



*Magalies Water*

*Magalies Water Annual Report 2023/24*



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## *List of Acronyms*

|               |                                                        |                  |                                                                                      |
|---------------|--------------------------------------------------------|------------------|--------------------------------------------------------------------------------------|
| <b>AFS</b>    | <i>Annual Financial Statements</i>                     | <b>MOU</b>       | <i>Memorandum of Understanding</i>                                                   |
| <b>AGSA</b>   | <i>Auditor-General of South Africa</i>                 | <b>MP</b>        | <i>Member of Parliament</i>                                                          |
| <b>ATR</b>    | <i>Annual Training Report</i>                          | <b>NDP 2030</b>  | <i>National Development Plan 2030</i>                                                |
| <b>AS</b>     | <i>Analytical Services</i>                             | <b>NQF</b>       | <i>National Qualifications Framework</i>                                             |
| <b>ASB</b>    | <i>Accounting Standards Board</i>                      | <b>NWA</b>       | <i>National Water Act, 1998 (Act 36 of 1998)</i>                                     |
| <b>BCM</b>    | <i>Business Continuity Management</i>                  | <b>OPEX</b>      | <i>Operating Expenditure</i>                                                         |
| <b>BBBEE</b>  | <i>Broad-Based Black Economic Empowerment</i>          | <b>O &amp; M</b> | <i>Operations and Maintenance</i>                                                    |
| <b>BFI</b>    | <i>Budget Facility for Infrastructure Fund</i>         | <b>P&amp;ES</b>  | <i>Project and Engineering Services Division</i>                                     |
| <b>CAPEX</b>  | <i>Capital Expenditure</i>                             | <b>PFMA</b>      | <i>Public Finance Management Act, 1999 (Act 1 of 1999)</i>                           |
| <b>CoT</b>    | <i>City of Tshwane</i>                                 | <b>POPIA</b>     | <i>Protection of Personal Information Act</i>                                        |
| <b>CSI</b>    | <i>Corporate Social Investment</i>                     | <b>(Pty) Ltd</b> | <i>Proprietary Limited</i>                                                           |
| <b>CSR</b>    | <i>Corporate Social Responsibility</i>                 | <b>PSR</b>       | <i>Public Service Regulations, 2016</i>                                              |
| <b>CWTP</b>   | <i>Cullinan Water Treatment Plant</i>                  | <b>PBWSS</b>     | <i>Pilanesberg Bulk Water Supply Scheme</i>                                          |
| <b>Dr</b>     | <i>Doctor</i>                                          | <b>ROI</b>       | <i>Return On Investment</i>                                                          |
| <b>DWS</b>    | <i>Department of Water and Sanitation</i>              | <b>SABS</b>      | <i>South African Bureau of Standards</i>                                             |
| <b>DBSA</b>   | <i>Development Bank of Southern Africa</i>             | <b>SACPCMP</b>   | <i>South African Council for the Project and Construction Management Professions</i> |
| <b>DPSA</b>   | <i>Department of Public Service and Administration</i> | <b>SALGA</b>     | <i>South African Local Government Association</i>                                    |
| <b>EWP</b>    | <i>Employee Wellness Programme</i>                     | <b>SANS</b>      | <i>South African National Standards</i>                                              |
| <b>EE</b>     | <i>Employment Equity Act, 1998 (Act 55 of 1998)</i>    | <b>SAPS</b>      | <i>South African Police Service</i>                                                  |
| <b>ECSA</b>   | <i>Engineering Council of South Africa</i>             | <b>SARS</b>      | <i>South African Revenue Services</i>                                                |
| <b>ESG</b>    | <i>Environmental, Social and Governance</i>            | <b>SOP</b>       | <i>Standard Operating Procedure</i>                                                  |
| <b>EWSETA</b> | <i>Energy and Water Sector Training Authority</i>      | <b>SOE</b>       | <i>State-Owned Entity</i>                                                            |
| <b>EXCO</b>   | <i>Executive Committee</i>                             | <b>SCM</b>       | <i>Supply Chain Management</i>                                                       |
| <b>GRAP</b>   | <i>Generally Recognised Accounting Principles</i>      | <b>SLA</b>       | <i>Service Level Agreement</i>                                                       |
| <b>GTAC</b>   | <i>Government Technical Advisory Centre</i>            | <b>SMME</b>      | <i>Small, Medium and Micro Enterprise</i>                                            |
| <b>IRR</b>    | <i>Institutional Reform and Realignment</i>            | <b>RD&amp;PT</b> | <i>Research Development and Process Technology</i>                                   |
| <b>IoDSA</b>  | <i>Institute of Directors South Africa</i>             | <b>VAT</b>       | <i>Value Added Tax</i>                                                               |
| <b>IA</b>     | <i>Implementing Agent</i>                              | <b>WTP</b>       | <i>Water Treatment Plant</i>                                                         |
| <b>ICT</b>    | <i>Information Communication and Technology</i>        | <b>WTW</b>       | <i>Water Treatment Works</i>                                                         |
| <b>ISO</b>    | <i>International Organisation for Standardisation</i>  | <b>WWTP</b>      | <i>Wallmannsthal Water Treatment Plant</i>                                           |
| <b>KPI</b>    | <i>Key Performance Indicator</i>                       | <b>WSP</b>       | <i>Workplace Skills Plan</i>                                                         |
| <b>KWTP</b>   | <i>Klipdrift Water Treatment Plant</i>                 | <b>WCDM</b>      | <i>Water Conservation and Demand Management</i>                                      |
| <b>LM</b>     | <i>Local Municipality</i>                              | <b>WSA</b>       | <i>Water Services Act, 1997 (Act 108 of 1997)</i>                                    |
| <b>ML/day</b> | <i>Megalitre per day</i>                               | <b>WUC</b>       | <i>Water Utilities Corporation</i>                                                   |
| <b>MBA</b>    | <i>Masters in Business Administration</i>              |                  |                                                                                      |



***PART A***  
*Statements, Corporate Governance and  
Strategic Overview*



## MAGALIES WATER HIGHLIGHTS



Providing world-class services to customers as an

**ISO/IEC 17025**

organisation accredited in microbiology and chemistry



Highly-skilled scientists conduct more than

**100 000 ANALYSES**



Laboratory Services

**73 ACCREDITED METHODS:**

62 for chemistry



Indirect jobs created through Section 30 contracts



Internal bursaries awarded



External bursaries awarded



Internships provided



Learnerships provided



CSI projects completed



Increase in revenue due to water sales volume



## *Foreword by the Minister of Water and Sanitation*



***Ms. Pemmy C.P. Majodina, MP***  
Minister of Water and Sanitation

As the newly appointed Minister of Water and Sanitation, in the seventh administration since the advent of democracy I would like to express my gratitude to the former Ministers who has paved the way for the work whose results we are witnesses to. More critically, in the last two years the water and sanitation sector has undergone much-needed reform given the changing socio-economic challenges faced by the country, which have had serious implications for the provision of water and sanitation services in the country. These changes have been implemented to enhance institutional capacity, efficiency and effective service delivery while reviewing roles and responsibilities of both Water Boards and Water Service Authorities in response to the country's growing water demand.

South Africa remains a water-scarce country, with a growing population, bulk infrastructure constraints, increasing debt owed by municipalities to Water Boards, provision of reliable supply of potable water remains constrained due to financial limitations. Notwithstanding these challenges, provision of potable water remains critical towards economic development and growth, and its impact is far-reaching as it cuts across numerous facets of the socio-economic lens of the republic. Within the areas of supply where Magalies Water has operations, we will be relentless in our efforts to provide support and ensuring that this water utility lives up to expectations, delivers on its mandate as set out in the Water Services Act, 1997 (Act 108 of 1997, as amended) and responds to the provisions of the Constitution of the Republic (1996) with respect to the provision of potable water to everyone within the country.

We are encouraged by the progress that has been made by both the Board and the management in ensuring that the organisation stabilises and shows signs of growth after having its mandate expanded to cover the entire North West Province. While this was a necessary process in line with the realignment of Water Boards, we are aware that many parts of the Province especially in the Ngaka Modiri Molema and Dr. Ruth Segomotsi Mompati Districts, continue to experience water supply challenges on an ongoing basis, due to the limited surface water sources to augment the already strained underground water sources. Due to complete reliance on underground water, these regions experience water supply interruptions frequently, as underground water sources dry up, and this put added pressure to the already limited, and underdeveloped bulk water infrastructure.

Given these challenges, we envisage Magalies Water to respond more tangibly to these water supply challenges affecting the larger rural parts of the North West by putting together a Bulk Water and Sanitation Master Plan, which will indicate the bulk water infrastructural needs, required budget for project implementation as well as available funding models. The implementation of the Water and Sanitation Master Plan will largely depend on the institutional arrangements between Magalies Water, municipali-

ties and the provincial government in line with the principles of Intergovernmental Relations Framework (IGR).

Cooperation and coordination among governments departments and stakeholders have enabled the residents of Ramotshere Moiloa Local Municipality, particularly in Dinokana to have confidence in government's efforts to deliver services, with respect to Dinokana Rural water supply scheme, which is a Ministerial intervention project. It followed numerous service delivery protests and intends to service over 7000 households with a project value of over R100 million. The project involves various components, such as equipping existing geosites/borehole sources, securing existing infrastructure, providing additional water reticulation and service points, increasing storage infrastructure, and developing new water resources.

At the same time, we wish to congratulate the Board collective and management for expeditiously delivering on the soon to be completed Pilanesburg Bulk Water Scheme Phase-II, which will bring about 70 megalitres of potable water into the Rustenburg Local Municipality as well as service areas of the Bafokeng Royal Administration.

Bojanala Platinum District remains the economic bedrock of the North West Province, due to its special features of being home to the world's largest deposits of Platinum Group of Metals (PGM's) spreading further north into neighboring Limpopo. Given the current state of economic growth, inflation and increasing cost of living all efforts must lead to ensuring that various sectors of the economy are supplied with water in order to continue with operations, thus securing employment for our people.

Furthermore, the United Nations' Millenium Development Goal 6 emphasises the importance of universal access to potable water, within the South African context, this cannot be overstated. There exists a need for collaboration between government and private sector role-players who depend on this resource to fulfil their economic objectives to join hands and ensure that together we can invest in bulk water infrastructure to not only deliver services, but also to play a role in being good corporate citizens. Failure to achieve Goal 6 targets on water and sanitation could hinder the realisation of Africa Water Vision 2025 and African Agenda 2063. Additionally, South Africa, through its National Development Plan (NDP) 2030, has set targets for water and sanitation. Effective and sustainable management of water supply and sanitation services is essential for community health, development, cohesion, and continued economic activity. Raising awareness of water's value

and conservation is crucial for integrated water resources management.

South Africa's developmental objectives, depend largely on water availability, which is an essential facet of humanity, and is felt across all sectors of our country's socio-economic spectrum. We will continue to aggressively address infrastructure related issues, and bottlenecks for entities such as Magalies Water to reach their full potential, to become service delivery efficient and to ensure that Water Boards become sustainable, as the sector plays a critical role within society, to be allowed to fail. We are hopeful that the residents of Hammanskraal in City of Tshwane, will have a long-lasting solution to accessing potable water, due to serious challenges which plagued the area which later became the epicenter of a Cholera outbreak, where several people died after consuming water found not to be safe for human consumption.

While this is moment of deep regret, pain and sadness this unfortunate incident has renewed our resolve to ensure that communities in all corners of the country have access to potable water. As the Ministry charged with this responsibility, we will work with all stakeholders to ensure that the democratic gains, which gave effect to the country's Constitution which is respected the world over, is not disregarded and that our efforts, and plans will deliver on the commitments of the law of the Republic.

In conclusion, we wish to congratulate the Board and management collective, and staff of Magalies Water, who in the last four financial years have ensured that Magalies Water continues to perform above 90 percent. Your dedication, and commitment to the residents of North West, City of Tshwane and Waterberg District in Limpopo do not go unnoticed.



**Ms. Pemmy C.P. Majodina, MP**  
**Minister of Water and Sanitation**  
**DATE:** 26-10-2024



## *Foreword by the Chairperson*



***Dr. Keneilwe Lydia Sebego***  
Chairperson of the Board

It is with a great profoundness that I present to you our valued stakeholder on behalf of the Board of Magalies Water, the performance information for the 2023/24 financial year which ended on 30 June 2024. This annual report comes on the back of the 2022/23 organisational report where the Auditor-General South Africa (AGSA) confirmed that Magalies Water had obtained an unqualified audit outcome, after three consecutive clean audits dating from the 2019/20 financial year. Despite this outcome, we are pleased that the organisation for the last three financial years, continues to perform beyond the ninety percent performance target, which is testament to the dedication of the executives and all employees, to ensure that indeed Magalies Water becomes “the leading provider of quality water and sanitation services in South Africa”.

The disestablishment of the erstwhile Sedibeng Water and its challenges had long been preempted to the extent to which they would affect Magalies Water’s audit outcomes at the point of assimilation as one and expanded organisation. Notwithstanding, we remain confident that through working closely with management we will be able to turn the tide and return to the outstanding performance and audit outcomes Magalies Water has become known for, especially within the water and sanitation sector. As a Board our key focus has been paying attention to three priority areas (i) that the grown Magalies Water which now services the entire North West Province becomes stable and continues to render services, efficiently and effectively with no hindrances,

(ii) we close ranks with our stakeholders and key customers, both old and new to ensure that our working relationship remains harnessed and enables Magalies Water to render services while becoming profitable and (iii) that were challenges exist, especially as a result of the disestablishment of the now defunct Sedibeng Water, we engage across all spheres of government in the spirit of Inter-Governmental Relations (IGR) framework, in the interest of communities that are serviced by Magalies Water.

While we look back at the previous reporting period with a sense of pride, given the good progress that the organisation has recorded, we remain acutely concerned at some of the challenges that beset the water and sanitation sector, from which as an organisation we are not immune. South Africa's water demand which continues to grow, poses a real threat to the developmental objectives of national government and can compromise the attainment of the intents of the National Development Plan (NDP 2030), as well as goal 6 of the 2030 Agenda for Sustainable Development (ASD), as proclaimed by the United Nations back in 2015.

Added to this, the severe underdevelopment of bulk water infrastructure in the newly acquired areas of supply, growing population, and rapid semi-and-urban development have constrained our ability to

provide reliable potable water to communities. We are working around the clock together with management to ensure that long-term solutions are brought to the fore, to ensure that we do not become complicit in contravening the provisions of the Constitution of the Republic, insofar as provision of potable water to communities is concerned, some of whom have been at the undesirable end of service delivery challenges linked to water supply.

As the highest decision-making body of the organisation, we wish to express our collective gratitude to the Ministry for always allowing us much-needed time and attention to engage on issues, which if not ventilated can adversely affect the continued existence and sustainability of Magalies Water. With that said, one of the greatest obstacles to our growth, sustainability and envisaged success to becoming a worthy competitor within the water and sanitation sector, is the growing debt especially by the Water Services Authorities, who are our primary customers. The inability to repay the debt arising from the service which Magalies Water has provided with diligence and distinction has far reaching effects, to that extent that projects intended for improving of our infrastructure take longer than necessary, as we are bound by law to raise the much-needed capital before we commence with implementation.

Several high-level engagements from the Finance, as well as the Capital Investment and Stakeholder Engagement Committees have taken place, in a bid to elevate the seriousness with which the issue of debt needs to be dealt with. As the Board, we are alive to the challenges facing the local government sphere, which includes poor to no revenue collection rates and dilapidating local water infrastructure leading to excessive amounts of water losses, among numerous challenges. However, unlike the local government sector we are strictly revenue driven business, which depends entirely on water sales, with added financial support from the national government or the Ministry to which we are accountable. Therefore, financial sustainability of our organisation, remains critical in order to provide reliable potable water to communities, and it is dependent on Water Services Authorities (WSA), paying for services to ensure the continuity of the water services value chain.

The socio-economic situation in our country cuts across the many facets of the sectors, with that said we have resolved to put our energies in ensuring that the liabilities of the erstwhile Sedibeng Water, which have been duly transferred to us are dealt with and agreements are entered into, where municipalities will pay off the debt over an agreed period, to enable Magalies Water to meet its financial obligations, and service delivery objectives which largely depend on the availability of funds for business operations and

efficiency. Our position as a Board, is that exists a need for strengthened linkages and cooperation among stakeholders in order to overcome the current challenges, as the work we do as a Water Board is critical to the economy, the people of North West, Gauteng and Limpopo as well as to the envisaged outcomes of our hard earned democracy, therefore, this is a too important task for us to fail.

We cannot overstate why it is important for customers to pay for services rendered, because unlike other State-Owned Entities (SOE) Magalies Water's financial health is derived solely from water sales and it also does not receive any financial assistance, whether conditional or non-conditional from the national fiscus.

### **Organisational Performance**

In terms of performance, the organisation has registered negative growth from the previously reported 90% in the 2022/23 financial year to 85% during the 2023/24 financial year. This is the first time in the last four financial years, that our performance dips down below the 90% mark, which we have been accustomed to and represents the most significant regression to date, with respect to organisational performance linked to the Shareholder Compact, as agreed to between ourselves and the Minister. While this is not encouraging, it affords an opportunity in

doubling our efforts to ensure that we do everything humanly possible to return to our past performance measures.

The assimilation of Magalies Water with Sedibeng Water, which resulted a new and grown entity has had an impact on annual performance. Although we experienced a 3% decline in organisational performance from 93% in 2023 to 90% in 2024, we have full confidence in the management collective that remedial actions will be put in place and implemented fully in order to reverse this trend and maintain achievement of performance targets we have been consistently exceeding, achieving 90% or higher. Further to this, it is noteworthy to highlight that, the decline in performance also is due to numerous factors that the organisation faced, which were beyond the authority, control and influence of the entity's management.

### **Challenges and Opportunities**

We have always maintained that the sustainability and continued existence of Water Boards, such as Magalies Water, heavily depends on the payment of services. During the year under review, the Ministry during its budget vote cautioned that if the current situation is to continue unabated, where municipalities fail to pay for the supply of potable water, more Water Boards will face a similar situation like that of

Sedibeng Water, where its operations would cease to exist, and its assets and liabilities transferred to more profitable and sustainable Water Boards.

As a state-owned and/or controlled entity, which provides an essential service as espoused in the Constitution, Magalies Water generates its revenue from direct water sales. Regrettably, the escalating debt book arising from unpaid services as rendered to especially municipalities, is a cause for serious concern. As part of our continued commitment to strengthening stakeholder relationships, we have previously developed debt relief management strategies that have assisted our revenue collection efforts, however, there remains more room for improvement on the part of our debtors.

The expansion of Magalies Water services into many parts of the North West Province opens our organisation into a newer and larger market which will assist us to grow our business. With the many challenges, we intend to ensure that our world-class and SANS-certified Scientific Services laboratory, will be the entry point for a number of sectors such as agriculture and industries which includes mining in the North West. Our highly skilled and specialist team is eager to ensure that the water quality concerns are addressed expeditiously for the benefit of the people and the economy of the Province.

The appointment of Magalies Water by the Department of Water and Sanitation to implement the Crocodile West Catchment remediation inclusive of the well-known Hartbeespoort Dam, as well as the Ministerial intervention project in response to the water challenges in Hammanskraal, have placed Magalies Water strategically within the sector to demonstrate its capacity, expertise and skills in delivering high impact project, both of which have substantial public interest. Despite the skepticism at our ability to deliver, we are more than pleased that employees of the organisation have risen to the occasion and demonstrated their commitment to the people of North West and Gauteng in pursuance of improving water security and supply to them. We wish to congratulate the management, for having undertaken these ambitious projects and delivering as per the commitment to the Shareholder. This will go a long way towards improving our public image and attracting potential strategic partners who may want to work with us in future, on major infrastructure projects as well as on water science and engineering initiatives.

but fit for purpose. It remains our view that the executive needs to be given more legislative powers which are enabling for a business such as ours, to raise capital funds and other forms of financial regimes which will enable it to rally sufficient financial resources in response to a number of challenges which are mainly financially driven.



**Dr. Keneilwe Lydia Sebegu**

**Chairperson of the Board**

### **Business Model and Sustainability**

The work that has been undertaken by the Ministry of Water and Sanitation is key to ensuring that a business model such as ours is not only sustainable

## *Statement by the Chief Executive*



*Mr. Ofentse Nthutang*  
Acting Chief Executive

It is with a great sense of duty that we present Magalies Water's Annual Report for the 2023/24 financial year to our esteemed stakeholders and customers. Our organisation has not only multiplied in magnitude over the past two fiscal years but has also shown remarkable resilience in the face of challenges. It was a significant undertaking to assume bulk water supply services in the rural parts of the North West Province, with its acute bulk infrastructure underdevelopment, growing demand for potable water, and heavy reliance on underground water. Despite the challenges of such expansion, our preparation for the takeover has always been well-managed. We continue to meet expectations, even in the face of challenges, before our expanded mandate was proclaimed.

Our commitment to maintaining service quality is unwavering, and we constantly strive to improve our operations. We have quickly established positive working relationships with the political and administrative heads of the Water Services Authorities (WSA) in Dr. Ruth Segomotsi Mompoti, Maquassi Hills Local and Ngaka Modiri Molema District Municipalities. With their unwavering dedication, the Board and its various committees are working tirelessly to ensure that the expansion of the Water Board and subsequent transition happens smoothly, always with the best interest of the communities in mind. Magalies Water is dedicated to providing constitutionally enshrined services, and it continues to commemorate sound working relationships with the various water services authorities. This commitment to service quality, which we consider a cornerstone of our operations, is a testament to our dedication to our stakeholders and customers.

It is important to note that Magalies Water is not immune to challenges owing to its stance as a top performer within the water and sanitation sector. We continue to experience a growing debt book for unpaid services exceptionally rendered to municipalities. Given the potential implications of disrupting a reliable potable water supply, this is a concern. Such a disruption would violate the fundamental human right to access a safe and reliable water supply.

Our Board, led by the esteemed Dr. Keneilwe Lydia Sebegu, has been at the forefront of ensuring that Magalies Water maintains critical relationships with stakeholders with respect to performance, cooperation, governance and regulation, and our customers as it relates to service delivery quality, operational astuteness, and reciprocity as it relates to financial responsibilities towards services rendered. We have registered remarkable progress with some strategic projects within the old and now expanded service areas in our quest to respond to the “water question fully.”

Our track record, including projects where we have been appointed as an Implementing Agent (IA) and by way of ministerial directives, is a testament to our value proposition and high-quality project delivery. We respond concretely to challenges pertaining to the availability of potable water supply and sanitation-related services. More recently, following service delivery challenges in Ramotshere Moiloa Local

Municipality, the Ministry of Water and Sanitation issued a Section 41 directive for Magalies Water to intervene and resolve water supply challenges in Dinokana Village. Work is at an advanced stage as we have passed the mid-point of the project which will, upon commissioning, see over seven thousand households receive potable water, thus widening the access to an already limited resource. The Pilanesberg Bulk Water Scheme Phase Two was launched at the tail-end of the financial year, with the Tlhabane reservoir completed as well as the newly constructed Mafenya Pump Station, which currently is awaiting formal approval for energy supply, to be ready for use.

We worked swiftly and relentlessly in response to the Hammanskraal water supply challenges, which were necessitated by the cholera outbreak in the area, which claimed numerous lives of community members who did not have an alternate water supply. We are pleased that, despite delays at the commencement of the project, mainly due to the rock formation underground, the community of Hammanskraal will have access to potable water before the beginning of the festive season 2024. This forms part of our commitment to delivering high-impact projects within budget and reasonable deadlines.

The Board continues to conduct extensive oversight visits to all the areas where projects are ongoing.

This is part of their commitment to actively overseeing and holding management accountable for good performance. While several challenges remain unresolved, we have made significant progress in resolving financially related matters, including the historic debt transferred to Magalies Water from the erstwhile Sedibeng Water Board. This historical debt, which amounts to R1.7 billion, has been a significant challenge, but our progress in addressing it should instill optimism in our stakeholders.

### **Our Performance**

While we have experienced an 3% decline from the previous 93% in the 2022/23 financial year to the current 90%, we are encouraged that the organisation continues to demonstrate stability at both Executive and Board levels. This translated to the organisation achieving 35 key performance indicators targets out of 39. The decline in performance can be attributed to an array of challenges not specific to Magalies Water, such as deteriorating water quality and aging infrastructure, which we are actively addressing. The latter is to have Magalies Water consistently maintain its sterling performance, recording above the 90% threshold, despite the current negative growth, which is commendable given the uncertainty and numerous challenges the entity could not circumvent. The unrelenting commitment of employees behind both the vision of the Board and executive management has ensured that despite the sectoral changes, the

expansion and financial challenges, especially on the part of poor-paying bulk customers, do not affect the realisation of the corporate plan and entity's strategy.

We owe this success to our employees. This would not have been possible without their commitment and dedication. We believe that while the current performance demonstrates an uninspiring performance relative to the previous financial years, we are not discouraged, as it is evidenced through past performance that this organisation has potential and enviable growth prospects into the future. The realignment of water boards in the country presents an opportunity to cement our presence in the North West Province, where an urgent and practical plan is required to address increased access to potable water. The negative growth will be systematically and operationally redressed as we take stock to reflect in greater detail how this can be mitigated in the future and what performance controls can be enhanced to achieve the desired outcomes, which will inspire confidence while strengthening performance.

As an organisation that has adopted a cost-leadership strategy that means doing more with minimal resources, we are confident that the outcomes and performance of the past financial years can be achieved again, provided we remain focused and not distracted by the decline in the year-to-year performance.

Magalies Water has proven itself by ensuring its recruitment processes identify the best talent and technical skills inherently required in our business environment. Additionally, the high-performance culture that makes Magalies Water distinct comes from adherence to the principles of good corporate governance, as envisaged in the King IV Report on Corporate Governance for South Africa.

The Magalies Water Corporate Plan contains our five-year objectives and major enabling programs designed along the Balanced Score Card perspectives of:

- Organisational Efficiency and Effectiveness,
- Financial and Governance,
- Customer and Stakeholder Interaction,
- Organisational Capacity, and
- General Performance.

The water and sanitation sectoral reforms have not adversely affected our business operations, as we have always adopted a forward-thinking approach to business growth with an agility-like perspective driven by adaptability. Our commitment to delivering high-quality services as outlined in the Water Services Act, 1997 (Act 108 of 1997, as amended), read together with the Constitution of the Republic of South Africa (1996), remains. While we will experience challenges as a growing organisation, this does not indicate any appetite on our part to deliver compromised services to our customers. We have

through our Corporate Plan developed a nine-point action plan as part of the critical performance areas Key Performance Areas (KPA's) to ensure Magalies Water's sustainability and future growth, in an evolving and dynamic water sector, which attempts to respond to the needs of the population timeously.

The plan focuses on the following key aspects:

- Capital Investment Strategy,
- Enhanced controls over expenditure,
- Enhance Supply Chain Management to carry out "procure to pay" services effectively,
- Continuing effective management of billing accuracy, client payment plans, cash management and credit control processes applied monthly,
- Monthly monitoring of key financial ratios,
- Manage capital expansion costs,
- Implementation of the growth strategy,
- Upgrade plant capacities to meet the growing water demand in our area of supply, and
- Application for borrowing limit and sourcing funding for capital expansion.

As mentioned before, our greatest challenge is operating on behalf of the new customers in Dr. Ruth Segomotsi Mompati and Ngaka Modiri Molema District Municipalities – under Section 30 projects.

In these areas, water demand is relatively high, while surface water availability remains constrained due to population growth and urbanisation due to development. The areas of Dr. Ruth Segomotsi Mompoti and Ngaka Modiri Molema District Municipalities are vast and lack adequate bulk water infrastructure. They are also prone to drought, which compounds the ever-growing water demand.

In pursuit of being a responsive organisation and in the lead-up to formalising and expanding our service area, which the now erstwhile Sedibeng Water previously serviced, we have commenced with developing a Bulk Water and Sanitation Master Plan for the North West. This document seeks to adequately and practically respond to the province's potable water demands, considering population growth, rate of urbanisation, infrastructural capacity and future development, as well as the accompanying costs to enable this plan to materialise.

The plan highlights critical areas for consideration in ensuring water security by focusing on the following:

- Water supply versus demand in Ngaka Modiri Molema and Dr. Ruth Segomotsi Mompoti,
- Bulk Water Supply contracts, validity and estimated future value, SWOT analysis, and
- Business operations and Magalies Water's preparedness for expansion into the new service areas.

Magalies Water's Scientific Services plays a pivotal role in ensuring that the water we treat and dispense to our bulk customers is safe for human consumption and can withstand experimental scrutiny for certification purposes. The water we have sold to both bulk and smaller customers, including the water we are responsible for as part of our Section 30 operations was, on average, compliant with the excellent levels of all five parameters of the SANS 241: 2015 drinking water quality standard (Acute-1 health, Acute-2 health, Chronic health, Operational, and Aesthetic).

The latter powerfully conveys that the water supplied by Magalies Water was tested in a SANS-accredited laboratory and confirmed to be always suitable for human consumption. As a responsible corporate citizen, Magalies Water continues to demonstrate a responsible corporate citizen trait that aligns with our strategic objectives. Magalies Water supports Corporate Social Investment (CSI) initiatives and ensures that local suppliers and local content products are utilised in compliance with SATS 1286:2011 through project implementation and management.

Timely payments to Small, Medium, and Micro Enterprises (SMMEs), as well as support for township and rural enterprises, are essential during the implementation of capital projects. Debt owed to Magalies Water by Water Services Authorities (WSA) for services rendered continues to grow unabatedly, reaching critical levels of concern. This is the biggest threat to the continued existence of Magalies Water and its envisaged sustainability. Our capital infrastructure projects are a mix of new and existing bulk networks that require sufficient funds, flowing from a positive balance sheet at the end of each financial year, for us to plan and execute funded projects. With the ever-growing demand for potable water, critical measures that require infrastructure expansion are necessary as part of our response plan to meet the end users' demands across all areas of operation.

While access to water and sanitation services is entrenched in the Constitution, with the current frameworks governing the water sector, bulk customers need to play their part to ensure that services are paid for, in order for the water value chain to self-sustain and continue to provide valuable water and sanitation services. This is critical for the continued existence of self-sustaining water boards since they do not have the financial cushion afforded by the national fiscus. That said, it cannot be overemphasised how revenue collected through direct water sales enables an organisation such as

ours to realise its short-to-long term strategic objectives.

As I conclude, let me extend my gratitude to the Executive Committee (EXCO) colleagues for their dedication, commitment and passion for service delivery. To our stakeholders and customers, we appreciate the long-standing commitment that exists between ourselves, which ensures that we live up to the expectations of the national government's strategic goals. My heartfelt gratitude goes to the Board of Magalies Water, under the leadership of Chairperson Dr. Keneilwe Lydia Sebegu, for the support, guidance and leadership in steering Magalies Water to new heights of success.



**Mr. Ofentse Nthutang**  
**Acting Chief Executive**

## *Statement of Responsibility and Confirmation of the Annual Report information accuracy*

In my capacity as the Accounting Officer in terms of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA) and as the Chief Executive of Magalies Water, it is my honour to accept responsibility for the maintenance and preparation of financial statements and non-financial performance information of Magalies Water for the 2023/24 financial year.

The Magalies Water Annual Financial Statements have been prepared in accordance with, among others, the Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the requirements of the PFMA. I take full responsibility for the preparation, assessments, evaluations, and the outcomes presented in this Magalies Water Annual Report of the financial year ending 30 June 2024.

The reported performance level of 90% on the predetermined objectives is accurate, and I am confident that the content is credible, trustworthy, and reliable due to the currently embedded internal controls that remain relevant and adequate. These are designed to provide reasonable assurance on our performance throughout the year. For instance, at self-assessment level, the Magalies Water internal controls are implemented and monitored, our employees understand the importance of maintain-

ing the highest ethical standards in the manner we conduct our business.

The internal audit function and the risk management processes provide the necessary oversight that takes into account all levels of defence in the verification of the effectiveness of the existing control measures and the identification of additional ones where applicable.

The two functions also continued to provide reasonable assurance against material misstatements or deficits and to check whether risk and opportunities were dealt with, whenever it was deemed necessary.

This is our account of the acceptability of the true state of affairs of our entity's results from both operational and financial reporting for the year ended 30 June 2024.

It is premised on two critical factors:

1. Our reported information has been externally audited and the Auditor-General of South Africa (AGSA) has expressed an independent opinion on the annual financial and all other predetermined non-financial objectives that had been contracted to the shareholder for the reporting period.



1. We provided unrestricted access to the AGSA for review of all the relevant records as legally required. Refer to the AGSA Report on pages 139 to 150.
2. The Board and Executive Authority have been privy to the Annual Report for 2023/24 in line with the legislative requirements. The Annual Report has been prepared on a going concern basis and the Executive Authority approved it.



*2010-2011 - Blue Drop Awards:*

*Magalies Water was awarded the Blue Drop  
recognition for its exceptional water quality*

*standards*



## **Corporate Governance**

Magalies Water Board is a Schedule 3B State-Owned Entity (SOE) established in terms of Section 28 of the Water Services Act, 1997 (Act 108 of 1997, as amended) (WSA) and is classified as a government business enterprise in Schedule 3B of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA). The service area of Magalies Water determined by the Minister stretches over the Pienaars and Crocodile rivers, these being two of its major catchment areas.

As an SOE, Magalies Water is governed by, among others, legal frameworks that constitute its regulatory universe, including the legislation listed below. These legal instruments ensure that the roles and responsibilities of the Executive Authority, the Accounting Authority and management are clarified to prevent any possible conflicts. To that effect, the Minister of Water and Sanitation, continues to devolve some of the vested powers to members of the Board of Magalies Water:

- The Constitution of the Republic of South Africa, 1996 (Act 108 of 1996).

According to Chapter 2: Bill of Rights of the Constitution, the state must respect, protect, promote and fulfil the rights of all people in our country and (must) affirm the democratic values of human dignity, equality and freedom. Section 10 states that everyone has rights to human dignity and Section 11 speaks of everyone's right to life.

- The Companies Act, 2008 (Act 71 of 2008),
- The Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA) as amended, and
- National Water Act, 1998 (Act 36 of 1998) (NWA) and its regulations.

The NWA provides that national government is the public trustee of the nation's water resources. Acting through the Minister of Water and Sanitation, national government has the power to regulate the use, flow and control of all water in the republic. The goals are to protect, use, develop, conserve and manage water resources sustainably and equitably for the benefit of all persons.

- The Water Services Act, 1997 (Act 108 of 1997, as amended) (WSA), which provides for the right of access to basic water supply and the right to basic sanitation services. The WSA also provides for the establishment of water boards and defines their primary (Section 29) and secondary functions (Section 30), and
- Other applicable public sector protocols.

Magalies Water also makes use of the King IV Report on Corporate Governance to exercise ethical and effective leadership in achieving the following governance outcomes:

- Ethical culture,
- Good performance,
- Effective control, and
- Legitimacy

### **Corporate Governance Key Focus Areas**

The intent is to ensure sustainability and enhance efficiency and productivity, which are ongoing concerns for Magalies Water. The implementation of Magalies Water's Corporate Plan programmes took into account the principles of King IV on Corporate

Governance, which came into effect on 01 April 2017.

### **The Functions of the Magalies Water Company Secretary and Board**

#### **Company Secretary**

The Company Secretary oversees administration and compliance in the organisation. The Company Secretary, together with board members, is responsible for tasks specified in the Companies Act 2008, as amended. The function oversees coordination of activities of the board and its committees in line with the Institute of Directors South Africa (IoDSA), which states that:

*'The Company Secretary has a key role to play in ensuring that Board procedures are both followed and regularly reviewed. The Chairperson and the board will look to the Company Secretary for guidance on what their responsibilities are, under the rules and regulations to which they are subject and on how these responsibilities should be discharged. All Directors should have access to the advice and services of the Company Secretary and should recognise that the Chairperson is entitled to strong support from the Company Secretary in ensuring the effective functioning of the board.'*



In addition to governance, the Magalies Water Company Secretary ensured that members of the Executive Committee (EXCO) and the Board carried out their roles and responsibilities as outlined in the Magalies Water Board Charter.

### **The Board**

The Board leads Magalies Water and takes collective responsibility for its long-term success. It provides leadership in setting strategic objectives, vision and values within the framework of prudent controls over risks and opportunities, the success or failure of which forms part of the corporate compliance and planning cycle.

Among the roles and responsibilities mandated to the board and extracted from its adopted charter are:

- Lead ethically and effectively by cultivating the characteristics of integrity, competence, fairness, transparency, accountability and responsibility, and exhibit them in their conduct,
- Appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creation process, by steering and setting the direction for strategy, including considering, challenging and approving management's formulation of short, medium and long-term strategy,
- Act as the focal point and custodian of corporate governance in the organisation by steering the

organisation and setting its strategic direction, approving policy and planning that give effect to that direction, overseeing and monitoring the implementation and execution by the management and ensure accountability for the organisation's performance through reporting and disclosures:

- Adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time, by setting the direction of how it should be approached and addressed in the organisation, and approving policy that articulates and gives effect to the set direction,
- Govern risk in a way that supports the organisation in setting and achieving its strategic objectives, by evaluating and agreeing the nature and extent of risks that the organisation is willing to take in pursuit of its strategic objectives including governing technology and information in a way that supports the organisation in setting and achieving its strategic objectives,
- Approve annual tariffs and budget allocation in line with strategic objectives,
- Ensure that the organisation is financially viable, including condoning irregular expenditure provided that the transactions are not financially significant,

- Ensure that management is vigilant on local municipalities' liquidity and financial sustainability, while addressing the affordability of non-paying debtors, and
- Be responsive and guide mitigation of reputational impacts and approval processes for escalation of customers in arrears to the ministers, and/or engage the National Treasury on the municipalities' equitable share apportionment.

Approve committee reports and activities, including:

- Declaration of interest and confidentiality undertaking procedures,
- All committee terms of references in line with the Board Charter,
- Setting and/or approval of policies of the organisation,
- Audited annual financial statements and the annual performance reports for each financial year:
  - Approve quarterly and annual performance information reports,
  - Approve annual salary increases and performance incentive bonuses for each year, and
  - Set key performance indicators for borrowing limits, guarantees and grant funding. This was carried out during the development of the Corporate Plan for 2020/21 to 2024/25 and the Shareholder Compact (2020/21).

Additional Board duties include the following:

- Setting and/or revising the delegation of authority,
- Dispatching its power of attorney, including ensuring that Magalies Water has registered tax representatives, an approved organisational structure and external auditors continues to add value to the organisation's business planning and monitoring,
- Ensuring that the organisation is and is seen to be a responsible citizen, and
- At preset intervals, the board with the assistance of the Company Secretary, performs self assessment.

The following committees were established to effectively implement the designated fiduciary duties and responsibilities:

1. Audit & Risk Committee,
2. Finance Committee,
3. Capital Investment & Stakeholder Engagement Committee,
4. Human Resource, Social & Ethics Committee, and
5. Chairpersons Coordinating Committee.

The Magalies Water Board Members were appointed from 01 December 2022, contribute valuable input to the sustainability of the organisation through committing their time to attend all the organised Committees to ensure that the target of 85% in the key performance indicators is achieved.

*Part A*  
**Statements, Corporate Governance and Strategic Overview**

Magalies Water Annual Report 2023/24

The following Board committees were established to effectively implement the designated fiduciary duties and responsibilities:

1. Audit & Risk Committee,
2. Finance Committee,
3. Capital Investment & Stakeholder Engagement Committee,
4. Human Resource, Social & Ethics Committee, and
5. Chairpersons Coordinating Committee.



*2020-2021 Koster WTP:*

*Completed the construction of a new 3 ML/day  
wastewater treatment plant*



## ***Board Members***



***Dr Keneilwe Lydia Sebego***  
***Chairperson***

Dr Sebego has extensive experience in teaching. She has supervised and managed curriculum development in the education department of North West, and trained biology, mathematics and science teachers. She is a strategist who has provided leadership and mentoring to government departments over several years.



***Ms Yvonne Malebo Matolong***  
***Deputy Chairperson***

A seasoned professional Engineering Executive and relentless pursuer of excellence with just over two decades of industry experience, leveraging advanced skills in developing and implementing engineering strategies. Well-versed in formulating detailed project implementation plans, managing planning of capital budgets, and ensuring that deliverables meet established objectives. Ms Matolong is a strategic thinker with exceptional communication and negotiation skills and the aptitude to establish sustainable and profitable relationships with all key business stakeholders across the organisation's operating environment.

## ***Board Members***



***Mr Itumeleng Mosala***

Mr Mosala is an accomplished professional with strong expertise in governing complex business operations, monitoring ongoing programmes and processes, and modelling change management initiatives. He has held a number of strategic local government positions, including Chair of Chairs in the North West Provincial Legislature and being a Member of Parliament.



***Ms Magogodi Elizabeth  
Tebogo Malaka***

Ms Malaka has over 20 years of experience in the public sector, with expertise in programme and project management, strategic leadership, financial management and infrastructure delivery. She is a member of the Institute of Directors South Africa and serves on numerous board committees. She has also attended water sector study tours in Canada, Stockholm and Sri Lanka.

## ***Board Members***



***Ms Yongama Pamla***

Ms Pamla is a Chartered Accountant with experience in the areas of financial management, risk management, audit, internal control, policy development, and corporate governance in state-owned entities, banking, private equity, aviation, and petroleum industries. Ms Pamla has served on various governance structures with extensive knowledge of IFRS, PFMA, MFMA, Treasury Regulations and Guidelines, GRAP and King Code and various facets of finance, business, and governance.



***Dr Mosidi Makgae***

Dr Makgae has both operational and strategic type experience whilst serving on numerous boards as an Executive and a Board Member. Her general management skills and experience have been a complete exposure at a high level in a complex and often changing environment. Dr Makgae is conversant with the theoretical frameworks and practical norms of the strategic and functional portfolios at the management level for operational efficiency and ensuring compliance with general governance and the reporting standards in the public sector. Dr Makgae has a deep understanding of the Water Sector value chain challenges and public sector governance issues with a strong working knowledge of the Public Finances Management Act and other legislations regulating business functions.

## ***Board Members***



***Mr Muzuvukile Wiseman  
Mkhize***

Mr Mkhize is a Chemical Engineer with experience in water systems through the operations and management of water plants as well as wastewater treatment plants. Mr Mkhize has the requisite academic qualifications, the relevant technical knowledge and vast working experience both in the private sector and as a public servant. Mr Mkhize served on numerous boards and is well-versed on the broad socio-economic development challenges faced by the country.



***Ms Priscilla Nomso  
Mashaba***

Ms Mashaba's legal background and vast experience in the public sector have enabled her to serve in various positions within the Justice Department, including being a Legal Advisor and a Head of Department prior to taking up her position on the Magalies Water Board.

## ***Board Members***



***Mr Rudolph Martin  
le Roux***

Mr le Roux specialises in water resources engineering and has extensive experience in the respective areas of bulk water supply infrastructure planning, implementation, operational optimisation within the respective South African policies and legislative frameworks. His field of experience ranges from regional bulk water supply infrastructure master planning, concept planning and design, feasibility studies, bankability studies for large regional bulk water supply schemes and infrastructure projects. He has experience and can effectively contribute to ensuring efficient good corporate governance practices. He served on various accounting authorities prior to joining the Board of Magalies Water.



***Mr Stanley Ace  
Ngobeni***

Mr Ngobeni is a Private Practice Consultant, university lecturer and researcher, actively involved in Audit Committees. Mr Ngobeni has extensive experience in the fields of Corporate and Project Finance, Information Technology, Treasury, Compliance Management, Corporate Governance and Audit (External & Internal). Mr Ngobeni has a deep understanding and experience in exercising fiduciary duties in accordance with provision PFMA, MFMA, Code of Good Governance and Companies Act. He served and currently serves in public sector audit committee and risk management committees in the three spheres of government including entities.

## ***External Audit and Risk Committee Members***

The External Audit & Risk Committee were appointed effective from 01 April 2024:



***Ms. Z. Tshabalala***

Academic qualifications

- MBA,
- Post Grad Dip Business Management, and
- BCom (Finance).



***Ms. N. Shabalala***

Academic qualifications

- BScience (Hons) (Computer Science),
- BCom (Information Technology),
- Dip Business Management & Administration,
- Control Objectives for Information and Related Technology (COBIT 4.1) certification, and
- IT Infrastructure Library (ITIL) Certification .



***Mr. V. Magan***

Academic qualifications

- MBA,
- B (Comp) Hons,
- Certified Internal Auditor, and
- Chartered Accountant (SA).

## *Board Members*

| Table 1: Board Members |                  |        |                                     |                   |                          |                                              |                                 |
|------------------------|------------------|--------|-------------------------------------|-------------------|--------------------------|----------------------------------------------|---------------------------------|
| Board Member           | Appointment Date | Gender | Chairpersons Coordinating Committee | Finance Committee | Audit and Risk Committee | Capital and Stakeholder Engagement Committee | HR, Social and Ethics Committee |
| Dr. K.L. Sebegu        | 01 December 2022 | Female | X                                   |                   |                          |                                              |                                 |
| Ms. Y.M. Matolong      | 01 December 2022 | Female | X                                   | X                 |                          | X                                            |                                 |
| Mr. S.A. Ngobeni       | 01 December 2022 | Male   | X                                   |                   | X                        |                                              | X                               |
| Ms. P.N. Mashaba       | 01 December 2022 | Female | X                                   | X                 |                          | X                                            |                                 |
| Ms. M.E.T. Malaka      | 01 December 2022 | Female | X                                   |                   |                          | X                                            | X                               |
| Mr. I. Mosala          | 01 December 2022 | Male   | X                                   |                   |                          | X                                            | X                               |
| Dr. M. Makgae          | 01 December 2022 | Female |                                     | X                 |                          | X                                            |                                 |
| Ms. Y. Pamla           | 01 December 2022 | Female |                                     |                   | X                        |                                              | X                               |
| Mr. M.W.B. Mkhize      | 01 December 2022 | Male   |                                     | X                 |                          |                                              | X                               |
| Mr. R.M. le Roux       | 01 December 2022 | Male   |                                     | X                 |                          | X                                            |                                 |

### Board Composition by Race and Gender

**Table 2: The composition of the Board is shown below**

| Gender | Race    |        |          |       | Total | %    |
|--------|---------|--------|----------|-------|-------|------|
|        | African | Indian | Coloured | White |       |      |
| Male   | 4       | -      | -        | -     | 4     | 40%  |
| Female | 6       | -      | -        | -     | 6     | 60%  |
| Total  | 10      | -      | -        | -     | 10    | 100% |

### Board Evaluation

According to King IV report on corporate governance, it is recommended that a board evaluation be conducted annually. During the year under review, no governance issues were experienced by the entity that could have an impact on the performance of the board. All the meetings were held according to the Annual Board Plan, and as such, the board was able to exercise their fiduciary duties in a diligent manner.

The appraisal of the board performance was conducted by an independent service provider. The appraisal indicates that, for the relatively short period of the existing Board of Directors, the board has demonstrated maturity, with positive contributions by all members. The board has achieved an excellent overall performance, with only minor areas being identified for improvement.

### Board Charter

The primary purpose of the Magalies Board Charter is

to outline the roles and responsibilities of the board, composition, meeting procedures, delegation and authority and to effectively guide the board in the following:

- Leadership, ethics and corporate citizenship,
- Strategy, performance and reporting,
- Governing structures and delegation,
- Stakeholders, and
- Governance functional areas.

### Shareholder Compact

Magalies Water signed off the Shareholder Compact, effective for the period 01 July 2023 to 30 June 2024. It is hereby recorded that the agreed objectives, although subject to review annually, set out matters that are applicable beyond the period of a year. In the event that they are amended, the parties shall take into account initiatives already commenced on the basis of such objectives.

In terms of Regulation 29 of the Treasury Regulations issued in terms of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA), the accounting authority for a public entity listed in Schedule 3b, must, in consultation with its executive authority, annually conclude a shareholder compact.

Such a shareholder compact must document the mandated key performance measures and indicators to be attained by the public entity as agreed between the Accounting Authority and the Executive Authority.

The required Magalies Water Shareholder Compact comprises the principles and the key performance objectives, measures and indicators agreed to by the parties.

### Board Meetings

Members of the Board of Magalies Water made valuable contributions to the sustainability of the organisation through their inputs, participation and time devoted to attending all scheduled committee meetings. The tables that follow detail attendance of Board Committee meetings for the period ending June 2024.

**Table 3: Attendance of Ordinary and Special Board meetings by Board Members**

| Interim Board member                      | Ordinary & Special Board meeting attendance |         |
|-------------------------------------------|---------------------------------------------|---------|
|                                           | Ordinary                                    | Special |
| Dr. K.L. Sebego                           | 3/4                                         | 4/4     |
| Ms. Y.M. Matolong                         | 4/4                                         | 3/4     |
| Mr. S.A. Ngobeni                          | 4/4                                         | 4/4     |
| Ms. Y. Pamla                              | 3/4                                         | 4/4     |
| Ms. P.N. Mashaba                          | 4/4                                         | 4/4     |
| Dr. M. Makgae                             | 4/4                                         | 4/4     |
| Mr. M.W.B. Mkhize                         | 4/4                                         | 4/4     |
| Ms. M.E.T. Malaka                         | 4/4                                         | 4/4     |
| Mr. R.M. le Roux                          | 4/4                                         | 4/4     |
| Mr. I. Mosala                             | 4/4                                         | 4/4     |
| Total Overall Attendance of Board Members | 38/40                                       | 39/40   |

**Table 4: External Audit and Risk Committee Members who attended Board Meetings by invitation**

| Member            | Attendance |
|-------------------|------------|
| Ms. N. Shabalala  | 2/2        |
| Ms. Z. Tshabalala | 2/2        |
| Mr. V. Magan*     | 1/1        |

\*Mr. V. Magan was appointed External Audit & Risk Committee Member from 01 April 2024



## Board Committees

Committees of the Board ensured that the board operated effectively and efficiently.

### Capital Investment and Stakeholder Engagement Committee

The Capital Investment and Stakeholder Engagement Committee oversees and advises the organisation on growth strategies and stakeholder engagement related matters. The role of the Capital Investment and Stakeholder Engagement Committee is to assist the Board and Executive Management to ensure that:

- Appropriate capital investment, stakeholder communication, business development, and customer services policies are developed and implemented,
- It makes recommendations to the board and advises on the implementation of strategies to ensure success in operations, capital infrastructure delivery and socio-economic development,
- Proper communication guidelines and strategies are adopted, and
- All approved policies are fair, transparent and implemented.

The Capital Investment and Stakeholder Engagement Committee held all the meetings set for the 2023/24 financial year.

**Table 5: Capital Investment and Stakeholder Engagement Committee meeting attendance**

| Member                      | Attendance |
|-----------------------------|------------|
| Mr. I. Mosala (Chairperson) | 4/4        |
| Ms. Y.M. Matolong           | 4/4        |
| Ms. P.N. Mashaba            | 4/4        |
| Dr. M. Makgae               | 4/4        |
| Ms. M.E.T. Malaka           | 3/4        |
| Mr. R.M. le Roux            | 4/4        |

**Table 6: Board Members who attended Capital Investment & Stakeholder Engagement Committee meetings by invitation**

| Member          | Attendance |
|-----------------|------------|
| Dr. K.L. Sebege | 1/1        |

**Table 7: External Audit & Risk Committee Members who attended Capital Investment & Stakeholder Engagement Committee meetings by invitation**

| Member      | Attendance |
|-------------|------------|
| Mr V. Magan | 1/1        |

## Finance Committee

The Finance Committee plays an oversight role over financial management policies and practice of the entity and makes recommendations on a variety of financial matters and policies to the board for consideration and final approval. The role of the Finance Committee is to assist the board and Executive Management to ensure that:

- Appropriate finance policies are developed and implemented,
- Proper internal controls are developed and monitored to maintain the sustainability of the organisation,
- It makes recommendations to the board and advises on the budgeting and financial planning of the organisation, and
- All approved finance policies are fair, transparent and implemented.

The Finance Committee held all the meetings set for the 2023/24 financial year.

**Table 8: Finance Committee meeting attendance**

| Member                         | Attendance |
|--------------------------------|------------|
| Ms. P.N. Mashaba (Chairperson) | 5/5        |
| Ms. Y.M. Matolong              | 4/5        |
| Dr. M. Makgae                  | 5/5        |
| Mr. M.W.B. Mkhize              | 5/5        |
| Mr. R.M. le Roux               | 3/5        |

**Table 9: External Audit & Risk Committee Members who attended Finance Committee meetings by invitation**

| Member       | Attendance |
|--------------|------------|
| Mr. V. Magan | 1/1        |



## Audit and Risk Committee

The Audit and Risk Committee is responsible in assisting the board to fulfil its oversight responsibilities for the financial reporting processes, the system of internal control and management of financial risks, the assurance process, enterprise-wide risk management and Magalies Water's processes for monitoring compliance within the laws and regulations as prescribed, and its own code of business conduct.

The roles and responsibilities of the Audit and Risk Committee are in accordance with the PFMA and Treasury Regulation 27.1.

The committee oversees corporate governance, integrated reporting and management of internal controls. It reports on its evaluation of financial statements and effectiveness of internal controls prior to the finalisation of the entity's annual sustainability and integrated report. Furthermore, it:

- Recommends risk areas of the entity to be covered in the scope of internal audit,
- Assesses the adequacy, reliability and accuracy of financials provided to users of financial information,
- Addresses accounting and auditing concerns identified during internal and external audit, and
- Ensures that the entity complies with legal and statutory provisions.

The Audit and Risk Committee held all the meetings set for the 2023/24 financial year.

**Table 10: Audit and Risk Committee meeting attendance**

| Member                         | Attendance |
|--------------------------------|------------|
| Mr. S.A. Ngobeni (Chairperson) | 7/7        |
| Ms. Y. Pamla                   | 7/7        |
| Ms. Z. Tshabalala              | 6/7        |
| Ms. N. Shabalala               | 7/7        |
| Mr. V. Magan                   | 3/3        |

**Table 11: Board Members who attended Audit & Risk Committee meetings by invitation**

| Member            | Attendance |
|-------------------|------------|
| Dr. K.L. Sebegu   | 1/1        |
| Ms. Y.M. Matolong | 1/1        |
| Ms. P.N. Mashaba  | 1/1        |
| Dr. M. Makgae     | 1/1        |
| Ms. M.E.T. Malaka | 1/1        |
| Mr. M.W.B. Mkhize | 1/1        |
| Mr. I. Mosala     | 1/1        |
| Mr. R.M. le Roux  | 1/1        |

**Human Resource, Social and Ethics Committee**

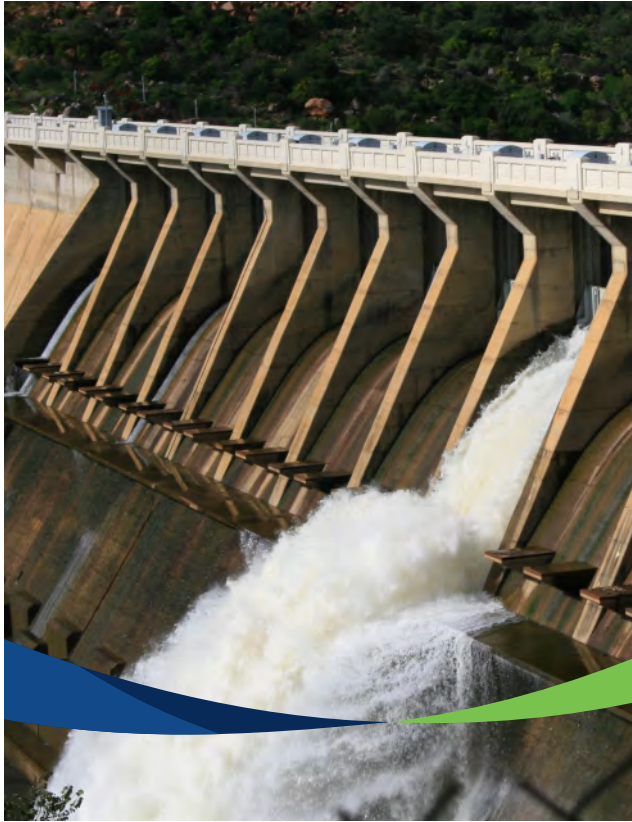
The Human Resources, Social and Ethics Committee oversees and advises the organisation on human resource-related matters. The role of the committee is to assist the Board and Executive Management to ensure that:

- Appropriate human resources policies are developed and implemented,
- It makes recommendations to the board and advises on the implementation of affordable, competitive and fair remuneration practices throughout the organisation,
- All approved human resource and remuneration policies are fair, transparent and implemented,
- Magalies Water has the appropriate human capital to deliver on its mandate, and
- Magalies Water is transparent & representative in terms of equity.

The Human Resource, Social and Ethics Committee held all the meetings set for the 2023/24 financial year.

**Table 12: Human Resource, Social and Ethics Committee**

| Member                          | Attendance |
|---------------------------------|------------|
| Ms. M.E.T. Malaka (Chairperson) | 4/5        |
| Mr. S.A. Ngobeni                | 5/5        |
| Ms. Y. Pamla                    | 5/5        |
| Mr. M.W.B. Mkhize               | 5/5        |
| Mr. I. Mosala                   | 5/5        |



### Chairpersons Coordinating Committee

The Chairpersons Coordinating Committee oversees the statutory compliance to ensure submission of the Quarterly Performance Information Report to the Shareholder's Office to comply with the legislative mandate imposed through Paragraph 29 of the Treasury Regulations of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA) and other applicable frameworks pertaining to reporting the status of Magalies Water as a state-owned entity's performance monitoring information.

The role of the Chairpersons Coordinating Committee is to assist the Board and Executive Management to ensure that:

- The agreed principles as contained in the performance agreement between Magalies Water and the Shareholder are adhered to and monitored,
- The information contained in the Quarterly Performance Information Report is an accurate reflection of the organisations' actual performance for the specific quarter under review, and
- Other mandates or undertakings as might be required from time to time by the Board is considered and implemented.

The Chairpersons Coordinating Committee held all the meetings scheduled for the 2023/24 financial year.

**Table 13: Chairpersons Coordinating Committee meeting attendance**

| Member                        | Attendance |
|-------------------------------|------------|
| Dr. K.L. Sebege (Chairperson) | 4/4        |
| Ms. Y.M. Matolong             | 4/4        |
| Ms. S.A. Ngobeni              | 4/4        |
| Ms. P.N. Mashaba              | 4/4        |
| Ms. M.E.T. Malaka             | 2/4        |
| Mr. I. Mosala                 | 4/4        |

**Table 14: Board Members who attended Chairpersons Coordinating Committee meetings by invitation**

| Member            | Attendance |
|-------------------|------------|
| Ms. Y. Pamla      | 1/1        |
| Mr. M.W.B. Mkhize | 1/1        |
| Mr. R.M. le Roux  | 1/1        |
| Dr. M. Makgae     | 1/1        |

### Code of Conduct and Promotion of Ethical Culture

The Accounting Officer promoted the implementation of the Magalies Water Code of Conduct and the processes were delegated between the Risk Specialist and the Company Secretary. The Risk Specialist focused on internal operation and tactical levels, while the Company Secretary's focus was at strategic board level.

Declarations of financial interests, confidentiality, and conflict of interests and disclosures were made by employees as provided for in the government's 1997 Code of Conduct for the public service.

The Company Secretary as the provider of advice to the board and the organisation on any matter of ethics, conflict of interest and good governance, handled the board members' declarations. Magalies Water regards ethical conduct as mandatory for all employees.

The objectives of the Magalies Water Code of Conduct include:

- Administrative management of remunerative work conducted by employees outside their delegated duties,
- Enforcing Regulation 13(c) of the Public Service Regulations, 2016 (PSR), which prohibits employees from contracting/conducting business with any South African organ of state, as of 07 August 2016,
- Promotion of transparency and prevention of conflicts of interest among all involved in bid evaluation and adjudication, even those drafting and/or sourcing services based on the specification,
- Managing errors in sourcing quotations from companies not on the National Treasury's Central Supplier Database,

- Referring to recorded portfolios of evidence to protect the company and individuals who may be implicated in or facing charges of misconduct,
- Enabling individuals always to be conscious of disclosure requirements as they acquire, practise or pursue personal financial interests, and
- Ensuring that employees execute the organisation's delegated duties and/or avoid improper influence/biased judgments etc. when acting on behalf of the organisation.

In summary, governance at Magalies Water is consistently kept in line with applicable legislation. The Company Secretary and EXCO assist the board to implement business plans and exercise executive control over day-to-day operations. Magalies Water is diligent in ensuring that it adheres to regulations and ensures synergies with other key role-players and statutory stakeholders. The Magalies Water Board, supported by its committees, EXCO and the Company Secretary, fully owns the governance responsibility and fiduciary duties for driving good corporate citizenship.

The 2023/24 annual report was subjected to continuous review throughout the reporting period. Magalies Water has a solid foundation that is premised on the strength of a permanent Chief Executive whose oversight of the six operating divisions is supported by five general managers, a Chief Operation Officer and a Chief Financial Officer, who constitute EXCO.



## ***Executive Committee Members***



***Mr Sandile Psychology Mkhize***  
***Chief Executive***

***\*\* Resigned 30 June 2024***

**Academic qualifications**

- MBA (Milpark Business School),
- MTech Environmental Biotechnology (Durban University of Technology),
- Management Advancement Programme (Wits Business School),
- BSc Chemistry and Microbiology (University of KwaZulu-Natal),
- BTech Biotechnology (Durban University of Technology),
- Senior Executive Programme (Harvard Business School), and
- Diploma in Advanced Project Management (Damelin).



***Mr Ofentse Nthutang***  
***Chief Operations Officer***

***\*\* Appointed Acting Chief Executive 01 July 2024***

**Academic qualifications**

- BSc in Civil Engineering (University of Witwatersrand),
- Certificate in Municipal Finance Management Programme (Kgolo Institute), and
- MBA, University of Reading (Henley Business School).

## ***Executive Committee Members***



***Ms Matshidiso Tabane CA(SA)***  
***Chief Financial Officer***

**Academic qualifications**

- Bachelor of Accounting Science (University of South Africa),
- Postgraduate Diploma in Applied Accounting Science (University of South Africa), and
- MBA, University of Pretoria (Gordon Business School).



***Mr Sibongiseni Mbadamana***  
***\*\* Appointed Acting Chief Operating Officer 01 July 2024***

**Academic qualifications**

- National Diploma in Civil Engineering (Cape Peninsula University of Technology),
- Post Graduate Diploma in Management (University of Johannesburg),
- BTech: Civil in Urban Engineering (Cape Peninsula University of Technology), and
- Master of Philosophy - Engineering Management (University of Johannesburg).

## ***Executive Committee Members***



***Ms Kele Mogamisi***  
***General Manager: Communication  
and Stakeholder Relations***

**Academic qualifications**

- MBA (Milpark Business School),
- BSc Chemistry (MEDUNSA),
- BSc Hons Water Utilisation (University of Pretoria),
- National Diploma in Water Care (Pretoria Technikon),
- Senior Management Programme Certificate (University of Pretoria), and
- Municipal Finance and Supply Chain Management (Wits School of Governance).



***Ms Teleni Ntabeni***  
***General Manager: Corporate  
Services***

**Academic qualifications**

- Bachelor of Administration (University of the North),
- Honors Degree in Employment Relations (Rand Afrikaans University), and
- Master's degree in Public Administration (University of Pretoria).

## ***Executive Committee Members***



***Dr Vhahangwele Akinwekomi***  
***General Manager: Water Services***

**Academic qualifications**

- DTech Water Care (Tshwane University of Technology),
- BTech: (Project Management): (Tshwane University of Technology),
- M.Tech. (Water Care) (Tshwane University of Technology),
- B.Sc. (Hons) Chemistry (University of Venda), and
- B.Sc. Chemistry and Biochemistry (University of the Western Cape).



***Mr Tshiamo Mpane***  
***\*\*Appointed Acting General Manager***  
***- Project & Engineering Services***  
***01 July 2024***

**Academic qualifications**

- National Diploma (Tshwane University of Technology) ,
- B Tech Civil Engineering (Tshwane University of Technology) and
- B Tech Project Management (Tshwane University of Technology).

## ***Company Secretary***



***Ms Deona Engelbrecht***  
***Company Secretary***

Academic qualifications

- LLB (University of South Africa).



## King IV Principles Application - 2024

Magalies Water complies with the principles of King IV, and the Board encourages the organisation to uphold the governance principles and recommended practices contained therein and to align its practices, policies, and procedures thereto. During the reporting period, Magalies Water applied the principles of King IV. The table below provides details of how Magalies Water applied the King IV principles.

**Table 15: King IV Principles Application**

### King IV Principle Apply and Explain

|   |                                                                                                                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|---|---------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | The governing body should lead ethically & effectively.                                                                         | <p>Magalies Water Board, alongside EXCO, through their endeavours to lead the organisation ethically and effectively ensured that any conflict of interest was accounted for during the period under review.</p> <p>The Board submits an Annual Declaration of Interest together with a Pledge and Declaration on the Code of Ethics.</p> <p>In addition to the Annual Declarations, an opportunity is provided, through the inclusion of a standing item at all Board and Board Committee Meetings and EXCO Meetings to declare any interest accordingly.</p> <p>Members, further, continuously equip themselves with the necessary working knowledge of the organisation, its area of operations, and any amendments to legislation, rules, and standards that may be applicable.</p> <p>After the appointment of the Board, an induction process was undertaken to ensure that the entire Board was educated on their roles and responsibilities and allow members to perform their fiduciary oversight duties.</p>          |
| 2 | The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. | <p>Commitment to ethical and professional conduct is expected from each Board Member and Magalies Water employee.</p> <p>Magalies Water's Board:</p> <ul style="list-style-type: none"> <li>• Approves the organisations codes of conduct and ethics policies,</li> <li>• Ensures the adherence to the organisation's ethical standards by employees and other stakeholders, and</li> <li>• Delegate implementation of Codes of Conduct and ethical policies to management and provide ongoing oversight of the management of ethics.</li> </ul> <p>Due to the fact that organisations of all kinds have an impact on the public, they must accept responsibility to society.</p> <p>Organisational procedures and attitudes oriented towards quality and the welfare of society will reduce harm to members of the public, enhance serving of public interest, and the fulfilling of social responsibility.</p> <p>All Magalies Water employees are expected to encourage social responsibilities and quality performance.</p> |

## Part A

### Statements, Corporate Governance and Strategic Overview

#### Magalies Water Annual Report 2023/24

**Table 15 Continued: King IV Principles Application**

#### King IV Principle Apply and Explain

|   |                                                                                                                                                                                                                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3 | <p>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</p>                                                                                                                            | <p>The Corporate Governance Framework requires that the organisation uphold ethical standards in the way they conduct their business. The Board is required to ensure that the organisation's ethics are managed effectively.</p> <p>Magalies Water has taken further steps to include CSI in its corporate plan under the strategic objective of being "a responsible and good corporate citizen.</p> <p>Magalies Water is, and is seen to be, a good corporate citizen, by:</p> <ul style="list-style-type: none"> <li>• Its promotion of equality, prevention of unfair discrimination, and reduction of corruption,</li> <li>• Its contribution to development of the communities in which its activities are predominantly conducted or within which its services are predominantly marketed, and</li> <li>• Its record of sponsorships, donations and charitable giving.</li> </ul> <p>Social responsibility is the measure of an organisation's state of being mindful of the emerging social concerns and priorities of internal and external stakeholders, these being the communities around Magalies, employees, governmental and non-governmental organisations. To this end, Magalies Water:</p> <ul style="list-style-type: none"> <li>• Ensures compliance with government, health, hygiene, safety and environmental laws,</li> <li>• Ensures betterment of communities surrounding Magalies Water,</li> <li>• Approve strategies in respect of good corporate citizenship, especially concerning the promotion of equality, prevention of unfair discrimination and reduction of fraud and corruption,</li> <li>• Report on the social responsibility initiatives implemented by the Human Resource Department i.e. external bursary programme, learnership programme and training programme,</li> <li>• Monitor sustainable and ethical corporate culture within the organisation,</li> <li>• Ensure respect for basic human rights,</li> <li>• Ensures that the organisation's ethics is managed effectively, including: <ul style="list-style-type: none"> <li>- Leadership demonstrating support for ethics throughout Magalies Water,</li> <li>- Strategies for managing ethics that is informed by the negative and positive risks of Magalies Water,</li> <li>- Ethical standards are articulated in a Code of Ethics and supporting ethics policies,</li> <li>- Structures, systems and processes are in place to ensure that the various Boards, employees and supply chains are familiar with and adhere to Magalies Water's ethical standards, and</li> <li>- Ethics is embedded in the corporate culture of Magalies Water.</li> </ul> </li> </ul> <p>Clear articulated ethical standards (Code of Ethics) are determined, and Magalies Water takes measures to achieve adherence to these in all aspects of the business, thus facilitating a sustainable ethical corporate culture within the organisation.</p> |
| 4 | <p>The governing body should appreciate that the organisation's core purpose, it's risks and opportunities, strategy, business model, performance, and sustainable development are all inseparable elements of the value creation process.</p> | <p>The Board is accountable for Magalies Water's overall governance of risk management and this is advocated by its responsibilities of setting an appropriate risk management tone, approving risk management policies and other strategies.</p> <p>This includes leveraging the applicable governance and assurance structures for combined assurance on the effectiveness of risk management within Magalies Water.</p> <p>Magalies Water has established and maintains an effective system of risk management in accordance with the provisions of the Public Finance Management Act, the King IV Report on Corporate Governance and risk management standards as applicable.</p> <p>The Board has approved Key Performance Indicators (KPIs) that are aligned to a risk-based strategy. These Key Performance Indicators are regularly monitored by the Board and its management structures to ensure that any underperforming areas are highlighted and mitigated where required.</p> <p>"Refer to Magalies Water's Quarterly Performance Information Reports as well as Magalies Water's Strategy"</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| 5 | <p>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium, and long-term prospects.</p>                             | <p>Magalies Water ensures that the quality of its quarterly reports as well as the annual reports compiled are verified and quality audited before the submission thereof to stakeholders. These quality reports enable stakeholders to make informed decisions and aims to adhere to the disclosure requirements as required by JSE, King IV, Water Services Act, Act No. 108 of 1997 and any other relevant legislation and codes that Magalies Water abides by.</p> <p>Magalies Water's IAR is prepared in line with International Integrated Reporting Council's Integrated Reporting Framework; Magalies Water's AFS complies with the International Financial Reporting Standards and is audited by the AGSA to ensure that the information represent the correct financial position of the organisation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

**Part A**  
**Statements, Corporate Governance and Strategic Overview**

**Magalies Water Annual Report 2023/24**

**Table 15 Continued: King IV Principles Application**

**King IV Principle Apply and Explain**

|   |                                                                                                                                                                                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6 | The governing body should serve as the focal point and custodian of corporate governance in the organisation.                                                                                                         | <p>The Board of Magalies Water is the overarching controlling structure of Magalies Water and this is in line with the legislated good governance requirements in terms of the South African laws.</p> <p>Magalies Water has developed a Board Charter that ensures the effective functioning of the Board in terms of its roles and responsibilities.</p> <p>The Board has further approved a Governance Structure with Board Committees, each of which has adopted its own formal Terms of Reference/Charter to guide its mandate and oversight responsibilities.</p> <p>The Board Committee Terms of Reference/Charter includes the responsibility of reviewing strategic institutional policies relevant to their respective mandate.</p> <p>The Board, both executive and non-executive, have statutory and fiduciary duties mainly in terms of the Companies Act, the Public Finance Management Act and King IV Report.</p> <p>Management reports every quarter to the Board, the status of the performance of the organisation. The Quarterly Performance Information Report is aligned to the Shareholder Compact entered into between Magalies Water and the Minister of Water and Sanitation in terms of the PFMA and relevant National Treasury Regulations.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| 7 | The governing body should comprise of the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively. | <p>The composition of the Board more especially the percentage of women serving on the Board of Magalies Water is 60%, and 40% males.</p> <p>The Board members have vast skills and experience in the fields of Governance &amp; Compliance, Law, Accountancy and Finance, Audit and Risk Management, Strategic Management, Business Management and Administration, Project Management, Public Finance Management and Administration, Human Capital Management, Business Process Re-Engineering, Marketing and Communication, Engineering, Infrastructure management, Water Management, Assets Management, and Environmental Management.</p> <p>Except for the Chief Executive, all members are non-executive members.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 8 | The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assistance with balance of power and the effective discharge of its duties.         | <p>The Board of Directors (Board) is the overarching controlling structure of Magalies Water and this is in line with the legislated good governance requirements in terms of the South African laws.</p> <p>The Board's responsibilities, and primary functions are as follows, but are not limited to:</p> <ul style="list-style-type: none"> <li>• Fiduciary duty and duties of skill and care towards Magalies Water, providing effective, ethical leadership,</li> <li>• Ensure that all decisions and actions are in the best interest of Magalies Water,</li> <li>• Define and approve the Delegation of Authority to Management,</li> <li>• Provide strategic direction and monitor the implementation of approved policies and strategies,</li> <li>• Responsibility for the governance of risk and effective internal controls,</li> <li>• Responsibility for IT Governance,</li> <li>• Oversight of Performance Management and Reporting,</li> <li>• Oversight of compliance with applicable laws, codes and standards, and</li> <li>• Oversight of integrated reporting.</li> </ul> <p>The Company Secretary, as a custodian, has been entrusted by the Board to ensure that a balance of power exists through a tiered layout that consists of the Chief Executive, Management, and various Board Committees.</p> <p>In order to enhance the effectiveness of its fiduciary activities and to comply with the applicable legislation, the following Board Committees have been established:</p> <ul style="list-style-type: none"> <li>• Chairpersons Coordinating Committee,</li> <li>• Capital Investment &amp; Stakeholder Engagement Committee,</li> <li>• Finance Committee,</li> <li>• Audit &amp; Risk Committee, and</li> <li>• Human Resource, Social &amp; Ethics Committee.</li> </ul> |

**Part A**  
**Statements, Corporate Governance and Strategic Overview**

**Magalies Water Annual Report 2023/24**

**Table 15 Continued: King IV Principles Application**

**King IV Principle Apply and Explain**

|    |                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9  | The governing body should ensure that the evaluation of its own performance and that of its committees, its chairs, and its individual members, support continued improvement in its performance and effectiveness. | <p>An effective board evaluation exercise helps the Board, Board Committees and individual directors perform to their optimum capabilities by identifying areas that require improvement and measures to implement to achieve such.</p> <p>The evaluation of the effectiveness of the Board and the individual Board Committees was not conducted for the period under review due to the appointment of the new Board.</p> <p>In the interim, the Board reports every quarter to the Department of Water and Sanitation, the status of the performance of the organisation which is directly linked to the status of performance of the Board. The Quarterly Performance Information Report is aligned with the Shareholder Compact entered into between Magalies Water and the Minister of Water and Sanitation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| 10 | The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.                                   | <p>The delegation of authority is an important element of effective Corporate Governance. It involves the process of the Board of Magalies Water conferring certain powers to other persons and subcommittees, to optimise role clarity and efficiency within the company.</p> <p>Magalies Water has a duly approved Delegation of Authority that provides clear guidelines in terms of the Delegated Powers of Authority applied to all activities in various levels of management.</p> <p>The Board, Board Committees, EXCO and Management are responsible for adherence to the Delegation of Authority.</p> <p>The CE serves as an intermediary between the Board, Management, and all employees of Magalies Water. By appointing the CE, and through the approved Delegation of Authority, the Board has ensured that clear separation of duties is recorded and that all relevant role players have been transferred or assigned powers, as authorised by the Board.</p> <p>The organisational structure of Magalies Water has made provision for professional and independent governance procedures through the maintenance and promotion of an optimal corporate governance structure to ensure adherence to legal duties conferred by relevant legislation, policies, and/or regulations.</p>                                                                                                                                                                                                                     |
| 11 | The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.                                                                                    | <p>Magalies Water has established and maintains an effective system of risk management in accordance with the provisions of the Public Finance Management Act, the King IV Report on Corporate Governance and risk management standards as applicable.</p> <p>Oversight over the governance and management of risk is carried out by the internal Risk Management Committee and Audit and Risk Committee which is a sub-committee of the Magalies Water Board. The Committees meet on a quarterly basis and operates in accordance with their approved terms of reference.</p> <p>An Annual Risk Management Implementation Plan has been approved by the Audit and Risk Committee and the Board in the beginning of the Financial Year.</p> <p>The Risk Management Plan was approved by the Audit and Risk Committee to enable effective risk management implementation and embedding of a risk culture across the organisation.</p> <p>Magalies Water has a developed and approved Strategic Risk Register that is updated in real-time by the various risk owners. This process allows for new emerging risks and strategic risks to be mitigated as and when they arise.</p> <p>On a quarterly basis, it is a precondition that all risk owners submit consolidated updates, which are in return then considered by numerous governance structures such as the:</p> <ul style="list-style-type: none"> <li>• Risk Management Committee, and</li> <li>• Audit &amp; Risk Committee and ultimately the Board.</li> </ul> |

**Table 15 Continued: King IV Principles Application**

**King IV Principle Apply and Explain**

|    |                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 12 | The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives. | <p>The Public Service Corporate Governance of Information and Communication Technology Framework stipulates that COBIT 5 should be adapted and implemented as governance of ICT Framework. COBIT 5 enables organisations to achieve their strategic goals by deriving optimal value from realisation of benefits, optimising resources and risk mitigation. King IV and The Open Group Architecture Framework (TOGAF) also provides governance laws relating to ICT.</p> <p>Information and Communication Technology (ICT) is an integral part of the business of Magalies Water and is fundamental to the achievement of the organisation's strategic objectives. Although ICT offers significant potential to positively influence our business processes and operations, ICT also presents significant risks.</p> <p>ICT and its related risks and constraints should therefore be well directed and controlled. Magalies Water has therefore adopted governance approach to ensure that the ICT opportunities and risks are adequately managed to support the business objectives. King IV states that ICT Governance is a responsibility of the Board.</p> <p>ICT Governance Framework is a set of principles, structures, processes (practices) and controls that establishes accountability and responsibility to ensure that ICT processes are directed, managed, monitored, measured and controlled in alignment with the business objectives. Furthermore, NDP 2030 supports that ICT is a critical enabler of the economic activity in an increasingly networked world. ICT enhance communication and information flows that improve productivity and efficiency within the organisation. Against this background, if MW seeks to be competitive, it must have effective ICT systems.</p> <p>The ICT Governance Framework provides structure to align ICT strategy with business strategy, thereby, assisting Magalies Water to achieve its strategic objectives and goals. The framework also considers the staff needs and processes utilised to perform various business functions. Furthermore, the governance framework and policies are reviewed and updated every two years to take into account systems changes or governance changes.</p> <p>Magalies Water revised the governance framework to ensure that the organisation's ICT infrastructure and investment supports and enables the achievement of corporate strategies and objectives.</p> <p>ICT Governance Framework serves as the umbrella framework that integrates various ICT-related management systems and processes of Magalies Water. In addition to the adoption of the DPSA ICT Governance Framework to guide the ICT management-related governance and management practices, ICT has also adopted the following ICT-related standards and frameworks as described under the definition section:</p> <ul style="list-style-type: none"> <li>• Information Technology Infrastructure Library (ITIL),</li> <li>• ISO 27001: 2015 for Information Security Management,</li> <li>• IT policies and procedures,</li> <li>• IT compliance to relevant laws and regulations,</li> <li>• Information security management practices,</li> <li>• Business and Disaster Recovery,</li> <li>• IT benefits Realisation processes,</li> <li>• IT value and performance measurement processes,</li> <li>• IT acquisition and disposal processes, and</li> <li>• The Open Group Architecture Framework.</li> </ul> <p>The ICT Governance Report is submitted to the Board on a quarterly basis to ensure accountability to the Board.</p> |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|



**Table 15 Continued: King IV Principles Application**

**King IV Principle Apply and Explain**

|    |                                                                                                                                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 13 | The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.                     | <p>Magalies Water will enhance compliance with legislation and regulations. These include compliance with the following:</p> <ul style="list-style-type: none"> <li>• Legislation including the Water Services Act and the PFMA,</li> <li>• Bulk supply agreements, notably for potable water quality compliance, reliability of supply within the current capacity,</li> <li>• Reportable safety, health and environmental incidents,</li> <li>• Implementation of Ministerial directives,</li> <li>• Employment equity and transformation, and</li> <li>• The spirit and rules of BBBEE and socio-economic development.</li> </ul> <p>Regulatory compliance describes the goal that organisations aspire to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws, policies, and regulations. Compliance is a prevalent business concern, partly because of an ever-increasing number of regulations that require companies to be vigilant about maintaining a full understanding of their regulatory compliance requirements.</p> <p>A total number of 47 Acts and 160 sections were discussed and confirmed with the process owners to be the applicable regulatory requirements applicable to Magalies Water.</p> <p>The Compliance Office continuously monitors the Regulatory Register on the implementation of the agreed actions to mitigate non-compliance that is reported to numerous governance structures such as the:</p> <ul style="list-style-type: none"> <li>• Risk Management Committee, and</li> <li>• Audit &amp; Risk Committee and ultimately the Board.</li> </ul>              |
| 14 | The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. | <p>Magalies Water's approach to remuneration is consistent with the organisation's objectives, strategic value drivers, sustainability of the organisation and the need to attract, motivate and retain employees.</p> <p>Magalies Water believes in the recognition and rewarding of employees who have contributed to the successful attainment of the organisation's strategic objectives subject to approval by the Board.</p> <p>Therefore the organisation's remuneration policy assists Magalies Water in achieving the following:</p> <ul style="list-style-type: none"> <li>• Compete for talent in an increasingly competitive labour market influenced by demand for skills,</li> <li>• Retain competent employees who enhance organisational performance,</li> <li>• Motivate individual and team performance that create stakeholder and shareholder value for the organisation,</li> <li>• Manage the total cost of employment,</li> <li>• Achieve employee productivity, and</li> <li>• Enable Magalies Water to implement rewards and retention policies.</li> </ul> <p>Magalies Water has implemented a performance management system through which managers, supervisors and their direct reports shall conclude performance contracts that contain, Key Performance Areas (KPA), Key Performance Indicators (KPI), and performance targets for each performance contracting period.</p> <p>The purpose of the Performance Management and Bonus Policy is to drive organisational and employee performance and to recognise and reward performance above expectation towards achievement of Magalies Water's strategic objectives.</p> |

**Table 15 Continued: King IV Principles Application**

**King IV Principle Apply and Explain**

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|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 15 | <p>The governing body should ensure that assurance services and functions enable an effective control environment and that these support the integrity of information for internal decision-making and of the organisation's external reports.</p> | <p>The Audit &amp; Risk Committee performs its statutory function as set out in the Companies Act of 2008 and its roles and responsibilities as set out in the PFMA and Treasury Regulation 271.</p> <p>The Committee is accountable to the Board and has played a critical independent oversight on corporate governance, integrated financial reporting, evaluation of the effectiveness of internal controls, enterprise-wide risk management systems, as well as internal and external audit functions. Some of the key activities and roles of the committee include the following:</p> <ul style="list-style-type: none"> <li>• To oversee the Entity compliance with the legal and statutory provisions,</li> <li>• To approve the risk areas of the entity to be covered in the scope of internal audit as per the risk assessment reports noted quarterly and annually,</li> <li>• To review the audited annual financial statements and assess the adequacy, reliability and accuracy of financial information provided to end users,</li> <li>• To review and recommend to the Board for approval, the management accounts, performance information report, debt management and contingent liability reports identified as a result of internal and external audit and on a quarterly basis,</li> <li>• To approve the annual internal Audit Operational Plan and the internal Audit Charter,</li> <li>• To review quarterly internal audit progress report,</li> <li>• To note the approved risk management implementation plan,</li> <li>• To review the internal and external audit findings tracking register on a quarterly basis, and</li> <li>• To conduct annual self-assessment, amongst others.</li> </ul> <p>In discharging its governance responsibilities relating to risk management, the Audit and Risk Committee:</p> <ul style="list-style-type: none"> <li>• Reviews and recommend for the approval of the Board, the: <ul style="list-style-type: none"> <li>- Risk management policy,</li> <li>- Risk management strategy,</li> <li>- Risk management implementation plan, and</li> <li>- Organisation's risk appetite and the risk tolerance level.</li> </ul> </li> <li>• Reviews the organisation's risk identification and assessment methodologies,</li> <li>• Develops goals, objectives and key performance indicators to measure the effectiveness of the risk management activity within the organisation,</li> <li>• Evaluates the extent and effectiveness of integration of risk management within the organisation's operations,</li> <li>• Assesses the implementation of the risk management policy and strategy,</li> <li>• Evaluates the effectiveness of the mitigating strategies implemented to address the material risks of the organisation,</li> <li>• Reviews the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations,</li> <li>• Provides timely and useful reports to the Board on the state of risk management,</li> <li>• Sets out the nature, role, responsibility and authority of the risk management function within the organisation, and</li> <li>• Oversees the performance of the risk management function.</li> </ul> <p>The Audit and Risk Committee:</p> <ul style="list-style-type: none"> <li>• Ensure that risk assessments, risk reports and assurance on risks overseen by other Board committees are referred to those committees for their consideration,</li> <li>• Review and monitor the implementation of the Fraud Prevention policy, Strategy and Fraud Prevention plan,</li> <li>• Review the Business Continuity Management Strategy (including Business Continuity plans, Disaster Recovery plans, Crisis management plans) and their implementation,</li> <li>• Review and provide guidance on the adequacy and effectiveness of Occupational Health and Safety Management, Security Management and Insurance Management, and</li> <li>• Review and approve Strategic and Operational Risk Register.</li> </ul> |
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**Table 15 Continued: King IV Principles Application**

**King IV Principle Apply and Explain**

|    |                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
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| 16 | <p>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time.</p> | <p>Significant stakeholder engagements and positive customer experience are an integral imperative of Good Corporate Governance and Magalies Water appreciates that Stakeholder perception can affect its reputation and brand both negatively and positively, depending on the context. Positive Stakeholder perceptions anchored around consideration of stakeholder legitimacy, salience, urgency, power and interests should, at all times, be managed to enhance and protect the corporate identity, image and integrity of Magalies Water.</p> <p>The approach of Magalies Water to Stakeholder Engagement includes the following:</p> <ul style="list-style-type: none"> <li>• Annually review the Plan &amp; engagements which include all relevant Stakeholders and objectives for engagement purposes,</li> <li>• Internal preparedness and alignment with Stakeholders,</li> <li>• Engagements through a meaningful dialogue programme to facilitate development of critical relationships and build trust, and</li> <li>• Analysis of feedback from engagement processes.</li> </ul> <p>Stakeholders have been identified and grouped as follows:</p> <ul style="list-style-type: none"> <li>• Stakeholder who have regulatory oversight over Magalies Water,</li> <li>• Stakeholders that Magalies Water provides services to, and</li> <li>• Stakeholders who provide services to Magalies Water.</li> </ul> <p>A Stakeholder Engagement Plan is therefore implemented to address all the material issues and achieve the intended objectives of stakeholder engagement in accordance with the Stakeholder Value Proposition.</p> |
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## *Strategic Overview*

### **Vision**

Magalies Water's vision is to be the leading provider of quality water and sanitation services in South Africa.

The vision is ambitious and articulates what Magalies Water intends to be known for in the future considering that the organisation strives:

- for operational excellence and being benchmarked as best practice in all areas of its operation in South Africa,
- to be the go-to water board to address water services delivery challenges and requirements in and outside of its area of supply,
- to be a leader in the Section 30 markets that it plays in, recognising the prospect of new private sector entrants into the market,
- to provide high quality, reliable and affordable water services to all customers, and
- to be positioned as the anchor for the regional water utility for the central and northern areas.

### **Mission**

Magalies Water's mission is to provide reliable quality bulk water, sanitation and other related services to Water Services Authorities and other users in order to positively impact the quality of life and economic growth for communities in our area of operation.

Key considerations when determining the mission statement were the following:

- Magalies Water aims to expand its service offerings within the value chain to include management of downstream bulk regional raw water infrastructure and provision of retail water supply services (where necessary),
- While Magalies Water's service is confined to the North West, Limpopo and parts of the Gauteng provinces, it will also seek to provide services in areas not served by other water boards, in adjacent provinces,
- Magalies Water supports socio-economic objectives for its area of supply by ensuring that water supplied to WSAs is safe, reliable and affordable,
- Magalies Water will also undertake Section 30 (S30) activities, aligned with to its capabilities, provided that such services do not impact its primary business and are undertaken on commercially acceptable terms,
- Magalies Water will provide supplier development initiatives to further the goals of broad-based black economic empowerment, while creating a platform to sustainably manage its costs,
- Magalies Water will support WSAs in its area of supply, where directed by the Minister, provided that the terms of such directives are not prejudicial to its sustainability, and
- Magalies Water will invest in Corporate Social Investment projects that are aligned with its core mandate and positively impact the quality of life for communities in its supply area.



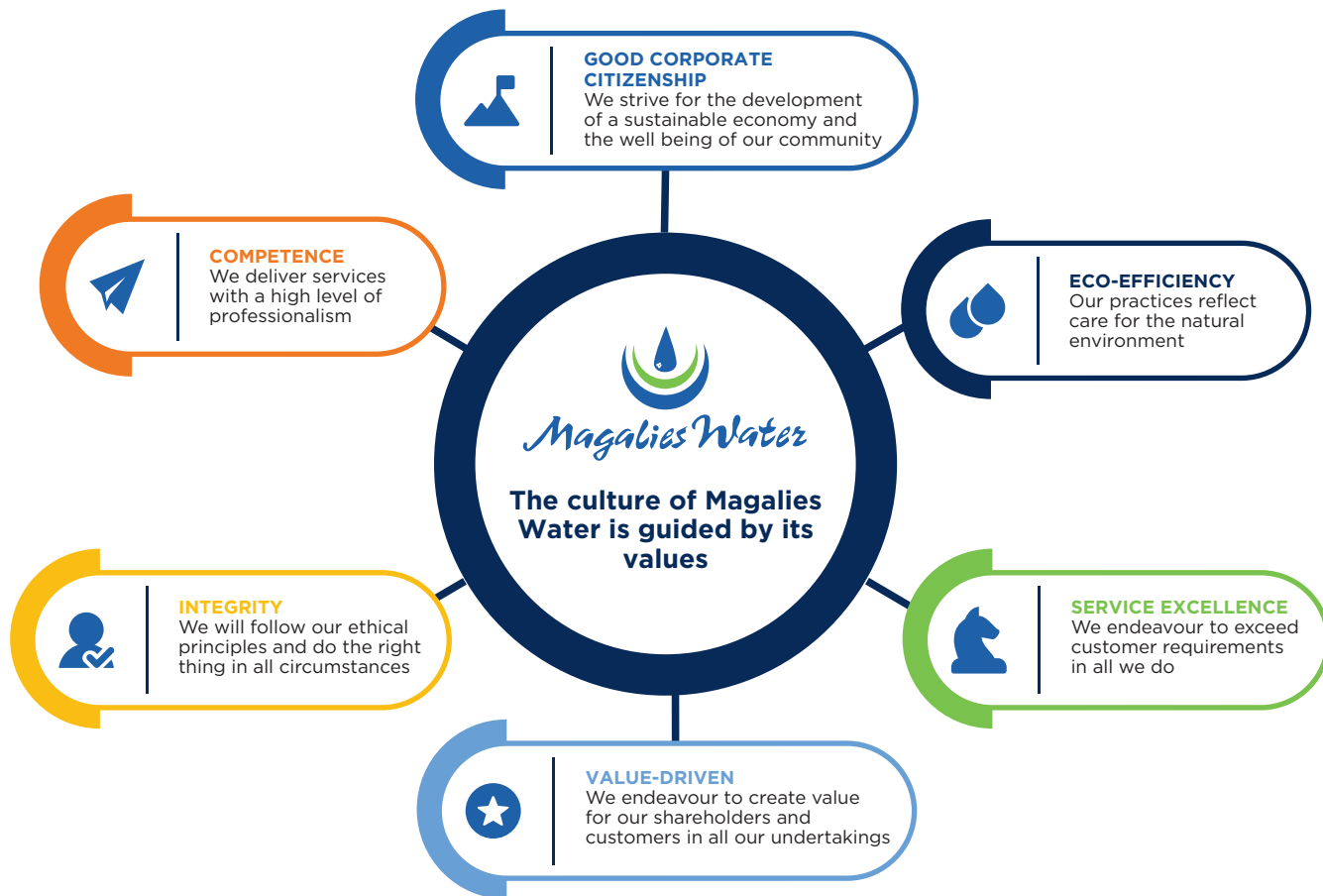
## Strategic Objectives

Magalies Water has seven strategic objectives that define the markers of success and articulate how it will know when it has achieved its goals. Each of these are strategic objectives are defined below:

|                                                                                                        |                                                                                                                                                                                                                                                                                                                           |
|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Objective 1:<br/>To provide quality potable water.</b>                                              | Magalies Water's objective is to deliver water services that exceed the required standards for water quality, reliability and client satisfaction. This entails effective management of plant and bulk distribution operations to deliver the required quality and quantity.                                              |
| <b>Objective 2:<br/>To provide reliable and sustainable water services to customers.</b>               | Magalies Water's objective is to plan, design, maintain and deliver enhanced water and waste water treatment facilities within funding constraints. This entails implementing pragmatic strategic asset management philosophy, robust infrastructure planning and effective implementation of capital projects portfolio. |
| <b>Objective 3:<br/>To achieve growth and sustainable financial returns.</b>                           | Magalies Water's objective is to achieve sustainable financial returns, value for money, effectiveness, and efficiency in resource deployment. The financial returns will facilitate the funding of its capital expenditure and growth strategy.                                                                          |
| <b>Objective 4:<br/>To ensure good corporate governance.</b>                                           | Magalies Water's objective is to minimise business risk through sound governance practices.                                                                                                                                                                                                                               |
| <b>Objective 5:<br/>To manage customer and stakeholder relations.</b>                                  | Magalies Water's objective is to engage the shareholder and stakeholders to position it as the leading supplier of quality water services.                                                                                                                                                                                |
| <b>Objective 6:<br/>To contribute towards transformation and development agenda.</b>                   | Magalies Water's objective is to provide appropriate support for transformation and socio-economic development. This will entail the creation of decent employment through inclusive economic growth, development of suppliers and communities through skills development, local empowerment and enterprise development.  |
| <b>Objective 7:<br/>To create a high-performance organisation through effective talent management.</b> | Magalies Water's objective is to attract, develop and retain the right skills for the current and future success of the organisation.                                                                                                                                                                                     |

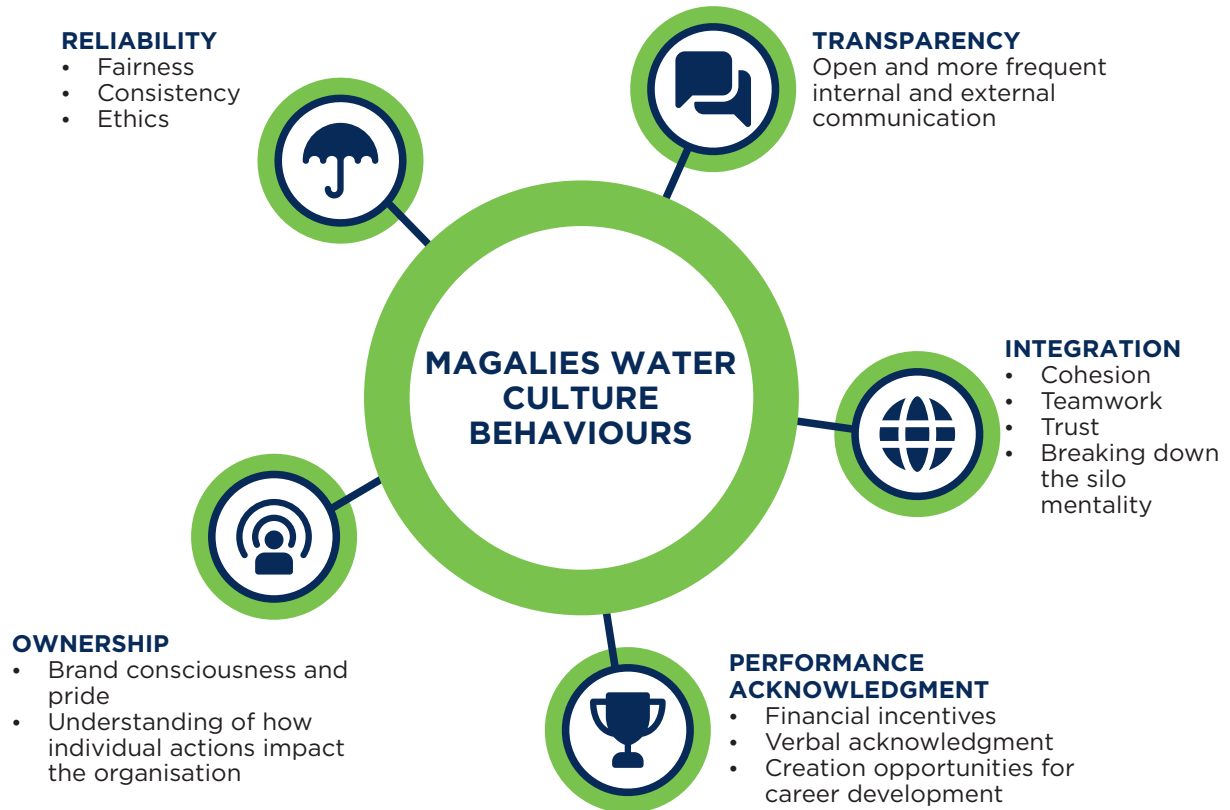
## Thematic Core Values of Magalies Water

Figure 1: Values of Magalies Water



Magalies Water relies on the commitment and dedication of each staff member to fulfil its vision and mission. The entity aspires to be both a leader in the delivery of quality services and employer of choice.

**Figure 2: Summary of Cultural Behaviours at Magalies Water**



Magalies Water has committed to revive the internal communication mechanisms in order to foster trust and to ensure synergy and coherence between internally and externally disseminated information. Magalies Water will continue to maintain a responsive, timeous and proactive consumer-centric service approach to fulfil our aspirations to excel in delivering services to customers. The set standards and performance measures will strategically re-build the Magalies Water brand, reputation, good standing in the medium to long term to ensure expansion of the entity's footprint.

## *Overview of the Public Entity*

### **Purpose of the Public Entity**

Magalies Water is a water board established in terms of Section 28 of the Water Services Act, 1997 (Act 108 of 1997, as amended) and is classified as a government business enterprise as per Schedule 3B of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended). The service area of Magalies Water, as determined by the Minister, stretches over Pienaars River and Crocodile River, these being two of its major service area catchments.

The mandate of Magalies Water is to provide water services in terms of Section 29 and ensure viable Section 30 initiatives as prescribed in the Water Services Act, 1997 (Act 108 of 1997, as amended). Magalies Water will continue to contribute to the socio-economic development within the service areas.

### **Operating Principles**

Magalies Water is a Schedule 3B: SOE and like all the businesses operating in the country (the Republic of South Africa), it is governed by the country's relevant legislation. The Magalies Water's operating relevance and its critical role is grounded in the legislative mandate imposed through the Water Services Act, 1997 (Act 108 of 1997, as amended), which is to ensure that the State complies with the Bill of Rights enshrined in Chapter 2 of the Constitution.

### **Business Activities**

The Minister of Water and Sanitation is the custodian of water resources, including the dams from which Magalies Water abstracts and channels water to its own water treatment plants for treatment before distributing through pipelines to water service authorities and other users (customers).

### **Primary Activities (Section 29)**

The primary activity of a water board is to provide water services to other water services institutions within its service area (Section 29). Raw water is obtained through various intermediaries (e.g. dams, mining associated sources, etc.) that are linked to two major catchments of the Crocodile and the Pienaars Rivers.

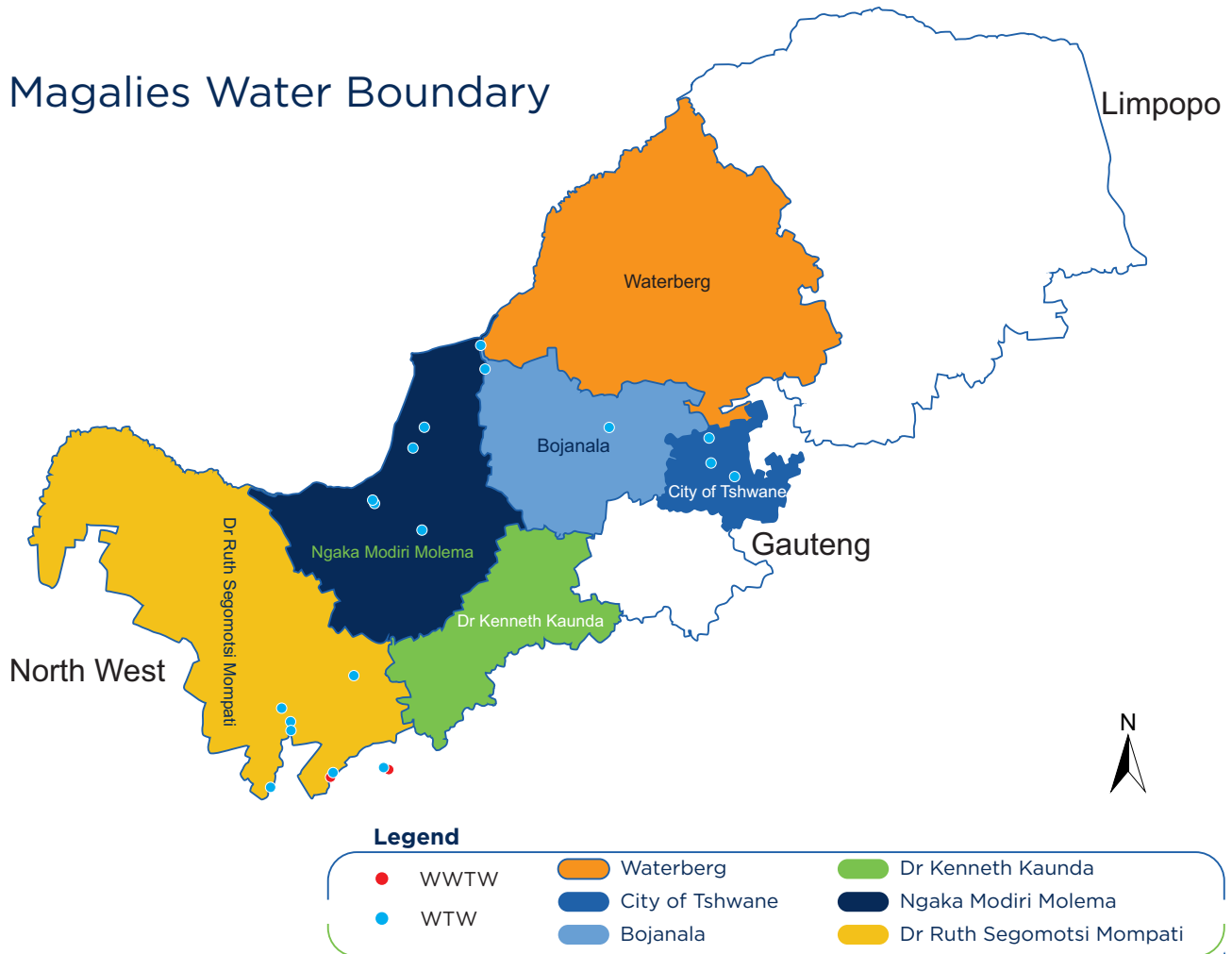
Section 29 states that the primary activity of a water board is to provide water services to other water services institutions within its service area. Magalies Water service area covers 42 000 km across the three provinces of North West, Limpopo and Gauteng.



## Magalies Water Service Area

The Magalies Water service water is indicated in the map below.

**Figure 3: Magalies Water Service Area map**



## Magalies Water Treatment Plants

Magalies Water owns and operates the water treatment plants and associated pipelines as outlined below.

**Vaalkop Water Treatment Plant (VWTP):** has a design capacity of 270ML/day, abstracting raw water from the Vaalkop Dam in the Crocodile River Catchment. Potable water produced from this plant is distributed to the North West and Limpopo provinces, with a pipeline of 455.5 km in length.



**Klipdrift Water Treatment Plant (KWTP):** has a design capacity of 42ML/day abstracting raw water from the Roodeplaat Dam in the Pienaars River Catchment area. Potable water produced from this plant is supplied across Limpopo, North West and Gauteng Provinces through a 97 km pipeline.



**Cullinan Water Treatment Plant (CWTP):** has a design capacity of 16ML/day. Raw water is pumped from the Wilge River Dam which is a small impoundment on a tributary just downstream of the Bronkhorstspuit Dam. The 43 km raw water line discharges into an earth dam located at the plant. The earth dam is known as the Reserve Dam. Raw water is abstracted from the Reserve Dam by the Cullinan Water Treatment Works (CWTW).



**Wallmannsthal Water Treatment Plant (WWTP):** has a design capacity of 12ML/day, and abstracts raw water from the Roodeplaat Dam in the Pienaars River Catchment. Raw water is abstracted from the Pienaars River or the canal system downstream of the Roodeplaat Dam. Potable water produced at this plant is supplied to the City of Tshwane and some individual customers through a 51.9 km pipeline.



## **Scientific Services**

Scientific Services in Magalies Water comprise the Analytical Services (AS) and the Research Development and Process Technology (RD&PT) departments. Noteworthy, the laboratory facilities are fully accredited by the South African National Standards (SANS) in accordance with the ISO/IEC 17025:2017 standards. Specifically, the laboratory, i.e. chemistry and microbiology sections, provide chemical, environmental, and microbiological analysis services, which are specifically tailored for the water industry using state-of-the-art facilities.

The RD&PT department is further divided into Research, Development and Innovation, and Process Technology. The research, development, and innovation section focuses on developing cutting-edge and novel technologies to address current and future water quality challenges, while the Process Technology section focuses on process design, water quality, and process evaluation and optimisation. In addition, this department guides eco-toxicological assays, epidemiological surveillance, genomics, and frontline treatment solutions due to the capacity vested within the highly qualified and accredited personnel that play pivotal roles in enhancing the organisation's operations. This department also assists with IRIS, i.e. blue and green drop system management for Magalies Water.

Furthermore, Magalies Water also complies with SANS 241, the South African National Standard for Drinking Water that specifies the requirements for potable water to be considered safe for human consumption.

To ensure that the produced water complies with SANS 241 specifications, Scientific Services develops a risk-based monitoring programme, which is followed regularly and used to evaluate the performance of Magalies Water's water supply systems. The department renders a myriad of water-related services to internal and external stakeholders endowed with its diversity of skills and capabilities.



### Other Activities (Section 30)

In partnership with the Department of Water and Sanitation (DWS) and municipalities, Magalies Water concludes contracts and agreements to perform Section 30 duties as the implementing agent, or as per the Minister's directive. With regards to Section 30 activities, Magalies Water has the capability and experience to carry out and/or perform the following activities:

1. Infrastructure refurbishment,
2. Potable water and wastewater treatment solutions ranging from consultancy services, treatment, monitoring, operation and maintenance of potable water and wastewater treatment plants,
3. Rapid response on critical interventions required on water and sanitation,
4. Water conservation and demand management,
5. Operations and Maintenance (O&M) of bulk water supply and bulk sanitation infrastructure, and
6. Scientific Services: the SANAS 17025 accredited laboratory offers services in chemical, environmental and microbiological analysis to the water industry.

Magalies Water is capacitated and capable to perform the secondary activities to enhance the optimisation of the value chain of the water services sector in South Africa.

### Environmental Scan

Magalies Water continuously conducts environmental scanning to assess external and internal factors to identify risks and key capabilities. Through Environmental Scanning, strategic operating conditions confronting Magalies Water are described and therefore gathering Information on several variables of the environment facilitates alignment between Magalies Water's strategic plans and the operational environment in which it operates in.

It is imperative for Magalies Water to understand the forces of change in order to develop effective response mechanisms that could secure or improve the entity's position in the future.



## External Environmental Analysis

Magalies Water uses the P-E-S-T-E-L (Political, Economic, Social, Technological, Environmental and Legislation) during the analysis of external environmental conditions/changes:

| Table 16: The Macro Operating Environment |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Aspect                                    | Key Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| Political                                 | <p>Institutional reconfiguration and re-alignment of water boards:</p> <ul style="list-style-type: none"> <li>Impact of asset, people and customer transfer to/from other water boards presents an uncertainty to Magalies Water operation and exposes the organisation to further vulnerability given that the process of Sedibeng Water integration that is still ongoing, and</li> <li>Impact of revenue loss as a result of customers such as City of Tshwane that will move to Rand Water.</li> </ul> <p>Section 25 of the Constitution of the Republic of South Africa</p> <ul style="list-style-type: none"> <li>Land redistribution might affect various sectors including agriculture and mining, causing disruptions or expansion of areas serviced by Magalies Water,</li> <li>Reallocation of water has not always even kept pace with the transfer of land, thus limiting the ability of recipients to be productive on the land, and</li> <li>Potential clients benefiting from land redistribution might not be able to fulfil their financial obligations towards Magalies Water Board.</li> </ul> <p>Political instability within Municipalities</p> <ul style="list-style-type: none"> <li>The municipal inefficiencies and dysfunctionality might result in Magalies Water assuming their responsibilities, thus negatively impacting on the existing operations.</li> </ul> <p>Geopolitical Instability</p> <ul style="list-style-type: none"> <li>War between Russia and Ukraine impacting on global supply chains, making sourcing of raw materials and spares more difficult as well as increasing logistics costs, and</li> <li>Service delivery affected by extended lead times of imported spares and raw material shortages,</li> <li>Post-Section 100 intervention impact,</li> <li>Indirect impact from municipalities served by Magalies Water as a result of instability within those municipalities,</li> <li>Political changes following ruling party elective conference and the upcoming national elections,</li> <li>Policy uncertainty in light of sweeping reforms currently underway in the sector,</li> <li>Continuity of initiatives such as the joint Steering Committee of the Province and Minister of Water and Sanitation to address water and sanitation challenges across the Province e.g. Ditsobotla, Naledi, Madibeng, Ramotshere Moiloa, etc, and</li> <li>Delays in implementation of key programs.</li> </ul> |

## External Environmental Analysis

**Table 16 Continued: The Macro Operating Environment**

| Aspect   | Key Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Economic | <p><b>Unemployment Rate</b></p> <ul style="list-style-type: none"> <li>Unemployment rate is very high within the area where Magalies Water operates which poses a risk of a poor economic profile for the municipalities, and</li> <li>Magalies Water will face a huge receivables balance that is uncollectable due to the integration with Sedibeng Water.</li> </ul> <p><b>Slow GDP Growth</b></p> <ul style="list-style-type: none"> <li>The South African economy is showing signs of economic recovery, the World Economic Outlook has projected real GDP growth rate of 1.2% in 2023 against the backdrop of poor global growth, and</li> <li>The current economic growth levels exceeded market expectation and averted a risk of a recession, however insufficient for economic activity stimulation.</li> </ul> <p><b>Post-Covid Economic Recovery</b></p> <ul style="list-style-type: none"> <li>Increasing demand for water and sanitation services will have a positive impact on revenue, but also place added pressure on service delivery requirements.</li> </ul> <p><b>US Recession</b></p> <ul style="list-style-type: none"> <li>A US recession will have a negative impact on capital inflows into South Africa, which will place further strain on the economic growth and could lead to higher interest rates.</li> </ul> <p><b>Increase in Cost of Living</b></p> <ul style="list-style-type: none"> <li>South African is facing an unprecedented cost of living crisis driven by rising inflation 7.4% (Aug '22) versus 5, 7% (Jan '22). Key amongst the drivers for the sharp inflation rate increase are high energy prices (fuel and electricity), high food prices and an aggressive interest-rate hiking cycle, and</li> <li>The already depressed household's ability to pay for basic utilities will be diminished resulting in more pressure on municipal revenue. This in turn will result in worsening municipalities' ability to service Magalies Water obligations.</li> </ul> |



**Table 16 Continued: The Macro Operating Environment**

| Aspect   | Key Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
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| Economic | <p><b>High Labour Costs</b></p> <ul style="list-style-type: none"> <li>The cost of labour is increasing the fixed cost of the production of water.</li> </ul> <p><b>Increase in Fuel Prices</b></p> <ul style="list-style-type: none"> <li>The cost of water treatment and distribution operation is increasing emanating from the effects of war between Russia &amp; Ukraine on fuel prices, and</li> <li>Higher fuel prices place upward pressure on the cost of water treatment and distribution.</li> </ul> <p><b>Rising Electricity Tariffs</b></p> <ul style="list-style-type: none"> <li>There has been an extraordinary increase in the price of power subsequently this will greatly increase production costs,</li> <li>The water treatment and distribution process entirely depend heavily on electricity,</li> <li>Load shedding is causing volatility on the ability to supply, and</li> <li>Use of alternative sources of energy i.e. solar should be considered.</li> </ul> <p><b>Cost of Raw Untreated Water</b></p> <ul style="list-style-type: none"> <li>The cost of raw untreated water is increasing.</li> </ul> <p><b>Exchange Rate Volatility</b></p> <ul style="list-style-type: none"> <li>The volatility of the exchange rate has an impact on input costs such as chemicals used for water treatment.</li> </ul> <p><b>Municipalities' Ability to Pay for Services</b></p> <ul style="list-style-type: none"> <li>Inadequate financial management practices leading to municipalities defaulting on their payments, and</li> <li>Non-payment for water services by municipalities puts pressure on Magalies Water liquidity, and the balance sheet will show a huge component of cash tied up in receivables.</li> </ul> |

**Table 16 Continued: The Macro Operating Environment**

| Aspect | Key Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Social | <p><b>Indigent Customers</b></p> <ul style="list-style-type: none"> <li>• The high unemployment rate increases the size of the indigent register for local municipalities that are serviced by Magalies Water,</li> <li>• Municipalities have a constitutional obligation to provide free basic services, and</li> <li>• Most municipalities do not have accurate and complete indigent registers which usually gives rise to high costs of provision of water as a free basic service and a skewed picture of revenue collection for Magalies Water.</li> </ul> <p><b>Infrastructure Vandalism</b></p> <ul style="list-style-type: none"> <li>• High unemployment rate provides a breeding ground for criminal activities,</li> <li>• Magalies Water faces vandalism and theft of property from criminal elements in the area, and</li> <li>• General decline in civil morality leading to increased incidence of damaging public infrastructure.</li> </ul> <p><b>Spatial Patterns</b></p> <ul style="list-style-type: none"> <li>• Changing spatial patterns, economic and population growth in the service areas provide Magalies Water with an opportunity to grow its business, and</li> <li>• Required infrastructure upgrade and expansion to address the demand and progressively reach areas that do not have access to water services may be limited by financial pressure emanating from the integration.</li> </ul> <p><b>Corporate Citizenship</b></p> <ul style="list-style-type: none"> <li>• The social profiling of Magalies Water should show a firm dedication to address social ills such as youth unemployment and poverty eradication,</li> <li>• Initiatives that show a positive corporate social responsibility will impact positively on the organisational reputation, and</li> <li>• Magalies Water can promote awareness on the efficient use of water and awareness of employment areas within the water sector.</li> </ul> |



**Table 16 Continued: The Macro Operating Environment**

| Aspect        | Key Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Technological | <p>Water Processing and Smart Detection Technology</p> <ul style="list-style-type: none"> <li>• Magalies Water will benefit from technology advances to improve efficiency and optimise costs.</li> </ul> <p>4IR and Big Data</p> <ul style="list-style-type: none"> <li>• Improved predictive analytics, demand and supply planning leveraging on big data, and</li> <li>• Leveraging on IOT Solutions for efficient water management.</li> </ul> <p>Asset Maintenance</p> <ul style="list-style-type: none"> <li>• Magalies Water can benefit from real time monitoring technologies to improve the quality and cost of maintenance,</li> <li>• New technologies will also assist the water board with minimising water losses from the water network, and</li> <li>• Municipalities can also adopt these technologies to minimise water losses and to improve operational efficiency.</li> </ul> |

**Table 16 Continued: The Macro Operating Environment**

| Aspect        | Key Outcome                                                                                                                                                                                                                                                        |
|---------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Environmental | <p>Climate Change</p> <ul style="list-style-type: none"> <li>• Climate change poses risks that emanate from drought or floods that might cause significant damage to infrastructure. These have a direct correlation to water quality and availability.</li> </ul> |

**Table 16 Continued: The Macro Operating Environment**

| Aspect | Key Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Legal  | <p>Raw Water Allocation</p> <ul style="list-style-type: none"> <li>The de-establishment of Sedibeng might warrant an increased raw water allocation from the DWS.</li> </ul> <p>Blue Drop Status</p> <ul style="list-style-type: none"> <li>Inability to maintain the Blue Drop status will adversely affect the Magalies Water reputational profile.</li> </ul> <p>Water Services Act</p> <ul style="list-style-type: none"> <li>The reviewed process of the legislation means that the entity has to be acquainted with all the changes and how those changes warrant new compliance requirements.</li> </ul> <p>South African National Standards</p> <ul style="list-style-type: none"> <li>Magalies Water must comply with the SANS Standards to avoid penalties.</li> </ul> <p>Legal Disputes</p> <ul style="list-style-type: none"> <li>Legal disputes will have a negative impact on Magalies Water's reputation, operations and budget, and</li> <li>The water board has been facing water pollution which results in higher treatment costs, additional water treatment processes and higher demand for chemicals used to attain acceptable potable water quality.</li> </ul> <p>Raw Water Tariff</p> <ul style="list-style-type: none"> <li>The tariff for raw water is not cost reflective.</li> </ul> <p>Chemicals</p> <ul style="list-style-type: none"> <li>The river water contamination levels mean that more chemicals are needed to produce potable water that complies with quality standards.</li> </ul> |



**Table 16 Continued: The Macro Operating Environment**

| Aspect | Key Outcome                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Legal  | <p>Environmental, Social, and Governance (ESG) Standards</p> <ul style="list-style-type: none"> <li>• There is rising pressure from investors for mandatory reporting on ESGs across multiple sectors, including water. Water utilities must develop plans to deal with challenges such as quality, pollution control, water access equity, and water availability.</li> <li>• Water utilities, globally struggle with their ESG priorities despite mounting pressure from investors and advocacy groups for a mandatory reporting framework that allows meaningful evaluation and comparison of ESG practices and impact.</li> <li>• In addition, customers in a range of industries are demanding that providers accelerate ESG compliance for them meet their own ESG targets and corporate sustainability.</li> </ul> <p>Green Drop Requirements</p> <ul style="list-style-type: none"> <li>• Non-compliance of effluent at points of discharge.</li> </ul> |

The environmental analysis revealed the following:

1. Economic and population growth in our service area presents Magalies Water with an opportunity to grow the business and infrastructure to address the increasing demand and progressively reach areas that do not have access to water and sanitation services.
2. There is increasing availability of modern water services technologies globally and in South Africa.
3. There is an ongoing increase in opportunities to render secondary services specifically in the newly acquired Far West and South West areas.
4. Policy positions by the Government present opportunities for Magalies Water to position itself to be relevant in the achievement of Government's service delivery mandate.

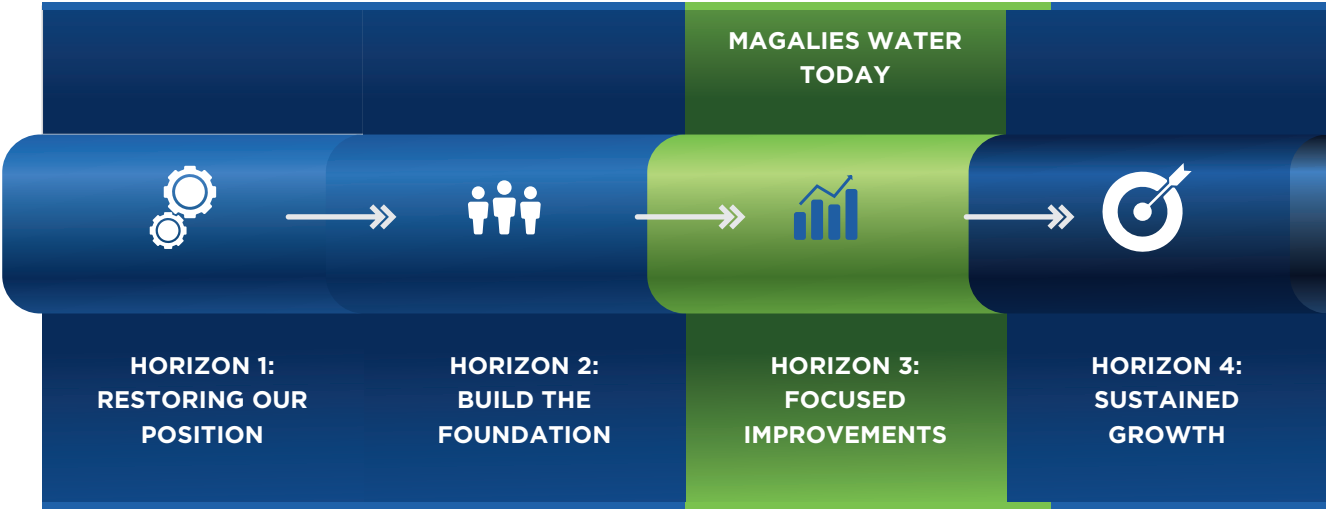
***PART B***  
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# Strategic Positioning

Over the past few years Magalies Water has embarked upon a process of re-establishing the foundations necessary for sustained growth. This process began with it having to restore its position as a functioning Water Board and subsequently building the foundations necessary for growth. It has also been through a process of implementing focused improvements and it is at a point now where it is looking to enable sustained growth.

Figure 4: Building the Foundations for Sustained Growth



An assessment into the competitive landscape was conducted to determine how Magalies Water could best position itself within the current context for sustained growth. The outcome of the assessment highlights that given that water is the lifeblood of society, the possibility of the threat of the product substitution is very low.

In terms of Magalies Water’s operational activities, the competitive environment is limited for S29 activities

due to the high barriers for new entrants into the industry. However, for S30 activities there are low barriers for entry with several market participants in this segment. Magalies Water needs to strictly operate within the defined parameters of the S29 activities but in order to competitively position itself in the market with regards to S30 activities, it will need to appropriately position itself within the industry.

### Internal Environmental Analysis

| Strengths                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Weaknesses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Distinctive skills in the treatment of both wastewater and bulk water.</li> <li>• Highly competent staff with an orientation towards innovation and knowledge management.</li> <li>• An effective governance board and decision support systems.</li> <li>• Capability to respond to changing spatial patterns, population growth, urbanisation, and rising service need as detected by the Growth Response Plan.</li> <li>• SANAS accredited laboratories.</li> <li>• Highly committed stakeholders (stable relations between employer and labour union).</li> <li>• Expanded capital infrastructure base due to merging with Sedibeng Water for both water treatment and distribution.</li> <li>• Certified Environmental Management System (ISO 14001) for sound management practises.</li> </ul> | <ul style="list-style-type: none"> <li>• Inability to raise adequate funding for implementation of capital expansion projects.</li> <li>• Growing overdue debt emanating from inadequate collection.</li> <li>• Aging and unreliable critical infrastructure for water treatment and distribution.</li> <li>• Plant capacity constraints due to increased demand.</li> <li>• Non-cost reflective water pricing frameworks.</li> <li>• Lack of economic incentives for efficient water use and environmentally sustainable practices.</li> <li>• Long lead time to renew vehicle and ICT licenses.</li> <li>• Fit for purpose organisational structure not in place post integration.</li> <li>• Rapid growth of staff compliment, leading to a high ratio of staff cost to revenue.</li> <li>• Insufficient office space and parking at Head Office.</li> <li>• Change management processes not in place. Inadequate implementation, configuration and integration of SAP system.</li> <li>• Manual input of financial information into monthly reporting.</li> <li>• Inadequate IT infrastructure - network availability and internal communication tools, particularly 4IR resources in the newly established Magalies Water area of supply.</li> <li>• Poor communication response to water service interruptions.</li> <li>• Data cleansing, and salary discrepancy.</li> </ul> |



## Internal Environmental Analysis

| Opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Threats                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>Value chain augmentation through technology, artificial intelligence and big data approach (i.e. improvement of 4IR best practices &amp; smart metering).</li> <li>Increased catchment area due to Institutional Reforms and Realignment process (i.e. Expansion of boundaries of Magalies to include Sedibeng water).</li> <li>Enhancement of overall cyber protection for Magalies Water.</li> <li>Improvement of groundwater operations through inclusion of rural areas. – (salinity, operational costs for remote areas).</li> <li>Increasing availability of water data for innovation, research &amp; development activities.</li> <li>To participate in municipal planning processes (IDP Formulation) and add value to water infrastructure management and resource coordination.</li> <li>Expand the implementation of agent projects (i.e. water tanker services) and expansion to other service sectors such as mining.</li> <li>Implement skill preservation strategies with the youth as drivers of organisational sustainability.</li> <li>To promote sustainable water, use through full involvement of all stakeholders who can ensure decisions are made and actions taken at the lowest appropriate level.</li> </ul> | <ul style="list-style-type: none"> <li>Over-reliance on ground water sources in the newly acquired service area with variable water quality and quantity.</li> <li>High levels of pollution from water contamination which leads to poor quality of raw water.</li> <li>Reputational damage due to reliance on infrastructure owned by third parties in Section 30 operations.</li> <li>Poor enforcement of regulations on the management of water resources.</li> <li>High vulnerability to physical attacks, vandalism and theft.</li> <li>Community interference in SCM and Finance processes.</li> <li>Rapid increase in demand, placing pressure on operations.</li> <li>Water supply interruptions.</li> <li>High water losses due to illegal water connections and unauthorised water usage.</li> <li>Instability of electrical supply and loadshedding.</li> <li>Potential loss of business due to poor service standards and non-adherence to Customer Charter.</li> <li>Delays in concluding Bulk Water Supply Agreements.</li> <li>Poor customer service turnaround due to dependencies outside the organisation's control.</li> <li>Litigation emanating from unavailability of records (former Sedibeng).</li> <li>Poorly funded post-merger transition.</li> <li>Legacy issues emanating from Sedibeng Water integration.</li> <li>NARSA and POPIA non-compliance.</li> <li>Infrastructure Agency impact.</li> </ul> |

Magalies Water's response to the outcomes of the internal environmental analysis is through the implementation of the following key action plans:

1. To prioritise increased volumes of potable water and extend services in terms of the capital expansion masterplan,
2. Improve research and development capabilities,
3. Enhance capabilities to perform Section 30 activities,
4. Enhance capability to borrow against the strength of cash flows,
5. Pay particular attention to threats posed by the natural environment, and
6. The development of a comprehensive strategy on climate change.

The risk management process provides another layer of the tools we use to mitigate the impacts of risks actually materialising.

### **Processes and Workflow**

#### **Key Performance Areas**

Magalies Water continues with the management focus on the following key performance areas:

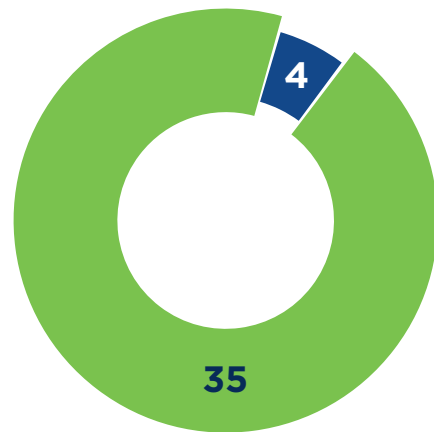
- Water quality compliance,
- Management of average water losses,
- Reliability of supply,
- Financial sustainability,
- Efficiency of capital expenditure,
- Avoidance of reportable Safety, Health and Environmental incidents,

- Human Capital Management, ICT, BBBEE, Skills Development and Job Creation, and
- Stakeholder Management.

### **Overall performance on the Shareholder Compact**

Graphic representation of Annual Performance 2023/24 is reflected below. The overall achieved performance is 90% (35 key performance indicators targets achieved vs 39 key performance indicators).

## **ANNUAL PERFORMANCE 2023/24**



**90%** TARGET  
ACHIEVED

**10%** TARGET NOT  
ACHIEVED

**Part B**  
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| <b>Organisational Efficiency and Effectiveness against Pre-Determined Objectives - Section 29 Operations</b> |                                                                |                                                     |                                                                                            |          |
|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------|-----------------------------------------------------|--------------------------------------------------------------------------------------------|----------|
| Strategic Objective                                                                                          | Key Performance Indicator                                      | Annual Target                                       | Annual Performance                                                                         | Variance |
| To provide quality potable water                                                                             | Acute health microbiological Compliance $\geq 99\%$            | Acute health microbiological Compliance $\geq 99\%$ | 99.95%  | 0.95%    |
|                                                                                                              | Acute health chemical Compliance $\geq 99\%$                   | Acute health chemical Compliance $\geq 99\%$        | 99.98%  | 0.98%    |
|                                                                                                              | Chronic health chemical risk $\geq 97\%$                       | Chronic health chemical Compliance $\geq 97\%$      | 99.06%  | 2.06%    |
|                                                                                                              | Operational risk $\geq 95\%$                                   | Operational Compliance $\geq 95\%$                  | 94.41%  | -0.59%   |
|                                                                                                              | Aesthetic risk $\geq 95\%$                                     | Aesthetic Compliance $\geq 95\%$                    | 99.31%  | 4.31%    |
| To provide reliable and sustainable water services to customers                                              | Avoidable water lost as a % of water produced at Plants        | Plants: $\leq 5\%$                                  | 6.06%   | 1.06%    |
|                                                                                                              | Number of days of unplanned water interruption exceeding 48hrs | $\leq 8$ days                                       | 0       | (8 days) |
|                                                                                                              | Number of capital projects completed in the financial year     | $\leq 3$                                            | 0       | (3)      |



**Part B**  
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| <b>Recovery Plans for Non-Achieved Section 29 KPIs<br/>(Organisational Efficiency and Effectiveness against Pre-Determined Objectives)</b> |                                                                                                                                                                                                                                                                                          |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                              |
|--------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Key Performance Indicator</b>                                                                                                           | <b>Reasons for the non-achievement</b>                                                                                                                                                                                                                                                   | <b>Corrective measures already implemented</b>                                                                                                                                                                                                                                                                         | <b>Planned corrective measures to be implemented</b>                                                                                                                                                                                                                                         |
| Operational risk ≥95%                                                                                                                      | Change in raw water quality due to change in climatic conditions leading to operational challenges                                                                                                                                                                                       | Water treatment processes and chemical dosing were optimised accordingly                                                                                                                                                                                                                                               | The implementation of the scraper project for plant 3: planning phase has been completed                                                                                                                                                                                                     |
| Avoidable water lost as a percentage of water produced at plants                                                                           | Raw water pipe break. Raw water Pump 9 breakdown                                                                                                                                                                                                                                         | Pump 9 has been installed. All valves requiring plant 2 shut down have now been installed                                                                                                                                                                                                                              | Raw water plant upgrade will address the pump inefficiencies                                                                                                                                                                                                                                 |
| Number of capital projects completed in the financial year                                                                                 | <p>Delay commissioning the Tlhabane Reservoir due to none availability of water</p> <p>Delays by Eskom to connect the Mafenya to Evergreen Cathodic Protection System</p> <p>Delays in the Mafenya to Tlhabane Reservoir Project as a result of hard rock found on the pipeline path</p> | <p>Magalies Water has written letters and had engagements with RLM and RBA to assist with the water connection</p> <p>Magalies Water has engaged with Eskom to assist with the connections. Eskom has indicated lack of stock and lengthy procurement process to acquire the required equipment and infrastructure</p> | <p>Magalies Water to complete the pipeline and use internal water to complete the water tightness test</p> <p>Magalies Water to engage with Eskom to reduce the application costs and assist with the design and construction of the required transformers and electrical infrastructure</p> |

| <b>Stakeholder Engagement Performance<br/>Customer and Stakeholder Interaction Against Pre-Determined Objectives</b> |                                                                                                                            |                      |                                                                                            |                 |
|----------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------------------------------------------------------------------|-----------------|
| <b>Strategic Objective</b>                                                                                           | <b>Key Performance Indicator</b>                                                                                           | <b>Annual Target</b> | <b>Annual Performance</b>                                                                  | <b>Variance</b> |
| To manage customer and Stakeholder Relations                                                                         | Municipalities/other customers with Bulk Supply Agreements                                                                 | 80%                  | 92%   | 12%             |
|                                                                                                                      | Signed Contracts, MOUs, etc. NB: This pertains to the "Total number of identified municipalities supported" Outcome/Impact | 2                    | 2     | -               |
|                                                                                                                      | Submission Dates Met                                                                                                       | 100%                 | 100%  | -               |

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| <b>Financial Performance</b>                                   |                                                                                                               |                   |                                                                                                       |           |
|----------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-------------------|-------------------------------------------------------------------------------------------------------|-----------|
| <b>Financial Performance against Pre-Determined Objectives</b> |                                                                                                               |                   |                                                                                                       |           |
| Strategic Objective                                            | Key Performance Indicator                                                                                     | Annual Target     | Annual Performance                                                                                    | Variance  |
| To ensure good corporate governance                            | Annual External Audit                                                                                         | Unqualified Audit | Unqualified Audit  | -         |
| To achieve growth and sustainable financial returns            | Current Ratio                                                                                                 | 1.2:1             | 1.3:1              | 0.1 : 1   |
|                                                                | Gross Profit Margin % (Primary Activity)                                                                      | ≥33%              | 53%                | 20%       |
|                                                                | Net Profit Margin (primary activity)                                                                          | ≥6%               | 19%                | 13%       |
|                                                                | Debt / Equity                                                                                                 | ≤19%              | 0%                 | -19%      |
|                                                                | Return on Assets                                                                                              | ≥2%               | 6%                 | 4%        |
|                                                                | Average Debtors Days                                                                                          | ≤ 540 days        | 457 days           | (83 days) |
|                                                                | Repairs and maintenance as a percentage of Property, Plant & Equipment & Investment Property (carrying Value) | ≥2%               | 6%                 | 4%        |
|                                                                | Staff remuneration as a percentage of Total Revenue                                                           | ≤31%              | 26%                | -5%       |
| To contribute towards transformation and developmental agenda  | Spend                                                                                                         | ≥40%              | 88.35%             | 48.35%    |
|                                                                | New entrants (BBBEE)                                                                                          | 80                | 158                | 78        |
|                                                                | Actual CAPEX spend on expansion related projects as % of total CAPEX budget                                   | ≥90%              | 90%                | -         |

| <b>Recovery Plans for Non-Achieved KPIs (Financial Performance)</b> |                                 |                                         |                                               |
|---------------------------------------------------------------------|---------------------------------|-----------------------------------------|-----------------------------------------------|
| Key Performance Indicator                                           | Reasons for the non-achievement | Corrective measures already implemented | Planned corrective measures to be implemented |
| None                                                                |                                 |                                         |                                               |

**Part B**  
**Business Model and Performance Information**

**Magalies Water Annual Report 2023/24**

| <b>Governance</b>                                            |                                                                                                        |                |                                                                                            |          |
|--------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|----------------|--------------------------------------------------------------------------------------------|----------|
| <b>General Perspective against Pre-Determined Objectives</b> |                                                                                                        |                |                                                                                            |          |
| Strategic Objective                                          | Key Performance Indicator                                                                              | Annual Target  | Annual Performance                                                                         | Variance |
| To manage Customer and Stakeholder Relations                 | Board Member attendance of all Board/Committee Meetings                                                | 85%            | 94.84%  | 9.84%    |
|                                                              | Board and Committee meetings held                                                                      | 24             | 32      | 8        |
|                                                              | Decision Making: Percentage number of resolutions taken by the Board vs number of resolutions required | 100%           | 100%    | -        |
| To ensure good corporate governance                          | Number of repeat and unresolved internal audit findings                                                | Repeat ≤15     | 20      | 5        |
|                                                              |                                                                                                        | Unresolved ≤20 | 10      | -10      |
|                                                              | Breaches of Materiality and Significance Framework                                                     | 0              | 0       | -        |
| To manage Customer and Stakeholder Relations                 | Total percentage of compliance with the Stakeholder Engagement Plan                                    | 100%           | 156%    | 56%      |

| <b>Recovery Plans for General Perspective against Pre-Determined Objectives</b> |                                                                                                                                                                                   |                                                                                                                                                                             |                                                                                  |
|---------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| Key Performance Indicator                                                       | Reasons for the non-achievement                                                                                                                                                   | Corrective measures already implemented                                                                                                                                     | Planned corrective measures to be implemented                                    |
| Repeat ≤15                                                                      | Some of the findings have financial implications for them to be resolved. Magalies Water also implemented cost containment measures which prioritises projects for implementation | To continuously monitor the progress made on a quarterly basis through CATTs and tracking registers to ensure that end users are implementing actions to address the issues | To also conduct follow up audits to track progress made to address the findings. |



**Part B**  
**Business Model And Performance Information**

Magalies Water Annual Report 2023/24

**Organisational Capacity: Employment Report**

**Organisational Capacity Performance against Pre-Determined Objectives**

| Strategic Objective                                                           | Key Performance Indicator                           | Annual Target | Annual Performance                                                                      | Variance |
|-------------------------------------------------------------------------------|-----------------------------------------------------|---------------|-----------------------------------------------------------------------------------------|----------|
| To create a high performance organisation through effective talent management | Staff Turnover                                      | ≤7%           | 1%   | -6%      |
| To contribute towards transformation and developmental agenda                 | Learnerships                                        | 25            | 36   | 11       |
|                                                                               | Internships                                         | 25            | 31   | 6        |
|                                                                               | Number of external Bursaries Awarded (Annual Cycle) | 10            | 22   | 12       |
|                                                                               | Bursaries Employees                                 | 30            | 43   | 13       |
|                                                                               | Graduate Programmes                                 | 5             | 7    | 2        |
|                                                                               | Total Number (Indirect)                             | 70            | 435  | 365      |
|                                                                               | Total Number (Direct)                               | 5             | 5    | 0        |

**Recovery Plans for Non-Achieved KPIs (Organisational Capacity Performance)**

| Key Performance Indicator | Reasons for the non-achievement | Corrective measures already implemented | Planned corrective measures to be implemented |
|---------------------------|---------------------------------|-----------------------------------------|-----------------------------------------------|
| None                      |                                 |                                         |                                               |

**Corporate Social Investment**

**General Performance Perspective: Corporate Social Investment**

| Strategic Objective                                           | Key Performance Indicator        | Annual Target | Year to date Actual Performance                                                         | Variance |
|---------------------------------------------------------------|----------------------------------|---------------|-----------------------------------------------------------------------------------------|----------|
| To contribute towards transformation and developmental agenda | Number of initiatives undertaken | 4             | 4  | 0        |

**Recovery Plans for Non-Achieved KPIs (General Performance Perspective: Corporate Social Investment)**

| Key Performance Indicator | Reasons for the non-achievement | Corrective measures already implemented | Planned corrective measures to be implemented |
|---------------------------|---------------------------------|-----------------------------------------|-----------------------------------------------|
| None                      |                                 |                                         |                                               |

***PART C***  
*General Performance*



## *General Performance and Assurance*

### **The Office of the Chief Executive**

The Magalies Water Office of the Chief Executive (CE) includes the Company Secretary, enterprise risk management, internal audit, Strategy Management unit, governance, compliance and monitoring. The office of the CE is to oversee and lead the implementation of organisational strategy.

### **Internal Audit**

The Internal Audit unit provides independent, objective assurance and consulting activities designed to add value and improve Magalies Water's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, controls and governance processes.

### **Fraud and Corruption**

Magalies Water supports and fosters a culture of zero tolerance for concealment of fraudulent, corrupt and illegal acts, regardless of whether internal or external to the organisation. All allegations of fraud and corruption are investigated fairly, and appropriate actions are instituted against wrongdoers. Employees of Magalies Water who do not comply with the organisation's code of business conduct and ethics, face disciplinary action, including dismissal.

The reporting of suspected cases is handled through the independently hosted hotline administrator and other internal arrangements for walk-ins. Magalies Water views whistle-blowers as crucial in the detection and prevention of fraud and dishonest behaviour. The outsourcing of the whistle-blowing services enables compliance with the provisions of the Protected Disclosures Act, 2000 (Act 26 of 2000) for whistle-blowers and whistleblowing processes. As an SOE, Magalies Water acknowledges and commits itself to its duty to protect whistle-blowers.

### **Enterprise Risk Management**

Magalies Water has a dedicated risk management function based in the Office of the Chief Executive. It coordinates and supports the overall organisational risk management process, which includes business continuity, fraud and corruption, related whistleblowing services and compliance management.

The organisation has an approved risk management framework, policy and strategy that guides the risk management process. It also has the effective Audit and Risk Committee of the Board that provides oversight on risk management and the organisation's control environment.

The organisation's approach to risk management is based on established governance processes that rely on both individual responsibility and collective oversight, supported by comprehensive reporting. As acknowledgement of the complex and changing risk environment, continuous risk assessments are conducted to identify emerging risks that could negatively affect reaching organisational goals.

#### **Risk Management (including Treasury Risks)**

Magalies Water has adopted an enterprise-wide approach to risk management. Risk assessment were continuously conducted during the 2023/24 financial year to identify and manage potential risks that may negatively impact the achievement of the strategic and operational objectives of the organisation. Table 22 depicts Magalies Water's strategic risks for the year ended 30 June 2024.



*2010-2011 - Retained ISO 14001 SABS  
certification for the Vaalkop Water Treatment  
Works for the fifth consecutive year and  
extended this certification to other WTW  
facilities.*

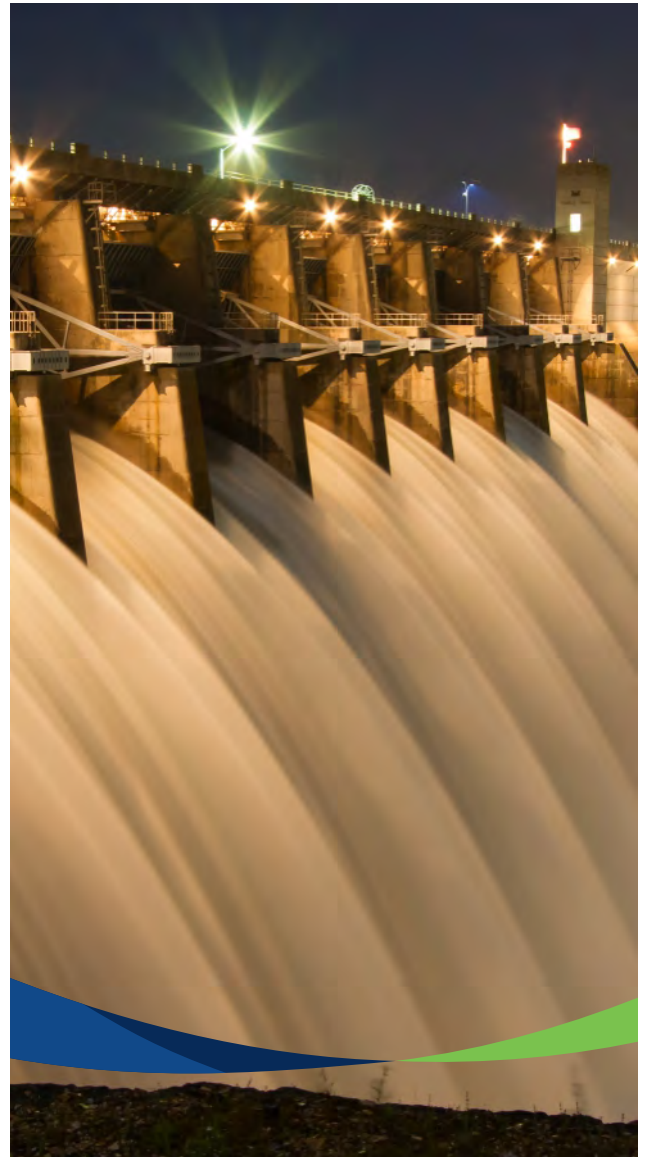


**Table 17: Strategic Risks**

| Strategic Objective                                 | Description of Risk  | Root Cause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Mitigation measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To achieve growth and sustainable financial returns | Escalating debt book | <ol style="list-style-type: none"> <li>Customers not paying on time - (Default)</li> <li>Delays in payments by key customers (Bulk customers)</li> <li>Delays in payments by Section 30 customers</li> <li>Constraint in implementation of SLA (Consultation with multiple stakeholders prior to implementation of credit control measures)</li> <li>Poor collection</li> <li>Lack of credible billing and disputes by customers</li> <li>Misaligned KPI on Service/Sales vs Revenue Collection</li> </ol> | <ol style="list-style-type: none"> <li>Enforce debt recovery policy for customers (Section 30 and small customers)</li> <li>Enforcement of Bulk water supply agreements</li> <li>Bulk consumers                             <ul style="list-style-type: none"> <li>Monthly telephonic follow-up with Municipalities by the CFO</li> <li>After 90 days of non-payment, a payment agreement entered into with the Municipalities</li> </ul> </li> <li>Implement water restrictions in line with the signed SLA</li> <li>Identify customers with no signed contracts/ SLAs and initiate signing process</li> <li>Section 30 Customers                             <ul style="list-style-type: none"> <li>Send Monthly invoices and after 60 days of non-payment sent reminders</li> <li>After 90 days, the matter referred to legal for collection</li> </ul> </li> <li>Conduct quarterly stakeholder engagements</li> <li>Institute legal proceeding after customers default on their payment agreements</li> <li>Improvement of the billing process by clearing the monthly billing queries/disputes</li> <li>Configure the Vaalkop Water System such that it is able to switch between customers (If a customer is restricted the water system should be able to direct that water to the other paying customer)</li> </ol> | <ol style="list-style-type: none"> <li>Summons has been issued to the Municipality on 10 May 2024 and Kgetleng has issued a notice of intention to defend. The attorneys advised that Kgetleng Municipality would like to settle this matter out of court</li> <li>Bulk Consumers                             <ul style="list-style-type: none"> <li>During quarter 4, Debtors collection task team was established whereby collection follow-up was done and all the mines were contacted to pay their account before end of June 2024. Most mines responded with payment for April &amp; May account by 15 June and the rest by the 30 June 2024. Engagement &amp; follow-ups were also done with Municipalities e.g. Moses Kotane, City of Tshwane, Maquassi Hills, Bela-Bela, Modimolle, Thabazimbi. Most of these Municipalities has paid before 30 June 2024 whilst other promised payment after receipt of equitable shares</li> </ul> </li> <li>Most of contracts have been renewed WSA (100%), only one contract is on month to month-RBA and three mines (two expired and one still to enter a new contract)</li> <li>Engagements with WSAs and WSIs were held with Dr Ruth Mompoti District Municipality, Bela Bela Local Municipality, Moses Kotane Local Municipality, City of Tshwane Metropolitan Municipality, Maquassi Hills Local Municipality, Modimolle-Mookgophong Local Municipality, Thabazimbi Local Municipality as well as Rand Water</li> <li>The settlement agreement has been signed between Magalies Water and Modimolle Municipality</li> <li>The billing challenges could not be resolved due to SAP non-availability. Once the system is up and running, all outstanding billing issues will be prioritised</li> <li>Vaalkop WTW Upgrade Project- which entails the increase of Vaalkop WTW from 270Ml/Day to 360Ml/Day. The planning process is underway, The Implementation Ready Study is expected to be submitted to DWS in Q2 of 2024/25FY. The Project will be implemented once the Funding application is approved via the BFI process</li> </ol> |

| Residual risk |        |          |
|---------------|--------|----------|
| Likelihood    | Impact | Exposure |
| Certain       | Major  | Critical |

**Table 17 Continued: Strategic Risks**

| Strategic Objective                                 | Description of Risk                        | Root Cause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Mitigation measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------------------|--------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To achieve growth and sustainable financial returns | Inability to sustain and grow the business | <ol style="list-style-type: none"> <li>1. Inadequate debt collection</li> <li>2. Realignment of the water boards (possible loss of assets and customer base)</li> <li>3. Lack of implementation of the Investment Strategy</li> <li>4. Increasing operational costs (utilities, staff, chemicals etc.)</li> <li>5. Delays in completion of capital projects</li> <li>6. Insufficient financial resources</li> <li>7. Delays in the development and implementation of the Sanitation Master Plan</li> <li>8. Delay in implementation of the bulk master plan</li> <li>9. Dependency on key stakeholders (the minister, SALGA, Municipalities) for approval of tariffs</li> <li>10. Encroachment and invasion of services</li> </ol> | <ol style="list-style-type: none"> <li>1. Implementation of the debt collection policy/strategy <ul style="list-style-type: none"> <li>- Payment arrangements with defaulting customers</li> <li>- Restrict water services to defaulting customers</li> <li>- Use of debt collectors and monitor their performance</li> </ul> </li> <li>2. Conduct a due diligence and asset audit plus rebranding of asset identified</li> <li>3. Review the current Investment strategy and identify areas of improvement</li> <li>4. Implement the cost containment as per National Treasury Framework and Magalies Water SCM Policy</li> <li>5. Update the financial models within the growth strategy</li> <li>6.1 Conduct bi-weekly cash flow management and reporting</li> <li>6.2 Investigate new revenue generation streams.- Identify opportunities for new business and growth in other countries e.g. Laboratory services</li> <li>6.3 Engage with Mid-Vaal for acquisition of their spare capacity</li> <li>6.4 Application for borrowing limits processes with National Treasury (through adherence to implementation process undertaken by DBSA)</li> <li>7 &amp; 8. Develop Bulk Sanitation and Water Master Plan</li> <li>9. Implementation of growth strategy (e.g. Uniform tariff)</li> <li>10. Engage municipalities on issues around encroachment before eviction notices are issued.</li> </ol> | <ol style="list-style-type: none"> <li>1. Debt collection strategy has been implemented and action items in debt management strategy that needed to be implemented are detailed in Escalating debt book risk</li> <li>2. Due diligence was conducted, Far and Southwest rebranding of treatment plants, offices and directional signboards were completed in full. The rebranding of fleet is done with the Fleet Management department under Water Services Division</li> <li>3. Review of investment strategy is in progress</li> <li>4. Cost containment measures are in place and cost containment committee meets weekly to evaluation procurement and compliance to cost containment measures</li> <li>5. There were no new projects being implemented as required by the Growth Strategy. Update of financial models and costs is done when the projects are ready for implementation and need to be budgeted for</li> <li>6.1. Cash flow report was prepared and submitted to CFO and Finance Manager for review and consideration at least once in two weeks</li> <li>6.2. There were no new revenue streams identified during the quarter</li> <li>6.3 The Minister convened a virtual meeting on 28 May 2024. The meeting discussed possible collaboration or acquisition of Mid-Vaal Water Company by Magalies Water.</li> <li>6.4. The application for borrowing limit could not be submitted to National Treasury as the organisation has some gaps that still need to be closed from conditional BFI grant approval including CBA, off take agreements, Regulatory and environmental approvals, legal and financial requirements of the project</li> <li>7 &amp; 8 Implementation of Bulk Water Master plan is ongoing</li> <li>9. Uniform tariff for the 4 plants (Vaalkop, Klipdrift, Cullinan and Wallmannsthal) was approved in Q3 of 2023/24 and will be implemented in July 2024</li> <li>10. Engagements were done with Rustenburg Local Municipality in Q4 however continuous monitoring of encroachment is being done</li> </ol> |

**Table 17 Continued: Strategic Risks**

| Strategic Objective                                 | Description of Risk                                                  |
|-----------------------------------------------------|----------------------------------------------------------------------|
| To achieve growth and sustainable Financial Returns | Liquidity risk - Inability to pay financial obligation of the entity |

| Residual risk |        |          |
|---------------|--------|----------|
| Likelihood    | Impact | Exposure |
| Likely        | Major  | Critical |

| Root Cause                                                                  | Mitigation measures                                                                                                                | Status of implementation as at end of the 2023/24 FY                                                                                               |
|-----------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Historic creditors received from Sedibeng which increases creditors book | 1.1 Engagement with DWS regarding funding                                                                                          | 1.1 A request for funding was submitted to DWS in Q3 and engagements were held with DWS and no funding has been confirmed by DWS, by the end of Q4 |
| 2. Inability to collect revenue                                             | 1.2 Negotiate and sign payment arrangements with the following suppliers: DWS, Bloem Water Vaalharts and SARS to avoid defaulting. | 1.2. No payment arrangements were signed with suppliers due to delay in engagements and finalisation of agreements                                 |
| 3. Increase in operational cost                                             |                                                                                                                                    |                                                                                                                                                    |
| 4. Insufficient cash flow to fund operations                                |                                                                                                                                    |                                                                                                                                                    |

| Strategic Objective              | Description of Risk                |
|----------------------------------|------------------------------------|
| To provide quality potable water | Deterioration of raw water quality |

| Residual risk |        |          |
|---------------|--------|----------|
| Likelihood    | Impact | Exposure |
| Likely        | Major  | Critical |

| Root Cause                                                          | Mitigation measures                                                                                                     | Status of implementation as at end of the 2022/23 FY                                                                                                                                                                                                                                 |
|---------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Climate change (droughts and floods)                             | 1. Conduct annual assessment of the impact of raw water quality (partner with external party for consultation with DWS) | 1. Water quality has been monitored and quality has been reported for all the systems                                                                                                                                                                                                |
| 2. Water pollution from defuse point and point sources              | 2. Continuous engagement with DWS on quality challenges affecting the raw water                                         | 2. The DWS has been engaged on water quality challenges in abstraction systems, this was done for the purposes of the Department to formulate a plan to improve the quality of water. Shifting abstraction source has been enacted for systems with alternative sources of raw water |
| 3. Over abstraction of water                                        | 3. Continuous monitoring and control of dam and abstraction levels as per license requirements                          | 3. Change in the abstraction level was enacted for systems that were not receiving deteriorated raw water                                                                                                                                                                            |
| 4. Poor catchment management by Catchment Management Agency and DWS | 4. Monitoring of catchment and continuous engagement with DWS and municipalities                                        | 4. Continuous monitoring of the catchment was done in Q4, and a report to that effect was developed                                                                                                                                                                                  |
| 5. Lack of maintenance and upkeep of dams by DWS                    |                                                                                                                         |                                                                                                                                                                                                                                                                                      |

**Table 17 Continued: Strategic Risks**

| Strategic Objective              | Description of Risk             |
|----------------------------------|---------------------------------|
| To provide quality potable water | Insufficient raw water quantity |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Unlikely      | Moderate | Low      |

| Root Cause                                                                                                                                                                                                      | Mitigation measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
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| 1. Low dam levels<br>2. Augmentation system restriction or failure<br>3. Over abstraction of raw water<br>4. Droughts and floods<br>5. Water pollution<br>6. Inadequate maintenance of raw water infrastructure | <p><b>VAALKOP RAW WATER SYSTEM</b></p> <ol style="list-style-type: none"> <li>To take over operations and maintenance of canal - DWS</li> <li>Engage DWS to maintain flow into the canal by controlling algae growth</li> <li>Request budget for controlling and managing the algae growth</li> </ol> <p><b>CULLINAN RAW WATER SYSTEM</b></p> <ol style="list-style-type: none"> <li>Monitor and report on raw water quality as per the extended scope - catchment area</li> <li>Develop a plan with regards to raw water supply</li> <li>Develop a plan for potable water supply to the plant (Link Roodeplaat with Cullinan plant)</li> </ol> <p><b>WALLMANNSTHAL &amp; KLIPDRFT</b></p> <ol style="list-style-type: none"> <li>Monitoring of water quality and quantity at Wallmannsthal and Klipdrift</li> </ol> <p><b>TAUNG, BOGOSING, PUDIMOE AND PAMPIERSTAD RAW WATER SYSTEM VAALHARTS DAM</b></p> <ol style="list-style-type: none"> <li>Water rationing during dry periods (canal not flowing) to meet demand</li> <li>New Taung plant under construction to be used to augment supply (plant acquisition)</li> <li>In areas where there are single boreholes - engage with local municipality for source development and drilling of additional boreholes</li> </ol> | <p><b>VAALKOP RAW WATER SYSTEM</b></p> <ol style="list-style-type: none"> <li>The operations and maintenance of canal still resides with DWS. Negotiations to take over the works is ongoing</li> <li>DWS engagement to maintain flow into the canal by controlling algae growth is ongoing</li> <li>Budget for controlling and managing the algae growth is now part of OPEX budget</li> </ol> <p><b>CULLINAN RAW WATER SYSTEM</b></p> <ol style="list-style-type: none"> <li>Monitoring of catchment system was conducted in Q4</li> <li>The new Cullinan raw water pump station was commissioned in November 2023</li> <li>Roodeplaat dam is full and overflowing. Supplies both Wallmannsthal and Klipdrift system. Augmentation is available when there is need</li> </ol> <p><b>WALLMANNSTHAL &amp; KLIPDRFT</b></p> <ol style="list-style-type: none"> <li>Monitoring of water quantity at Wallmannsthal and Klipdrift is ongoing</li> </ol> <p><b>TAUNG, BOGOSING, PUDIMOE AND PAMPIERSTAD RAW WATER SYSTEM VAALHARTS DAM</b></p> <ol style="list-style-type: none"> <li>We request Vaalharts to increase the canal flow to fill up Mogopola dam and also the raw water storage dams, two weeks prior to Dry Week period</li> <li>The Taung Plant is still under the consultant. The plant is not fully operating as the DWS contractor is still on site. However, the Plant is filled with water from the Vaalharts Canal daily and also fill up the water storage dam a week prior to the Dry Week period</li> <li>Engaged with local municipality for source development and drilling of additional boreholes</li> </ol> |

**Part C**  
**General Performance**

**Magalies Water Annual Report 2023/24**

**Table 17 Continued: Strategic Risks**

| Strategic Objective                                             | Description of Risk             |
|-----------------------------------------------------------------|---------------------------------|
| To provide reliable and sustainable water services to customers | Security breaches and incidents |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Possible      | Moderate | Moderate |

| Root Cause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Mitigation measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                           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| <ol style="list-style-type: none"> <li>1. Develop the Security Policy, review the existing access control procedure and develop personal security as well as document and communication security procedures</li> <li>2. Conduct quarterly security training and awareness</li> <li>3. Enhancing the current electronic security system (Roll out security alarm installation in all critical sites) including the implementation of biometric access control system at all identified critical sites- phased approach strategy</li> <li>4.1 Upgrading and maintenance of existing fences and security equipment in all sites including reservoirs to enforce access control procedures</li> <li>4.2 Roll out the declaration of the identified Magalies Water sites as National Key Point Installations by following up on the recommendations of SAPS security assessment report</li> <li>5. Motivate for funds allocation</li> <li>6. Conduct assessment and identify sites that need increased deployment of security guards</li> <li>7. Review the security structure of Magalies Water and recruit additional security personnel</li> <li>8. Creation of main security operations control centre (Brits) as well local security control rooms (Vaalkop, Klipdrift, Montshoua district office and Mafikeng regional office)</li> <li>9. Sourcing of electronic security systems maintenance and servicing service providers</li> <li>10. Enforcement of the provisions of SLA</li> <li>11. SLA with Water Services Authorities to be reviewed in order to include a clause to manage access control into the premises by Municipal officials (Mitigation of Municipal staff forcefully gaining access into the plant)</li> <li>12. Inclusion of a clause in the SLA's that will hold the municipality accountable for lapse of security at sites that Magalies Water's security responsibility has been removed in the contract</li> </ol> | <ol style="list-style-type: none"> <li>1. Develop the Security Policy, review the existing access control procedure and develop personal security as well as document and communication security procedures</li> <li>2. Conduct quarterly security training and awareness</li> <li>3. Enhancing the current electronic security system (Roll out security alarm installation in all critical sites) including the implementation of biometric access control system at all identified critical sites- phased approach strategy</li> <li>4.1 Upgrading and maintenance of existing fences and security equipment in all sites including reservoirs to enforce access control procedures</li> <li>4.2 Roll out the declaration of the identified Magalies Water sites as National Key Points Installation by following up on the recommendations of SAPS security assessment report</li> <li>5. Motivate for funds allocation</li> <li>6. Conduct assessment and identify sites that needs increased deployment of security guards</li> <li>7. Review the security structure of Magalies Water and recruit additional security personnel</li> <li>8. Creation of main security operations control centre (Brits) as well local security control rooms (Vaalkop, Klipdrift, Montshoua district office and Mafikeng regional office)</li> <li>9. Sourcing of electronic security systems maintenance and servicing service providers</li> <li>10. Enforcement of the provisions of SLA</li> <li>11. SLA with Water Services Authorities to be reviewed in order to include a clause to manage access control into the premises by Municipal officials (Mitigation of Municipal staff forcefully gaining access into the plant)</li> <li>12. Inclusion of a clause in the SLA's that will hold the Municipality accountable for lapse of security at sites that Magalies Water's security responsibility has been removed in the contract</li> </ol> | <ol style="list-style-type: none"> <li>1. Approved Policy and Personnel, Document and Communication as well as Access Control Procedures were communicated to staff in Q4</li> <li>2. The awareness for Q4 was covered by the dissemination of the approved Policy and Procedure</li> <li>3. Electronic access control system commissioned and implemented at Klipdrift. Identified critical areas of the Plant is accessed through facial recognition biometric system</li> <li>4.1 Tender process of Vaalkop and part 2 Klipdrift fencing projects were suspended due to cash flow challenges</li> <li>4.2 Application to declare Klipdrift and Vaalkop WTP's as well as Brits Lab submitted to SAPS. Declaration process not yet finalised by SAPS</li> <li>6. Increased security deployment implemented at several sites on the new contract of East and West Regions that commenced on 01 July 2024</li> <li>7. Security Structure reviewed. The funded post of Facilities and Security coordinator advertised in Q4 and further recruitment process to unfold during Q1</li> <li>8. Project suspended due to cost containment</li> <li>9. Service provider to maintain the security system has been appointed during Q4 on a six months' contract</li> <li>10. Service Level Agreement for Far West and Southwest signed by the appointed security service provider and is being implemented</li> <li>11 and 12. Development of the SLA is underway, CSO has submitted inputs to the Legal Office for inclusion in the SLAs</li> </ol> |

**Table 17 Continued: Strategic Risks**

| Strategic Objective                             |  | Description of Risk   | Root Cause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  | Mitigation measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-------------------------------------------------|--|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| To manage Customer and Stakeholder Interactions |  | Erosion of reputation | <ol style="list-style-type: none"> <li>Poor service delivery (aging infrastructure, poor water quality and poor water supply)</li> <li>Lack of enforcement of tri-partite agreements e.g. IA agreements</li> <li>Negative audit outcome</li> <li>Inadequate Stakeholder Engagements</li> <li>Ineffective internal and external communication - Late incident reporting</li> <li>Impact of internal and external events in the business</li> <li>Unrealistic expectation and perceptions</li> <li>Non-payment of suppliers</li> <li>Negative media reports</li> <li>Work stoppages due to strike actions</li> <li>Tools of trade not provided</li> <li>Poor project management</li> </ol> |  | <ol style="list-style-type: none"> <li>Bulk Water Supply Agreements</li> <li>Communication protocol as per SOP</li> <li>Conduct Stakeholder engagement and adherence to Stakeholder engagement plans</li> <li>Bulk Water Supply Agreements</li> <li>Divisional audit plan</li> <li>Stakeholder engagement plan</li> <li>Quarterly staff information sessions</li> <li>Online newsletter</li> <li>Social media platforms</li> <li>Conduct Public relations campaigns</li> <li>Social media platforms</li> <li>Quarterly reports - Marketing and Branding</li> <li>Conduct Stakeholder, Customer and employee satisfaction surveys</li> <li>Conduct Media monitoring</li> <li>Obtain approval of Magalies Water Project Management Framework</li> </ol> | <ol style="list-style-type: none"> <li>Bilk Water Supply Agreements - Kgetlengrivier Local Municipality submitted a letter of extension for a year</li> <li>Stakeholder engagement Targets 15 vs Actual (80% vs Actual 150%) achievement</li> <li>Engaged CoT regarding water challenges and mines to update them on the current bulk water supply in Cullinan area</li> <li>PSC session was held with stakeholder in Waterberg and Bojanala District Municipality, Klipvoor BWS and Pilanesberg Phase 2</li> <li>Closing of Audit findings for Communications and Stakeholder Relations Division is underway</li> <li>Stakeholder engagements held as per the Stakeholder Engagement Plan</li> <li>Staff information session for Q4 was held on 22 May 2024</li> <li>Online newsletter is currently being produced and will be circulated to all staff by e-mail and uploaded on the website before end of July 2024</li> <li>Social Media platforms are updated regularly on both operational issues (including service interruption notices) and governance matters (clean audit and board engagements)</li> <li>Quarterly report was done for Q4</li> <li>Customer and Stakeholder satisfaction survey was conducted</li> <li>Media monitoring is undertaken with the production of quarterly reports with emphasis on social media performance</li> <li>Magalies Water Project Management Framework currently under review</li> </ol> |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Possible      | Moderate | Moderate |

**Table 17 Continued: Strategic Risks**

| Strategic Objective                                             |  | Description of Risk                |
|-----------------------------------------------------------------|--|------------------------------------|
| To provide reliable and sustainable water services to customers |  | Failure of critical infrastructure |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Unlikely      | Moderate | Low      |

| Root Cause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Mitigation measures                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Ageing infrastructure<br>2. Vandalism of infrastructure<br>3. Delays in implementation of Master Plan<br>4. Dependency on infrastructure owned by external parties<br>* Leaking dams<br>5. Unreliable electricity supply and increased level of loadshedding (backup generators not able to run the water treatment plants)<br>6. Inadequate assets management<br>7. Delays in finalising procurement processes<br>8. Floods<br>9. Failure to implement the investment strategy - Depreciation costs not provided for future re-investment on the critical infrastructure (Invest 100% of depreciation on monthly basis) | 1. Conclude the borrowing process with the National Treasury<br>2. Review the Procurement Plan to include the turnaround times for all the projects and monitor the performance on a monthly basis to avoid unnecessary delays<br>3. Review and update Bulk Water Master Plan and Bulk Sanitation Master Plan to cover all service areas<br>4. Implement the approved minor CAPEX projects to optimise the plants and improve on efficiency<br>5. Application for loadshedding exemption for other areas not covered (Far West and South west)<br>6. Conduct plants improvement and upgrades | 1. The application for borrowing limit could not be submitted to National Treasury as the organisation has some gaps that still need to be closed from conditional BFI grant approval including CBA, off-take agreements, regulatory and environmental approvals, legal and financial requirements of the project<br>2. The procurement plan review and monitoring is ongoing on a regular basis to eliminate unnecessary delays. This is done with involvement of SCM office<br>3. Project to update the Bulk Water Master Plan project and to incorporate former Sedibeng areas of operations was appointed in Q3 and the service provide is working on the project<br>4. Implementation of minor CAPEX projects is ongoing. Expenditure on the implementation of minor CAPEX is at 34% year to date against target of 90%<br>5. Engagements with Eskom has revealed that it will be difficult to exempt the plants because they share the transformer with residential areas<br>6. Modimolle pump which will provide additional redundancy at Modimolle pumpstation was installed and outstanding works involves refurbishment of the VSD. Project to be finalised in Q1 of FY 2024/25 |

**Part C**  
**General Performance**

**Magalies Water Annual Report 2023/24**

**Table 17 Continued: Strategic Risks**

| Strategic Objective                                                           | Description of Risk                                     |
|-------------------------------------------------------------------------------|---------------------------------------------------------|
| To create a high-performance organisation through effective talent management | Failure to maintain and retain critical and core skills |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Possible      | Moderate | Moderate |

| Root Cause                                                                                      | Mitigation measures                                                                                                                                                                                                                                                                                                                                       | Status of implementation as at end of the 2023/24 FY                                                                                                                   |
|-------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Competition for skills                                                                       | 1. Full implementation of the retention strategy                                                                                                                                                                                                                                                                                                          | 1. The process of succession planning has been paused. Job Descriptions have been updated and the skills audit is underway                                             |
| 2. Inadequate of implementation of retention policy                                             | 1.1 Implementation of succession plan across Magalies Water<br>1.2 Develop and implement Flexible Working Arrangement Policy                                                                                                                                                                                                                              | 1.2 The Flexible Working Arrangement Policy has been developed and presented up to the HRSEC, to be presented to the Board in the next meeting                         |
| 3. Geographic location of the organisation                                                      | 1.3 Implementation of performance management rewards                                                                                                                                                                                                                                                                                                      | 1.3 The Performance Management Policy is currently under review to include non-financial rewards it be tabled in the approval structures in Q2 (2024/25)               |
| 4. Permanent v/s contract employment at executive levels                                        | 1.4 Training and development                                                                                                                                                                                                                                                                                                                              | 1.4 Training and development continues to be implemented, prioritising compliance training. It covers all areas of operations more especial Far and South West regions |
| 5. Individual growth opportunities                                                              | 1.5 Extend the skills audit to incorporate the integrated organisation                                                                                                                                                                                                                                                                                    | 2.1 The process of reviewing HR Policies is in progress                                                                                                                |
| 6. Insufficient financial resources                                                             | 2.1 Conduct reviews of all HR policies<br>2.2 Conduct workshops on HR Policies                                                                                                                                                                                                                                                                            | 3. The Flexible Working Arrangement Policy has been developed and presented up to the HRSEC.                                                                           |
| 7. Lack of implementation of change management                                                  | 3. Implementation of flexible remote working arrangements                                                                                                                                                                                                                                                                                                 | 4. A video clip was developed in collaboration with the Communications and Media Relations Department for distribution to Magalies Water employees                     |
| 8. Uncertainties relating to the reconfigurations, declining revenue impacting the staff morale | 4. Realignment of the organisational structure.<br>5. Implementation of change management programme/plan on the institutional realignment<br>6. On boarding of all transferred employees and completion of the following:<br>- allocation of Personal Protective Equipment<br>- conducting medicals<br>- allocation of tools of trade and spare materials | 5. Road shows were conducted during Q4 on the ESS and E-Performance                                                                                                    |

| Strategic Objective                                           | Description of Risk                                           |
|---------------------------------------------------------------|---------------------------------------------------------------|
| To contribute towards Transformation and Developmental Agenda | Non-compliance to legislation, regulations and best practices |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Possible      | Moderate | Moderate |

| Root Cause                                                                | Mitigation measures                                                                                             | Status of implementation as at end of the 2023/24 FY                                                                                                                                              |
|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. Inadequate implementation of transformational policies and procedures  | 1. Develop the outstanding transformational policies and procedures                                             | 1. Magalies Water HR is implementing the following for transformation<br>- External bursars - 12<br>- Graduates - 8<br>- Interns - 31<br>- Learnership level 3 - 23<br>- Learnership level 4 - 13 |
| 2. Financial constraints                                                  | 2.1 Review SCM Policy and assess if there are areas of non-compliance with BBBEE Act                            | 2.1 SCM Policy has been reviewed and has been tabled at MANCO                                                                                                                                     |
| 3. Non-compliance to BBBEE Spend and BBBEE new entrants awarded contracts | 2.2 Develop the local supplier developmental policy in accordance with Enterprise Supplier Development Strategy | 2.2 Drafting of the Supplier Development Policy underway                                                                                                                                          |
| 4. Inadequate implementation of CSI projects                              |                                                                                                                 |                                                                                                                                                                                                   |
| 5. Lack of local supplier developmental database                          |                                                                                                                 |                                                                                                                                                                                                   |

**Table 17 Continued: Strategic Risks**

| Strategic Objective                 | Description of Risk                       |
|-------------------------------------|-------------------------------------------|
| To ensure good corporate governance | Inadequate corporate governance practices |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Possible      | Moderate | Moderate |

| Root Cause                                                                                                                                                                                                                                                                                                                      | Mitigation measures                                                                                                                                                                                                                                                          | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                                                                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. Ineffective combined assurance system (All lines of defence)</li> <li>2. Lack of implementation/ resolving of Audit/external audit findings</li> <li>3. Ineffective implementation of committee resolutions</li> <li>4. Inaccurate reporting</li> <li>5. Unethical culture</li> </ol> | <ol style="list-style-type: none"> <li>1. Monitoring the Combined Assurance Plan and report quarterly to the relevant committees (RMC, ARC and the Board)</li> <li>2. Establish ethics forums and conduct awareness on organisational culture and ethical conduct</li> </ol> | <ol style="list-style-type: none"> <li>1. Combined Assurance plan was monitored during the quarter under review</li> <li>2. The Ethics Management Forum for Q4 was conducted with the appointed Ethics champions. Training for the appointed Champions on Ethics Management will be conducted in Q1</li> </ol> |

| Strategic Objective              | Description of Risk                                                          |
|----------------------------------|------------------------------------------------------------------------------|
| To provide quality potable water | Supply of poor quality of potable water (Non - compliance to SANS Standards) |

| Residual risk |          |          |
|---------------|----------|----------|
| Likelihood    | Impact   | Exposure |
| Unlikely      | Moderate | Low      |

| Root Cause                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Mitigation measures                                                                                                                                                                                                                                                                                                               | Status of implementation as at end of the 2023/24 FY                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> <li>1. Droughts and floods</li> <li>2. Deteriorating quality of raw water</li> <li>3. Inadequate distribution system management</li> <li>4. Over abstraction of natural water resource</li> <li>5. Inappropriate and failure of plant treatment processes and technologies</li> <li>6. Inadequate maintenance of canal</li> <li>7. Reliance on third party supplier (CoT)</li> <li>8. Blending of water in distribution system</li> <li>9. Infrastructure failure</li> <li>10. High vacancy rate of process controllers</li> <li>11. Limited suppliers (few water treatment manufactures)</li> <li>12. Stringent procurement laws and regulations delaying the procurement of chemicals</li> </ol> | <ol style="list-style-type: none"> <li>1. Conduct raw water and catchment water quality monitoring and review including updating of BCPs</li> <li>2. Optimise treatment processes</li> <li>3. Review and updating of the Bulk Water Infrastructure Master Plan</li> <li>4. Filling of vacancies of process controllers</li> </ol> | <ol style="list-style-type: none"> <li>1. Catchment monitoring is done on quarterly basis and raw water on weekly basis</li> <li>2. Two-hourly monitoring is done in the plant and weekly by Scientific Services</li> <li>3. The PSP has been appointed to review and update the Master Plan to cover the expanded areas of supply</li> <li>4. All process controller positions have been filled in Area East and West. Vacant positions still to be filled in South and Far West by end FY2024/25</li> </ol> |

## *Organisational Efficiency and Effectiveness*

### **Operations**

Magalies Water's operations form part of the responsibilities of the Chief Operations Officer, who is assisted by three EXCO members, namely the General Manager: Water Services, General Manager: Projects and Engineering Services. Operations is entrusted with the responsibility to operate, maintain and extend the infrastructure of Magalies Water as well as associated to schemes operated on behalf of Water Services Authorities and Department of Water and Sanitation. The infrastructure varies from elementary installations such as boreholes and maturation ponds to complex water and wastewater treatment plants.

### **Water Services**

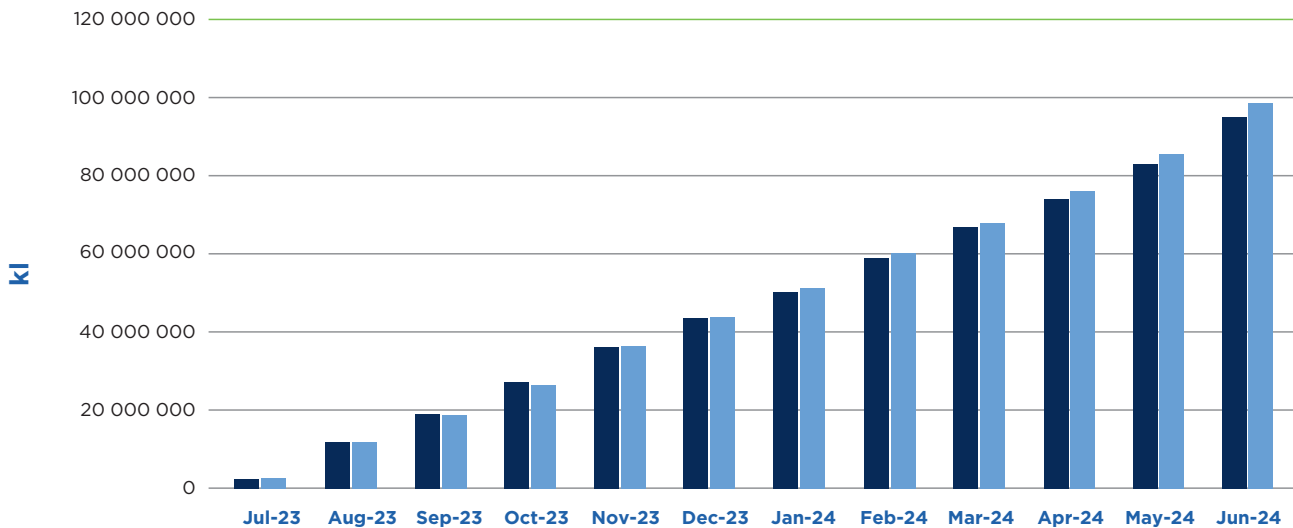
The Water Services Division is composed of four departments, namely Production, Maintenance, Safety, Health & Environment and Scientific Services.



## Production and Maintenance

Production and Maintenance departments are responsible for reliable provisions of reliable water services, operations and maintenance of infrastructure. Sales volumes are the primary success factor that drive Magalies Water's revenue. Figure 5 shows the accumulated total potable water sales volumes against set targets or budgeted sales for the four WTPs. In 2023/24, sales were 3.5% below budget for the period under review.

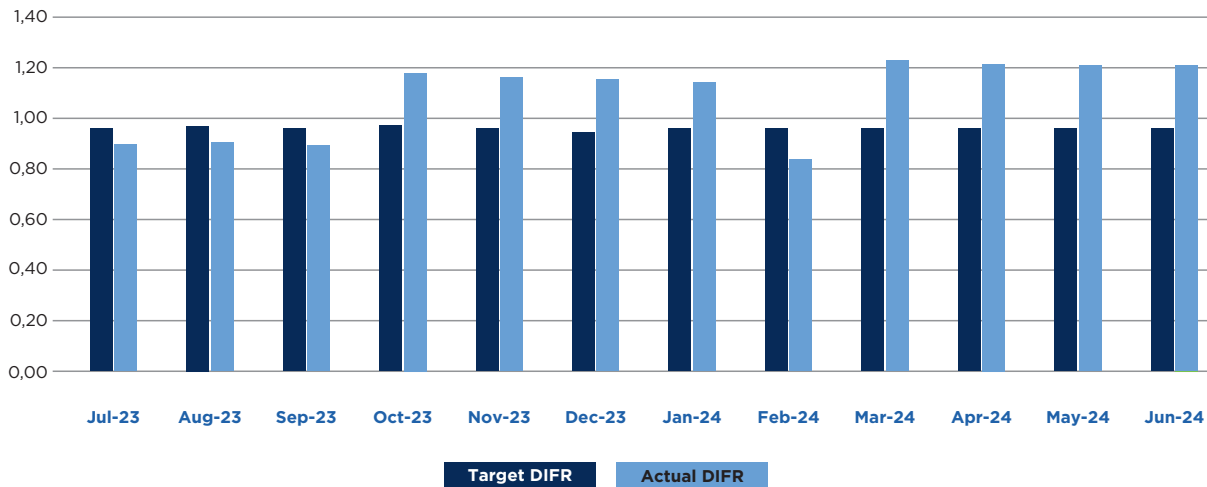
**Figure 5: Potable water – Accumulated Actual Sales vs Budgeted Sales**



## Safety and Health Management

The ISO 45001 (2018) management system was implemented in 2023/24. The ISO System and safety operating procedures were developed and implemented. The system was audited internally to evaluate its efficiency and effectiveness. All identified non-conformances were addressed and closed. The system was audited externally by SABS in the 2023/24 financial year and was certified. All identified non-conformances were addressed and closed, and a letter for clearance of the findings was received from SABS, as well as certification. During 2023/24 financial year, there were four injuries on duty reported. The Disabling Injury Frequency Rate (DIFR) for the year was 1.21, as shown below.

**Figure 6: Disabling Frequency Rate**



## **Environmental Management**

During the 2023/24 financial year, several Environmental Management Implementation Plan initiatives were rolled out including:

- ISO 14001:2015 management system certification. The ISO 14001 (2015) management system was certified in 2021/22, with an annual surveillance audit conducted by TÜV Rheinland in 2023/24 to ensure the system is still efficient and effective. All non-conformances were cleared within the required three months.

- Eradication of alien plant species. Magalies Water understands that landowners are legally responsible for the control of invasive alien plants on their properties in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983). As a result, during the 2023/24 financial year, an alien invasive plants survey was conducted to ensure that the latest alien invasive plants were identified. The survey was conducted to check if there were no new alien invasive plants that are growing in the area.

## **Laboratory Services**

Magalies Water Scientific Services, situated in Brits, provides world-class services to its clients through its state-of-the-art laboratory. The laboratory is comprised of the organic chemistry, inorganic chemistry, microbiology, hydrobiology and molecular sections.

The facility is ISO/IEC 17025 accredited, which demonstrates that the laboratory operates competently and generates valid results, promoting confidence in their work both nationally and internationally. Scientific Services achieved 73 accredited methods – 62 for chemistry and 11 for microbiology.

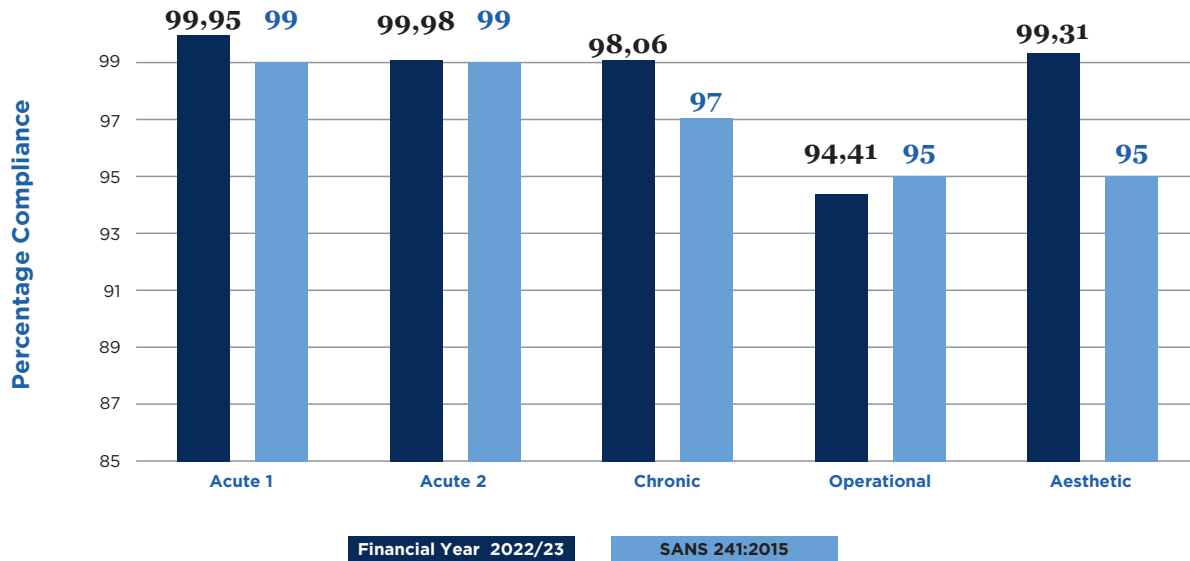
Highly skilled scientists conduct more than 100 000 analyses annually to ensure that water quality complies with the national drinking water standards, SANS 241:2015.

The sampling and monitoring programmes are compliant with the Blue and Green Drop as well as SANS 241:2015 requirements. In addition to potable water quality analysis, the laboratories also conduct analysis on environmental samples of both potable water and wastewater.

## **Water Quality Compliance**

Magalies Water has set SANS 241:2015-compliant performance indicators to monitor and assess quality of water supplied to customers. Figure 7 depicts compliance with SANS 241:2015 risk categories, which are key indicators of the quality of potable water for consumption.

**Figure 7: Financial Year 22/23 Water Quality Compliance to SANS 241:2015**

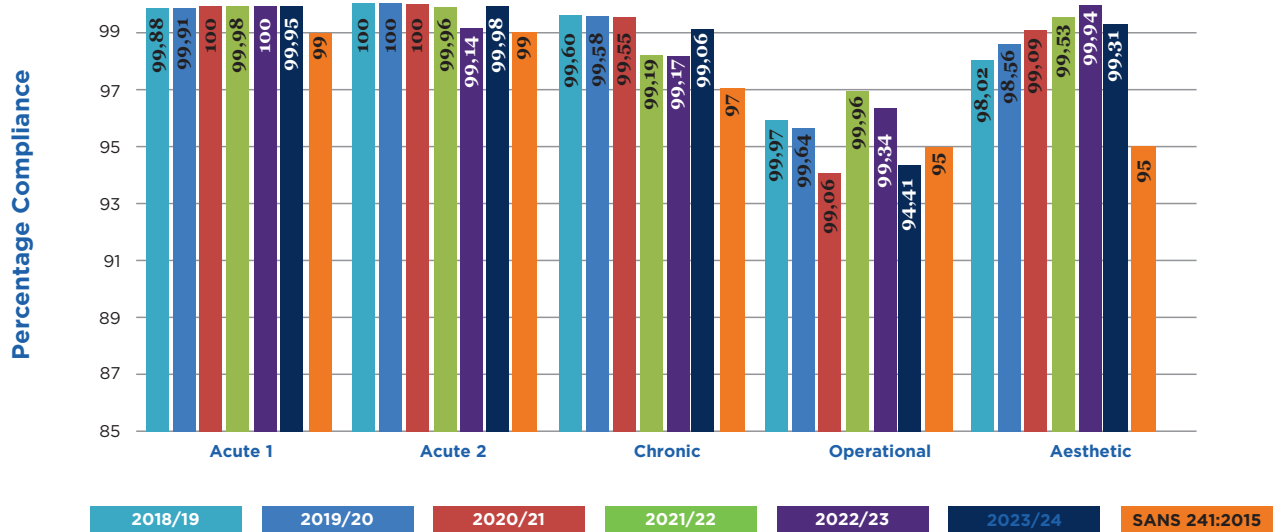


The four water quality determinants referred to above are as follows:

- Acute health (both 1 and 2) refers to determinants that pose immediate and unacceptable health risk if specified contamination limits are exceeded,
- Aesthetic refers to determinants that taint water's taste, odour or colour but do not pose any unacceptable health risk even if specified contamination limits are exceeded,
- Chronic health refers to determinants that pose unacceptable health risk if ingested over an extended period, provided their presence exceeds specified SANS 241:2015 limits, and
- Operational health refers to determinants essential for the efficient operation of treatment systems and identification of risk to infrastructure.

The above success levels are attributed to the ability of Magalies Water's laboratory to accurately analyse and timeously report on water quality so that key operational decisions may be taken and implemented at water treatment plants.

Figure 8: Five Year Water Quality Compliance to SANS 241:2015



Compliance achievement levels for these years are attributable to the execution of water services targets as per the Corporate Plan. The Audited Annual Reports for these years demonstrate uninterrupted and consistent compliance to SANS 241:2015.



## *Projects and Engineering Services*

The Projects and Engineering Services (P&ES) Department's mandate is the implementation of infrastructure construction projects within the organisation in line with best practice as outlined in the CAPEX Policy and Project Management Framework. During the implementation of projects, the department is responsible on all the six ECSA stages for implementation of normal services in an engineering project i.e. Stage 1 - Inception, Stage 2 - Concept and Viability, Stage 3 - Design Development, Stage 4: Documentation & Procurement, Stage 5: Contract Administration and Stage 6: Inspection and Close out.

### **Key Projects**

The Hammanskraal Emergency Intervention project is located in the City of Tshwane. The City faces challenges in adhering to and implementing the expansions and upgrades required for its water and wastewater infrastructure. Non-compliant effluent discharged into water resources negatively impacts the quality of raw water used for drinking purposes.

In April 2023, a cholera outbreak resulted in several fatalities in the Temba area of Hammanskraal. In response to this crisis, the Department of Water and Sanitation, Magalies Water, and the City of Tshwane collaborated to address the urgent need for interventions. The Department of Water and Sanitation issued a directive to Magalies Water to assist the City of Tshwane in providing clean water to the residents of Hammanskraal on an interim basis

until Rooiwal and Temba treatment plants can resume providing potable water.

Water is being supplied from the Klipdrift Treatment Plant via water tankers, which deliver water to distributed tanks in the affected area. The estimated timeframe for restoring potable water standards at Rooiwal and Temba treatment plants is approximately 3 to 5 years.

Magalies Water is undertaking the project to construct a 50ML/Day water treatment plant. The Project commenced in February 2024 and is expected to be completed in June 2025. The Project consists of four Modular Package Plants each of which will treat approximate 12,5ML/Day, the refurbishment of the Babelegi Reservoir Site, Temba Reservoir site and axillary works within the Klipdrift WTW.



## Part C General Performance

### Magalies Water Annual Report 2023/24

#### 12.5ML/Day Module Steel Fabrication



#### 12.5ML/Day Module Foundation



#### 50ML/Day Package Plant



Various projects have been implemented by the divisions within the 2023/24 financial year. True to form the projects are aimed to improve the lives of our communities and improve the supply of good quality water.

**Table 18: Projects are undertaken under Section 29 of WSA**

| Project Name                                                             | Description of Project                                                                                                                                                                                                                                                                               | Impact                                                                                    | Expected Date of Completion |
|--------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|-----------------------------|
| PBWSS: Construction of Tlhabane 30ML terminal reservoir                  | This project involves construction of a concrete 30ML reservoir with earthworks, access road, fencing.                                                                                                                                                                                               | The completed project will benefit 36 047 households within Rustenburg Local Municipality | November 2024               |
| PBWSS: Construction of Mafenya Pump Station pipeline to Phokeng/Tlhabane | This project involves civil, electrical, and mechanical works. Civil works such as construction of a 28km steel pipeline in addition to earthworks and concrete works. Mechanical and electrical works will be done on the Mafenya Pump Station when civil works under the pump station are complete | The completed project will benefit 36 047 households within Rustenburg Local Municipality | November 2024               |
| Moretele South 25ML Command Reservoir                                    | This project entails the construction of a 25ML command reservoir at Moretele Local Municipality. The reservoir will receive water from the Klipdrift WTW and in-turn supply all Moretele Local Municipality South villages. This project falls under the Moretele South Scheme                      | 52 914 households within Moretele Local Municipality                                      | November 2024               |

**Part C**  
**General Performance**

**Magalies Water Annual Report 2023/24**

**Table 18 Continued: Projects are undertaken under Section 29 of WSA**

| Project Name                                      | Description of Project                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Impact                                                                                                                                               | Expected Date of Completion |
|---------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Moretele South Far West Pipeline                  | This project entails the construction of a 36.2km bulk pipeline from the end of the Moretele rising main pipeline recently completed. The water will come from the Klipdrift WTW to Moretele Far West villages                                                                                                                                                                                                                                                           | 8 214 households within Moretele Local Municipality                                                                                                  | February 2025               |
| Bethanie-Modikwe Bulk Water Supply Upgrade        | Construction of 13.4km of 560mm diameter gravity bulk line from Kort Begrip Reservoir towards Modikwe, whereafter its branches off to the point of sale (Rustenburg Local Municipality) of Modikwe Reservoirs and continues with another 9.3km of 400mm diameter gravity bulk pipeline to the point of sale (Rustenburg Local Municipality) of Bethanie Reservoirs. The aforementioned totals to 23.2km of bulk gravity pipeline with the associated valves and chambers | The completed project will benefit a population of 13 533 within the Bethanie, Modikwe and Berseba villages and supply the current shortage of 5ML/d | November 2024               |
| La Patrie to Moruleng Pipeline                    | Construction of a Bulk pipeline from La Patrie to Moruleng to satisfy demand in the area                                                                                                                                                                                                                                                                                                                                                                                 | Moses Kotane Local Municipality and 79 797 people                                                                                                    | July 2026                   |
| Padda Junction to Thabazimbi Pipeline             | Construction of a pipeline and pump-station between Padda Junction and Thabazimbi which will augment the current bulk water supply to the Thabazimbi Local Municipality                                                                                                                                                                                                                                                                                                  | Moses Kotane Local Municipality and 51 989 people                                                                                                    | December 2026               |
| La Patrie to Sandfontein Pipeline                 | Construction of a new gravity pipeline from La Patrie to Sandfontein which will replace the current pipeline in order to meet existing and future water demands                                                                                                                                                                                                                                                                                                          | Moses Kotane Local Municipality and 36 931 people                                                                                                    | July 2026                   |
| Padda to Swartklip Pipeline                       | Construction of a new pipeline connecting the Padda Junction to the Swartklip area, where the two pipeline routes separate to replace the stressed and aged existing pipelines                                                                                                                                                                                                                                                                                           | Moses Kotane Local Municipality and 33 061 people                                                                                                    | July 2026                   |
| Bakubung Reservoir & Phokeng/ Tlhabane Reservoirs | Construction of a new reservoir at the end of the Mafenya to Doornhoek pipeline to serve as storage and pump sump for the rising main to the Ledig Reservoir                                                                                                                                                                                                                                                                                                             | Ledig Village, Phatsima Village and other rural villages situated further to the west                                                                | July 2026                   |
| Pilanesberg Bulk Water Supply Scheme Phase Three  | Construction of a new bulk pipeline from Mafenya Reservoir and Pump Station to Kgetlengrivier Local Municipality                                                                                                                                                                                                                                                                                                                                                         | New supply of 19ML/d to Derby, Koster, Mazista and Swaruggens                                                                                        | To be confirmed (TBC)       |



**Part C**  
**General Performance**

**Magalies Water Annual Report 2023/24**

**Table 18 Continued: Projects are undertaken under Section 29 of WSA**

| Project Name                                    | Description of Project                                                                                                                                                                                                                                                                   | Impact                                                                                                                        | Expected Date of Completion |
|-------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Klipvoor Supply Scheme (Moretele North)         | Construction of a new bulk regional scheme entailing the following: raw water abstraction, water treatment works, reservoirs, bulk mains and pump station. Ground water optimisation also to be incorporated into the scheme. The scheme will supply water to Moretele North and Limpopo | Additional water supply to Modimolle, Mookgophong and new supply to Mogalakwena Local Municipalities                          | To be confirmed (TBC)       |
| Vaalkop Raw Water Plant Upgrade Project         | To Increase the raw water abstraction pumping capacity at the Vaalkop dam raw water pump station and provide raw water supply to the new centralised inlet works to Plant 1 and Plant 2. There is a requirement for an additional 360ML/d raw water pump capacity                        | Magalies Water looks to increase its raw water plants capacity to 360ML/day                                                   | November 2024               |
| Construction of Elevated Tank in Bodirelo (1ML) | Design a new 1 ML steel tank and reconfigure the pipeline from Lapatrie Reservoirs to the Bodirelo Reservoir                                                                                                                                                                             | Provision adequate storage capacity and redundancy to ensure reliable and sustainable water supply to the Mogwase supply area | June 2026                   |
| Upgrade of Bodirelo Reservoir (3-5ML)           | To improve the installation for control valves to assist with better efficiency on the Bodirelo Reticulation and to the link between the Magalies Water 3ML Reservoir and the 10ML Reservoir                                                                                             | Provision adequate storage capacity and redundancy to ensure reliable and sustainable water supply to the Mogwase supply area | June 2026                   |



2014-2015

*Lekgalong, Rustenburg Local Municipality:  
Connected communities to the main water  
supply*



The following Projects are undertaken Under Section 30 of WSA:

| Table 19: Projects are undertaken under Section 30 of WSA    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                                                                                            |                             |
|--------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Project Name                                                 | Description of Project                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Impact                                                                                                                                                                     | Expected Date of Completion |
| Motswedi Main Outfall Sewer Pipeline                         | Construction of the 4,7km Sewer Outfall pipeline from Motswedi village to the newly constructed Motswedi Waste Water Treatment Plant. Laying of 200mm diameter and 315mm diameter outfall sewer pipeline                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | House holds: 5184<br>Population: 2 794                                                                                                                                     | June 2025                   |
| Madibeng RBIG Project                                        | Phase 1 of the 60ML/d Brits WTW upgrade with an extra 20 ML/d capacity into the Brits System                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 7 5 3 7 3 h o u s e h o l d s<br>Madibeng Local Municipality                                                                                                               | December 2024               |
| Mafikeng South Bulk Water Supply                             | Scope: Phase 1A - Refurbishment and upgrading of Mmabatho WTW to 30ML/d: Civil & Structural Works entails the construction of new additional flocculent mixing channels, settling tanks, dissolved air flotation tanks, rapid gravity sand filters and introduction of Ozone dosing and Granular Activated Carbon filters<br><br>Phase 1B - Refurbishment and upgrading of Mmabatho WTW from 20 to 30ML/d: Mechanical & Electrical. The project involves the design, supply, installation, and commissioning of all mechanical and electrical work                                                                                                                                                | Increased Bulk water to supply the Mafikeng Bulk Water Scheme. Households; Mafikeng Local Municipality, Ngaka Modiri Molema District Municipality                          | August 2025                 |
| Ratlou Bulk Water Supply- Setlagole Bulk Water Supply Scheme | Construction of 5,5ML concrete reservoir and related works in Kutlwane under Ratlou Local Municipality. Construction of Low Voltage electrical reticulation for the 32 Boreholes and associated works in Setlagole Bulk Water Supply. Design, supply, installation and commissioning of 2.4ml chlorination system in Kutlwane. Construction of 35km of potable pipelines from the 32 Boreholes. Pressure testing of the pipes and installation of pipe markers. Completion of borehole pump houses, equipping of 32 boreholes and construction of Ion exchange building (civil works). Completion of evaporation ponds and fencing around pump houses and reservoir site as well as entrance road | Increased bulk water supply and storage facility for the Ratlou Bulk Water Supply scheme. Households; Ratlou Local Municipality, Ngaka Modiri Molema District Municipality | February 2025               |

**Part C**  
**General Performance**

**Magalies Water Annual Report 2023/24**

**Table 19 Continued: Projects are undertaken under Section 29 of WSA**

| Project Name                                                       | Description of Project                                                                                                                                                                                                                                      | Impact                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Expected Date of Completion |
|--------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| Dinokana Water Supply Intervention                                 | The scope of work includes drilling and refurbishment of boreholes, installation of storage tanks, extension of reticulation lines and installation of communal standpipes in Dinokana. The scope will also cover authorisation of unauthorised connections | <p>Part 1 of the project will have impact to 21 468 people and 5 367 households. The sections within Dinokana are as follows: Ward 09 (Puana &amp; Boroathamadi), Ward 10 (Mmamosane, Ga-Seane &amp; Ga-Raa Molefi), Ward 11 (Marwala, Go-Mokgatlha Ching , Kgabalatsane , Mmamosane Upper, Part of Go-Mokgatlha, Seferella &amp; Boswelakgomo), Ward 12 (Lepelle, Kgopung, Letlhabile &amp; Mandela)</p> <p>Part 2 consist of 14 630 people and 3 659 households. The sections within Dinokana are as follows: Ward 09 (Ratsara, Maramaga, Gopane &amp; Rakoko), Ward 10 (Ga Sekhutlo), Ward 11 (Goora Molebatsi, Thubang, Pookate &amp; Matshogo), Ward 12 (Matsogo, Perdevlei &amp; Mande)</p> | November 2024               |
| Supingstad Groundwater - Ramotshere Groundwater Source Development | Supingstad Groundwater - Ramotshere Groundwater Source Development                                                                                                                                                                                          | Supingstad Groundwater source development. Geohydrological study, drilling of boreholes, equipping of boreholes and new pipe to existing elevated tower                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | November 2024               |
| Mathibestaa Water Reticulation                                     | RDP and yard connection in Mathibestaa within Moretele Local Municipality                                                                                                                                                                                   | 1000 RDP households                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | 30 March 2025               |

## *Corporate Services*

The purpose of the Corporate Services Department is to strengthen the dynamism of Magalies Water for continuous improvement in the human capital management and corporate support functions. In coordinating human resource development, legal services, records management and Information Communication Technology (ICT), the Department balances technology and human capital inputs to ensure effective and efficient business operations.

The Department creates and maintains an environment that is supportive of employees through targeted high-impact interventions that can enhance performance. The interventions include advancing skills development – namely internships, learnerships, graduate trainee, and (internal and external) bursary programmes – to prepare employees for the changing world of work, continuous learning and development, and for potential career advancement and to preserve a high-performance culture.

As the well-being of staff is a fundamental pillar in talent management, the organisation provides an employee wellness programme that includes health testing and counselling services, managing employee psychosocial challenges, and monitoring and managing employee absenteeism. The Division's Employee Relations Department focuses on maintaining healthy internal stakeholder relationships, engagement plans and consultation with the unionised labour force, among others.

The Department also manages compliance to the labour relations, related legislative frameworks and implements initiatives to be integrated into corporate plans. This enables the organisation to achieve the following:

- Attraction, selection and retention of skilled employees,
- Continuous improvement of the organisation's employment equity profile,
- Training and development of employees,
- Retention of skilled and technical staff, and
- Implementation of benchmarked employment best practices and policies.



## Workforce Profile

Magalies Water complies with the applicable labour and employment prescripts. Plans relating to staffing are implemented in accordance with the Employment Equity Act, 1998 (Act 55 of 1998). Employment equity is realised through recruitment by ensuring that all designated groups are included and that previously disadvantaged persons (including people living with disabilities) are afforded equal and fair opportunities for employment at Magalies Water. The tables that follow, reflect performance on staff recruitment and employment during the year under review.

| Table 20: Workforce Profile                                                                                                 |            |          |          |           |            |          |          |          |                   |          |            |
|-----------------------------------------------------------------------------------------------------------------------------|------------|----------|----------|-----------|------------|----------|----------|----------|-------------------|----------|------------|
| Operational Levels                                                                                                          | Male       |          |          |           | Female     |          |          |          | Foreign Nationals |          | Total      |
|                                                                                                                             | A          | C        | I        | W         | A          | C        | I        | W        | Male              | Female   |            |
| Top management P2, P3                                                                                                       | 2          | 0        | 0        | 0         | 4          | 0        | 0        | 0        | 0                 | 0        | 6          |
| Senior management P4                                                                                                        | 2          | 0        | 1        | 0         | 0          | 0        | 0        | 0        | 0                 | 0        | 3          |
| Professionally qualified and experienced specialists and mid-management P5 – P7                                             | 36         | 1        | 1        | 3         | 20         | 0        | 0        | 3        | 0                 | 0        | 64         |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents P8 – P10 | 37         | 0        | 0        | 6         | 41         | 1        | 1        | 2        | 0                 | 0        | 88         |
| Semi-skilled and discretionary decision making P11 – P14                                                                    | 132        | 2        | 0        | 1         | 73         | 1        | 0        | 1        | 0                 | 0        | 210        |
| Unskilled P15 – P18                                                                                                         | 249        | 1        | 0        | 0         | 58         | 0        | 0        | 0        | 0                 | 0        | 308        |
| <b>Total Permanent</b>                                                                                                      | <b>458</b> | <b>4</b> | <b>2</b> | <b>10</b> | <b>196</b> | <b>2</b> | <b>1</b> | <b>6</b> | <b>0</b>          | <b>0</b> | <b>679</b> |

**Table 21: Filled Posts per Race and Gender**

| Race         | Gender | Total      | %          | Male % | Female % |
|--------------|--------|------------|------------|--------|----------|
| African      | Male   | 458        | 67.45      | 69.81  | 30.19    |
|              | Female | 196        | 28.87      |        |          |
| Indian       | Male   | 2          | 0.29       |        |          |
|              | Female | 1          | 0.15       |        |          |
| Coloured     | Male   | 4          | 0.59       |        |          |
|              | Female | 2          | 0.29       |        |          |
| White        | Male   | 10         | 1.47       |        |          |
|              | Female | 6          | 0.88       |        |          |
| <b>Total</b> |        | <b>679</b> | <b>100</b> |        |          |

## Organisational Capacity/Job Creation Management

## Skills Development Programmes

### Human Resources Development

The Human Resources Development Department implements skills development initiatives in compliance with the Skills Development Act, 1998 (Act 97 of 1998) and supports government skills development programmes for young South Africans. For the year under review, the organisation submitted the Workplace Skills Plan (WSP) and the Annual Training Report (ATR) to the Energy and Water Sector Education and Training Authority (EWSETA), detailing various programmes to be implemented during 2023/24 to build capacity and capabilities.

The Human Resources Development objectives are aligned to the strategic objectives to achieve a high-performance culture by building internal skills and capacity and to positively engage stakeholders through the promotion and implementation of initiatives that have socio-economic development impact. The organisation prioritises capacity building initiatives that add value and improve business efficiencies and effectiveness.



## Staff Turnover Monitoring and Management

A staff turnover of 2.65% was recorded for the year under review. The gender distribution and reasons for types of terminations are provided in table below:

| Table 22: Staff Turnover     |       |         |       |
|------------------------------|-------|---------|-------|
| Reasons/Types of Termination | Males | Females | Total |
| Resignations                 | 3     | 4       | 7     |
| Dismissals                   | 1     | 0       | 1     |
| Deceased                     | 3     | 2       | 5     |
| Retirements                  | 3     | 1       | 4     |

## Additional Alignment: Ministerial Outcomes, DWS Strategic Goals and Water Objectives

Throughout 2023/24, Magalies Water continued to strive for its transformation and development agenda objectives in terms of Ministerial outcomes 5 and 12 focusing on an efficient, effective and development-oriented public service and empowered, fair and inclusive citizenship NDP 2030 and job creation, a skilled and capable workforce to support an inclusive growth path.

### Internal Bursaries

Magalies Water awards bursaries to internal permanent and fixed-term contract employees to enhance business productivity, promote individual career aspirations and facilitate a high-quality, reliable, dependable and ethical staff performance aligned to the desired culture of the organisation.

Magalies Water awarded 37 bursaries to employees who wish to further their studies. The approved bursaries are in the following fields:



*2017-2018 - Ramotse Hall, CoT:*

*Upgraded community infrastructure with the refurbishment of Ramotse Hall*



Figure 9: Approved Internal Bursaries by Field of Study



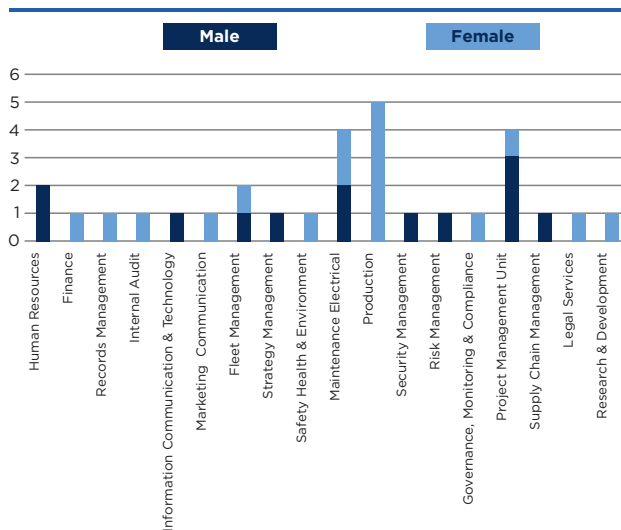
## Contribution to the National Capacity-Building Programme/Skills Development

Magalies Water is committed to providing much-needed opportunities to unemployed graduates and to potential entrants to the labour market. During 2023/24, all the indicators for skills development initiatives were either met or exceeded. Candidates were able to apply their knowledge and skills, while gaining work experience.

### Internships

The target of placing 25 interns in 2023/24 was exceeded by five. The graph below shows the details of the 30 interns and the business functional areas in which they were placed.

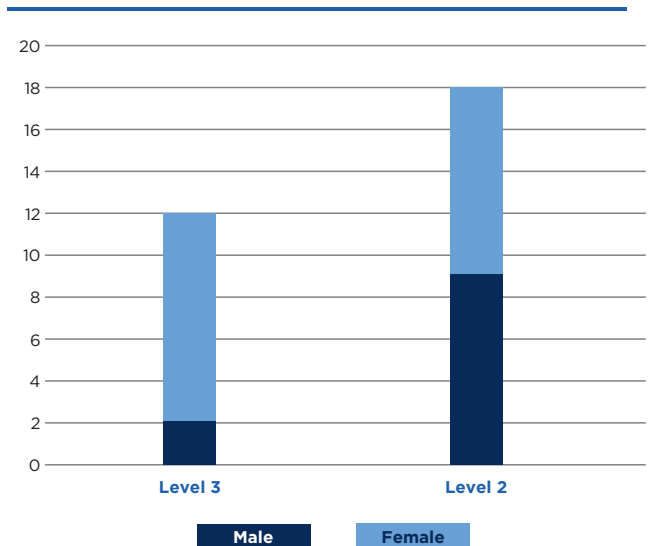
**Figure 10: No of Interns per Department & Gender**



## Learnerships

Magalies Water had two external learnership programmes. During the year under review, 12 learners were placed on the Process Control Learnership at National Qualifications Framework (NQF) level 3 while 18 learners were placed on the Water Treatment and Process Control Learnership at NQF level 2. The qualifications enable the learners to find job opportunities in the water sector. The achievements shown below are also in line with the Skills Development Act, which requires employers to provide opportunities for new labour market entrants to gain work experience and/or (when possible) to employ persons who find it difficult to find jobs.

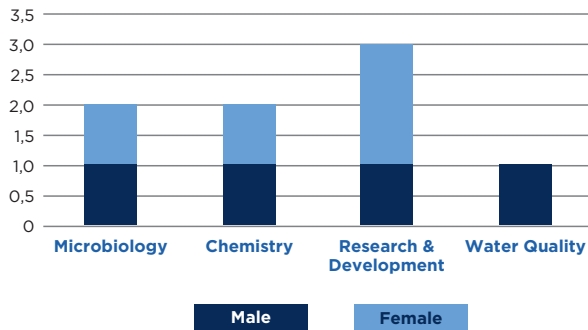
**Figure 11: No of Learnerships by Gender**



Graduate Capacity-building Programme  
(Engineering)

During the 2023/24 financial year, eight graduates were appointed in accordance with the annual target aimed at exposing youth to practical engineering work experience and to address scarce and critical skills in the water sector. These graduates were recruited by and placed at different water treatments plants. A breakdown is provided in the figure below. The graduates are mentored by qualified and skilled professionals.

Figure 12: No of Graduates per Department & Gender



External Bursaries

Magalies Water has 11 external bursars studying through universities. External bursaries are awarded to individuals who want to pursue studies in line with Magalies Water’s core business. By awarding bursaries, the organisation aims to create a medium to long-term pipeline of qualified candidates from which the organisation can recruit scarce skills. The bursaries are in the following fields:

Table 23: External Bursaries

| Field of Study             | Number of bursars |
|----------------------------|-------------------|
| Electrical and Electronic  | 01                |
| Water Science & Technology | 02                |
| Civil Engineering          | 05                |
| BSC Biological Science     | 01                |
| Biotechnology              | 01                |
| Human Resources            | 01                |



## **Employee Wellness Programme**

The Employee Wellness Programme (EWP) includes a health risk assessment and is made available to all employees and their immediate family members on a 24-hour basis throughout the financial year. For ease of access, it is outsourced to private service providers. The EWP offers several services, individually or in combination, including:

- Face-to-face or telephonic counselling (self-referral or managerial referrals),
- Group trauma intervention, and
- Awareness and education workshops.

The Magalies Water utilisation rate is 7.2% compared to 12.1% average of the service provider. The Employee Wellness Department consistently communicates the benefits of the programme to employees.

## **Information, Communication and Technology**

### **Introduction**

As Magalies Water increasingly depends on the use of Information Communications Technology (ICT) to reduce costs and improve service delivery to its clients, the need for extended ICT related planning becomes mission critical.

Since its existence, new architectures, operating systems, database management systems, and telecommunications capabilities have increased the potential for delivering new and better solutions to

customers. It is important to ensure that the technology investments for Magalies Water are effectively managed.

This intended direction is formally communicated in an ICT Strategy. It acts as a roadmap for defining, where the technology environment is headed and how to get there. It must be stressed that the technology focus must be led by the organisation corporate plan and not the capabilities of specific technologies. Information Technology is to closely align systems initiatives with the Magalies Water's objectives to ensure resources are continually focused in those areas that will provide the highest value to Magalies Water.

### **Values**

Following the key findings (gaps and ICT requirements), the solutions identified can be grouped or classified as follows:

**(1) Governance** – the guiding strategies, principles and practices that guide the correct and effective delivery of ICT and provide a framework for ICT decision making. Maximise value for money from ICT investments by ensuring that all ICT investments are aligned to the business, monitored so that benefits are realised and value for money is obtained from existing as well as future investments.

**(2) Emerging Trends and Technologies** – the emerging trends and technologies providing challenges and opportunities for Magalies Water in managing ICT systems and resources, and delivery of future ICT services.

**(3) Business Systems and Applications** – the software systems and applications used by Magalies Water to communicate and work with customers and suppliers, manage the organisation, and to perform essential business operations.

**(4) Infrastructure and Technology** – the hardware and network infrastructure used to deliver flexible, reliable and secured communication, create efficiencies and increase productivity.

**(5) ICT Business Continuity** – the activities undertaken to enable Magalies Water to continue the use of ICT in the delivery of services at acceptable predefined levels following a disruptive incident.

**(6) Data Security** – protecting information and systems from unauthorised access, use, modification, disclosure, or destruction.

## **Performance**

The below averaged performance outcomes were across all quarters.

**Systems Uptime** during loadshedding was maintained and monitored above 90% threshold.

**Business Continuity** – Minimum of two disaster recovery tests were performed and achieved good outcomes in line with the organisational business continuity plan and in compliance with the Department of Public Service and Administration (DPSA) framework guidelines. Data Sync and backups to cloud were also successfully achieved.

**Information Security Awareness** – different platforms were utilised to distribute and educate employees on the Do's and Don'ts to adhere to data protection practices.

**Cyber Security Practices** – were enhanced as part of the growing trend to distract organisational operation.

The infrastructure growth is in progress, addressing the newly acquired Far and South West areas to improve productivity and align to Information Technology standards as per ISO 27001.



# *Communications and Stakeholder Relations*

## **Stakeholder Engagement**

The strategic nature of Magalies Water's primary business makes it imperative to engage with stakeholders on a scheduled and voluntary basis. In addition to this, stakeholder engagement, is a key aspect to integrated reporting and broadly recognised as being crucial to strategic business and reporting decisions. The King IV Report on Corporate Governance requires that the governing body in its execution of governance roles and responsibilities adopt a stakeholder inclusive approach into corporate decision-making. Magalies Water's stakeholder engagement activities are considerate of the operating environment, cognisant of new political leadership nationally, provincially and in local municipal space especially in Magalies Water's current and new areas of operations.

The strengthening of relations with stakeholders is also critical in meeting the expectations of the shareholder, the Department of Water and Sanitation (DWS). In addition, there are other stakeholder management activities that the Executive Management Committee undertakes, and these include interactions with labor, DWS, employees, bulk customers and service providers and other stakeholders.

## **Customer Service**

Magalies Water as a State Owned Enterprise, subscribes to Batho Pele Principles which are government commitment to improve service delivery efficiencies, enhance quality and accessibility to all citizens, which is expressed through eight Batho Pele Principles. The aforesaid is given practical effect through service levels. Magalies Water's water services level commitments to customers is governed by the Customer Service Charter and informs both internal and external customers of the rules of trade (enablers and constraints) that shape how Magalies Water operates (Policies, Procedures, and existing Service Level Agreements, etc.) including interaction avenues/communication protocols for handling of complaints and/or complements.

Customer engagement with its key customer is a continuous process of maintaining dialogue with customer/clients in compliance with the bulk water services level agreement. The management of customers is effected through the key account management and contact center. The overall performance of the organisation, from a customer perspective with regards to service levels, is assessed through the feedback from internal bulk operations, Water Services Authorities (WSA's) scorecards and the cases reported through the Contact Centre.

For the reporting period, the annual Average Resolution Rate (ARR) on customer queries were sluggish and it is an area that would require advancement of the customer centricity ethos across the organisation. Magalies Water is committed to continuous improvement of quality customer services standards as outlined in the customer services charter remains at the centre of its customer service and experience. There is concerted effort to close the customer service and experience gap.

### **Business Development and Growth**

Magalies Water mandate is premised on Section 29 and Section 30 of the Water Services Act, 1997 (Act 108 of 1997, as amended). Its growth trajectory has seen some of its bulk water infrastructure extending to new areas like Mogalakwena Local Municipality including and off-take agreements are being negotiated to extend services within the current customer base. This Section 29 service expansion would increase the foot print in some areas in terms of volume.

In addition, Section 30 business opportunities are pursued and Magalies Water was appointed an implementing agent by DWS for rehabilitation of Hartbeespoort Dam, a project which would run for a period of three year from 2023-2025 FY.



### Bulk Water Supply Agreements (BWSA)

Magalies Water's primary activity, as stipulated in Section 29 of the Water Services 1997 (Act No. 108 of 1997) is to supply bulk water services to Water Services Authorities and Institutions. Magalies Water's bulk potable water supply services are given effect through supply agreements entered into with Water Services Authorities and Institutions.

| Table 24: Section 29 – Bulk Water Supply Agreements – Water Services Authority and Institutions |                                                   |                  |                   |                                                                                                       |
|-------------------------------------------------------------------------------------------------|---------------------------------------------------|------------------|-------------------|-------------------------------------------------------------------------------------------------------|
| #                                                                                               | Description                                       | Agreement Signed | Agreement Expired | Status                                                                                                |
| 1.                                                                                              | Bela-Bela Local Municipality                      | 2019             | 2029              | Active contract                                                                                       |
| 2.                                                                                              | City of Tshwane Metropolitan Municipality         | 2023             | 2026              | Active contract                                                                                       |
| 3.                                                                                              | Modimolle Local Municipality                      | 2019             | 2026              | Active contract                                                                                       |
| 4.                                                                                              | Moses Kotane Local Municipality                   | 2023             | 2033              | Active contract                                                                                       |
| 5.                                                                                              | Rand Water – Vaalkop Southern Water Supply Scheme | 1997             | Open ended        | Active contract. The contract is to be reviewed.                                                      |
| 6.                                                                                              | Royal Bafokeng Administration                     | 2011             | 2021              | Expired. The contract is with RBA's legal advisers. Currently operating on a month-to-month contract. |
| 7.                                                                                              | Rustenburg Local Municipality                     | 2020             | 2027              | Active contract                                                                                       |
| 8.                                                                                              | Thabazimbi Local Municipality                     | 2020             | 2030              | Active contract                                                                                       |
| 9.                                                                                              | Ngaka Modiri Molema District Municipality         | 2022             | 2023              | Expired                                                                                               |
| 10.                                                                                             | Moretele Local Municipality                       | 2023             | 2027              | Active contract                                                                                       |
| 11.                                                                                             | Maquassi Hills Local Municipality                 | 2023             | 2028              | Active contract                                                                                       |

**Part C**  
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**Table 25: Section 29 – Bulk Water Supply Agreements - Mines and industries**

| #   | Description                                                                                 | Agreement Signed | Agreement Expired | Status                                                                                                                                                                                                                |
|-----|---------------------------------------------------------------------------------------------|------------------|-------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1.  | Cullinan Diamond Mine                                                                       | 1998             | 2040              | Active contract and is complying with the Water Services Act                                                                                                                                                          |
| 2.  | Impala Platinum Limited                                                                     | 2020             | 2040              | Active contract and is complying with the Water Services Act                                                                                                                                                          |
| 3.  | Northam Platinum Limited – Northam                                                          | 2020             | 2040              | Active contract and is complying with the Water Services Act                                                                                                                                                          |
| 4.  | Rustenburg Platinum Mines Limited – Amandelbult Section                                     | 2021             | 2040              | Active contract and is complying with the Water Services Act                                                                                                                                                          |
| 5.  | Royal Bafokeng Resources (Rustenburg Platinum Mines Lt-Boshkoppie (RPM))                    | 1998             | Expired           | Magalies Water Board has approved the consolidation of three mines and standard tariff. The mine is ready to sign a contract, however we are still addressing the issue of a standard tariff for three combined mines |
| 6.  | National Department of Public Works (Zonderwater and Baviaans Prison and SANDF Walmansthal) | 1990             | Open ended        | The Draft BSA contract was submitted to respective department and awaiting feedback                                                                                                                                   |
| 7.  | PPC-Dwaalboom                                                                               | 2010             | 2042              | The Addendum was signed and is complying with the Water Services Act                                                                                                                                                  |
| 8.  | Siyanda Bakgatla Platinum Mine                                                              | 1993             | Open ended        | Contract is due for annual review to comply with Water Services Act                                                                                                                                                   |
| 9.  | Rhino Andalusite Resources                                                                  | 2020             | 2043              | Active Contract and is complying with the Water Services Act                                                                                                                                                          |
| 10. | Pilanesberg Platinum Mine                                                                   | 2016             | Open ended        | Waiting for the signed Addendum to comply with Water Services Act                                                                                                                                                     |
| 11. | Royal Bafokeng Resources (Bafokeng Rasimone Platinum Mine (BRPM))                           | 1998             | Expired           | The mine is ready to sign a contract, however we are still addressing the issue of a standard tariff for three combined mines                                                                                         |
| 12. | Glencore Smelter                                                                            | 2016             | 2026              | Active contract and is complying with the Water Services Act                                                                                                                                                          |
| 13. | Royal Bafokeng Resources (Maseve)                                                           | 2012             | Open ended        | To be reviewed and a new contract developed separately or as part of the Royal Bafokeng Resources Group                                                                                                               |

| Table 25 Continued: Section 29 – Bulk Water Supply Agreements - Mines and industries |                  |                  |                   |                                                              |
|--------------------------------------------------------------------------------------|------------------|------------------|-------------------|--------------------------------------------------------------|
| #                                                                                    | Description      | Agreement Signed | Agreement Expired | Status                                                       |
| 14.                                                                                  | Bakubung Wesizwe | 2021             | 2061              | Active Contract and is complying with the Water Services Act |
| 15.                                                                                  | Limberg Mine     | 2018             | 2028              | Active contract and is complying with the Water Services Act |
| 16.                                                                                  | Lanpan Mine      | 2023             | -                 | The mine is ready to sign a contract                         |

Open-ended contract linked to the life span of the mine and are due for annual review, most are aligned to the old Water Act

| Table 26: Section 30 Contracts |                                                 |                  |                   |                                                                                                |
|--------------------------------|-------------------------------------------------|------------------|-------------------|------------------------------------------------------------------------------------------------|
| #                              | Description                                     | Agreement Signed | Agreement Expired | Status                                                                                         |
| 1.                             | Moretele Local Municipality                     | 2021             | 2024              | Expired, Activated the automatic year extension in the contract                                |
| 2.                             | Kgetlengrivier Local Municipality               | 2020             | 2023              | Contract automatically activated a year extension in-line with the applicable contract clauses |
| 3.                             | Dr Ruth Segomotsi Mompoti District Municipality | 2022             | 2023              | Contract automatically activated a year extension in-line with the applicable contract clauses |

### Offtake Agreements

Magalies Water has engaged Klipvoor and Pilanesberg 2 Bulk Water projects beneficiaries to sign offtake agreements in compliance with capital funding conditional approvals from DBSA, Infrastructure Fund and National Treasury requirements. Engagements are ongoing through the respective municipal councils.

## **Corporate Social Investment (CSI)**

Corporate Social Investment (CSI) is a facet of Corporate Social Responsibility (CSR). Informed by the stakeholder paradigm, worldwide organisations have an obligation and ethical duty to all stakeholders and in this case.

### **CSI Programme**

On an annual basis, Magalies Water commits funding towards CSI initiatives in order to give practical effect to the Government's developmental agenda. CSI is included in the corporate plan under the strategic objective of being "a responsible and contributing corporate citizen". The focus areas are primarily as outlined but not limited to the below stated:

- Basic water supply augmentation, and
- Basic sanitation.

### **Partnerships**

In line with the CSI Policy guidelines and where feasible, Magalies Water considers partnerships with stakeholders in order to enhance the impact and achieve the desired outcomes. Due to limited resources, the organisation prioritises projects that are within its areas of operation.

## **Magalies Water Corporate Social Investment performance.**

For the reporting financial year, the following approved initiatives were approved by the board and executed in line with the plan.

### **1. Moretele Local Municipality:** Ground Water Supply Augmentation

**Scope:** Drilling and equipping a borehole at:

1. Moretele Fire Station and
2. Swartdam and Ratjiepan Villages.

**Project Impact:** The three newly drilled and equipped boreholes will firstly, give access to water to the population of 7 971 (Swartdam and Ratjiepan combined) and secondly, avail a backup system for Moretele Fire Station which serves the whole Municipality has no reliable bulk water supply. Currently in emergency situations the fire trucks fetch water in carousal view which is 28 km from the fire station.

**Progress and Challenges:** Combined progress at 100%. Both projects have been completed, commissioned and handed-over.



## **2. Rustenburg Local Municipality – Ground Water Augmentation**

**Scope:** Drilling and equipping of three boreholes in Rustenburg Local Municipality at Seraleng (Nkandla), Monnakato, and Sondela (Jabula) settlements

**Project Impact:** The newly drilled and equipped boreholes will give access to water to a combined population equalling 20 335 (Seraleng (Nkandla) 9 356, Monnakato 8 076 and/or Sondela (Jabula) 2 903)

**Progress and Challenges:** Progress is at 100%. Three boreholes have been completed, commissioned and handed-over. Currently awaiting the municipality to permanently energise them

## **3. Ngaka Modiri Molema District Municipality: Ground Water Augmentation**

**Scope:** Drilling and equipping of two boreholes in Ditsobotla Local Municipality

**Project Impact:** The project shall assist in alleviating water supply in Itsoseng Unit 1 (Population 4 671) and Unit 3 (Population 9 459)

**Progress and Challenges:** Progress at 100%. The two boreholes have been completed, commissioned and handed-over. Currently awaiting the Municipality to permanently energise them.

## **4. Dr Ruth Segomotsi Mompati District Municipality: War on Leaks**

**Scope:** (1) Refurbishment of minor infrastructure leaks in Dryharts village in Greater Taung Municipality and (2) Installation of bulk meters on the Pudumong plant water supply scheme.

**Project Impact:** On finalisation of the project, the leaks on the Dryharts reticulation systems were sealed and that will lead to an increase in stored capacity, better and extended coverage of supply to the 1 748 households in the area.

The sealed leaks will also assist to save wasted water, assist with the reservoir recovery time and increase storage capacity.

The second part of the project will assist in installing and replacing old with new billing meters in Pudumong Treatment Plant and supply scheme. Two billing meters were installed in the plant for Module 1 and Module 2 and a further two meters in the distribution system in Brussel and Huhudi to assist with cost recovery for the plant.

**Progress and Challenges.** Progress at 100%. Firstly, the war on leaks program has been completed, commissioned and handed-over with the assistance of the maintenance team in the far South West Region. Secondly, the four meters have been installed, commissioned and handed over to Magalies Water area management.

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CSI PROJECTS



## **Marketing and Branding**

The role of the Marketing and Branding is to:

- Position Magalies Water as a winning brand, a pioneer in the water services market and beyond and as an employer of choice,
- Develop marketing collateral and channels to promote Magalies Water policies, programmes, services, and initiatives to showcase Magalies Water's successes in the water services sector, and
- Through innovative marketing campaigns, market Magalies Water Business.

The Marketing and Branding Department serves as the face of the organisation responsible for the coordination and production of all branding, marketing and promotional material that seek to always promote and represent the company and its business positively to both internal and external stakeholders. The Department manages the organisation's brand visibility and ensures that it is effectively communicated, interpreted and ultimately understood and positioned.

Furthermore, the Department plays a strategic supportive role to other divisions by coordinating all the initiatives behind the Magalies Water corporate brand which encompasses its mandate, vision and mission.

The Department also manages the corporate identity and image of the organisation through the development of a Marketing & Branding Strategy, develop-

ment of Policies/SOPs, Sponsorship Management (inwards & outwards), Implementation Plan inclusive of the Marketing Programmes, Corporate Events, Exhibitions & Conferences, Marketing Design (Graphic) Advertisements, Marketing/Promotional Campaigns, Reputation Management, Marketing Partnerships Brand Positioning, Awareness & Visibility, Research, Brand Representation/Ambassadorship.

Marketing and Branding initiatives seek to elevate the brand by increasing its visibility and making use of messages that communicate the organisation's vision to its stakeholders.

This is done through the following channels:

- Outdoor advertising tools for brand elevation,
- Content creation through the Magalies Water website, intranet and social media platforms,
- Events that aim to enhance existing stakeholder relations while providing opportunities to create new ones, and
- Interviews on local media platforms that aim to broaden awareness of the organisation.

## **Brand Positioning**

The Marketing and Branding Strategy takes advantage of the available opportunities to better position the Magalies Water brand in the market. Furthermore, the plan provides strategic response to eliminate weaknesses through critical marketing and branding interventions.

## **Brand Image**

Stakeholders play a critical role in driving the positive image of the brand. To ensure the successful execution of this Marketing and Branding strategy, the Department works with Magalies Water internal and external stakeholders to position the brand in the market.

The following includes key activities undertaken, during the year under review:

- Mandela Day Event – Clear River Campaign,
- Women’s Day Celebration,
- Bela-Bela Councilor’s Plant Tour – Klipdrift Water Treatment Plant,
- Launch of the Haartebeespoort Dam Rehabilitation Project and Cleanup Campaign,
- Mmabatho Nursing College Plant Tour – Mmabatho Water Treatment Plant,
- Dinokana Water Project Launch – Ministerial Event – Dinokana Tribal Office and Sports Ground,
- Central High School Plant Tour – Brits Laboratory,
- Conservation Kids – Pilanesberg – Manyane Game Lodge,
- Moses Kotane Local Municipality Ward Councilor’s Awareness Campaign – Vaalkop Water Treatment Plant,
- Rebranding of Far West and South West regions,
- Hammanskraal Emergency Intervention Project launch – Ministerial Event – Hammanskraal,
- Haartebeespoort Dam Rehabilitation Project and Cleanup Campaign,

- WISA 2024 Conference and Exhibition – Durban, and
- Boys Leading Change Plant Tour – Vaalkop Water Treatment Plant.

## **Media Relations**

Magalies Water, through the external communications and media liaison function, within the Communications and Stakeholder Relations Division, updates the entity’s stakeholders on both governance and operational related matters. This includes dissemination of information, which informs, educates, and is packaged in an attractive manner and dispensed in both traditional and digital media formats. Stakeholders, across the areas of operations receive this information in a multiplex format which ensures that Magalies Water’s messaging reaches stakeholders and the general public within the shortest period of time once disseminated and its reach its wide.

Usage of new media technologies has enabled Magalies Water’s communication and media related processes to be more agile, fast-paced, and responsive to key issues the organisation requires for external communication. These include:

- Priority of content generation on digital-based platforms,
- Regular communication and messaging on radio and television,
- Liaison with newspaper and sector publications, and



# MEDIA RELATIONS



## COMING UP

MUNICIPAL DEBT OWED TO  
WATER BOARDS

**MATSHIDISO  
TABANE**

MAGALIES WATER'S CHIEF  
FINANCIAL OFFICER

**6:40AM**

QUESTION THINK  
ACT



CATCH IT LIVE ON DStv 403:



- Building a digital library from television and radio archive material fostering on-going public awareness campaigns on water conservation and water demand management.

Stakeholder relation activities, undertaken as part of government's Inter-Governmental Relations (IGR) framework were undertaken and profiled through media liaison, by means of external communication in the form of media statements and media interviews on newspaper publications, television, and radio. These interactions and relationships have been maintained, in pursuit of the provisions of the Water Services Act, 1997 (Act 108 of 1997, as amended) as well as the Bill of Rights as enshrined in the Constitution of the Republic of South Africa (1996).

The following includes key media interactions undertaken, during the year under review:

- Magalies Water's Chief Executive talks about the state of bulk water and sanitation services in South Africa – Power FM,
- Cholera, threatens water security in South Africa, amidst water sector challenges in modern day South Africa – SABC News,
- Department of Water and Sanitation, appoints Magalies Water as an implementing agent to address water quality issues in the crocodile west catchment area – You FM, Power FM, SABC News,
- Magalies Water was profiled in the 100th Edition of the Africa Outlook Magazine, in past challenges, future growth prospects and its

current response to the water and sanitation challenges in the country – international publication, and

- Magalies Water's response to the cholera outbreak in Hammanskraal – SABC News, Power FM, You FM, Mahikeng FM and Star FM.
- Numerous radio interviews undertaken by Board Chairperson, Deputy Chairperson and Finance Committee Chairperson on the mandate of the new board, financial recovery plans as well as sustainability of the Magalies Water following the disestablishment of Sedibeng Water and expansion of its service area.

Magalies Water on a continued basis, provides support to all initiatives and campaigns led by the Department of Water and Sanitation as well as other corporate partners as per invitation within its area of operation.

Digital library's footprints are extended by reach through media links which are populated on to social media accounts and shared with the Board, EXCO members, and external stakeholders.



BRAND POSITION

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Magalies Water Annual Report 2023/24



# *Financial Performance Perspective: The CFO's Statement*

## **Introduction**

Magalies Water is required in terms of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) to prepare financial statements in accordance with the Generally Accepted Accounting Practice (GAAP) and must submit those financial statements within two months after the end of the financial year to the auditors of the public entity. The Statements for the Financial Year (FY) 2023/24 were prepared and presented as guided by the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA), the Water Services Act, 1997 (Act 108 of 1997, as amended) (WSA), and other related prescripts.

During the year under review, Magalies Water reported an increase in the net surplus compared to the 2022/23 financial year. This positive performance was largely attributed to the increase in water tariffs and the financial grants received from the Department of Water and Sanitation to support the implementation of key infrastructure projects.

The non-payment of debt by municipalities for bulk water sales remains a concern for the entity, resulting in a significant increase in receivables from exchange transactions especially after the transfer of debtor's balances from the erstwhile Sedibeng Water. The impact of customers not paying on time has been considered in cash flow projections and assessment of the entity's ability to continue as a going concern.

Management is satisfied with the controls implemented to address this risk and has concluded that the organisation is still a going concern. The entity's current assets exceed its current liabilities by R970 million and the surplus increased by R127.6 million compared to the previous financial year.

A net surplus of R461.8 million was realised for the current financial year increasing it from a restated net surplus of R334.1 million. We assume that sufficient funds will be available to finance future operational needs, and settlement of liabilities in the ordinary course of business. Although Magalies Water reported a surplus of R461.8 million, there is still a need for funds to implement capital projects with an estimate of over R8 billion. The entity's commitments for capital projects amount to R1.6 billion which includes capital commitments amounting to R56.1 million that were transferred from the erstwhile Sedibeng Water and a minor capital budget of R92.1 million required for the 2024/25 financial year, which should be funded from the entity's reserves and government grant allocations.

The accumulated surplus increased year on year as the organisation made profits for the last five years. The organisation remains solvent and total assets exceed total liabilities by R4.4 billion as at 30 June 2024. The sections below provide a brief analysis of the financial performance and position of the organisation; detailed statements are provided in the Annual Financial Statements.

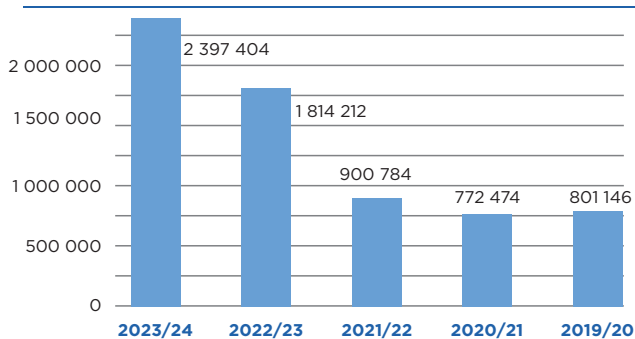


## Financial Performance

### Revenue for the year

Revenue for the year increased from R1.8 billion to R2.4 billion. Revenue from the sale of water increased by 9.1% from R1.1 billion to R1.2 billion because of an increase in water sales tariffs. Revenue from government grants increased from R310.9 million to R731.3 million due to funding received for implementation of capital projects. An operational bail out relief amounting to R2 million was also received as an immediate cash injection as a result of the disestablishment of the entity. Construction Revenue recognised in the current year amounted to R179.4 million from a restatement of R198.6 million due to the adoption of GRAP 11 - Construction Contracts.

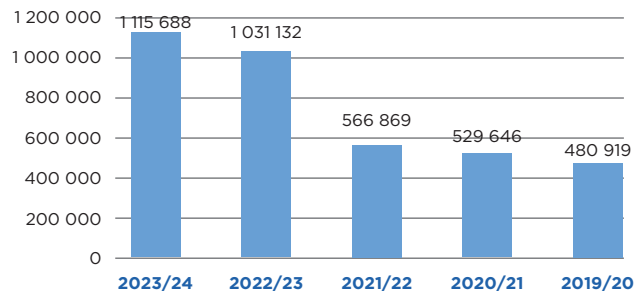
**Figure 13: Revenue for the year, in R'000**



### Cost of Sales

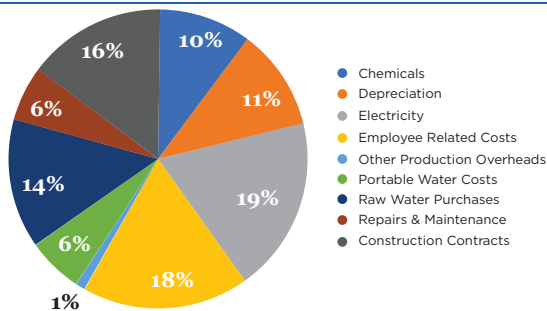
The cost of sales increased slightly by 8.2% during the year as production costs continued to increase in line with inflation and other cost adjustments. Chemical costs increased by 89.7%, mainly due to the annual inflationary increase in chemical costs as agreed with suppliers, plant trials, and additional stock purchased at the end of the financial year. Electricity costs increased by 20.3% as a result of increases in electricity tariffs. Repairs and maintenance costs increased by 10.9% during the year when compared to the previous financial year. Potable water costs increased by 14.1% due to the tariff increase that was implemented by the supplier.

**Figure 14: Cost of Sales, in R'000**



The main cost drivers for the cost of sales are raw water, chemicals labour, depreciation, and electricity, as depicted in Figure 15.

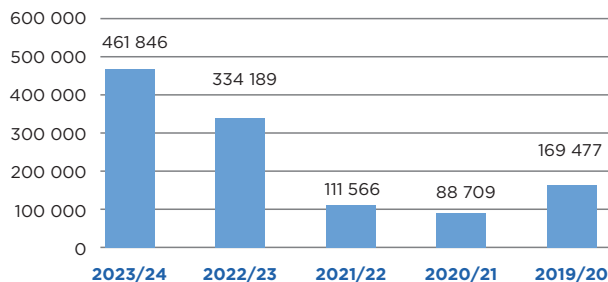
**Figure 15: Main Cost Drivers for Cost of Sales**



### Surplus for the year

The organisation has achieved R461.8 million net surplus during the year compared to R334.1 million achieved in the previous financial year. Over the last five-year period, a net surplus was achieved, which will assist the organisation in funding both operational and capital expenditure programmes in the future.

**Figure 16: Surplus for the year, in R'000**

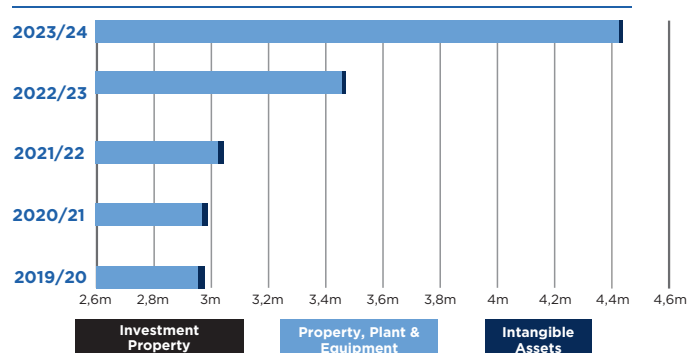


### Statement of Financial Position

#### Non-Current Assets

Non-current assets have increased significantly when compared with the previous year, this is due to the regular investment made by the organisation into its infrastructure to the value of R1.0 billion during the financial year.

**Figure 17: Non-Current Assets, in R'000**



2017-2018 - Swartruggens & Madibeng

Local Municipality:

Refurbished school ablution facilities to improve sanitation for students and staff



## Current Assets

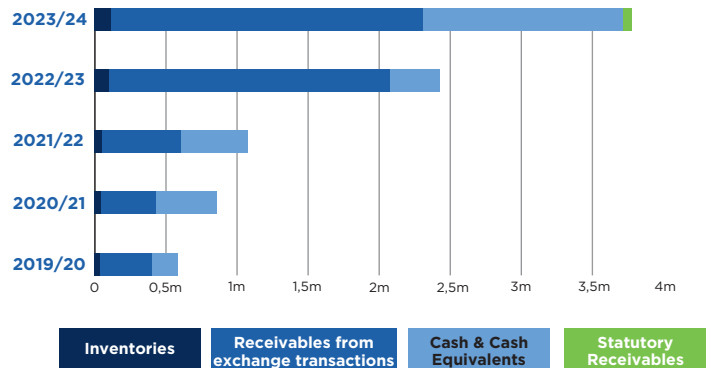
Inventory as at 30 June 2024 increased by R21 million representing a 24% increase due to high stock purchases at the end of the financial year.

The net receivables from exchange transactions as at 30 June 2024 were R1.9 billion, which increased by R215 million representing an 11% increase compared to the previous year because of escalation of debtors book due to non-payment. The non-payment of debt by municipalities has been a concern for Magalies Water, especially the long-outstanding debts exceeding three years in some cases. Plans are in place to improve debt collection including payment agreements made with the defaulting bulk water customers which are monitored monthly. Management continuously engages the customers and ensures that payment arrangements are signed and implemented to ensure that the cash flow is sufficient to meet the organisational needs.

Cash and cash equivalents increased by R1 billion representing a 296% increase due to project funds that were disbursed to the entity by DWS as an implementing agent for its projects.

Statutory Receivable refers to the amount that is owed by SARS for VAT. The receivable was due to project invoices that were accrued at year end.

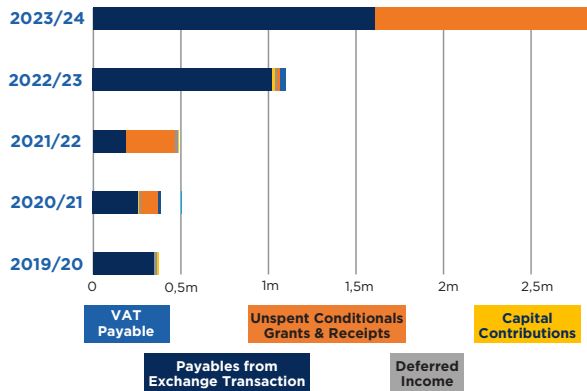
**Figure 18: Current Assets, in R'000**



## Current Liabilities

Payables from exchange transactions increased significantly by R574.2 million representing 57% increase mainly due to accruals raised at year end due to SAP recovery and Vaal Central Interest amounting to R44.5 million charged at year-end. An increase in the implementation of project directives occurred resulting in an increase in the unspent grant amounting to R1.2 billion. Capital contributions increased by 9% from R237.1 million to R258.6 million because of additional contributions received from the mines.

**Figure 19: Current Liabilities, in R'000**



## Cash Flows

The cash and cash equivalents reported at 30 June 2024, is R1.4 billion (2022-2023: R355 million). Liquidity is closely managed daily in line with available cash reserves to ensure that the entity has sufficient cash reserves to pay debts when they fall due in the ordinary course of business.

## Capital Funding

Magalies Water developed a growth strategy which identifies numerous growth opportunities. However, the projects could not be implemented due to a lack of funding. The delays in implementing infrastructure projects negatively impact service delivery and on the

organisation's ability to deliver on its mandate. The current investments are not sufficient to cover the capital expenditure required for implementing projects.

Magalies Water approached the Budget Facility for Infrastructure Fund (BFI) for funding support for two critical infrastructure projects (Moretele North-Klipvoor and Pilanesberg Phase 2) currently under implementation. The funding application was approved, and grants were subsequently allocated to Magalies Water to support the social component of these projects. For the 2023/24 financial year, the two projects have been allocated a total of R1.3 billion (R608 million for Pilanesberg and R692 million for Moretele North). However, while the funding for the social component has been secured, the total project costs exceed the current allocation. As such, Magalies Water is planning to approach additional funders to secure financing for the economic component of the projects. The successful completion of these projects will expand our bulk water supply and create additional revenue.

## Compliance with Laws and Regulations

During the 2023/24 financial year, Magalies Water incurred irregular expenditure amounting to R62.7 million, contributing to an overall increase in the total irregular expenditure to R115.6 million. Furthermore, fruitless and wasteful expenditure incurred during the year amounted to R2.3 million, bringing the closing balance to R80.1 million. In accordance with National Treasury Instruction Note No. 4 of 2022/23, a detailed reconciliation of both irregular expenditure and fruitless and wasteful expenditure is provided in the table below:

### Irregular Expenditure

#### Reconciliation of Irregular Expenditure

##### Opening Balance

Add: Irregular expenditure confirmed

Less: Irregular expenditure condoned

Less: Irregular expenditure not condoned and removed

Less: Irregular expenditure recoverable

Less: Irregular expenditure not recovered and written off

##### Closing Balance

|                                                           | 2024           | 2023          | 2022          |
|-----------------------------------------------------------|----------------|---------------|---------------|
| <b>Opening Balance</b>                                    | <b>52,947</b>  | <b>38,955</b> | <b>5,900</b>  |
| Add: Irregular expenditure confirmed                      | 62,743         | 13,992        | 33,055        |
| Less: Irregular expenditure condoned                      | -              | -             | -             |
| Less: Irregular expenditure not condoned and removed      | -              | -             | -             |
| Less: Irregular expenditure recoverable                   | -              | -             | -             |
| Less: Irregular expenditure not recovered and written off | -              | -             | -             |
| <b>Closing Balance</b>                                    | <b>115,690</b> | <b>52,947</b> | <b>38,955</b> |

### Details of Irregular Expenditure

#### 2024 Financial Year-end

R57.8 million - Relates to non-compliance with the procurement legislation concerning tender awarded to the second highest scoring bidder without adequate justification.

R4.9 million - Incurred with respect to non-compliance with the procurement legislation relating to the request for quotation process, mainly the on-boarding of the erstwhile Sedibeng Water suppliers, where three quotations were not obtained.

#### 2023 Financial Year-end

R6.0 million - non-compliance with the procurement legislation concerning the request for quotation process. Mainly relating to the on-boarding of the erstwhile Sedibeng Water suppliers, where three quotations were not approved.

R7.9 million - non-compliance with the procurement legislation with respect to tender awarded without adequate implementation of the risk assessment criteria.

**Reconciling notes to the annual financial statement disclosure: Irregular expenditure**

|                                                                         | 2024          | 2023          | 2022          |
|-------------------------------------------------------------------------|---------------|---------------|---------------|
| <b>Description</b>                                                      |               |               |               |
| Irregular expenditure that was under assessment in 2022/23              | -             | -             | -             |
| Irregular expenditure that relates to 2022/23 and identified in 2023/24 | -             | -             | -             |
| Irregular expenditure for the current year                              | 62,743        | 13,992        | 33,055        |
| <b>Total</b>                                                            | <b>62,743</b> | <b>13,992</b> | <b>33,055</b> |

**Irregular Expenditure under assessment**

**Reconciliation of Irregular Expenditure**

|                                                                                        | 2024           | 2023           | 2022           |
|----------------------------------------------------------------------------------------|----------------|----------------|----------------|
| Irregular expenditure that was under assessment in the 2023/2024                       | 118,533        | 115,831        | -              |
| Irregular expenditure that related to 2022/2023 but was identified in the current year | -              | 2,702          | -              |
| Irregular expenditure that was under assessment in the current year                    | 11,953         | -              | 115,831        |
| <b>Total</b>                                                                           | <b>130,486</b> | <b>118,533</b> | <b>115,831</b> |

The above cases of irregular expenditure are still under assessment. These were incurred as a result of non-compliance to procurement norms and standards. The results of the assessment were not yet conclusive as at the date of this report.

**Fruitless and Wasteful Expenditure**

**Reconciliation of Fruitless and Wasteful Expenditure**

|                                                   | 2024          | 2023          |
|---------------------------------------------------|---------------|---------------|
| <b>Opening Balance</b>                            | <b>78,491</b> | <b>-</b>      |
| Add: Fruitless and Wasteful expenditure confirmed | 2,372         | 78,491        |
| <b>Closing Balance</b>                            | <b>80,863</b> | <b>78,491</b> |



## Details of Fruitless and Wasteful Expenditure

### 2024 Financial Year-end

R2.3 million - Interest charges by suppliers on late payment, mainly relating to SARS late VAT payments.

### 2023 Financial Year-end

R74.7 million - Financial losses resulting from overpayment of a supplier, where Magalies Water, through the independent engineer investigated the project and determined that the work measurements are below the claims paid against the supplier.

R3.5 million - Interest charges by suppliers on late payment, mainly relating to SARS.

R0.2 million - relates to erroneous payments made to employees.

## Reconciling notes to the annual financial statement disclosure: Fruitless and wasteful expenditure

### Description

Fruitless and wasteful expenditure that was under assessment in 2022/23  
Fruitless and wasteful expenditure that relates to 2022/23 and identified in 2023/24

Fruitless and wasteful expenditure for the current year

### Total

|  | 2024         | 2023          |
|--|--------------|---------------|
|  | -            | 47,863        |
|  | -            | 26,845        |
|  | 2,372        | 3,784         |
|  | <b>2,372</b> | <b>78,491</b> |



**Ms. M.C. Tabane**  
**Chief Financial Officer**

# *Audit and Risk Committee Report*

## **Audit and Risk Committee**

The Audit & Risk Committee (the Committee) hereby presents its report for the year ended 30 June 2024. The Committee is an independent statutory body appointed by the Board in compliance with the Public Finance Management Act, 1999 (Act 1 of 1999 as amended) (PFMA) as well as the Treasury Regulations.

## **Responsibilities of the Audit and Risk Committee**

In addition to the PFMA prescripts referred to above, the roles and responsibilities of the Committee are set out in Treasury Regulation 27.1 and the principles of the King IV Report on Corporate Governance (King IV) were adequately entrenched. The Committee plays an independent role in corporate governance, integrated reporting and management of internal controls. The Committee has a charter in place, which regulates both its statutory duties and those assigned to it by the Board. It has, during the year under review, regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein, and the related policies and practices.

The Committee is also accountable to the Board to which they report on their evaluation of Financial Statements and effectiveness of internal controls during the financial year, in order to ensure credibility of the audit outcomes that are incorporated in the Annual Report 2023/24.

Furthermore, the roles of the Committee comprises of, but is not limited to, the following:

- review the annual financial statements, interim reports and ensure compliance with Generally Recognised Accounting Principles (GRAP),
- review and approve the appropriateness of accounting policies, disclosure policies and the effectiveness of internal financial controls,
- review the effectiveness of internal audit, the risk areas of the Magalies Water's operations to be covered in the scope of internal and external audits,
- review the accuracy, reliability and adequacy of financial information provided to management and other users of such information,
- review and recommend the annual report and financial statements for approval by the Board,
- review any accounting and auditing concerns identified as a result of internal and external audits,
- review Magalies Water's compliance with legal and regulatory provisions,
- review where relevant, the independence and objectivity of the internal and external auditors,
- approve the annual internal audit plan,
- ensure the internal audit function is subject to independent quality review as deemed appropriate,
- ensure that the IT Charter and Policies are developed and implemented,
- ensure that IT risks are addressed,
- consider the use of technology to improve audit coverage,



- ensure that an IT control framework is adopted and implemented,
- receive independent assurance on the effectiveness of the IT internal controls,
- ensure that IT plans are aligned to Magalies Water's strategy,
- ensure that there is a process in place to identify and exploit opportunities to improve the performance and sustainability of Magalies Water through the use of IT,
- ensure that the intellectual property contained in the IT systems is protected,
- ensure that management has put in place adequate business resilience arrangements through business continuity plans in the event of a disaster,
- ensure that an information security system is developed and implemented,
- obtain an understanding of the extent of IT in relation to the evaluation of controls by internal and external audit,
- approve the terms of engagement and remuneration of the external auditor, and
- ensure a process is in place for the committee to be informed of any reportable irregularities identified by the external auditor.

The Committee hereby reports that it has complied with its responsibilities in accordance to Section 51 of the PFMA, the provisions of Treasury Regulation 27.1 and the principles of the King IV Report on Corporate Governance (King IV). The Committee plays an independent role in corporate governance, integrated

reporting and management of internal controls. The Committee also reports that it has discharged its responsibilities and regulated its affairs in accordance to its Charter.

The Committee has assisted the Board in fulfilment of its oversight role through review of financial reporting processes, internal controls, audit processes, monitoring compliance with accounting policies, compliance to applicable legislation and regulations.

### Composition and Attendance of Meetings

The Committee consists of a majority of independent non-executive members. The Committee meets at least four times per year in line with its charter. Independent External Audit and Risk Committee members served on the Committee during the period under review as shown in the table below:

| Table 27: External Audit and Risk Committee members |                                                                                                                      |
|-----------------------------------------------------|----------------------------------------------------------------------------------------------------------------------|
| Member                                              | Qualifications                                                                                                       |
| Ms. N. Shabalala                                    | BScience (Hons), BCom (Information Technology), Dip Business Management & Administration, CISA, Corbit 4.1 and ITIL. |
| Ms. Z. Tshabalala                                   | MBA, Post Grad Dip Business Management, Bcom (Finance)                                                               |
| Mr. V. Magan                                        | MBA, B (Comp) Hons, Certified Internal Auditor, and Chartered Accountant (SA).                                       |

### **Effectiveness of Internal Control**

The system of internal control is designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In accordance with the PFMA and corporate governance requirements of King IV, Internal Audit provided the Committee, management and the Board with assurance that the internal controls are appropriate and effective. This has been achieved by ensuring that risk management processes identified corrective actions and led to the enhancements of controls wherever various reports of Internal Audit, the Audit Report and the Management Letter of the Auditor-General could note gaps. During 2023/24, management and the Committee also upped the response capacity to mitigate control weaknesses that used to be of concern and are content with the continuous improvements planned for the 2024/25 financial year.

### **Evaluation of Financial and Performance Information**

The Audit and Risk Committee has reviewed and evaluated financial information and performance information reports on a quarterly basis. Nothing came to the attention of the Committee to suggest that any material breakdown in the financial controls occurred during the financial year under review. The Committee was continuously satisfied with the content and quality of Magalies Water reports.

### **Evaluation of Annual Financial Statements**

The Committee:

- reviewed and discussed the draft Annual Financial Statements to be included in the integrated Annual Report with the Auditor General, management and the Accounting Authority,
- reviewed changes in accounting policies and practices,
- reviewed the external auditor's management letter and managements' response thereto,
- reviewed adjustments resulting from the audit process, and
- reviewed compliance with legal and regulatory provisions.

The Committee concurs with and accepts the Auditor-General's Report on the Annual Financial Statements and all other governance related internal controls applicable to the performance report for 2023/24.

Evaluation of the expertise and experience of the Chief Financial Officer and the finance function.

The Committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience. The Committee has considered and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management for the financial function.



### **Internal Audit**

The Internal Audit Plan was approved during the financial year and the Audit and Risk Committee provided its oversight to the Internal Audit function and approved the Internal Audit Plan and Charter. The Audit and Risk Committee is satisfied that the Internal Audit function is operating effectively and that the function is sufficiently resourced. The Internal Audit function has been open to the idea of subjecting it to independent quality reviews, had the Audit and Risk Committee deemed it appropriate.

### **External Audit**

The Audit and Risk Committee has studied the report of the AGSA and concurs with and accepts the conclusion and audit opinion of the external auditors on the annual financial statements. The external audit function performed by the AGSA is independent from the entity. The Committee has met with the external auditors to ensure that there are no unresolved issues and acknowledges the diligence and cooperation of the external audit team. The Committee recommends that the audited annual financial statement be accepted and read together with the report of the external auditors.



**Mr. S.A. Ngobeni**

**Chairperson of the Audit and Risk Committee**

## *Internal Audit Opinion*

The Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and internal control, for the financial year 2023/24, is set out below. The Board can take "Reasonable Assurance" on the adequacy and effectiveness of Governance, Risk Management and Internal Control, within those areas that were reviewed. Some matters require management attention in control design or compliance with low to moderate impact on residual risk exposure until they are resolved.



**Mr. Tebogo Bosoga**

**Acting Chief Audit Executive**



# *Report of the auditor-general to Parliament on Magalies Water*

## **Report on the audit of the financial statements**

### **Opinion**

1. I have audited the financial statements of Magalies Water set out on pages 155 to 244, which comprise the statement of financial position as at 30 June 2024, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget information and actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Magalies Water as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### **Basis for opinion**

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Emphasis of matter**

6. I draw attention to the matter below. My opinion is not modified in respect of these matters.

### **Impairment of receivables**

7. As disclosed in note 4 to the financial statements, material impairment losses of R795 142 000 (2023: R647 045 000) were incurred as a result of the probable irrecoverable debt.

### **Responsibilities of the accounting authority for the financial statements**

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
9. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations or has no realistic alternative but to do so.

### **Responsibilities of the auditor-general for the audit of the financial statements**

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



### **Report on the audit of the annual performance report**

12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
13. I selected the following objectives presented in the annual performance report for the year ended 30 June 2024 for auditing. I selected objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

| Objective          | Page Numbers | Purpose                                                         |
|--------------------|--------------|-----------------------------------------------------------------|
| <b>Objective 1</b> | 75           | To provide quality potable water                                |
| <b>Objective 2</b> | 75           | To provide reliable and sustainable water services to customers |

14. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.
15. I performed procedures to test whether:
- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
  - all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
  - the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
  - the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
  - the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
  - there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.
16. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
17. I did not identify any material findings on the reported performance information for the objectives.

#### **Other Matter**

18. I draw attention to the matter below.

#### **Achievement of planned targets**

19. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements.
20. The public entity plays a key role in delivering services to South Africans. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on page 75.



### To provide quality potable water

| Targets achieved: 80%                       |                |                      |
|---------------------------------------------|----------------|----------------------|
| Key service delivery indicator not achieved | Planned target | Reported achievement |
| Operational Compliance                      | ≥ 95%          | 94.41%               |

### To provide reliable and sustainable water services to customers

| Targets achieved: 33.33%                                   |                |                      |
|------------------------------------------------------------|----------------|----------------------|
| Key service delivery indicator not achieved                | Planned target | Reported achievement |
| Avoidable water lost as a % of water produced at plants    | ≤5%            | 6.06%                |
| Number of capital projects completed in the financial year | 3              | 0                    |

### Report on compliance with legislation

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
23. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

24. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

#### **Annual Financial Statements and Annual Report**

25. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of current liabilities, expenditure, and disclosure items identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified opinion.

#### **Procurement and Contract Management**

26. The preference point system was not applied in some of the procurement of goods and services as required by section 2(a) of the PPPFA and Treasury Regulation 16A6.3(b).

#### **Expenditure Management**

27. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 46 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was due to the incorrect awarding of a tender relating to the Moretele South Bulk Water Supply Scheme-Far West Extension.

28. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 45 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the fruitless and wasteful expenditure was caused by incurring penalties on late payments made.



### **Other information in the annual report**

29. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
30. My opinion on the financial statements, the report on the audit of the annual performance report and the report on compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
31. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
32. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

### Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
34. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
35. Management did not adequately review the financial statements prior to submission for auditing, resulting in material errors identified and corrected.
36. Management did not correctly interpret and apply applicable legislation when procuring for goods and services.
37. Management did not implement adequate controls to prevent irregular and fruitless and wasteful expenditure.

Auditor - General

**Pretoria**  
**31 October 2024**



AUDITOR - GENERAL  
SOUTH AFRICA



## **Annexure to the auditor's report**

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

### **Auditor-general's responsibility for the audit**

#### **Professional judgement and professional scepticism**

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives on the public entity's compliance with selected requirements in key legislation.

#### **Financial Statements**

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made

- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

#### **Communication with those charged with governance**

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.



## Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

| Legislation                                                                                                   | Sections or Regulations                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Finance Management Act No. 1 of 1999 (PFMA)                                                            | Section 50(3)<br>Section 51(1)(a)(iii); 51(1)(a)(iv); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii)<br>Section 52(b)<br>Section 53(4)<br>Section 54(2)(c); 54(2)(d)<br>Section 55(1)(a); 55(1)(b); 55(1)(c)(i)<br>Section 56<br>Section 57(b)<br>Section 57(d)<br>Section 66(3)(b) |
| Treasury Regulations for departments, trading entities, constitutional institutions, and public entities (TR) | Treasury Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1<br>Treasury Regulation 31.1.2(c)<br>Treasury Regulation 31.2.5; 31.2.7(a)<br>Treasury Regulation 33.1.1; 33.1.3                                                                                      |
| Prevention and Combating of Corrupt Activities Act No. 12 of 2004 (PRECCA)                                    | Section 34(1)                                                                                                                                                                                                                                                                 |
| Construction Industry Development Board Act No.38 of 2000 (CIDB)                                              | Section 18(1)<br>Section 22(3)                                                                                                                                                                                                                                                |
| CIDB Regulations                                                                                              | CIDB regulation 17; 25(1); 25 (5) & 25(7A)                                                                                                                                                                                                                                    |
| PPPFA                                                                                                         | Section 1(i); 2.1(a); 2.1(b); 2.1(1)                                                                                                                                                                                                                                          |
| PPR 2017                                                                                                      | Paragraph 4.1; 4.2<br>Paragraph 5.1; 5.3; 5.6; 5.7<br>Paragraph 6.1; 6.2; 6.3; 6.5; 6.6; 6.8<br>Paragraph 7.1; 7.2; 7.3; 7.5; 7.6; 7.8<br>Paragraph 8.2; 8.5<br>Paragraph 9.1; 9.2<br>Paragraph 10.1; 10.2<br>Paragraph 11.1; 11.2<br>Paragraph 12.1 and 12.2                 |

**Part C**  
**General Performance**

**Magalies Water Annual Report 2023/24**

| Legislation                           | Sections or Regulations                                                       |
|---------------------------------------|-------------------------------------------------------------------------------|
| PPR 2022                              | Paragraph 3.1<br>Paragraph 4.1; 4.2; 4.3; 4.4<br>Paragraph 5.1; 5.2; 5.3; 5.4 |
| NT SCM Instruction Note 03 of 2021/22 | Paragraph 4.1; 4.2; 4.2(b); 4.3; 4.4; 4.4(c); 4.4(d); 4.6<br>Paragraph 5.4    |
| NT SCM Instruction 4A of 2016/17      | Paragraph 6                                                                   |
| NT SCM Instruction Note 03 of 2019/20 | Paragraph 5.5.1(iv); 5.5.1(x)                                                 |
| NT SCM Instruction Note 11 of 2020/21 | Paragraph 3.1; 3.4(a); 3.4(b); 3.9; 6.1; 6.2; 6.7                             |
| PFMA SCM Instruction 08 of 2022/23    | Paragraph 3.2<br>Paragraph 4.3.2; 4.3.3                                       |
| NT SCM Instruction 4 of 2015/16       | Paragraph 3.4                                                                 |
| Second amendment of NTI 05 of 2020/21 | Paragraph 4.8; 4.9; 5.1; 5.3                                                  |
| Erratum NTI 5 of 2020/21              | Paragraph 1                                                                   |
| Erratum NTI 5 of 2020/21              | Paragraph 2                                                                   |
| NT instruction note 5 of 2020/21      | Paragraph 5.1 and 5.3                                                         |





***PART D***  
***Financial Performance Perspective***



# INDEX

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

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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| <i>Detailed Income Statement</i> | <i>245</i> |
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| GENERAL INFORMATION                                                      |                                                                     |                                                     |
|--------------------------------------------------------------------------|---------------------------------------------------------------------|-----------------------------------------------------|
| Country of incorporation and domicile                                    | Nature of business and principal activities                         |                                                     |
| South Africa                                                             | Provision of Water Services                                         |                                                     |
| Members                                                                  |                                                                     |                                                     |
| Dr. K.L. Sebego (Chairperson)                                            | Ms. M.E.T. Malaka                                                   | Mr. R.M. le Roux                                    |
| Ms. M.Y. Matolong (Deputy Chairperson)                                   | Ms. Y. Pamla                                                        | Mr. M.W.B. Mkhize                                   |
|                                                                          | Ms. N.P. Mashaba                                                    | Dr. M. Makgae                                       |
|                                                                          | Mr. I. Mosala                                                       | Mr. S.A. Ngobeni                                    |
| Mr. S.P. Mkhize (Chief Executive )<br>until 30 June 2024                 | Mr. O. Nthutang (Acting Chief Executive)<br>from 01 July 2024       |                                                     |
| Mr. T. Shezi (Acting Chief Financial Officer)<br>until 17 September 2023 | Ms. M.C. Tabane (Chief Financial Officer)<br>from 18 September 2023 |                                                     |
| Secretary                                                                |                                                                     |                                                     |
| Ms. D.W. Engelbrecht                                                     |                                                                     |                                                     |
| Business address                                                         | Controlling entity                                                  | Auditors                                            |
| 38 Heystek street<br>Rustenburg<br>0300                                  | Department of<br>Water and Sanitation                               | Auditor General South Africa<br>Registered Auditors |

## **BOARD'S RESPONSIBILITIES AND APPROVAL**

The members are required by the Water Services Act (Act 108 of 1997, as amended) and the Public Finance Management Act (Act 1 of 1999, as amended), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

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

The members have reviewed the entity's cash flow forecast for the year to June 30, 2025 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The entity is wholly dependent on the entity for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements. The annual financial statements have been audited by the entity's external auditors and their report is presented on page 139 to 150.

The annual financial statements set out on pages 155 to 246, which have been prepared on the going concern basis, were approved by the accounting authority on 31 October 2024 and were signed on its behalf by:



**Dr K.L. Sebego**  
**Chairperson of the Board**



**Mr O. Nthutang**  
**Acting Chief Executive**



## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024

|                                         |         | <i>Figures in Rand thousand</i> |                  |
|-----------------------------------------|---------|---------------------------------|------------------|
|                                         | Note(s) | 2024                            | 2023             |
| <b>Assets</b>                           |         |                                 |                  |
| <b>Current Assets</b>                   |         |                                 |                  |
| Inventories                             | 3       | 108,923                         | 87,535           |
| Receivables From Exchange Transactions  | 4       | 2,203,913                       | 1,988,057        |
| Statutory Receivables                   | 11      | 60,869                          | -                |
| Cash and Cash Equivalents               | 5       | 1,404,909                       | 355,034          |
| <b>Total Current Assets</b>             |         | <b>3,778,614</b>                | <b>2,430,626</b> |
| <b>Non-Current Assets</b>               |         |                                 |                  |
| Investment Property                     | 6       | 12,279                          | 13,004           |
| Property, Plant and Equipment           | 7       | 4,410,273                       | 3,443,458        |
| Intangible Assets                       | 8       | 12,616                          | 13,222           |
| <b>Total Non-Current Assets</b>         |         | <b>4,435,168</b>                | <b>3,469,684</b> |
| <b>Total Assets</b>                     |         | <b>8,213,782</b>                | <b>5,900,310</b> |
| <b>Liabilities</b>                      |         |                                 |                  |
| <b>Current Liabilities</b>              |         |                                 |                  |
| Payables from Exchange Transactions     | 9       | 1,578,011                       | 1,003,778        |
| VAT Payable                             | 10      | -                               | 30,767           |
| Unspent Conditional Grants and Receipts | 12      | 1,200,182                       | 14,739           |
| Capital Contributions                   | 13      | 5,177                           | 4,823            |
| Deferred Income                         | 14      | 13,909                          | 13,909           |
| Long Service Awards Liability           | 15      | 6,373                           | 2,374            |
| Retirement Benefit Obligation           | 16      | 4,084                           | 1,825            |
| <b>Total Current Liabilities</b>        |         | <b>2,807,736</b>                | <b>1,072,215</b> |
| <b>Non-Current Liabilities</b>          |         |                                 |                  |
| Long Service Awards Liability           | 15      | 35,811                          | 9,367            |
| Retirement Benefit Obligation           | 16      | 156,187                         | 48,949           |
| Capital Contributions                   | 13      | 253,483                         | 232,376          |
| Deferred Income                         | 14      | 444,419                         | 469,251          |
| Deposits Received                       | 17      | 49,834                          | 63,686           |
| <b>Total Non-Current Liabilities</b>    |         | <b>939,734</b>                  | <b>823,629</b>   |
| <b>Total Liabilities</b>                |         | <b>3,747,470</b>                | <b>1,895,844</b> |
| <b>Net Assets</b>                       |         | <b>4,466,312</b>                | <b>4,004,466</b> |
| Accumulated Surplus                     | 18      | 4,466,312                       | 4,004,466        |
| <b>Total Net Assets</b>                 |         | <b>4,466,312</b>                | <b>4,004,466</b> |

## STATEMENT OF FINANCIAL PERFORMANCE

*Figures in Rand thousand*

|                             | Note(s) | 2024             | 2023           |
|-----------------------------|---------|------------------|----------------|
| Revenue                     | 19      | 2,397,403        | 1,814,212      |
| Cost of Sales               | 20      | (1,115,689)      | (1,031,132)    |
| <b>Gross Surplus</b>        |         | <b>1,281,714</b> | <b>783,080</b> |
| Other Income                | 21      | 107,547          | 124,709        |
| Operating Expenses          | 22      | (920,218)        | (571,282)      |
| <b>Operating Surplus</b>    |         | <b>469,043</b>   | <b>336,507</b> |
| Finance Costs               | 23      | (7,079)          | (6,787)        |
| Actuarial Gains (Loss)      | 25      | (118)            | 4,469          |
| <b>Surplus For The Year</b> |         | <b>461,846</b>   | <b>334,189</b> |

## STATEMENT OF CHANGES IN NET ASSETS

*Figures in Rand thousand*

|                                                                          | Accumulated Surplus | Total Net Assets |
|--------------------------------------------------------------------------|---------------------|------------------|
| <b>Balance at 01 July 2022</b>                                           | <b>2,825,525</b>    | <b>2,825,525</b> |
| <b>Changes In Net Assets</b>                                             |                     |                  |
| Surplus For The Year                                                     | 334,189             | 334,189          |
| Transfer of Assets and Liabilities Between Entities Under Common Control | 844,752             | 844,752          |
| <b>Total Changes</b>                                                     | <b>4,004,466</b>    | <b>4,004,466</b> |
| <b>Balance at 01 July 2023</b>                                           | <b>4,004,466</b>    | <b>4,004,466</b> |
| <b>Changes In Net Assets</b>                                             |                     |                  |
| Surplus For The Year                                                     | 461,846             | 461,846          |
| <b>Total Changes</b>                                                     | <b>461,846</b>      | <b>461,846</b>   |
| <b>Balance at 30 June 2024</b>                                           | <b>4,466,312</b>    | <b>4,466,312</b> |

## CASH FLOW STATEMENT

*Figures in Rand thousand*

|                                                         | Note(s) | 2024               | 2023               |
|---------------------------------------------------------|---------|--------------------|--------------------|
| <b>Cash Flows From Operating Activities</b>             |         |                    |                    |
| <b>Receipts</b>                                         |         |                    |                    |
| Sale of Goods and Services                              |         | 1,166,285          | 1,157,024          |
| Grants                                                  |         | 1,918,753          | 180,295            |
| Interest Income                                         |         | 104,456            | 60,062             |
| Other Receipts                                          |         | 912                | 1,013              |
| Capital Contributions                                   |         | 26,185             | 17,483             |
| <b>Total Receipts</b>                                   |         | <b>3,216,591</b>   | <b>1,415,877</b>   |
| <b>Payments</b>                                         |         |                    |                    |
| Employee Costs                                          |         | (470,312)          | (441,850)          |
| Suppliers                                               |         | (599,489)          | (696,200)          |
| <b>Total Payments</b>                                   |         | <b>(1,069,801)</b> | <b>(1,138,050)</b> |
| <b>Net Cash Flows From Operating Activities</b>         | 34      | <b>2,146,790</b>   | <b>277,827</b>     |
| <b>Cash Flows From Investing Activities</b>             |         |                    |                    |
| Purchase of Property, Plant and Equipment               | 7       | (1,095,947)        | (387,346)          |
| Purchase of Intangible Assets                           | 8       | (968)              | (653)              |
| <b>Net Cash Flows From Investing Activities</b>         |         | <b>(1,096,915)</b> | <b>(387,999)</b>   |
| <b>Net Increase in Cash and Cash Equivalents</b>        |         | <b>1,049,875</b>   | <b>(110,172)</b>   |
| Cash and Cash Equivalents at the Beginning of The Year  |         | 355,034            | 465,206            |
| <b>Cash and Cash Equivalents at the End of The Year</b> | 5       | <b>1,404,909</b>   | <b>355,034</b>     |

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### BUDGET ON ACCRUAL BASIS

*Figures in Rand thousand*

|                                                     | Approved Budget  | Adjustments | Final Budget     | Actual Amounts on Comparable Basis | Difference between Final Budget and Actual | Reference |
|-----------------------------------------------------|------------------|-------------|------------------|------------------------------------|--------------------------------------------|-----------|
| <b>Statement of Financial Performance</b>           |                  |             |                  |                                    |                                            |           |
| <b>Revenue</b>                                      |                  |             |                  |                                    |                                            |           |
| <b>Revenue From Exchange Transactions</b>           |                  |             |                  |                                    |                                            |           |
| Sale of Goods                                       | 1,275,663        | -           | <b>1,275,663</b> | 1,175,710                          | <b>(99,953)</b>                            | 47 a      |
| Operations and Maintenance Recovery                 | 223,751          | -           | <b>223,751</b>   | 204,443                            | <b>(19,308)</b>                            | 47 b      |
| Construction Contracts                              | -                | -           | <b>-</b>         | 179,484                            | <b>179,484</b>                             | 47 c      |
| Interest Charged on Outstanding Trade Receivables   | 22,000           | -           | <b>22,000</b>    | 36,907                             | <b>14,907</b>                              | 47 d      |
| Finance Income                                      | 19,810           | -           | <b>19,810</b>    | 67,549                             | <b>47,739</b>                              | 47 e      |
| Management Fees                                     | 40,320           | -           | <b>40,320</b>    | 18,176                             | <b>(22,144)</b>                            | 47 f      |
| Tender Fees                                         | 600              | -           | <b>600</b>       | 527                                | <b>(73)</b>                                | 47 g      |
| Rental Income                                       | 385              | -           | <b>385</b>       | 385                                | <b>-</b>                                   | 47 h      |
| Cost Recovery Income                                | 94,086           | -           | <b>94,086</b>    | 41,599                             | <b>(52,487)</b>                            | 47 i      |
| Other Income                                        | 395              | -           | <b>395</b>       | 2,463                              | <b>2,068</b>                               | 47 j      |
| Lab Analysis                                        | 3,000            | -           | <b>3,000</b>     | 14,775                             | <b>11,775</b>                              | 47 k      |
| Deferred Income                                     | 18,730           | -           | <b>18,730</b>    | 29,555                             | <b>10,825</b>                              | 47 l      |
| <b>Total Revenue From Exchange Transactions</b>     | <b>1,698,740</b> | <b>-</b>    | <b>1,698,740</b> | <b>1,771,573</b>                   | <b>72,833</b>                              |           |
| <b>Revenue From Non-Exchange Transactions</b>       |                  |             |                  |                                    |                                            |           |
| Government Grants and Subsidies                     | 14,400           | -           | <b>14,400</b>    | 731,310                            | <b>716,910</b>                             | 47 m      |
| Operational Grant Relief                            | -                | -           | <b>-</b>         | 2,000                              | <b>2,000</b>                               | 47 n      |
| <b>Total Revenue From Non-Exchange Transactions</b> | <b>14,400</b>    | <b>-</b>    | <b>14,400</b>    | <b>733,310</b>                     | <b>718,910</b>                             |           |
| <b>Total Revenue</b>                                | <b>1,713,140</b> | <b>-</b>    | <b>1,713,140</b> | <b>2,504,883</b>                   | <b>791,743</b>                             |           |

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### BUDGET ON ACCRUAL BASIS - *continued*

*Figures in Rand thousand*

|                                        | Approved<br>Budget | Adjustments | Final<br>Budget    | Actual<br>Amounts on<br>Comparable<br>Basis | Difference<br>between<br>Final Budget<br>and Actual | Reference |
|----------------------------------------|--------------------|-------------|--------------------|---------------------------------------------|-----------------------------------------------------|-----------|
| <b>Expenditure</b>                     |                    |             |                    |                                             |                                                     |           |
| Employee Related Costs                 | (360,242)          | -           | <b>(360,242)</b>   | (420,715)                                   | <b>(60,473)</b>                                     | 47 o      |
| Depreciation and Amortisation          | (37,811)           | -           | <b>(37,811)</b>    | (12,826)                                    | <b>24,985</b>                                       | 47 p      |
| Finance Costs                          | -                  | -           | -                  | (7,079)                                     | <b>(7,079)</b>                                      | 47 q      |
| Debt Impairment                        | (2,700)            | -           | <b>(2,700)</b>     | (148,098)                                   | <b>(145,398)</b>                                    | 47 r      |
| Bad Debts Written Off                  | -                  | -           | -                  | (20)                                        | <b>(20)</b>                                         |           |
| Cost of Sales                          | (933,359)          | -           | <b>(933,359)</b>   | (1,115,689)                                 | <b>(182,330)</b>                                    | 47 s      |
| General Expenses                       | (285,231)          | -           | <b>(285,231)</b>   | (338,459)                                   | <b>(53,228)</b>                                     | 47 t      |
| <b>Total Expenditure</b>               | <b>(1,619,343)</b> | -           | <b>(1,619,343)</b> | <b>(2,042,886)</b>                          | <b>(423,543)</b>                                    |           |
| <b>Operating Surplus</b>               | <b>93,797</b>      | -           | <b>93,797</b>      | <b>461,997</b>                              | <b>368,200</b>                                      |           |
| Loss on Disposal of Assets             | 1,000              | -           | <b>1,000</b>       | (100)                                       | <b>(1,100)</b>                                      | 47 u      |
| Gain on Foreign Exchange<br>Difference | -                  | -           | -                  | 67                                          | <b>67</b>                                           | 47 v      |
| Actuarial Gains (Loss)                 | -                  | -           | -                  | (118)                                       | <b>(118)</b>                                        | 47 w      |
|                                        | <b>1,000</b>       | -           | <b>1,000</b>       | <b>(151)</b>                                | <b>(1,151)</b>                                      |           |
| <b>Surplus For The Year</b>            | <b>94,797</b>      | -           | <b>94,797</b>      | <b>461,846</b>                              | <b>367,049</b>                                      |           |

## **ACCOUNTING POLICIES**

### **1. Presentation of Annual Financial Statements**

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of Water Services Act (Act 108 of 1997, as amended) and Section 91(1) of the Public Finance Management Act (Act 1 of 1999, as amended).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. The cash flow statement is presented on cash basis using direct method. The annual financial statements are presented in South African Rand, rounded to the nearest thousand, unless stated otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note Changes in accounting policy.

#### **1.1 Presentation Currency**

These annual financial statements are presented in South African Rand, which is the functional currency of the entity.

#### **1.2 Translation of Foreign Currencies**

##### **Foreign Currency Transactions**

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

#### **1.3 Going Concern Assumption**

These annual financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

## **ACCOUNTING POLICIES**

### **1.4 Materiality**

Material omissions or misstatements of items are material if they could, individually or collectively, influence the decisions or assessments of users made on the basis of the financial statements. Materiality depends on the nature or size of the omission or misstatement judged in the surrounding circumstances. The nature or size of the information item, or a combination of both, could be the determining factor.

Assessing whether an omission or misstatement could influence decisions of users, and so be material, requires consideration of the characteristics of those users. The Framework for the Preparation and Presentation of Financial Statements states that users are assumed to have a reasonable knowledge of government, its activities, accounting and a willingness to study the information with reasonable diligence. Therefore, the assessment takes into account how users with such attributes could reasonably be expected to be influenced in making and evaluating decisions.

### **1.5 Significant Judgements and Sources of Estimation Uncertainty**

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

Significant judgements include:

- Depreciation Methods
- Residual Values
- Impairment of Assets
- Useful Lives of Depreciable Assets
- Allowance for Impairment of Trade and Other Receivables
- Contingencies
- Post Retirement Benefit
- Inventory Net Realisable Value

#### **Trade Receivables and Allowance of Doubtful Debt**

The entity assesses its trade and other receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset. Refer to Note 4 for the trade receivables.

## ACCOUNTING POLICIES

### Valuation of Inventory

Inventory is measured at lower of cost or net realisable value. Net realisable value assessment requires management to make estimates about future inventory replacement cost and future use of inventory in order to determine net realisable value. Refer to Note 3 on the value of inventory.

### Impairment Testing

The recoverable amounts of assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell.

The value in use is determined by calculating the present value of the economic benefits that will be derived from the use of the asset discounted using the effective interest rate at reporting date. The assumptions are as follows:

- The intended use of the asset has not been materially amended;
- The location of the asset has not changed;
- The original cost remains the same; and
- The discount rate relevant to the class of the asset used in the calculation is adjusted rate.

These calculations require the use of estimates and assumptions. It is reasonably possible that the estimates and assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets in future. Refer to Note 29 for impairment testing results.

### Contingencies

Contingencies recognised in the current year based on various judgements, estimates and assumptions that have been applied by management to determine the carrying value of amounts that are recognised in terms of the relevant accounting policy. The key assumptions include the assessment of the probability of a successful defence of the existing cases taking into consideration the nature and significance of the claim.

Management further relies on the input from the entity's lawyers in assessing the probability of items of a contingent nature. Contingencies are then recognised in the annual financial statements in the current year after obtaining estimates and listing of judgments from lawyers. The contingencies are only removed from the contingencies listing when there is substantive evidence about the completion of the judgments referencing to the relevant court information. Refer to Note 37.

### Useful Lives of Depreciable Assets

The entity's management determines the estimated useful lives and related depreciation charges for the depreciable assets. The useful lives are estimated, by management, based on historic analysis and other available information including a consideration of industry norm for similar assets, the intended use of the asset as well as the frequency of the use of the asset. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

## ACCOUNTING POLICIES

The useful lives of property, plant and equipment as well as the useful lives of intangibles are reviewed at each reporting date. Refer to Note 7 for entity's useful lives.

### **Post Retirement Benefits**

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 16.

### **1.6 Inventories**

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition except for inventories that are acquired through a transfer of functions between entities under common control, then their costs are their carrying value as at the date of transfer.

Subsequently inventories are measured at the lower of cost and net realisable value.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

## **ACCOUNTING POLICIES**

### **1.7 Financial Instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash,
- a residual interest of another entity, or
- a contractual right to:
  - receive cash or another financial asset from another entity, or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity, or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Foreign currency risk is the possibility of losing money due to unfavorable moves in exchange rates.

### **Classification**

Classification depends on the purpose for which the financial instruments were obtained/incurred and takes place as initial recognition. The entity classifies the financial instruments, or their components parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

# ACCOUNTING POLICIES

## Financial Assets Class

Receivables from Exchange Transactions  
Cash and Cash Equivalents

## Category

Financial asset measured at amortised cost  
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

## Financial Liability Class

Payables from Exchange Transactions  
Deposits Received

## Category

Financial liability measured at amortised cost  
Financial liability measured at cost

## Initial Recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Where a financial instrument is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where a financial instrument is acquired through a non-exchange transaction arising from a transfer of functions between entities under common control, its cost is its carrying value as at the date of transfer.

## Initial Measurement of Financial Assets and Financial Liabilities

The entity measures a financial asset and financial liability initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available for sale financial assets.

## Subsequent Measurement of Financial Assets and Financial Liabilities

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

The entity subsequently measures financial liabilities at amortised cost, using the effective interest method.

Cash and cash equivalents are subsequently measured at fair value.

## Impairment and Uncollectibility of Financial Assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired.

## ACCOUNTING POLICIES

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default on payments are all considered indicators of impairment.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit. Where such assets are written off, the write off is made against the relevant allowance account. The amount of reversal is recognised in surplus or deficit.

### **Derecognition of Financial Assets**

The entity derecognises financial assets when the right to receive cash flows from the financial asset have expired or have been transferred and the entity has transferred substantially all risks and rewards of ownership.

### **Derecognition of Financial Liabilities**

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished - i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

### **1.8 Investment Property**

Investment Property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment Property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the entity, and the cost or fair value of the investment property can be measured reliably.

Investment Property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

# ACCOUNTING POLICIES

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Where an item of investment property is acquired through a non-exchange transaction arising from a transfer of functions between entities under common control, its cost is its carrying value as at the date of transfer.

## Cost Model

Investment Property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

| Item                 | Useful Life   |
|----------------------|---------------|
| Property - Land      | Indefinite    |
| Property - Buildings | 40 - 55 years |

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (see Note 6).

## Transfers to or from Investment Property

Transfers to, or from, investment property should be made when there is change in use evidences in more than one of the following:

- a) commencement of owner occupation (transfer for investment property to property, plant and equipment)
- b) end of owner-occupation (transfer from owner-occupied property to investment property)
- c) commencement of an operating lease to another party (transfer from inventories to investment property)
- d) end of construction or development (transfer from property, plant and equipment under construction / development to investment property).

## Measurement of Transfer to or from Investment Property

Transfers to, or from, investment property should be measured in accordance with the following provisions:

### a) Transfer from Investment Property to Owner Occupied

Investment Property is transferred at fair value less cost for transfer on the date of the decision to transfer was implemented. The item of owner-occupied property is then subject to all provisions made in similar properties in accordance to the principles applied in owner-occupied property as reflected in accounting policy note for property, plant and equipment.

## ACCOUNTING POLICIES

### **b) Transfer from Owner-Occupied to Investment Property**

Depreciation ceases on the day the decision to end owner occupied has been implemented. The property will then be subjected to all provisions for investment property as reflected in the investment property accounting policy.

### **c) Transfer from Inventories to Investment Property**

The item of inventories is transferred at fair value less cost for transfer on the date of the decision to transfer was implemented. The property will then be subjected to all provisions for investment property as reflected in the investment property accounting policy.

### **d) Transfer from Assets Under Development to Investment Property**

Upon completion of the development of the property, it is transferred at total cost incurred on the development to investment property. The property is then valued to determine whether its fair value is comparable to the total cost. The difference is recognised in surplus or deficit.

### **Derecognition**

An investment property shall be derecognised and eliminated from the statement of financial position:

- (a) on disposal (including disposal through a non-exchange transaction), or
- (b) when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in surplus or deficit in the period of the retirement or disposal.

## **1.9 Property, Plant and Equipment**

Property, Plant and Equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

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

- it is probable that future economic benefits or service potential associated with the item will flow to the entity, and
- the cost of the item can be measured reliably.

Property, Plant and Equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

# ACCOUNTING POLICIES

Where an item of property, plant and equipment is acquired through a non-exchange transaction arising from a transfer of functions between entities under common control, its cost is its carrying value as at the date of transfer.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, Plant and Equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

Property, Plant and Equipment is carried at cost less accumulated depreciation and any impairment losses.

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

| Item                                | Depreciation Method | Average Useful Life |
|-------------------------------------|---------------------|---------------------|
| Land                                | Not depreciated     | Indefinite          |
| Buildings and Other Infrastructure  | Straight-line       | 40 - 55 years       |
| Plant and Machinery                 | Straight-line       | 15 - 55 years       |
| * Laboratory Equipment              | Straight-line       | 5 - 10 years        |
| Furniture and Fixtures              | Straight-line       | 6 - 30 years        |
| Mobile Equipment and Motor Vehicles | Straight-line       | 4 - 35 years        |
| * Office Equipment                  | Straight-line       | 3 - 35 years        |
| IT Equipment and Accessories        | Straight-line       | 3 - 10 years        |
| Pipelines and Reservoirs            | Straight-line       | 45 - 85 years       |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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 or a significantly identifiable asset is depreciated separately.

## ACCOUNTING POLICIES

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss 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.

### 1.10 Intangible Assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so, or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity, and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Acquired computer software is capitalised on the basis of costs incurred to acquire and bring into use the specific software. Costs associated with maintaining computer software programs and acquisition of licences are recognised as an expense when they are incurred.

# ACCOUNTING POLICIES

Servitudes are rights granted to the entity for an indefinite period of time. The life of the servitude will remain in force as long as the relevant infrastructure is still in use. A servitude will only become impaired if the infrastructure to which the servitude is derecognised.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Where an item of intangible assets is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of intangible assets is acquired through a non-exchange transaction arising from a transfer of functions between entities under common control, its cost is its carrying value as at the date of transfer.

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

The entity designates its intangible assets as non-cash-generating when the objective is not to use the asset to generate a commercial return but to deliver services.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

| Item              | Depreciation Method | Average useful life |
|-------------------|---------------------|---------------------|
| Computer Software | Straight-line       | 3 - 20 years        |
| Servitudes        | Not depreciated     | Indefinite          |

Intangible Assets are derecognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised.

## **ACCOUNTING POLICIES**

### **1.11 Statutory Receivables**

#### **Identification**

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

#### **Recognition**

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions,
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers), or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

#### **Initial Measurement**

The entity initially measures statutory receivables at their transaction amount.

#### **Subsequent Measurement**

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable),
- impairment losses, and
- amounts derecognised.

## ACCOUNTING POLICIES

### Accrued Interest

Where the entity levies interest on the outstanding balance of statutory receivables, it adjusts the transaction amount after initial recognition to reflect any accrued interest. Accrued interest is calculated using the nominal interest rate.

Interest on statutory receivables is recognised as revenue in accordance with the policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers), whichever is applicable.

### Other Charges

Where the entity is required or entitled in terms of legislation, supporting regulations, by-laws or similar means to levy additional charges on overdue or unpaid amounts, and such charges are levied, the entity applies the principles as stated in "Accrued interest" above, as well as the relevant policy on Revenue from exchange transactions or the policy on Revenue from non-exchange transactions (Taxes and transfers).

### Impairment Losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent,
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation,
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied), and
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

In estimating the future cash flows, an entity considers both the amount and timing of the cash flows that it will receive in future. Consequently, where the effect of the time value of money is material, the entity discounts the estimated future cash flows using a rate that reflects the current risk-free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

## ACCOUNTING POLICIES

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

### **Derecognition**

The entity derecognises a statutory receivable, or a part thereof, when:

- the rights to the cash flows from the receivable are settled, expire or are waived,
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable, or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
  - derecognise the receivable, and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

### **1.12 Leases**

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

#### **Operating Leases - Lessor**

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

## ACCOUNTING POLICIES

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under other income in the statement of financial performance.

### **Operating Leases - Lessee**

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### **1.13 Construction Contracts and Receivables**

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

## ACCOUNTING POLICIES

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

### 1.14 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-Term Employee Benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions,
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service,
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service, and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The cost of short-term employee benefits, (those payable within twelve months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

## ACCOUNTING POLICIES

The expected cost of performance 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.

### Post-Employment Benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

### Defined Contribution Plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The entity contributes towards Magalies Water Retirement Fund and the fund is registered and controlled in terms of the Pension Fund Act 24 of 1956. The entity is under no obligation to cover any unfunded benefits.

### Long Service Awards

The entity pays its employees a long-service benefit after each five year of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency valuation are similar to those under the defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

### 1.15 Transfer of Assets From Customers

Transferred assets from customers are recognised and initially measured at fair value. The corresponding amount is recognised as deferred income. Deferred income is recognised as revenue on a systematic basis over the useful life of the asset.

The contributions are recognised as revenue on a systematic basis over the useful life of the assets when the assets are brought into use.

## **ACCOUNTING POLICIES**

### **1.16 Capital Contributions**

Capital contributions are monetary contributions by customers towards development of water infrastructure. Customers that provide capital contributions and derive benefits from provision of water as well as reduced tariff charges over the useful lives of assets constructed from the contributions.

The contributions are recognised as revenue on a systematic basis over the useful life of the assets when the assets are brought into use.

### **1.17 Accumulated Surplus**

Accumulated Surplus is an equity instrument that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

### **1.18 Revenue from Exchange Transactions**

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### **Measurement**

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### **Sale of Goods**

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods,
- 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,

## ACCOUNTING POLICIES

- it is probable that the economic benefits or service potential 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.

### Rendering of Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably,
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably, and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

### Interest Charged on Outstanding Trade Receivables

Interest is recognised, in surplus or deficit, using the effective interest rate method for financial instruments.

### Finance Income

Finance Income is recognised on a time-proportion basis using the effective interest rate method.

### 1.19 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

## **ACCOUNTING POLICIES**

### **Recognition**

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

### **Measurement**

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

### **1.20 Cost of Sales**

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any writedown of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Cost of sales includes the cost of raw water, chemicals, electricity and all other direct operating costs associated with the production of water.

### **1.21 Expenditure**

Expenditure is recognised when the entity is deemed to have been supplied or has control of the goods or services supplied.

## ACCOUNTING POLICIES

### 1.22 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

### 1.23 Transfer of Functions Between Entities Under Common Control

#### Definitions

An acquirer is the entity that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another entity so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

A transferor is the entity that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole entity. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it,

## ACCOUNTING POLICIES

- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs, and
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

### Identifying the Acquirer and Transferor

For each transfer of functions between entities under common control an acquirer and transferor are identified. All relevant facts and circumstances are considered in identifying the acquirer and transferor.

The terms and conditions of a transfer of functions undertaken between entities under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which entity to the transaction or event is the transferor(s) and which entity is the acquirer. Where the binding arrangement does not clearly identify the acquirer or the transferor, the behaviour or actions of the entities may indicate which entity is the acquirer and which entity is the transferor.

Determining the acquirer includes a consideration of, amongst other things, which of the entities involved in the transfer of functions initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

### Determining the Transfer Date

The acquirer and the transferor identify the transfer date, which is the date on which the acquirer obtains control and the transferor loses control of that function.

All relevant facts and circumstances are considered in identifying the transfer date.

### Assets Acquired and Liabilities Assumed

The recognition of assets and liabilities, is subject to the following conditions:

The assets acquired and the liabilities assumed are part of what had been agreed in terms of the binding arrangement(if applicable), rather than the result of separate transactions.

### Determining what is part of the transfer of functions transaction

The following factors are considered, which are neither mutually exclusive nor individually conclusive, to determine whether a transaction is part of a transfer or function or whether the transaction is separate:

- the reasons for the transaction,
- the timing of the transaction.

## **ACCOUNTING POLICIES**

### **Other Criteria For The Entity as Acquirer**

The assets acquired and liabilities assumed that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the transfer date.

Costs that the entity expects, but which it is not obliged to incur in the future to effect its plan to exit an activity of the transferor or to terminate the employment of, or relocate the transferor's employees, is not accounted for as part of the liabilities at the transfer date. The entity does not recognise those costs as part of a transfer of functions. Instead, the entity recognises these costs in its annual financial statements after the transfer has occurred, in accordance with the applicable Standards of GRAP.

### **Accounting by the Entity as Acquirer**

#### **Initial Recognition and Measurement**

As of the transfer date, the entity recognises the purchase consideration paid to the transferor and all the assets acquired and liabilities assumed in a transfer of functions. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the transfer of functions, the transferor was not applying the accrual basis of accounting, the transferor changes its basis of accounting to the accrual basis of accounting prior to the transfer.

The consideration paid by the entity can be in the form of cash, cash equivalents or other assets. If the consideration paid is in the form of other assets, the entity de-recognises such assets on the transfer date at their carrying amounts.

The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor, is recognised in accumulated surplus or deficit.

## **ACCOUNTING POLICIES**

### **Measurement Period**

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the entity reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the entity retrospectively adjusts the provisional amounts recognised at the transfer date to reflect new information obtained about facts and circumstances that existed as of the transfer date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the entity receives the information it was seeking about facts and circumstances that existed as of the transfer date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the transfer date.

The entity considers all relevant factors in determining whether information obtained after the transfer date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the transfer date.

The entity recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit. However, new information obtained during the measurement period may sometimes result in an adjustment to the provisional amount of more than one asset or liability.

During the measurement period, the entity recognises adjustments to the provisional amounts as if the accounting for the transfer of functions had been completed at the transfer date. Thus, the entity revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the entity revises the accounting for a transfer of functions only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

### **Acquisition - Related Costs**

Acquisition-related costs are costs that the entity incurs to affect the transfer of functions. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, and costs of registering and issuing debt and equity securities. The entity accounts for acquisition-related costs as expenses in the period in which the costs are incurred and the services are received, with the exception of the costs incurred to issue debt or equity securities, which are recognised in accordance with the Standard of GRAP on Financial Instruments.

### **Subsequent Measurement**

The entity subsequently measures any assets acquired and any liabilities assumed in a transfer of functions in accordance with the applicable Standards of GRAP.

## **ACCOUNTING POLICIES**

### **1.24 Provisions and Contingencies**

A contingent liability is a possible obligation that arises from past events and whose events will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are not recognised but are disclosed in Note 37.

### **1.25 Commitments**

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost, and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts are excluded.

### **1.26 Comparative Figures**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### **1.27 Fruitless and Wasteful Expenditure**

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

## **ACCOUNTING POLICIES**

### **1.28 Irregular Expenditure**

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### **1.29 Offsetting**

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

### **1.30 Related Parties**

Magalies Water is a state controlled entity and has related party relationships with all other entities within the sphere of government. Unless otherwise disclosed, all transactions with related parties are on arm's length basis at market related prices and in the ordinary course of the business.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation.

### **1.31 Events After Reporting Date**

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date), and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

## **ACCOUNTING POLICIES**

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### **1.32 Budget information**

The approved budget is prepared on accrual basis and presented by functional classification.

The approved budget covers the fiscal period from 7/1/2023 to 6/30/2024.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 2. New Standards and Interpretations

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

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

| <b>Standard/interpretation:</b>                          | <b>Effective date: Years beginning on or after</b> | <b>Expected Impact:</b>                                                                                                                                                                    |
|----------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| • GRAP 108: Statutory Receivables                        | April 1, 2023                                      | The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements |
| • GRAP 11: Construction Contracts                        | April 1, 2023                                      | The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements |
| • GRAP 1 (amended): Presentation of Financial Statements | April 1, 2023                                      | The impact of the is not material                                                                                                                                                          |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 3. Inventories

|                        | 2024           | 2023          |
|------------------------|----------------|---------------|
| Chemicals              | 20,219         | 18,621        |
| Spares and Consumables | 85,282         | 65,122        |
| Water Inventory        | 3,422          | 3,792         |
|                        | <b>108,923</b> | <b>87,535</b> |

The Inventory consists of the following:

#### 2024

|                  | Chemicals     | Spares and Consumables | Water Inventory | Total          |
|------------------|---------------|------------------------|-----------------|----------------|
| Raw Materials    | -             | -                      | 4               | 4              |
| Work In Progress | -             | -                      | 895             | 895            |
| Finished Goods   | 20,219        | 85,282                 | 2,523           | 108,024        |
|                  | <b>20,219</b> | <b>85,282</b>          | <b>3,422</b>    | <b>108,923</b> |

#### 2023

|                  | Chemicals     | Spares and Consumables | Water Inventory | Total         |
|------------------|---------------|------------------------|-----------------|---------------|
| Raw Materials    | -             | -                      | 4               | 4             |
| Work In Progress | -             | -                      | 817             | 817           |
| Finished Goods   | 18,621        | 65,122                 | 2,971           | 86,714        |
|                  | <b>18,621</b> | <b>65,122</b>          | <b>3,792</b>    | <b>87,535</b> |

|                                                      |         |         |
|------------------------------------------------------|---------|---------|
| Inventories recognised as an expense during the year | 376,451 | 281,020 |
|------------------------------------------------------|---------|---------|

#### Inventory Pledged as Security

Inventory was not pledged as security.

#### Inventory Write Downs

There were no inventory write downs because the net realisable value is determined to be more than the cost.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Inventory Acquired

Inventory to the value of R7.4 million was acquired from the former Sedibeng Water in the previous financial year as a result of the disestablishment of the entity. The breakdown of this value is as follows:

|                        | 2024     | 2023         |
|------------------------|----------|--------------|
| Chemicals              | -        | 851          |
| Spares and Consumables | -        | 6,425        |
| Water Inventory        | -        | 163          |
|                        | <b>-</b> | <b>7,439</b> |

### 4. Receivables from Exchange Transactions

|                           | 2024             | 2023             |
|---------------------------|------------------|------------------|
| Trade Receivables         | 2,940,455        | 2,591,115        |
| Impairment of Receivables | (795,142)        | (647,045)        |
| Sundry Debtors            | 51,084           | 36,808           |
| Deposits                  | 4,999            | 4,616            |
| Prepayments               | 2,517            | 2,563            |
|                           | <b>2,203,913</b> | <b>1,988,057</b> |

### Prepayments

Prepayments relate to insurance premiums paid in advance. Insurance premium is paid in November each year covering a period of 12 months ending in October of the following year.

### Creditors with Debit Balances

Included in Trade Receivables are Trade Payables with debit balances amounting to 2024: R99,000 (2023: R111,000).

### Trade and Other Receivables Acquired

The following balances were acquired from Sedibeng Water in the previous financial year as a result of the disestablishment of the entity:

|                                                 |          |                  |
|-------------------------------------------------|----------|------------------|
| Gross Balances of Trade Receivables Transferred | -        | 1,663,554        |
| Allowance of Impairment Transferred             | -        | (496,288)        |
|                                                 | <b>-</b> | <b>1,167,266</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Reconciliation of Provision for Impairment of Trade and Other Receivables

#### Opening balance

Opening Balance of Impairment Transferred from Sedibeng Water  
 Provision for Impairment For The Year - Magalies Water

| 2024           | 2023           |
|----------------|----------------|
| <b>647,045</b> | <b>46,074</b>  |
| -              | 469,288        |
| 148,098        | 104,683        |
| <b>795,143</b> | <b>647,045</b> |

### Receivables Impaired

As of June 30, 2024, gross receivables to the value of R2,999,0 million (2023: R2,635,1 million) were assessed for impairment. Impairment to the value of R795.1 million (2023: R647.0 million) was determined and the ageing of trade and other receivables that were impaired was determined as follows:

|                        | 2024    | 2023    |
|------------------------|---------|---------|
| Current                | 7,512   | 6,113   |
| 30 days past due       | 8,673   | 7,058   |
| 60 days past due       | 5,597   | 4,554   |
| 90 days past due       | 6,601   | 5,371   |
| 120 days past due      | 6,386   | 5,197   |
| Over 120 days past due | 760,374 | 618,752 |

### Trade and Other Receivables Not Impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired unless there is objective evidence indicating the existence of impairment.

The ageing of amounts not impaired is as follows:

|                        | 2024      | 2023      |
|------------------------|-----------|-----------|
| Current                | 305,580   | 213,163   |
| 30 days past due       | 138,089   | 85,563    |
| 60 days past due       | 16,960    | 62,363    |
| 90 days past due       | 29,203    | 52,336    |
| 120 days past due      | 28,591    | 53,144    |
| Over 120 days past due | 1,685,489 | 1,521,490 |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Trade and Other Receivables Assessed for Impaired

As of June 30, 2024, trade and other receivables of R 2,999,0 million (2023: R 2,635,1 million) were assessed for impairment. The amount of the provision was R 795.1 million as of June 30, 2024 (2023: R 647.0 million).

The ageing of these trade and other receivables is as follows:

|                        | 2024      | 2023      |
|------------------------|-----------|-----------|
| Current                | 313,092   | 219,277   |
| 30 days past due       | 146,763   | 92,621    |
| 60 days past due       | 22,557    | 66,917    |
| 90 days past due       | 35,804    | 57,708    |
| 120 days past due      | 34,977    | 58,341    |
| Over 120 days past due | 2,445,864 | 2,140,237 |

### Trade and Other Receivables Pledged as Security

Trade and other receivables were not pledged as security.

## 5. Cash and Cash Equivalents

Cash and Cash Equivalents consist of:

|                     | 2024             | 2023           |
|---------------------|------------------|----------------|
| Cash on Hand        | 12               | 6              |
| Bank Balances       | 879,261          | 67,083         |
| Short-Term Deposits | 525,636          | 287,945        |
|                     | <b>1,404,909</b> | <b>355,034</b> |

Short-term deposits consist of investment held with financial institutions for growth for a period not exceeding 3 months.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Cash and Cash Equivalents Pledged as Collateral

|                | 2024 | 2023 |
|----------------|------|------|
| Bank Guarantee | 512  | 512  |

A bank guarantee was issued by Magalies Water to cover payments of Eskom accounts in case of default in payment for the account by Magalies Water.

### Cash and Cash Equivalents Acquired

Cash and Cash Equivalents for the value of R 150,000 was acquired from the former Sedibeng Water in the previous financial as a result of the disestablishment of the entity.

### 6. Investment Property

|                     | 2024               |                             |                   | 2023               |                             |                   |
|---------------------|--------------------|-----------------------------|-------------------|--------------------|-----------------------------|-------------------|
|                     | Cost/<br>Valuation | Accumulated<br>Depreciation | Carrying<br>Value | Cost/<br>Valuation | Accumulated<br>Depreciation | Carrying<br>Value |
| Investment Property | 13,730             | (1,451)                     | 12,279            | 13,730             | (726)                       | 13,004            |

### Reconciliation of Investment Property as at 30 June 2024

|                     | Opening<br>Balancing | Depreciation | Closing<br>Balance |
|---------------------|----------------------|--------------|--------------------|
| Investment Property | 13,004               | (725)        | 12,279             |

### Reconciliation of Investment Property as at 30 June 2023

|                     | Opening<br>Balancing | Transfers<br>Received | Depreciation | Closing<br>Balance |
|---------------------|----------------------|-----------------------|--------------|--------------------|
| Investment Property | -                    | 13,730                | (726)        | 13,004             |

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

### **Pledged as Security**

The entity has no items of investment property that have been pledged as security for liabilities.

### **Investment Property Acquired**

Investment property to the value of R13.7 million was acquired from the former Sedibeng Water in the previous financial year as a result of the disestablishment of the entity.

### **Maintenance of Investment Property**

There has been no maintenance of investment property expense that was incurred during the financial year.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 7. Property, Plant and Equipment

|                                     | 2024               |                                                                 |                   | 2023               |                                                                 |                   |
|-------------------------------------|--------------------|-----------------------------------------------------------------|-------------------|--------------------|-----------------------------------------------------------------|-------------------|
|                                     | Cost/<br>Valuation | Accumulated<br>Depreciation<br>and<br>Accumulated<br>Impairment | Carrying<br>Value | Cost/<br>Valuation | Accumulated<br>Depreciation<br>and<br>Accumulated<br>Impairment | Carrying<br>Value |
| Land                                | 5,314              | -                                                               | 5,314             | 5,314              | -                                                               | 5,314             |
| Building and Other Infrastructure   | 335,588            | (108,439)                                                       | 227,149           | 326,265            | (100,876)                                                       | 225,389           |
| Plant and Machinery                 | 1,010,765          | (386,904)                                                       | 623,861           | 972,891            | (335,360)                                                       | 637,531           |
| Furniture and Fixtures              | 25,853             | (15,333)                                                        | 10,520            | 23,652             | (13,535)                                                        | 10,117            |
| Mobile Equipment and Motor Vehicles | 51,142             | (35,803)                                                        | 15,339            | 45,102             | (29,501)                                                        | 15,601            |
| IT Equipment and Accessories        | 34,632             | (25,803)                                                        | 8,829             | 28,598             | (23,363)                                                        | 5,235             |
| Pipelines and Reservoirs            | 2,564,905          | (708,032)                                                       | 1,856,873         | 2,564,905          | (648,786)                                                       | 1,916,119         |
| Capital Work in Progress            | 1,662,388          | -                                                               | 1,662,388         | 628,152            | -                                                               | 628,152           |
| <b>Total</b>                        | <b>5,690,587</b>   | <b>(1,280,314)</b>                                              | <b>4,410,273</b>  | <b>4,594,879</b>   | <b>(1,151,421)</b>                                              | <b>3,443,458</b>  |

### Reconciliation of Property, Plant and Equipment as at 30 June 2024

|                                     | Opening<br>Balance | Additions        | Disposals    | Depreciation<br>(Cost of<br>Sales) | Depreciation<br>(Operating<br>Expense) | Closing<br>Balance |
|-------------------------------------|--------------------|------------------|--------------|------------------------------------|----------------------------------------|--------------------|
| Land                                | 5,314              | -                | -            | -                                  | -                                      | 5,314              |
| Building and Other Infrastructure   | 225,389            | 9,323            | -            | (6,786)                            | (777)                                  | 227,149            |
| Plant and Machinery                 | 637,531            | 37,874           | -            | (47,803)                           | (3,741)                                | 623,861            |
| Furniture and Fixtures              | 10,117             | 2,202            | -            | (1,028)                            | (771)                                  | 10,520             |
| Mobile Equipment and Motor Vehicles | 15,601             | 6,279            | (100)        | (3,169)                            | (3,272)                                | 15,339             |
| IT Equipment and Accessories        | 5,235              | 6,033            | -            | (473)                              | (1,966)                                | 8,829              |
| Pipelines and Reservoirs            | 1,916,119          | -                | -            | (59,246)                           | -                                      | 1,856,873          |
| Capital Work in Progress            | 628,152            | 1,034,236        | -            | -                                  | -                                      | 1,662,388          |
|                                     | <b>3,443,458</b>   | <b>1,095,947</b> | <b>(100)</b> | <b>(118,505)</b>                   | <b>(10,527)</b>                        | <b>4,410,273</b>   |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Reconciliation of Property, Plant and Equipment as at 30 June 2023

|                                        | Opening<br>Balance | Additions      | Disposals    | Transfers<br>In/(Out) | Transfers<br>(in)<br>Between<br>Entities<br>Under<br>Common<br>Control | Depreciation<br>(Reported) | Depreciation<br>(Correction) | Impairment<br>Loss | Closing<br>Balance |
|----------------------------------------|--------------------|----------------|--------------|-----------------------|------------------------------------------------------------------------|----------------------------|------------------------------|--------------------|--------------------|
| Land                                   | 4,564              | -              | -            | -                     | 750                                                                    | -                          | -                            | -                  | 5,314              |
| Building and Other<br>Infrastructure   | 205,946            | 827            | -            | -                     | 26,118                                                                 | (7,487)                    | (15)                         | -                  | 225,389            |
| Plant and<br>Machinery                 | 622,134            | 23,110         | (740)        | 2,062                 | 41,946                                                                 | (50,924)                   | -                            | (57)               | 637,531            |
| Furniture and<br>Fixtures              | 9,994              | 512            | -            | -                     | 1,235                                                                  | (1,622)                    | (2)                          | -                  | 10,117             |
| Mobile Equipment<br>and Motor Vehicles | 7,500              | 3,403          | (6)          | -                     | 10,145                                                                 | (5,368)                    | (73)                         | -                  | 15,601             |
| IT Equipment and<br>Accessories        | 4,509              | 1,823          | -            | -                     | 873                                                                    | (1,970)                    | -                            | -                  | 5,235              |
| Pipelines and<br>Reservoirs            | 1,896,650          | -              | -            | -                     | 78,379                                                                 | (64,638)                   | 5,728                        | -                  | 1,916,119          |
| Capital Work in<br>Progress            | 272,543            | 357,671        | -            | (2,062)               | -                                                                      | -                          | -                            | -                  | 628,152            |
|                                        | <b>3,023,840</b>   | <b>387,346</b> | <b>(746)</b> | <b>-</b>              | <b>159,446</b>                                                         | <b>(132,009)</b>           | <b>5,638</b>                 | <b>(57)</b>        | <b>3,443,458</b>   |

### Property, Plant and Equipment Pledged as Security

Property, plant and equipment was not pledged as security.

### Laboratory Equipment

Included in Plant and Machinery is Laboratory Equipment.

### Office Equipment

Office Equipment is included in Furniture and Fixtures and IT Equipment and Accessories.

### Capital Work In Progress

Included in Capital Work in progress is the cost incurred on capital projects that are still under construction or design stage and have not been brought into use.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Impairment of Assets

At the end of previous financial year, property, plant and equipment was assessed for impairment as required by GRAP 21.

Assets were determined to be impaired due to factor such as poor working conditions, utilisation of assets being below expectation, performance of assets being below expectation as well as cost of repairs and maintenance being significantly high.

### Property, Plant and Equipment Acquired

Property, Plant and Equipment to the value of R159.4 million was acquired from Sedibeng Water in the previous financial year as a result of the disestablishment of the entity.

### Property, plant and equipment in the process of being constructed or developed

### Cumulative expenditure recognised in the carrying value of property, plant and equipment

|                | 2024             | 2023           |
|----------------|------------------|----------------|
| Infrastructure | <b>1,662,388</b> | <b>628,152</b> |

### 8. Intangible assets

|                   | 2024               |                                                                 |                   | 2023               |                                                                 |                   |
|-------------------|--------------------|-----------------------------------------------------------------|-------------------|--------------------|-----------------------------------------------------------------|-------------------|
|                   | Cost/<br>Valuation | Accumulated<br>Amortisation<br>and<br>Accumulated<br>Impairment | Carrying<br>Value | Cost/<br>Valuation | Accumulated<br>Amortisation<br>and<br>Accumulated<br>Impairment | Carrying<br>Value |
| Computer Software | 51,716             | (40,083)                                                        | 11,633            | 50,748             | (38,509)                                                        | 12,239            |
| Servitudes        | 983                | -                                                               | 983               | 983                | -                                                               | 983               |
| <b>Total</b>      | <b>52,699</b>      | <b>(40,083)</b>                                                 | <b>12,616</b>     | <b>51,731</b>      | <b>(38,509)</b>                                                 | <b>13,222</b>     |

### Reconciliation of Intangible Assets as at 30 June 2024

|                   | Opening<br>Balance | Additions  | Amortisation   | Closing<br>Balance |
|-------------------|--------------------|------------|----------------|--------------------|
| Computer Software | 12,239             | 968        | (1,574)        | 11,633             |
| Servitudes        | 983                | -          | -              | 983                |
|                   | <b>13,222</b>      | <b>968</b> | <b>(1,574)</b> | <b>12,616</b>      |

### Reconciliation of Intangible Assets as at 30 June 2023

|                   | Opening<br>Balance | Additions  | Amortisation   | Closing<br>Balance |
|-------------------|--------------------|------------|----------------|--------------------|
| Computer Software | 16,706             | 653        | (5,120)        | 12,239             |
| Servitudes        | 983                | -          | -              | 983                |
|                   | <b>17,689</b>      | <b>653</b> | <b>(5,120)</b> | <b>13,222</b>      |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Pledged as Security

Intangible assets were not pledged as security.

### 9. Payables from Exchange Transactions

|                                     | 2024             | 2023             |
|-------------------------------------|------------------|------------------|
| Accrual for Bonus                   | 53,279           | 33,037           |
| Accrual for Leave                   | 45,175           | 50,649           |
| Operations and Maintenance Advances | 24,204           | 12,236           |
| Other Payables                      | 8,625            | 7,969            |
| Retentions                          | 71,222           | 27,088           |
| Trade Payables                      | 1,375,506        | 872,799          |
|                                     | <b>1,578,011</b> | <b>1,003,778</b> |

#### Accrual for Bonus

Included in bonus accrual is provision for thirteenth cheque. Employees have an option to save for thirteenth cheque where a portion of their basic salary is saved on a monthly basis.

Included in bonus accrual is provision for performance bonus. Performance bonus is based on performance agreements signed with employees as well as remuneration and performance rewards policies of the entity.

#### Accrual for Leave

Accrual for leave relates to provision for annual leave accrued to employees at year end. The accrual is determined based on the annual leave days due to the employees but limited to 45 days.

#### Operations and Maintenance Advances

Operations and maintenance advances relates to funds received in advance or in excess of expenditure already incurred for operations and maintenance work where Magalies Water is performing services for other government institutions.

#### Other Payables

Other payables include payables relate to unknown deposits.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

## Retentions

Retentions refers to the unpaid portion of project amounts as per the agreement.

## Trade and Other Payables

Trade and other payables are carried at amortised cost and the carrying amount approximates fair value. Trade payables are normally settled within 30 days from the date of receipt of invoice.

## Trade Receivables with Credit Balances

Included in Trade Payables are Trade Receivables with gross credit balances amounting to 2024:R1.0 million (2023: R2.0 million).

## Payables From Exchange Transactions Acquired

Payables From Exchange Transactions to the value of R446.0 million was acquired from the former Sedibeng Water in the previous financial year as a result of the disestablishment. The components of the amount transferred was as follows:

|                               | 2024 | 2023           |
|-------------------------------|------|----------------|
| Trade Payables                | -    | 408,896        |
| Accrual for Bonus             | -    | 3,563          |
| Accrual for Leave             | -    | 20,158         |
| TSWASA                        | -    | 9,920          |
| Botshelo Pension Fund Deficit | -    | 3,505          |
|                               | -    | <b>446,042</b> |

## 10. VAT Payables

|             | 2024 | 2023          |
|-------------|------|---------------|
| VAT Payable | -    | 30,767        |
|             | -    | <b>30,767</b> |

In the previous financial year vat payable to the value of R10.7 million was transferred to Magalies Water as a result of disestablishment of Sedibeng Water.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 11. Statutory Receivables

|                                                  | 2024          | 2023     |
|--------------------------------------------------|---------------|----------|
| South African Revenue Services<br>VAT Receivable | 60,869        | -        |
| Current Assets                                   | <b>60,869</b> | <b>-</b> |

### 12. Unspent Conditional Grants and Receipts

|                                                      | 2024             | 2023          |
|------------------------------------------------------|------------------|---------------|
| Unspent Conditional Grants and Receipts              | 1,200,182        | 14,739        |
| <b>Movement during the year</b>                      |                  |               |
| Balance at the beginning of the year                 | 14,739           | 166,515       |
| Grant Receipts During the year                       | 1,916,753        | 159,130       |
| Conditions met and income recognised during the year | (731,310)        | (310,906)     |
|                                                      | <b>1,200,182</b> | <b>14,739</b> |

Unspent conditional grants relate to transfers received from Department of Water and Sanitation. Funds received will be used for capital infrastructure investments. Grant will be transferred to revenue from non-exchange transactions as the conditions attached to the grant are satisfied. The revenue recognised is presented in Note No 19.

### 13. Capital Contributions

|                       | 2024           | 2023           |
|-----------------------|----------------|----------------|
| Current Liability     | 5,177          | 4,823          |
| Non-Current Liability | 253,483        | 232,376        |
|                       | <b>258,660</b> | <b>237,199</b> |

Capital contributions consists primarily of contributions received from Royal Bafokeng Platinum Mine (Maseve Investments) of 2024 R85.0 million (2023, R87.3 million), Bakubung Minerals of 2024, R104.7 million (2023, R80.1 million) and Impala Platinum of 2024 R68.7 million (2023, R68.9 million).

These contributions are recognised as revenue when the assets are brought into use over the useful life of the assets as per the agreement.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 14. Deferred Income

|                       | 2024           | 2023           |
|-----------------------|----------------|----------------|
| Current Liability     | 13,909         | 13,909         |
| Non-current Liability | 444,419        | 469,251        |
|                       | <b>458,328</b> | <b>483,160</b> |

Deferred income consists of assets transferred by the mines to Magalies Water. These assets consist of pipelines and reservoir contributed by the Platinum Mine in line with the off take agreement that was signed in 2008 for R123.4 million and R457.3 million received from Barrick, Maseve and Wesizwe mines in the 2016/17 financial year.

Transferred assets from customers are measured on initial recognition at fair value. The corresponding amount is recognised as deferred income. Revenue is recognised on a systematic basis over the useful life of the assets.

### 15. Long Service Awards Liability

|                       | 2024          | 2023          |
|-----------------------|---------------|---------------|
| Current Liability     | 6,373         | 2,374         |
| Non-Current Liability | 35,811        | 9,367         |
|                       | <b>42,184</b> | <b>11,741</b> |

Long Service Awards liability was assumed from former Sedibeng Water as a result of the disestablishment. In the previous year, a liability to the value of R 11.4 million was thus transferred to Magalies Water.

The amounts recognised in the statement of financial position are as follows:

#### Reconciliation of Present Value of Long Service Awards Liability:

|                                     | 2024          | 2023          |
|-------------------------------------|---------------|---------------|
| <b>Opening Balance</b>              | <b>11,741</b> | <b>-</b>      |
| Liability Assumed                   | -             | 11,441        |
| Net Expense Recognised For The Year | 28,249        | (139)         |
| Actuarial Loss                      | 2,194         | 439           |
| <b>Closing Balance</b>              | <b>42,184</b> | <b>11,741</b> |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

**Net Expense Recognised in the Statement of Financial Performance:**

|                           | 2024          | 2023         |
|---------------------------|---------------|--------------|
| Current Service Costs     | 1,102         | 1,195        |
| Interest Costs            | 1,137         | 1,086        |
| Contributions to Employer | (2,374)       | (2,420)      |
| Past Service Costs        | 28,384        | -            |
|                           | <b>28,249</b> | <b>(139)</b> |

**Calculation of Actuarial Gain (Loss) is as follows:**

|                                                 | 2024           | 2023         |
|-------------------------------------------------|----------------|--------------|
| Carrying Value of Long Service Awards Liability | 39,990         | 11,302       |
| Fair Value of Long Service Awards Liability     | (42,184)       | (11,741)     |
|                                                 | <b>(2,194)</b> | <b>(439)</b> |

**Basis of Valuation**

The long service awards are payable to employees of Magalies Water in accordance to the policy as follows:

| <b>Long Service Award</b> | <b>Entitlement</b>   | <b>Additional Cash or Gift Awards</b>                                |
|---------------------------|----------------------|----------------------------------------------------------------------|
| 5 years                   | Applicable per Grade | Cash Payment limited to R6,208 and long service leave up to 5 days   |
| 10 years                  | Applicable per Grade | Cash Payment limited to R9,311 and long service leave up to 10 days  |
| 15 years                  | Applicable per Grade | Cash Payment limited to R12,415 and long service leave up to 15 days |
| 20 years                  | Applicable per Grade | Cash Payment limited to R15,519 and long service leave up to 20 days |
| 25 years                  | Applicable per Grade | Cash Payment limited to R18,623 and long service leave up to 25 days |
| 30 years                  | Applicable per Grade | Cash Payment limited to R21,727 and long service leave up to 30 days |
| 35 years                  | Applicable per Grade | Cash Payment limited to R24,831 and long service leave up to 35 days |
| 40 years                  | Applicable per Grade | Cash Payment limited to R27,934 and long service leave up to 40 days |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

The normal retirement age ('NRA') for the entity's employees is 65 years and the average retirement age is 62 years. The normal retirement age of employees is 65. It has been assumed that employees will retire at age 62 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday. The average expected remaining working-lifetime of eligible employees is 16.4 years.

The long-service leave award is granted on a once-off basis to employees after every five years of service based on their job level. The additional leave days granted every five years, per job level, are shown in the table below.

The liability was based in respect of the long-service leave award on an employee's current salary and job level, allowing for salary inflation in each future year.

## Valuation Assumption and Methodology

The long service awards were valued using the Project Unit Credit discounted cashflow method. This method was used to determine the past-service liabilities at the valuation date and projected annual expense in the following the valuation date.

### Key Assumptions Used

Assumptions used at the reporting date:

| Parameters                 | Rate  |
|----------------------------|-------|
| Consumer Price Index (CPI) | 5.28% |
| Salary Inflation           | 7.00% |
| Net Discount Rate          | 5.56% |
| Real Discount Rate         | 4.57% |

The discounted mean term of entity's liability was approximately 5.6 years as at 30 June 2022. The discount rate and CPI have therefore been based on the 5.6-year yield from the South African zero coupon government bond yield curve as at 01 July 2023, as published by the Bond Exchange of South Africa.



# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

The table below shows the nominal and real yields at a 5.6-year term:

| Parameters    | Rate   |
|---------------|--------|
| Nominal Yield | 11.13% |
| Real Yield    | 6.28%  |
| Implied CPI   | 4.57%  |

The discount rate was set equal to the nominal yield.

The CPI assumption was derived by taking the difference between the nominal yield and real yield.

Salary inflation was set at 1% above CPI

For the purpose of this valuation the real discount rate is either the discount rate (8.80% per annum) or the discount rate net of salary inflation (5.35% per annum), depending on the type of award. These two variables have the greatest effect on the liability as even relatively small changes to these assumptions have a relatively large impact on the liabilities.

The market values of the bond yields are available via subscription.

The mortality assumptions as well as the assumed resignation and retirement rates used for the purpose of this valuation are shown in the tables below. As employees are entitled to an award at retirement, we have allowed for the possibility of early retirement in calculating the liability.

|           | Males           | Females                                         |
|-----------|-----------------|-------------------------------------------------|
| Mortality | SA85-90 (light) | SA85-90 (light) with a three year age reduction |

## 16. Retirement Benefit Obligation

### Defined Benefit Obligation

The entity contributes towards Magalies Water Retirement Fund which is controlled in terms of the Pensions Fund Act 24 of 1956.

The entity is under no obligation to cover any unfunded benefits.

### Post - Retirement Benefit Obligation

The Board has made a provision for pension and provident schemes relating to retirement benefit obligations covering all employees substantially. The funds are governed by the Pension Funds Act, 1956 (Act No 24 of 1956).

|                       | 2024    | 2023   |
|-----------------------|---------|--------|
| Current Liability     | 4,084   | 1,825  |
| Non-Current Liability | 156,187 | 48,949 |
|                       | 160,271 | 50,774 |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Retirement Benefit Obligation Acquired

Retirement Benefit Obligation was assumed from Former Sedibeng Water as a result of the disestablishment. In the previous financial year, a liability to the value of R35.1 million was thus transferred to Magalies Water.

Employees and continuation and widowers ('CAWMs') of entity participate in the Community Medical Aid Scheme ('Commed'), Discovery Health Medical Scheme ('Discovery') or Hosmed Medical Scheme ('Hosmed').

The amounts recognised in the statement of financial position were as follows:

#### Reconciliation of Present Value of Retirement Benefit Obligation Liability

|                                     | 2024           | 2023          |
|-------------------------------------|----------------|---------------|
| <b>Opening Balance</b>              | <b>50,774</b>  | <b>15,476</b> |
| Liability Assumed                   | -              | 35,130        |
| Net Expense Recognised For The Year | 111,573        | 5,076         |
| Actuarial (Gain) Loss               | (2,076)        | (4,908)       |
| <b>Closing Balance</b>              | <b>160,271</b> | <b>50,774</b> |

#### Net Expense Recognised in the Statement of Financial Performance:

|                           | 2024           | 2023         |
|---------------------------|----------------|--------------|
| Current Service Costs     | 949            | 1,056        |
| Interest Costs            | 5,942          | 5,701        |
| Contributions to Employer | (1,825)        | (1,681)      |
| Policy Amendments         | 106,507        | -            |
|                           | <b>111,573</b> | <b>5,076</b> |

#### Calculation of Actuarial (Gain) Loss is as follows:

|                                                 | 2024         | 2023         |
|-------------------------------------------------|--------------|--------------|
| Carrying Value of Retirement Benefit Obligation | 162,347      | 55,682       |
| Fair Value of Retirement Obligation             | (160,271)    | (50,774)     |
|                                                 | <b>2,076</b> | <b>4,908</b> |

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Key Assumptions Used

Assumptions used at the reporting date:

Discount rates used

CPI Inflation rate

Medical cost trend rates

Net discount rate

| 2024   | 2023   |
|--------|--------|
| 12.35% | 11.91% |
| 6.31%  | 6.04%  |
| 7.81%  | 7.54%  |
| 4.21%  | 4.06%  |

Mortality Assumption

The longevity members in retirement is an important assumption, dictating the expected length of time over which benefits are paid.

The effect of using heavier or lighter mortality assumptions post-employment is shown below:

|                                                               | One percentage point increase | One percentage point decrease |
|---------------------------------------------------------------|-------------------------------|-------------------------------|
| Effect on the aggregate of the service cost and interest cost | -3.4%                         | -3.4%                         |
| Effect on defined benefit obligation                          | +3.5%                         | +3.5%                         |

They have assumed that the income bands will increase annually with CPI and that an employee’s salary will increase by the salary inflation assumption. The employee’s salary at retirement will be used to determine the income band in retirement. Pensioners will remain in the same income band going forward.

The above rates imply that the expected lifetime at NRA of a male is **15.3 years** and **19.2 years** for a female. This will remain the same in the future.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Sensitivity Analysis for Health Care Cost Inflation

The effect of a 1% increase and decrease in the health care cost inflation assumption on the past-service contractual liability and the annual expense is shown in the table below:

#### Variations

|                                                               | One<br>percentage<br>point increase | One<br>percentage<br>point decrease |
|---------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Effect on the aggregate of the service cost and interest cost | +11.44%                             | +11.10%                             |
| Effect on defined benefit obligation                          | -8.10%                              | -9.6%                               |

### Present Value Over The Years

Amounts for the current and previous five years are as follows:

|                                              | 2024    | 2023   |
|----------------------------------------------|---------|--------|
| Fair/Carrying Value of Retirement Obligation | 160,271 | 50,774 |

### 17. Deposit Received

|                   | 2024   | 2023   |
|-------------------|--------|--------|
| Deposits Received | 49,834 | 63,686 |

### Reconciliation of Deposits Received as at 30 June 2024:

|                                              | 2024          | 2023          |
|----------------------------------------------|---------------|---------------|
| <b>Opening Balance</b>                       | <b>63,686</b> | <b>63,274</b> |
| Deposits Received (refunded) during the Year | (13,852)      | 412           |
| <b>Closing Balance</b>                       | <b>49,834</b> | <b>63,686</b> |

Deposits received relate to security deposits held by the organisation for active customers. Security deposit is refundable to customers on termination of service if the customer does not have debt due to the organisation.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 18. Accumulated Surplus

#### Opening Balance

Transfer of Assets and Liabilities

Surplus For The Year

#### Closing Balance

| 2024             | 2023             |
|------------------|------------------|
| <b>4,004,466</b> | <b>2,825,525</b> |
| -                | 844,752          |
| 461,846          | 334,189          |
| <b>4,466,312</b> | <b>4,004,466</b> |

### 19. Revenue

The amount included in revenue arising from exchanges of goods or services are as follows:

|                                                   | 2024             | 2023             |
|---------------------------------------------------|------------------|------------------|
| Sale of Water                                     | 1,175,710        | 1,069,898        |
| Operations and Maintenance Recovery               | 204,443          | 153,491          |
| Interest Charged on Outstanding Trade Receivables | 36,907           | 33,769           |
| Finance Income                                    | 67,549           | 26,293           |
| Construction Contract Revenue                     | 179,484          | 198,690          |
|                                                   | <b>1,664,093</b> | <b>1,482,141</b> |

The amount included in revenue arising from non-exchange transactions is as follows:

|                                 | 2024           | 2023           |
|---------------------------------|----------------|----------------|
| Government Grants and Subsidies | 731,310        | 310,906        |
| Operational Grant Relief        | 2,000          | 21,165         |
|                                 | <b>733,310</b> | <b>332,071</b> |

### Total Revenue

|                                        | 2024             | 2023             |
|----------------------------------------|------------------|------------------|
| Revenue from Exchange Transactions     | 1,664,093        | 1,482,141        |
| Revenue from Non-Exchange Transactions | 733,310          | 332,071          |
|                                        | <b>2,397,403</b> | <b>1,814,212</b> |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Sale of Water refers to the water that was sold and billed based on the approved tariff's and the volume quantities consumed by its customers within a billing financial year.

Operations and Maintenance Recovery refers to the cost recovered on the maintenance services that were carried out in the ordinary course of business.

Interest charged on outstanding trade and other receivables refers to the interest the entity charges on outstanding debtors that are above 60 days. The gross balance that is due and payable to the entity is presented in Note 4.

Finance Income refers to interest received from short-term investments and bank accounts. The cash and cash equivalents are presented in Note 5.

Construction Contract revenue refers to revenue recognised on stage of completion of the project.

Government Grants and Subsidies refers to the unwinding of the Unspent Conditional Grants and Receipts as presented in Note 12.

Operational Grant Relief refers to the temporary cashflow relief received from DWS during the year.

## 20. Cost of Sales

*Figures in Rand thousand*

|                                   | 2024             | 2023             |
|-----------------------------------|------------------|------------------|
| Chemicals                         | 116,159          | 61,238           |
| Depreciation                      | 118,505          | 116,144          |
| Electricity                       | 207,783          | 172,771          |
| Employee Related Cost             | 197,107          | 209,716          |
| Other Production Overheads        | 8,946            | 7,243            |
| Potable Water Cost                | 69,816           | 61,213           |
| Raw Water Purchases               | 156,700          | 146,454          |
| Repairs and Maintenance           | 62,398           | 56,274           |
| Construction Contract Expenditure | 178,275          | 200,079          |
|                                   | <b>1,115,689</b> | <b>1,031,132</b> |

Cost of Sales are the cost directly attributable to the production of water for the supply. These costs are both fixed and variable in nature.

Cost of Sales comprise of the following costs:

- Chemicals are the direct variable costs purchased for the cleansing and purification of the raw water,
- Depreciation is a fixed cost based on the accounting policy for realising the economic useful benefit of the assets used in the water production process,
- Electricity is the direct variable costs for the portion that is used in the production and distribution of water supply,
- Employee Costs are fixed direct costs that relate to the costs element of the employees that work directly in the production of the water supply,

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

- Other production overheads include diesel, fuel and other incidental costs that are incurred as a direct cost on the process of production,
- Potable water refers to water that has been purchased that is already suitable for human consumption,
- Raw Water purchases are variable direct costs that relates to the raw water purchases,
- Repairs and Maintenance refers to the costs incurred to repair and maintenance the assets used in the production of water supply to ensure that these assets are working optimally,
- Construction Contract Expenses refers to expenditure incurred in projects based on the stage of completion of the project.

### 21. Other Income

Other Operating Income  
Gain on Foreign Exchange Difference

| 2024           | 2023           |
|----------------|----------------|
| 107,480        | 124,709        |
| 67             | -              |
| <b>107,547</b> | <b>124,709</b> |

Other Income comprise of:

- Other Operating Income as presented in Note 24, and
- Gain on Foreign Exchange Difference as presented in Note 32.

### 22. Operating Expenses

Employee Related Costs  
General Expenses  
Depreciation and Amortisation  
Impairment of Assets  
Loss on Disposal of Assets  
Loss on Foreign Exchange  
Debt Impairment

| 2024           | 2023           |
|----------------|----------------|
| 420,715        | 244,397        |
| 338,479        | 205,272        |
| 12,826         | 16,071         |
| -              | 57             |
| 100            | 746            |
| -              | 56             |
| 148,098        | 104,683        |
| <b>920,218</b> | <b>571,282</b> |

Operating Expenses comprise of:

- Employee Related Costs as presented in Note 26,
- \*General Expenses as presented in Note 27. Includes Repairs and Maintenance that are also separately disclosed in Note 31,
- Depreciation and Amortisation as presented in Note 28,
- Impairment of Assets as presented in Note 29,
- Loss on Disposal of Assets as presented in Note 30,
- Loss on Foreign Exchange as presented in Note 32,
- Debt Impairment as presented in Note 33.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 23. Finance Costs

Interest Costs as per GRAP 25

| 2024  | 2023  |
|-------|-------|
| 7,079 | 6,787 |

Total interest expense, calculated using the effective interest rate on the re-measurement of retirement benefit obligation and long service awards liability through surplus or deficit amounted to 2024: R7.0 million (2023: R6.7 million). The interest costs breakdown was as follows:

#### Reconciliation of Finance Costs:

Long Service Award Liability  
 Retirement Benefit Obligation

| 2024         | 2023         |
|--------------|--------------|
| 1,137        | 1,086        |
| 5,942        | 5,701        |
| <b>7,079</b> | <b>6,787</b> |

Refer to Note 15 for Long Service Awards Liability and Note 16 for Retirement Benefit Obligation.

### 24. Other Operating Income

Cost Recovery Income  
 Deferred Income Recognised  
 Lab Analysis  
 Management Fees  
 Rental Income  
 Sundry Income  
 Tender Fees  
 Penalties Income

| 2024           | 2023           |
|----------------|----------------|
| 41,599         | 50,235         |
| 29,555         | 39,437         |
| 14,775         | 6,662          |
| 18,176         | 24,287         |
| 385            | 347            |
| 2,463          | 1,609          |
| 527            | 666            |
| -              | 1,466          |
| <b>107,480</b> | <b>124,709</b> |

Other Income comprise of the following:

- Cost recovery income refers to income received from customers when the entity incurred costs and recovered them from these customers,
- Deferred income refers to recognition of the capital contributions where the services were rendered during the year,
- Lab Analysis income refers to the income received for the use of the scientific lab for the testing of samples,

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

- Management Fees refer to the income received by the entity from the service rendered when the entity was appointed as an implementing agent for projects,
- Rental Income refers to the rental income received from the tenants that are occupying the entity's property on a fixed term lease contract,
- Sundry income comprise water connections fees, administration fees and other sundry income,
- Tender Fees refers to the income generated from the selling of tender documents to interested bidders in the process of the implementation of the entity's procurement processes,
- Penalties income is income charged by the entity as penalties.

**25. Actuarial Gains (Loss)**

|                        | 2024  | 2023  |
|------------------------|-------|-------|
| Actuarial Gains (Loss) | (118) | 4,469 |

**Reconciliation of Actuarial Gain:**

|                                                 | 2024    | 2023  |
|-------------------------------------------------|---------|-------|
| Actuarial Loss on Long Service Awards           | (2,194) | (439) |
| Actuarial Gain on Retirement Benefit Obligation | 2,076   | 4,908 |
|                                                 | (118)   | 4,469 |

Refer to Note 15 for Long Service Awards Liability and Note 16 for Retirement Benefit Obligation.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 26. Employee Related Costs

|                                     | 2024           | 2023           |
|-------------------------------------|----------------|----------------|
| Acting Allowances                   | 1,565          | 1,633          |
| Basic                               | 150,850        | 122,241        |
| Bonus                               | 31,541         | 32,116         |
| Car Allowance                       | 1,768          | 1,534          |
| Car Allowance - Senior Management   | 521            | 360            |
| Cellphone Allowance                 | 1,289          | 973            |
| Company Contributions               | 46,492         | 40,490         |
| Housing Benefits and Allowances     | 11,492         | 10,017         |
| Medical Aid - Company Contributions | 1,113          | 1,013          |
| Other Salary Expenses               | 158,085        | 16,345         |
| Overtime Payments                   | 11,730         | 11,702         |
| Settlement Allowance                | 248            | 2,218          |
| Standby Allowance                   | 5,693          | 5,216          |
| Termination benefits                | (2,148)        | (1,850)        |
| Camping Allowance                   | 476            | 389            |
|                                     | <b>420,715</b> | <b>244,397</b> |

Employee Related Costs are costs incurred in the ordinary course of carrying the its operational activities. These are the total costs of employing it's work force and include the fixed and variable component of the costs.

Termination Benefits includes the movement in GRAP 25 obligations such as current service costs and contribution.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 27. General Expenses

*Figures in Rand thousand*

|                                  | 2024           | 2023           |
|----------------------------------|----------------|----------------|
| Admin Overheads                  | 1,647          | 9,106          |
| Advertising                      | 623            | 593            |
| Auditors Remuneration            | 6,844          | 3,586          |
| Bad Debts                        | 20             | -              |
| Bank Charges                     | 379            | 345            |
| Catering                         | 1,031          | 579            |
| Cleaning                         | 1,061          | 360            |
| Computer Expenses                | 1,512          | 591            |
| Consulting and Professional Fees | 13,324         | 11,233         |
| Consumables                      | 27,028         | 9,167          |
| Corporate Social Responsibility  | 3,595          | 1,947          |
| Donations                        | 12             | -              |
| Electricity                      | 15,919         | 18,818         |
| Fines, Penalties and Interest    | 46,916         | 3,405          |
| Fuel and Oil                     | 7,128          | 3,742          |
| Insurance                        | 7,620          | 5,862          |
| Lease Rentals on Operating Lease | 4,166          | 1,176          |
| Legal Expense                    | 5,992          | 6,451          |
| License Fees                     | 6,133          | 5,470          |
| Membership Fees                  | 318            | 66             |
| Other Operating Expenses         | 12,358         | 11,012         |
| Promotions and Publications      | 8,261          | 5,201          |
| Recruitment Costs                | 975            | 341            |
| Repairs and Maintenance          | 92,772         | 38,122         |
| Security                         | 43,878         | 44,670         |
| Telephone and Fax                | 5,127          | 5,433          |
| Training and Conferences         | 11,701         | 9,020          |
| Travel and Accommodation         | 12,139         | 8,976          |
|                                  | <b>338,479</b> | <b>205,272</b> |

General Expenses are operating expenses incurred by the entity as part of its ordinary course of business. These include outsourced services such as Security, Legal Fees and Consulting and Professional Fees.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 28. Depreciation and Amortisation

|                               | 2024          | 2023          |
|-------------------------------|---------------|---------------|
| Investment Property           | 725           | 726           |
| Property, Plant and Equipment | 10,527        | 10,225        |
| Intangible Assets             | 1,574         | 5,120         |
|                               | <b>12,826</b> | <b>16,071</b> |

#### Depreciation on Investment Property

The analysis of depreciation on Investment Property was as follows:

|                           | 2024 | 2023 |
|---------------------------|------|------|
| Depreciation on Buildings | 725  | 726  |

Depreciation of Investment Property is the realisation of the economic benefit of the entity's assets based on the estimated useful life of those assets. Refer to Note 6 for Investment Property.

#### Depreciation on Property, Plant and Equipment

The analysis of depreciation on Property, Plant and Equipment was as follows:

|                                                     | 2024          | 2023          |
|-----------------------------------------------------|---------------|---------------|
| Depreciation on Buildings and Other Infrastructure  | 777           | 784           |
| Depreciation on Mobile Equipment and Motor Vehicles | 3,272         | 3,356         |
| Depreciation on Furniture and Fixtures              | 771           | 750           |
| Depreciation on Plant and Machinery                 | 3,741         | 3,714         |
| Depreciation on IT Equipment Accessories            | 1,966         | 1,621         |
|                                                     | <b>10,527</b> | <b>10,225</b> |

Depreciation of Property, Plant and Equipment is the realisation of the economic benefit of the entity's assets based on the estimated useful life of those assets. Refer to Note 7 for Property, Plant and Equipment.

#### Amortisation of Intangible Assets

The analysis of amortisation of Intangible Assets was as follows:

|                   | 2024         | 2023         |
|-------------------|--------------|--------------|
| Computer Software | 1,574        | 5,120        |
| Servitudes        | -            | -            |
|                   | <b>1,574</b> | <b>5,120</b> |

Amortisation of Intangible Assets is the realisation of the economic benefit of the entity's assets based on the estimated useful life of those assets. Refer to Note 8 for Intangible Assets.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 29. Impairment of Assets

|                               | 2024 | 2023 |
|-------------------------------|------|------|
| Property, Plant and Equipment | -    | 57   |

Refer to Note 7 for classes of assets where impairment has been applied in the year under review.

### 30. Loss on Disposal of Assets

|                               | 2024 | 2023 |
|-------------------------------|------|------|
| Property, Plant and Equipment | 100  | 746  |

Loss on disposal of assets refers to selling of assets less than market value. Refer to Note 7 for classes of assets which where disposed.

### 31. Repairs and Maintenance

|                          | 2024           | 2023          |
|--------------------------|----------------|---------------|
| Buildings                | 745            | 1,134         |
| Plant and Machinery      | 104,508        | 69,016        |
| Motor Vehicles           | 8,915          | 5,963         |
| Pipelines and Reservoirs | 41,002         | 18,283        |
|                          | <b>155,170</b> | <b>94,396</b> |

Repairs and Maintenance has been included in the following components:

|                  | 2024           | 2023          |
|------------------|----------------|---------------|
| Cost of Sales    | 62,398         | 56,274        |
| General Expenses | 92,772         | 38,122        |
|                  | <b>155,170</b> | <b>94,396</b> |

Refer to Note 20 for Cost of Sales and to Note 27 for General Expenses for Repairs and Maintenance inclusion.

### 32. (Gain) Loss on Foreign Exchange Difference

|                             | 2024        | 2023      |
|-----------------------------|-------------|-----------|
| Water Utilities Corporation | <b>(67)</b> | <b>56</b> |

The loss of foreign exchange relates to the exchange differences between the Botswana Pula and South African Rand on the outstanding amount that is due at year end on the Water Utilities Corporation account.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 33. Debt Impairment

Debt Impairment Movement

| 2024           | 2023           |
|----------------|----------------|
| <b>148,098</b> | <b>104,683</b> |

Debt Impairment refers to the movement in the provision of impairment of trade receivable based on the entity's expectations on the recoverability of revenue. Refer to Note 4 for the gross debtors balances that have been considered for impairment.

### 34. Cash Generated From Operations

#### Surplus

#### Adjustments for:

Depreciation and Amortisation

(Gain) Loss on Disposal of Assets

(Gain) Loss on Foreign Exchange

Actuarial (Gain) Loss

Impairment Loss

Debt Impairment

Bad Debts Written Off

Movements in Retirement Benefit Assets and Liabilities

Government Grants

Deferred Income Recognised

Accrual for Leave and Bonus Movement

Inventory Write Offs

#### Changes in working capital:

Inventories

Receivables From Exchange Transactions

Cash and Cash Equivalents

Statutory Receivables

Payables From Exchange Transactions

VAT Payable

Unspent Conditional Grants and Receipts

Deferred Income

Capital Contributions

Deposit Received

| 2024             | 2023           |
|------------------|----------------|
| <b>461,846</b>   | <b>334,189</b> |
| 131,331          | 132,216        |
| 100              | 746            |
| (67)             | 56             |
| 118              | (4,469)        |
| -                | 57             |
| 148,098          | 104,683        |
| 20               | -              |
| 139,822          | 4,937          |
| (731,310)        | (310,906)      |
| (29,555)         | (39,437)       |
| 14,767           | 14,112         |
| 3,850            | -              |
| (25,238)         | (37,412)       |
| (364,875)        | (366,638)      |
| -                | 150            |
| (60,869)         | -              |
| 560,433          | 251,755        |
| (30,767)         | 16,763         |
| 1,916,753        | 159,130        |
| 4,723            | (35,211)       |
| 21,462           | 52,694         |
| (13,852)         | 412            |
| <b>2,146,790</b> | <b>277,827</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 35. Transfer of Functions Between Entities Under Common Control

#### Transfer of functions between entities under common control occurring during the current reporting period

Entities involved in the transfer of functions were:

Magalies Water (Acquirer) and Sedibeng Water (Transferor)

The following functions were transferred:

Assets and Liabilities and Operations and employees in the North West.

The transfer was due to a Minister's Directive. The transfer of function took place during the 2023 financial year.

The transfer effective from on Friday, July 1, 2022.

#### Value of the Assets Acquired and Liabilities assumed

##### Assets Acquired

|                                        | 2024 | 2023             |
|----------------------------------------|------|------------------|
| Inventory                              | -    | 7,439            |
| Receivables from Exchange Transactions | -    | 1,167,266        |
| Cash and Cash Equivalents              | -    | 150              |
| Investment Property                    | -    | 13,730           |
| Property, Plant and Equipment          | -    | 159,446          |
|                                        | -    | <b>1,348,031</b> |

##### Liabilities Assumed

|                                     | 2024 | 2023           |
|-------------------------------------|------|----------------|
| Payables from Exchange Transactions | -    | 446,043        |
| VAT Payable                         | -    | 10,675         |
| Long Service Awards                 | -    | 11,441         |
| Retirement Benefit Obligation       | -    | 35,130         |
|                                     | -    | <b>503,279</b> |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

|                                                                                                                                                    | 2024 | 2023      |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------|-----------|
| <b>Reserves Acquired</b>                                                                                                                           |      |           |
| Accumulated Surplus                                                                                                                                | -    | (844,742) |
| <b>Difference between the carrying amounts of the assets acquired, the liabilities assumed and adjustments required to the basis of accounting</b> | -    | -         |
| <b>Consideration Paid</b>                                                                                                                          |      |           |
| Payment                                                                                                                                            | -    | -         |

## Contingent Liabilities and Contingent Assets Attributable to a Transfer of Functions

The following cases that were disclosed as contingent liabilities at Sedibeng Water were transferred to Magalies Water effectively from the date of transfer:

### Contingent Liabilities

#### Kaone // Sedibeng

The Court issued a rescission of judgemental in favour of Magalies Water that an amount of R6.8 million initially paid to Kaone Construction be paid back to Magalies Water attorneys trust account. This cannot be a provision as the order and the case still remain uncertain and the matter will likely go back to court before Magalies water can be paid.

#### Leekwa Teemane // Sedibeng

This claim amounting to R61.1 million came as a result of former Sedibeng Water being appointed by DWS to take over and maintain Wastewater treatment plants within the jurisdiction of Dr Ruth Segomotsi Mompoti District Municipality. Sedibeng and the District Municipality entered into a SLA wherein the District Municipality undertook responsibility for all expenses incurred by Sedibeng in maintain these plants.

The following cases of contingent assets were transferred to Magalies Water effectively from the date of transfer:

### Contingent Asset

#### Sedibeng // Ngaka Moridi Molema

Lawyers instructed to institute legal action against the municipality. The matter is still in progress. The value of the matter was R100 million.

## Rental Debtors

Rental debtors were regarded as a material irregularity due to non-collection of revenue. This matter is being investigated and legal processes are undertaken to confirm the legal rights for Magalies Water to declare it as a debtor. It has thus been transferred to Magalies Water with a contingency. The value transferred was R4.7 million.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

**Capital Project - Buisfontein**

In the previous financial year, capital project for construction works in the Buisfontein projects was transferred to Magalies Water to the value of R23.5 million. The last payment to the project was made outside the period of three years. Magalies Water is investigating the validity of this project and thus has been transferred with a contingency.

**Irregular Expenditure**

In the previous financial year, irregular expenditure to the value of R 130.6 million was transferred to Magalies Water for investigation and financial misconduct processes.

**Fruitless and Wasteful Expenditure**

In the previous financial year, fruitless and wasteful expenditure to the value of R1.8 million was transferred to Magalies Water for investigation and financial misconduct processes.

**Commitments**

In the previous financial year, capital commitments for uncompleted projects to the value of R 56.1 million were transferred to Magalies Water.

**Revenue and Expenditure Attributable to a Transfer of Functions**

In the previous financial year, total revenue to the value of R 346.3 million was recognised during the period after the transfer of functions while expenditure to the aggregate of R 500.2 million was incurred for the current period.

**Revenue**

Water Sales  
Operations and Maintenance Recovery  
Other Income

|  | 2024 | 2023           |
|--|------|----------------|
|  | -    | 152,922        |
|  | -    | 165,895        |
|  | -    | 27,510         |
|  | -    | <b>346,327</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

|                                     | 2024 | 2023             |
|-------------------------------------|------|------------------|
| <b>Expenditure</b>                  |      |                  |
| Cost of Sales                       | -    | 140,831          |
| Employee Related Costs              | -    | 170,035          |
| General Expenses                    | -    | 45,137           |
| Depreciation and Amortisation       | -    | 8,230            |
| Repairs and Maintenance             | -    | 32,650           |
| Loss on Foreign Exchange Difference | -    | 56               |
| Debt Impairment                     | -    | 103,282          |
|                                     | -    | <b>500,221</b>   |
|                                     |      |                  |
|                                     | 2024 | 2023             |
| <b>Deficit For The Function</b>     |      |                  |
| Net Deficit                         | -    | <b>(153,894)</b> |

### Acquisition of Related Costs

In the previous financial year, there were no acquisition related costs that were incurred during the transfer of functions between entities under common control no purchase consideration paid for the transfer.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 36. Commitments

#### Authorised Capital Expenditure

##### Already contracted for but not provided for

- Property, Plant and Equipment

##### Total Capital Commitments

Already contracted for but not provided for

| 2024             | 2023           |
|------------------|----------------|
|                  |                |
| 1,651,437        | 909,097        |
| <b>1,651,437</b> | <b>909,097</b> |

#### Authorised Operational Expenditure

##### Already contracted for but not provided for

- Operational commitments

##### Total Operational Commitments

Already contracted for but not provided for

| 2024           | 2023          |
|----------------|---------------|
|                |               |
| 223,748        | 36,220        |
| <b>223,748</b> | <b>36,220</b> |

Other commitments not disclosed in the disclosure balance relates to contractual agreements determined on the hours spent on a project and/or rate of items or services procured. The total contractual obligation could not be determined.

#### Capital Commitments Acquired

In the previous financial year, capital commitments to the value of R 56.1 million were acquired from Sedibeng Water. No payments were made by Magalies Water during the year under review for this commitment.

#### Operating Lease Commitments

##### Minimum Lease Payments due

- within one year
- in second to fifth year inclusive

| 2024       | 2023       |
|------------|------------|
| 46         | 46         |
| 96         | 135        |
| <b>142</b> | <b>181</b> |

Operating lease payments represent rentals payable by the entity for office equipment. Leases are negotiated for an average term of three years. The rental periods are in accordance with the contracts per service provider.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 37. Contingencies

#### Contingent Liabilities

Supplier Claims

| 2024          | 2023          |
|---------------|---------------|
| 75,489        | 64,889        |
| <b>75,489</b> | <b>64,889</b> |

#### Ya-Rena Civils (Pty) Ltd vs Magalies Water

A supplier is claiming R3.2 million from Magalies Water for services alleged to have been provided to the organisation by the supplier.

#### Lekwa Teemane Local Municipality vs Magalies Water (Former Sedibeng Water)

This claim amounting to R61.6 million by a local municipality claiming to provided electricity to disestablished Sedibeng Water when the entity was operating and maintaining infrastructure on behalf of a district municipality in the area. Sedibeng Water did not have infrastructure and did not open electricity account with the local municipality but operated the infrastructure as instructed by the district municipality.

#### Bothlale Security and Quick Bopha Security vs Magalies Water

Magalies Water received summons from both Retshwanetse Trading and Projects CC and Bothlale Risk Protection CC after cancelling the contracts with notice on the 29th of September 2022. Retshwanetse is claiming for R9.1 million while Bothlale Risk is claiming for R1.5 million.

#### Contingent Assets

Legal Claims

Over-payment of Suppliers

Acquired Assets Under Investigation

Recovery of Legal Costs

| 2024           | 2023           |
|----------------|----------------|
| 26,935         | 26,935         |
| 73,405         | 73,405         |
| 28,369         | 28,369         |
| 1,211          | -              |
| <b>129,920</b> | <b>128,709</b> |

## **NOTES TO THE ANNUAL FINANCIAL STATEMENTS**

### **Legal Claims**

#### **Umso JV vs Magalies Water**

A court interdict was initiated by one of the unsuccessful bidders against Magalies Water to stop the appointed service provider from performing work. The unsuccessful bidder claimed that the procurement process followed for the appointed service provider was not fair, however the court ruled in favour of Magalies Water. Magalies Water made a claim against Umso for losses incurred amounting to R26.9 million because of Court Interdict made by Ya-Rena stopping Magalies Water from implementing the project. The previous claim relating to the same matter had an obligation that was settled inline with the court judgement.

#### **Recovery of Over-Payments to Suppliers**

##### **Mogolola Mokoka & Associates (PSP) vs Magalies Water**

Magalies Water instituted a counterclaim against the Engineer of R26.8 million over-payment relating to contract administration, and damages suffered as a result poor project management by a professional service provider to the organisation.

##### **Axton Matrix - Contractor vs Magalies Water**

Magalies Water undertook a valuation and verification of work performed by a contractor and the valuation of investigation indicated that there charges by the contract did not agree to the value of work performed. Magalies Water have taken legal action against the contract to recover R39.7 million over-payment.

##### **Kaone Construction vs Magalies Water (Former Sedibeng Water)**

Magalies Water is claiming an amount of R6.7 million against the contractor for over-payment.

### **Acquired Assets Under Investigation**

#### **Rental Debtors**

Rental debtors were regarded as a material irregularity due to non-collection of revenue. This matter is being investigated and legal processes are undertaken to confirm the legal rights for Magalies Water to declare it as a debtor. It has thus been transferred to Magalies Water with a contingency. The value transferred was R4.7 million.

#### **Capital Project - Buisfontein**

Capital project for construction works in the Buisfontein projects was transferred to Magalies Water to the value of R23.5 million. The last payment to the project was made outside the period of three years. Magalies Water is investigating the validity of this project and thus has been transferred with a contingency.

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

## Recovery of Legal Costs

Magalies Water will institute a recovery of legal costs for matters that were completed. The matters and the expected costs to be recovered amount to R1.2 million as follows:

- \* Kgetlengrivier Concerned Citizens vs Magalies Water - R502 000
- \* Modimolle Local Municipality vs Magalies Water - R315 000
- \* Kalesego Maintenance Services vs Magalies Water - R302 000
- \* Interdict – Oupa Phiri vs Magalies Wateri - R89 000

## 38. Related Parties

### Relationships

Ultimate Controlling Entity  
Controlling Entity

National Government  
Department of Water and Sanitation

### Related Party Balances

#### Amounts included in Trade and Other Receivables

|                                    | 2024    | 2023   |
|------------------------------------|---------|--------|
| Rand Water                         | 34,044  | 93,654 |
| Department of Water and Sanitation | 136,495 | 81,847 |
| Vaal Central Water                 | -       | 1,643  |

#### Amounts included in Trade and Other Payables

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Department of Water and Sanitation | (367,199) | (181,433) |
| Vaal Central Water                 | (404,753) | (318,878) |

#### Amounts included in Unspent Conditional Grants

|                                    |             |          |
|------------------------------------|-------------|----------|
| Department of Water and Sanitation | (1,200,182) | (14,739) |
|------------------------------------|-------------|----------|

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Related Party Balances

#### Related Party Transactions

##### Amounts included in Revenue

|                                                           | 2024    | 2023    |
|-----------------------------------------------------------|---------|---------|
| Department of Water and Sanitation                        | 733,310 | 332,071 |
| Rand Water                                                | 141,299 | 190,136 |
| Department of Water and Sanitation (Construction Revenue) | 179,484 | 198,690 |

##### Amounts included in Other Operating Income

|                                                      |        |       |
|------------------------------------------------------|--------|-------|
| Department of Water and Sanitation (Management Fees) | 10,157 | 8,992 |
|------------------------------------------------------|--------|-------|

##### Amounts included in Cost of Sales

|                                                           |           |           |
|-----------------------------------------------------------|-----------|-----------|
| Department of Water and Sanitation                        | (98,040)  | (93,087)  |
| Vaal Central Water                                        | (56,263)  | (46,016)  |
| Department of Water and Sanitation (Construction Expense) | (178,275) | (200,079) |

The prior year amount for Vaal Central of R47.7 million was adjusted R1.7 million to restate it to R46.0 million as illustrated in the Note 40. Prior Period Error.

##### Amounts included in Other Expenses

|                                    |          |          |
|------------------------------------|----------|----------|
| Department of Water and Sanitation | (58,646) | (52,119) |
| Vaal Central Water                 | (44,544) | (116)    |

##### Compensation to Board Members and Key Management Personnel

|                                                 |               |               |
|-------------------------------------------------|---------------|---------------|
| Board Members                                   | 6,694         | 5,990         |
| Executive Management                            | 26,819        | 24,987        |
| Independent Members of Audit and Risk Committee | 254           | 302           |
|                                                 | <b>33,767</b> | <b>31,279</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Remuneration of Key Management Personnel

#### Emoluments: Board Members as at 30 June 2024

| Name                                     | Board Fees | Committee Fees | Other Fees <sup>^</sup> | Expenses <sup>^^</sup> | Salary Benchmarking | Total        |
|------------------------------------------|------------|----------------|-------------------------|------------------------|---------------------|--------------|
| Dr K.L. Sebegu<br>(Chairperson of Board) | 25         | 645            | 36                      | 186                    | 146                 | <b>1,038</b> |
| Ms M.Y. Matolong<br>(Deputy Chairperson) | 37         | 396            | 41                      | 156                    | 112                 | <b>742</b>   |
| Mr I. Mosala                             | 21         | 421            | 28                      | 168                    | 129                 | <b>767</b>   |
| Ms M.E.T Malaka                          | 21         | 441            | 136                     | 152                    | 130                 | <b>880</b>   |
| Ms N.P. Mashaba                          | 20         | 248            | 2                       | 158                    | 87                  | <b>515</b>   |
| Mr R.M. le Roux                          | 20         | 186            | 5                       | 152                    | 53                  | <b>416</b>   |
| Mr M.W.B. Mkhize                         | 20         | 288            | 28                      | 154                    | 101                 | <b>591</b>   |
| Dr M. Makgae                             | 20         | 302            | 18                      | 152                    | 115                 | <b>607</b>   |
| Ms Y. Pamla                              | 22         | 228            | 15                      | 165                    | 86                  | <b>516</b>   |
| Mr. S.A. Ngobeni                         | 20         | 331            | 9                       | 166                    | 96                  | <b>622</b>   |
|                                          | <b>226</b> | <b>3,486</b>   | <b>318</b>              | <b>1,609</b>           | <b>1,055</b>        | <b>6,694</b> |

<sup>^</sup>Other fees consist of compensation for other meeting attended by the Board members

<sup>^^</sup>Expenses comprise of stipend, travel and accommodation and general refunds

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Remuneration of Key Management Personnel

#### Emoluments: Board Members as at 30 June 2023

| Name                                        | Board Fees | Committee Fees | Other Fees <sup>^</sup> | Expenses <sup>^^</sup> | Total        |
|---------------------------------------------|------------|----------------|-------------------------|------------------------|--------------|
| Dr K.L. Sebege (Chairperson of Board) #1    | 85         | 155            | 400                     | 205                    | <b>845</b>   |
| Ms M.Y. Matolong (Deputy Chairperson) #2    | 45         | 60             | 131                     | 101                    | <b>337</b>   |
| Mr I. Mosala #1                             | 78         | 179            | 158                     | 192                    | <b>607</b>   |
| Ms N.P. Mashaba #2                          | 60         | 133            | 145                     | 181                    | <b>519</b>   |
| Ms M.E.T. Malaka #2                         | 36         | 100            | 86                      | 101                    | <b>323</b>   |
| Mr R.M. le Roux #2                          | 15         | 28             | 44                      | 101                    | <b>188</b>   |
| Mr M.W.B. Mkhize #2                         | 33         | 52             | 93                      | 101                    | <b>279</b>   |
| Dr M. Makgae #2                             | 15         | 66             | 40                      | 101                    | <b>222</b>   |
| Ms Y. Pamla #2                              | 25         | 74             | 82                      | 101                    | <b>282</b>   |
| Ms N.R.P. Mokoto (Interim Chairperson) #3   | 31         | 23             | 124                     | 323                    | <b>501</b>   |
| Dr T. Twalo (Interim Deputy Chairperson) #3 | 18         | 88             | 115                     | 136                    | <b>357</b>   |
| Mr B. Mahlutshana #3                        | 17         | 71             | 96                      | 167                    | <b>351</b>   |
| Mr M.G. Shoahle #3                          | 16         | 39             | 91                      | 88                     | <b>234</b>   |
| Mr E.B. Mokgatle #3                         | 21         | 61             | 87                      | 142                    | <b>311</b>   |
| Mr D.L. Morienyane #3                       | 19         | 75             | 92                      | 145                    | <b>331</b>   |
| Mr S.A. Ngobeni #4                          | 40         | 86             | 70                      | 107                    | <b>303</b>   |
|                                             | <b>554</b> | <b>1,290</b>   | <b>1,854</b>            | <b>2,292</b>           | <b>5,990</b> |

<sup>^</sup> Other fees consist of compensation for other meeting attended by the Board members

<sup>^^</sup> Expenses comprise of stipend, travel and accommodation and general refunds

#1 The member had their service terminated on 29 November 2022 but was re-appointed to be part of the permanent board from 01 December 2022

#2 The members service commenced on 01 December 2022

#3 The member had theirs services terminated on 29 November 2022

#4 The member was a member of External Audit and Risk Committee Member until 29 November 2022 and was reappointed to be part of the permanent board from 01 December 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Management Class: Executive Management

#### Emoluments: Executive Members as at 30 June 2024

|                                                                     | Salary        | Acting Allowance | Salary Benchmarking | Expenses <sup>^</sup> | Other expenses <sup>^^</sup> | Total         |
|---------------------------------------------------------------------|---------------|------------------|---------------------|-----------------------|------------------------------|---------------|
| <b>Name</b>                                                         |               |                  |                     |                       |                              |               |
| Mr S.P. Mkhize Chief Executive Officer #1                           | 2,426         | -                | 400                 | 387                   | 662                          | <b>3,875</b>  |
| Mr T. Shezi Acting Chief Financial Officer #2                       | 1,105         | 22               | 186                 | 138                   | 286                          | <b>1,737</b>  |
| Ms M.C. Tabane Chief Financial Officer #3                           | 1,577         | -                | 259                 | 226                   | 452                          | <b>2,514</b>  |
| Mr O. Nthutang Chief Operations Officer #4                          | 1,857         | 32               | 328                 | 358                   | 550                          | <b>3,125</b>  |
| Mr S. Ngcobo Acting General Manager : Water Services #5             | 1,692         | 34               | 116                 | 226                   | 597                          | <b>2,665</b>  |
| Dr V. Akinekwomi General Manager : Water Services #6                | 1,555         | -                | 276                 | 249                   | 455                          | <b>2,535</b>  |
| *Mr T. Molobyse Acting General Manager : Corporate Services #7      | 1,861         | 279              | -                   | 325                   | 562                          | <b>3,027</b>  |
| Ms T. Ntabeni General Manager : Corporate Services #8               | 1,061         | -                | 187                 | 233                   | 347                          | <b>1,828</b>  |
| Mr S. Mbadamana Acting General Manager : Project Management Unit #9 | 1,693         | 151              | 274                 | 358                   | 370                          | <b>2,846</b>  |
| Ms K. Mogamisi General Manager : Stakeholder and Customer Services  | 1,672         | -                | 305                 | 288                   | 402                          | <b>2,667</b>  |
|                                                                     | <b>16,499</b> | <b>518</b>       | <b>2,331</b>        | <b>2,788</b>          | <b>4,683</b>                 | <b>26,819</b> |

<sup>^</sup> Expenses comprise of cellphone allowance, travel & accommodation, refunds and settlements

<sup>^^</sup> Other expenses comprise of leave pay-out and company contribution

#1 Mr S.P. Mkhize resigned from Chief Executive Officer effectively on 30 June 2024

#2 Mr T. Shezi was the Acting Chief Financial Officer from 01 July 2023 to 17 September 2023

#3 Ms M.C. Tabane was appointed as Chief Financial Officer on 18 September 2023

#4 Mr O. Nthutang was Acting Chief Operations Officer from 01 July 2023 to 31 August 2023 and was appointed in the position on 01 September 2023

#5 Mr S. Ngcobo was Acting General Manager : Water Services from 01 July 2023 to 30 September 2023

#6 Dr V. Akinekwomi was appointed General Manager : Water Services on 18 September 2023

#7 Mr T. Molobyse was Acting General Manager : Corporate Services from 01 July 2023 to 30 November 2023

\* All the acting that accrued to this employee was paid in the current year and was accounted for in the current year as based on our assessment, the restatement was not material

#8 Ms T. Ntabeni was appointed as General Manager : Corporate Services on 01 December 2023

#9 Mr S. Mbadamana was Acting General Manager: Project Management Unit from 01 July 2023 to 31 March 2024 and was appointed in the position on 01 April 2024

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Emoluments: Executive Members as at 30 June 2023

| Name                                                                | Salary        | Acting Allowance | Performance Bonus | Expenses <sup>^</sup> | Other Expenses <sup>^^</sup> | Total         |
|---------------------------------------------------------------------|---------------|------------------|-------------------|-----------------------|------------------------------|---------------|
| Mr S.P. Mkhize Chief Executive Officer                              | 2,461         | -                | 639               | 245                   | 610                          | <b>3,955</b>  |
| Mr T. Shezi Acting Chief Financial Officer #1                       | 1,125         | 120              | -                 | 54                    | 265                          | <b>1,564</b>  |
| Ms K. Mogamisi General Manager : Stakeholder and Communications     | 1,689         | -                | 433               | 84                    | 353                          | <b>2,559</b>  |
| Mr O. Nthutang Acting Chief Operations Officer #2                   | 1,595         | 157              | 350               | 138                   | 433                          | <b>2,673</b>  |
| Mr S. Ngcobo Acting General Manager : Water Services #3             | 1,724         | 201              | 251               | 141                   | 543                          | <b>2,860</b>  |
| Mr M. Dayanand Acting Chief Operations Officer #4                   | 1,720         | 97               | 342               | 78                    | 536                          | <b>2,773</b>  |
| Ms B. Bingwa Acting General Manager : Corporate Services #5         | 323           | 36               | 279               | 15                    | 290                          | <b>943</b>    |
| Mr T. Molobye Acting General Manager : Corporate Services #6        | 1,599         | 95               | -                 | 249                   | 423                          | <b>2,366</b>  |
| Mr S. Mbadamana Acting General Manager : Project Management Unit #7 | 1,479         | 96               | -                 | 175                   | 294                          | <b>2,044</b>  |
| Ms N. Mpetsheni Acting Chief Financial Officer #8                   | 1,416         | 51               | -                 | 217                   | 269                          | <b>1,953</b>  |
| Mr J. Leburu Acting General Manager : Project Management Unit #9    | 1,040         | 39               | 152               | 46                    | 20                           | <b>1,297</b>  |
|                                                                     | <b>16,171</b> | <b>892</b>       | <b>2,446</b>      | <b>1,442</b>          | <b>4,036</b>                 | <b>24,987</b> |

<sup>^</sup> Expenses comprise of cellphone allowance, travel & accommodation, refunds and settlements

<sup>^^</sup> Other expenses comprise of leave pay-out and company contribution

#1 Mr T. Shezi was the Acting Chief Financial Officer from 01 July 2022 to April 2023 and June 2023

#2 Mr O. Nthutang was Acting Chief Operations Officer from 01 July 2022 to 30 June 2023

#3 Mr S. Ngcobo was Acting General Manager Water Services from 01 July 2022 to 30 June 2023

#4 Mr M. Dayanand was Acting General Manager: Project Management Unit from 01 July 2022 to 31 December 2022

#5 Ms B. Bingwa was Acting General Manager: Corporate Services from 01 July 2022 to September 2022

#6 Mr T. Molobye was Acting General Manager: Corporate Services from 01 October 2022 to 30 June 2023

#7 Mr S. Mbadamana was Acting General Manager: Project Management Unit from 01 January 2023 to 30 June 2023

#8 Ms N. Mpetsheni was the Acting Chief Financial Officer from 28 April 2023 to 31 May 2023

#9 Mr J. Leburu was Acting General Manager: Project Management Unit for 01 July 2022 to 31 December 2022

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### **Emoluments: Independent Audit and Risk Committee Members**

#### **Emoluments: Independent Audit and Risk Committee Members as at 30 June 2024**

| <b>Name</b>           | <b>**Committee Fees</b> | <b>^Other Fees</b> | <b>^^Expenses</b> | <b>Salary Benchmarking</b> | <b>Total</b> |
|-----------------------|-------------------------|--------------------|-------------------|----------------------------|--------------|
| Ms N.F. Shabalala #1  | 91                      | -                  | -                 | 16                         | 107          |
| Mr Z.N. Tshabalala #2 | 59                      | -                  | 1                 | 13                         | 73           |
| Mr V. Magan #3        | 56                      | 1                  | -                 | 17                         | 74           |
|                       | <b>206</b>              | <b>1</b>           | <b>1</b>          | <b>46</b>                  | <b>254</b>   |

\*\* Committee Fees consist of all fees paid for attendance of audit committee meetings

^ Other Fees comprise of induction meeting and other non-committee meetings

^^ Expenses comprise of travel and accommodation costs

#1 Ms N.F. Shabalala was re-appointed as a member of this committee from 01 April 2024 after the last term ended on 28 February 2024

#2 Ms Z.N. Tshabalala was re-appointed as a member of this committee from 01 April 2024 after the last term ended on 28 February 2024

#3 Mr V. Magan is a new additional member of the committee and was appointed from 01 April 2024

#### **Emoluments: Independent Audit and Risk Committee Members as at 30 June 2023**

| <b>Name</b>      | <b>**Committee Fees</b> | <b>^Other Fees</b> | <b>^^Expenses</b> | <b>Total</b> |
|------------------|-------------------------|--------------------|-------------------|--------------|
| Mr S. Ngobeni #1 | 41                      | 4                  | 1                 | 46           |
| Ms N. Shabalala  | 110                     | 25                 | 6                 | 141          |
| Ms Z. Tshabalala | 86                      | 25                 | 4                 | 115          |
|                  | <b>237</b>              | <b>54</b>          | <b>11</b>         | <b>302</b>   |

\*\* Committee Fees consist of all audit committee meetings

^ Other Fees comprise of induction meeting and other non-committee meetings

^^ Expenses comprise of travel and accommodation costs

#1 Mr S. Ngobeni was appointed as part of the permanent board from 01 December 2022 and thus ceased to be a member in this committee

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### 39. Change in Accounting Estimate

#### Property, Plant and Equipment

The useful life of certain items of property, plant and machinery as well as intangible assets were revised during the year. The change in estimate of useful lives of items of property, plant and machinery and intangible assets resulted in decrease in depreciation for the year. The change in estimated useful lives of assets resulted in decreased in depreciation and amortisation for the year by R3.8 million as estimated useful lives of assets were extended. This change is material and will be applied prospectively in the determination of future depreciation and amortisation.

### 40. Prior Period Adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

The following errors and reclassifications occurred in the prior year and were corrected in the current year:

#### 40.1 Statements

##### A. Depreciation and Amortisation Difference

The asset register in the accounting system did not agree with the final figures on the annual financial statements. The depreciation on property, plant and equipment was materially misstated by R5.6 million and amortisation of intangible assets was also overstated by R63 000.

##### B. Payables from Exchange Transactions

A supplier to the value of R10 000 was added as a Take On Balance in the prior year. But no information could be obtained and as such the supplier was reversed. A supplier reconciliation was performed and a difference of R1.7 million was detected.

##### C: Adoption of a New GRAP Standard

During the previous year, GRAP 11, Construction Contracts was not adopted by the entity, in this financial year, the GRAP standard has been adopted and a comparative restatement for prior year has been done to ensure consistency in financial reporting.

##### D: Project Supplier Invoices Omitted

During the prior year audit it was discovered that an invoice amounting to R1.9 million for a supplier was not captured in the system, the error was corrected by capturing the invoice in the accounting system.

##### E: Correction of Expense Items recorded in the statement of financial position

During the analysis of the balance sheet, it was noted there were transactions that were incorrectly classified in the statement of financial position. These were then processed into the statement of financial performance.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### F: Remapping of Accounts

During the review of the financial statements in the prior year, it was noted that there were accounts with a debit balances that were mapped under payables from exchange transactions, as well as accounts with credit balance that were mapped under receivables from exchange transactions. Further, it was noted that there were cost of sales accounts that were mapped under operating expenses. These were corrected by re-mapping the accounts to the relevant component in the annual financial statements.

#### Statement of Financial Position

**2023**

|                                                          | Note | As Previously Reported | Correction of Error | Adoption of New GRAP Standard | Restated         |
|----------------------------------------------------------|------|------------------------|---------------------|-------------------------------|------------------|
| Receivables From Exchange Transactions                   | 4    | 1,981,629              | 7,637               | (1,209)                       | 1,988,057        |
| Property, Plant and Equipment                            | 7    | 3,437,820              | 5,638               | -                             | 3,443,458        |
| Intangible Assets                                        | 8    | 13,159                 | 63                  | -                             | 13,222           |
| Payables from Exchange Transactions                      | 9    | (992,635)              | (10,963)            | (180)                         | (1,003,778)      |
| VAT Payable                                              | 10   | (31,019)               | 252                 | -                             | (30,767)         |
| Transfer of Assets Between Entities Under Common Control | 18   | (844,742)              | (10)                | -                             | (844,752)        |
|                                                          |      | <b>3,564,212</b>       | <b>2,617</b>        | <b>(1,389)</b>                | <b>3,565,440</b> |

#### Statement of Financial Performance

**2023**

|                    | Note | As Previously Reported | Correction of Error | Adoption of New GRAP Standard | Restated       |
|--------------------|------|------------------------|---------------------|-------------------------------|----------------|
| Revenue            | 19   | 1,612,869              | 2,653               | 198,690                       | 1,814,212      |
| Cost of Sales      | 20   | (832,826)              | 1,773               | (200,079)                     | (1,031,132)    |
| Other Income       | 21   | 102,091                | 22,618              | -                             | 124,709        |
| Operating Expenses | 22   | (546,855)              | (24,427)            | -                             | (571,282)      |
|                    |      | <b>335,279</b>         | <b>2,617</b>        | <b>(1,398)</b>                | <b>336,507</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

### Cash Flow Statement

The cashflow statement for the prior year was reassessed as a result of the correction of the errors and reclassifications and the following reclassification were done to update the previously information reported:

#### 2023

|                                            | Note | As Previously Reported | Correction of Error | Adoption of New GRAP Standard | Restated      |
|--------------------------------------------|------|------------------------|---------------------|-------------------------------|---------------|
| <b>Cash Flow From Operating Activities</b> |      |                        |                     |                               |               |
| Sale of Goods and Services                 |      | 939,744                | 18,590              | 198,690                       | 1,157,024     |
| Employee Costs                             |      | (433,259)              | (8,591)             | -                             | (441,850)     |
| Suppliers                                  |      | (487,511)              | (8,610)             | (200,079)                     | (696,200)     |
|                                            |      | <b>18,974</b>          | <b>1,389</b>        | <b>(1,389)</b>                | <b>18,974</b> |

### 40.2 Disclosures

#### Fruitless and Wasteful Expenditure

|                                 | 2024     | 2023          |
|---------------------------------|----------|---------------|
| Previously Confirmed            | -        | 3,783         |
| Adjustments made                | -        | 74,708        |
| <b>Restated Opening Balance</b> | <b>-</b> | <b>78,491</b> |

Adjustment made to previously confirmed balance of fruitless and wasteful expenditure is due to an omission of an overpayment expenditure R26.8 million - made to Mogolola Mokoka(Pty) Ltd in the 30 June 2023 financial statements, as it was subsequently noted as a matter that was confirmed as fruitless and wasteful expenditure.

The amount that was previously disclosed as a possible fruitless and wasteful expenditure in the 30 June 2023, has now been confirmed as actual fruitless and wasteful expenditure. amounting to R47.8 million.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 41. Financial Instruments Disclosure

#### Categories of Financial Instruments

The carrying values of financial assets and liabilities are presented by class in the tables below:

#### 2024

##### Financial Assets

|                                        | At Amortised Cost | Total            |
|----------------------------------------|-------------------|------------------|
| Receivables From Exchange Transactions | 2,203,913         | 2,203,913        |
| Cash and Cash Equivalents              | 1,404,909         | 1,404,909        |
|                                        | <b>3,608,822</b>  | <b>3,608,822</b> |

##### Financial Liabilities

|                                      | At Amortised Cost | At Cost       | Total            |
|--------------------------------------|-------------------|---------------|------------------|
| Payables From Exchange Transactions^ | 1,479,557         | -             | 1,479,557        |
| Deposit Received                     | -                 | 49,834        | 49,834           |
|                                      | <b>1,479,557</b>  | <b>49,834</b> | <b>1,529,391</b> |

#### 2023

##### Financial Assets

|                                        | At Amortised Cost | Total            |
|----------------------------------------|-------------------|------------------|
| Receivables From Exchange Transactions | 1,988,057         | 1,988,057        |
| Cash and Cash Equivalents              | 355,034           | 355,034          |
|                                        | <b>2,343,091</b>  | <b>2,343,091</b> |

##### Financial Liabilities

|                                      | At Amortised Cost | At Cost       | Total          |
|--------------------------------------|-------------------|---------------|----------------|
| Payables From Exchange Transactions^ | 920,092           | -             | 920,092        |
| Deposit Received                     | -                 | 63,686        | 63,686         |
|                                      | <b>920,092</b>    | <b>63,686</b> | <b>983,778</b> |

^Payables From Exchange Transactions excludes accrual for bonus and leave as these are not financial instruments as defined.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 42. Risk Management

#### Financial Risk Management

The principal financial risks to which Magalies Water is exposed as a result of its financial instruments are liquidity risk, credit risk and market risk (interest rate risk).

The entity's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. Risk management is carried out by the entity's investment advisors under policies approved by the Board. The investment policy provides guide for overall risk management, as well as investment of excess liquidity.

#### Liquidity Risk

Liquidity risk is the risk that the entity will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Magalies Water's approach to managing liquidity risk is to ensure that the entity will always have sufficient liquidity to meet its liabilities when they fall due.

Magalies Water monitors its risk to shortage of funds using projected cash flows from operations and has provision for cash buffer investment. The entity also manages liquidity risk through as ongoing review of future commitments. Cash flow forecasts are prepared.

The table below reflects Magalies Water's maximum exposure to liquidity risk, which equals the carrying value of trade and other payables at reporting date:

|                                     | 0 to 30 days   | 30 to 120 days | Over 120 days  | Total            |
|-------------------------------------|----------------|----------------|----------------|------------------|
| Payables from Exchange Transactions | 658,149        | 104,025        | 815,837        | 1,578,011        |
| Deposit Received                    | -              | -              | 49,834         | 49,834           |
|                                     | <b>658,149</b> | <b>104,025</b> | <b>865,671</b> | <b>1,627,845</b> |

#### Credit Risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity deposits cash with major banks and has contracted services of external reputable service providers other than major banks to mediate the process of short-term investments quality credit standing and limits exposure to any one counter-party.

Magalies Water minimise loss due to defaulting customers through implementation of policies and procedures for revenue collection. All known risks are disclosed to the Board. Interest is charged at prime rate over 30 days from the date of the invoice.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

Financial assets exposed to credit risk at year end were as follows:

### Financial Instrument

|                                        | 2024             | 2023             |
|----------------------------------------|------------------|------------------|
| Receivables from Exchange Transactions | 2,203,913        | 1,988,057        |
| Cash and Cash Equivalents              | 1,404,909        | 355,034          |
|                                        | <b>3,608,822</b> | <b>2,343,091</b> |

### Market Risk

#### Interest Rate Risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Magalies Water is exposed to interest rate as a result of investments held with various institutions. The entity has variable interest rate facilities which are reset on changes in prime interest rate, and therefore exposed to cash flow interest risk.

A sensitivity analysis to a change in interest rate has been performed based on the exposure to interest rates on investments at reporting date. A 1% increase or decrease has been used and represent management's assessment of the reasonable possible change in interest rates. The sensitivity analysis has been performed on the same basis as the previous year.

The following table illustrates the sensitivity of the entity to interest rate changes by 1%:

|                                      | 2024            | 2023           |
|--------------------------------------|-----------------|----------------|
| <b>1% decrease in Interest Rates</b> |                 |                |
| Decrease in Financial Assets         | (5,256)         | (2,879)        |
| Decrease in Comprehensive Income     | (5,256)         | (2,879)        |
|                                      | <b>(10,512)</b> | <b>(5,758)</b> |

#### 1% increase in Interest Rates

|                                  |               |              |
|----------------------------------|---------------|--------------|
| Increase in Financial Assets     | 5,256         | 2,879        |
| Increase in Comprehensive Income | 5,256         | 2,879        |
|                                  | <b>10,512</b> | <b>5,758</b> |

# NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

## Foreign Exchange Risk

The entity does not hedge foreign exchange fluctuations.

The entity has an acquired debt in foreign operations, whose current value is exposed to foreign currency translation risk. Currency exposure arising from the net assets of the entity's foreign operations will be managed primarily through entering into forward exchange contracts with the service provider.

Surplus is more sensitive to movement in Rand/Botswana Pula exchange rates in 2024 than acquired debt amount because of the increased amount of Botswana Pula-denominated payables.

## Foreign Currency Exposure at Statement of Financial Position Date

### Liabilities

W.U.C (BWP 1,393,756.72 payable at 30 June 2024)

| 2024  | 2023 |
|-------|------|
| 1,866 | -    |

### Exchange Rates Used for Conversion of foreign items were:

BWP

|        |
|--------|
| 0.7470 |
|--------|

The entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

## 43. Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The going concern assessment was undertaken, taking into consideration the cash flow, budget projections, key financial performance indicators, risks and mitigating controls.

The non-payment of debt by municipalities for bulk water sales remain a concern for entity, resulting in significant increase in receivables from exchange transactions. The impact of customers not paying on time has been considered in cash flow projections used in the assessment of going concern. Management is satisfied with controls implemented to address this risk and has concluded that the organisation is still a going concern.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

The disestablishment of Sedibeng Water Board and incorporation of Sedibeng Water's operations in North West province to Magalies Water effective from 01 July 2022 poses certain risks. The increase in operations requires increase in funding of available to the entity. This risk will be managed and controls will be put in place to ensure financial viability of Magalies water is not threatened and the organisation is able to continue as a going concern.

We draw attention to the fact that as at June 30, 2024, Magalies Water had an accumulated surplus of R4.466 million. The entity's current assets exceeds its current liabilities by R971 million and a net surplus of R462 million was realised for the current financial year.

The basis assumes that sufficient funds will be available to finance future operational needs that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### **44. Events After The Reporting Date**

#### **Adjusting Event**

- a) A salary benchmarking results that was approved by the Board in May 2024 was only implemented in July 2024. This resulted in an adjustment being processed in the AFS to ensure that the salaries are accounted for in the correct accounting period.

#### **Non-Adjusting Event**

- b) The Chief Executive, Mr S.P. Mkhize resigned from office effectively from 30 June 2024 and Mr O. Nthutang was appointed to act in the position.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### 45. Fruitless and Wasteful Expenditure

|                                             | 2024  | 2023   |
|---------------------------------------------|-------|--------|
| Fruitless and Wasteful Expenditure Incurred | 2,372 | 78,491 |

**Expenditure identified in the current year include those listed below:**

|                                             | <b>Disciplinary steps taken/criminal proceedings</b> |              |               |
|---------------------------------------------|------------------------------------------------------|--------------|---------------|
| Penalties                                   | The investigation is under way                       | 4            | 1,827         |
| Interest Charged                            | The investigation is under way                       | 2,368        | 1,578         |
| Bank Charges                                | The investigation is under way                       | -            | 165           |
| Payment to Unverifiable Employees           | The investigation is under way                       | -            | 150           |
| Over-Payment of Salary to Deceased Employee | The investigation is under way                       | -            | 63            |
| Over-Payment of Supplier                    | The investigation is under way                       | -            | 74,708        |
|                                             |                                                      | <b>2,372</b> | <b>78,491</b> |

### Amounts Recoverable

There has been no recoveries of fruitless and wasteful expenditure in the current year as these incidents are still under investigation.

The over-payment of suppliers has been referred to legal for recovery, the contingency is disclosed is Note 37.

### Possible Fruitless and Wasteful Expenditure

|                                             |                                                      | 2024          | 2023     |
|---------------------------------------------|------------------------------------------------------|---------------|----------|
| Fruitless and Wasteful Expenditure Incurred |                                                      | 44,726        | -        |
|                                             | <b>Disciplinary steps taken/criminal proceedings</b> |               |          |
| Stipend Over-Payment                        | The investigation is under way                       | 138           | -        |
| Interest on Vaal Central Account            | The investigation is under way                       | 44,544        | -        |
| Overtime Over-Payment                       | The investigation is under way                       | 44            | -        |
|                                             |                                                      | <b>44,726</b> | <b>-</b> |

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Amounts Written-Off

There has been no amounts that were written off of fruitless and wasteful expenditure in the current year as these incidents are still under investigation.

### Fruitless and Wasteful Expenditure Acquired

The fruitless and wasteful expenditure acquired from Sedibeng Water is subject to internal investigation process amounted to R1.8 million.

The detail of that fruitless and wasteful expenditure has been included below:

|                                 | 2024     | 2023         |
|---------------------------------|----------|--------------|
| <b>Opening Balance</b>          | -        | 580          |
| Lekwa Teemane Interest          | -        | 924          |
| Phokwane Interest               | -        | 21           |
| Eskom, Telkom and SARS Interest | -        | 333          |
|                                 | <b>-</b> | <b>1,858</b> |

### 46. Irregular Expenditure

|                                           | 2024          | 2023          |
|-------------------------------------------|---------------|---------------|
| <b>Opening balance as restated</b>        | -             | -             |
| Irregular Expenditure Confirmed           | 61,435        | 13,992        |
| Irregular Expenditure Under Investigation | 1,308         | -             |
| <b>Closing Balance</b>                    | <b>62,743</b> | <b>13,992</b> |

Irregular expenditure incurred in the previous financial year amounts to R13.9 million and it is still under investigation in order to implement disciplinary action where necessary and condone the irregular expenditure if necessary.

### Irregular Expenditure Acquired

Irregular expenditure amounting to R130.6 million that was transferred to Magalies Water is still under investigation.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

### Possible Irregular Expenditure Under Investigation

Possible Non-Compliance with laws and regulations in extensions or variations of contracts with suppliers

Project Delays

| 2024           | 2023           |
|----------------|----------------|
| 118,113        | 118,113        |
| 420            | 420            |
| <b>118,533</b> | <b>118,533</b> |

During the prior year, possible cases of irregular expenditure were identified. These cases still need to be investigated by management to confirm if there is validity in the possibility of irregular expenditure.

### 47. Budget Differences

#### Material differences between budget and actual amounts

A budget variance of above 5% are considered to be material and above the normal acceptable range. The reason for these variances are included below:

- (a) **Sale of Goods** were lower than budgeted sales due to lower sales volumes.
- (b) **Operations and Maintenance Recovery** was significantly less than budget due to Ngaka Modiri secondary services not being billed due to absence of agreement with the customer.
- (c) **Construction Contract Revenue** was due to adoption of GRAP 11 which occurred in the current year and the impact was not budgeted for.
- (d) **Interest Charged on Outstanding Trade Receivables** was higher than budget as more debtors did not pay their accounts on time resulting to them being charged more interest.
- (e) **Investment Revenue** was significantly more than budget due to funds received from DWS that were invested in the short-term deposits.
- (f) **Management Fees** were lower than the budgeted amounts because of slow progress made in completion of projects.
- (g) **Tender Fees** income is based on the number of tenders advertised as well as the number of suppliers buying tender documents. Tenders advertised were lower than planned as slow progress in the implementation of the procurement plan and could be co-related to the SAP system issues that occurred.
- (h) **Rental Income** related to rent charged to employees using staff accommodation or houses owned by Magalies Water. Rental income earned is in line with the budget with no material variance between budget and actual.
- (i) **Cost Recovery Income** is dependent on the amount of work required by clients where services are provided on cost recovery basis. During the year services required resulted in lower cost recovery income.
- (j) **Other Income** includes water re-connections fees, administration fees and other sundry income. Other income exceed budget due to more services being offered that resulted in income.

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

*Figures in Rand thousand*

- (k) **Lab Analysis Income** is dependent on customer requests for services that pertains to the use of the lab in samples. More samples were tested this year and the increase was not anticipated in the budget.
- (l) **Deferred Income** was higher than budget due to recovery of revenue for the mines based on actual consumption.
- (m) **Government Grants and Subsidies** income was higher as the Department of Water and Sanitation provided grants that had not been budgeted for resulting in a positive variance.
- (n) **Operational Grant Relief** income was not budgeted for as this income was received from the Department of Water and Sanitation as a temporary cashflow relief thereby resulting in a positive variance.
- (o) **Employee Related Cost** was more than budget. The main contributor is the movement in retirement benefit obligation liability and long service awards liability as a result of adoption of policies, as well as the 13% salary benchmarking that was implemented during the year.
- (p) **Depreciation and Amortisation** budget is a non-cash item that seeks to estimate purchase of assets, spending on the CAPEX budget and completion of projects. If the entity did not buy more assets as anticipated, there was no spending on the minor CAPEX budget then it means the actual depreciation would be LESS than the budget.
- (q) **Finance Costs** was not budgeted for as this was as a result of GRAP 25 liabilities that were remeasured during the year.
- (r) **Debt Impairment** was more than the budget as a large debtors book was acquired of which and most of the debtors did not pay their account and thus were subject to an impairment consideration.
- (s) **Cost of Sales** was higher than budget due to higher sales as reflected in revenue.
- (t) **General Expenses** were more budget due to increase in costs incurred.
- (u) **Loss on Disposal of Assets** relates to items of property, plant and equipment disposed off. The anticipated disposals during budget period were not fully implemented due to SAP system issues.
- (v) **Gain on Foreign Exchange Difference** was not budgeted for as it relates to the foreign exchange translation to functional currency.
- (w) **Actuarial Gain (Loss)** was not budgeted for as this is as a result of GRAP 25 actuarial year end valuations.

## DETAILED INCOME STATEMENT

*Figures in Rand thousand*

|                                                   | Note(s) | 2024             | 2023             |
|---------------------------------------------------|---------|------------------|------------------|
| <b>Revenue</b>                                    |         |                  |                  |
| Sale of Water                                     |         | 1,175,710        | 1,069,898        |
| Operations and Maintenance Recovery               |         | 204,443          | 153,491          |
| Construction Contracts                            |         | 179,484          | 198,690          |
| Interest Charged on Outstanding Trade Receivables |         | 36,907           | 33,769           |
| Finance Income                                    |         | 67,549           | 26,293           |
| Government Grants and Subsidies                   |         | 731,310          | 310,906          |
| Operational Grant Relief                          | 25      | 2,000            | 21,165           |
|                                                   |         | <b>2,397,403</b> | <b>1,814,212</b> |
| <b>Cost of Sales</b>                              |         |                  |                  |
| Cost of Water Sold                                |         | (1,115,689)      | (1,031,132)      |
| <b>Gross Surplus</b>                              |         | <b>1,281,714</b> | <b>783,080</b>   |
| <b>Other Income</b>                               |         |                  |                  |
| Actuarial Gains                                   |         | -                | 4,469            |
| Cost Recovery Income                              |         | 41,599           | 51,701           |
| Deferred Income Recognised                        |         | 29,555           | 39,437           |
| Lab Analysis                                      |         | 14,775           | 6,662            |
| Management Fees                                   |         | 18,176           | 24,287           |
| Profit on Exchange Differences                    |         | 67               | -                |
| Rental Income                                     |         | 385              | 347              |
| Sundry Income                                     |         | 2,463            | 1,609            |
| Tender Fees                                       |         | 527              | 666              |
|                                                   |         | <b>107,547</b>   | <b>129,178</b>   |
| <b>Expenses</b> (Refer to page 246)               |         | <b>(920,218)</b> | <b>(571,282)</b> |
| <b>Operating Surplus</b>                          |         | <b>469,043</b>   | <b>340,976</b>   |
| Finance Costs                                     | 23      | (7,079)          | (6,787)          |
| Actuarial Gains/Losses                            |         | (118)            | -                |
|                                                   |         | <b>(7,197)</b>   | <b>(6,787)</b>   |
| <b>Surplus For The Year</b>                       |         | <b>461,846</b>   | <b>334,189</b>   |

## DETAILED INCOME STATEMENT

*Figures in Rand thousand*

|                                            | Note(s) | 2024             | 2023             |
|--------------------------------------------|---------|------------------|------------------|
| <b>Operating Expenses</b>                  |         |                  |                  |
| Admin Overheads                            |         | (1,647)          | (9,106)          |
| Advertising                                |         | (623)            | (593)            |
| Auditors Remuneration                      |         | (6,844)          | (3,586)          |
| Bad Debts Written Off                      |         | (20)             | -                |
| Bank Charges                               |         | (379)            | (345)            |
| Catering                                   |         | (1,031)          | (579)            |
| Cleaning                                   |         | (1,061)          | (360)            |
| Computer Expenses                          |         | (1,512)          | (591)            |
| Consulting and Professional Fees           |         | (13,324)         | (11,233)         |
| Consumables                                |         | (27,028)         | (9,167)          |
| Corporate Social Responsibility            |         | (3,595)          | (1,947)          |
| Debt Impairment                            |         | (148,098)        | (104,683)        |
| Depreciation, Amortisation and Impairments |         | (12,826)         | (16,128)         |
| Donations                                  |         | (12)             | -                |
| Electricity                                |         | (15,919)         | (18,818)         |
| Employee Costs                             |         | (420,715)        | (244,397)        |
| Fines and Penalties                        |         | (46,916)         | (3,405)          |
| Insurance                                  |         | (7,620)          | (5,862)          |
| Lease Rentals on Operating Lease           |         | (4,166)          | (1,176)          |
| Legal Expenses                             |         | (5,992)          | (6,451)          |
| License Fees                               |         | (6,133)          | (5,470)          |
| Loss on Disposal of Assets                 |         | (100)            | (746)            |
| Loss on Foreign Exchange Differences       |         | -                | (56)             |
| Membership Fees                            |         | (318)            | (66)             |
| Other Operating Expenses                   |         | (12,358)         | (11,012)         |
| Petrol and Oil                             |         | (7,128)          | (3,742)          |
| Promotions and Publications                |         | (8,261)          | (5,201)          |
| Recruitment Costs                          |         | (975)            | (341)            |
| Repairs and Maintenance (admin)            |         | (92,772)         | (38,122)         |
| Security                                   |         | (43,878)         | (44,670)         |
| Telephone and Fax                          |         | (5,127)          | (5,433)          |
| Training and Conferences                   |         | (11,701)         | (9,020)          |
| Travel and Accommodation                   |         | (12,139)         | (8,976)          |
| <b>Surplus for The Year</b>                |         | <b>(920,218)</b> | <b>(571,282)</b> |