

NAMAKWA WATER BOARD

**Annual Report
2005/2006**

**Portfolio Committee on
Water Affairs & Forestry
20 March 2007**



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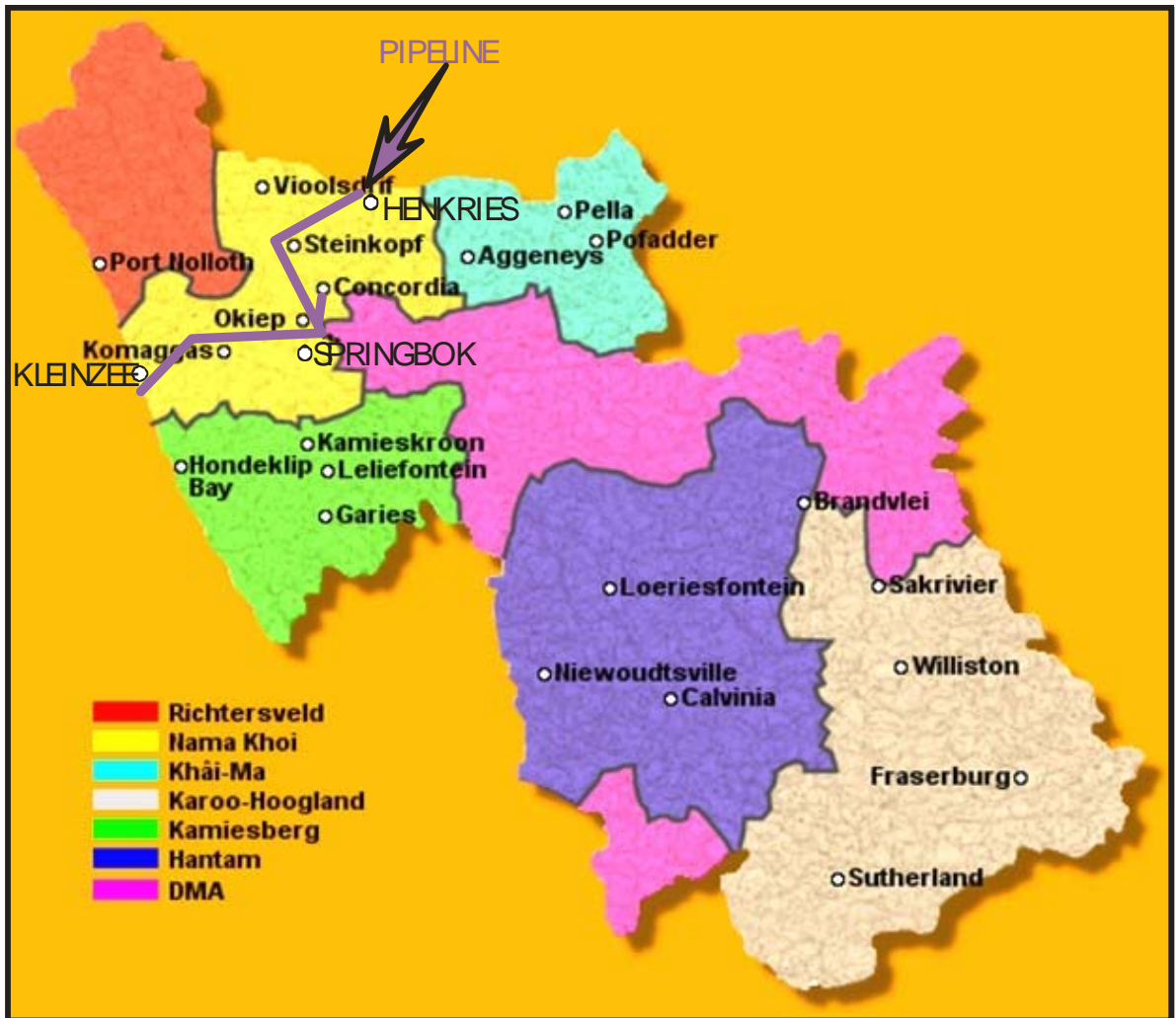
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NAMAKWA DISTRICT MUNICIPALITY



This Annual Report for 2005-2006 is intended to inform the executive Authority, (Minister of Water Affairs and Forestry), our clients, (Municipalities) and the nation at large on the progress and developments made in the year under review, in terms of legal compliance to section 44 of the Water Services Act, Act No 108 of 1997 of the Department of Water Affairs and Forestry.

The Board is composed of eight members of which four are vacant.

HJ Visser
CHAIRPERSON
Namakwa District Municipality

~~Maacs~~
Nama Khoi Municipality

HD Roberts
Community

OD Smith
De Beers Namaqualand Mines

It is with considerable pride, but also some nostalgia, that we sub present the Annual Report of the Namakwa Water Board for 2005/2006, as our term of office draws to a close. We are most grateful for the opportunity afforded to us by the Minister of Water Affairs and Forestry to participate in the affairs of Namakwa Water Board and that we will miss the dynamic and rewarding interactions we have enjoyed during our tenure.

Going forward we are tasked with ensuring that we make the maximum contribution to improve the quality of lives of all communities through the delivery of sustainable affordable water. The growing demand for water both for domestic and industrial purposes poses an increasing challenge for water provision. Currently the Namakwa Water Board supply only the communities in the Nama Khoi Municipal area, but Kamiesberg Municipality who is entirely dependent on underground water resources, urgently need to supplement their existing resources with alternatives such as supply from the Orange River.



CURRENT & FUTURE PROJECTS

During the past year a 6,2 km section of the pipeline between Henkries and Doringwater were replaced. The total distance of 19,7 km between Henkries and Doringwater are now replaced after 33 years since the establishment of the system. The other 97 km of pipeline between Doringwater and Vaalhoek reservoir at O'Okiep is still the original product. Between Eernriet reservoir (Steinkopf) and Vaalhoek reservoir (O'Okiep) this gravity line's lowest point (Kliphoog) are a weak spot on the system as the pressure becomes very high on the section and a lot of pipe burst's occur. A pressure release valve were successfully installed at Vrieskloof to reduce the pressure and prevent bursts and water losses. This upgrading was financed with a loan from Development Bank of Southern Africa to the tune of R8 million.

As the demand for potable drinking water during summer times for the town of Springbok increases it became problematic from time to time due to insufficient supply as well as usage. Restrictions are imposed. Smart use of this scarce commodity is of paramount importance. Furthermore, various options to address the problem needs to be investigated and considered including a possible booster pump station between O'Okiep and Springbok.

WATER TARIFFS

The Board's income is derived from tariffs from water sales to Nama Khoi and De Beers Namaqualand Mines. The communities serviced by the Water Board are: Steinkopf, Bulletrap, Nababeep, O'Okiep, Carolusberg, Concordia, Springbok and Kleinzee. The current price amounts to R2.99 kl (vat excluded)

Capacity

The Henkries purification plant has the Design capacity of 18 mega litres per day of which only 12 mega litres per day are currently utilized during peak seasons. Until such time as we are able to upgrade/replace the pipeline between Eenriet & O'Okiep, we will not be able to utilize the extra/spare capacity of 6 mega litres per day.

TREATMENT TECHNOLOGY: Filtration and Flocculation

CHEMICAL CHARACTERISTICS : RAW WATER												
	2005						2006					
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mrt	April	May	June
PH	8.1	8.0	8.1	8.0	7.9	8.0	8.5	8.5	7.7	7.8	7.9	7.7
Total Alkalinity mg/l	84	108	103	170	155	150	158	162	150	112	82	92
Total Hardnes	97	151	131	195	178	175	179	190	170	136	112	100
Chlorides mg/l	30	63	63	145	115	110	120	160	110	73	49	40
Chloor mg/l	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TDS mg/l	216	228	224	439	322	310	380	410	261	214	191	234
Calsium Hardnes mg/l	22	29	29	33	32	30	38	39	34	26	24	20
Magnesium mg/l	11	19	17	28	24	22	30	30	21	18	13	12
Turbidity	40	40	90	30	25	20	40	45	60	no reading		80
CHEMICAL CHARACTERISTICS : POTABLE WATER												
	2005						2006					
	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mrt	April	May	June
PH	7.8	7.7	7.7	7.8	8.0	7.9	8.3	8.4	7.4	7.4	7.6	7.8
Total Alkalinity mg/l	81	103	110	155	153	148	155	158	140	105	76	92
Total Hardnes	95	150	128	189	173	170	176	185	168	132	106	100
Chlorides mg/l	30	25	59	55	140	115	100	115	130	100	65	45
Chloor mg/l	2.1	1.6	1.5	1.7	1.5	1.5	1.3	1.2	1.7	1.8	2.1	2.5
TDS mg/l	225	240	191	486	327	300	370	400	258	209	181	234
Calsium Hardnes mg/l	21	29	27	30	32	30	37	38	34	24	22	20
Magnesium mg/l	11	19	17	28	24	22	26	28	21	18	14	11
Turbidity	0.85	0.65	1.2	0.89	0.35	0.45	0.6	0.8	1.2	no reading		1.5

The provision of clean and safe potable water to communities within Namakwa Water's supply area is the primary focus of the Water Board. Fortnight bacteriological testing (Pathcare) of the water is done throughout the year to ensure safe drinking water.

PERSONNEL

The composition of the labour force is as follows

	White		Coloured	
	M	F	M	F
Admin		1		
Foreman	1			
Artisans	2		1	
Handy man			2	
Lorry driver			1	
Pump operator			12	3
pump asistant			6	1
Labourer			2	
TOTAL	3		24	4

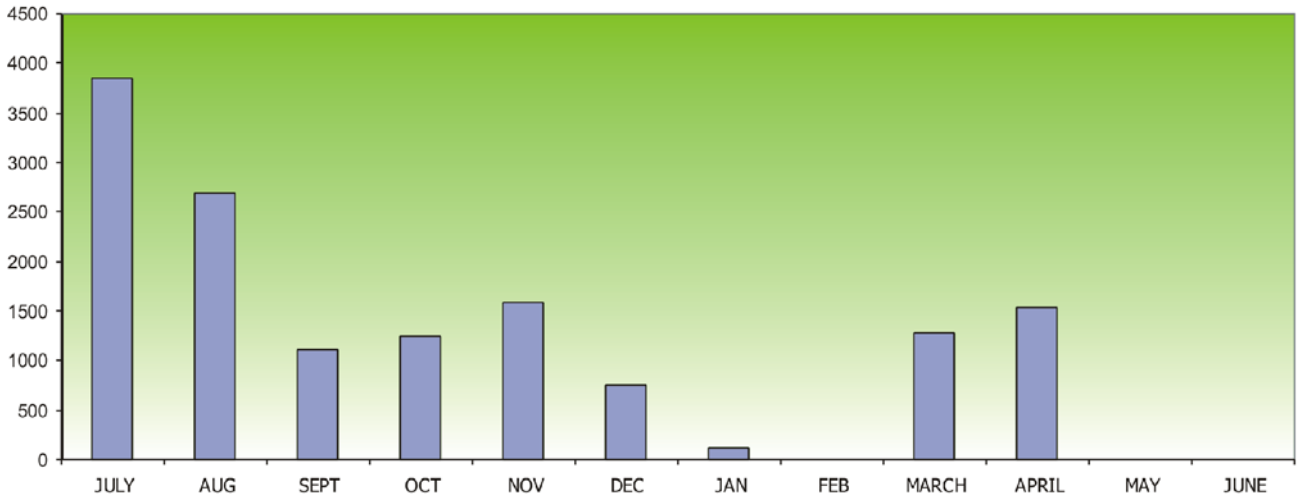
CONCLUSION

- We want to thank all employees of Namakwa Water for their contribution, dedication and commitment to the mandate of sustainable and affordable water services delivery. We are sure that the employees will give the new institution to be established the same support and commitment they displayed during our tenure as the board.
- We also would like to thank the Minister of Water Affairs and Forestry, Honourable Mrs Lindiwe Hendricks and her staff for the support given to the board during the year.
- To my fellow board members I want to say that you were there when duty called, and thank you for your incisive guidance and support.

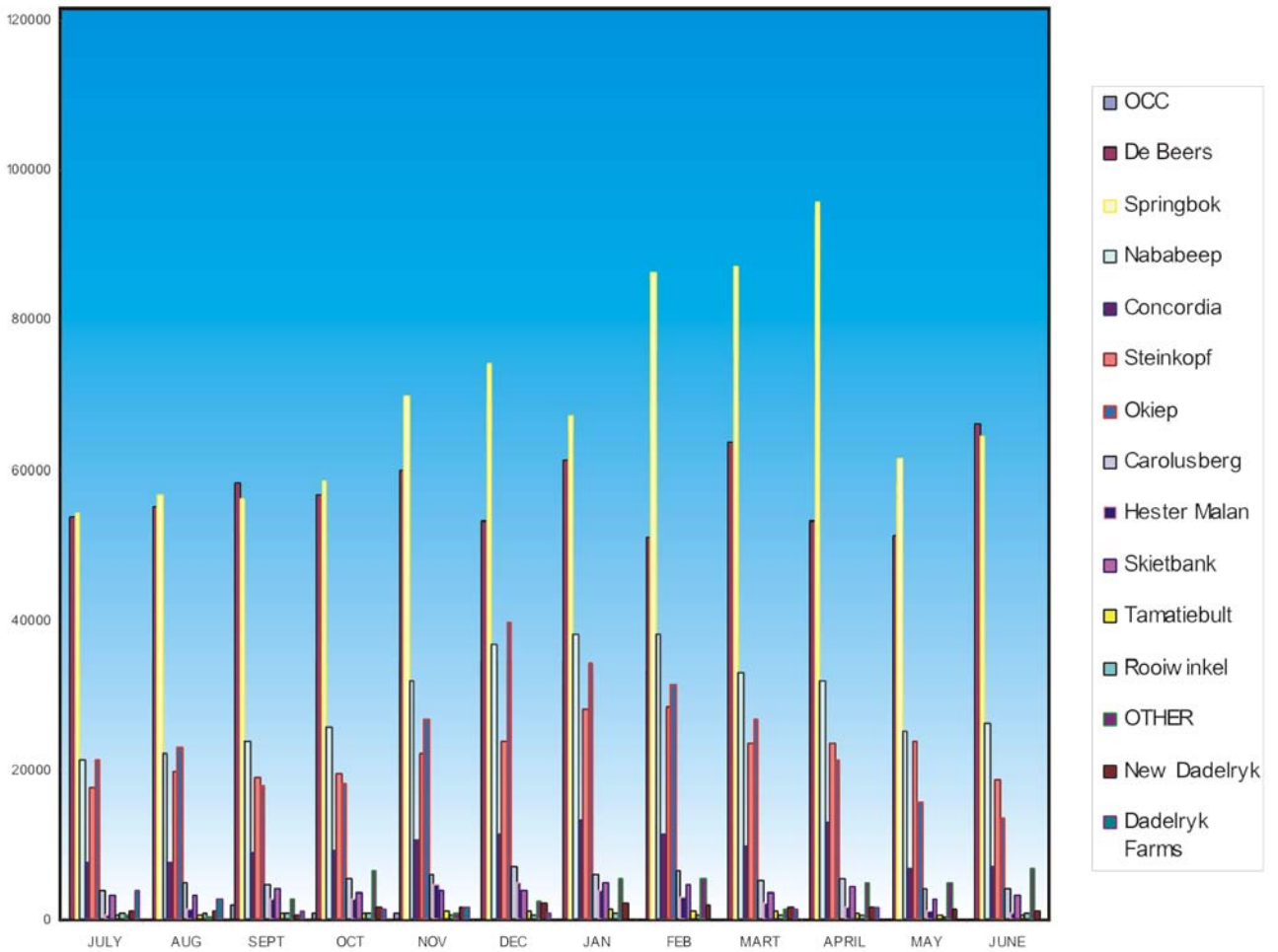
HENDRIK VISSER
CHAIRPERSON



RAW WATER JULY 2005 TO JUNE 2006



WATER SALES JULY 2005 TO JUNE 2006



for the period ended 30 June 2006

to the Board of

NAMAKWA WATER BOARD

We have audited the annual financial statements set out on pages 3 to 8. The financial statements are the responsibility of the Board. Our responsibility is to report on these financial statements.

Scope

We conducted our audit in accordance with statements of South African Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures included in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit Opinion

In our opinion these financial statements fairly present the financial position of the Board at 30 June 2006 and the results of its operations and cash flow information for the period then ended in conformity with generally accepted accounting practice.

Clas sen Stone

CLAASSEN STONE

Registered Accountants and Auditors

Chartered Accountants (SA)

SPRINGBOK

13 September 2006

STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR
ENDED 30 JUNE 2006

	NOTES	2006 R	2005 R
INCOME			
Water Sales	1.2	8 981 049.44	7 484 999.09
PLUS: Other Income			
Rent Received		4 602.26	4 488.43
		8 985 651.70	7 489 487.52
LESS: Expenses		(14 904 485.41)	(8 615 330.13)
Administration Fees		120 192.77	51 819.18
Audit Fees		14 800.00	10 470.00
Audit		9 800.00	6 950.00
Other Services		5 000.00	3 520.00
Chemicals		197 278.03	243 025.50
Electricity		3 829 917.90	3 946 614.86
Electricals		129 252.97	88 035.57
Labour		3 092 916.70	2 535 241.38
Licenses, Permits and Insurance		191 884.55	177 763.97
Maintenance Spares		113 093.69	353 578.99
Miscellaneous Administration Costs		53 461.38	71 920.24
Motor Vehicle Expenses		238 285.43	283 380.33
Regional Municipal Levies		10 126.76	11 648.57
Water Analysis Cost		4 209.10	3 668.71
Water Extraction Levy		162 283.33	130 980.03
Retainer Fees		4 550.00	6 500.00
Provision for bad debts		-	692 587.80
Surveying Costs		-	4 015.00
Training		-	4 080.00
Maintenance Buildings		48 800.64	-
Maintenance Pipeline		6 693 432.16	-
Operational loss for the year before interest received		(5 918 833.71)	(1 125 842.61)
Interest Received		65 469.63	115 579.99
Current Account		-	1 944.78
Fixed Deposit		65 469.63	113 635.21
Net loss before interest paid		(5 853 364.08)	(1 010 262.62)
Interest paid		(1 799 993.18)	(909 784.73)
Net Loss before recoupments		(7 653 357.26)	(1 920 047.35)
Recoupment of capital expenditure repayments		245 500.00	245 000.00
Transfer to Funds		(7 407 857.26)	(1 675 047.35)
Maintenance Fund		-	-
Retainer Fees Fund		29 330.00	27 380.00
Loss for the year		(7 437 187.26)	(1 702 427.35)

NAMAKWA WATER BOARD

BALANCE SHEET AT 30 JUNE 2006

	NOTES	2006 R	2005 R
ASSETS			
Non-Current Assets		97 033 103.19	98 004 059.56
Fixed Assets	2	96 133 940.20	96 000 366.20
Fixed Investments		899 162.99	2 003 693.36
Current Assets			
Debtors	3	4 088 901.76	1 634 729.86
Total Assets		<u>101 122 004.95</u>	<u>99 638 789.42</u>
EQUITY AND LIABILITIES			
Funds and Reserves			
Capital Account	4	3 649 815.50	11 087 002.76
Non-Distributable Reserves	5	64 325 257.72	64 325 257.72
Non-Current Liabilities		28 995 185.15	19 659 463.78
Long term loan	6	21 478 513.10	12 172 121.73
Special Funds	7	7 516 672.05	7 487 342.05
Current Liabilities		4 151 746.58	4 567 065.16
Creditors	8	3 957 704.51	3 943 124.53
Bank Overdraft		194 042.07	623 940.63
Total Equity and Liabilities		<u>101 122 004.95</u>	<u>99 638 789.42</u>

CASH FLOW STATEMENT FOR THE YEAR 30 JUNE 2006

	2006 R	2005 R
CASH FLOW FROM OPERATING ACTIVITIES		
Net Operating Loss	(7 378 527.26)	(1 675 047.35)
Adjustments for:		
Finance Charges	1 799 993.18	909 784.73
Investment Income	(65 469.63)	(115 579.99)
Operating loss before changes in working capital	(5 644 003.71)	(880 842.61)
Changes in working capital	(2 439 591.92)	611 051.19
(Increase)/Decrease in debtors	(2 454 171.90)	534 858.33
Increase in creditors	14 579.98	76 192.86
Cash available from operating activities	(8 083 595.63)	(269 791.42)
Finance Charges	(1 799 993.18)	(909 784.73)
Investment Income	65 469.63	115 579.99
Net cash flow from operating activities	(9 818 119.18)	(1 063 996.16)
CASH FLOW FROM INVESTMENT ACTIVITIES		
Decrease/(Increase) in Investments	1 104 530.37	(113 631.21)
Transferred to funds	(29 330.00)	(27 380.00)
Increase in Vehicles	(133 574.00)	(70 175.44)
Net cash flow from investment activities	941 626.37	(211 186.65)
CASH FLOW FROM FINANCING ACTIVITIES		
Increase in loans	9 306 391.37	21 634.19
Net cash flow from financing activities	9 306 391.37	21 634.19
Net increase/(decrease) in cash and cash equivalents	429 898.56	(1 253 548.62)
Cash and cash equivalents beginning of year	(623 940.63)	629 607.99
Cash and cash equivalents end of year	(194 042.07)	(623 940.63)
REPRESENTED BY		
Cash in Bank	(194 042.07)	(623 940.63)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

The following principal accounting policies have been applied on a basis consistent with that of the previous year.

1.1 Basis of Presentation

The financial statements have been prepared on the historical cost basis of accounting.

1.2 Turnover

Turnover, which excludes value added tax, comprises the amounts invoiced for water sales.

1.3 Fixed Assets

Fixed assets are recorded at initial cost, which includes all costs attributable to the process of preparation of the assets for their intended use. No depreciation is written off against these assets, as it is deemed to have an indefinite life.

1.4 Revenue Recognition

Sales

Sales are recorded at the time of delivery and customer acceptance, net of value added tax.

Investment Income

Investment Income comprises interest and is recognized on an accrual basis.

1.5 Trade Debtors

Trade debtors are carried at their expected realizable value. Bad debts are written off in the year in which they occur.

1.6 Cash and Cash Equivalents

For the purposes of the cash flow statement cash and cash equivalents comprises cash in bank accounts.

2006	2005
R	R

2. FIXED ASSETS

96 133 940.20	96 000 366.20
---------------	---------------

	2006	2005
	R	R
Orange River Abstraction Works	750 000.00	750 000.00
Pump Station and Pipeline	2 360 000.00	2 360 000.00
Purification Plant	12 400 000.00	12 400 000.00
Pump Station & Pipeline to Eenrietberg	2 526 000.00	2 526 000.00
Gravitation Pipeline to Okiep	3 720 000.00	3 720 000.00
Pump Station and Pipeline Concordia/Springbok	761 000.00	761 000.00
Reservoirs	8 640 000.00	8 640 000.00
Electrical Plant	1 998 000.00	1 998 000.00
Pumps, Motors and Mechanical Equipment	45 687 423.72	45 687 423.72
Radio s and Telemeters	40 000.00	40 000.00
Access Roads	686 412.00	686 412.00
Construction Housing	743 405.50	743 405.50
Permanent Housing	3 860 000.00	3 860 000.00
Engineering Fees	995 000.00	995 000.00
Aerodrome	45 000.00	45 000.00
Pipeline to Kleinzee	562 000.00	562 000.00
Vehicles	781 521.39	647 947.39
Pipeline Henkries	6 225 758.78	6 225 758.78
Computer Equipment	19 085.48	19 085.48
Former OCC Infrastructure	3 333 333.33	3 333 333.33

2.1 The civil construction works and the pumps were taken over on 1 April 1982 from the Department of Water Affairs for an amount of R27 948 800.00. This amount has subsequently been reduced to R8 025 000.00.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2.1 Provision is being made for the renewal of works and the replacement of fixed assets by transferring an amount equal to 100% of the annual operating profit, before extraordinary item, to a maintenance fund (see 7.1).
In the case of an operating loss no transfer will be made.

	2006 R	2005 R
3. DEBTORS		
Trade Debtors	3 214 431.86	1 478 492.60
Sundry Debtors	874 469.90	156 237.26
	<u>4 088 901.76</u>	<u>1 634 729.86</u>
4. CAPITAL ACCOUNT	3 649 815.50	11 087 002.76
Balance at 1 July 2005	11 087 002.76	12 789 430.11
LESS: Loss for the year	(7 437 187.26)	(1 702 427.35)
5. NON-DISTRIBUTABLE RESERVES		
Revaluation of Fixed Assets	<u>64 325 257.72</u>	<u>64 325 257.72</u>
As requested by the Board on 8 January 2004, Bouwer Viljoen, a firm of consulting engineers conducted a valuation based on the present value of the buildings, structures and mechanical equipment.		
6. LOAN		
6.1 Long Term Loans	21 478 513.10	12 172 121.73
6.1.1 Department of Water Affairs	13 434 994.99	12 158 366.52
Outstanding Capital	12 158 366.52	11 337 134.65
ADD: Interest Accrued	1 276 628.47	821 231.87
6.1.2 Development Bank of Southern Africa	8 043 518.11	13 755.21
Outstanding Capital	7 520 153.40	12 258.58
ADD: Interest Accrued	523 364.71	1 496.63
6.2 The loan in 6.1.1 is granted for a period of 45 years from 1 March 1992 and is repayable in annual installments of R865 000 on the last day of February each year.		
6.3 The loan in 6.1.2 bears interest at a rate of 10,50% per annum and is repayable in 10 equal six-monthly installments, commencing on the last day of the 1st half year after the half year during which the first disbursement was advanced. An additional amount of R7 546 054.27 was borrowed during the year in order to finance the replacement of 6 km of pipeline.		
6.4 The loan in 6.1.1 bears interest at a rate of 10,50% per annum. Two main users have accepted responsibility for the annual payment of interest and capital.		
7. SPECIAL FUNDS	7 516 672.05	7 487 342.05
7.1 Maintenance Fund		
Balance as at 1 July 2005	7 249 871.45	7 249 871.45
ADD: Transfer (to)/from Income Statement	-	-
Balance as at 30 June 2006	<u>7 249 871.45</u>	<u>7 249 871.45</u>

NAMAKWA WATER BOARD

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

	2006 R	2005 R
7.2 Retainer Fees Fund		
Balance as at 1 July 2005	237 470.60	210 090.60
ADD: Transfer from Income Statement	33 880.00	33 880.00
LESS: Expenses	271 350.60	243 970.60
	(4 550.00)	(6 500.00)
Balance as at 30 June 2006	266 800.60	237 470.60

7.3 The fund in 7.1 is to be applied for the replacement and renewal of fixed assets and works.

7.4 A transfer of R33 880.00 is made annually to the retainer fees fund.

7.5 No transfer was made to the maintenance fund due to an operating loss of R5 918 833.71 in the current year.

8. CREDITORS

8.1.1 Trade Creditors	9 911.59	86 083.71
8.1.2 Sundry Creditors	3 947 792.92	3 857 040.82
	3 957 704.51	3 943 124.53

8.2 An amount of R 3 800 000.00 is included in sundry creditors which represents former OCC infrastructure acquired by the Water Board. Infrastructure was valued at R 3 800 000.00 by BVi, Consulting Engineers.

The Water Board is currently negotiating with the Department of Water Affairs and Forestry on the possibility of writing off the OCC loan of R 5 309 589.70 which was incurred for the procurement of the said infrastructure.

CURRENT STATUS

- **Appointment of new Board:**
 - **Selection process completed**
 - **Recommendations sent to Minister**
 - **Appointment imminent**

CURRENT STATUS

(cont)

- **Operational Status:**
 - **Minister appointed Regional Head of Northern Cape to oversee day to day activities**
 - **No service delivery problems experienced**

CURRENT STATUS

(cont)

- **Section 78 process:**
 - **Nama Khoi municipality in charge of process**
 - **Service Provider has been appointed to complete process**
 - **Expected final report by end February 2008**