



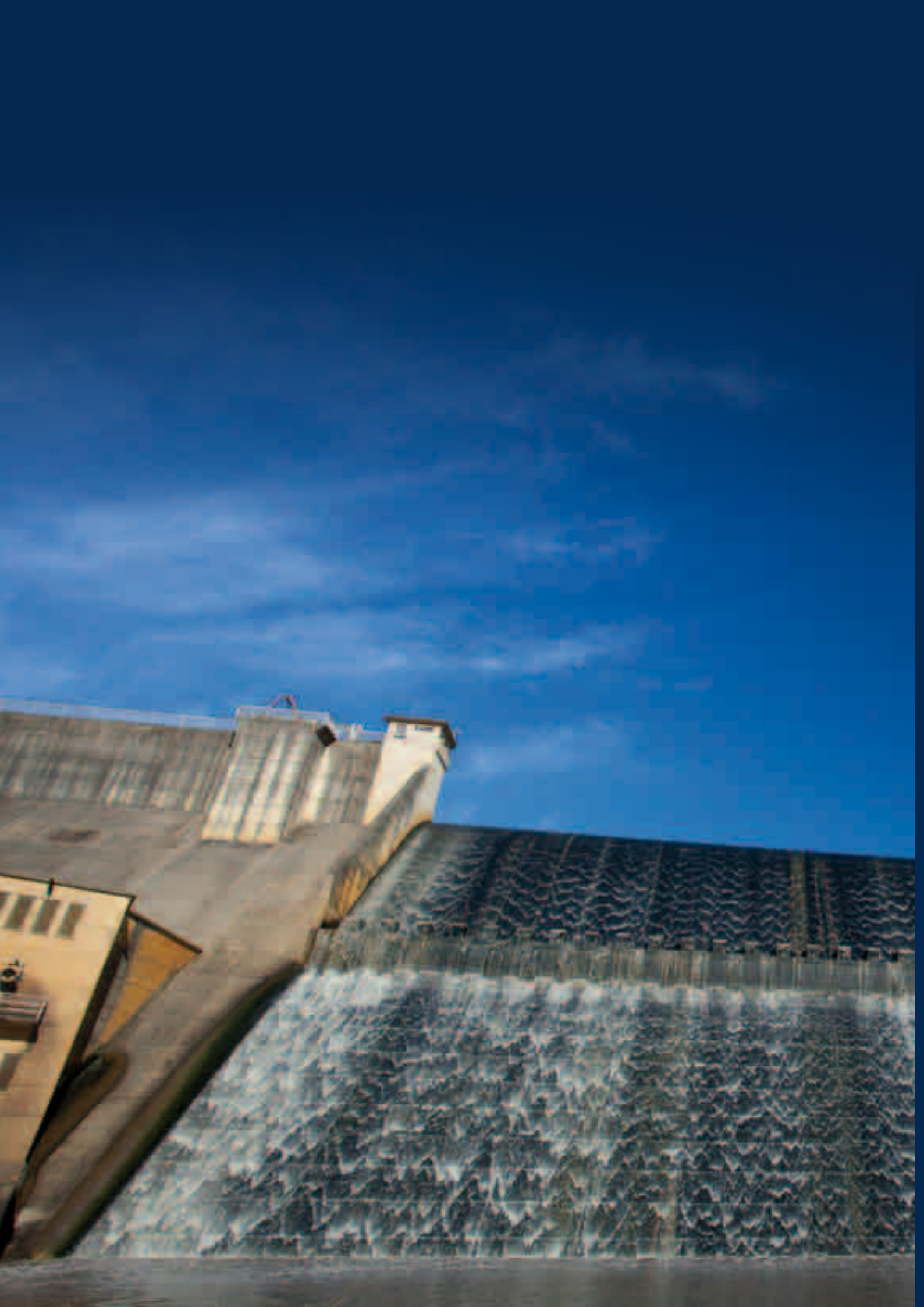
Amatola
Water • Amanzi

bringing water to life

Annual Report

2010 • 11

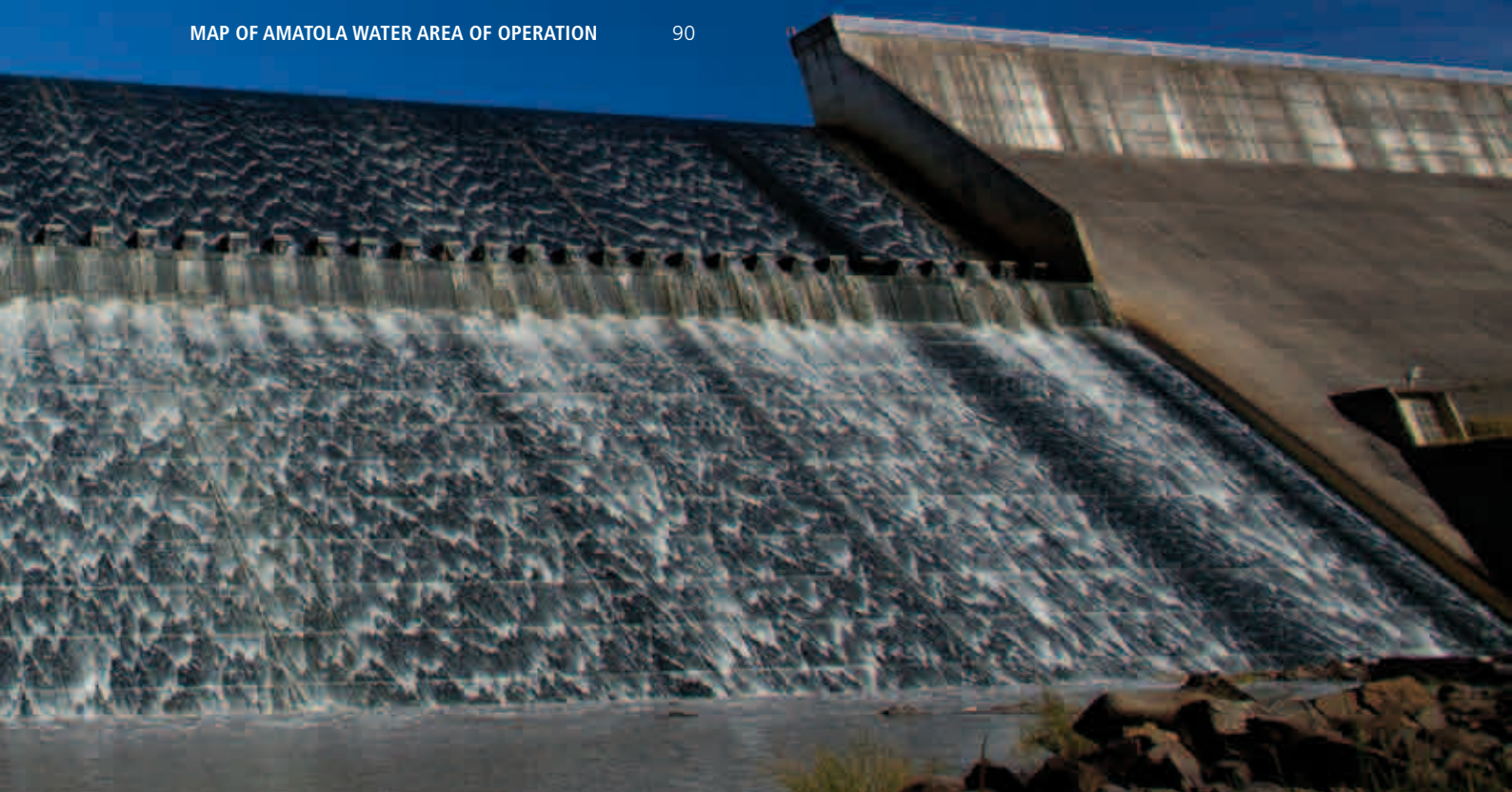




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Overview

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VISION

To be the leading Bulk Water Services Provider in the entire Eastern Cape Province.

MISSION

Amatola Water will provide safe, environmentally friendly, quality, cost effective and sustainable water services to meet the specific needs of the Eastern Cape water sector by:

- Developing and expanding infrastructure;
- Developing sound customer relationships;
- Managing assets and resources optimally;
- Training and retaining dedicated staff;
- Applying appropriate technology; and
- Ensuring sound governance.

VALUES

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

- Integrity
- Accountability
- Excellence



Service Offerings

Resourced with a comprehensive spectrum of specialist, technical and professional personnel, Amatola Water pursues a vision of becoming the service provider of choice for local government in the Eastern Cape by offering a full range of water services. This capability allows the entity to be active in a number of servicing fields including:

INFRASTRUCTURE:

- Water sector planning
- Project planning
- Implementing agency and programme management
- Construction management
- Upgrading/refurbishment
- Contracts administration

WATER SERVICES:

- Bulk water purification and distribution
- Reticulation management services
- Bulk sanitation
- Water demand management
- IT project management
- Billing systems
- Resource management
- Analytical services
- Pollution control
- Environmental management

INSTITUTIONAL AND SOCIAL DEVELOPMENT:

- Community water and sanitation project facilitation
- Capacity building and training facilitation

TECHNICAL AND OPERATIONAL SERVICES:

- Infrastructure optimisation
- General maintenance and support services
- Emergency operational system restorations
- Laser alignment
- Technical/operational management training

Amatola Water Board

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PERFORMANCE MEASUREMENT 2010/ 2011

Amatola Water measures organisational performance through the setting of strategic objectives. These objectives are reviewed annually and monitored in the form of a corporate scorecard. To ensure strategic alignment across the organisation, the Corporate Scorecard is therefore cascaded to divisional level and then to individual employee level in the form of performance contracts.

The revised strategic plan for the period which started in July 2010 and ended in June 2011 had four Strategic Objectives. The progress in achieving the objectives, as at the end of June 2011, is presented below:

OBJECTIVE 1: TO GROW A PROFITABLE, SUSTAINABLE AND AFFORDABLE BUSINESS

Key to any organisation is the ability to be financially stable. The 2010/2011 financial year has presented a number of challenges for Amatola Water on this front. In servicing the broader Eastern Cape, the entity has had to make use of its own resources while the majority of the contracts had not yielded any results. These challenges have weakened the profitability of Amatola Water and therefore seen the "Return on Assets" targeted ratio of three percent not being achieved.

Although the above measure and target were not achieved, Amatola Water maintained a Level 2 BBBEE contribution and received an unqualified audit report.

OBJECTIVE 2: SATISFYING EXISTING AND ATTRACTING NEW CUSTOMERS WITH QUALITY WATER SERVICES

Overall, the measures and targets have been successfully met by ensuring contractual KPIs and obligations with Buffalo City Municipality (BCM) and Amathole District Municipality (ADM). The ADM contract has consequently been renewed for a further three years. A third bulk supply contract for the entity is that of Ndlambe Local Municipality.

One new operating maintenance contract was concluded with OR Tambo District Municipality (ORTDM) and a proposal has been submitted to Makana Local Municipality. Two new Project Implementing Agent contracts have been concluded for Sundays River Valley Municipality's Patterson Bulk Supply and the OR Tambo District Municipality's Coffee Bay Village reticulation.

OBJECTIVE 3: TO FOSTER A DEVELOPMENTAL CULTURE IN EMPLOYEES

Seven of the ten measures were achieved in developing and providing for learning and growth amongst Amatola Water employees. The key focus areas related to policy development, organisational design, as well as values and succession planning.

An area of concern is the weakening of the results of the annual 'Best Company to Work for Survey'. However, the clear roll-out of the measures, together with an effective communication programme should assist in returning better results in the future.

The establishment of the Business Development and Strategic Planning Division is behind schedule due to vacancies being filled in the later part of the review period.

OBJECTIVE 4: MAXIMISE ORGANISATIONAL EFFICIENCY AND RESPONSIVENESS TO ENSURE CONTINUOUS IMPROVEMENT

In the pursuit of organisational efficiency and responsiveness, a number of targets were achieved - namely the SANS 241 Class I water compliance at 99.16 percent and 100 percent assurance of supply. The awarding of the OSHAS 18001:2007 accreditation has been the highlight of the period.

The organisation will now focus on improving the targets relating to turnover generated per employee, total labour cost as a percentage of budget and primary business unit costs.

Strategic Process 2011/ 2012

A major review of the strategic process was undertaken during 2010/2011 and the fundamental methodology was amended in relation to how the corporate strategy and objectives are determined. The alignment with National Government's 12 outcomes approach was adopted to ensure that Amatola Water complements the Department of Water Affairs strategy and the Minister of Water Affairs' performance contract.

A single strategic objective has been developed, together with the necessary scorecard, review mechanisms and reporting tables. The strategy was approved by the Board of Amatola Water in April 2011, together with the annual business plan and scorecard for 2011/2012.

OBJECTIVE 1: TO GROW A PROFITABLE, SUSTAINABLE AND AFFORDABLE BUSINESS

Focus	Measure	Target	Progress
Financial	Affordable and profitable business	ROA >= 3%	-5% due to reduced bulk consumptions and late starts of secondary business contracts
	Good financial governance to ensure sustainable, cost effective & efficient services	Level 2 BBBEE rating by June 2010	Achieved
		Unqualified audit	Achieved
	Manage the implementation of the Transformation Process Plan to enable growth	Meet or exceed financial model targets	Behind target, intervention in progress
Alternative financial resources	Investigate options including PPPs by Dec 2010	Process has commenced. Discussions with DBSA, IDC & private funders in progress	

OBJECTIVE 2: SATISFYING EXISTING AND ATTRACTING NEW CUSTOMERS WITH QUALITY WATER SERVICES

Focus	Measure	Target	Progress
Customer	Provide quality services to customers	Meet or exceed contractual KPIs	BCM, ADM bulk supply contract KPI's met to date
	Provide a sustainable support service to our customers	Secure 2 new Project Implementing Agents contracts by June 2011	Patterson Bulk Supply, Coffee Bay Village reticulation secured
	Have satisfied customers	Secure one Operations & Maintenance new contract by June 2011	ORTDM contract signed, Makana proposal done
	Retain existing and attract new customers	Customer Survey – Rating +7	Behind schedule, due to vacancy in Key Account Management
		Develop a Key-account Strategy for customers by July 2010	Strategy in place
		Renewal of existing bulk supply contracts	ADM bulk supply contract extended until 2013, BCM contract valid until 2022
		Secure one new bulk supply contract by 2011	Ndlambe bulk supply contract submitted for approval in July 2011
Provincial-wide presence	Establish Southern & Eastern regional offices by Dec 2010	Offices in Port Elizabeth, Kenton-on-Sea, Mthatha, Sterkspruit, Butterworth and Fort Beaufort in progress	

OBJECTIVE 3: TO FOSTER A DEVELOPMENTAL CULTURE IN EMPLOYEES

Focus	Measure	Target	Progress
Learning and Growth	Be the employer of choice	Integrated Employee Wellness Programme	Policy framework in place, Health & Safety, HIV programmes active
		Labour turnover 3% less than national ave	Achieved 6.6% versus national ave =13%
	To cultivate an environment of lifelong learning and development of our staff to meet and exceed the organisations skill requirement	Re-grading of Amatola Water approved by June 2010	Approved
		Organisational Design and Restructure by Mar 2010	Approved in Feb 2010
		Succession Planning for critical and rare skills in place by Mar 2010	Approved in Feb 2010
	Instill a developmental culture	Organisation climate survey score exceeds previous year	2009 scores: 3.23 for staff, 4.24 for managers 2010 scores: 3.17 for staff, 4.06 for managers
		Establish learning academy by June 2011	Accreditation achieved, program starts in June 2011
Value driven organisation	5.5% of payroll spent on skills development by June 2010	3% achieved	
	Development and implementation of Key Account Management by Aug 2010	Behind schedule, vacancy filled in June 2011	
	Finalise & rollout value system by July 2010	Complete	

OBJECTIVE 4: MAXIMISE ORGANISATIONAL EFFICIENCY AND RESPONSIVENESS TO ENSURE CONTINUOUS IMPROVEMENT

Focus	Measure	Target	Progress
Internal	Maximise organisational efficiency and responsiveness to enhance effectiveness	R700 000.00 turnover per employee by June 2010	R675 088 achieved
		Labour cost component of budget <32%	40% due to reduced water sales & secondary business
	Optimise internal processes to ensure continuous improvement and compliance	5% improvement of Cost / Kilolitre on primary business	Recorded 27% increase in unit cost. Initiatives in progress, Water Demand Management, chemical usage down, optimisation of off-peak electricity
		SANS 241 Class I water compliance: 98%	99.19%
		SANS 241 Class II water compliance: 100%	100%
		Assurance of supply 98%	100%
		Regionalisation: Decommission Glenmore WTW by June 2011	Glenmore not to be decommissioned, Rooikrantz decommissioned instead
	Management cohesion	SHEQ accreditation by June 2010	OSHAS 18001 achieved
		Continuous Improvement Programme by June 2010	Pump efficiency, non conformance monitoring, IT upgrades for BAAN & LIMS done
		Roll out Best Company to Work For Action plan by Mar 2010	Plan rolled out

Business Review

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Chairman's STATEMENT

“ For a viable socio-economic development to occur, an accelerated focus on providing clean and safe water to communities, skills, infrastructure development as well as operations, maintenance and planning is a top priority. ”

Rosette Nothemba Mlonzi
Chairperson

I am excited to present the Amatola Water Board's 2010/2011 report card. I am confident to report that the review period has revealed a utility playing an admirable role in the socio-economic development of the Eastern Cape through the provision of universal access to water services. Amatola Water's contribution in this regard, is not a mindless exercise. Ours is a systematic approach aimed at improving the socio-economic status of our people, particularly the poor and marginalised. Interventions adopted in the review period confirm the organisation's view that for a viable socio-economic development to occur, an accelerated focus on providing clean and safe water to communities, skills, infrastructure development as well as operations, maintenance and planning is a top priority. The focus on providing these total solutions to the province's water challenges is therefore by design.

ROBUST EXPANSION DRIVE

Thus, in the year under review, the organisation set out to establish a provincial-wide footprint by implementing a robust 10-year expansion strategy. This strategy is aimed at ensuring efficient water services provision. It is also aimed at bringing positive change to the material conditions of the people of the Eastern Cape. The Board is certain that through this renewed strategic trajectory, it has provided management with the necessary tools and vigour for the utility to assume its posture as the premier water services provider in the province.

The expansion plan will consequently result in a coordinated regional undertaking to overcome bulk water and sewage services challenges. This should make it possible for the realisation of South African National Standards (SANS) Class 1 bulk potable water provision to all communities in partnership with the water services authorities of the Eastern Cape Province. This partnership will also achieve the goal of all sewage treatment works meeting their discharge licence standards. As a result the environment will also stand to benefit from Amatola Water's expansion plan. The plan will allow the aligned water services authorities to focus on reticulation, customer relationship management and cost recovery from consumers with full confidence that Amatola Water is providing efficient and sustainable bulk water services to support their service delivery mandate.

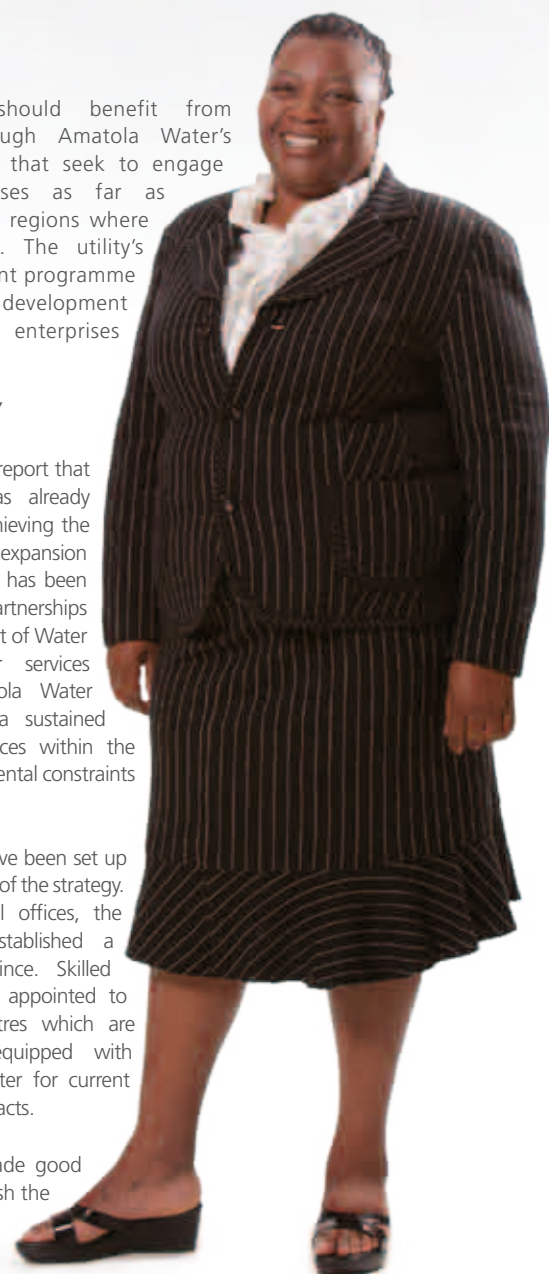
Small businesses should benefit from the expansion through Amatola Water's procurement policies that seek to engage small local businesses as far as practically possible in regions where we undertake work. The utility's enterprise development programme will also support the development of targeted business enterprises for this purpose.

MANDATE DELIVERY

I am equally pleased to report that significant progress has already been made towards achieving the objectives set out in the expansion plan. The review period has been characterised by partnerships between the Department of Water Affairs (DWA), water services authorities and Amatola Water which have ensured a sustained delivery of water services within the economic and environmental constraints of the provincial setting.

Four regional offices have been set up to accelerate the roll-out of the strategy. Through these regional offices, the utility has steadily established a footprint in the province. Skilled managers have been appointed to lead the regional centres which are fully-functional and equipped with experienced staff to cater for current and medium-term contracts.

The utility has also made good of its promise to establish the



Amatola Water Learning Academy, the first skills hub of its kind in the Eastern Cape's water sector. The utility presented the academy as its contribution to the minister's performance agreement with President Jacob Zuma. The contribution is in skills development as per Industrial Policy Action Plan (IPAP) 2 on women and youth empowerment and job creation.

In the review period, the utility achieved 99,15 percent water compliance as per the national SANS 241 standards. This is consistently above the national benchmark of 96 percent set for water quality. It also ensured that the assurance of water supply is maintained at 100 percent. Amatola Water also received the prestigious Blue Drop award for the Sterkspruit Water Treatment Works in the Joe Gqabi District Municipality. The awards are meant to build public confidence in the quality of drinking water.

IMPROVING LIVELIHOODS

Amatola Water has taken a conscious decision to impact directly on the socio-economic development of the province. The utility is convinced that efficient and uninterrupted water services have the effect of unlocking the economic potential of the province in addition to creating employment opportunities. This resolve is further entrenched by the United Nations (UN) second World Water Development Report (2006) which states that whatever development initiatives are proposed, unless the requisite water services are secured and provided, these initiatives will not succeed.

Furthermore, the utility acknowledges the Stockholm International Water Institute's assertion that "the poor gain directly from improved access to basic water and sanitation services through improved health, averted health care costs and time saved. Good management of water resources brings more certainty and efficiency in productivity across economic sectors and contributes to the health of the ecosystem. Together, these interventions lead to immediate and long-term economic, social and environmental benefits that make a difference to lives of billions of people."

CHALLENGES

As the utility embarks on this unprecedented journey, we are mindful of the myriad of challenges it will encounter in its endeavour to provide universal water coverage. There are significant infrastructure as well as financial considerations and risks associated with expansion. The Board is acutely aware, that this undertaking, by and large, requires a strong oversight role on its part and prudent leadership to steer the utility through what could potentially be tumultuous waters.

The stormy waters come in the form of a province beset by significant water backlogs and water supply challenges. The Eastern Cape requires approximately R43 billion to address all its water and sanitation challenges. Amatola Water's role is to enhance delivery through the provision of potable water, operation and maintenance of clients' water and sewage treatment works, implementation of water capital projects and water services planning initiatives. The province is also characterised by high raw water costs. As such, Amatola Water engages continually with the Department of Water Affairs (DWA) to consider restructuring the country's raw water tariffs to ensure the province receives less expensive raw water.

This is coupled with major obstacles in attracting investment into the water sector as a result of high poverty levels and low levels of

commercial activity which limit opportunities for off-book funding. In other words, there are limited income streams to fund such investments without significant grant funding allocations from government. Amatola Water continues to push for sufficient grant funding from national government to link with investments to develop sustainable water service projects in the Eastern Cape. Internally, a challenge is managing the transformation from a small regional to a large provincial bulk water supply entity.

CAPITALISATION

The expansion also requires that the utility be sufficiently capitalised to respond to the demands of a growing workforce, investments in infrastructure and the need to secure contracts to sustain the business. We are convinced that partners in the water space will provide the utility with contracts to offset these costs. Amatola Water is also cognisant that the benefits of the expansion may only be felt in the long-term. In the short to medium term, the utility will ensure that it is cushioned against the risks that come with expansion.

SKILLED TEAM

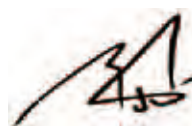
The Board, is however, confident that it has an incisive team, and an insightful captain at the helm in its chief executive Nomonde Gwabeni (Mnukwa) to navigate the utility to safe waters. Amatola Water's competitive advantage is safety in numbers and the quality of its crew. The Amatola Water ship has the critical mass in these aspects to serve the province effectively if an enabling environment is created at a legislative level. The team has extensive experience of carefully treading these waters across the province. They have a solid understanding of the regional challenges allowing it to create unique solutions to meet these challenges in an effective manner.

FUTURE OUTLOOK

Finally, the Board will provide the required leadership to ensure that the utility enjoys the benefits that come with expansion. It will do this by ensuring that Amatola Water continues to exercise financial prudence as well as providing quality water services which will ensure that it acquires the trust of its clients. This should in turn lead to contracts. These funds will allow the utility to increase its revenue base which will be invested in infrastructure development.

APPRECIATION

On behalf of the Board, I am delighted to extend my gratitude to the Minister of Water and Environmental Affairs for her unwavering support in providing an enabling environment for Amatola Water to discharge its mandate. Our gratitude also extends to an agile and capable management team led by chief executive officer Nomonde Gwabeni (Mnukwa), who have ably steered this ship in our envisaged trajectory. My sincere thanks also goes to the more than 400 Amatola Water employees who have carried out their duties with vigour under challenging circumstances.



ROSETTE NOTHEMBA MLONZI
CHAIRPERSON

Chief Executives's STATEMENT

“ The interventions adopted and implemented in the review period have firmly positioned the utility on a sustainable path that will ensure it continues to positively impact on the lives of the citizens of the Eastern Cape. ”

Nomonde Gwabeni (Mnukwa)
Chief Executive Officer

At the beginning of the review period, Amatola Water set in motion its 10 year expansion strategy aimed at ensuring universal access to water services to the people of the Eastern Cape. Essentially, this roadmap provides the utility with the requisite tools and platforms to discharge its stated mandate of changing the material condition of the province's population through the provision of quality water services.

As such, I am pleased that the interventions adopted and implemented in the review period have firmly positioned Amatola Water on a sustainable path that will ensure it continues to positively impact on the lives of the citizens of the Eastern Cape.

The review period has revealed that the organisation is poised for long-term growth, certain of the levers it needs to pull to discharge its stated objectives. This conviction is a consequence of the Board's wise counsel on the trajectory that Amatola Water needs to follow to assume and consolidate its posture as the leading bulkwater services provider in the province.

EXTENDED FOOTPRINT

The key objective in the review period, in line with this strategy, was to expand Amatola Water operations in the province. We have made energetic strides in this regard as we have already established a footprint in all areas of the province and have set up four regional offices.

Four capable managers have been appointed to lead lean and agile regional offices in the North in Sterkspruit, Mthatha in the east, with a site office in Butterworth. There is also an office in Fort Beaufort to service the west, and one at Nahoon Dam in the south as well as additional offices at Kenton-On-Sea and Port Elizabeth. All the offices are fully-functional and equipped with experienced personnel to cater for current and medium-term contracts.

The utility continues to maintain a significant presence in the Amathole and OR Tambo district municipalities, as well as Buffalo City Metropolitan Municipality (BCMM), providing bulkwater as well as services support. It also has a presence in some parts of the Cacadu District Municipality. Currently, Amatola Water has a presence in the Nelson Mandela Bay Metropolitan area, Chris Hani and Alfred Nzo district municipalities through the Department of Public Works contracts. We continue to actively investigate other possible avenues to further extend our footprint in these areas.

FINANCIAL CONSIDERATIONS

However, we are conscious that an energised and robust expansion drive requires significant financial injections. Expansion comes with additional investments in people, infrastructure and the need to secure contracts which are the lifeline of the utility. This has resulted in the growth of the workforce which comes with increased expenditure on labour related costs. We are confident that these costs and its investments will be off-set by contracts.

Consequently, Amatola Water has continued to practice financial prudence and is exploring various means that ensure that it is cushioned against the risks associated with expansion to ensure that it remains solvent. We are acutely aware that the financial benefits accrued from the expansion may not be immediately felt in the short term.

INTERNAL EFFICIENCIES

Amatola Water has continued to deliver on its core business and excel in key areas. Internally, the utility achieved a Level 2 Broad-Based Black Economic Empowerment (BBBEE) rating. Labour turnover has also dropped. The utility has been accredited as a training provider by the energy SETA. Amatola Water has also been awarded OHSAS 18001:2007 accreditation.

TOWARDS A SKILLS REVOLUTION

Progress has also been made towards the establishment of the Amatola Water Learning Academy. The learning academy will be the first skills hub of its kind in the province's water sector. The academy was presented to the Department of Water Affairs (DWA) as Amatola Water's contribution to the minister's performance agreement with the president of the republic. The contribution is through skills development as per IPAP 2 on women and youth empowerment and job creation.

Forty learners are to be enrolled in the academy in the next financial year with our long-term goal being to establish a fully-fledged academy to build water as a business. We have partnered with the Development Bank of Southern Africa (DBSA) to set this process in motion. The academy has been introduced to various municipalities including the Amathole District Municipality (ADM) which has committed to actively participate in the academy.

MANDATE EXECUTION

Amatola Water operations continue to be characterised by excellent execution in the review period. We have consistently achieved 99,6 percent water quality compliance as per the national SANS 241 standards. This is above the national benchmark of 96 percent for water quality. We have also maintained assurance of water supply at 100 percent. These factors mean Amatola Water provides clean and safe water which is regulated by continuous rigorous monitoring. It also means that no water interruptions were experienced outside of the Department of Water Affairs (DWA) norms.

Consequently, Amatola Water, together with the Joe Gqabi District Municipality achieved the prestigious Blue Drop certification for the Sterkspruit water treatment works. This is a particularly gratifying achievement since this water system faced critical challenges in the past. This also demonstrates the Amatola Water's turnaround capabilities. For a water supply system to qualify for the Blue Drop, it must receive a total average weighting of 95% to 99% across five criterion in the scorecard.

These include proper process controlling, an efficient water quality monitoring programme, credibility of water sample analysis, the regular submission of water quality data to the Department of Water Affairs, drinking water quality compliance and response to failures.

Consequently, Amatola Water received contracts from the OR Tambo District Municipality and the Sundays River Local Municipality in the review period with the view of alleviating the water services

backlogs in these areas. We view these contracts as affirmation of our impeccable track record in water services provision. The physical expansion means that we now have additional contracts in these new areas of business.

Furthermore, ADM renewed its contract with Amatola Water for another three years. We view this as a vote of confidence in the quality of the work it continues to deliver. These developments indicate that Amatola Water is indeed on a sustainable growth trajectory.

OPPORTUNITY FOR BULKWATER INFRASTRUCTURE

The review period also revealed the opportunity to grow bulkwater infrastructure. Growth in this area will assist Amatola Water to increase volumes, sales and revenue as well as its asset base. This will also assist municipalities in providing water services of the highest quality. There are also opportunities for the utility to grow bulkwater services, which are its primary business.

The challenge will be to ensure that municipalities commit to projects before Amatola Water begins with implementation. Off-take agreements will place Amatola Water on a sustainable path.

FUTURE FOCAL AREAS

Moving forward, Amatola Water will focus on the efficiency of operations to realise the financial benefits of the expansion. This is to make sure services are provided with no wastage. This also means value for money for clients. This will also result in reduced operational expenditure to order to raise revenues which can be ploughed back into infrastructure.

Secondly, there will be a significant focus on infrastructure development. Lastly, the utility is paying particular attention to customer attraction and retention. The focus continues to be on providing value for money, quality services and on-time solutions to customers.

APPRECIATION

I would like to extend my sincere gratitude to the Board of Directors for its infinite wisdom in guiding Amatola Water on a sustainable path that will ensure it addresses the most pressing challenges of the Eastern Cape. I would also like to thank management and the entire Amatola Water team for their tireless efforts in ensuring that the utility delivers on its service delivery objectives. My heartfelt gratitude also goes to the Department of Water Affairs and our clients for their generous support and commitment which confirms our position as a valued partner.



NOMONDE GWABENI (MNUKWA)
CHIEF EXECUTIVE OFFICER

Review of Operations

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Finance

DIVISIONAL DIRECTOR'S REPORT

“ Increased salary costs, together with the establishment of regional offices have placed pressure on the entity's financial performance.”

Craig Step
Chief Finance Officer



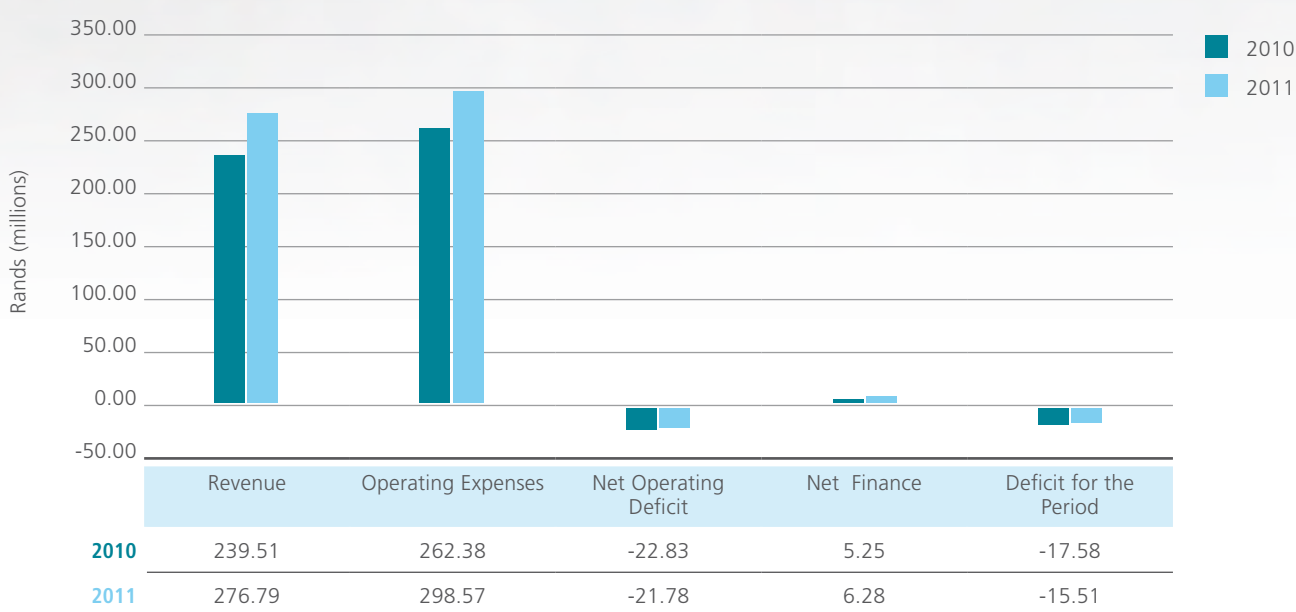
PERFORMANCE 2010/ 2011

The cost of expanding Amatola Water's business, in serving the Eastern Cape, was evident in the financial performance for 2010/2011. A number of factors have led to Amatola Water's lower than anticipated financial performance. Increased salary costs, together with the establishment of regional offices have placed pressure on the financial performance of Amatola Water. It is evident that a number of processes will need to be re-engineered to ensure accurate cost recovery and correct allocation of costs in the future.

The situation was further exacerbated by the underperformance of secondary revenue against budget by R 90.6 million. A number of planned water management services contracts failed to materialize or commenced later than anticipated; however establishment costs had been incurred in preparation for these contracts.

Amatola Water has incurred a deficit of R 15.5 million, after taking into account the above key factors. The review is an analysis of key areas of operational results and the financial position of the entity and must be read in conjunction with the annual financial statements.

FINANCIAL PERFORMANCE



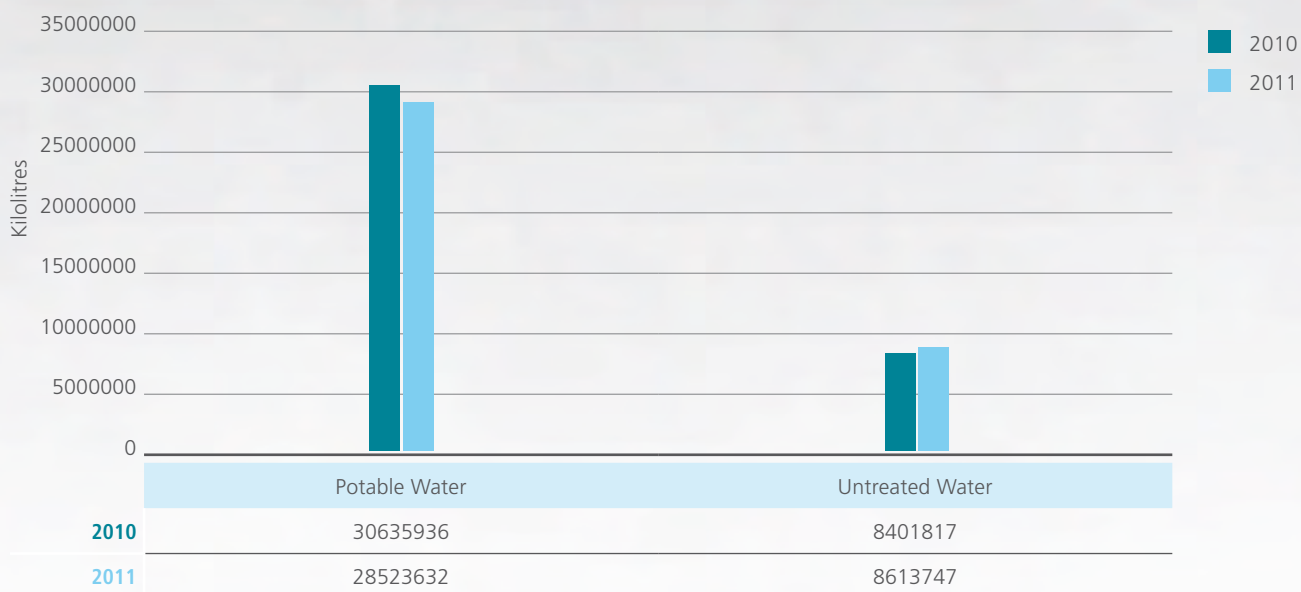
Sales volumes and revenue

PRIMARY REVENUE

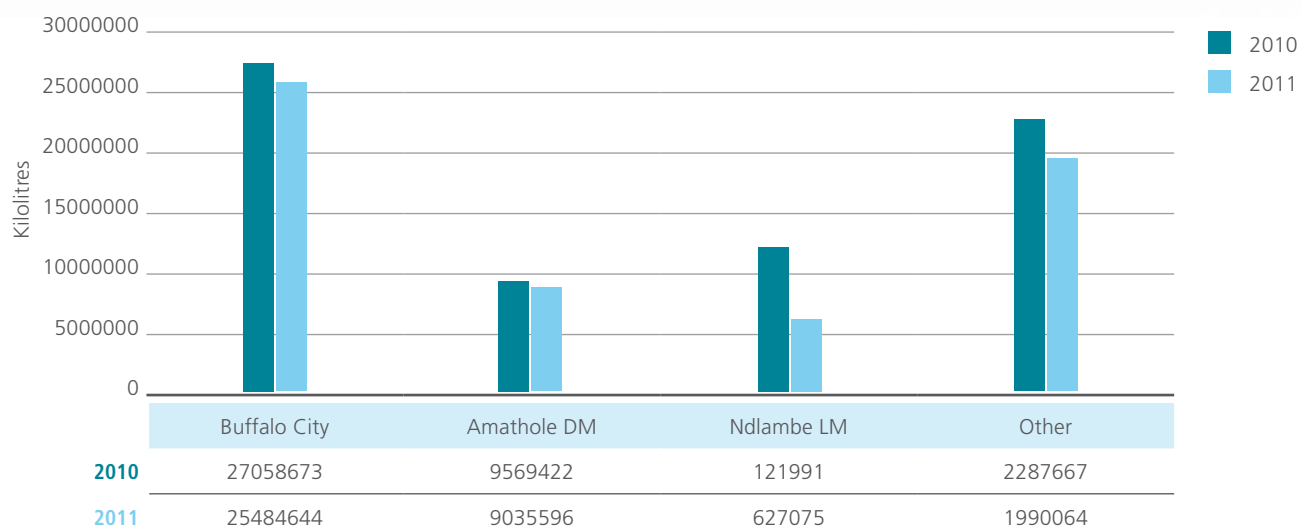
Overall primary revenue increased by 3.1 percent during the 2010/ 2011 financial year. The increase was partly due to the annual inflationary adjustment to retail tariffs of 8.8 percent for Buffalo City Municipality (BCM) and 8 percent for Amathole District Municipality (ADM). Drought conditions that prevailed for the majority of the financial year, together with demand management programmes implemented by the clients, had an influence in volumes sold.

Volumes decreased by 4.9 percent for the year under review. A change in the sales mix between potable and untreated water, saw potable water sales volumes decrease by 6.9 percent and untreated water sales volumes increase by 2.5 percent. Bulk volumes to BCM decreased by 5.8 percent, while those for ADM decreased by 5.6 percent. The incorporation of Albany Coast Water Board into Amatola Water, in the last quarter of 2009/ 2010, accounted for volumes being retailed to Ndlambe Local Municipality increasing by 414 percent.

WATER SUPPLIED BY SALES MIX



WATER SUPPLIED BY CUSTOMER



SECONDARY REVENUE

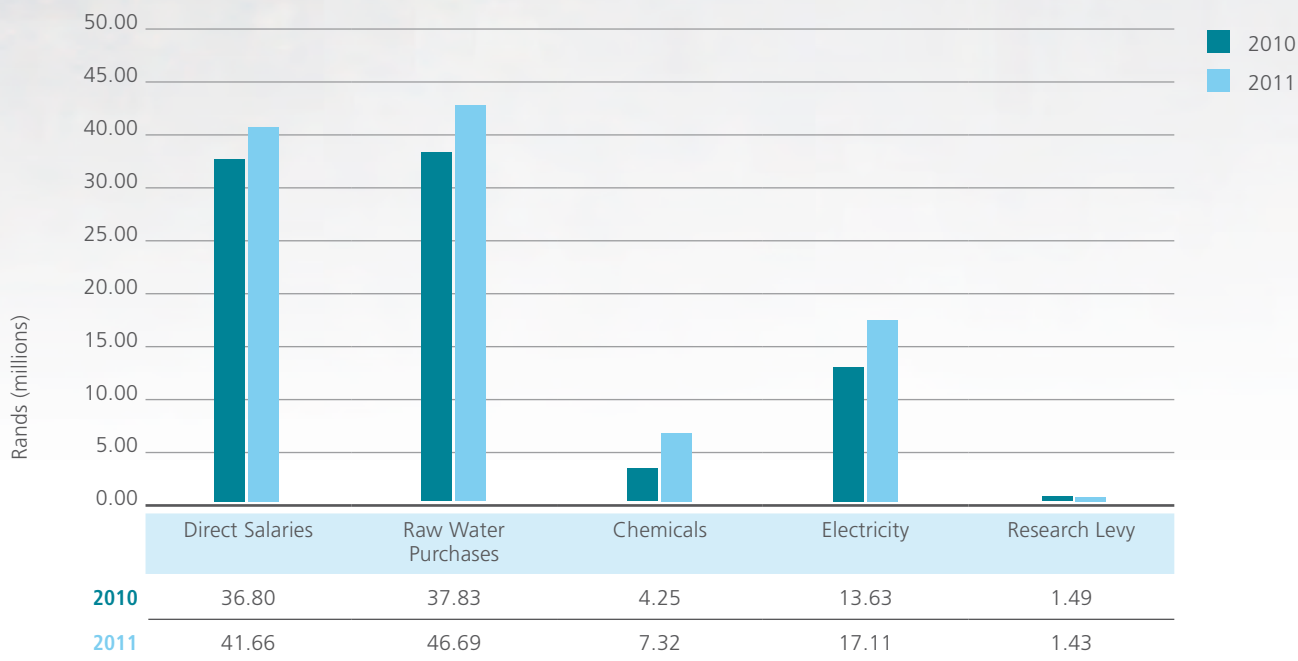
Secondary income increased by 36.1 percent, from R 92.9million to R 126.5million. The ADM water services support contract continued for the duration of the year, as well as the Joe Gqabi District Municipality (JGDM) water services support contract. Other contracts include the Department of Water Affairs, Department of Public Works and the Department of Education (Eastern Cape). New water support services contracts were added by way of OR Tambo District Municipality (ORTDM) and, to a small degree, Makana Local Municipality.

Operating Costs

COST OF SALES – PRIMARY

Total volumes abstracted amounted to 42.1m kℓ versus 37.1m kℓ retailed to customers. Raw water costs, together with salary costs make up the bulk of the cost of sales relating to purification of water. Increases in salary costs relate to the annual inflationary increases and filling of vacant positions. The chemicals increased, particularly flocculants, in the treating of potable water. Electricity increases have largely been due to the high increases passed on by Eskom.

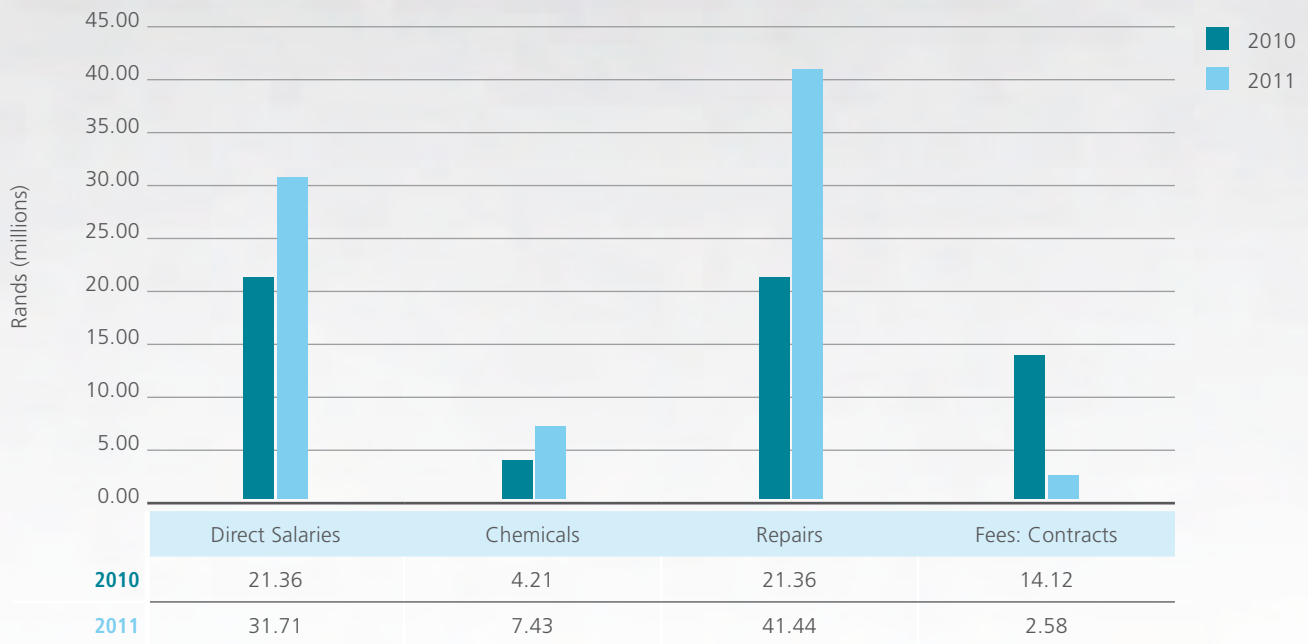
COST OF SALES



COST OF SALES – SECONDARY

The expansion of the management support services contracts into the ADM, JGDM and ORTDM resulted in a number of costs increasing in some areas and a reduction in costs in other areas, partly related to the increased usage of Amatola Water employees versus the use of sub-contractors.

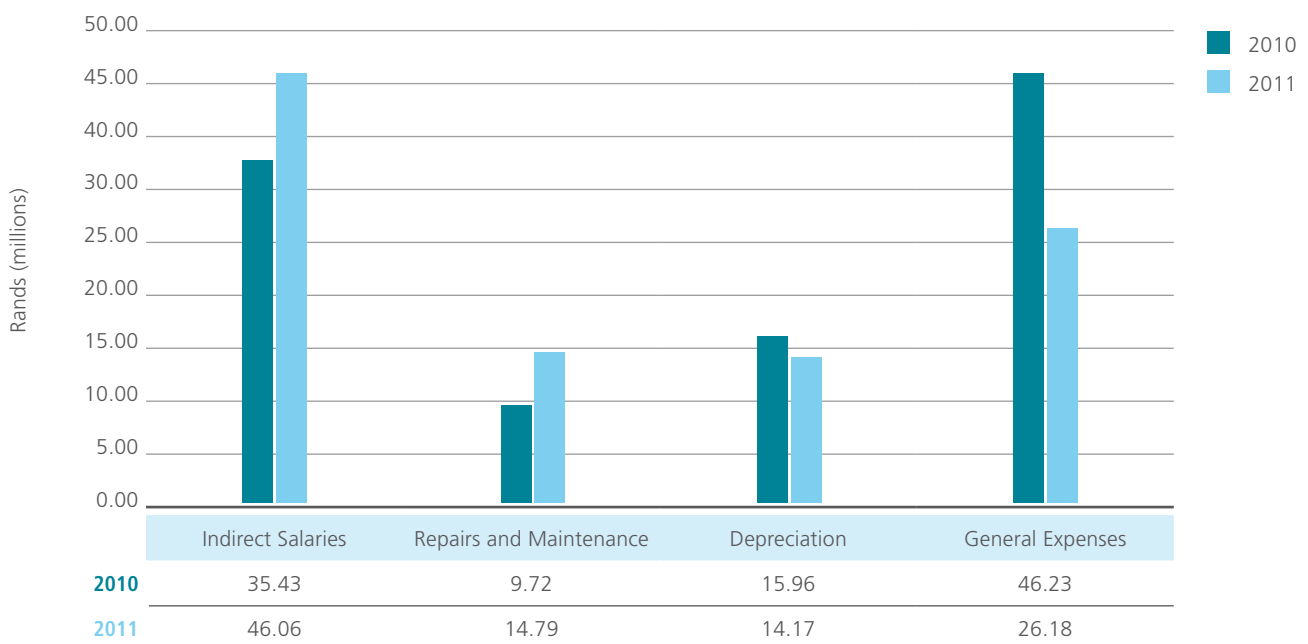
COST OF SALES - MANAGEMENT CONTRACTS



OPERATING AND ADMINISTRATIVE EXPENDITURE

Salaries increased by the annual inflationary increment, together with the filling of positions to meet the operational requirements of the additional management support services contracts. Repairs and maintenance showed an increase of 52 percent as activities expanded. General expenditure decreased largely as a result of the recovery of the Chris Hani District Municipality debt provided for in 2009/ 2010. Increases in leasing and higher charges for vehicles have been realised as Amatola Water expands, leading to the need to improve on cost recovery methodologies in 2011/ 2012.

OPERATING AND ADMINISTRATION EXPENDITURE



Debt servicing

Amatola Water continues to meet its debt obligations relating to repayments for historical raw water debt to the Department of Water Affairs. The outstanding debt has reduced from R6.5million to R3.5million. An additional liability of R1.17million was raised for the acquisition of new premises to be used by the Planning and Development Division. The property is adjacent to Amatola Water's Head Office building.

Capital expenditure

Capital infrastructure expenditure decreased from R41.3million to R20.1million. The building of additional storage capacity at Laing Water Treatment Works (WTW) is nearing completion. This together with the refurbishment of Masincedane WTW and the incorporation of Dabi WTW to Peddie WTW accounted for the bulk of the capital expenditure. The procurement of capital expenditure is funded from normal operations and available cash resources.

Cash flow

Amatola Water's net cash flow increased by R8.956million during the 2010/2011 financial year, largely due to cash generated from Operations.

Procurement

Amatola Water strives to ensure that its procurement practices are fair, equitable, transparent, competitive and cost-effective by promoting consistent application of "best practices" throughout the procurement processes.

Transformation is regarded as a fundamental element in addressing the imbalances of the past; accordingly, Amatola Water supports Broad Based Black Economic Empowerment and the role of Preferential Procurement and Enterprise Development.

The procurement spend in the 2010/2011 financial year has increased by 17 percent from R190million in the 2009/2010 financial year to R223million. During the review period Amatola Water awarded seven tenders with a combined value of R48million in the 2010/2011 financial year.

THE TOTAL PROCUREMENT SPEND AND B-BBEE SPEND FOR 2010/2011 IS TABULATED BELOW:

CRITERIA	% TARGETS AS PER THE CODES OF GOOD PRACTICE	AMATOLA WATER % TARGETS	% ACTUAL	TOTAL SPEND	B-BBEE SPEND
B-BBEE spend all suppliers	50%	65%	101%	223 million	225 million
B-BBEE spend QSE and EME	10%	10%	42%	102 million	93 million
B-BBEE spend more than 50% black owned	9%	15%	23%	43 million	51 million
B-BBEE spend more than 30% black women owned	6%	15%	10%	18 million	22 million

ENTERPRISE DEVELOPMENT

Amatola Water has been instrumental in its contribution towards enterprise development within its areas of operation. The following enterprise development activities have been undertaken in the 2010/2011 financial year:

- Tender advice workshop
- B-BBEE workshop
- Supplier days
- 2 SHEQ Workshops
- SHE plan development for seven suppliers
- BEE Verification for 35 suppliers

Operations

DIVISIONAL DIRECTOR'S REPORT



“ A critical aspect of retaining and improving customer confidence is continuously improving efficiency in service delivery. ”

Xola Bomela
Operations Director

PERFORMANCE 2010/ 2011

The overall performance and achievements in the period under review for the Operations Division can best be described as effective and efficient. Bulk raw and potable water were delivered within the required standards and key performance indicators as stipulated in the bulk water supply contracts.

The bulk potable water supply was delivered to our customers at right quality and quantity as per the SANS 241 standards. The third main key performance indicator was to ensure that the high level of assurance of supply was achieved, more than 99 percent. That means there were no areas of supply that had no water for more than 8 hours a day let alone a day.

The refurbishment, operation, maintenance and support services which are provided as secondary business, mainly to the Amathole and Joe Gqabi District Municipalities were provided with great success. Some of the achievements in these Districts entail improvements in areas such as water quality compliance. The people of ADM are proudly drinking Class 1 water while the water treatment of Sterkspruit in the Senqu Local Municipality has been awarded with Blue Drop Award, an award of water services excellence.

Amatola Water embraces the efforts to reduce and control production input costs through optimisation of operational processes. In this regard, a series of continuous improvement programmes had been effected. The continuous improvement programmes not only impact on production input costs but also to the overall asset management costs and quality of our service in general.

The organisation realizes that a critical aspect of retaining and improving customer confidence is continuously improving efficiency in service delivery. While we continuously reduce costs, we do not compromise on quality and safety in our work spaces and that of our employees. The accreditation of the organisation with the Occupational Health and Safety System (OHSAS 18001:2007), is proof of Amatola Water's ongoing commitment in making its workplace a safe haven for its employees. Greater efforts going forward will be placed on retaining the accreditation, especially after the satisfactory first audit that was undertaken at the end of the review period.

Continuous improvements

Ongoing efforts in order to ensure continuous improvements in Operations have been consistently employed throughout the financial year so as to improve water and waste water quality, as well as business processes and services. Customer valued delivery processes, in particular have been evaluated continually and improved upon taking into consideration their efficiency, effectiveness and flexibility. These entailed, among others, plant upgrades and improvements which enhance organisational efficiency and effectiveness.

ENERGY EFFICIENCY PLAN

Amatola Water recognises that a critical aspect of retaining and improving customer confidence is continuously improving efficiency in service delivery. Therefore efforts have been placed on the reduction and control of input costs through the optimisation of operational processes. As such, in a bid to reduce and control production input costs, the Energy Efficiency Plan remained part of the 'business' operational and strategic plans during this period. The plan does not only impact on electricity costs but also to the overall asset management costs and consequently improves the utilisation and efficiency of the organisation's asset base.

The pump efficiency-monitoring programme continued to be implemented to improve pumping efficiencies by driving down the energy costs. This initiative proved to be highly successful with a steady decrease on kWh/m³ of water consumption irrespective of the drastic increase on electricity tariffs. Electricity usage increased by 1.35 percent, which is mainly attributable to the operation of the Dissolved Air Flotation systems in two of our major plants, Nahoon and Laing

The table below illustrates the trend on electricity usage and water production output. It is noted that the energy usage has been managed within the envelopes of the acceptable parameters. The evidence is that the kWh/m³ ratio decreased from 0.86 in the 2006/2007 financial years to the current value of 0.85 in the 2010/2011 financial year.

WATER TREATMENT WORKS	CAPACITY Mℓ/d	TOTAL kWh	TOTAL TREATED WATER [m ³]	kWh/ m ³	Mℓ/d	% OF PLANT CAPACITY
Rooikrantz WTW	1.20	383506	214740	1.79	0.60	49.71
Masinedane WTW	2.00	48685	786768	0.06	2.19	109.27
Glenmore WTW	0.50	170329	281468	0.61	0.78	156.37
Peddie WTW	6.56	623901	2342509	0.27	6.51	99.19
Mnyameni WTW	0.29	7192	88044	0.08	0.24	84.33
Nahoon WTW	33.70	7545755	9082031	0.83	25.23	74.86
Laing WTW	33.00	9883439	7135757	1.39	19.82	60.07
Sandile WTW	18.00	5257671	8204971	0.64	22.79	126.62
Debe WTW	1.50	914417	800173	1.14	2.22	148.18
Binfield Park WTW	4.80	914417	1462419	0.63	4.06	84.63
TOTAL	101.55	25749312	30398880	0.85	84.44	83.15

Asset Maintenance Management

In capital-intensive industries the entity's physical assets (buildings, infrastructure and equipment) form a significant proportion of the total assets of the organisation. Amatola Water faces the harsh realities of operating in a highly sensitive service delivery environment and dealing with high value assets and equipment where each failure is disruptive and costly, while at the same time having to adhere to stringent occupational and environmental safety regulations.

It is thus important for the organisation to maximise the return on investment from its asset base. The price and tariff regulatory pressures force the organisation to minimise asset total cost of ownership and streamline the asset management operations - these typically involve myriad activities ranging from planned maintenance, inventory and parts and labour costs. As downtimes become increasingly expensive, both in terms of lost production capacity and unfavourable publicity, the organisation is compelled to maximise its asset productive life cycles via optimal planned and unplanned maintenance programmes.

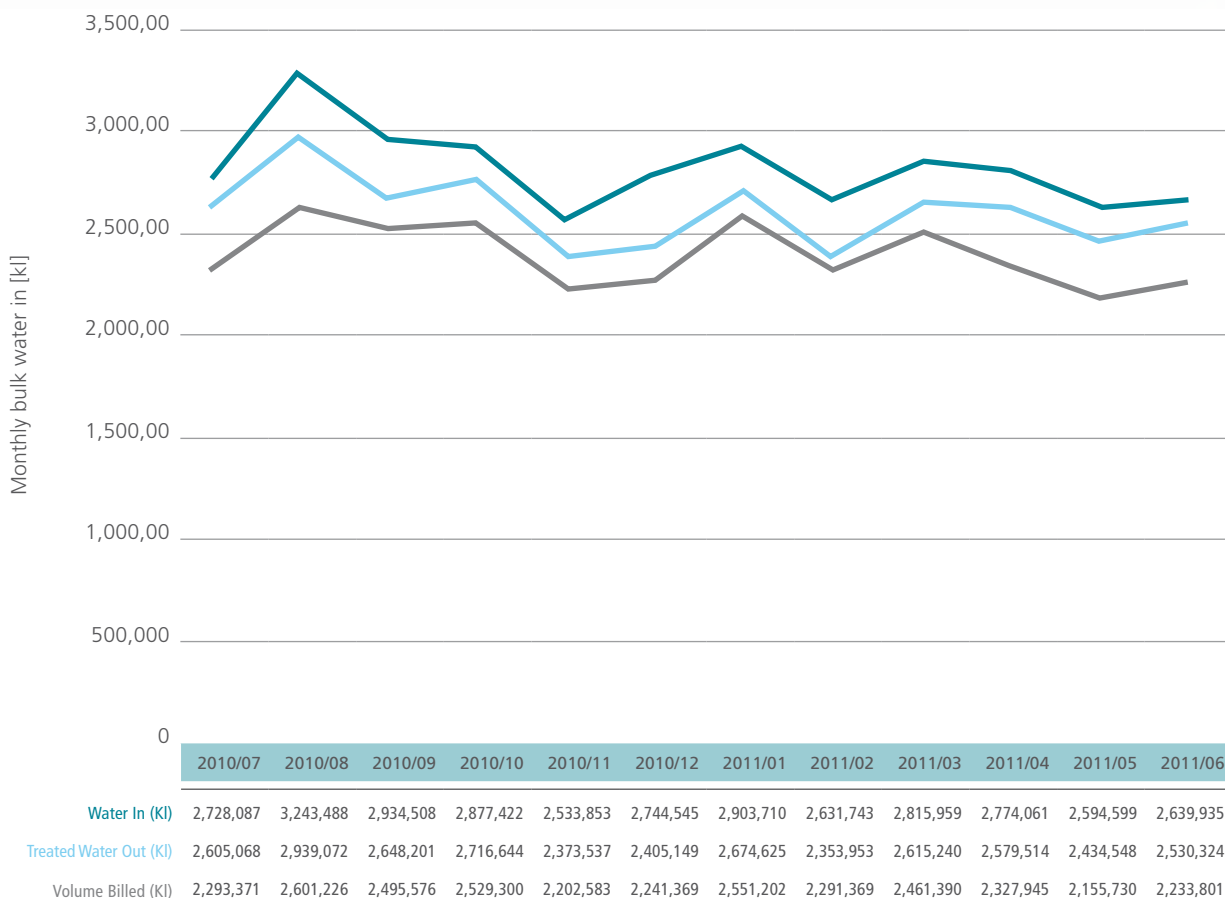
In the event of asset failure, quick response time is critical. All Amatola Water reservoirs have a toll free telephone number pasted on them where the operators and members of the public can call to report any leak or overflow. The call gets dispatched through a 24-hour Control Room, which is manned by qualified and technically skilled staff. All faults get automatically converted to job cards and transferred to the Maintenance Planning and the Workshop. With the organisation's stringent targets on response time and assurance of water supply of respectively less than eight hours and 98 percent, Amatola Water continued to achieve a three hour and 100 percent of response time and assurance of supply respectively.

The organisation's proactive maintenance philosophy coupled with continuous plants and systems improvement efforts have played a role in improved production equipment availability and reliability. This is evident in most water treatment plants achieving consistently good water quality and also sustaining acceptable volumes of water sold, despite the diminishing customer demands.

The implementation of a proactive planned maintenance programme which is universally measured by 80 percent planned versus 20 percent unplanned maintenance has gained momentum. The Southern Region achieved a ratio of 74:26 for planned versus unplanned maintenance while the Western and Eastern have respectively achieved 65:35 and 53:47. The Northern Region is yet to be measured online. The main hindrances to the higher performance levels in this area have been the lack of relevant staff complement and regional accommodation facilities.

Water Loss Control

Various efforts to reduce water loss have been put into effect during this period. A stringent annual water losses target, which is targeted at reducing water losses by a percentage every year, is on the organisation's corporate scorecard. Routine maintenance and inspections throughout the abstraction, treatment and distribution infrastructure have been invaluable in minimising water losses. Through the implementation of programmes such as meter calibration and maintenance, network inspection and monthly water balance reviews; water losses have been recorded at 8.07 percent and 7.62 percent in distribution networks and plants respectively.



Storage and Supply Capacity Expansion

The regionalisation of water supply systems is underway where non-viable and small plants are being decommissioned while their original areas of supply are connected to bigger and more viable schemes. In this way, the production and operational costs are being reduced or distributed across the supply systems. A detailed progress report on such projects is reported under the Planning and Development chapter.

The Qongqotha and Berlin 30 and 6 mega litre reservoirs, together with the new Mount Coke and Da Gama pump station upgrades were all commissioned and put into production with great success during this period. This translates to security of supply in the event of floods and power supply interruption, and has seen storage capacity in the Laing water supply system increasing from a mere 6 hours to 60 hours. These major improvements have drastically enhanced water supply security to the Buffalo City Municipality's Fort Jackson industrial village and the legislative town of Bisho and its surrounds.

The adequate storage capacity has in turn allowed for seamless execution of planned maintenance of the Laing infrastructure and

minimised risk of water interruptions to customers. As a result, when the region experienced catastrophic damages on the Laing raw water feeder pipeline in June this financial year, the additional storage capacity in the system sustained the supply for three days without which there would have been major water interruptions in the Amathole and Buffalo City areas within six hours of the incident. Consequently, the water supply interruptions related to the huge demand in these areas are a thing of the past as the security of water supply has evidently improved.

Blue and Green Drop Certification

With the incentive based regulation - the Blue Drop certification coming to maturity since its inception in 2008, Amatola Water has embraced the programme and steadily progressed in achieving the best performance as possible despite the Blue Drop requirements becoming more stringent with every assessment cycle.

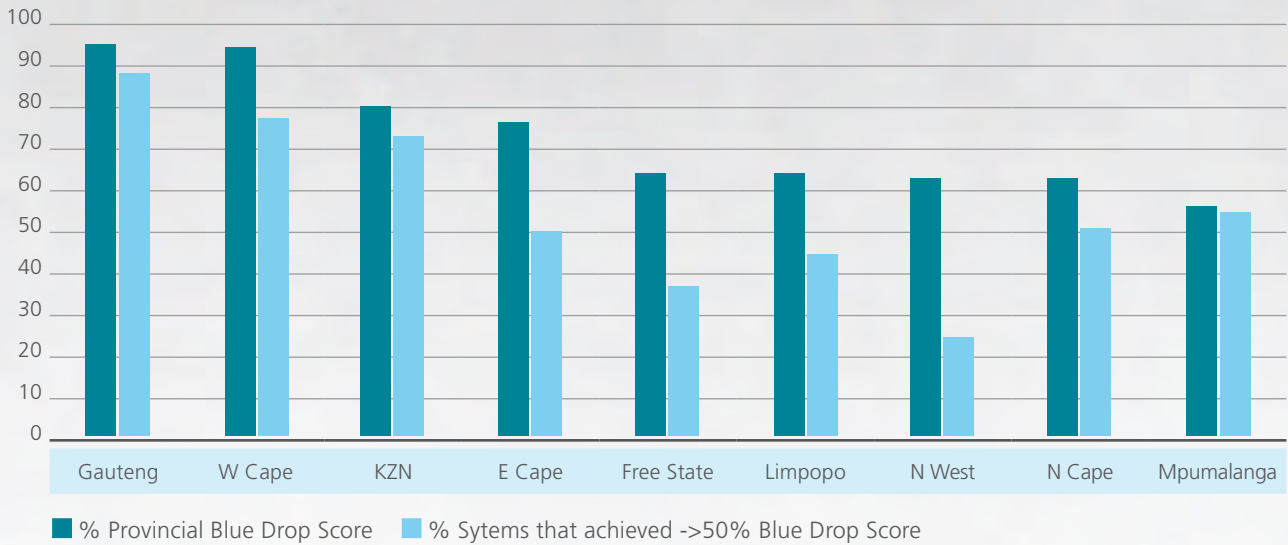
Out of the 66 water supply systems that were awarded the prestigious Blue Drop awards for the 2010/2011 assessment period, only four systems were from the Eastern Cape Province. Amatola Water was a Water Services Provider to one of the systems.

PERFORMANCE CATEGORY	2009	2010	2011	PERFORMANCE TREND
INCENTIVE - BASED INDICATORS				↑
Number of municipalities assessed	107	153	162	↑
Number of water systems assessed	402	787	914	↑
Number of Blue Drop scores >= 50%	183 (45.5%)	370 (47.0%)	536 (58.7%)	↑
Number of Blue Drop scores < 50%	219 (54.5%)	417(53.0%)	378 (41.3%)	↓
Number of Blue Drop awards	3	6	4	
WSA / WSP				
Amatola Water	3	3	1	↓
Buffalo City Municipality	0	2	2	→
Nelson Mandela Bay Municipality	0	1	1	→
Joe Gqabi District Municipality	0	0	1	↑
PROVINCIAL BLUE DROP SCORE	51.40%	67.20%	72.90%	

Amatola Water and the local municipalities are the main Water Services Providers in the Eastern Cape through 163 drinking water supply systems that feeds to municipal networks through a number of regional bulk water schemes. The entity's design capacity accounts for about 10 percent of the total design capacity of 989 ML/day for the province.

The 100 percent assessment coverage is affirmation of the continued commitment by Eastern Cape municipalities to provide reliable and uninterrupted water supply to consumers. The incentive-based

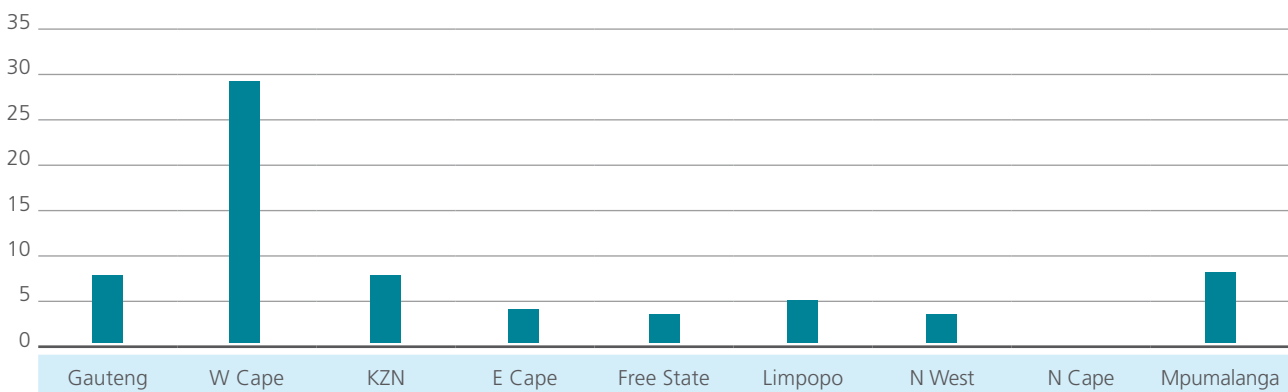
regulatory approach succeeds to act as a positive stimulus to facilitate improved performance and public accountability, whilst establishing essential systems and processes to sustain and measure gradual improvement. The province has succeeded to only raise four Blue Drop awards for the 2010/ 2011 assessment cycle.



The most significant achievement has been the improvement on the Amathole District Municipality's (ADM) Blue Drop performance of which Amatola Water was the Water Services Provider.

Given the substantial number of ADM works assessed and its improved Blue Drop Score of 65.21 percent, this has no doubt improved the provincial score to an impressive 77.33 percent. This has placed the province in the fourth position on the National Performance Log, after Gauteng, Western Cape and KwaZulu-Natal.

NUMBER OF BLUE DROP AWARDS 2011



In turn, Amatola Water was once again recognised for its outstanding work in providing quality water service in the Province. The entity received a Certificate of Excellence in water services provision for the Buffalo City Municipality as well as a Blue Drop award for the Sterkspruit water supply system.

In the Green Drop results, the Amathole District Municipality improved its compliance and performance score on all waste water treatment works. This improvement places the municipality in the

third position on the Green Drop Performance Log of the Eastern Cape Province, amongst 17 Water Services Authorities (WSAs) in the province with an average score of 56 percent compliance.

A business plan that was developed by the entity together with the WSA in order to address the non-conformances and gaps in the waste water compliance has contributed to the improved Green Drop results.

ADM PLANTS OPERATED BY AMATOLA WATER	GREEN DROP SCORE 2011
Dutywa (Mbashe LM)	56.3% ↑
Butterworth (Mnquna LM)	69.8% ↑
Cinsta East (Great Kei LM)	65.9% ↑
Komga (Great Kei LM)	56.3% ↑
Kei Mouth (Great Kei LM)	56.8% ↑
Cathcart (Amahlathi LM)	57.8% ↑
Stutterheim (Amahlathi LM)	59.0% ↑
Keiskammahoek (Amahlathi LM)	31.9% ↑
Amabele (Amahlathi LM)	68.3% ↑
Peddie (Ngqushwa LM)	55.3% ↑
Fort Beaufort (Nkonkobe LM)	62.4% ↑
Alice (Nkonkobe)	22.9% ↑
Middledrift (Nkonkobe LM)	28.1% ↑
Seymour (Nkonkobe LM)	57.8% ↑
Bedford (Nxuba LM)	38.1% ↑
Adelaide (Nxuba LM)	29.5% ↑

Water Production

Our water production in the year under review was relentlessly affected by the climate change that swept through the province, which manifested itself in extreme facets. There was a severe drought for the greater part of the year and abrupt heavy floods in the last two months of the year. These extreme climate conditions directly affected the quality of water in our dams, especially major dams, such that extreme purification measures had to be applied.

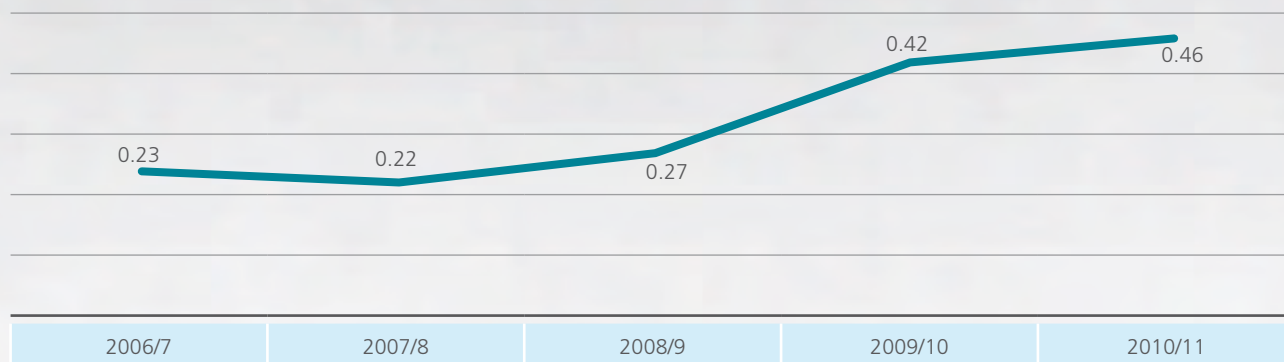
Fortunately, in two of our major plants, the recently installed Dissolved Air Flotation system alleviated the stark water quality situation. With this situation, the flocculent usage was increased leading to the almost doubled chemical costs thus the chemical costs increased from 14c/kℓ to 26c/kℓ.

The water quality compliance on all water treatment works and distribution networks was however improved as illustrated in the table below.

[%]	2006/7	2007/8	2008/9	2009/10	2010/11
Water Works	98.53	99.28	99.52	98.4	99.19
Distribution Network	98.78	99.34	99.35	98.7	99.10

The restrictions imposed on water usage due to drought by our major customers saw our sales dropping by 4.9 percent. The heavy floods that interrupted water supply from our major water supply schemes in the last two months of the year under review were also a cause for this drop.

ELECTRICITY (C/KL)



Electricity (c/kl)

While there was an imposed exponential increase on electricity of more than 25 percent our electricity usage was kept at the lowest level possible. This was achieved through continuous improvement measures, which include, amongst others, the planned maintenance and pump efficiency monitoring programmes. Thus water was pumped using slightly less electricity, which is evident with a steady decline in the electricity usage from 0.86 to 0.847 kWh/m³ of water pumped as illustrated in the table above.

The drop on electricity usage per kℓ translated to the slight increase on electricity cost as the production input cost from 42c/kℓ to 46c/kℓ – a mere eight percent increase.

Safety, Health and Environment

The organisation's commitment in making its working places safe havens for its employees had born fruition when the entity was accredited with the Occupational Health and Safety System (OHSAS 18001:2007) in 2010.

Further advances towards obtaining formal ISO accreditation have been made, as the implementation of the Integrated Management Systems (IMS) which entails a certification on all four integrated quality systems: the Occupational Health and Safety Assessment Series (OHSAS 18001:2007); the International Standards Organisation Environmental Management Systems (ISO 14001:2004); the International Standards Organisation Quality Management Systems (ISO 9001:2008) and the Laboratory accreditation ISO 17025, continues to get momentum.

The disabling incident frequency rate (DIFR) for the organisation was recorded at 0.57, which is higher than the 0.40 of last financial year. The increase is due to the motor vehicle accidents that were recorded in the year under review. However, measures have been put in place to deal with the causes of the accidents which are mainly in the secondary business.

National Government and Municipal Support

In a bid to tackle the numerous water and sanitation challenges that the Eastern Cape Province grapples with, the entity continued to work with Water Service Authorities through water services provision contracts as a support services agent to eradicate water services backlogs, infrastructure asset management, water quality monitoring, operations and maintenance, staff training, water supply and revenue management.

The following were undertaken during the financial year:

JOE GQABI DISTRICT MUNICIPALITY

Testament to Amatola Water's excellence in its provision of water services to the Joe Gqabi District Municipality (JGDM), the entity was honoured with a Blue Drop award for the Sterkspruit water works. The entity's commitment to the use of cutting edge technology has led to its ability to keep operating and maintenance costs at a low, while also preserving the Sterkspruit town's fresh water resources. This partnership has in turn brought the attention of the country to the rural municipality which recently had received bad publicity for poor water quality, by being awarded with two Blue Drop Certifications.

The Department of Water Affairs Regulatory Impression: 'The Department commends the performance of Joe Gqabi District Municipality during this Blue Drop assessment period. Together with various water services providers (Elundini LM; Gariiep LM; Maletswai LM; Senqu LM and Amatola Water), DWA found the municipal officials well prepared and eager to improve drinking water quality (DWQ) management within the 11 supply systems presented for evaluation. The definitive laudable feat would therefore be that DWA can award the Joe Gqabi with Blue Drop Certification in 2 water supply systems (Ugie and Sterkspruit). The Department wishes to encourage the Municipality to not rest on its laurels but to maintain the performance and supply of drinking water safe for human consumption.'

Amatola Water is also in the process of upgrading Sterkspruit plant and its distribution network to service the local social and economic needs of the municipality. This project will definitely have an immense positive socio-economic impact to the people of the Senqu Local Municipality.

AMATHOLE DISTRICT MUNICIPALITY

The period under review saw Amatola Water's Operation and Maintenance contract with the Amathole District Municipality (ADM) being extended for a further three years. This includes the operation, maintenance and management of the rest of ADM's water and waste water treatments works, with the exception of the Stutterheim water and waste water works.

In this regard, a refurbishment and maintenance programme was undertaken at both water and waste water works. Major work has been carried out on sand filters, clarifiers and digesters; electrical panels have been upgraded according to Amatola Water's specifications and standards, new pump sets installed in areas where there were no backup or standby pump sets and broken pumps were overhauled and repaired. Consequently, all plants have extensively improved and as a result Amatola Water and ADM were awarded a 65 percent Blue Drop Certificate for the improvement.

Key to the performance of the review year in the ADM was the improvement of final water quality; water production throughput, water works availability and water treatment works water losses. During this period the district municipality's water quality improved from mainly Class II to Class I compliance (SANS 241:2006). The general performance of the bulk water service infrastructure has in some way increased. This is evident in the improved Blue Drop Certification results. The submission of water quality results and data to the Department of Water Affairs Blue Drop System also significantly improved.

ADM CLASS I WATER COMPLIANCE

WATER TREATMENT WORKS	WATER QUALITY COMPLIANCE %
Alice	98,8
Bedford	97,8
Butterworth	99,2
Cathcart	99,6
Centane	93,7
Chintsa	96,4
Cwebe	95,8
Dwesa	95,1
Elliotdale	97,7
Fort Beaufort	97,5
Haga-Haga	97,7
Dutywa	97,2
Kei Bridge	98,1

ADM CLASS I WATER COMPLIANCE

WATER TREATMENT WORKS	WATER QUALITY COMPLIANCE %
Kei Mouth	99,7
Kei Rd	99,8
Kotana	99,0
Mendu	93,8
Morgan's Bay	98,3
Ngqamakhwe	96,2
Qholora	98,8
Seymour	97,6
Toleni	98,1
Willowvale	96,3
Qumrha	97,4
Average	97,5

NDLAMBE MUNICIPALITY

A R31million Department of Water Affairs grant funding to the municipality for the drought intervention project, which Amatola Water was the implementing agent for, glided the municipality through the peak summer and Easter seasons with no water supply interruptions or shortages. In a period spanning five years, Ndlambe Local Municipality residents experienced regular water shortages because of a prolonged drought.

However, for the first time in more than five years, the drought-stricken Ndlambe Local Municipality did not experience water shortages during peak season of last financial year due to the drought relief interventions that were implemented with great success.

Eleven sub-projects covering six key interventions to relieve the drought situation in the area were implemented. These included a public awareness campaign targeting high water users; the refurbishment of the key water supply infrastructure (e.g. Sarel Hayward Dam Extraction Tower, replacement of leaking old steel pipes, installation of bulk meters, etc.), the resuscitation of the sand dunes well in the East Beach, water conservation and demand management, the upgrade of the bulk water pipeline from Port Alfred to Bathurst, and the general maintenance of the critical infrastructure.

Central to these interventions was the installation of a temporary desalination plant, which purified seawater for human consumption. Both the 400 000 litres a day plant and the resuscitation of the sand dunes helped increase municipal water capacity.

A long-term plan is on the table for the construction of the regional water supply scheme for the Ndlambe Municipality. Amatola Water has been appointed by the DWA once more to implement this project. The year under review has seen the entity starting on the planning phase for the project, which entails a comprehensive

feasibility study for possible underground, surface and seawater sources, an Environmental Impact Analysis and the Design stage.

Amatola Water's involvement with the Ndlambe Local Municipality remains varied, since the entity provides bulk potable water to the municipality through the Albany Desalination (Reverse Osmosis) Plant. The plant has since been upgraded to restore its full functionality and increased its capacity to 1.8ME/day to meet the municipal demand. A bulk water supply agreement has in turn been signed by the two entities.

OR TAMBO DISTRICT MUNICIPALITY

Amatola Water and Umgeni Water provide support in terms of the formulation and implementation of the Turn Around Strategy for water service provision in the O.R. Tambo District Municipality (ORTDM). The ORTDM has four water service units (WSU) consisting of the following local municipal (LM) areas:

- WSU 1 – King Sabata Dalindyebo LM & Nyandeni LM
- WSU 2 – Port St Johns LM and Ingquza Hill LM
- WSU 3 – Mbizana LM
- WSU 4 – Mhlontlo LM & Ntabankulu LM

Mbizana and Ntabankulu Local Municipalities were later transferred to Alfred Nzo District Municipality after the latest May 2011 Local Government elections.

Amatola Water was assigned by the OR Tambo District Municipality (ORTDM) to devise a turn-around strategy for two of its water service units, which are respectively comprised of Port St Johns and Ingquza Hill, as well as Mhlontlo and Ntabankulu Local Municipalities. However, the Ntabankulu Local Municipality was later transferred to Alfred Nzo District Municipality after the May 2011 Local Government Elections. A Memorandum of Agreement formalising the support arrangement by Amatola Water to the ORTDM was signed effective from 1 July 2010 until 30 June 2013.

As part of the support contract, Amatola Water had been involved in a number of projects in the 2010/ 2011 financial year, which include the refurbishment of water treatment plants; operations support and maintenance of the treatment plants, provision of protective clothing, development of the operations and maintenance business plan, performing a skills audit for the water service units, and facilitating the three chemical tenders for the district.

A budget of R11.3million was consequently approved for Amatola Water to refurbish 10 water treatment works in Tsolo, Mvumelwano, Upper Chulunca, Sidwadweni, Port St Johns, Mzimvubu, Mdlankala, Lusikisiki and Flagstaff Water Treatment Works. The refurbishment has been a resounding success in all the treatment plants most notably to:

- Port St Johns WTW, where only half of the plant was operational with poor quality;
- Mdlankala WTW where the plant was not operational at all;
- Mzimvubu WTW where the plant was operating at half of its capacity; and
- Flagstaff WTW where the community was consuming water that was unfit for consumption i.e. unfiltered and non-disinfected.

Other refurbishment programmes included construction of ablution facilities, interventions to ensure health, safety and environmental compliance, purchasing of water quality instruments as per Blue Drop requirements, and the replacement of equipment that is non-compliant to acceptable operational standards.

Amatola Water is also implementing an operational support programme at all the treatment plants, aimed at ensuring an uninterrupted water supply to the area and that the quality of the final water meets the required SANS 241: 2006 quality standards.

DEPARTMENT OF WATER AFFAIRS

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

The two parties meet on a regular basis to facilitate the management contract and to discuss issues pertaining to normal operations and maintenance, and dam safety among others.

DEPARTMENT OF PUBLIC WORKS

The entity is now providing its services to both the Eastern and Western Regional Offices of the Department of Public Works (DPW) in the Eastern Cape. In the Western region the entity has been performing operation and maintenance of stand-alone water and sewer systems. The systems have now increased from 48 to 67 water and sanitation stand-alone schemes.

In the Eastern region, based in Mthatha, the entity has been appointed by DPW to undertake the refurbishment of water and sewer systems in various government facilities in the Province. The government sites are typical rural or peri-urban facilities of the Departments of Justice, Police, Correctional Services, Social Development, Health and Education.

The main purpose of such refurbishment is to make these systems functional, but mainly to ensure that there is a sustainable supply of water and sanitation services to these facilities.

All the facilities have stand-alone water and sewer systems meaning that they are not connected to the municipal systems for various reasons ranging from the unavailability of the nearby municipal systems or nonfunctional municipal systems. However, a decision has been made to connect some, while those that are not feasible and viable to connect will be operated and maintained in their existing status as separate systems.

In response to this demand, Amatola Water has since opened a site office with a well-equipped workshop in Port Elizabeth, which also services the Cacadu District Municipality, while the workshop in Mthatha services ORTDM and surrounding municipalities.

Planning & Development

DIVISIONAL DIRECTOR'S REPORT

“ Much work has been done in identifying bulk water services infrastructure beyond the boundaries of Amatola Water's area of operation. ”

Craig Thompson
Planning and Development Director



PERFORMANCE 2010/ 2011

Water supply connections to Amatola Water infrastructure increased during the year. Consumer supply points increased by 60. Amatola Water now operates and maintains both conventional water treatment works and a desalination treatment works. Total supply capacity of the 10 plants is 101.55Mℓ/day. An average system loss of 7.62 percent and 8.07 percent were recorded for production and distribution respectively during the year, which compared well to the South African Association for Water Utilities (SAAWU) benchmark.

Ongoing efforts have been placed on the collection, verification and maintenance of spatial data for infrastructure within Amatola Water's area of operation and will continue as new infrastructure is developed.

With the increasing pressure on environmental resources, there exists a challenge to integrate social, economic and environmental factors into the planning and decision-making structures of the organisation, so that resource development and use is sustainable. Several key environmental challenges have been identified for Amatola Water. Several projects have commenced addressing facets of these key challenges.

Bulk and distribution losses within the Amatola Water bulk systems are monitored regularly through a combined effort in water loss/demand management programme. Water balances are recorded monthly for all water systems of Amatola Water.

Amatola Water has also assisted Municipalities with water conservation and water demand management activities during the review period.

Participation in proficiency testing schemes for all methods done in the laboratory continues as part of external quality control measures, with good results. An annual surveillance audit carried out by SANAS in January 2011 affected the organisation's laboratory accreditation status.

The heavy rains experienced in the region between March and June 2011 caused high raw water turbidities, which at times resulted in Class I turbidity non conformances in the final water. An overall compliance of 99.15 for water quality for the water treatment works was achieved.

Amatola Water undertook a review of the 2003 Infrastructure Master Plan (IMP). The review will be completed by December 2011.

In the period under review, various projects were undertaken, including the Qongqotha & Berlin New Concrete Reservoirs, Machinedane Water Treatment Works upgrade and Nahoon Dam Water Treatment Works feasibility study.

The Coffee Bay Regional Water Supply Scheme and the Ndlambe Bulk Water Supply Scheme, two of the biggest schemes in the province, as well Sterkspruit Water Treatment Works upgrade were some of the projects that were undertaken.

Municipalities were supported through the Ndlambe Municipality Drought Intervention Project, Kouga Municipality Quick Wins Project and the Sundays River Valley Municipality Support Contract. Other projects of a social nature included the Civil Society Enhancement Programme (CSO), Institutional and Social Development (ISD) support project as well as phase 2 of the Adopt-a-River Project.

Supply Points

Water supply connections to Amatola Water infrastructure increased during the year. Bulk consumer points increased by 21, while the domestic/ industrial supply points increased by 39. Where possible, the industrial customers will be handed over to the relevant municipality.

	2003	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11
BULK	236	293	288	292	292	323	324	332	353
DOMESTIC/ INDUSTRIAL	107	120	117	121	125	127	130	132	171

TABLE OF WATER TREATMENT WORKS CAPACITY

Water treatment capacity per scheme and total treatment capacity are presented in the following table:

WATER TREATMENT WORKS (WTW)	DAILY CAPACITY IN ML/D
Binfield Park WTW	4.80
Dabi WTW	0.72 (has been closed since end of November 2009)
Albany Coast WTW	1.8
Debe Nek WTW	1.50
Glenmore (Enxuba) WTW	0.50
Laing WTW	33.00
Masinedane (Keiskammahoek)	4.00
Nahoon WTW	33.70
Peddie Regional WTW	6.56
Rooikrantz WTW	1.20 (closed since mid-December 2010, not decommissioned yet for emergency purposes)
Sandile WTW	18.00

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

POTABLE WATER PRODUCTION

A slight decrease in the production of potable water was recorded during the review period due to decreased water demands, mainly driven by the persistent drought conditions.

An average total plant production loss of 7.62 percent was recorded during the year, a difference of 0.62 compared to the South African Association for Water Utilities (SAAWU) benchmark of 7 percent. Similarly, total network losses for treated water have increased from 3.54 percent to 8.07 percent against the 12 percent SAAWU benchmark over the past year. The slight increase can be attributed mainly to improved calibration of bulk water meters.

DROUGHT MANAGEMENT

Various studies have been completed over the past year to evaluate and optimise the operation of the Amatole System, which consists of seven dams including Rooikrantz, Bridle Drift, Laing, Maden, Nahoon, Wriggleswade and Gubu dams.

These include the review of the existing operating rules for the Amatole System. These new operating rules were utilised during the 2010/ 2011 drought experienced within the Eastern Cape.

Business systems improvement

GEOGRAPHICAL INFORMATION SYSTEMS (GIS)

Ongoing efforts have been placed on the collection, verification and maintenance of spatial data for infrastructure within Amatola Water's area of operation and will continue as new infrastructure is developed. Initiatives are underway to collect and verify spatial data of Amatola Water infrastructure using a sub-meter accuracy Global Positioning System (GPS) unit. Schematic diagrams of water schemes have been updated and verified to assist the management of water losses within the organisation's systems.

Much work has been done in identifying bulk water services infrastructure beyond the boundaries of Amatola Water's area of operation. This includes the capturing of information regarding the infrastructure of the Albany Coast area now transferred to Amatola Water.

Relationships with GIS stakeholders have been established and the organisation is kept abreast of the latest developments through representation at various external meetings with local, provincial and national government.

A Generic Water and Sanitation Infrastructure Master Plan Database was developed and designed to ensure a common method of spatial data capturing. The design formed the basis for the data capturing and consists of spatial features and attribute details. A GPS Data Dictionary was developed to streamline GPS data capturing and to simplify the incorporation of the data into the geo-database.

Amatola Water was also instrumental in the development of an Infrastructure Master Plan (IMP) for water and sanitation services in the Ndlambe Local Municipality during this period. This included the capturing of spatial water and sewer infrastructure, which entailed hard copy drawings, electronic drawings, GPS data and with assistance from operations staff, into a Geographical Information System (GIS). The system was developed to enable the Ndlambe Local Municipality to have a tool to assess and manage the development of water and sanitation services within the municipality.

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

ENVIRONMENTAL SERVICES

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

Several key environmental challenges have been identified for Amatola Water. These include, among others:

- Amatola Water's environmental footprint;
- Environmental compliance;
- Monitoring and auditing;
- Integrated environmental management;
- Technological challenges; and
- Climate Change risks and uncertainty

Over the past year, several projects have commenced addressing facets of these key challenges. Notable is participation in a Water Research Commission funded project with Rhodes University to develop climate change adaptation measures and a decision-support system to assist Amatola Water in making strategic decisions to align with regional sustainability pressures.

Environmental inputs were provided to the water services assessments undertaken for Port St Johns, Ngquza Hills, Ntabankulu, Mhlonlo, Sundays River Valley and Kouga Local Municipalities. The Ndlambe Drought Intervention Project required environmental authorisations for dune groundwater abstraction from dune wells and brine discharge from a temporary desalination plant on the Kowie River.

A water quality specialist study was undertaken for the environmental impact assessment for the proposed regional waste water treatment works at Zwelitsha and inputs were provided to the water quality component of the Amatole Reconciliation Study. Environmental input and development of a training programme covering water safety, health and hygiene, snakes and snake bites, and risk awareness for the Buffalo River Adopt-a-River Project beneficiaries was undertaken.

Water quality input to the proposed Ihlanza River Rehabilitation project was provided.

These varied environmental inputs have contributed to ensuring the organisation's environmental monitoring and compliance within an integrated environmental management framework.

Plant and systems management

NON-REVENUE WATER

Amatola Water has assisted Buffalo City Municipality, Ndlambe Local Municipality and the Joe Gqabi District Municipality (JGDM) in Sterkspruit with water conservation and water demand management activities during the review period.

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

Water balances are recorded monthly for all water abstracted, treated and distributed within the supply networks of Amatola Water. Key focus areas include the Peddie Regional Scheme and Dimbaza within the Sandile Scheme. The identification of problem areas is done through logging of key water meters and physical inspection of bulk pipeline routes. Early identification of water losses assists the water board in addressing and reducing water losses which, in turn, results in reduced loss of revenue.

Scientific Services

SCIENTIFIC SERVICES

Participation in Proficiency testing schemes for all methods done in the laboratory continues as part of external quality control measures. The overall performance for all three groups was excellent, with an average Z-score of 2.0. An annual surveillance audit of the review period was carried out by SANAS in January 2011, which resulted in the suspension of the Amatola Water laboratory's ISO 17025 accreditation status. The suspension is subject to the laboratory clearing the raised non-conformances and a confirmation of clearance through a reinstatement visit. The laboratory has effectively closed the findings and is awaiting the visit by SANAS. Amatola Water did not incur any fines for non-compliance to any environmental laws or regulations.

WATER QUALITY MANAGEMENT

The Amatola Water laboratory continued to assist Makana Municipality with the sampling and analysis of its three regions - Riebeeck East, Grahamstown and Alicedale.

Raw water quality remained a challenge for the Albany Coast plant which now falls under the entity. The plant obtains its raw water from boreholes which are highly saline due to the area's proximity to the sea. The Reverse Osmosis plant is able to treat the water to lower conductivities. This water is further blended before distribution, resulting in higher dissolved solids, conductivity, sodium and chlorides.

The heavy rains experienced in the region between March and June 2011 caused high raw water turbidities, which at times resulted in Class I turbidity non conformances in the final water. The upper Mnyameni treatment plant, in particular, experienced problems with sand and pressure filter nozzles resulting in turbidity non conformities.

TABLE 1: WATER QUALITY FOR THE WATER TREATMENT WORKS FOR THE PERIOD 2010 / 2011
AMATOLA WATER - SANS 241 OVERALL COMPLIANCE

SCHEME NAME	FINAL WTW	DISTRIBUTION NETWORK
Albany Coast	-	96.3
Binfield	99.1	99.5
Debe	99.7	99.5
Glenmore	98.5	98.7
Laing	99.8	99.3
Masinedane	98.7	-
Mnyameni	97.9	-
Nahoon	99.7	100
Rooikrantz	100	99.8
Sandile	99.1	99.6
Peddie	99.4	100
Peddie-Chalumna	-	98.4
Peddie-Bira	-	99
Average	99.19	99.1
Overall compliance	99.15	-

The Rooikrantz plant was decommissioned in December 2010. The reservoirs previously serviced by the plant were subsequently linked to the Kei Road plant which is owned by the Amathole District Municipality.

A satellite laboratory has been opened at Barkly East which started operating in June 2010. Currently this laboratory is running for one week in a month to support the Joe Gqabi Municipality's monitoring programme.

Infrastructure Master Plan Review

Amatola Water undertook a review of the 2003 Infrastructure Master Plan (IMP). The IMP is a twenty year capital expenditure programme to ensure that the existing infrastructure operated by Amatola Water can meet the future demands of the region in a sustainable, efficient and effective manner. The review will be completed by December 2011.

Feasibility Studies

In the period under review, the entity undertook a feasibility study for the upgrade of a portion of its bulk infrastructure on the Nahoon Scheme. The proposed bulk infrastructure upgrade comprises the provision of a bulk water pipeline from the Nahoon Dam Water Treatment Works to Beacon Bay to augment the supply to Cambridge, Vincent, Beacon Bay, Wembley and Gonubie. The feasibility study is self-funded by the entity, but if taken forward, the project will be implemented as a joint effort between Amatola Water and the Buffalo City Municipality.

The proposed upgrade is informed by the need to:

- Provide for future development needs to address the social housing needs within the Buffalo City Municipality.
- Alleviate water supply demand pressures from the existing Buffalo City Municipality owned Umzomyana Water Treatment Works.
- Maximise usage of the available safe yield allocation from the Nahoon Dam.

Phase 1 of the study has been completed and requires funding of R120 million to construct a bulk pipeline along the N6 national road to Beacon Bay and to upgrade the treatment works from 33 to 40ML/day. Funding options will be discussed with the Buffalo City Municipality in the 2011/ 2012 financial year.

Due to the ever increasing supply challenges within the Great Kei Municipality, the feasibility study has been extended to investigate other medium to long term supply scenarios towards the Great Kei Municipality, including the East Coast Resorts within the Amathole District Municipality. Centralised supply options that are being investigated are from the Nahoon Water Treatment Works as well as from a new Regional Water Treatment Works in the vicinity of the Wriggleswade Dam. Decentralised supply options currently being investigated include local off-channel storage dams, desalination and the re-use of treated effluent.

The regional water treatment works also provides other supply opportunities within the Buffalo City Municipality, such as Bhisho and surrounds.

Project Implementation and Support Services

INTERNAL INFRASTRUCTURE PROJECTS

Da Gama to All Saints Pipeline

Amatola Water is the bulk potable water provider for the Laing Dam water supply scheme. The scheme supplies potable water to the Zwelitsha, King Williams Town and Bhisho areas that are located within the Buffalo City Municipality. Recent developments in the area have resulted in the need to upgrade the Da Gama / All Saints portion of the scheme to ensure that the pipeline is able to meet the area's future demands. The design and tender document for the project have been completed. However, due to the high costs associated with this pipeline, the project has been put on hold. As an interim measure, a decision was made to enlarge the Da Gama pumps.

The construction of Da Gama pump station work was completed at the end of the review period. EPM Services were appointed for electrical work to the value of R130 000 excl. VAT, while SD Engineering Services were appointed for mechanical works to the value of R648 000 excl. VAT.

Masinedane Raw Water Pipeline

The replacement of the Masinedane Raw Water Pipeline was designed internally by Amatola Water, allowing the internal engineering personnel insight into the design and tender documentation processes of an engineering project. The tender was respectively awarded to Coalition Civils / White Hazy JV for R3 395 999 excl. VAT and C&C Valves Repairs to the value of R413 027.89 excl. VAT.

The contract was 90 percent complete when it became apparent that the appointed contractors were unable to complete the project due to various reasons. Mamlambo Construction was subsequently appointed to complete this work to the value of R250 000 excl. VAT. This work including construction was completed in March 2011.

Upgrade of Masinedane Water Treatment Works

Upgrade of this water treatment works was necessary to improve the reliability of the treatment processes and to increase the capacity of the works. This water treatment works is supplied with raw water from Mnyameni Dam. The Engineering Consulting Work for the designs was awarded to Element Consulting Engineers on 06 December 2007. Mamlambo construction was appointed in March 2010 to execute construction work to the value of R6 770 972.20 excl. VAT. This work including construction was completed in March 2011. There has been a request by the Department of Local Housing and Development to provide potable water to some 1255 housing units within the scheme. Further, the augmentation done would be able to serve the additional housing units as well as the supply of bulk potable water to the Dontsa area, which forms part of the Masinedane scheme. It is expected that these additional demands will start to kick in over the next few years.

Qongqotha & Berlin New Concrete Reservoirs; Mt Coke Pump Station & Rising Main; and Laing Raw Water and Supernatant Pipelines

Amatola Water is the bulk potable water provider for the Laing Dam water supply scheme. The scheme supplies potable water to the Zwelitsha, King Williams Town, Bhisho and Berlin areas located within the Buffalo City Municipality. Recent developments in the area have resulted in the need to upgrade Qongqotha reservoir and the Berlin reservoir of the Laing Scheme to ensure reliability and sustainability as well as provide for at least 24 hour storage capacity. The project involved the construction of a 30Mℓ reservoir at Qongqotha, a 6Mℓ reservoir at Berlin, the construction of Mt Coke Pump Station and an additional 250mm rising. The Engineering Consulting Work for the designs was awarded to Aurecon on 03 February 2009, while the tender for construction work was awarded to WBHO Construction to the value of R43 717 132.67 excl. VAT. The Qongqotha, Berlin, Mt Coke and rising main work including construction was completed in March 2011. The Laing raw water and supernatant pipelines work is expected to be completed in June 2012.

Extension of Head Office Complex at 3 Lancaster Place

Amatola Water has acquired a property adjacent to its Head Office in Vincent that will be converted into offices for the Planning and Development division. A professional services team, together with Imkamva Architects as the principle agent, has been appointed for the work. The scope of works includes a two-stage approach. The first stage will be for master planning that will allow for option analysis and the rezoning of the property. This will be followed by the implementation stage. The project value is R1 500 000 and the anticipated completion date is end of June 2012.

EXTERNAL PROJECTS

Nxamkwana Sanitation Project

Amatola Water was appointed by the Buffalo City Municipality to implement the Nxamkwana Sanitation Project with a value of R7.98 million. This project entails the construction of 3510 compost toilets over a period of three years. Construction of 660 toilets in Phase 1 and 2 of the contract is complete. Funding of approximately R16 million excl. VAT has been allocated for Phase 3. Construction of Phase 3 is expected to be completed in November 2011.

Water and Sanitation of Police Stations Managed by the Department of Public Works

Two new police stations - Hilltown and Steve Tshwete at Frankfort have been added to this work. The project is still at tender stage. Budget for this work is R2.5million. This work is expected to be completed in June 2012.

Civil Society Enhancement Programme (CSO)

The Department of Water Affairs appointed a Joint Venture between Amatola Water, Mvula Trust and Kungawo Development to act as a project implementing agent for this programme. The programme was designed to enhance the capacity of the CSO in the water sector in the Eastern Cape. The programme progressed well for a period of two years and was completed in March 2011. The total contract value amounted to R2.32 million excl VAT.

Adopt-a-River Project (Phase 2)

The appointment of Amatola Water by the Department Of Water Affairs to implement the Adopt-a-River Project has been extended with a further R2 million allocated for Phase 2 of the project. Phase 1 was completed in June 2011.

The project will entail training locally based women to care for the Buffalo River system by cleaning solid waste and clearing of alien vegetation along the river course. This work is expected to be completed in August 2012.

The objectives of the project include, but are not limited to, employing 100 women beneficiaries to clean up the Buffalo River from source to sea to allow communities to take care of the cleanliness of their rivers and the surroundings and to encourage community members to guard against those who dump next to their areas or near the river.

The Adopt-a-River Programme is an initiative of the Department of Water Affairs and has, as its broad focus, the development of an increased awareness of South Africa's water resources and increasing community participation in taking care of these resources. It is hoped that increased knowledge of water resources will develop into an active participation by stakeholders in contributing to environmental management, and ultimately result in better management and protection of the environment and, specifically, of scarce and precious water resources.

DLGTA MIS-ISD Support

Amatola Water was appointed in February 2011 as the Implementing Agent for the provision of Institutional and Social Development (ISD) support pertaining to the Department of Local Government and Traditional Affairs Municipal Infrastructure Services (DLGTA-MIS) programme. The project is valued at R843 000 and will be completed in February 2012. The project is implemented in conjunction with Mvula Trust.

The main project deliverables are as follows:

- Conducting the profiling and consolidation of a Provincial Institutional and Social Development (ISD) status quo in municipalities and sector departments. Refining the current draft of the ISD guidelines to a final document and subsequently developing the implementation plan of the provincial ISD guidelines, the roll out plan and conduct municipal induction.

- Provision of hands on support on the institutionalisation of the ISD to the Department of Local Government and Traditional Affairs Municipal Infrastructure Services (DLGTA-MIS) with the compilation and consolidation of monthly and quarterly Key Performance Indicators (KPIs) Non-Financial Reports for submission to Department of Cooperative Governance (DCOG).

- Coordinating, facilitating and monitoring all the enlisted DLGTA-MIS Forums, like Provincial Municipal Infrastructure Task Team (PMITT) quarterly workshops, Provincial ISD quarterly workshops, Provincial Sector Support Task Team (PSSTT), Provincial ISD Task Team (PISD TT), Provincial and District Appraisal Committees (PACs & DACs) and District MIG Coordination monthly meetings.

Rainwater Harvesting - Eastern Cape

Amatola Water was appointed by the Department of Water Affairs as an Implementing Agent to support the department in the implementation of a rainwater harvesting programme. The programme is aimed at enhancing water availability for poor rural households to enable them to have water supply for family food production and other productive uses and will benefit 250 households, farmer cooperatives and other entities in the six district municipalities of the Eastern Cape.

The programme will involve the supply and installation of 500 rain water harvesting tanks to the 250 beneficiaries who will participate in operation and maintenance training. The group will also be exposed to health and hygiene education. The budgeted cost of the programme is R 4.7 million and construction is expected to be completed in February 2012.

DWA Rural School Sanitation Project

Amatola Water was appointed as Implementing Agent by the Department of Water Affairs for the construction of water and sanitation facilities at 80 schools in the Chris Hani District Municipality to the value of R25 million. This project was successfully completed and handed over in August 2010.

Mthatha Dam Water Supply Feasibility Study

Amatola Water was appointed by the Department of Water Affairs as the Implementing Agent for the feasibility study. The aim of the study was to investigate the capacity of Mthatha Dam in terms of supplying both rural and urban areas. The study covered the following:

- Determination of the spare capacity of Mthatha Dam
- High level water demand management
- Hydrological analysis
- Alternative options of raw water augmentation
- Raw water pump station up-grading
- Rising main and gravity main assessment
- Type of Pumps and specifications
- Location of the new Water Treatment Works
- Project appraisal (cost benefit analysis)
- Project life cycle and first order estimate
- Preliminary design

The total cost for the feasibility study and preliminary design is R2.308 million. The project was executed in three stages namely; Stage A - which covered the situation assessment; Stage B – focussing on the needs assessment, gap analysis and options; Stage C, nearing completion entails planning, preliminary design and costing. In September 2010, the Department further requested that more options be investigated with specific focus on the capital and operational cost implications of smaller rural borehole schemes and stand-alone schemes in comparison to the cost of one regional scheme. This study is still in progress.

Coffee Bay Regional Water Supply Scheme

Amatola Water was appointed by the Department of Water Affairs as Implementing Agent for the project, which includes bulk water for the Coffee Bay Regional Water Supply scheme in the OR Tambo District Municipality (ORTDM). During the year, ORTDM also secured Municipal Infrastructure Grant (MIG) funding to do reticulation in the villages and increase the capacity of the water treatment works. The scope of the contract has been extended to cover bulk mains to 34 villages. The project broadly consists of the following:

- Extension of the existing Coffee Bay RWS to incorporate the entire Ward 23 area of the King Sabata Dalinyebo (KSD) Local Municipality.
- Construction of a pump station and rising main from the existing Xonyeni reservoir to a proposed Command reservoir.
- Construction of more than 50km of gravity bulk mains from the central distribution reservoirs to the village reservoirs.
- Installation of reticulation in the villages.
- Increasing the capacity of the water treatment works to 3Ml/day.

The contract with the extended scope will be completed in November 2011.

Sterkspruit Water Treatment Works

Amatola Water has been appointed by Joe Gqabi District Municipality (JGDM) as Implementing Agent to refurbish and upgrade the Sterkspruit WTW. An amount of R48.2 million has been approved under the MIG programme for the project. Refurbishment work to the amount of R5.52million has been completed.

For the upgrade Amatola Water has appointed a service provider to do the design and construction supervision. The first phase of the project is well underway. This involves a regional reservoir and a section of pipeline.

Ndlambe Bulk Water Supply

Amatola Water was appointed as Implementing Agent for the Ndlambe Bulk Water Supply Project. The provision of sustainable bulk water supply at an acceptable quality within the Ndlambe Municipality has been hampered due to the nature of existing water resources that are unreliable in terms of assurance of supply and water quality related matters. The purpose of the study therefore is to investigate and determine the most beneficial regional bulk water supply alternative. Alternative water resources that will be considered include new surface water resources (Lower Fish River),

desalination, groundwater and re-use in the form of centralised, decentralised (local) and combinations of supply alternatives.

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

One of the key socio-economic drivers of the study is the proposed Thornhill Development in Port Alfred. The Thornhill Development will comprise of 5000 social housing opportunities. Currently, the provision of sustainable bulk water services is hampering this, as well as other, proposed developments.

The Feasibility Study will be completed towards December 2011, while implementation is expected to commence in the new financial year over a period of 36 months. The anticipated project value is in the order of R464million.

The Ndlambe Municipality Drought Intervention Project

The Ndlambe Drought Intervention Project has been allocated R31 million by the Department of Water Affairs. This was in response to the severe drought experienced in the region over the past three financial years. Amatola Water was appointed as the Project Implementing Agent. The project commenced in September 2010 and will be complete in September 2011. Interventions included improving water loss management, accessing additional groundwater sources, community awareness programmes, temporary desalination supply and refurbishment of infrastructure.

Kouga Municipality Quick Wins Project

Amatola Water was appointed by the Department of Water Affairs in March 2011 to implement the R4.438million turn-around project in the Kouga Municipality. The project focuses on infrastructure, system and institutional interventions to improve the water services provision function of the municipality. Completion is expected in June 2012.

The Sundays River Valley Municipality Support Contract

The Sundays River Valley Municipality has developed a turn-around strategy to improve service delivery in the region. The municipality required assistance to develop a business plan to address the turn-around of the water services provision function and to implement the plan once sufficient funding could be secured. Amatola Water developed a support proposal that was approved by the Municipality in December 2010. The business plan is currently under development.

Corporate Services

DIVISIONAL DIRECTOR'S REPORT



“

Every effort has been made to ensure that we employ the right people and that we obtain and retain the right skills in order to take the

organisation forward.”

Mzwandile Gogwana
Corporate Services Director

PERFORMANCE 2010/ 2011

The Corporate Services Division embarked upon a series of activities towards realizing the stated transformation objectives of Amatola Water. Included in these activities are Human Resources Policies, the roll out of organisational values, implementation of the Employment Equity Plan as well as the establishment of a Learning Academy. The year under review has seen approval of more than 10 HR policies which have since been rolled out to all employees at every workplace. There is increased employee participation in organisational transformation initiatives through various platforms of engagement such as the Local Labour Forum, Employment Equity Committee and Extended Management Committee; and the momentum is growing from strength to strength.

The organisational values of excellence, integrity and accountability were rolled out to all the workplaces. Employees were asked to suggest behaviors which typically represent these values and through our Marketing and Communications Department a Values Booklet has been printed and will soon be distributed to all employees. The intention is to ensure that every employee in the institution internalises and lives these values in terms of their daily conduct inside and outside of Amatola Water, for the general good of the organisation.

Apart from the values, Amatola Water has adopted a Corporate Citizenship Policy Statement in which it prides itself on being a sound, smart, responsive and responsible bulk water services provider and sets out its responsibility to the employees, suppliers, environment, customers, partners and the community. In this way, Amatola Water reaches out to a broad spectrum of stakeholders to maintain and sustain a credible station in society generally.

Another exciting flagship of Amatola Water is the stated objective of establishing a Learning Academy which will provide an outlet for the supply of graduate employees in the area of water and wastewater purification. The much talked about shortage of skills in the water sector will soon become a thing of the past as Amatola Water has taken a courageous step to bridge the gap by creating a pool of trained operators drawn from various communities especially those who come from poor backgrounds. Currently about 50 Amathole District Municipality employees are attending a special course in water/wastewater purification while an additional 30 learners are from Mbashe Local Municipality. The momentum is growing in a fascinating way as more water services authorities (WSAs) have shown interest in participating in the Learning Academy. At present, Amatola Water is mobilizing financial support in order to establish its own facility.

Human Resources

WORKFORCE PROFILE

The year under review has been an exciting and a productive year for the Corporate Services Division having experienced a considerable increase in its activities and ensuring that the human resources interventions employed are relevant and meet the needs of Amatola Water as a thriving and evolving organisation. Amatola Water only employs people of legal age and does not subscribe to any form of child labour.

Every effort has been made to ensure that we employ the right people and that we obtain and retain the right skills in order to take the organisation forward. The foundation of all these activities has been entrenched in our goal of promoting Amatola Water as the employer of choice in the Eastern Cape.

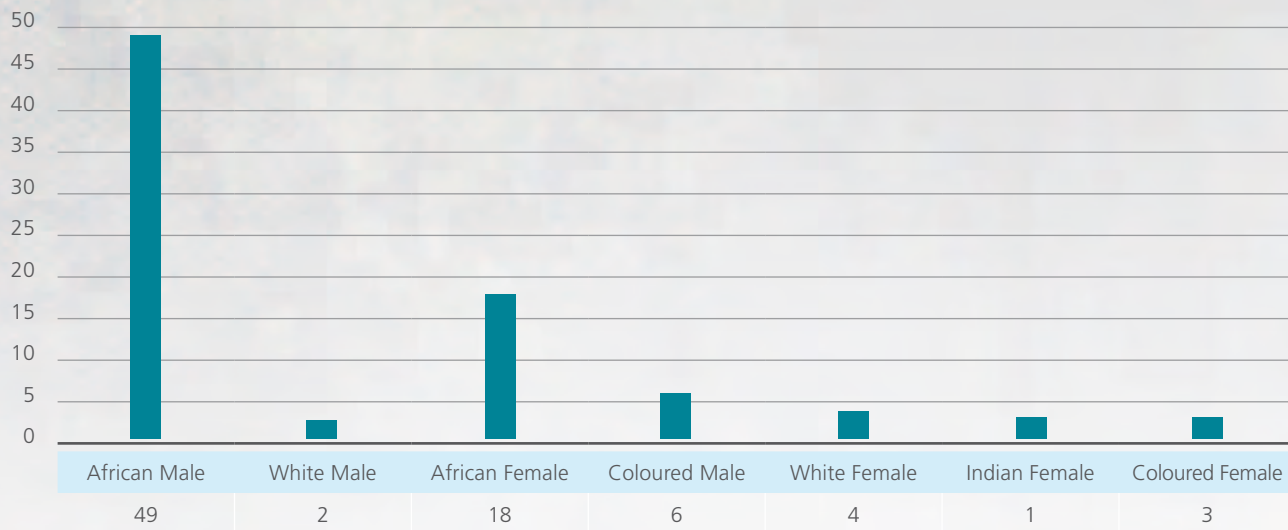
In this regard, during the year under review 83 appointments were made. The staff complement as at 30 June 2011 was:

PERMANENT EMPLOYEES	410
NON-PERMANENT EMPLOYEES (CONTRACT WORKERS; IN-SERVICE STUDENTS; LEARNERS)	69

The recruitment of permanent employees for Amatola Water was designated for the following operational divisions:

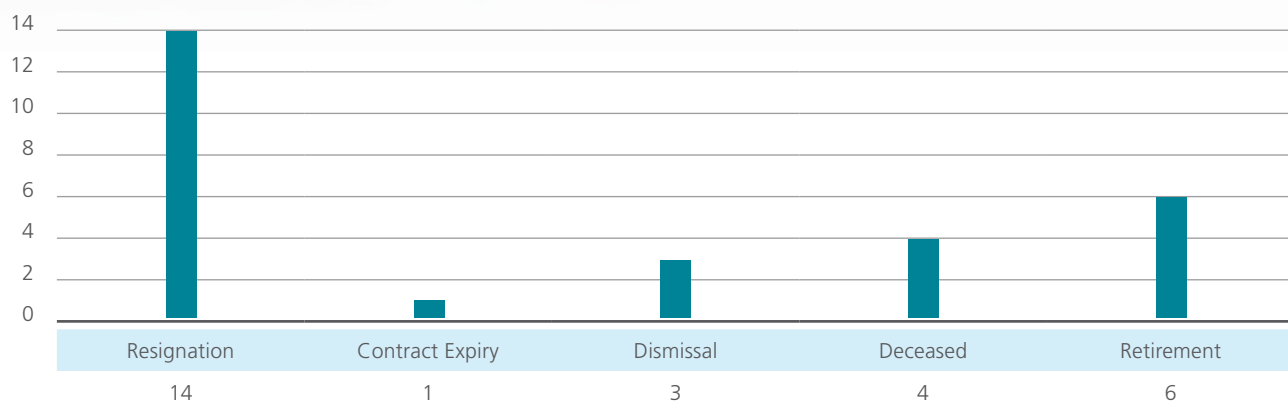
DIVISION	NUMBER OF EMPLOYEES
Operations	63
Planning & Development	5
Corporate Services	8
Finance	3
Business Development & Strategic Planning	2
CEO's Office	2

In terms of embracing and promoting equal opportunity employment, the employment of permanent staff fell within the following race and gender categories:



LABOUR TURNOVER

Amatola Water made great headway in the retention of its employees in that the turnover of staff in the organisation halved as compared to the 2009/ 2010 financial year. A total of 28 employees were terminated, with the labour turnover rate of 6.7 percent as compared to last financial year's rate of 7.0 percent. The voluntary turnover rate was at 3.3 percent as compared to 4.0 percent of the previous year.



ABSENTEEISM

Absenteeism increased by 0.15 percent compared to the previous year which was at 1.88 percent.

Employment Equity

The success and competitive standing of Amatola Water's business activities hinge critically upon the quality of its human capital and on its retention and continual development of a workforce of competent and motivated personnel.

In this regard, an Employment Equity Plan was adopted by the Board and therefore guides the organisation's human resources practices in promoting employment equity, the recruitment and development of employees from designated groups, and the advancement of the appropriate gender representation in the organisation. Organisational equity targets have been set out in the Employment Equity Plan for 2009 to 2014, which simultaneously ensures compliance with the requirements of the Department of Labour.

A range of policies were formulated to advance Amatola Water's initiatives to address historical employment inequalities, as well as wider organisational transformation goals.

The workforce profile, according to occupational levels of Amatola Water as at 30 June 2011 was:

WORKFORCE PROFILE ACCORDING TO OCCUPATIONAL LEVEL AS AT 30 JUNE 2011

DESCRIPTION	MALE				FEMALE				Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	0	0	0	0	1	0	0	0	1
Senior Management	2	0	0	2	0	0	0	0	4
Professionals & Mid-Management	13	0	2	7	6	3	1	0	32
Skilled Technical workers and academically qualified workers and Junior Management	59	9	1	14	16	5	1	9	114
Semi-Skilled and discretionary decision making	107	7	0	4	62	4	0	7	191
Unskilled	63	0	0	0	5	0	0	0	68
Total Permanent	244	16	3	27	90	12	2	16	410

The strides made to transform the organisation in terms of race and gender were:

- At the levels of Middle Management to Top Management, the black complement of 75 percent in 2009/2010 has increased to 76 percent, while the female complement of 35 percent in 2009/10 decreased to 30 percent in 2010/ 2011.
- At the level of Skilled/Junior Management, the black complement of 74 percent in 2009/2010 increased to 79 percent and the female complement of 27 percent in 2009/2010 remained unchanged 27 percent.
- At Semi-skilled and Unskilled level, the black complement of 94.7 percent in 2009/2010 increased to 96 percent and the female complement of 26 percent in 2009/2010 increased to 54 percent.

Skills Development

The organisation takes the skills development of its employees very seriously and ensures that the need for personal and career development is met as well as ensuring that the organisation is capacitated with the right skills to deliver on its mandate and meet its strategic objectives. As a result, a total of R3 696 526.46 was spent on skills development for the period under review. This translated into 3 percent of payroll costs being spent and is more than what is prescribed by the BBBEE Codes of Good Practice to which Amatola Water subscribes.

The following strategic skills development initiatives were included in the performance in this area:

- **Graduate Placement Programme:**
Three black graduates that participated in the graduate placement programme completed the programme and have been permanently employed by Amatola Water in various occupations.

- **Financial Study Assistance: Scarce and Critical Skills:**
Three students were offered bursaries to study for engineering-related qualifications (Civil, Electrical & Mechanical) within the Eastern Cape and are continuing with their studies until December 2011.
- **In-Service Training:**
Two trainees in the Microbiology and Chemistry fields have been placed on an experiential programme in order to be exposed to the work environment.

ACCREDITATION

Amatola Water has been awarded a full accreditation by Energy SETA as the training provider to facilitate the Further Education & Training Certificate: Water & Wastewater Treatment Process Control Supervision on NQF levels 2 & 4.

OTHER SKILLS DEVELOPMENT INITIATIVES

- **Department of Water Affairs**
Amatola Water in conjunction with the Department of Water Affairs have implemented a capacity building training initiative for the community of Shixini Village in the Willowvale area. About 30 community members have been enrolled in the Water and Wastewater Learnership programme for a period of 12 months. An additional 10 youths have been trained in bricklaying and plumbing skills.
- **Amathole District Municipality**
Amatola Water has also been involved in capacitating the Amathole District Municipality (ADM) seconded staff. Through this programme around 26 employees have been enrolled to attend N3 Water Treatment Practice at Buffalo City FET College.

Organisational Design

The entity's Growth Strategy Action Plan adopted by the Board in February 2010 has continued to guide the organisation's business objectives and Corporate Scorecard. Recruitment processes have been aligned with the structure and ongoing implementation of the organisation's structure, e.g. Business Development and Strategic Planning division, expansion of the Operations division, etc. provide meaningful development and career opportunities for existing staff members and aid in the attraction of new employees.

Performance Management

The Performance Management process remains the primary framework for performance assessment of staff. This structured process enables managers and supervisors to manage organisational objectives, to assess individual competency and identify career and personal development plans through annual performance assessment reviews.

Retained salary sacrifices of 25 percent were paid to Directors, while 10 percent was paid at Management level. General staff received performance bonuses of approximately 4 percent implemented as notch increases over and above the annual inflationary increment of 9 percent. Performance bonuses to the value of R2 376 316 were paid to general staff. Directors and management salary sacrifice portions were paid in October and November 2010.

Amatola Water's Employer Brand

One method that the organisation used in order to facilitate meaningful employee engagement has been the Deloitte Best Company To Work For Survey (2010). The results of the survey have assisted in identifying areas of concern within the organisation. In this regard, a task team was set up to develop an action plan to improve on the perceived problem areas. The action plan has been formulated to address the following key areas:

- Leadership and management commitment;
- Overall management involvement;
- Communication;
- Human resources policies and procedures;
- Diversity and Transformation;
- Recognition and Rewards;
- Performance Management;
- Values and Culture;
- Leadership;
- Management Style;
- Training and Development; and
- Innovation

Amatola Water's values of Integrity, Excellence and Accountability continued to define the working environment at Amatola Water. During the year under review, extensive workshops were conducted to engage with employees around the organisational values. Ongoing communication and awareness to keep alive the values and the specific behaviours encouraged by these values will be part of the process going forward.

Employee Wellness

Through its on-site clinic based at Nahoon Dam, the organisation did extensive work with regards to the measurement of health risk factors of its employees, so as to help influence healthy behaviours among the staff and to improve their health and wellbeing, improve quality of life, and to enhance productivity.

Together with Discovery Health, a number of wellness days were held at various Amatola Water operational sites throughout the financial year. Around 144 employees attended the wellness days. As a result, lifestyle risks such as smoking, alcohol consumption, nutritional intake as well as physical activity indicated that there is a major need for implementation of employee wellness programmes to address these.

Clinical risks identified included Body Mass Index (BMI), waist circumference, blood pressure, glucose, cholesterol as well as chronic diseases. Blood pressure was the highest chronic disease not controlled. Registers are kept for these chronic diseases and monitoring for compliance is maintained at the clinic. Other health education programmes implemented included breast examinations, mental illness, as well as TB programmes.

HIV/AIDS

HIV / Aids programmes form part of Amatola Water's workplace programmes. Accordingly, 10 Peer Educators were trained by the Siyakhana Project in this regard. At the organisation's National AIDS Day commemoration, the need for Voluntary Counseling and Testing (VCT) sessions was clearly identified. Hence a VCT programme will be rolled out in the next financial year. The organisation has also pledged to train more Peer Educators to assist with the programme, going forward.

OCCUPATIONAL HEALTH

No occupational diseases were reported for this period. Other services provided were counseling as well as referrals to other institutions. Compensation for occupational injuries, diseases and emergency cases were also attended to by the clinic.

Employee Relations

UNION RECOGNITION

Amatola Water is 68 percent unionised, with the South African Municipal Workers Union (SAMWU) being recognised for collective bargaining purposes.

COLLECTIVE BARGAINING

During the period under review, the entity together with other water boards operating under the South African Association for Water Utilities (SAAWU) umbrella started a central bargaining process on wages and salaries of the employees in the bargaining unit. This process is expected to give birth to a registered central bargaining council for the bulk water sector.

PARTICIPATIVE MANAGEMENT

The growth within the organisation during the period under review resulted in a necessity to decentralise the organisation's Local Labour Forum (LLF) into regional forums where both management

and employee representation are able to deal with issues closer to the points of origin. The LLF structure is a joint platform for management and the trade union for consultation, information-sharing and joint problem-solving on policy and Labour matters.

Information Technology

Supporting the organisation's operations with appropriate Information and Communication Technology (ICT) systems in a manner that leverages on latest technology and existing investment to improve overall efficiency continues to be a key objective during this period. Through the Information Management Steering Committee, comprised of the Divisional Heads and the Chief Executive Officer; the various ICT risks continued to be monitored and various projects evaluated and prioritised.

The computer fleet has seen the balance change with more laptops dispensed compared to the previous financial year due to the increased geographic spread of the organisation. The fleet currently consists of 63 laptops and 140 desktops. Microsoft products continue to be used on both desktops and servers for operating system and various back office functions.

Data security in the modern era is an increasingly important area in which Amatola Water focuses significant resources to ensure maximum security. A detailed Disaster Recovery Plan has been put in place and organisational data backed up and secured by various means.

Amatola Water runs a combination of "off-the-shelf" third-party application products where there is a close fit to the business requirements. The main third-party applications are:

- Its Enterprise Resource Planning (ERP) system Infor ERP (previously known as BAAN), which included the Financials, Procurement, Stores, Asset Maintenance and Planning and Projects functions;
- Labware LIMS, which is the laboratory system including integration to various instruments; and
- CRS for its Human Resource Management and Payroll requirements.

In-house systems are developed within the Microsoft .Net framework and the most notable of these is the organisation's Integrated Management System (IMS) which supports the organisation's ISO and Blue Drop accreditations processes.

Logistics

The geographical growth in the entity's operational areas has resulted in increased fleet needs for the organisation. This has translated into the organisation sourcing an additional 17 vehicles during this period, bringing its total fleet to 141 vehicles. As a result, an increase in the average kilometers travelled per vehicle has been realised. The associated capital and running costs have also increased the organisation's overall spend on fleet and as such has increased the overall fleet management requirements. Hence,

a regional approach has been adopted to fleet management with various interventions currently being implemented to facilitate this.

Managing the costs and avoiding potential misuse of the fleet is a continuous focus area for the organisation. In line with this, a computerised fleet system with relevant usage information provides the basis for regular integration of costs and also facilitates the quick identification of any irregularities. All Amatola Water vehicles are fitted with detailed vehicle management and tracking systems which reflect driver performance information, geographical locations and fuel economic indicators.

Amatola Water continued its operations from three formal stores situated at Nahoon Dam, Laing Dam and Sterkspruit. The stores have been ideally placed to hold selected strategic stock and necessary spares for the maintenance teams. A fully computerised stock system is planned for the Sterkspruit store to bring it in line with the best practices already installed at the Nahoon and Laing Dam stores. Prospective stores have also been earmarked for the Mthatha and Fort Beaufort areas.

Business Development & Strategic Planning

DIVISIONAL DIRECTOR'S REPORT

“ Effective engagement and maintaining the support of stakeholders has been at the centre of the organisation's activities in the 2010/ 2011 financial year. ”



PERFORMANCE 2010/ 2011

Business Development and External Services

NEW BUSINESS GENERATION

Amatola Water's secondary business grew with several new contracts in the review period. New business has been sought using the mechanisms of direct negotiations with state entities and the submission of public tenders. Significant new appointments for the year are reflected in the following table:

PROJECT	CLIENT	VALUE	DURATION
Hilltown Police Station Sanitation	Department of Public Works	R 2 000 000	12 months
Steve Tshwete Police Station Water Supply	Department of Public Works	R500 000	12 months
Kouga Municipality Quick Wins Project	Department of Water Affairs	R 4 438 800	18 months
Sundays River Valley Municipality Water Service Provision Support	Sundays River Valley Municipality	R 4 326 000	36 months
Ndlambe Drought Intervention Project	Department of Water Affairs	R 31 000 000	12 months
Nxamkwana Sanitation Project – Phase 3 extended	Buffalo City Municipality	R 16 000 000	18 months
Adopt-a-River Project -Phase 2	Department of Water Affairs	R 2 600 000	12 months
Ndlambe Regional Bulk Water Supply	Department of Water Affairs/ Ndlambe Municipality	R 464 000 000	36 months
Rain Water Harvesting– Eastern Cape	Department of Water Affairs	R 4 709 400	6 months
Joe Gqabi District Municipality Sanitation	Department of Water Affairs	R 6 900 000	9 months
ISD Support	Department of Local Government and Traditional Affairs	R 843 000	9 months

Stakeholder and Sector Institutional Relations

CONSULTATION AND ENGAGEMENT

Effective engagement and maintaining the support of stakeholders has been at the centre of the organisation's activities in the 2010/ 2011 financial year.

Great emphasis has been placed on establishing open and constructive dialogue with various stakeholders and government entities that are integral to delivering on the water board's vision of being the leading bulk water services provider in the entire Eastern Cape Province.

The proactive approach to communication that has been adopted by Amatola Water has enabled stakeholder engagement and consultation to be incorporated in the organisation's strategic plans going forward; with formal interfaces already in existence with the various stakeholders.

These include, among others, a stakeholder workshop that was held by the organisation to introduce its new corporate strategy and to garner support for its programmes in the Province. In attendance at this workshop were Water Services Authorities and Providers as well as representatives from various national and provincial government departments.

FORUM INTERACTIONS

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

Amatola Water is actively engaging with various government departments, particularly the Department of Water Affairs (DWA), with regards to secondary services.

National forum activities undertaken by the organisation include active membership in the South African Association of Water Utilities (SAAWU) and serving on various project steering committees of national studies undertaken by the Water Research Commission (WRC). Amatola Water is also a patron member of the Water Institute of Southern Africa (WISA) and takes part in the Department of Science & Technology Forum for accelerated service delivery options.

Customer Relations

Concerted engagement with customers around issues relating to operational, infrastructure and institutional development has ensured that services rendered continue to meet expectations.

CUSTOMER AGREEMENTS

The Water Services Act No 108 of 1997 requires that the water board enters into supply agreements with its customers.

As such, a bulk supply agreement between the Ndlambe Local Municipality and Amatola Water was signed by both parties. This agreement covers the Albany Coast Water Board area of jurisdiction that was dis-established by the DWA in March 2010. Consequently, the function and infrastructure of the former Albany Coast Water Board were transferred to Amatola Water with effect from 30 March 2010. The bulk supply contract will be effective for a period of 20 years till July 2030.

The bulk potable water supply agreement between Amatola Water and Amathole District Municipality (ADM) expired in March 2010 and has been extended by a further three years to 2013.

The existing agreement with Buffalo City Municipality (BCM) ends in 2033.

Marketing and Communications

The extent of the Marketing and Communications programmes during this period were aimed at safeguarding and strengthening Amatola Water's brand and reputation.

The organisation focused on a number of integrated marketing communications special priorities, building on the momentum of the previous financial year to further position Amatola Water as the leading bulk water services provider in the Eastern Cape and to build brand awareness. These priorities have included the following:

ADVERTISING

Advertising was one of the essential vehicles for building the entity's brand identity and to communicate its products and services.

Advertising material was produced in line with the organisation's corporate brand, while also promoting certain key strategic issues. Considerable efforts during the year were focused on ensuring that the Amatola Water brand was always top of mind.

A targeted approach was adopted and a number of sector and business-to-business publications were utilised to promote Amatola Water messaging and to profile the organisation. These messages centered around the entity's ability to provide clean and safe drinking water. The messages have constituted the entity's brand promise during the year and have been utilised across the various advertising platforms, including the following:

- Municipal Focus
- Focus on Buffalo City
- Imiesa Magazine
- Imesa Conference Proceedings
- Water & Sanitation South Africa
- Hi-Lite Magazine
- Eastern Cape Business
- Engineering News
- Ubuntu Magazine
- Service Leadership in Government
- Government Digest
- Eastern Cape Industrial & Business News
- Local Government Supplier
- Business Link Magazine
- The Blue Drop Guide

MEDIA RELATIONS

A proactive approach to further enhance the Amatola Water's media profile was adopted during the year.

An intensified media relations programme resulted in increased coverage of Amatola Water stories in various media platforms. These include:

PRINT	RADIO	TELEVISION	ONLINE
Daily Dispatch	Algoa FM	SABC1 News	Metromedisa.co.za
Die Burger	Kingfisher FM	SABC 2 News & Morning Live	Buanews.co.za
Eastern Cape Today	SABC Radio News	SABC 3 News	Dispatch.co.za
Hi-Lite Magazine			Dieburger.com
Grocott's Mail			Algoafm.co.za
Engineering News			Grocottsmail.co.za
Water and Sanitation			Engineeringnews.co.za
Government Digest			News24.com
Business Link Magazine			

CORPORATE PUBLICATIONS

A mix of stakeholder engagement platforms were utilised to keep stakeholders informed of Amatola Water activities. These included the production of various corporate publications, such as:

- Annual Report 2009/2010
- Amatola Water Business Plan 2010/2015
- Amatola Water Policy Statement 2010/2015
- Media Book
- Spillway - stakeholder magazine

CORPORATE SOCIAL RESPONSIBILITY

With the support of various communities in Amatola Water's area of operation, the entity has developed partnerships that assist it to continue to expand its corporate social responsibility efforts, allowing it to make a real difference in the communities in which it operates.

Through the Drop of Hope Programme, various projects received support from the organisation. These included various education and community outreach programmes selected from proposals submitted by employees within Amatola Water's area of operation.

EDUCATION AND OUTREACH

School Tours

Amatola Water continued to have a planned and coordinated approach to its education and outreach programmes by hosting various school groups at the Nahoon Dam and Sandile Water Treatment Works exposing them to the water treatment processes. Participating schools were mainly from the greater East London, King William's Town, Debe Nek, Butterworth and Idutywa areas.

The school tours were also utilised as a marketing platform for the organisation's Learnerships in Water Programme, as a window of opportunity to those learners who cannot afford to study at tertiary institutions.

Amatola Water is continuously highly praised by schools for the outstanding support as well as the exceptional presentations during these tours.

National Water Week

During National Water Week, Amatola Water hosted a career expo at schools within Ndlambe Local Municipality area for Grade 12 Maths and Science learners and embarked on a water saving campaign to various schools in the area as part of the Municipality's Public Awareness Campaign.

In the school visits, learners were educated about water challenges and equipped with tips on how to save water since the areas is drought stricken. Water leaks at the schools were also fixed as part of the campaign.

Various initiatives aimed at promoting water saving messages were also embarked upon in partnership with the Joe Gqabi District Municipality in Steynsburg and Ugie.

Exhibitions

Exhibitions were utilised to supplement Amatola Water's education and outreach programmes. These proved to be a good platform for reinforcing the entity's brand and heightening the promotion of the organisation's activities. Amatola Water participated in the following exhibitions:

- **National Science Week at Qamata Great Place, Cofimvaba: 02 August 2010**

Amatola Water partnered with the Eastern Cape Department of Education in hosting National Science Week at Qamata Great Place in Cofimvaba, where a group of students from the area were exposed to career opportunities in the water sector. Awareness was also created on a range of training and career opportunities that are available at Amatola Water.

- **Khanya Career Guidance Expo, East London City Hall: 04 – 06 August 2010**

Various organisations exhibited at this Expo, including the private sector, the Department of Education and other provincial government departments. The aim of the Expo was to assist the youth in making informed career decisions and thus maximising the resources available to them in order to achieve their goals.

- **Youth Water Summit on 24 – 28 June 2011**

Amatola Water was among the water boards that were invited by DWA to partner with them and to exhibit during the Summit. The Summit targeted youth from 9 to 19 years of age. The aim of the Summit was to address the challenges of water scarcity and water sector skills that the country is faced with; as well as to promote behavioural change on water use, and provide opportunities for youth to pursue careers in the water sector.

WEB SERVICES

The Amatola Water website (www.amatolawater.co.za) continued to be the primary vehicle for communicating with external stakeholders. Considerable efforts were made to ensure that the website is updated regularly with timely and relevant information, and that information published is accessible and user-friendly.

New features were added to the website, including the posting of weekly dam level readings, changing to a revolving header that has been updated with a new photo gallery and the inclusion of a water quality compliance link.

INTERNAL COMMUNICATIONS

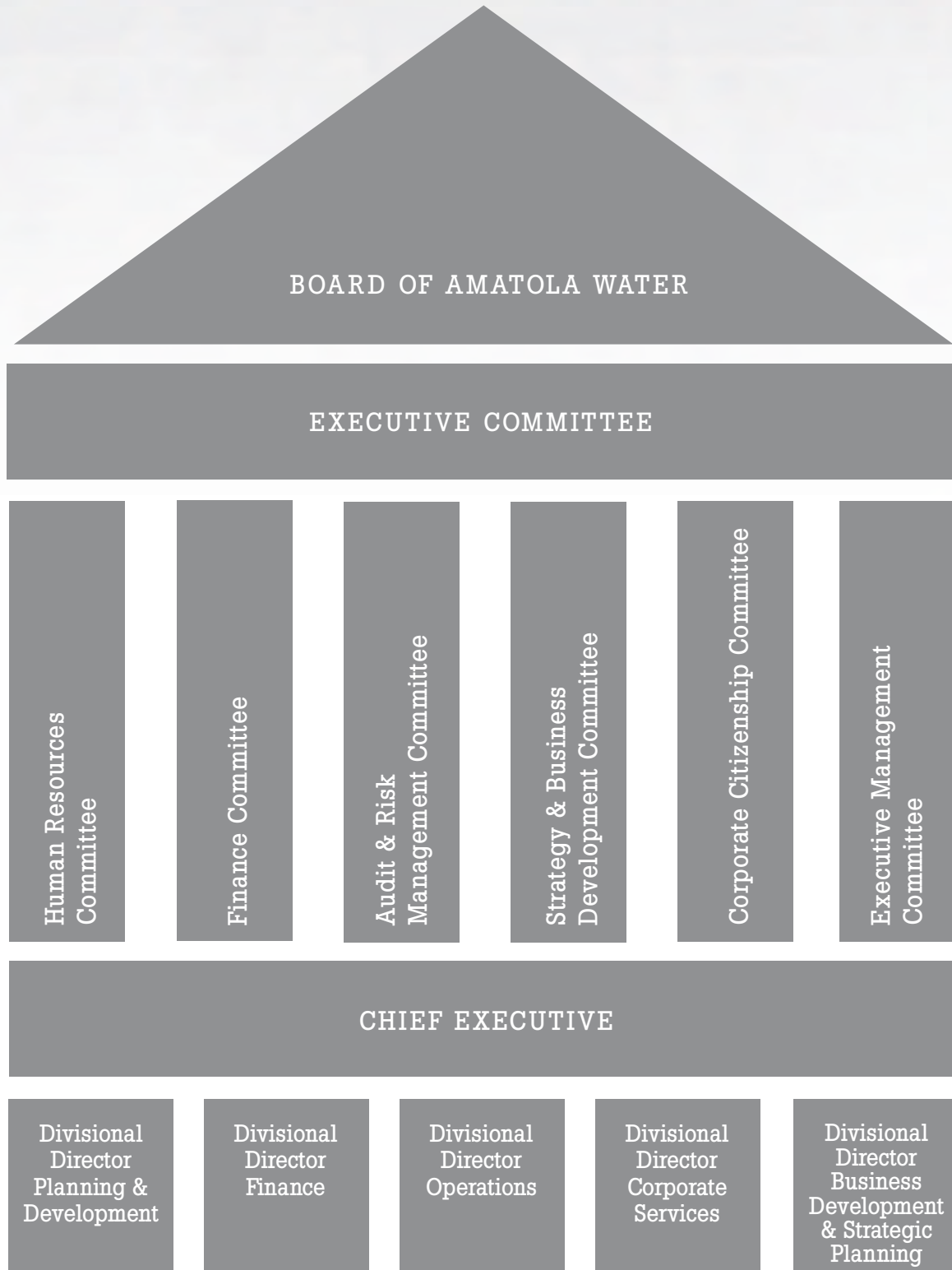
The organisation's approach to internal communications entails the provision of appropriate channels necessary to ensure that employees are actively engaged and informed about the entity's activities. This is achieved by making business information readily accessible to staff and putting different information into various platforms. Employees are continuously encouraged to feedback and contribute to making these channels effective.

Governance

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Governance



The Board of Amatola Water

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

Amatola Water is wholly owned by the government of the Republic of South Africa through the Department of Water Affairs. All operations are conducted in the Republic of South Africa.

The Board constitutes the accounting authority of Amatola Water, reporting to the executive authority – the Minister of Water and Environmental Affairs. It comprises 12 members including the Chairperson and the Chief Executive Officer of the organisation. All members, with the exception of the Chief Executive who is an ex-officio member, are non-executive directors nominated by various stakeholders and appointed by the Minister of Water and Environmental Affairs for a period of four years. The current Board's term is until 28 February 2014.

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



Khululwa Ncamiso

Chief
Sizakele Ngwekazi

Simphiwe
Dzengwa

Rosette
Nothemba Mlonzi

Nomonde
Gwabeni (Mnukwa)

Mxolisi
Koyo

The main responsibilities of the Board are:

- Adoption of strategic plan;
- Ensuring efficiency and effectiveness of operations, optimum utilisation of resources, legal compliance, safeguarding of assets and the existence of sound and effective internal controls;
- Review and approval of business plans, budgets, major contracts and commitments;
- Accountability for the process of risk management;
- Monitoring performance;
- Approval of major policy decisions;
- Appointing the Chief Executive Officer;
- Presentation of the financial statements and the assurance of integrity, objectivity and reliability of these statements; and
- Annual performance assessments of all sub-committees.

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



ROSETTE NOTHEMBA MLONZI

CHAIRMAN

Ms Mlonzi is an attorney of the High Court of South Africa. Apart from running her legal practice Mlonzi and Company Attorneys in East London, she occasionally acts as a Judge of the High Court. She has a Bachelor of Proc, LLB and an MBA. She has extensive experience in the fields of business and law, and has held a number of leadership positions at various other institutions.

Amatola Water Committees - Chairman and Head of Executive Committee (EXCO).

MXOLISI KOYO

MEMBER

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

Amatola Water Committees – Head of Finance Committee and member of EXCO and Corporate Citizenship Committees.

PROF LYNETTE LOUW

MEMBER

Prof Louw is the Raymond Ackerman Chair of Business Administration at Rhodes University and heads the University's Department of Management. She boasts an assortment of expertise and credentials. She is the former Vice-President of Public Relations and Finance for the NEPAD Council, and former Chairman of the Commission of Socio-Economic Development and Trade.

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

MHLELI MATIKA

MEMBER

Mr Matika is currently a Board member of the East London Industrial Development Zone (ELIDZ), serving in various committees including the Audit, Finance and Tender committees. He is a former councillor of Buffalo City Municipality (BCM) and has played a role in the South African Local Government Association (SALGA), having served as the Chairman of the SALGBC Executive Committee and an EXCO member in the Eastern Cape branch. He has an extensive background in union affairs, human resources management and labour matters.

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

SAKHUMZI SOMYO

MEMBER

Cllr Somyo was the Executive Mayor of the Amathole District Municipality. He is a high profile local government role player who has previously served as Chairman of the Eastern Cape branch of the South African Local Government Association (SALGA) and as a National Executive Committee Member of SALGA. His qualifications include a Bachelor of Arts degree and a Teacher's Diploma from the University of Fort Hare.

Amatola Water Committees - Member of Audit & Risk Committee

NOMBULELO HACKULA

MEMBER

Ms Hackula boasts wide experience in the areas of strategy, supply chain management and change management from private and public sectors. Her working experience includes a stint as a Purchasing Manager for Daimler South Africa, and a former Deputy Director General in the Office of the Premier in the Eastern Cape. She is a BSc graduate from the University of Fort Hare and holds various post graduate qualifications including a Senior Executive Program (SEP) from Harvard Business School, Harvard University, State of Connecticut, US. She is the founding chairman of Transformation Africa and is currently employed as the Head of Department of Social Development, Eastern Cape.

Amatola Water Committees – Head of Corporate Citizenship Committee and member of EXCO and Finance Committees.

SIMPHIWE DZENGWA

MEMBER

Mr Dzengwa has extensive experience in business management, development finance and budgeting. He has Masters Degrees in Business and Public Administration and has worked for renowned institutions such as ABSA Bank and the Development Bank of South Africa (DBSA). He is currently the Head of Eastern Cape Innovation (Hub) Agency.

Amatola Water Committees – Member of Finance and Strategy & Business Development Committees.

ZIKHONA RAMNCWANA

MEMBER

Ms Ramncwana has qualifications in Organisational Development, Project Management, Navigator Leadership, as well as a Bachelor of Social Work degree and Honours in Industrial Relations and Human Resources respectively. She is currently the Human Resources Manager for Transnet Port Terminals in East London.

Amatola Water Committees – Member of Human Resources and Audit & Risk Committees.

SIZAKELE NGWEKAZI

MEMBER

Chief Ngwekazi is the head of Amabhele Traditional Community in Peddie. He is also a member of Nompumelelo Hospital Board. He is a teacher by profession with a Bachelor of Arts degree in Education. He has certificates of management in tourism and sport. He is deputy secretary of the Congress of Traditional Leaders in the Eastern Cape. He is also involved in the Rural Development Forum in the Rharhabe Kingdom.

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

NTOMBENHLE RULUMENI

MEMBER

Ms Rulumeni holds a bachelor's degree in Social Sciences and a post graduate diploma in Industrial Relations. She has a mixture of national and international experience in various areas including Strategic Mentorship and Coaching. She is currently working for the German Technical Cooperation as Technical Advisor and has previously worked for the British Council in the United Kingdom as a Project Manager for British Investments in South Africa.

Amatola Water Committees – Member of Audit & Risk and Strategy & Business Development Committees.

KHULULWA NCAMISO

MEMBER

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

Amatola Water Committees – Member of Human Resources Committee.

NOMONDE GWABENI (MNUKWA)

EX OFFICIO

Mrs Gwabeni – Mnu kwa is the Chief Executive Officer of Amatola Water and an ex-officio member of the Board. She holds an MBA from the University of KwaZulu-Natal. She is a former Chief Director for the Department of Water Affairs in the Eastern Cape.

Board Committees

EXECUTIVE COMMITTEE

COMPOSITION

Chairman of the Board,
Chairman of the Finance Committee,
Chairman of the Human Resources Committee,
Chairman of the Strategy and Business Development Committee,
Chairman of the Corporate Citizenship Committee,
and the Chief Executive of Amatola Water.

FUNCTION

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

The committee meets quarterly before all Board meetings.

AUDIT AND RISK COMMITTEE

COMPOSITION

Three non-executive members of the Board of Amatola Water and two independent members appointed outside of Amatola Water.

FUNCTION

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

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

The committee meets at least three times annually.

CORPORATE CITIZENSHIP COMMITTEE

COMPOSITION

Three non-executive Board members; the Chief Executive Officer and Director Corporate Services. Members of the Management Committee attend on invitation.

FUNCTION

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

The committee meets quarterly.

STRATEGY & BUSINESS DEVELOPMENT COMMITTEE

COMPOSITION

Four non-executive Board members; the Chief Executive Officer and the Director of Strategy and Business Development. Members of the Management Committee attend on invitation.

FUNCTION

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

The committee meets quarterly.

Board Committees

HUMAN RESOURCE COMMITTEE

COMPOSITION

Four non-executive Board members; the Chief Executive Officer; and the Director of Corporate Services. Members of the Management Committee attend on invitation.

FUNCTION

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

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

The committee meets quarterly.

FINANCE COMMITTEE

COMPOSITION

Four non-executive Board members; the Chief Executive Officer; and the Chief Financial Officer. Members of the Management Committee attend on invitation.

FUNCTION

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

The committee meets quarterly.

Management Committee

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

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



Craig Thompson
*Divisional Director:
Planning & Development*

Xola Bomela
*Divisional Director:
Operations*

Nomonde Gwabeni
(Mnukwa)
Chief Executive Officer

Craig Step
*Divisional Director:
Finance*

Mzwandile Gogwana
*Divisional Director:
Corporate Services*

Company Secretary

The Company Secretary provides support to the Board as follows:

- Guidance to Board members related to the discharge of their duties;
- Development of systems to support the Board;
- The induction of Board members;
- Updating the Board on new and relevant legislation;
- Guidance on ethics and good governance and
- Risk Management

The Company Secretary further provides advice and support to the Management Committee on compliance issues.

Corporate Governance

KING III COMPLIANCE

Amatola Water is committed to compliance and to implementing the provisions and recommendations of King III. The key focus area is integrated reporting, which needs to be developed going forward.

Amatola Water has adopted the GRI G3 sustainability reporting guidelines as distributed by Global Reporting Initiative. Compliance has been determined at the C level and the necessary Applications Level Index Grid can be found at the end of the Annual Report on page 60.

RISK MANAGEMENT

The Amatola Water Board ensures that the organisation maintains adequate accounting records and that processes have been implemented to identify and manage business risk. Risk management encompasses all significant business risks, including operational risks which have the potential to undermine the achievement of the organisation's business objectives. Amatola Water, assisted by its Internal Auditors, undertakes a business risk identification process every second year to facilitate the Board's assurance of strategy development and implementation, so as to mitigate the identified risks. Information gathered during the business risk identification process forms the core of the internal audit planning strategy to ensure resources are focused. This information also assists the Board and the Amatola Water management in setting standards for the implementation of appropriate internal control systems. Methods, procedures and systems are implemented to assist with:

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

INTERNAL AUDIT

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

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

SOCIAL AND TRANSFORMATION ISSUES

The provision of sufficient and safe supplies of water to current and future customer communities ranks as Amatola Water's principal and most effective avenue of corporate social investment. The prime intent of the organisation is therefore, to pursue delivery and expansion of viable and sustainable water supply services. Such achievement is believed to best demonstrate the water board's social responsibility, both as a customer-centred service organisation and as an organ of state. This stance is founded on an understanding that improvement in water services provision is a vital enabler of broader local, regional and national socio-economic development and advancement. Guided by this prioritisation of services provision, Amatola Water seeks, by all practical means, to contribute positively to the well-being of the society and communities in which it operates. The water board prefers to channel its social investing efforts into areas where it can deploy its internal resources and facilities cost-effectively and collaborate with its customer and community stakeholders in securing maximum social benefit. It seeks to do this in order not to add unduly to the total cost of its services provision. Amatola Water did not incur any fines for non-compliance to laws and regulations other than disclosed in Note 19.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE)

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

EMPLOYMENT EQUITY

The success and competitive standing of Amatola Water's business activities hinge critically upon the quality of its human capital and on its retention and continual development of a workforce of competent and motivated personnel. An Employment Equity policy has been reviewed and approved by the Board and guides the organisation's human resources practices in promoting employment equity, the recruitment and development of employees from designated groups, and the advancement of the appropriate gender representation in the organisation. Organisational equity

targets have been set out in an Employment Equity Plan, which simultaneously ensures compliance with the requirements of the Department of Labour. A range of policies have been formulated through the Human Resources Committee, to advance both Amatola Water's initiatives to address historical employment inequalities, as well as wider organisational transformation goals.

CODE OF ETHICS

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

GOING CONCERN

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

TABLE 1: NON EXECUTIVE BOARD MEMBERS EMOLUMENTS FOR THE YEAR ENDED 30 JUNE 2011

NAME	BOARD MEETINGS	TRAVEL AND OTHER REIMBURSEMENTS	2011 TOTALS	2010 TOTALS
NR Mlonzi - Chairperson	61,492.00	2,044.00	63,536.00	132,712.00
L Louw	63,030.68	0.00	63,030.68	70,608.00
P Kubukeli (Term Completed 28 February 2010)				101,529.00
N Muller (Resigned August 2009)				3,347.00
M Koyo	46,958.68	5,986.00	52,944.68	43,561.00
S Somyo	21,021.59	0.00	21,021.59	25,310.00
M Matika	59,718.05	8,351.20	68,069.25	107,893.00
V Fongoqa (Term completed 28 February 2010)				67,380.00
S Bruce (Term completed 28 February 2010)				35,920.00
S Ngwekazi	48,527.45	12,135.52	60,662.97	15,681.00
N Hackula	63,901.45	624.88	64,526.33	18,930.00
N Rulumeni	38,801.04	1,559.28	40,360.32	14,224.00
Z Ramncwana	45,180.73	694.96	45,875.69	12,132.00
S Dzengwa	62,228.10	5,968.48	68,196.58	17,989.00
KC Nkcamiso	31,375.50	15,739.55	47,115.05	1,127.00
Audit Committee				
K Mockler	17,988.63	14,546.00	32,534.63	14,531.00
N Meinie - Anderson	8,262.22	0.00	8,262.22	5,296.00
Total	568,486.12	67,649.87	636,135.99	688,170.00

TABLE 2: EXECUTIVE MANAGEMENT COSTS FOR THE YEAR ENDED 30 JUNE 2011

NAME	SALARY	RETAINED SALARY SACRIFICE PORTION (PERFORMANCE BONUS)	PERFORMANCE BONUS RETENTION	ACTING ALLOWANCE	MOTOR VEHICLE ALLOWANCE AND REIMBURSEMENT	EMPLOYER CONTRIBUTION: MEDICAL AID	EMPLOYER CONTRIBUTION: RETIREMENT	EMPLOYER CONTRIBUTION: GROUP LIFE, DISABILITY AND FUNERAL COVER	2011 TOTAL	2010 TOTAL
Ms N Gwabeni (Mnuka): CEO	865,969.79	0.00	0.00	0.00	94,581.80	20,100.00	117,340.53	42,118.43	1,140,110.55	167,927.00
C Step - Divisional Director: Finance	854,599.25	184,448.00	46,112.00	0.00	73,506.57	20,100.00	0.00	36,875.39	1,215,641.21	1,276,453.00
C Thompson -Divisional Director: P & D	880,847.92	188,496.00	47,124.00	0.00	207,437.74	16,500.00	0.00	37,680.72	1,378,086.38	1,493,896.00
M Gogwana - Divisional Director: Corporate Services	567,612.18	32,374.08	12,589.92	0.00	83,949.94	20,100.00	80,071.92	28,805.29	825,503.33	186,809.00
X Bomela- Divisional Director: Operations	873,473.92	174,827.52	67,988.48	0.00	218,689.15	20,100.00	0.00	38,826.08	1,393,905.15	1,574,368.00
Mr M Sirenya - Ex CEO										475,512.00
L Govender - Divisional Director Corporate Services										499,131.00
Total	4,042,503.06	580,145.60	173,814.40	0.00	678,165.20	96,900.00	197,412.45	184,305.91	5,953,246.62	5,674,096.00

TABLE 3: AMATOLA WATER BOARD AND COMMITTEE MEMBERS ATTENDANCE 1 JULY 2010 TO 30 JUNE 2011

NB: The total number of meetings for each member differs due to the re - election of members to different Board Committees.

DESIGNATION	NAME	BOARD (4 MEETINGS) (2 SPECIAL)	EXECUTIVE BOARD (4 MEETINGS) (1 SPECIAL)	AUDIT COMMITTEE (3 MEETINGS)	FINANCE COMMITTEE (4 MEETINGS) (2 SPECIAL)	CORPORATE CITIZENSHIP COMMITTEE (3 MEETINGS)	HUMAN RESOURCES COMMITTEE (4 MEETINGS) (4 EXTENDED HR) (1 SPECIAL)	STRATEGY & BUSINESS DEVELOPMENT (4 MEETINGS) (2 SPECIAL)
Chairperson (Non - Executive Director)	NR Mlonzi	5 of 6	4 of 5					
Member (Non Executive Director)	S Dzengwa	5 of 6			4 of 6			6 of 6
Member (Non Executive Director)	N Hackula	4 of 6	5 of 5		6 of 6	3 of 3	4 of 4	
Member (Non Executive Director)	M Koyo	5 of 6	4 of 5		6 of 6	2 of 3		
Member (Non Executive Director)	L Louw	6 of 6	5 of 5		4 of 6		3 of 4	1 of 1
Member (Non Executive Director)	M Matika	5 of 6	4 of 5				9 of 9	4 of 6
Member (Non Executive Director)	KC Ncamiso	5 of 6		0 of 1			3 of 4	
Member (Non Executive Director)	S Ngwekazi	6 of 6				3 of 3	9 of 9	
Member (Non Executive Director)	Z Ramncwana	6 of 6		2 of 2			7 of 9	
Member (Non Executive Director)	N Rulumeni	6 of 6		2 of 2			4 of 6	1 of 1
Member (Non Executive Director)	S Somyo	1 of 6	2 of 4	1 of 2				3 of 5
Ex Officio Member (Chief Executive Officer)	N Gwabeni (Mnukwa)	4 of 6	4 of 5	1 of 3	6 of 6	3 of 3	4 of 4	6 of 6
Amatola Water Audit Committee Members attendance								
Chairperson (Independent Specialist Non - Executive)	KG Mockler			3 of 3				
Member (Independent Specialist Non - Executive)	N Anderson			3 of 3				

G3 Profile Disclosures

G3 PROFILE DISCLOSURES	PROFILES	ANNUAL REPORT PAGE REFERENCE
1	Strategy and analysis	
1.1	Statement from the most senior decision-maker of the organisation.	Chairman's Report Page 8
2	Organisation Profile	
2.1	Name of the organisation.	Service Offerings Page 3 or www.amatolawater.co.za
	Operational structure of the organisation	Corporate Governance page 46 to page 56
2.2	Primary brands, products, and/or services.	Service Offerings page 3 or www.amatolawater.co.za
	Countries in which the organisation's operations are located	Corporate Governance page 48
	Nature of ownership	Corporate Governance page 48
2.3	Operational structure of the organisation	Corporate Governance page 46 to Page 56
2.4	Location of the organisation's headquarters	Service Offerings page 3 or www.amatolawater.co.za
	Awards received in the reporting period	Blue Drop Award page 23; ISO 14001:2004; ISO 17025; OHSAS 18001:2007; ISO 9001:2008 page 25
2.5	Countries in which the organisation's operations are located	Corporate Governance page 49
2.6	Nature of ownership	Corporate Governance page 49
2.7	Markets served	Operational Map page 89, Divisional Directors Reports page 12 to page 45
2.8	Scale of the reporting organisation	Historical Statistical Overview Page 86 to 88
2.9	Significant changes during the reporting period in terms of size, structure or ownership	No change
2.10	Awards received in the reporting period	Blue Drop Awards – Divisional Report Operations page 23
3	Report parameters	
3.1	Reporting period for information provided	Approval of the Financial Statements page 65
3.2	Date of most recent previous report	Approval of the Financial Statements page 65
3.3	Reporting cycle	Approval of the Financial Statements page 65
3.4	Contact point for questions about the report or its contents	Service Offerings page 3
3.5	Process for defining report content	As defined by Water Services Act No. 108 of 1997 and the Public Finance Management Act No. 1 of 1999 together with Corporate Citizenship Policy Statement and www.amatolawater.co.za

G3 PROFILE DISCLOSURES	PROFILES	ANNUAL REPORT PAGE REFERENCE
3.6	Boundary of the report	As defined by Water Services Act No. 108 of 1997 and the Public Finance Management Act No.1 of 1999
3.7	Any specific limitations on the scope or boundary of the report	No limitations
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	No changes from previous year. Notes to the Financial Statements Page 84 to 96
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	None
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	None
3.12	Table identifying the location of the standard disclosures in the report	Current table serves this purpose

4 Governance, commitments and engagement

4.1	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Corporate Governance page 46 to page 56
4.2	Indicate whether the chair of the highest governance body is also an executive officer	Corporate Governance page 46 to page 56
4.3	For organisations with a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Corporate Governance page 46 to page 56
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Divisional Directors Reports page 12 to page 45
4.14	List of stakeholder groups engaged by the organisation	Corporate Citizenship Policy Statement (available on request)
4.15	Basis for identification and selection of stakeholders with whom to engage	Corporate Citizenship Policy Statement (available on request)

Performance

G3 Performance Indicators	Report on performance indicators (minimum of 10 performance indicators, including at least one from each of; social ,economic and environment)	As per table below
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Indicator Reference	Indicator Description	Page Number	Amatola Water summary disclosure	Fully Disclosed
Economic Performance Indicators				
EC 1	(Core Indicator) Direct economic value generated & distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	69 & 72	The report indicates the 2011 total revenue (R276.79 million), operating expenses (R298.57 million), cost of sales: direct salaries, Corporate social responsibility spending has been limited due to the deficit, Accumulated surplus (R 26.688 million), Payments on interest bearing borrowings (R 3.121 million)	Yes
EC3	(Core Indicator) Coverage of the organization's defined benefit plan obligations	84	Amatola Water operates a defined contribution plan	Yes
EC4	(Core Indicator) Significant financial assistance received from government	81	No assistance received from Government. All transactions are of a related party nature	Yes

Indicator Reference	Indicator Description	Page Number	Amatola Water summary disclosure	Fully Disclosed
Environmental Performance Indicators				
EN 4	(Core Indicator) Indirect energy consumption by primary energy source	20	Total kWh of electricity consumed by waste water treatment works disclosed in the report	Yes
EN 7	(Additional Indicator) Initiatives to reduce indirect energy consumption and reductions achieved	20	Brief description of the pump-efficiency monitoring programme implemented, statement in the report regarding increase in electricity tariffs therefore it appears that more electricity was used due to costs incurred	Yes
EN 8	(Core Indicator) Total water withdrawal by source	16	Total volume abstracted from surface water amounted to 42.1m kℓ per year	Yes
EN28	(Core Indicator) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		No fines have been imposed	Yes
Labour Practices and Decent Work Performance Indicators				
LA 1	(Core Indicator) Total workforce by employment type, employment contract and region	37 39	The following is disclosed in the report: - Permanent employees 410 - Non-permanent 69 - Breakdown of staff according to level, race & gender	Partial
LA 2	(Core Indicator) Total number and rate of employee turnover by age group, gender and region	39 38	A breakdown of permanent staff according to race & gender is disclosed. Labour turnover is indicated in a graph	Partial
LA 4	(Core Indicator) Percentage of employees covered by collective bargaining agreements	40	Amatola Water is 68% unionised	Yes
LA 7	(Core Indicator) Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region	25 38	The following is disclosed in the report: - Disabling incident frequency rate 0.57 - Absenteeism 0.15% increase	Partial
LA 8	(Core Indicator) Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	40	144 people attended the wellness days, 10 Peer educators were trained for the HIV/AIDS programme	Partial
LA 12	(Additional Indicator) Percentage of employees receiving regular performance and career development reviews	40	Annual performance assessment reviews	Partial
Human Rights Performance Indicators				
HR5	(Core Indicator) Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	40	Amatola Water is 68% unionised and a collective bargaining agreement is in place.	Yes
HR 6	(Core Indicator) Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor		No child labour has been utilised	Yes
Society Performance Indicators				
SO 8	(Core Indicator) Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		No significant fines imposed	Yes

Annual Financial Statements

ANNUAL REPORT 2010 • 11

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Accounting Manifesto

The financial statements that follow on pages (65 to 85) summarise the financial performance and standing of Amatola Water for the year ended 30 June 2011.

The financial statements have been compiled and are presented in accordance with South African Statements of Generally Accepted Accounting Practice and complies with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999, as amended by Act 29 of 1999).

Publication of Amatola Water's financial statements is undertaken to create public awareness and understanding of the financial management and policies that have been made within Amatola Water's organisation to regulate the financial affairs of the business and to safeguard it from excessive or avoidable risk.

Report of the Audit Committee

AUDIT COMMITTEE RESPONSIBILITY

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

THE EFFECTIVENESS OF INTERNAL CONTROL:

The system of internal control has been effective and adequate during the year as evidenced by:

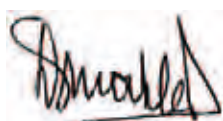
- Various reports of the internal auditors;
- The audit report on the annual financial statements; and
- The management letter of the external auditors to management.

The above reports have not reported any significant or material non-compliance with prescribed policies and procedures. The risk assessment for the organisation was updated during the year.

EVALUATION OF FINANCIAL STATEMENTS:

The audit committee :

- Reviewed the audited financial statements to be included in the Annual Report, with the external auditors and the Accounting Authority;
- Reviewed the external auditors management letter and management responses;
- Reviewed the accounting policies and practices;
- Satisfied itself that there were no significant adjustments resulting from the audit; and
- Reviewed the Annual Financial Statements and recommended to the Board that they be adopted.



KEN MOCKLER

Chairperson | Audit Committee

East London, 29 September 2011

Approval of the Financial Statements

for the year ended 30 June 2011

The Board is responsible for the preparation and fair presentation of the annual financial statements of Amatola Water, comprising the statement of financial position at 30 June 2011, and the statement of comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Water Services Act 108 of 1997 and sub-section 55(1)(b) of the Public Finance Management Act of 1999, as set out on pages 65 to 85.

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

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

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

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

APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements of Amatola Water, as identified in the first paragraph, were approved by the Board on 30 September 2011 and are signed on its behalf by



Nothemba Mlonzi | Chairperson



Nomonde Gwabeni (Mnukwa) | Chief Executive

Independent Auditor's Report

To Parliament and the Executive Authority, the Minister of the Department of Water Affairs
for the year ended 30 June 2011

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

We have audited the annual financial statements of Amatola Water which comprise the statement of financial position at 30 June 2011, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which contain a summary of significant accounting policies and other explanatory notes, as set out on pages 68 to 85.

Directors' responsibility for the annual financial statements

The board of directors, which constitutes the accounting authority, is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Accepted Accounting Practice, the requirements of the Public Finance Management Act of South Africa (Act 1 of 1999, as amended by Act 29 of 1999), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Amatola Water at 30 June 2011 and its comprehensive income, changes in equity and cash flows for the year then ended in accordance with South African Standards of Generally Accepted Accounting Practice and the requirements of the Public Finance Management Act of South Africa.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Public Audit Act of South Africa and General Notice 1111 of 2010, issued in Government Gazette No. 33872 of 15 December 2010, we report on the following:

PREDETERMINED OBJECTIVES

We are required to undertake a limited assurance engagement on the 'Performance against the corporate scorecard', as set out on pages 4 to 6 of the Annual Report in the section headed 'Performance Measurement 2010/11', in which the actual performance of the entity for the year ended 30 June 2011 is compared with target key performance measures (predetermined objectives), and report thereon to those charged with governance. In this Report we are required to report our findings from our engagement

relating to non-compliance with regulatory requirements, where the reported information was inadequately presented or not received timeously, and where we have evaluated reported information to be not useful or reliable. We report the following findings:

Presentation of information

The reported performance against predetermined objectives was deficient in that adequate explanations for major variances between the planned and the actual achievement against targets were not provided, as required in terms of the relevant reporting guidance.

Usefulness of information

Planned and reported measures were not clear, thereby impacting on the measurability of the information as presented, as unambiguous data definitions were not available to allow for data to be collected consistently.

COMPLIANCE WITH LAWS AND REGULATIONS

We are required to report on compliance with laws and regulations in accordance with the guidance contained in the applicable R3: Reporting Guide of the Auditor-General. We report the following material findings on non-compliance with laws and regulations on the basis set out in the Guide:

Procurement and contract management

Instances were identified where procurement contracts awarded based on a competitive bidding process were subject to extension and/or modified to such an extent that the contracts no longer reflected the original terms of reference as included in the request for competitive bid. This does not comply with the requirements of a fair, equitable, transparent, competitive and cost-effective supply chain management system as envisaged per section 51(1)(a)(iii) of the Public Finance Management Act of South Africa (PFMA).

Irregular expenditure associated with the above amounted to R12 589 765, as disclosed in note 20 to the financial statements.

Internal control

We considered internal control relevant to our audit of the financial statements, and the reports on predetermined objectives and compliance with laws and regulations, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the significant deficiencies relating to leadership, financial and performance management and governance that resulted in the findings on the reports on predetermined objectives and compliance with laws and regulations, as included in this Report.

- Policies and procedures established over the reporting on the corporate scorecard were not amended to comply with the latest guidelines effective at year-end. This has resulted in some measures and targets which did not meet the usefulness criteria.
- Policies and procedures that enable and support the review and monitoring of compliance with the entity's procurement regulations were not always followed. As a result of the ineffective controls in those cases irregular expenditure were incurred and not prevented or detected timeously.

The matters contained in the Report on Other Legal and Regulatory Requirements are not considered to affect our opinion contained in our Report on the Annual Financial Statements.



KPMG Inc.
Registered Auditor

Per Marileen de Wet
Chartered Accountant (SA)
Registered Auditor
Director
14 October 2011

Cnr of Stewart and Quartzite Drives, Selborne, East London, 5201

Statement of Financial Position

as at 30 June 2011

	NOTES	2011 R'000	2010 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	322,898	301,977
Total non-current assets		322,898	301,977
Current assets			
Inventories	6	1,960	2,320
Trade and other receivables	7	90,896	106,195
Cash and cash equivalents	8	35,754	26,798
Total current assets		128,610	135,313
TOTAL ASSETS		451,508	437,290
EQUITY AND LIABILITIES			
Capital and reserves			
Capital contribution		274,557	274,557
Accumulated surplus		26,688	42,194
Total capital and reserves		301,245	316,751
Non-current liabilities			
Long term borrowings	9	1,847	4,142
Total non-current liabilities		1,847	4,142
Current liabilities			
Trade and other payables	10	145,587	113,942
Current portion of long term borrowings	9	2,829	2,455
Total current liabilities		148,416	116,397
TOTAL EQUITY AND LIABILITIES		451,508	437,290

Statement of Comprehensive Income

for the year ended 30 June 2011

VOLUME	NOTES	2011 Kilolitres KI' 000	2010 Kilolitres KI' 000
		28,524	30,635
		8,613	8,401
		R'000	R'000
REVENUE	2	276,786	239,546
Cost of sales	3	(198,041)	(155,084)
Operating and administrative expenses	3	(100,527)	(107,295)
Net operating deficit		(21,782)	(22,833)
Finance income	4	6,332	6,309
Finance cost		(56)	(1,060)
Comprehensive deficit for the year		(15,506)	(17,584)

Statement of Changes in Equity

for the year ended 30 June 2011

	NOTES	Capital contribution R'000	Accumulated surplus R'000	Total R'000
Balance at 1 July 2009		274,557	49,845	324,402
Acquisition of Albany Coast Water	15	-	9,933	9,933
Deficit for the year		-	(17,584)	(17,584)
Balance at 30 June 2010		274,557	42,194	316,751
Deficit for the year		-	(15,506)	(15,506)
Balance at 30 June 2011		274,557	26,688	301,245

Statement of Cash Flows

for the year ended 30 June 2011

	Notes	2011 R'000	2010 R'000
CASH FLOWS GENERATED / (UTILISED) FROM OPERATING ACTIVITIES			
		45 951	(15 869)
Cash receipts from consumers		330 836	238 671
Cash paid to suppliers and employees		(291 161)	(258 791)
Cash generated / (utilised) by operations	13	39 675	(20 120)
Finance income		6 332	5 311
Finance expense		(56)	(1 060)
CASH (UTILISED) / GENERATED IN INVESTING ACTIVITIES			
		(35 074)	9 489
Additions to property, plant & equipment		(35 134)	(41 363)
Proceeds on sale of property, plant & equipment		60	13
Cash proceeds on transfer of Albany Coast Water Board		-	839
Proceeds on maturing of financial asset		-	50 000
CASH UTILISED IN FINANCING ACTIVITIES			
		(1 921)	(2 697)
Proceeds from long term borrowings		1 200	-
Repayment of interest-bearing borrowings		(3 121)	(2 697)
CASH AND CASH EQUIVALENTS FOR THE PERIOD			
Net increase / (decrease) for the year		8 956	(9 077)
At the beginning of the year		26 798	35 875
At end of year	8	35 754	26 798

Segmental Report

for the year ended 30 June 2011

	Primary Activity (Bulk Supply) 2011	Primary Activity (Bulk Supply) 2010	Other Activity 2011	Other Activity 2010	TOTAL 2011	TOTAL 2010
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	146 115	141 781	130 671	97 765	276 786	239 546
Operating and Administration Expenses	(157 613)	(155 294)	(140 955)	(107 085)	(298 568)	(262 379)
Net operating deficit	(11 498)	(13 513)	(10 284)	(9 320)	(21 782)	(22 833)
Interest Income	3 343	3 734	2 989	2 575	6 332	6 309
Finance Cost	(30)	(628)	(26)	(432)	(56)	(1 060)
Deficit for the year	(8 185)	(10 407)	(7 321)	(7 177)	(15 506)	(17 584)
Non-Current Assets						
Property, Plant and Equipment	413 353	382 233	45 089	41 600	458 442	423 833
Accumulated Depreciation	(114 022)	(103 518)	(21 522)	(18 338)	(135 544)	(121 856)
	299 331	278 715	23 567	23 262	322 898	301 977

Notes to the Financial Statements

for the year ended 30 June 2011

1. Accounting Policies

BASIS OF PREPARATION

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

Capital contribution

Capital contribution comprises of Inventory and Property, Plant and Equipment transferred from the Department of Water Affairs (DWA).

Property, plant and Equipment

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

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

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

Cost model

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

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

Depreciation commences when assets are ready for their intended use.

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

Property, Plant and Equipment Depreciation Table	
Buildings	20 yrs
Pipelines	30 yrs
Reservoirs	35 yrs
Pump stations	
Building and civil works	35 yrs
Electrical	15 yrs
Mechanical	20 yrs
Water treatment works	
Building and civil works	50 yrs
Electrical	15 yrs
Mechanical	20 yrs
Other equipment	
Furniture and fittings	6 yrs
Other equipment	5 yrs
Computer equipment and software	3 yrs
Plant and equipment	5 yrs
Scientific equipment	4 yrs
Motor vehicles	4 yrs

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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

Software costs

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

Inventory

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

Obsolete, redundant and slow moving inventory is identified and written down to its estimated net realisable value.

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

Impairment

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

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

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

Revenue recognition

Revenue, which excludes Value Added Tax, represents water sales to customers and management services rendered. Revenue from the sale of water and management services rendered is recognised when all the following conditions have been satisfied:

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

Interest income

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

Provisions

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

Operating leases

Operating Leases are those leases which do not fall within the scope of the definition of Finance Leases. Operating Lease Rentals are charged against Operating Income as they become due on a straight line basis.

Financial Instruments

Measurement

Financial instruments are initially measured at cost, which includes transaction costs. Subsequent to initial recognition, these instruments are measured as set out below:

Held to maturity financial assets

Investments are reflected at amortised cost, applying the yield-to-maturity basis. Amatola Water has both the intention and the ability to hold the financial investments to maturity.

Trade and other receivables

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

Cash and Cash Equivalents

Cash and Cash Equivalents are measured at fair value.

Trade and other payables

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

Interest-bearing borrowings

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

Segmental Information

The business segments of Amatola Water have been identified on a primary basis. The basis is representative of the internal structure for management purposes. The source and nature of business risks and returns are segmented on the same basis. Segment sale reflects:

- Supply of bulk raw water and potable water to service institutions; and
- Supply of raw and potable water to end-users (referred to as reticulation supply).

Segment revenues are recorded at fair value. Segment expenditure and non-current assets are allocated on a proportionate basis.

Cash and cash equivalents

For the purpose of the Cash Flow Statement, Cash and Cash Equivalents comprise Cash on Hand and deposits held on call with banks, all of which are available for use, unless otherwise stated.

Employee benefits

Short term employee benefits

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

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

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

Defined contribution plans

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

Assets and liabilities acquired under common control transaction

Assets and liabilities acquired under common control transaction have been valued at book value on the basis that the operation simply has been moved from Albany Coast Water Board to Amatola Water Board under the control of the Department of Water Affairs.

Standards in issue not yet adopted

At date of authorisation of these financial statements, the following accounting standards and amendments to published accounting standards which are relevant to Amatola Water were in issue but not yet effective.

	Effective for annual periods beginning on or after
IAS 1 amendment - Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income	1 July 2012
IAS 19 amendments - Employee Benefits: Defined benefit plans	1 January 2013
IFRS 13 - Fair Value Measurement	1 January 2013
IFRS 9 (2009) (AC 146) - Financial Instruments	1 January 2013
IFRS 9 (2010) (AC 146A) - Financial Instruments	1 January 2013

The Board believes that the adoption of these standards in future periods will have no material financial impact on the financial statements of Amatola Water.

2. Revenue

	2011 R'000	2010 R'000
Revenue comprises:		
Raw water sales	10,646	10,479
Treated water sales	139,650	136,153
Management Fees	126,490	92,914
	<u>276,786</u>	<u>239,546</u>

3. Operating Expenses

	2011 R'000	2010 R'000
Cost by function		
Cost of sales	198,041	155,084
Operating and administrative expenses	100,527	107,295
	<u>298,568</u>	<u>262,379</u>

The net operating (deficit) / surplus is stated after taking the following into account:

	2011 R'000	2010 R'000
Auditors' remuneration:		
External audit fee - current	404	268
Other audit services	58	45
Internal audit fee	210	181
Impairment loss / (gain)		
Impairment raised / (reversed)	(10,266)	12,686
Consultancy fees	1,460	2,146
Cost of sales - Primary Business		
Raw water purchases	46,690	37,830
Water research levies	1,430	1,492
Electricity	17,106	13,635
Chemicals	7,322	4,245
Employee benefit costs	41,659	36,796
Cost of sales - Secondary Business		
Chemicals	7,430	4,210
Employee benefit costs	31,710	21,360
Fees: contracts	2,580	14,120
Repairs & maintenance	41,440	21,360
Diesel	675	36
Depreciation	14,169	15,957
Employee benefit costs not relating to cost of water sold	40,110	29,757
Non-executive board member emoluments (i)		
Board member fees	568	641
Travel disbursements	68	47
Executive management emoluments (ii)	5,953	5,674
Operating lease payments	8,725	6,953
Repairs & maintenance	14,793	9,713
Technical service fees	104	81
Profit on disposal of property, plant & equipment	(16)	(5)

(i) Refer to the non-executive board member emoluments table on page 57 in the annual report.

(ii) Refer to the executive management emoluments table on page 58 in the annual report.

4. Finance Income

	2011 R'000	2010 R'000
Income from Financial Asset	2,025	2,899
Unearned Interest Income relating to Trade and Sundry debtors	4,307	3,410
	6,332	6,309

5. Property, Plant and Equipment

	Immovable assets	Movable assets	Capital work in progress	Total 2011	Total 2010
Cost					
At beginning of year	336,388	44,874	42,570	423,832	364,476
Additions	14,005	2,761	66,585	83,351	67,696
Disposals	0	(524)	(48,217)	(48,741)	(8,339)
At end of year	350,393	47,111	60,938	458,442	423,833
Accumulated depreciation					
At beginning of year	93,923	27,935	-	121,858	97,647
Depreciation charge	11,529	2,640	-	14,169	15,957
Disposals	-	(483)	-	(483)	(267)
Other movement	-	-	-	-	8,519
At end of year	105,452	30,092	-	135,544	121,856
Net carrying amount at end of year	244,941	17,019	60,938	322,898	301,977

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

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

Although ownership and possession of immovable assets has been transferred, the transfer of land has not been effected as surveys of the land still need to be completed as the extent of the land to be transferred can not be determined before the relevant land diagrams have been approved by the Surveyor-General.

In terms of the transfer of Albany Coast Water Board's immovable assets, DWA has agreed to transfer the major water services works to Amatola Water. These works comprise pipelines, reservoirs, pump stations and water treatment works in Amatola's designated area. In terms of Section 73(2)(a) of the Water Services Act 1997 (Act 108 of 1997), legal ownership will be transferred on registration of the properties in the name of Amatola Water by the Registrar of Deeds.

Immovable assets are insured by Amatola Water and may only be encumbered with the written approval of the Minister of Water Affairs.

6. Inventories

	2011 R'000	2010 R'000
Plant spares and stores	1,418	1,679
Chemicals	467	577
Fuel	75	64
	<u>1,960</u>	<u>2,320</u>

Recognition and valuation of water

The quantity of water held in the reservoirs and pipelines at year end has not been included in inventory as it is not considered material to the fair presentation of the annual financial statements.

7. Trade and other Receivables

	2011 R'000	2010 R'000
Trade receivables	21,663	24,634
Less: Impairment loss	(297)	(149)
	<u>21,366</u>	<u>24,485</u>
Other receivables	69,532	94,384
Less: Impairment loss	(2)	(12,674)
	<u>69,530</u>	<u>81,710</u>
	<u>90,896</u>	<u>106,195</u>

Included in other receivables impairment loss 2009/2010 is an amount of R12.655 million relating to water related support services rendered to the Chris Hani District Municipality (CHDM). This amount was identified by CHDM as being in excess of their budgeted expenditure for their financial year ending 30 June 2009. R10.098 million was subsequently paid on 18 February 2011 and R2.557 million was written off at year end.

8. Cash and Cash Equivalents

	2011 R'000	2010 R'000
Cash and cash equivalents comprise:		
Cash	2	2
Bank	18,980	6,775
Short-term deposits (i)	16,772	20,021
	<u>35,754</u>	<u>26,798</u>

(i) Short term-deposits and Bank includes an amount of R22.825 million (R12 million - 2010) held on behalf of customers (refer to note 10) and a guarantees of R2.14million (refer note 12)

9. Long Term Borrowings

	2011 R'000	2010 R'000
Unsecured		
Department of Water Affairs		
Raw water purchases	3,505	6,052
Department of Roads and Public Works (Eastern Cape)		
Bushman's River bridge pipeline	-	545
Secured		
Nedbank		
Bond	1,171	-
Total borrowings	4,676	6,597
Less: current portion	(2,829)	(2,455)
Total long term borrowings	1,847	4,142

The raw water debt is repayable over 10 years in monthly installments of R240 253, final payment on 30 October 2012. Interest is charged at a rate determined by the Minister of Finance in terms of section 80(1)(a) and section 80(1)(b) of the Public Finance Management Act as revised from time to time. The average rate for the year was 9 percent, with a rate of 8.5 percent set by the Minister at 1 January 2011.

The Bushman's River bridge pipeline debt is repayable in one amount of R544 785 on 10 August 2011. No interest is charged.

The Nedbank bond is secured by a R1 million investment and erf 31427 East London. It is repayable over 10 years in monthly installments of R14 675, final payment on 28 February 2021. The average rate of interest for the year was 8 percent.

10. Trade and other payables

	2011 R'000	2010 R'000
Trade creditors	104,803	84,264
Other (i)	40,784	29,678
	145,587	113,942

(i) Other payables includes an amount of R22.825 million (R12 million - 2010) paid by customers in advance.

11. Commitments

	2011 R'000	2010 R'000
Capital expenditure commitments		
Capital expenditure contracted for plant & equipment	3,589	49,027

The capital expenditure to be incurred will be financed from available cash resources.

Operating lease commitments - motor vehicles

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

	2011 R'000	2010 R'000
Less than 1 year	8,077	6,485
More than 1 year and less than 5 years	12,194	15,106
Total	20,271	21,591

12. Contingent Liabilities

Guarantees in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short term deposits (refer to note 8).

	2011 R'000	2010 R'000
ESKOM	1,140	1,140
Nedbank	1,000	-
	<u>2,140</u>	<u>1,140</u>

Amatola Water Board is in dispute with the Department of Water Affairs in relation to interest raised on the Department's consumptive water accounts. These interest charges have been raised on the balances outstanding even though the accounts have not been reconciled for a number of years. During May 2010, the major accounts were reconciled in relation to the correct charges. Interest raised by DWA amounts to R10.4 million.

13. Notes to the Statement of Cash Flows

Guarantees in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short term deposits (refer to note 9).

	2011 R'000	2010 R'000
Net cash utilised for operations	(7,629)	(6,881)
Operating deficit	(15,506)	(17,584)
Adjusted for:		
Net interest income	(6,276)	(5,249)
Non cash items		
Depreciation	14,169	15,957
Profit on disposal of property, plant & equipment	(16)	(5)
Changes in working capital	47,304	(13,239)
Decrease / (Increase) in inventories	360	(161)
Decrease / (Increase) in trade and other receivables	15,299	(34,050)
Increase in trade and other payables	31,645	20,972
	<u>39,675</u>	<u>(20,120)</u>

14. Related Parties

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

	2011 R'000	2010 R'000
Dam Management Fees paid by DWA to Amatola Water	7,411	6,130
Raw water purchases from DWA (Refer to note 3)	46,690	37,830
Interest-bearing borrowings from DWA (Refer to note 9)	3,505	6,052
DWA Receivable	21,589	11,081
DWA Payable	52,895	32,106
Contribution made by Amatola Water to Albany Coast Water Board	-	5

15. Assets and liabilities acquired under common control transaction

	2010 R'000
Property, plant and Equipment	9,750
Trade receivables	361
Cash and cash equivalents	839
Trade payables	(472)
Long term borrowings	(545)
Acquisition of Albany Coast Water accumulated surplus	9,933

The Minister of Water Affairs issued notice as per Government Gazette, 26 February 2010, No. 32965, of the intent to disestablish Albany Coast Water Board. Notice was issued as per Government Gazette, 12 March 2010, No. 33006, for the extension of the service area of Amatola Water Board to include the municipal area of Ndlambe. The official date of transfer was effective 29 March 2010.

16. Financial Instruments

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

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

16.1 Maturity profile of financial instruments

Maturity profiles of the financial assets and liabilities at 30 June 2011 are summarised as follows:

	2011			
	Current interest rate	0 - 12 months R'000	<5 years R'000	TOTAL
Assets				
Cash and cash equivalents	5.6%	35,754	-	35,754
Trade and other receivables	8.5%	90,896	-	90,896
Liabilities				
Trade and other payables	8.5%	(145,587)	-	(145,587)
Long term loans	8.4%	(2,829)	(1,847)	(4,676)
		(21,766)	(1,847)	(23,613)
Percentage profile (%)		92	8	100

	2010			
	Current interest rate	0 - 12 months R'000	<5 years R'000	TOTAL
Assets				
Cash and cash equivalents	8.3%	26,798	-	26,798
Trade and other receivables	10.0%	106,195	-	106,195
Liabilities				
Trade and other payables	10.0%	(113,942)	-	(113,942)
Long term loans	9.5%	(2,455)	(4,142)	(6,597)
		16,596	(4,142)	12,454
Percentage profile (%)		133	(33)	100

16.2 Credit risk

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

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

Credit risk with respect to trade receivables is limited as trade debtors mainly comprise (95 percent) bulk consumers, namely Local and District Municipalities. The remainder relates to water supply to domestic and industrial consumers.

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

Impairment losses

The aging of trade receivables at the reporting date was:

	Gross 2011 R'000	Impairment 2011 R'000	Gross 2010 R'000	Impairment 2010 R'000
Not past due date	17,464	-	14,221	-
One month past due date	3,296	-	10,187	-
Two months past due date	69	-	19	-
Three months past due date	66	-	21	-
More than four months	768	297	186	149
	21,663	297	24,634	149

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

	2011 R'000	2010 R'000
Balance as at 1 July	149	132
Impairment loss increased	148	17
Balance at 30 June	297	149

The aging of sundry receivables at the reporting date was:

	Gross 2011 R'000	Impairment 2011 R'000	Gross 2010 R'000	Impairment 2010 R'000
Not past due date	52,218	-	47,407	-
One month past due date	5,084	-	15,056	-
Two months past due date	6,468	-	2,839	-
Three months past due date	484	-	49	-
More than four months	5,278	2	29,033	12,674
	69,532	2	94,384	12,674

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

	2011 R'000	2010 R'000
Balance as at 1 July	12,674	5
Impairment loss (decreased) / increased	(12,672)	12,669
Balance at 30 June	2	12,674

16.3 Interest rate Risk

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

Sensitivity analysis

In order to calculate the cash flow sensitivity analysis for variable rate instruments, the average long term loans and borrowings for the period was determined. A change of 100 basis points in interest rates at the reporting date would have a maximum increase / (decrease) of approximately R46 760 in profit.

16.4 Liquidity Risk

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

17. Employee Benefits

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

	2011 Number of staff	2011 R'000	2010 Number of staff	2010 R'000
Employer's contributions to the above fund	360	5,170	302	4,393
Other funds	50	506	60	636

18. Key sources of estimation uncertainty

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

19. Fruitless & Wasteful Expenditure

Reconciliation of fruitless and wasteful expenditure

	2011 R'000	2010 R'000
Opening balance	-	-
Fruitless and wasteful expenditure – current year	34,687	-
Fruitless and wasteful expenditure condoned	-	-
Transfer to receivables for recovery	-	-
Fruitless and wasteful expenditure awaiting condonement	-	-
	34,687	-

Analysis of current fruitless and wasteful expenditure

Incident	Value	Disciplinary steps taken/criminal proceedings
Late submission of PAYE Return to SARS resulting in interest and penalties	34,687	Investigation to be undertaken and disciplinary action to be instituted

Fruitless and Wasteful expenditure as disclosed above have been included in operating expenditure as disclosed in the statement of financial performance.

20. Irregular Expenditure

Reconciliation of irregular expenditure

	2011 R'000	2010 R'000
Opening balance	-	-
Irregular expenditure – current year	-	-
- Relating to overspending on contracts awarded	12,589,765	-
- Other irregular expenditure	723,892	-
Irregular expenditure condoned	-	-
Transfer to receivables for recovery	-	-
Irregular expenditure awaiting condonement	-	-
	13,313,657	-

Analysis of Current irregular expenditure

Incident	Value	Disciplinary steps taken/criminal proceedings
Overspending on contracts not approved	10,341,008	Investigation to be undertaken and disciplinary action to be instituted
Deviations from procurement policy not approved	184,900	Investigation to be undertaken and disciplinary action to be instituted
Deviations approved outside authority of delegation	2,248,757	Investigation to be undertaken and disciplinary action to be instituted
Procurement policy not adhered to in awarding of bids	538,992	Investigation to be undertaken and disciplinary action to be instituted

Irregular expenditure as disclosed above have been included in operating expenditure and cost of sales as disclosed in the statement of financial performance.

21. Taxation

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

Five year Historical Statistical Overview

2007-2011

	2011 R'000	%	2010 R'000	%	2009 R'000	%	2008 R'000	%	2007 R'000
OPERATIONS									
Revenue	276,786	15.5	239,546	(4.4)	250,549	24.8	200,803	101.9	99,460
Cost of Sales	198,041	27.7	155,084	(13.0)	178,184	28.5	138,689	146.0	56,376
Operating and Admin Expenses	100,527	(6.3)	107,295	38.3	77,562	30.2	59,581	26.5	47,081
Net Operating (Deficit)/Surplus	(21,782)	(4.6)	(22,833)	339.4	(5,197)	(305.2)	2,533	(20.0)	3,168

FINANCIAL POSITION									
Capital Contribution	274,557	--	274,557	-	274,557	-	274,557	-	274,557
Reserves	0	-	0	-	0	-	0	-	0
Retained (Deficit)/Surplus	26,688	(36.7)	42,194	(15.3)	49,845	24.2	40,125	45.2	27,642
Long-term Liabilities	1,847	(55.4)	4,142	(35.6)	6,436	(27.1)	8,834	(9.3)	9,737
Current Liabilities	148,416	27.5	116,397	22.8	94,811	30.8	72,497	66.1	43,647
Total Equity and Liabilities	451,508	3.3	437,290	2.7	425,649	7.5	396,013	11.4	355,583
Non-current Assets	322,898	6.9	301,977	13.2	266,829	(10.4)	297,941	6.4	280,134
Current Assets	128,610	(5.0)	135,313	(14.8)	158,820	61.9	98,072	30.0	75,449
Total Assets	451,508	3.3	437,290	2.7	425,649	7.5	396,013	11.4	355,583

CASH FLOW POSITION									
Cash flow from Operating Activities	45,951	389.6	(15,869)	(437.9)	(2,950)	(108.7)	33,843	949.7	3,224
Cash Flow util. in/gen. from Investing Activities	(35,074)	(469.6)	9,489	146.9	(20,243)	(13.3)	(23,336)	410.4	(4,572)
Cash Flow utilised in Financing Activities	(1,921)	28.8	(2,697)	(35.6)	(1,988)	1.8	(1,952)	(34.4)	(2,974)
Net Cash Increase/(Decrease) for year	8,956	198.7	(9,077)	64.0	(25,181)	(394.3)	8,555	(297.9)	(4,322)

	2011 R'000	%	2010 R'000	%	2009 R'000	%	2008 R'000	%	2007 R'000
RATIOS									
Revenue (Kilolitres x 1000)									
Treated Water Sales	28,524	(6.9)	30,635	(1.6)	31,121	6.9	29,122	19.2	24,423
Raw Water Sales	8,613	2.5	8,401	7.0	7,848	2.8	7,637	1.8	7,504
Total Water Sales	37,137	(4.9)	39,036	0.2	38,969	6.0	36,759	15.1	31,927
Revenue (R'000)									
Treated Water Sales	139,650	2.6	136,153	5.1	129,486	13.5	114,074	23.1	92,681
Raw Water Sales	10,646	1.6	10,479	34.8	7,773	9.0	7,129	5.2	6,779
Total Water Sales	150,296	2.5	146,632	6.8	137,259	13.2	121,203	21.9	99,460
Revenue (R'000): Primary Activity									
Bulk Supply: Urban and Peri-urban	108,380	3.4	104,846	4.4	100,460	13.0	88,918	23.4	72,054
Bulk Supply: Rural	37,735	2.2	36,934	15.9	31,871	17.9	27,032	21.6	22,230
Revenue (R'000): Other Activity									
Industrial and Domestic Reticulation	4182	(13.8)	4852	(1.5)	4928	(6.2)	5252	1.5	5176
Average Raw Water Sales Tariff (R/Kl)									
Average Raw Water Sales Tariff (R/Kl)	1.236	(0.9)	1.247	25.9	0.990	6.2	0.933	3.3	0.903
Average Treated Water Sales Tariff (R/Kl)	4.90	10.2	4.44	6.8	4.16	6.1	3.92	3.3	3.79
Average Water Sales Tariff (R/Kl)									
Average Water Sales Tariff (R/Kl)	4.05	7.7	3.76	6.6	3.52	6.7	3.30	5.9	3.12
Cost of Sales (R/Kl)									
Cost of Sales (R/Kl)	3.08	27.7	2.41	10.0	2.19	4.8	2.09	7.2	1.95
Labour Cost (R/Kl)									
Labour Cost (R/Kl)	1.12	19.0	0.94	13.6	0.83	3.2	0.80	16.0	0.69
Electricity cost (R/Kl)									
Electricity cost (R/Kl)	0.46	31.9	0.35	58.8	0.22	24.0	0.18	(1.2)	0.18
Chemical cost (R/Kl)									
Chemical cost (R/Kl)	0.26	85.3	0.14	(13.4)	0.16	1.6	0.16	(32.7)	0.23
Raw water purchases (R/Kl)									
Raw water purchases (R/Kl)	1.26	29.7	0.97	(1.1)	0.98	3.4	0.95	9.6	0.86
Water research levies(R/Kl)									
Water research levies(R/Kl)	0.04	0.0	0.04	0.0	0.04	0.0	0.04	33.3	0.03
Current Ratio									
Current Ratio	0.87	(25.5)	1.16	(30.8)	1.68	24.4	1.35	(21.9)	1.73
Trade Debtors (days)									
Trade Debtors (days)	120	(25.9)	162	54.1	105	64.1	64	39.1	46
Return on Assets									
Return on Assets	(0.049)	7.5	(0.053)	(307.7)	(0.013)	(285.7)	0.007	(22.2)	0.009
Debt-Equity Ratio									
Debt-Equity Ratio	0.50	31.5	0.38	22.8	0.31	19.2	0.26	44.4	0.18
Working Ratio									
Working Ratio	1.03	0.0	1.03	5.0	0.98	5.4	0.93	-	0.93

	2011 R'000	%	2010 R'000	%	2009 R'000	%	2008 R'000	%	2007 R'000
PRODUCTIVITY									
Number of Employees	410	13.6	367	10.9	331	13.7	291	16.4	250.00
Average Revenue per Employee (R'000)	675	1.7	653	(13.8)	757	9.7	690	73.4	397.84
Cash Disbursed to Employees	87,722	21.5	72,227	12.4	64,284	25.4	51,262	28.4	39,932.00
Net increase/ (decrease) in cash and cash equivalents	8,956	198.7	(9,077)	64.0	(25,181)	(394.3)	8,555	165.4	3,223.00

Amatola Water





AREA OF OPERATION 2010 ♦ 11



Amatola Water

AREA OF OPERATIONS 2010/2011

LEGEND

-  Amatola Water: Area of operation 2011
-  District Municipalities
-  Local Municipalities
-  Major Towns

