



VAALHARTS WATER USER ASSOCIATION

**ANNUAL REPORT
2019-2020**



A. INTRODUCTION

This report will provide feedback on all operations and activities of the Vaalharts Water User Association (VHWUA) for the financial year 2019/2020.

The focus of this report will be on the following areas:

- Operations
- Social Contributions
- Financial Results
- Committee Reports
- Auditor Report

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C. List of Abbreviations

VHWUA	-	Vaalharts Water User Association
m ³	-	cubic meters
CEO	-	Chief Executive Officer
CFO	-	Chief Financial Officer
MANCO	-	Management Committee
IFRS	-	International Financial Reporting Standards
ISAE	-	International Standard for Assurance Engagements
PWC	-	PriceWaterHouseCoopers
WSP	-	Workplace Skills Plan
EWSETA	-	Energy and Water Sector Education and Training Authority
DWS	-	Department of Water and Sanitation
VHP	-	Vaalharts Farms
KB	-	Klipdam / Barkley- West
WAS	-	Water Administration System
Ha	-	hectares
EF	-	Emerging Farmer

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1. CHAIRPERSON'S REPORT

The year 2019/2020 was a difficult, though successful year. A year in which the Vaalharts Water User Association (VHWUA) felt the continued financial pressure of non-payment from strategic client groups as well as the Department of Water and Sanitation in terms of rehabilitation and commissions, while achieving great results with operations and labour relations.

The start of the financial year saw a stormy period come and go where the trust and teamwork within the institution was tested and eventually led to the strengthening of the relationship and cooperation amongst the Manco members. Patanjali once said, "When a gifted team dedicates itself to unselfish trust and combines instinct with boldness and effort, it is ready to climb."

1.1. Operational Review

The impact of the non-payments, as mentioned, on our financial results were harsh. Although efforts continue to re-coup funds owed to the institution they remain unsuccessful, while some headway has been made with municipal accounts. Phokwane Municipality has to be mentioned as a champion in this regard with the municipality now servicing their monthly accounts regularly along with payments on arrears. A MOU on assistance between Phokwane Municipality and VHWUA is also underway that will be a flagship for similar agreements with other municipalities and lead to improved service delivery in the region.

However the continued need for VHWUA to execute rehabilitation on the North and Main Canal outside of its mandate is keeping the institution in a hole that is becoming deeper each year and that will eventually lead to downsizing or large breakages and water shortages for the region.

Despite these challenges VHWUA once again achieved great results in terms of water delivery and compliance, maintenance of canals, drains, servitudes, vehicles, machines and buildings. Priority remains on water carrying canals and the motto exists that water will never be off for longer than arranged with clients for repairs.

1.2. Vaalharts Taung Revitalization (VTR) Project Feedback

Unfortunately, after the initial excitement of the Landbank committing to the funding for the completion of the integrated master plan, it did not materialise due to the Landbank's own financial struggles, thus bringing us back to square one with the funding requirements.

The VTR project remains the region's only hope for an integrated approach in escalating all the potential projects, expansions, problems etc. that needs to be funded and executed to national and international funders.

The next 12 months will be crucial to get the project of the ground. Rest assured that a lot of energy is continuously going into progress.

1.3. Transformation

The VHWUA has put a high priority on transformation of the water sector in the region. Efforts to support Water Allocation Reform as per the Constitution and National Water Act are closely integrated in the outcomes of the VTR Project and various initiatives and campaigns have put VHWUA at the forefront of how involved a Water User Association should be in their communities, how representation should be ensured and how a way of thinking and operating creates integration that benefits a whole region. Not to mention the emphasis that we place on our employee health and development.

VHWUA once again hosted numerous Social Responsibility and Emerging Farmer Campaigns during the past year that far surpassed goals set. We are excited to share these reports will our members.



Figure 1: Mandela Day 2019

1.4. Manco Composition

The VHWUA Manco composition remained at an industry leading 56% HDI representation of Non-State Categories where the representative was not nominated by a State entity or local water authority.

The current composition at the end of the 2019/2020 financial year is depicted below:

Table 1: Manco Composition

CATEGORY		NAME	PROCESS
IRRIGATION	Ward 1	WILLEM DE KLERK	SUB-DISTRICT ELECTION
	Ward 2	ALPHIE BRAND	
	Ward 3	PIETER BURGER (Chairperson)	
	Ward 4	WERNER ERASMUS	
	Ward 5	PIET VAN NIEKERK	
	KB Canal	JOHAN SNYMAN	
	Spitskop	JANNIE LIEBENBERG	
	Bosele	BENNIE LIEBENBERG	
Ipelegeng	MBULELO TAU		
		OATILE GAREIKANELWE	
EMERGING FARMERS		MOKGOBO SAMSON THABANG DANIEL STAORT	AREA ELECTION
SMALL SCALE USERS	VH	SNOEKIE ERASMUS	NOMINATED SMALL SCALE USERS
	TAUNG	SUSAN MOLALE	
KB/Spitskop	FABIAN LOBELO		
Traditional Leadership	KGOSI MOTHIBI		
	KGOSI	KGOSI MANKUROANE	
LOCAL WATER AUTHORITIES		FRANS DE VOS	NOMINATED BY AUTHORITY THEMSELVES
(Sedibeng)		SJ MUSIE	
(Phokwane)		L PRETORIUS	
(Naledi)			
INDUSTRIES		J. KOKOME (Vice-Chair) (SAB)	NOMINATED INDUSTRIES
GOVERNMENT DEPARTMENTS		W. DE BRUYN (NC)	NOMINATED BY STATE DEPARTMENTS
(Dept. Agriculture)		N. DUBE (NW)	
(DWS Region)		RUTH MOTHEKHE	

1.5. Vote of Thanks

At the end of this difficult but progressive year another difficult time lies ahead. The Covid-19 pandemic has reached South African soil and the impact remains to be seen.

I would like to thank the management and employees of VHWUA, my fellow board members and all other stake holders in the region for the effort put in during this financial year.

While challenges remain, water is life and the whole region is dependant on effective management of the resource. As a team we will continue to deliver top quality service while ensuring that the focus remains on the principles carried by the sector.

P Burger

VHWUA Management Committee Chairperson

2. HISTORY OF THE ASSOCIATION

The Vaalharts Water User Association (VHWUA) was established by proclamation no 421 in Government Gazette no. 22281 dated 18 May 2001. The Minister of Water Affairs has approved the Constitution of the Water User Association and certain powers and duties in terms of the National Water Act have been delegated to the VHWUA.

In 1934 building work on the Vaalharts Government Water Scheme started. Vaalharts Weir was constructed on the Vaal River, just upstream of Warrenton, to divert water into the Vaalharts Main Canal which supplies the North, West, Klipdam-Barkly and Taung canals. The canal system comprises of a total of 1176 kilometres of concrete lined canals supplying irrigation water to a total of 39 820 hectares (scheduled), as well as industrial water to six towns and other industrial users, and household water to individual farms for primary use.

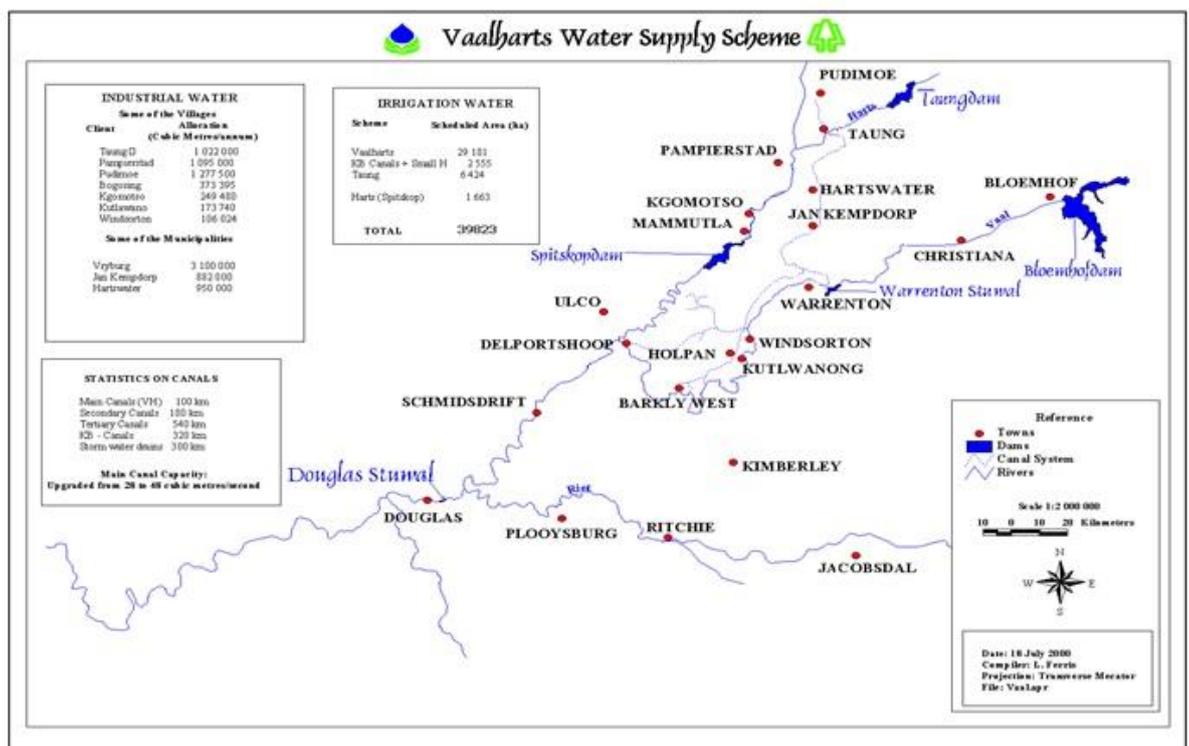


Figure 2: Vaalharts Water Supply Scheme

Irrigation activities and storm water drainage on the Vaalharts Government Water Scheme and Taung Irrigation necessitated the building of the dual purpose drainage canals to convey both storm water and subsurface drainage water out of the irrigation

scheme. A total of 314 kilometres of concrete lined drainage canals were built to serve this purpose.

The Ganspan Social Welfare Settlement was developed with a scheduled area under the Vaalharts Canal System of 229.8 hectares of which 150 hectares are developed. The Vaalharts Agricultural Research Station was also developed and was scheduled for 381.2 hectares of which 180.5 hectares are developed. All the above were operated and maintained by the Department of Water Affairs.

The area also includes a few restitution cases, one of them being Majeng which is situated close to the Spitskop dam. The community of Majeng was removed during the 1970's and only given back their land in 2002. Currently the community has had 60 hectares of water rights returned to them from their original amount of 600 hectares, however the infrastructure has gone to waste and needs urgent refurbishment if the community is to ever be functional irrigators again.

3. AUDIT COMMITTEE REPORT

This is the report of the audit committee of Vaalharts Water User Association appointed for the financial year ended 30 March 2020 in compliance with the Constitution of the Association.

3.1. Membership

The Board appointed the committee for the 2020 financial year at the management committee meeting dated 28 September 2017 with changes to the committee being appointed by the management committee at the management committee meeting dated 12 June 2019 and also approved the appointment of the chairman and members to the committee for the 2019 and 2020 financial year at the management committee meeting on 12 June 2019.

The committee consists of members of the management committee together with the Chief Executive Officer and Chief Financial Officer.

The current members are A Brand (chairman), J Kokome, W Erasmus, N van Eeden (CEO) and A Kooverjee (CFO).

3.2. Purpose

The purpose of the committee is to:

- assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- oversee the activities of, and to ensure coordination between, the activities of internal and external audit;
- provide a forum for discussing financial, enterprise-wide, market, regulatory, safety and other risks and control issues; and to monitor controls designed to minimize these risks;
- review the company's annual integrated report, including the annual financial statements, as well as its interim report and any other public reports or announcements containing financial information;

- receive and deal with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements or related matters; and
- annually review the committee's work and charter to make recommendations to the board to ensure its effectiveness.

3.3. Duties carried out

The committee has performed its duties and responsibilities during the financial year according to its charter.

A meeting was held on 6 September 2019 to review the 2018/2019 AFS as well as the general financial health of the institution.

3.4. Financial statements

The committee:

- confirmed, based on management's review, that the annual financial statements were prepared on the going concern basis;
- examined the annual financial statements and other financial information made public, prior to their approval by the board;
- considered accounting treatments, significant or unusual transactions and accounting judgements;
- considered the appropriateness of accounting policies and any changes made
- reviewed the representation letter relating to the annual financial statements and the ISAE 3240 reasonable assurance opinion in respect of the preliminary announcement, signed by management;
- considered any problems identified as well as any legal and tax matters that could materially affect the financial statements; and
- met separately with management, external audit and internal audit and satisfied themselves that no material control weakness exists

3.5. External audit

The committee:

- nominated PriceWaterhouseCoopers Inc as auditors and Kevin Moodley as the independent auditor and designated audit partner, respectively to the management committee for appointment for the financial year ended 30 March 2020, of the Association, and ensured that the appointments complied with legal and regulatory requirements for the appointment of an auditor;
- approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditors;
- determined the nature and extent of all non-audit services provided by the independent auditors and pre-approved all non-audit services undertaken;
- obtained assurances from the independent auditors that adequate accounting records were being maintained;
- confirmed that no reportable irregularities had been identified or reported by the independent auditors under the Auditing Profession Act; and

3.6. Independence of external auditors

The committee is satisfied that PriceWaterhouseCoopers Inc is independent of the Association after taking the following factors into account:

- representations made by PriceWaterhouseCoopers Inc to the committee;
- the auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefit from the Association;
- the auditors' independence was not impaired by any consultancy, advisory or other work undertaken;
- the auditors' independence was not prejudiced as a result of any previous appointment as auditors; and
- the criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

3.7. Combined assurance

The committee reviewed the plans and reports of the external auditors and other assurance providers including management and concluded that these were adequate to address all significant financial risks facing the business.

Chief Financial Officer and finance function

The committee:

- considered the appropriateness of the experience and expertise of the Chief Financial Officer and concluded that this was appropriate; and
- considered the expertise, resources and experience of the finance function and concluded that these were appropriate.

3.8. Annual financial statements

Following the review by the committee of the annual financial statements of Vaalharts Water User Association for the year ended 30 March 2020, the committee is of the view that, in all material respects, it complies with the relevant provisions of the Constitution of the Association and IFRS and fairly presents the financial position at that date and the results of its operations and cash flows for the year. In conjunction with the risk committee and social and ethics committee, the committee has also satisfied itself as to the integrity of the remainder of the annual integrated report.

Having achieved its objectives for the financial year, the committee recommended the annual financial statements and annual integrated report for the year ended 30 March 2020 for approval to the management committee.

A Brand

VHWUA Audit Committee Chairperson

4. HUMAN RESOURCE COMMITTEE REPORT

It is an honour and prestige to be afforded an opportunity to present a progress report of the aforementioned committee for the financial year 2019/2020.

4.1. Members of the committee

1. Mr Fabian Lobelo – Committee Chairperson
2. Her royal highness Ponatshego Mothibi – Deputy Chairperson
3. Mrs. Erasmus – MANCO member.
4. Human Resource Manager
5. All heads of departments and Executives

4.2. Terms of reference are *inter alia*

- To develop and ensure implementation of human resources policies
- Oversee compliance with employment legislation
- Oversee fair and sound labour practices
- Bridge the gap between labour and management
- Oversee skills development plan
- Oversee selection and recruitment
- Oversee development of an organogram
 - To mention a few

4.3. Activities

During the period under review the committee was able to further develop other policies on top of the existing sixteen policies:

Review:

- Salary Notch Policy

Adopt:

- Social responsibility policy

Develop:

- Medical benefit fund policy
- Media policy.
- Records management policy
- Access control policy
- Salary negotiations policy
- Management and unions engagement policy

- Quality assurance policy
- Access control policy
- Employee exit policy.

Employee wellness programs were also held, and it included heritage events which saw the community and our employees of different races and ethnic origin participated in different cultural activities to promote the spirit of our rainbow nation.

The world was faced with an unprecedented crisis which disturbed the lives of many people, business and organisation that turned the abnormal into normal, Vaalharts Water was not different too and as measure of mitigating the impact of the Covid-19 the management developed Covid – 19 action plan which was aimed at anticipating and proactively dealing with the impact of Covid – 19 as a result the company did not suffer any mortality due to the pandemic.

Due to the Covid - 19 pandemic the management and employees of VHWUA took a decision to shift some funds which were earmarked for employee wellness and social responsibility programs to programs that assisted those in need during the pandemic by distributing food parcels to them, which in a way also forms part of the Social responsibility of the company.

Vaalharts Water User Association together with John Deere, Senwes, Mining development agency, African farmers association of South Africa, Laeveld Agrochem, Agrico, AgriSA, the Department of Water and Sanitation, Department of Agriculture and Rural Development are continuing with their great work of emerging farmers capacity building.

The objective hereof was to create a conducive environment for capacity building of emerging farmers in our operational area so that the emerging farmers can graduate to become commercial.

Vaalharts Water Users Association was able to hold a long service awards ceremony, the ceremony aims to motivate workers and show appreciation to employees who served the institution for a number of years with loyalty and faithfulness and also to avoid exodus of personnel from the institution.

4.4. Employment Equity.

In compliance with Employment Equity Act No 55 of 1998 we were able to submit the updated Employment Equity Plan to the Department of Labour.

The Department of Labour has just finished auditing our employment equity compliance and we are awaiting the audit outcome.

4.5. Training

Vaalharts Water during the financial year 2019/2020 trained 42 employees on occupational based training.

4.6. Way forward/Conclusion

The committee plans to fast track the training of employees into occupational directed intervention to respond to the operational challenges of the ever-changing working environment through technology and other means to overcome the challenges of recruitment of people with disability and women as required by the Employment Equity Act.

Further reinforce our commitment to empower the farming community in our area of operation through various social responsibility projects and creating water safety awareness and water conservation awareness to the community in our area of operation.

OF Lobelo

VHWUA HR Committee Chairperson

5. CIVIL DEPARTMENT

In order to ensure sustainable water supply to all water users, continuous maintenance and refurbishment is needed on the Vaalharts Water Scheme. The maintenance of all infrastructure belonging to the Department of Water and Sanitation within the Vaalharts Water Scheme, is the responsibility of the Civil and Technical Departments, while DWS as the owners of the infrastructure, is responsible for all refurbishments and betterments.

Maintenance on water bearing canals can only be carried out during low demand periods when water is cut or in emergency cases when down periods are negotiated with farmers or communities. This fact makes maintenance scheduling difficult and due to the dilapidated state of the water scheme at this stage, maintenance can barely keep up.

The construction team of VHWUA completed the construction of a cleaning structure in the North canal that was not completed by DWS Construction West.

Primary drains were mechanically cleaned, and secondary drains were cleaned by contractors on a tender basis.

Three dry weekends additionally to the normal dry periods were scheduled for emergency maintenance on the North Canal on behalf of the Department of Water and Sanitation.

Unfortunately VHWUA did not recover any of the funds from DWS for the 2019/2020 financial year.

5.1. Concrete Works

During the Financial year under review the following concrete maintenance work was conducted:

Table 2: Concrete Works

STRUCTURE	CONCRETE m³	SLABS	METERS
North canal	361	141	432

Feeder canals	367.5	409	1227
Community furrows	401.5	803	2409
Drainage canals	245	291	873
VHP	38	44	132
KB canals	177	355	1065
Other	120		
TOTAL:	1719		



Figure 3: Replacing Sluice

5.2. Sluices

During the 2019-2020 financial year a total of 42 sluices were replaced and calibrated.

5.3. Maintenance of Drainage Canals

During the financial year under review, the following Drainage canals were cleaned:

Table 3: Drains

DRAINS CLEANED	DISTANCE IN METERS
Primary and secondary drains mechanically cleaned	123 884
Secondary drains cleaned by contractors	447 270

6. WATER CONTROL

6.1. Efficiency and Control of Water 2019/2020

Table 4: Water Use Efficiency



Water Use Efficiency Accounting Report: Weeks 1 to 52 VHS: 2019/2020

Year	Mnth	Agriculture (x1000 m3)	Industrial (x1000 m3)	Municipality (x1000 m3)	Household (x1000 m3)	Down stream (x1000 m3)	Other (x1000 m3)	Total used (x1000 m3)	Released (x1000 m3)	Total loss (x1000 m3)	Loss (%)	Alloc used (x1000 m3)	Alloc avail (x1000 m3)	Used (%)	Avail (%)
2019	Apr	1 542	10	1 182	36	5 181	1 431	9 383	17 731	8 348	47.1	2 742	281 518	1.0	99.0
2019	May	5 263	6	1 685	45	4 078	7 657	18 733	21 182	2 449	11.6	9 712	274 548	3.4	96.6
2019	Jun	11 177	13	966	36	5 156	41	17 389	21 544	4 155	19.3	21 910	262 350	7.7	92.3
2019	Jul	7 371	10	1 221	36	6 432	22	15 093	19 251	4 158	21.6	30 534	253 726	10.7	89.3
2019	Aug	21 241	12	1 317	45	8 981	47	31 642	39 791	8 149	20.5	53 151	231 109	18.7	81.3
2019	Sep	25 529	22	1 221	36	9 931	43	36 782	43 899	7 116	16.2	79 966	204 294	28.1	71.9
2019	Oct	41 496	22	1 603	45	15 661	65	58 891	71 970	13 079	18.2	123 152	161 108	43.3	56.7
2019	Nov	22 774	44	1 518	36	8 470	43	32 885	38 649	5 763	14.9	147 531	136 729	51.9	48.1
2019	Dec	26 842	40	1 017	36	9 521	104	37 560	45 336	7 775	17.2	175 534	108 725	61.8	38.2
2020	Jan	24 085	49	1 297	45	9 430	40	34 944	44 141	9 197	20.8	201 004	83 256	70.7	29.3
2020	Feb	11 620	19	1 393	36	10 109	25	23 202	24 654	1 452	5.9	214 061	70 198	75.3	24.7
2020	Mar	17 341	25	1 096	36	5 042	99	23 639	33 737	10 098	29.9	232 623	51 637	81.8	18.2
		216 283	272	15 516	463	97 993	9 618	340 144	421 883	81 740	19.4	232 623	51 637	81.8	18.2

6.2. Loss Percentage

In the table below the past 19 year's loss percentages can be seen. A clear reduction can be seen from 2007 when the WAS program was introduced fully. The biggest factor used to be the operation losses. For even more savings in future attention needs to be given to seepages due to the ageing infrastructure.

This year the highest saving ever was realised with a loss percentage of only 19.7% effective at the end of the year.

Table 5: Loss Percentages

Year	Release	Agriculture	Industries	Losses
2001 / 2002	342493656	220601667	10706508	32.46
2002 / 2003	466115640	300543082	11776505	33.00
2003 / 2004	488284140	301224875	7400411	36.79
2004 / 2005	433936910	276099880	6737981	34.82
2005 / 2006	366491600	223932100	9310951	36.36
2006 / 2007	406172300	255986842	6885718	35.28
2006 / 2007	373348400	243647992	9027348	32.32
2007/2008	351413400	202907300	9442000	26.12
2008/2009	396550400	227259400	11689000	25.22
2009/2010	374724500	212461900	86550000	24.71

2010/2011	366491600	243647992	9027348	25.4
2011/2012	371800500	263311734	10517915	26.1
2012/2013	447967500	335745351	10929292	22.6
2013/2014	459084500	324462500	12150000	26.7
2014/2015	449132500	335851500	13178000	22.3
2015/2016	493176500	347370500	14740000	26.6
2016/2017	326706500	237113500	22212200	22.7
2017/2018	44194000	325974000	16685000	22.8
2018/2019	477785000	356746000	16845000	21.7
2019/2020	421883000	323894000	15788000	19.7

6.3. Representation of Emerging Farmers on the Vaalharts Water Scheme

Table 6: Current Emerging Farmer Hectares

Scheme	Total ha	EF ha	%
Vaalharts	28968	498.7	1.73
Spitskop	1663	375.41	22.57
KB	2555	326.5	12.75
Taung	(6424 available) 3759 usable	3759	100
Total	36 945	4959.61	13.43

A slight increase can be seen in the Emerging Farmer representivity on the scheme with the execution of the Vaalharts/Taung Revitalisation project expected to add 2665 ha in Taung, an estimated 1000 ha of land in the Majeng area as well as 400ha of land in the Sekhing area which will become available for emerging farmers to utilise. Thus, the project on its own could almost double the emerging farmer representation to 24.4 %.

6.4. Water Measurement

The Vaalharts Sub-District uses calibrated sluices along with the WAS system for indirect measurement, the area is now also measured live electronically at 28 places compared to 13 in the previous year. Another 18 additional meters are also being installed on feeder canals for better loss control.

Electronic live water meters have been installed to measure extraction on the Hartsriver (Spitskop Sub-district). The system runs parallel to the Satellite measurement.

The KB system uses fixed overflows that ensure the amount of water licensed per year is delivered to each user.

The next phase of the measuring project will be Taung, which is currently measured holistically.

6.5. Servitudes

The servitudes of the Vaalharts, West canal and the accessible areas at KB canals was cut 2 times during the 2019/2020 year. Various training took place.

Almost all feeders are now sloped for mulchers. In the West canal area new access roads totalling a distance of 4km was created in order to be able to drive next to canals for inspection, to clean mechanically and to do maintenance like the cutting grass and concrete work.

HD3 Canal has been debushed with mulchers now cutting the grass instead of handheld cutters. A total length of 34km was done.

Future projects include ridding the KB and Taung canals of trees and grass to prevent blockages.

6.6. Taung

The Taung Office is operating at full capacity and a new filing system is in place. Only 40% of farmers could be physically verified due to challenges at the administrative office of the tribal council. Verified water users update their personal information every 6 months for correct invoicing purposes.

Crop verification is done bi-annually for proof of irrigation. The Vaalharts Water Officers are visible on daily basis while they attend all the Co-Op meetings for general enquiries

and challenges. Communication between clients, farmers, Sedibeng Water and the Tribal Office has been improved.

6.7. Temporary Water Transfers

Table 7: Temporary Transfers

Total volume of water temporarily transferred for the water year	30 898 798 m ³
Transfers to Vaal River	989 984 m ³
Transfers between plots, between irrigators and between properties of the same irrigator	29 908 814 m ³

7. MECHANICAL DEPARTMENT

The core functions of the Vaalharts Water's Mechanical department are:

- Maintenance of vehicles and machines.
- Procurement, planning & transportation of fleet and equipment
- Innovation implementation to enhance productivity.
- All mechanical and steel maintenance of canals including sluices etc.
- Inspections of dams and structures.
- Grading of access roads
- Providing fuel and backup services to vehicles and machines on site.
- Electrical maintenance on all operated buildings, houses and dams.

7.1. Mechanical and Fleet operations

During the 2019/2020 year the mechanical department completed the following jobs:

Table 8: Mechanical Operations

Vehicle/Machine Maintenance & Service Activities	400
Steel Maintenance & Innovation Activities	158
Electrical Repairs	139
Pool Activities	1000+
Diesel & Tyre Jobs	1000+

Most mechanical maintenance jobs are done inside the Vaalharts Workshop, while others are carried out on site on the Scheme. Mechanics, welding teams and

support teams travel great distances every day to ensure fleet items and steel structures are in a good working condition.

The pool assistant vehicles include two low-bed trucks, two truck mounted crane trucks, a roll-back truck and a mobile crane. Water is also delivered to concrete sites and water control houses.

The service truck and fuel delivery vehicles provide diesel, tyre and small service support to machines on site.

7.2. New Fleet Items

During the past financial year, the following new additions to the fleet were added:

Table 9: New Additions

1x Isuzu HO High Rider D/Cab	
1x Isuzu D-MAX 250 HO Fleet side Safety S/Cab	
1x Volkswagen Caddy Crew Bus	
1x Toyota Hino 300 Crew Cab	

<p>1x Mercedes Axor Mixer 2628B/33 CKD</p>	
<p>3x Honda XR 125 Motorbikes</p>	
<p>1x John Deere Ride on Mower</p>	
<p>1 x Honda Firefighter</p>	
<p>1 x Stihl Pressure Washer</p>	
<p>1 x 1000LT ILGI Sprayer</p>	

7.3. Budget

The results for the Mechanical Budget for 2019/2020 are listed below:

Table 10: Mechanical Budget Results

Year Budget	R3 902 000.00
Year Spent	R3 599 471.53
Balance	R302 528.47
% Savings	7.7%

The 7.7% saving this year was due to the following measures:

- Strict measures to ensure all vehicles, trucks, machines and the mobile plant is serviced according to intervals to prevent major damage.
- Preventive maintenance on the fleet, all mechanical and steel structures in the Vaalharts scheme.
- Utilising our own mechanical personnel more than contractors.
- The daily using of the Omni accounts financial program to ensure strict budget control to prevent overspending.
- Fleet inspections to identify mechanical problems that could prevent high repair costs.
- Keeping to the replacement strategy to ensure a good running fleet.
- Not overspending on old vehicles and machines that is not cost effective to repair.

8. HUMAN RESOURCE DEPARTMENT

8.1. Brief introduction

The Human Resources department is responsible for the acquisition, maintenance and retention of human capital in the institution.

Below are some of the functions entrusted to the Human Resources Department:

- Selection and Recruitment
 - Labour relations
 - Benefits management
 - Skills development
 - Human resources Administration
 - Employment Equity
 - Human Resources Policies development
 - Leave Management
 - Occupational Health and Safety
 - Office Cleaning
 - Security Services
-
- The Mission of the VHWUA Human Resources Department is to be fully compliant with all labour laws, for example: The Basic Conditions of Employment, Labour Relations Act, Skills Development Act, Employment Equity Act etc while ensuring a happy and productive labour force.
 - The Vision is to contribute towards the general development of South Africa and in particular the community within our area of operation by capacitating employees who will respond to the fifth industrial revolution which requires flexible employees who are not rigid and able to interact with technological developments and also achieve our employment equity targets.
 - We have programs in place in terms of learnerships and internships for the local youth who are taken through our program to increase skill levels. We are also committed to social responsibility and, as a water user association, we are busy with the outlay of our social responsibility plans.

- During our dry weeks when we do annual maintenance work, we are able to provide temporary work for the locals. We temporarily employ more than 100 locals from all areas of the water scheme to support our staff during peak times.

8.2. Organogram

The organogram for 2019-2020 was approved by Manco when changes were made.

8.3. Staff Compliment

The staff compliment for the financial year 2019 – 2020 was 198.

8.4. Training and development

A total number of 42 employees were trained during the financial year 2019 – 2020, compared to 73 during the previous financial year, in order to improve their production, efficiency, skills and knowledge.

All training undertaken was occupationally directed, and EWSETA has reimbursed Vaalharts Water on most of these.

The WSP (Workplace Skills Plan) was submitted to EWSETA during the year under review.

8.5. Positions filled during the financial year 2019-2020

The following positions were filled during the year under review in accordance with our Selection and Recruitment Policy

- Water Control Aid
- Driver/Operator
- Senior Driver/Operator
- Senior Procurement Clerk
- General Worker x5
- Mechanical Assistant

8.6. Vacancy Rate

The Vacancy rate (Number of unfilled position vs positions in the establishment) is at 4.59% (9 vacancies)

8.7. Staff turnover rate

Staff turnover rate is a rate at which employees leave employment with Vaalharts Water for any reason, the current staff turnover rate is at 6.57% (13 staff turnover)

The following list is a breakdown of ways personnel left the employment of Vaalharts Water during the year under review:

- Resigned: 4
- Pensioned: 3
- Medically Pensioned: 2
- Deceased: 1
- Dismissed: 3

8.8. Employment Equity

VHWUA's submitted employment equity plan has been approved by the Department of Labour and the report was successfully submitted as per the provisions of the Employment Equity Act. Furthermore Vaalharts Water has a 5-year Employment Equity Plan.

8.9. Injury on Duty Report

During the year under review 14 incidents of injury on duty were reported compared to 16 for the previous financial year with no fatalities and the cost was carried by the Department of Labour.

This continued improvement is largely due to VHWUA having a full time Safety Officer.

9. FINANCE DEPARTMENT

9.1. Overview of the Past Financial Year

The Finance Department strives to ensure that spending and revenue collection is aligned to the budget. Policies are reviewed annually, developed as required and are implemented to ensure sound financial management. Internal controls have been and are continuously introduced and are implemented consistently.

This department comprises of five units: Bookkeeping, Debtors, Creditors, Payroll and Supply Chain Management, all reporting to the CFO. Throughout the reporting period, the department has functioned well. The Senior Procurement Clerk position was filled in October 2019, thus not for the full 12 months. The appointment has resulted in efficient and effective procurement practices being implemented as well as stringent monitoring of SCM procedures throughout VHWUA. The Senior Clerk Creditors position remains vacant as from 01 February 2019. Despite this, the Finance Department continues to operate effectively, ensuring billing is done on time, revenue collected, creditors and employees are paid timeously as well as all other financial functions including reporting is carried out.

Throughout the financial year, the budget is monitored to ensure compliance to it as well as minimising any deviations that due to unforeseen circumstances occur. Total expenditure and not expenditure per item or category were considered. This is done to ensure that the net deficit realised would be minimal. Despite best efforts, a deficit of R7.8 million occurred. This can be attributed to the provision for debtors increasing due to non-payment in certain arrears as well as DWS (Department of Water and Sanitation) being unable to pay over funds for necessary upkeep of the canals.

The budget for the financial year 2020 / 2021 was developed in consultation with all HOD's and their input was considered. However, where needed, the budgeted amount was reduced to ensure that the budget was not inflated and was aligned to the expected revenue. It should be borne in mind that there are no new revenue streams available to VHWUA and the company strives to keep the tariff increase affordable to the users. The budget process for the 2021 / 2022 FY and outer years commences during November 2020.

Currently we are operating without the compulsory financial contributions from DWS in terms of commission tariff recovery (Estimated above R2 000 000 per annum) as well as no recovery on emergency betterments on the scheme (Estimated R5 000 000 per annum) for work done on behalf of DWS.

9.2. Revenue

Increases in tariffs are kept relevant to inflation. Revenue collection is generally good, except for the emerging farmer and industrial sectors (this includes municipalities). VHWUA implements a Debt Collection Policy, supplemented with legal assistance when necessary. Debtors are monitored on an ongoing basis. Various discussions were held with defaulters and arrangements entered as per policy. The arrangements were monitored to ensure that they are adhered to. Effort has been made to enter into agreements with industrial users and emerging farmers. This entails ongoing commitment to ensure a good relationship is built and maintained with these consumers.

9.3. Expenditure

Operational expenditure in terms of depreciation was not aligned with the budget approved for the 2020 / 2021 financial year. Provision for bad debts was also not considered. Provision for bad debts is provided for based on historical collection of debt and ability of consumers to service debt, in our case mainly related to industrial and emerging farmer debt. These items have been included for the figures in below table.

The provision for the current year is expensed to Trade and Other Receivables on the Statement of Financial Position. By cultivating involvement of the entire staff of VHWUA, we intend to manage this – we are all geared towards ensuring the continuation of a financially viable and sustainable VHWUA.

9.4. Budget

Attention is focussed on budgeting to ensure a realistic budget and longer-term budgeting is to be implemented going forward. Actual revenue and expenses are considered when drafting the budget. Input is given by all departments within VHWUA and a sense of ownership is being nurtured.

10. SOCIAL RESPONSIBILITY

10.1. Projects

- Mandela Day Celebrations

As part of our contribution to our communities to celebrate Mandela Day VHWUA spent a whole day doing clean-up initiatives in the surrounding communities while also delivering fruit to local crèches.

During the year especially during rainy days where our machines cannot operate outside we continue these initiatives to help where we can.



Figure 4: Mandela Day

- Water Resource Awareness Campaign

As a continuance of the project that started during 2018 VHWUA regularly make use of surrounding communities for clean-up campaigns our water sources to at the same time bring across the importance of protecting our water resources while also providing some temporary job opportunities.

- Water Safety Campaign

The project that started in 2018 was continued successfully, with new groups of learners and their mothers receiving training from SAPS divers on emergency measures around moving water.

Learners from across the scheme were once again taught handy skills to protect themselves and help others in times of emergencies, this time also displaying their dancing skills in pre-training competitions.

These workshops were held in Taung, Jan Kempdorp and at Spitskop Dam.

Unfortunately training of volunteers to assist communities with the prevention of drownings were planned for March which was then hampered by the Covid-19 Pandemic. However the project will be continued as soon as it is safe.



Figure 5: Water Safety Project

- Emerging Farmer Capacity Building Workshop

VHWUA hosted the second of our annual Emerging Farmer Capacity Building Workshops, once again partnering with a variety of local service providers and state entities.

This year our guest speaker was Mr. Louw, an emerging pecan farmer from the Upington region, who inspired our farmers with his story on how his successful farming endeavour started with him as a farm worker.

Workshops were held in Taung and Jan Kempdorp with more than 250 emerging farmers attending.

The SmartFarm initiative was also rolled out at this years' workshop with application forms being distributed to enrol in the training program for the planting season of November 2020.



Figure 6: Emerging Farmer Capacity Building Workshop

- John Deere SmartFarm Project

John Deere along with VHWUA has continued with developing the project that would establish two SmartFarms on the Vaalharts Water Scheme in relation to the promise and success of the Capacity Building Workshop.

A SmartFarm consists of John Deere providing equipment and training for a 12 month period to 30 emerging farmers by actively using an emerging farm as base. Local service providers are asked to assist in terms of seed etc.

This will be the first SmartFarm initiative in South Africa, while John Deere has run similar programs in other African countries.

10.2. General Community Assistance

Table 11: Community Institution Assistance

INSTITUTION	WORK DONE
Evangelical Lutheran Church in SA	Cleaning And Levelling Of Stand
Multipurpose Centre	Cleaning And Levelling Of Stand
Truth Salvation Church	5 Loads Gravel; 5 Loads Soil
Jan Kemp Golf Club	Leveling; 3 Loads Soil
Valspan High School	Cleaning of storm water ditch
Evangelical Lutheran Church in SA	Leveling; 4 Loads Soil
Baphuduhcwana Traditional Council	Closing of Super; Closing between 2 canals
Ba-Ga Mothibi Traditional Council	Wood
Eskom	Cleaning of Road
Vaalharts Pecan Festival	Levelling with TLB; Water Truck
Revival Family Church	4 Loads Gravel; 4 Loads Soil
Dept. of Home Affairs	Cleaning And Levelling Of Stand
Phokwane Municipality	Assisting with TLB
Phokwane Municipality	Cleaning And Levelling of Soccer Field
Tadcaster Intermediate School	Cutting of grass

JK Primary School	Cutting of grass
Batlhaping Ba-Ga Mothibi Trad Council	Cut trees at Royal House
Banksdrift High School	Cleaning of soccer field
Landbou High School	Cutting of grass
JK Primary School	Cutting of grass
Hoërskool Vaalharts	Cutting of grass
Church of Crist Mission	JCB – container moved
Pabalelo Primary School	Assistance with Crane- replace Jojo Tank
SAPD	Water tank- soccer day
Hoër Landbouskool NK	Fire bridge in school farm
Hoërskool Vaalharts	Repair sluice and crane
NG Kerk in Afrika	Removing trees in yard
VH Pekanfees	TLB to repair terrain, water car
Phokwane Municipality	TLB for pipe breakage on Christiana main road
Taudiarora Primary School	Grader to clean school soccer and netball fields
Phokwane Stars Football Club	Request for Grader
Daniel Coetzee	Fire Bridges
Ethopian Catholic Church	Request for Gravel Soil
Tlhwalang High School	Repair of devil fork
GVE	Grading of Road

10.3. Personnel External Assistance

Table 12: Personnel Assistance

Assistance	REQUEST
Old Concrete	8 Loads
House Moving	1
Soccer Team Transport	3 Events

10.4. Personnel Funeral Support:

Table 13: Funeral Assistance

SUPPORT	QUANTITY
Transport Requests	
Wood Requests	

10.5. Emerging Farmer Support & Water Allocation Reform

Vaalharts Water User Association is highly committed to support Water Allocation Reform in the area by supporting and assisting with development of all water use entitlement applications in the area as well as solving any and all water related issues emerging farmers might have.

Currently over and above various small applications VHWUA is involved with the following large water use entitlement applications where VHWUA also provides machines in terms of soil analysis:

- Taung Enlargement of Arable Land
- Majeng Application
- Kgosi Mothibi Application

VHWUA also offered the following support to emerging farmers and is also currently busy engaging with the Agricultural Sector in terms of further Emerging Farmer support:

- Co-Operatives Workshops and Training
- Emerging Farmer Fire Breaks
- Emerging Farmer Machine Support

11. FINANCIAL STATEMENTS

Vaalharts Water User Association
Financial statements
for the year ended 31 March 2020

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2020

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Water User Association
Registered office	Van Riebeeck Road Jan Kempdorp 8550
Bankers	Standard Bank
Auditors	PricewaterhouseCoopers Inc. Kimberley
Tax reference number	PBO93001226
Level of assurance	The annual financial statements were audited in terms of the requirements of the Association's Constitution
Preparer	The financial statements were independently compiled by: Etienne van Niekerk CA (SA)
Issued	02 November 2020 <hr/>

Management Committee Members

Irrigation	W de Klerk A Brand P Burger(Chairperson) W Erasmus P van Niekerk J Snyman J Liebenberg B Liebenberg M Tau G Oatile
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Emerging farmers	M Samson TD Staoert
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Small Scale Users	S Erasmus S Molale F Lobelo K Mothibi K Mankuroane
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Vaalharts Water User Association
Financial Statements for the year ended 31 March 2020

General Information

Local Authorities & Water Boards

F de Vos
SJ Musie

Industries

J Kokome (Vice-chairperson)

Government Departments

W de Bruin
N Dube
R Mothekhe

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2020

Contents

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

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The following supplementary information does not form part of the financial statements and is unaudited:	
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Management Committee's Responsibilities and Approval

The management committee is responsible for the maintenance of adequate accounting records and the preparation and integrity of the annual financial statements and related information. It is their responsibility to determine that the annual financial statements are in agreement with the accounting records in conformity with the accounting policies as described in note 1 to the financial statements. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the accounting policies as set out in note 1 to the financial statements and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

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

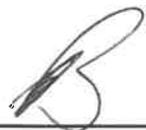
The management committee is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal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

The management committee has reviewed the association's cash flow forecast for the year to 31 March 2020 and, in light of this review and the current financial position, is satisfied that the association has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the association's annual financial statements. The annual financial statements have been examined by the association's external auditors and their report is presented on pages 6 to 8.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings. Management believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements and additional schedules set out on page 9 to 21, were approved by the management committee on 02/11/2020 and have been signed on their behalf by:



Chairman

Management Committee Report

The management committee has pleasure in submitting the report on the annual financial statements of Vaalharts Water User Association for the year ended 31 March 2020.

1. Review of activities

Main business and operations

The Association was established in terms of section 115 of the National Water Act, 1998. The Association's main operations include the waterworks of the Vaalharts canal system, including the Barkley West canal and the Taung canal system, as well as the utilisation and maintenance of the Spitskop and Taung Dams for water supply.

There have been no material changes to the nature of the Association's business from the prior year.

The operating results and state of affairs of the Association are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net deficit of the association was R7 846 007 (2019: R137 841).

Vaalharts Water User Association's main objective is the effective supply of water to its members. In order to achieve this goal it is important that sufficient funds are available to:

1. finance normal operating expenses
2. finance the maintenance of infrastructure, and
3. maintain the reserve fund.

The levying of a reasonable rate in line with current market conditions and also sufficient to supplement the accumulated surplus, as well as the collection of outstanding receivables is extremely important to enable the Association to achieve its overall main goal.

2. Going concern

A global pandemic, Covid-19 was made known in December 2019 and the first case reported in South Africa was in March 2020. Subsequently, the President of SA, Mr C Ramaphosa declared a national state of disaster as per the Disaster Management Act on 15 March 2020. On 23 March 2020, President Ramaphosa declared a nationwide lock down of 21 days, starting 26 March 2020 effective to 16 April 2020. On 09 April 2020, the lock down period was further extended to 30 April 2020.

For the lock down period, only essential services were to operate. Vaalharts Water User Association (VHWUA) provides irrigation water and therefore falls within the ambit of Agricultural Services and all Water User Associations declared essential. VHWUA continued to operate with only minimal staff not being able to work.

There was no significant impact on the finances of VHWUA. Water was provided through out the lockdown period. Billing for the major portion of revenue occurs biannually with the second run for the 2019 / 2020 FY occurring in December 2019, largest portion of payment received by March 2020. The first billing run for the 2020 / 2021 FY occurs in June 2020 and looking at the payments already received by 31 July 2020, there was no significant impact. The effect of COVID-19 has already been taken into effect when determining the provision for bad debt at year end. There were additional expenses due to Covid-19 regulations, but they have been monitored and absorbed into the 2020/2021 budget. The impact on revenue might be felt going forward but will not be significant. Vaalharts Water User Association (VHWUA) has sufficient cash reserves to carry the entity of the next 12 months..

Management Committee Report

3. Events after the reporting period

All events subsequent to the date of the annual financial statements and for which the applicable reporting framework requires adjustment or disclosure have been adjusted and disclosed.

The effect of Covid-19 has been assessed before year end as part of the going concern note and disclosed there. We have considered the effect of Covid-19 post balance sheet on all line items and no further subsequent events were identified.

The members are not aware of any other matter or circumstances arising since the end of the financial year to date of this report that could have a material effect on the financial statements of the association.

4. Auditors

PricewaterhouseCoopers Inc. was in office for the current financial period in accordance with the Association's constitution.



Independent auditor's report

To the Members of Vaalharts Water User Association

Our opinion

In our opinion, the financial statements of Vaalharts Water Users Association (the Association) for the year ended 31 March 2020 are prepared, in all material respects, in accordance with the basis of accounting described in note 1 to the financial statements and the requirements of the Companies Act of South Africa.

What we have audited

Vaalharts Water Users Association's financial statements set out on pages 10 to 21 comprise:

- the statement of financial position as at 31 March 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Association in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

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Emphasis of Matter – Basis of Accounting

We draw attention to note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with the association's own accounting policies to satisfy the financial information needs of the association's members. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

The members are responsible for the other information. The other information comprises the information included in the document titled "Vaalharts Water Users Association's Financial Statements for the year ended 31 March 2020", which includes the Members' Report as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the members for the financial statements

The members are responsible for the preparation of these financial statements in accordance with the basis of accounting described in note 1 to the financial statements and the requirements of the Companies Act of South Africa, for determining that the basis of preparation is acceptable in the circumstances and for such internal control as the members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the members are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the members either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Association's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the members.
- Conclude on the appropriateness of the members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Association's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Association to cease to continue as a going concern.

We communicate with the members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads "PricewaterhouseCoopers Inc." in a cursive script.

PricewaterhouseCoopers Inc.

Director: Kevan Moodley

Registered Auditor

Kimberley

02 November 2020

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2020

Statement of Financial Position as at 31 March 2020

	Notes	2020 R	2019 R
Assets			
Current Assets			
Trade and other receivables	2	44 491 867	41 547 683
Cash and cash equivalents	3	41 451 218	49 825 587
		85 943 085	91 373 270
Non-Current Assets			
Property, plant and equipment	4	43 061 899	42 831 773
Total Assets		129 004 984	134 205 043
Equity and Liabilities			
Liabilities			
Current Liabilities			
Trade and other payables	5	78 110 341	75 464 393
Equity			
Capital Reserve		42 158 852	42 158 852
Accumulated surplus		8 735 791	16 581 798
		50 894 643	58 740 650
Total Equity and Liabilities		129 004 984	134 205 043

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2020

Statement of Comprehensive Income

	Notes	2020 R	2019 R
Income	6	80 347 620	74 990 099
Other income	7	5 098 960	9 978 452
Operating expenses		(98 331 399)	(89 333 137)
Operating deficit		(12 884 819)	(4 364 586)
Investment income	8	5 039 980	4 258 328
Finance costs	9	(1 168)	(31 583)
Deficit for the year		(7 846 007)	(137 841)
Other comprehensive income		-	-
Total comprehensive loss for the year		(7 846 007)	(137 841)

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2020

Statement of Changes in Equity

	Capital reserve	Accumulated surplus	Total equity
	R	R	R
Balance at 01 April 2017	42 158 852	16 719 639	58 878 491
Deficit for the year	-	(137 841)	(137 841)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(137 841)	(137 841)
Balance at 01 April 2019	42 158 852	16 581 798	58 740 650
Deficit for the year	-	(7 846 007)	(7 846 007)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(7 846 007)	(7 846 007)
Balance at 31 March 2020	42 158 852	8 735 791	50 894 643

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2020

Statement of Cash Flows

	Notes	2020 R	2019 R
Cash flows from operating activities			
Cash receipts from customers		77 403 436	82 929 172
Cash paid to suppliers and employees		(87 104 446)	(68 137 883)
Cash (used in) / generated from operations	10	(9 701 010)	14 791 289
Investment income		5 039 980	4 258 328
Finance costs		(1 168)	(31 583)
Net cash (used in) / from operating activities		(4 662 198)	19 018 034
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(3 712 171)	(3 581 323)
Sale of property, plant and equipment	4	-	1 765 964
Net cash used in investing activities		(3 712 171)	(1 815 359)
Net (decrease) / increase in cash, cash equivalents and bank overdrafts for the year		(8 374 369)	17 202 675
Cash, cash equivalents and bank overdrafts at the beginning of the year		49 825 587	32 622 912
Cash, cash equivalents and bank overdrafts at end of the year	3	41 451 218	49 825 587

The accounting policies on pages 14 to 17 and the notes on pages 18 to 21 form an integral part of the financial statements.

Accounting Policies

1. Presentation of annual financial statements

The financial statements have been prepared in accordance with accounting policies as set out below. The financial statements have been prepared on the historical cost basis. They are presented in South African Rands.

These accounting policies are consistent with the previous period, except where indicated otherwise.

1.1 Financial instruments

When a financial asset or financial liability is recognised initially, it is measured at the transaction price (including transaction costs) unless the arrangement constitutes, in effect, a financing transaction.

Financial instruments at amortised cost

These include loans, trade receivables and trade payables. These debt instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction.

At each reporting date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If there is objective evidence, the recoverable amount is estimated and compared with the carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

Trade receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the association will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown as a current liability on the statement of financial position.

Borrowings

Borrowings are recognised initially at the transaction price (that is, the present value of cash payable to the bank, including transaction costs). Borrowings are subsequently stated at amortised cost. Interest expense is recognised on the basis of the effective interest rate method and is included in finance costs. Borrowings are classified as current liabilities unless the Association has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Trade payables

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest rate method.

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into Rand using the exchange rate at the reporting date. Foreign exchange gains or losses are included in other income or other expenses.

In certain circumstances, trade payables are reflected based on the Association's own internal accounting records where accurate 3rd party information is not available.

Accounting Policies

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, or for rental to others or for administrative purposes; and are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost 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 an asset and restoring the site on which it is located is also included in the cost of property, plant and equipment, when such dismantling, removal and restoration is obligatory.

Depreciation is provided using the straight-line method to write down the cost over the useful life of the property, plant and equipment as follows:

Item	Depreciation method	Average useful life
Plant and machinery	Straight line	20 years
Furniture and fixtures	Straight line	3 years
Motor vehicles	Straight line	10 years
Steel construction	Straight line	20 years

If the major components of an item of property, plant and equipment have significantly different patterns of consumption of economic benefits, the cost of the asset is allocated to its major components and each such component is depreciated separately over its useful life.

The depreciation method and useful life of each asset are reviewed only where there is an indication that there has been a significant change from the previous estimate.

Gains and losses on disposals are recognised in profit or loss.

1.3 Impairment of non-financial assets

The association assesses at each reporting date whether there is any indication that property, plant and equipment may be impaired.

If there is any such indication, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

Accounting Policies

1.4 Provisions

Provisions are recognised when:

- the association has an obligation at the reporting date as a result of a past event;
- it is probable that the association will be required to transfer economic benefits in settlement; and
- the amount of the obligation can be estimated reliably.

Contingent assets and contingent liabilities are not recognised.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax 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 interest expense.

1.5 Reserves

The reserve fund is earmarked to serve as a reserve for the maintenance of the normal activities of the association in times when restrictions on the ability of the association exists to generate sufficient revenue through water charges, such as in times of drought and when water restrictions are in place.

1.6 Income

Income is recognised to the extent that the association has transferred the significant risks and rewards of ownership of goods to the buyer, or has rendered services under an agreement provided the amount of income can be measured reliably and it is probable that economic benefits associated with the transaction will flow to the association. Income is measured at the fair value of the consideration received or receivable, excluding sales taxes and discounts.

The Association includes in income only the gross inflows of economic benefits received and receivable by the Association on its own account. The Association excludes from revenue all amounts collected on behalf of third parties such as goods and services and value added taxes. The amounts collected on behalf of the principal are not income of the Association.

Service income is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The Stage of completion is determined by surveys of work performed. When the outcome of a transaction involving the rendering of services cannot be estimated reliably, income is recognised only to the extent of the expenses recognised that are recoverable.

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

1.7 Other income

Rental income is received from the renting out of properties to employees of the Association. Rental income is levied on a monthly basis.

Billing agent commission is levied on payments received on behalf of the Department of Water and Sanitation.

The reserve fund is held for a reserve to ensure the continuity of normal activities of the association. The risk reserve is funded by income received from irrigation users to remove reeds.

Contractor services income is billed and received after work on infrastructure has been performed. The income is billed per hours worked, infrastructure used and other additional resources utilised during the project.

Gain on disposal of assets is recognised if the selling price for the assets exceeds the assets carrying amount.

Discount received is recognised in the applicable period during which the discount has been received.

Employee training income is recognised as and when employees have received and completed training.

Accounting Policies

1.7 Other income (continued)

Fuel recoveries is recognised once fuel expenses actually incurred has been received back by the Association.

Gate and camping fees is recognised as and when the income is received and the services relating to the fees have been performed.

Legal fees recovered is recognised once legal fees actually incurred has been received back by the Association.

1.8 Operating expenses

Expenses are recognised when incurred and the service or goods have been delivered.

1.9 Interest expense

Interest expense are recognised as an expense in the period in which they are incurred.

Vaalharts Water User Association
Financial Statements for the year ended 31 March 2020

Notes to the Financial Statements

	2020 R	2019 R
2. Trade and other receivables		
Trade receivables	128 634 108	111 731 312
Total trade receivables outstanding	<u>415 480 999</u>	<u>341 721 052</u>
Levies on Department of Water and Sanitation accounts not collected	<u>(285 186 696)</u>	<u>(229 989 740)</u>
Provision for Bad debts	<u>(92 616 508)</u>	<u>(77 143 133)</u>
	36 017 600	34 588 179
Prepaid expense	412 048	412 048
Eskom Deposit	119 723	114 385
VAT	7 572 803	6 074 498
Loans to employees	-	41 402
Sundry debtors	369 693	317 171
	<u>44 491 867</u>	<u>41 547 683</u>

The Association has a right to recovery in terms of section 58, 59 and 60 of the Water Act of 1998 regarding water tax debtors.

In terms of the billing agent contract dated 1 April 2019, the Association is responsible for paying to the Department of Water and Sanitation, the amount collected and the Department of Water and Sanitation has in terms of paragraph 8.1.6 the sole discretion to take action against defaulters where the Association act as agent for the Department of Water and Sanitation.

3. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	8 729	10 000
Current account - Standard Bank	6 524 700	5 005 167
Fixed deposits	34 917 789	44 810 420
	<u>41 451 218</u>	<u>49 825 587</u>

4. Property, plant and equipment

	2020			2019		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Plant and machinery	48 449 992	(12 684 664)	35 765 328	46 428 149	(10 302 932)	36 125 217
Furniture and fixtures	1 121 270	(801 439)	319 831	933 758	(669 011)	264 747
Motor vehicles	12 890 038	(6 197 717)	6 692 321	11 387 222	(5 248 747)	6 138 475
Steel construction	378 292	(93 873)	284 419	378 292	(74 958)	303 334
Total	<u>62 839 592</u>	<u>(19 777 693)</u>	<u>43 061 899</u>	<u>59 127 421</u>	<u>(16 295 648)</u>	<u>42 831 773</u>

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Depreciation	Closing balance
Plant and machinery	36 125 217	2 021 843	(2 381 732)	35 765 328
Furniture and fixtures	264 747	187 512	(132 428)	319 831
Motor vehicles	6 138 475	1 502 816	(948 970)	6 692 321
Steel construction	303 334	-	(18 915)	284 419
	<u>42 831 773</u>	<u>3 712 171</u>	<u>(3 482 045)</u>	<u>43 061 899</u>

Notes to the Financial Statements

	2020 R	2019 R			
4. Property, plant and equipment (continued)					
Reconciliation of property, plant and equipment - 2019					
	Opening balance	Additions	Disposals	Depreciation	Closing balance
Plant and machinery	35 908 845	3 109 365	(697 939)	(2 195 054)	36 125 217
Furniture and fixtures	138 328	205 240	-	(78 821)	264 747
Motor vehicles	6 751 336	266 718	(4)	(879 575)	6 138 475
Steel construction	322 249	-	-	(18 915)	303 334
	43 120 758	3 581 323	(697 943)	(3 172 365)	42 831 773

5. Trade and other payables

Department of Water & Sanitation	75 117 748	74 666 518
Total outstanding invoices issued	360 304 444	304 656 258
Less: Levies on Department of Water and Sanitation accounts not collected	(285 186 696)	(229 989 740)
Trade payables	2 641 678	460 736
Leave provision	350 553	337 139
Payroll accruals	362	-
	78 110 341	75 464 393

6. Income

Irrigation - overheads and maintenance	74 615 344	70 421 992
Industrial - overheads and maintenance	5 732 276	4 568 107
	80 347 620	74 990 099

7. Other income

Commissions received	1 773 240	1 669 267
Contractor services	1 567 565	5 417 897
Discount received	3 121	1 794
Employee training subsidies received	6	141 879
Fuel recoveries	896 666	937 636
Gate and camping fees	33 230	3 499
Legal costs recovered	-	35 139
Other recoveries	44 256	28 883
Profit on sale of non-current assets	-	1 068 021
Rental income	677 953	571 514
Risk Reserve	102 923	102 923
	5 098 960	9 978 452

8. Investment income

Finance income		
Bank	3 219 799	2 662 334
Interest from employee loans	-	1 858
Interest from debtors	1 820 181	1 594 136
	5 039 980	4 258 328

Notes to the Financial Statements

	2020 R	2019 R
9. Finance costs		
Trade and other payables	1 168	1 197
Instalment sale agreements	-	30 386
	<u>1 168</u>	<u>31 583</u>
10. Cash (used in) / generated from operations		
Deficit before taxation	(7 846 007)	(137 841)
Adjustments for:		
Depreciation and amortisation	3 482 045	3 172 365
Profit on sale of assets	-	(1 068 021)
Investment income	(5 039 980)	(4 258 328)
Finance costs	1 168	31 583
Changes in working capital:		
Trade and other receivables	(2 944 184)	8 345 864
Trade and other payables	2 645 948	8 705 667
	<u>(9 701 010)</u>	<u>14 791 289</u>
11. Employee cost		
Employee costs		
Basic	41 088 214	39 285 359
Overtime, bonus, honorarium and merit allowance	3 896 295	3 895 163
Unemployment Insurance Fund	319 536	319 929
Skills Development Levy	472 572	449 665
Motor vehicle allowance	2 236 058	2 284 230
Other allowances	7 505 409	7 125 466
Long-term benefits - incentive scheme	94 477	66 884
	<u>55 612 561</u>	<u>53 426 696</u>
12. Taxation		
The association is exempt from income tax in terms of section 10(1)(cA)(i) of the Income Tax Act 58 of 1962 in terms of an exemption certified dated 30 March 2006.		
13. Going concern		
A global pandemic, Covid-19 was made known in December 2019 and the first case reported in South Africa was in March 2020. Subsequently, the President of SA, Mr C Ramaphosa declared a national state of disaster as per the Disaster Management Act on 15 March 2020. On 23 March 2020, President Ramaphosa declared a nationwide lock down of 21 days, starting 26 March 2020 effective to 16 April 2020. On 09 April 2020, the lock down period was further extended to 30 April 2020.		
For the lock down period, only essential services were to operate. Vaalharts Water User Association (VHWUA) provides irrigation water and therefore falls within the ambit of Agricultural Services and all Water User Associations declared essential. VHWUA continued to operate with only minimal staff not being able to work.		

Notes to the Financial Statements

13. Going concern (continued)

There was no significant impact on the finances of VHWUA. Water was provided through out the lockdown period. Billing for the major portion of revenue occurs biannually with the second run for the 2019 / 2020 FY occurring in December 2019, largest portion of payment received by March 2020. The first billing run for the 2020 / 2021 FY occurs in June 2020 and looking at the payments already received by 31 July 2020, there was no significant impact. The effect of COVID-19 has already been taken into effect when determining the provision for bad debt at year end. There were additional expenses due to Covid-19 regulations, but they have been monitored and absorbed into the 2020/2021 budget. The impact on revenue might be felt going forward but will not be significant. Vaalharts Water User Association (VHWUA) has sufficient cash reserves to carry the entity of the next 12 months.

14. Events after the reporting period

All events subsequent to the date of the annual financial statements and for which the applicable reporting framework requires adjustment or disclosure have been adjusted and disclosed.

The effect of Covid-19 has been assessed before year end as part of the going concern note and disclosed there. We have considered the effect of Covid-19 post balance sheet on all line items and no further subsequent events were identified.

The members are not aware of any other matter or circumstances arising since the end of the financial year to date of this report that could have a material effect on the financial statements of the association.

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2020

Detailed Income Statement

	Notes	2020 R	2019 R
Income			
Irrigation - overheads and maintenance		74 615 344	70 421 992
Industrial - overheads and maintenance		5 732 276	4 568 107
	6	80 347 620	74 990 099
Other income			
Commissions received		1 773 240	1 669 267
Contractor services		1 567 565	5 417 897
Discount received		3 121	1 794
Employee training subsidies received		6	141 879
Fuel recoveries		896 666	937 636
Gains on disposal of assets		-	1 068 021
Gate and camping fees		33 230	3 499
Investment income	8	5 039 980	4 258 328
Legal costs recovered		-	35 139
Other recoveries		44 256	28 883
Rental income		677 953	571 514
Risk reserve received		102 923	102 923
		10 138 940	14 236 780
Expenses (Refer to page 23)		(98 331 399)	(89 333 137)
Operating deficit		(7 844 839)	(106 258)
Finance costs	9	(1 168)	(31 583)
Deficit for the year		(7 846 007)	(137 841)
Transferred to capital reserve		-	-
Deficit for the year		(7 846 007)	(137 841)

Vaalharts Water User Association
 Financial Statements for the year ended 31 March 2020

Detailed Income Statement

	Notes	2020 R	2019 R
Operating expenses			
Accounting and audit fees		308 329	585 774
Advertising		107 808	16 827
Bad debts		-	4 348
Bank charges		93 529	82 540
Cleaning expense		388 095	332 380
Compensation commissioner		1 699 784	412 048
Computer expenses		62 556	37 621
Consulting and professional fees		703 563	521 087
Contractors		6 258 483	5 840 266
Courier and postage		2 430	33 211
Depreciation, amortisation and impairments		3 482 045	3 172 365
Employee costs		55 612 561	53 426 696
Entertainment, refreshments and canteen		61 189	62 234
Insurance		1 122 527	1 486 179
Legal expenses		114 238	70 040
Levies		1 089	12 230
Membership fees		248 675	150 842
Motor vehicle expenses		1 224 390	1 018 310
Pest control		1 232	14 730
Petrol and oil		5 286 122	5 715 460
Printing and stationery		297 652	342 648
Protective clothing		497 424	514 000
Provision for bad debt		13 455 109	8 192 383
Provision for leave		13 414	30 941
Rates, electricity and water		2 083 293	2 440 729
Repairs and maintenance		2 479 900	2 752 423
Security		1 186 331	815 647
Skills development		380 594	213 192
Social responsibility		247 807	105 615
Sundry expenses		-	6 221
Telephone and fax		715 809	733 563
Traveling expenses		195 421	190 587
		98 331 399	89 333 137

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

Supplementary Information

1. Department of Water and Sanitation

	2020	2019
	R	R
Total outstanding invoices issued by the Department of Water & Sanitation	360 304 444	304 656 258
Less: levies on Department of Water and Sanitation accounts included in trade receivables not collected	(285 186 696)	(229 989 740)
	<u>75 117 748</u>	<u>74 666 518</u>

2. Accounts receivable

	2020	2019
	R	R
Irrigation - overheads and maintenance	73 710 405	65 559 771
Irrigation - water levies (NWRI, CMA, water research fund)	14 907 827	14 540 708
Other services - construction contracts and agent commission	33 054 269	27 442 262
Rental income	114 359	59 550
Industrial - overheads and maintenance	23 415 271	18 669 728
Industrial - water levies (NWRI, CMA, water research fund)	270 278 868	215 449 033
Less: Department of Water and Sanitation - water levies (NWRI, CMA, water research fund) only payable once collected	(285 186 696)	(229 989 740)
	<u>130 294 303</u>	<u>111 731 312</u>