 2002 to 2008. The reconciliation is anticipated to be finalised by the end of November 2011, at which a decision may be made either to write off or reverse a substantial portion or all the interest charge.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

Figures in thousands

18. Remuneration of board members and senior management

Directors emoluments were paid to the director during the year

Remuneration of non- executive board members

Board Members Fees	824	784
Travel & Accommodation	132	57
Other Expenses	500	-
TOTAL	1 456	841

Fees for individual non-executive board members of LNW: (disclosure in terms of PFMA)

		Basic remuneration R'000	Other cash benefits R'000	Variable remuneration R'000	Travel & subsistence R'000	Total for 2011 R'000
D W Pelsler	Appointed 01 May 10	57	-	26	-	83
N J Manthata	Appointed 01 May 10	57	-	51	33	141
ML Mapoulo	Appointed 01 May 10	57	-	19	-	76
MR Lukhuleni	Appointed 01 May 10	57	-	19	-	76
JM Letsoalo	Appointed 01 May 10	57	-	26	-	83
MJ Gololo	Appointed 01 May 10	57	-	24	26	107
NL Matlou	Appointed 01 May 10	57	-	19	-	76
NM Molohe	Appointed 01 May 10	57	-	19	-	76
LLC Malamba	Appointed 01 May 10	57	-	32	6	95
MJR Mpai	Appointed 01 May 10	83	-	165	26	274
NH Matsepe	Appointed 01 May 10	57	-	31	11	99
PE Maimela	Appointed 01 May 10	57	-	19	19	95
BP Sebola	Appointed 01 May 10	57	-	31	11	99
NME Kgatla	Appointed 01 May 10	57	-	19	-	76
Subtotal		824	-	500	132	1 456

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

Figures in thousands

18. Remuneration of board members and senior management (continued)

Remuneration of senior management of LNW: (disclosure in terms of PFMA)

	Basic remuneration R'000	Other cash benefits R'000	Incentive Bonus R'000	Contribution Ret. Medical R'000	Total for 2011 R'000
Leballo L A	757	360	116	200	1 433
Maponya M M	441	302	58	115	916
Manzini GD	304	245	44	80	673
Schmahl C	451	286	97	130	964
Kilian JC	523	178	49	142	892
Legodi PK	428	183	50	102	763
Total for senior management	2 904	1 554	414	769	5 641

	Basic remuneration R'000	Other cash benefits R'000	Bonuses Accrued R'000	Travel & subsistence R'000	Total for 2010 R'000
Leballo LA	-	-	160	-	160
Maponya MM	-	-	107	-	107
Manzini GD	-	-	88	-	88
Schmahl C	-	-	106	-	106
Kilian JC	-	-	113	-	113
Legodi PK	-	-	98	-	98
Total for senior management	-	-	672	-	672

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
19. Prior period errors		
In the current year certain errors affecting LNW's financial statements at 30 June 2010 and its position as at that date were identified and corrected. The total effect of these on the opening accumulated retained earnings is disclosed in the statement of changes in equity. The correction of the errors results in adjustments to other financial statements arrears are as follows:		
Statement of Financial Position		
Accounts payable	-	(6 881)
Provision	-	(2 997)
Profit or Loss		
Employee costs	-	(2 997)
Interest expenses	-	3
Operating expenses	-	(511)
Cost of sales	-	(3 381)
Interest income	-	(12 080)

20. Financial risk management

LNW has exposure to the following risks from its use of financial instruments: -

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the LNW's exposure to each of the above risks, LNW's objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements

The LNW has overall responsibility for the establishment and oversight of the board risk management framework. The LNW has established a Risk Management Committee, which is responsible for developing and monitoring the LNW's risk management policies. The committee reports regularly to the Board in its activities.

Risk management policies are established to identify and analyse the risks faced by LNW, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and LNW's activities. LNW, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by LNW. The Audit Committee is assisted in its oversight by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the result of which are reported to the Audit Committee.

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011	2010
	R '000	R '000

Credit risk

Credit risk is the risk of financial loss to LNW if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from LNW's receivables from customers and investments securities.

Trade and other receivables

LNW's exposure to credit risk influenced mainly by the individual characteristics of each customer. The customer base of LNW, with the main customers being municipal authorities, has a definite influence on the credit risk. Approximately 70% of the LNW's revenue is attributable to sales to municipal authorities with a measure of credit risk due to the financial position of these authorities.

As LNW sells water, which is a basic commodity, it is not possible to select its clients to whom sales are made and to determine their credit worthiness before sales are made. This fact increases credit risk in respect of customers and receivables.

LNW's customers have been transacting with LNW for over 10 Years, and losses have incurred infrequently. The problems experienced with repayment by some of the Local Authorities are instances of debt collections and faulty meters. The recoverability of debt from local authorities are also assisted by Provincial and Central Government.

LNW establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of the allowance is a specific loss component that relates to individually significant exposures.

Investments

LNW limits its exposure to risk by only investing its short-term investments in liquid securities and only with counterparties that have a credit rating of at least A1 rating. Management does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that LNW will not be able to meet its financial obligations as they fall due. The approach to manage liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to LNW's reputation.

LNW has built up ample reserves over the years to ensure that the cash flow needed to fund its operations is available. LNW ensures that it has sufficient cash on demand to meet operational expenses for a period of 60 days, including the servicing of financial obligations.

The following are the contractual maturities of financial liabilities, including interest payments and excluding interest payments and excluding the impact of netting agreements:

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011 R '000	2010 R '000
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- Secured bank loans

Market risk

Market price risk

Market price risk is the risk that changes in market prices of raw water will affect LNW's income. LNW mainly buys raw water, purifies it and sells the end product. All such transactions are carried out within the guidelines set by the Risk Management Committee. LNW's client base is well known existing organisations and the risk involved are also clear and controllable.

Interest rate risk

LNW policy is to manage risk so that fluctuation in variable rates does not have a material impact on the statement of financial performance. Interest on financial instruments, classified as floating rate, is reassessed at intervals of less than one year. Interest on financial instruments classified as fixed rate, is fixed until maturity of the instrument. The following carrying amount, by maturity, of the enterprise and the LNW financial instruments that are not exposed to the interest rate risk:

Capital management

LNW's policy is to maintain a strong base so as to maintain investor, creditor and market confidence and to sustain future capital expenditure and provision of water supply to the Province of Limpopo. LNW is not subject to any externally imposed capital requirements.

21. Fifa world cup expenditure

LNW

LNW has spent an amount of 478 towards the FIFA world cup. No tickets and Travel cost was spent by LNW for the world 2010 Fifa world cup events

	Quantity	
Golf shirt	750	71
Mini Kudzela	70	142
Bafana Bafana Jersey	370	126
LNW branded Flag	25 000	126
LNW Branded squeeze bottle	50 000	141
	<u>-</u>	<u>591</u>

DWA FIFA EXPENDITURE

Fifa world cup	-	321
Fifa world cup	1 179	2 055
	<u>1 179</u>	<u>2 376</u>

Lepelle Northern Water

Financial Statements for the year ended 30 June 2011

Notes to the Financial Statements

	2011	2010
	R '000	R '000

22. Contingent Assets

Interest on Outstanding Debt

recognition criteria of revenue

Trade Receivables

The amounts below have not been included in the trade and other receivables as they are in dispute. Due to the dispute the figure of R 1 560 million has not been recognised as an asset.

Polokwane municipality	-	749
Intertoll	-	268
Mankweng	-	582
Total	-	1 599

23. Fruitless Expenditure

Payment to SARS

An amount of R364 was charged by SARS on the payment of SDL and UIF during the month of October 2010. This was due allocation of the payments in batches instead of the full amount paid.

Payment of electricity

An amount of R157 was charged by Eskom and Greater Tzaneen Municipality. This was due to late allocation of payments by the institution.

Sars	364	-
Electricity accounts	157	-
Total	521	-

24. Commitments

Capital commitments authorised by the board

Contracted for	70 492	57 707
Not yet contracted for	63 936	177 457
	134 428	235 164

25. Related Party Transactions

Identified related parties

- LNW reports to the Department of water affairs

Material related party transactions Additional text

- Loans from related parties (refer note 10)
- Directors remunerations (refer note 18)

SEVEN YEAR REVIEW

EXPENDITURE TRENDS

	2 011	2010	2009	2008	2007	2006	2005
Water Sales (in Megalitres)	95 254	91 275	87 376	85 661	86 459	85 069	78 058
Potable water	70 386	66 693	62 433	61 240	61 489	57 913	52 590
Industrial water	24 868	24 582	24 943	24 421	24 970	27 156	25 469
INCOME STATEMENT							
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Turnover	287 994	249 639	226 900	203 284	200 154	179 656	159 761
Portable water sales	258 123	222 486	203 502	182 179	179 703	158 287	140 659
Industrial water sales	29 871	27 153	23 398	21 105	20 451	21 369	19 102
Sundry income	39 336	24 011	45 144	23 855	18 810	5 996	1 783
Total Revenue	327 330	273 650	272 044	227 139	218 964	185 652	161 544
Expenditure							
Operating expenditure	299 439	305 305	258 671	235 998	157 259	127 524	91 931
Net operating expenditure	278 411	285 100	239 972	219 669	140 452	103 299	80 047
Depreciation	21 028	20 205	18 699	16 329	16 807	24 225	11 884
Operating income	27 891	(31 655)	13 373	(8 859)	61 705	58 128	69 613
Net Financing costs	14 571	(21 216)	(26 925)	(27 214)	(549)	(19 103)	7 114
Interest paid	2 988	4 377	16 757	6 499	16 020	20 033	55 985
Interest received	17 559	(25 593)	(43 682)	(33 713)	(16 569)	(39 136)	(48 871)
Income tax reversal				13			
Profit for the year	42 462	(10 439)	40 298	18 368			
Attributable to:							
LNW							
Minority interest/loss				(26)			
Retained Income	42 462	(10 439)	40 298	18 394	62 254	77 231	62 499

CASH FLOW STATEMENT

	2 011	2010	2009	2008	2007	2006	2005
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Cash generated from trading	17 182	58 890	99 319	87 089	80 876	179 656	133 947
Change in net working capital		(78 944)	(47 156)	(839)	6 241	(128 526)	(59 497)
Cash generated from operations	17 182	(20 054)	52 163	86 250	87 117	51 130	74 450
Net interest paid	(14 571)	(33 296)	(26 925)	(27 214)	(549)	(19 103)	7 114
Cash flow from operations	31 753	13 242	79 088	113 464	87 666	70 233	67 336
Net cash outflow from investing	(64 558)	(25 379)	(23 390)	(8 345)	(12 653)	192 500	(30 364)
net cash inflow from financing	(4 687)	(4 040)	(3 136)	(3 030)	(6 479)	(230 776)	(21 271)
Net cash and cash equivalent	(37 492)	(16 177)	52 562	102 089	68 534	31 958	15 701
Cash at beginning of year	316 078	332 255	279 693	177 617	108 718	76 760	61 059
Cash retained for the year	279 328	316 078	332 255	279 706	177 252	108 718	76 760

BALANCE SHEET

	2 011	2010	2009	2008	2007	2006	2005
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Capital and reserves	628 219	575 023	582 660	542 970	524 533	446 325	388 844
Long-term liabilities	35 679	38 742	42 782	45 918	51 672	58 152	288 927
short-term liabilities	123 385	157 836	177 495	152 128	135 906	146 185	109 823
Equity and liabilities	787 283	771 601	802 937	741 016	712 111	650 662	787 594
Property, plant and equipment	384 349	344 750	343 490	341 091	351 723	369 533	377 003
Investments	29 808	26 922	23 009	20 715	18 097	12 724	219 688
Current assets	373 126	399 929	436 438	379 210	342 291	268 406	190 903
Total assets	787 283	771 601	802 937	741 016	712 111	650 662	787 594

TARIFF STATISTICS

	2 011	2010	2009	2008	2007	2006	2005
	c/kl	c/kl	c/kl	c/kl	c/kl	c/kl	c/kl
Potable tariff							
Phalaborwa	243.03	228.20	219.84	206.43	196.41	188.67	180.55
Doorndraai	388.01	364.33	350.99	329.57	326.30	319.91	306.13
Politsi	258.65	242.86	233.97	219.69	209.03	200.80	192.15
Ebenezer	426.13	400.12	385.47	361.95	358.36	353.07	348.78
Olifantspoort	443.27	416.21	400.98	376.50	374.63	372.77	370.54
Flag Boshielo	346.49	325.34	313.43	294.30	288.53	282.88	275.01
Industrial tariff							
Industry - Foskor	133.65	112.78	95.17	89.37	84.71	81.37	77.87
Industry - PMC	126.57	106.81	90.13	84.63	80.22	77.06	73.74
Industry - Sasol Agri	127.51	107.60	90.80	85.26	80.81	77.63	74.29
Financial statistics per megaliters							
Average tariff (Industrial)	1.32	1.10	0.94	0.86	0.82	0.79	0.75
Average tariff (potable)	3.57	3.34	3.26	2.97	2.92	2.73	2.67
Average tariff (consolidated)	3.02	2.74	2.60	2.37	2.32	2.11	2.05
Operating expenditure per megaliter	3.14	3.34	2.96	2.76	1.82	1.50	1.18
Total cost per megaliter	3.30	3.11	2.65	2.44	1.81	1.27	1.27
Operating efficiency							
Personnel costs (Rands)	100 247	85 032	67 719	54 947	50 527	47 001	41 901
Number of employees	300	296	280	280	260	266	270
Turnover per employee (Rands)	959 980	843 375	810 357	726 015	769 823	675 399	591 707
Salaries as % of turnover	0.35	34%	30%	27%	25%	26%	26%
Total costs as % of turnover	1.09	114%	102%	103%	78%	60%	62%
Interest paid as % of turnover				3%	8%	11%	35%

Liquidity measures

Current ratio

Debt/Equity

Debtors days

Interest cover (times)

2 011	2010	2009	2008	2007	2006	2005
c/kl	c/kl	c/kl	c/kl	c/kl	c/kl	c/kl
3.02	2.53	2.46	2.49	2.52	1.84	1.74
0.25	0.34	0.38	0.36	0.36	0.46	1.03
	159	158	347	347	319	237
14.21	(2.38)	2.40	(1.36)	3.85	2.90	1.24