NATIONAL TREASURY

NO. 2049   29 April 2022

PUBLIC FINANCE MANAGEMENT ACT, 1999
(ACT NO 1 OF 1999 AS AMENDED)

BORROWING POWERS OF WATER BOARDS LISTED UNDER SCHEDULE 3 PART B OF THE ACT

I, ENOCH GODOGWANA, MINISTER OF FINANCE, acting in terms of section 66(3)(b) of the Public Finance Management Act, 1999 (Act No 1 of 1999), hereby authorise the accounting authority of Mhlathuze Water to have the following limited borrowings:

| MHLATHUZE WATER: BORROWING AUTHORISATION AND RELATED LIMIT ||
FINANCIAL YEAR	TOTAL INTEREST-BEARING DEBT/ BORROWINGS AMOUNT
Ending 30 June 2022	R136.610 million
Ending 30 June 2023	R216.265 million
Ending 30 June 2024	R265.920 million

The proposed borrowing limits reflect the maximum interest-bearing borrowings that Mhlathuze Water may have at the end each respective financial period. This means that for as long as Mhlathuze Water has interest-bearing borrowings on its statement of financial position (or balance sheet), it will need to adhere to the limits above. A new authorisation will have to be considered upon expiry, provided Mhlathuze Water has outstanding interest-bearing borrowings.

The borrowing authorisation and related limit is approved with the following compliance requirements:

1.   A minimum cash interest cover (CIC) ratio of 3 times, calculated as follows: cash generated from operations (after changes in working capital) divided by cash finance costs (from the cash flow statement);
2.   A minimum debt service cover ratio (DSCR) of 1 time, calculated as follows: cash generated from operations (after changes in working capital) divided by total debt service costs (debt capital repayments plus gross interest paid – from the cash flow statement);
3.   A gearing limit of 50% calculated as follows: interest-bearing borrowings divided by total equity;
4.   Mhlathuze Water submits quarterly progress reports to the Asset and Liability Management Division on the above-mentioned requirements as well as the Borrowing Programme and Funding Plan, including utilisation of the borrowing limit **within 30 days after the end of each quarter**; and