



ANNUAL REPORT  
**2023/2024**



## VISION

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Global Leader in the sustainable provision of water and related services.

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We strive to be an effectively run, public-oriented and socially accountable water utility, which has its heart and mind, focused on the provision of bulk water services. We will achieve leadership based on our performance and the sustainable value we co-create with our customers and stakeholders and continue to leave a positive legacy in our communities, region and country.

## MISSION

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To create value for our customers through providing innovative, sustainable, effective and affordable water and related services.

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Our business is the provision of water and related services and providing specialist support in the provision of water for all. This includes providing all water and related services to our customers, supporting municipalities and contributing to water knowledge that will lead to sustainability from source-to-source.



## STRATEGIC INTENT

Key partner that enables government to deliver effective and efficient water and related services in a financially sustainable manner.

uMngeni-uThukela Water intends to be recognised as a strategic and sustainable partner of government, co-creating value through providing water and related services as a catalyst for community development.

## BENEVOLENT INTENT

Provide water and related services by enhancing sustainable economic development to improve human dignity and quality of life.

uMngeni-uThukela Water intends to be recognised as a transformational organization that is accountable to the society. Through this people-centred approach uMngeni-uThukela Water will leverage its resources to ensure the restoration of dignity for all. Water and related services will be provided for both health and economic benefits, which contribute to addressing poverty, underdevelopment and inequality



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**PART**  
**A**  
**STATEMENTS,  
GOVERNANCE AND  
STRATEGIC OVERVIEW**

uMngeni-uThukela Water focuses on transparent governance and sustainable water services to support economic development and environmental goals.



01

# REPORT PROFILE

uMngeni-uThukela Water's Annual Report complies with statutory disclosure requirements of the Public Finance Management Act (Act 1 of 1999) and Water Services Act (Act 108 of 1997), as well as relevant regulations.

In addition, uMngeni-uThukela Water's Annual Report is aligned to the requirements of King IV with regard to Integrated Reporting. Integration is achieved through the entity having an Integrated Strategy and a Value Creation Model based on the balanced scorecard in place that straddles four sustainability perspectives, together with uMngeni-uThukela Water ensuring complete alignment with the government's outcomes approach for Performance Reporting by State-Owned Entities (SOEs).

uMngeni-uThukela Water (ex-Umgeni Water) has prepared annual reports every year since its establishment in 1974. This report covers the 12-month period from 1 July 2023 to 30 June 2024. This report also includes information about the water utility's subsidiaries.

The performance content of this Annual Report shows uMngeni-uThukela Water's progress with meeting predetermined objectives and performance indicators as per the approved Corporate Plan and Shareholder Compact, and contains an audited performance scorecard for 2023/2024.

The financial content of the Annual Report contains the audited financial statements for 2023/2024. uMngeni-uThukela Water has developed and embedded in-house processes for identifying, collecting, collating, validating and storing information used in managing its performance and work to continually improve these processes.

The assurance of the Annual Report for both financial and performance information is provided by uMngeni-uThukela Water's Internal Audit and the Audit, Risk and Finance Committee of the Board. In addition, as an SOE uMngeni-uThukela Water is audited by the Auditor-General of South Africa for financial, compliance and performance information.

The scope covered by internal and external auditors is provided in the Corporate Governance chapter of this report. Core business processes, namely Potable, Wastewater Treatment and Monitoring Programmes are accredited externally in accordance with relevant internationally and nationally recognised standards.

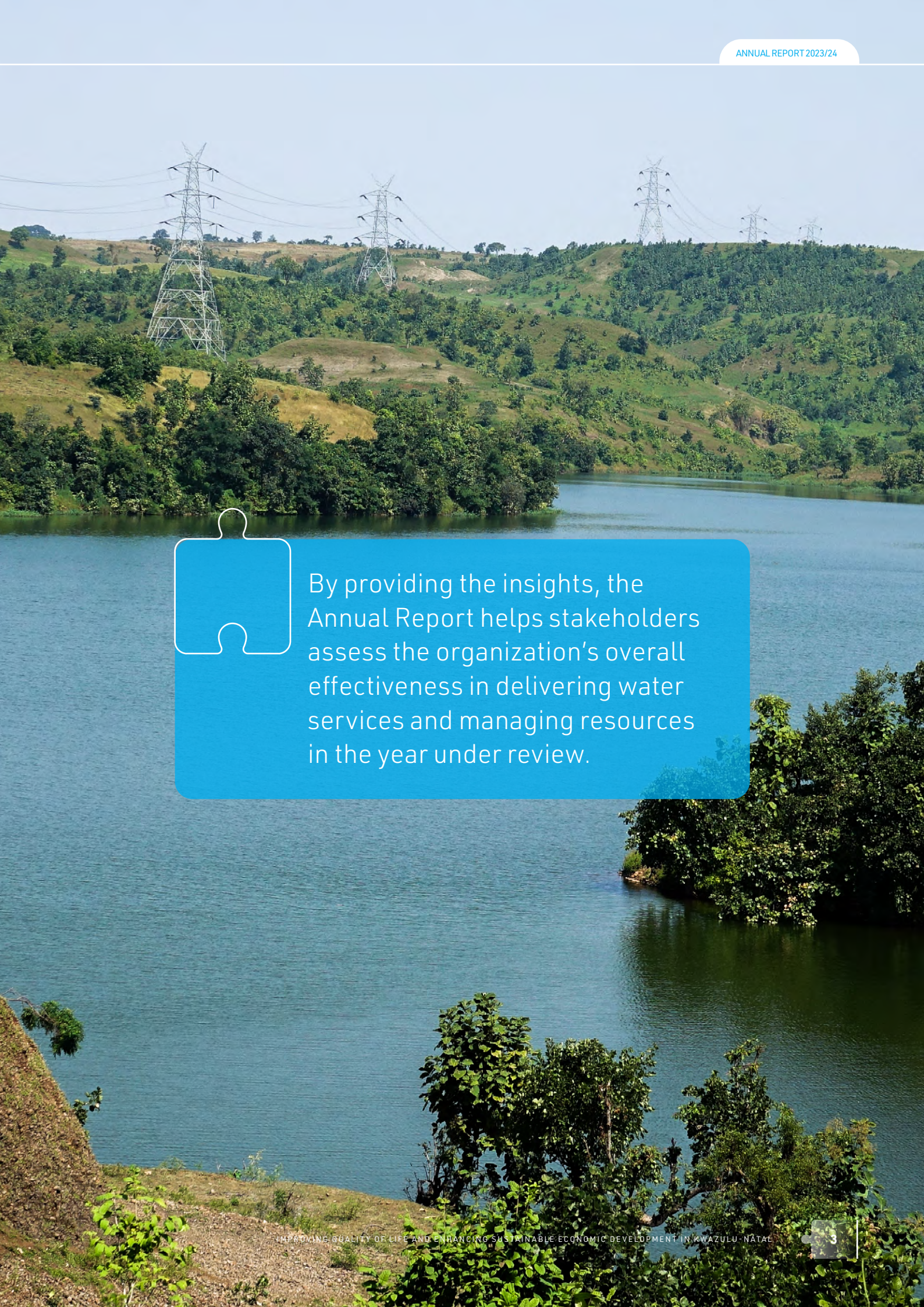
The Annual Report content is structured to provide sufficient information to all stakeholders, including customers, regulatory bodies, investors, employees and civil society, regarding uMngeni-uThukela Water's annual performance and on-going progress towards sustainable development. Specific stakeholder engagement information is contained in the Stakeholder Understanding and Support Chapter of this report, as well as throughout the report.

Additional information that concern all aspects of the report and its contents can be obtained from:

uMngeni-uThukela Water's Head Office at 310 Burger Street, Pietermaritzburg, 3201.

|          |                            |           |                         |        |                   |
|----------|----------------------------|-----------|-------------------------|--------|-------------------|
| Tel:     | +27 (33) 341 1111          | Fax:      | +27 (33) 341 1084       | Email: | info@umgeni.co.za |
| Website: | www.umngeni-uthukela.co.za | Facebook: | @uMngeni-uThukela Water | X:     | @UMngeniUThukela  |
| YouTube: | @uMngeni-uThukelaWater     | Instagram | @umngeni_uthukela_Water |        |                   |





By providing the insights, the Annual Report helps stakeholders assess the organization's overall effectiveness in delivering water services and managing resources in the year under review.



02

## MINISTER'S FOREWORD

The average national access to at least an RDP level of water service has increased from approximately 60% in 1994 to approximately 90% currently. This is a major achievement.



**Ms Pemmy Majodina**  
Minister for Water and Sanitation

### Greater Mpofana Bulk Water Supply Scheme



Our government remains acutely aware of intrinsic links that exist between the sustained provision of water, economic growth and improved livelihoods. However, we also know that the limited availability of this finite resource, coupled with skewed spatial planning, has led to challenges in the equitable allocation of water to all communities in South Africa. This realisation has led to our government placing a renewed focus on reforms in the water sector with a particular focus on new infrastructure development and maintenance.

While a lot of work still lies ahead, the dividends in certain instances, have been immediate. In KwaZulu-Natal, one of the provinces where the challenge of water availability remains pronounced, we now have one water board since the beginning of the year under review. uMngeni-uThukela Water came into being from the 1<sup>st</sup> of July 2023, after the disestablishment of Mhlathuze Water and the re-naming of

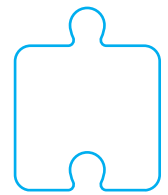
Umgeni Water. This adroit move has enabled us to respond in a more holistic manner to present water challenges by expanding geographic coverage to the entire province and leveraging on operational and financial efficiencies. This move brings us a step closer towards achieving our grand vision of improved access to water for all in KwaZulu-Natal.

A number of ambitious water infrastructure projects have either been commissioned or are currently in their implementation stages. Among these can be counted the eagerly awaited uMkhomazi Water Project. This will be a catalyst to water security and socio-economic development for a number of districts in KwaZulu-Natal. This project is set to be a major game changer for a number of reasons, chief among which being that it will address, once and for all, the water deficit in the uMngeni supply system. Once complete, the uMkhomazi Catchment





## Our government sees water as essential to growth. Limited resources drive our focus on reform and infrastructure.



will increase by 55% the fresh water supply from the current 394- million cubic metres to an estimated annual yield of 608-million cubic metres. This will go a considerable distance towards alleviating water security challenges which are already being acutely felt in most municipalities in the Province.

At the same time as we continue to implement these far-reaching interventions, aimed at creating a more water secure province and country, we also remain painfully aware of the excessive consumption patterns and wanton wastage of water at municipal levels. It is serious cause for concern that in a country like South Africa, which has an annual rainfall average that is 40% less when measured against the global average, we still lose about 47% in non-revenue water. The reasons for this vary, ranging from illegal connections to dilapidated water infrastructure at municipal levels. In KwaZulu-Natal, the mainstay of uMngeni-uThukela Water's bulk water operations, this challenge is quite pronounced, with some municipalities recording a 58% water loss.

In this regard and informed by the need to decisively deal with these identified impediments to quality and sustainable water supply, in 2023 we published the No Drop study. The key objective of this study was to assess the status of water losses in the country and strengthen the capacity of Water Services Authorities (WSAs) to bring non-revenue water loss to within acceptable standards. The water provision value chain is heavily reliant on investments into constant infrastructure development and maintenance. It therefore follows that our water boards should have sufficient revenue on hand to undertake this critical component of their operations. However, for a number of reasons, including a decline in revenue collection and poor payment by Water Service Authorities, water boards are coming under increasing pressure to balance financial sustainability with the need to refurbish critical infrastructure.

As the Department of Water and Sanitation, we remain acutely aware of the threat posed by a spiralling municipal debt to the financial stability of water boards. We will continue to engage with our counterparts at the Department of Cooperative Governance

and Traditional Affairs to come up with solutions to spiralling municipal water debt. At the same time, we are also aware of our own obligation to our customers of assisting them to service their debt. It is encouraging to note that uMngeni-uThukela Water has committed itself to continually engaging with its municipal and industrial clients during its tariff setting process in order to keep its bulk water affordable.

Since assuming the role of Minister for Water and Sanitation in the seventh administration, under the leadership of His Excellency the President, Mr Cyril Ramaphosa, I have had first-hand exposure to massive infrastructure projects that are currently underway in the various parts of the country. All of this would not be possible without institutions of government such as uMngeni-uThukela Water that are committed to our developmental agenda of using water as a catalyst for improved livelihoods.

I want to acknowledge with humility the efforts of my predecessor in office, Honourable Senzo Mchunu, for ensuring that uMngeni-uThukela Water is capacitated with a properly constituted Board that is up to the challenge of discharging oversight over this strategic utility. The Board has moved with speed to ensure that all critical vacancies, including the appointment of a permanent Chief Executive for the utility, are filled.

I look forward to practicing shareholder oversight and rendering political support to uMngeni-uThukela Water as it soldiers on with its efforts to achieve universal coverage of water for all in KwaZulu-Natal.



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

26 October 2024



03

# CHAIRPERSON'S REPORT

Fitch Ratings has affirmed South African state-owned uMngeni-uThukela Water's National Long-Term Rating at 'AA+(zaf)' with a Stable Outlook.



**Adv. Vusi Khuzwayo SC**  
Chairperson of the Board

Vulindlela Bulk Water Supply Scheme



I am delighted to present uMngeni-uThukela Water's Annual Report for the 2023/2024 Financial Year, which reviews our performance for the year ended and also outlines our strategy direction, issues of governance and the challenges and opportunities we have had to navigate as an organisation going forward.

This report details a number of innovative interventions which we have identified as critical to our quest of driving the sustainable transformation of the water sector so that it becomes more broadly responsive to the diverse needs of the entire province of KwaZulu-Natal.

Taking cue from the words of His Excellency the President of the Republic, Mr Cyril Ramaphosa, upon the opening of Parliament for the Seventh Administration, uMngeni-uThukela Water is determined to take advantage of the wide-reaching institutional reforms

in the water sector to hasten the implementation of bulk water infrastructure in the Province. We concur too with the President's assertion of the intrinsic and direct links between economic growth, poverty reduction and the availability of a sustained water supply.

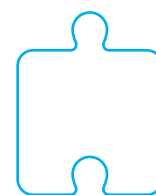
From this premise, as the Board of uMngeni-uThukela Water we have already set ambitious targets for the organisation. Our goal is to deliver a sustainable, safer and more secure water supply for all. To achieve this, we align all our strategic business decisions in a manner that creates value for our stakeholders, particularly our municipal and industrial customers, as well as the Department of Water and Sanitation as the Shareholder.



Lower uMkhomazi Bulk Water Supply Scheme



Our performance led to a positive revenue growth of **31%** as a result of the absorption of the north-eastern region, supported by a **9%** bulk water tariff increase and **11.8%** increase in sales volumes.



### A Drive Towards Enhanced Governance

When we were appointed as the inaugural Board of the reconfigured organisation, we received a very clear and unambiguous line of march: to improve the efficacy of governance systems in a manner that will assist the organisation take decisive and bold decisions, particularly as these relate to fast tracking wall to wall coverage of water resources in KwaZulu-Natal and beyond. From the beginning of the year under review, the organisation has been operating under a new name, uMngeni-uThukela Water, after the disestablishment of Mhlathuze Water and the re-naming of Umgeni Water. One of the main reasons behind this change was purely to ensure that the people of KwaZulu-Natal get access to the quality of water that has become synonymous with the organisation.

In order to do this, our first task was to introduce strong governance systems at Board level, this we did by setting up various committees, each tasked with playing oversight and an advisory role to management. It did not end there. We took it a step further and demarcated the various parts of KwaZulu-Natal into four operational areas with each area being given a dedicated team of Board cluster champions to ensure that bulk water infrastructure issues were given the necessary attention at a strategic level.

Therefore, since the formation of the various Committees and cluster champions, and indeed in the subsequent months, the Board immersed itself in inculcating the highest ethical and governance culture within uMngeni-uThukela Water.

### An Overview of the Key Performance Highlights for the Year

The reconfiguration of the erstwhile two water boards to form a single entity for KwaZulu-Natal brought with it great expectations, and with good reason too. It is an undeniable fact that our province faces major water and sanitation backlogs. This thrusts the new water board into the forefront of bringing about lasting solutions, including extending our presence to previously under serviced, largely rural areas.

While a lot of challenges still lie ahead, and as shall be seen in the coming chapters of this report, uMngeni-uThukela Water has made commendable headway towards delivering on its promise to the Department of Water and Sanitation as well as all stakeholders and customers in the value chain.

### A commitment to meeting all compliance requirements

Our commitments, as contained in various contractual documents and the Shareholder Compact, were achieved, steering the organisation on a path of sustained positive financial performance and growth. Other significant outcomes were the ongoing implementation of infrastructure projects to meet present and future demands. The consistent compliance with potable water quality standards as prescribed by South African National Standards (SANS) 241 for drinking water quality is indicative of our unwavering commitment of serving our customers with unbridled distinction.

### Key financial outcomes

Our performance led to a positive revenue growth of 31% as a result of the absorption of the north-eastern region, supported by a 9% bulk water tariff increase and 11.8% increase in sales volumes. This was achieved through our consistent ability to provide a high-quality product and within stipulated timelines and contracted volumes. The cumulative effect was a surplus of R1.47 billion.

In keeping with government's directive that all state entities should run a tight ship and implement stricter financial controls, we were able to implement stricter financial controls and reduce interest payments. We also reprioritised some of our projects which all had an effect on our stronger financial position.

As we move towards attracting more revenue, particularly those Water Services Authorities which are potential new customers, we anticipate an even stronger financial showing in future years.



## Investment in new projects and maintenance

By the end of June 2024, a total of 18 water and wastewater projects were at various stages of project lifecycle and R2.75 billion was spent on the implementation of new projects and maintenance. Through these infrastructure projects, we were able to make a dent in the unemployment gap through the creation of 501 direct and indirect job opportunities, both through skilled and unskilled labour, in various communities around the province.

In keeping with the ideals of promoting more effective participation by previously disadvantaged enterprises, being those owned and operated by Black Africans and women and the youth in particular, uMngeni-uThukela Water was intentional in ensuring that some of these benefits accrued to the designated groups.

## Progress on Upper and Lower uMkhomazi Water Project

The eagerly awaited water resources developments on the uMkhomazi River notched up some notable milestones in the period under review. This included an inspection visit to both sites by the then Minister of Water and Sanitation, the Honourable Senzo Mchunu. This gave the public and all stakeholders renewed confidence and hope in the continuation of the project, particularly in light of the delays that had been experienced in preceding years.

Notably, the major customers that are set to benefit from the uMkhomazi Water Project, namely the eThekweni, uMgungundlovu, iLembe, Ugu, Harry Gwala District Municipalities and Msunduzi Local Municipality, all signed off-take agreements with uMngeni-uThukela Water. This was a significant milestone which showed the impatient keenness with which the completion of the project is awaited. Going forward and working with the Trans Caledon Tunnel Authority (TCTA) which will implement the raw water component of the project, uMngeni-uThukela Water will approach the project with a renewed vigour, with the goal of meeting the projected completion deadline of 2032.

## Other infrastructure projects remain on track

While the uMkhomazi Water Project is doubtlessly one of the largest undertakings not only in KwaZulu-Natal, but in the country as a whole, we have, during the course of its implementation, played a careful balancing act in order to ensure that other water infrastructure projects did not become casualties. In this regard, we are pleased to report that commendable progress has been made in the uMshwathi Regional Bulk Water Supply Scheme and the Greater Mpofana Bulk Water Supply Schemes respectively.

We are further pleased to report that we were able to complete repairs to the Nagle Dam-Durban Heights Water Treatment Works Aqueduct. This means that our contracted bulk supply volumes to the eThekweni Municipality are once more guaranteed after having been disrupted by the 2022 floods, which damaged some of our water infrastructure.

## Engagements with stakeholders on crucial issues

As uMngeni-uThukela Water, we realise that our ability to remain resilient and sustainable hinges on how well we manage our relationship with all our stakeholders. Led by members of the Board and the Executive and, in certain instances by the Minister of Water and Sanitation, we held a number of engagements with various role players including amakhosi, mayors, councillors and captains of industry to count a few among many. These engagements culminated in robust discussions, and resolutions

being taken on how to improve bulk water provision or plans to develop potable water infrastructure in instances where such was lacking.

## Ministerial interventions

The Board and Executives of uMngeni-uThukela Water participated in a number of community outreach programmes, which were led by the Minister of Water and Sanitation. These were geared towards either inspecting progress on the implementation of infrastructure projects, updating communities and stakeholders on progress on implementation or issuing directives to uMngeni-uThukela Water to undertake emergency or long-term relief efforts towards water provision.

Some of the visits that took place included:

- Ugu District Municipality – Lower Bulk Water Supply Scheme launch
- Umgungundlovu District – Upper uMkhomazi site visit and signing of off-take agreement
- UThukela District – Announcement of Section 63 intervention
- eThekweni Metropolitan Municipality – KwaXimba, community engagement on water infrastructure
- iLembe District – KwaMaphumulo, community engagement on water infrastructure
- Zululand District – Babanango, community engagement on water infrastructure
- uMkhanyakude District – Jozini, launch of Water User Associations

## A focus on skills development and training

Training and development of new skills were major focus areas during the year under review, in line with the employer's pledge to create opportunities for staff to become multi-skilled so that they will be able to compete on an even keel for work opportunities that may become available within the organisation or elsewhere. Training and development opportunities were available for graduates through programmes with National Treasury and tertiary institutions.

## A 30-day payment to service provider's underscores fairness and respect

There is widespread acceptance within the organisation that commitments made by the Board that service providers would be paid within the mandatory 30 days from receipt of the invoice. It is for this reason that the Board has made its position clear – that uMngeni-uThukela Water's commitment is to help businesses grow to become significant players in the mainstream economy. Making payment within 30 days of receiving an invoice is one of the effective ways of promoting and supporting small, medium, and micro enterprises. It also ensures compliance with National Treasury Regulation 8.2.3 which pertains to the settlement of payment within 30 days

## Matters of Contention and Challenges: 2023-2024

### Engagement with the Public Protector

In the reporting period, uMngeni-uThukela Water participated in engagements with the Office of the Public Protector in a matter concerning the bulk provision of water to some areas north of the eThekweni Municipality. In its presentation to the Public Protector's



office, uMngeni-uThukela Water expounded in great detail about its mandate, including the fact that as a water board, it was not directly responsible for the reticulation of water to households and industries as this was a municipal competency.

In addition, uMngeni-uThukela Water also reported that while it was contractually bound to supply a certain volume of water to its customers on a daily basis, noting the dire need for water, it had in most instances gone the extra mile and was supplying more than the contracted volumes in order to meet consumer demand.

### Corporate Governance: Board Performance and Ratings: 2023 – 2024

In the period under review, Board and Board Committees' meetings were held in accordance with the organisational Business Cycle and well attended. (Full details are provided in the Corporate Governance chapter of this Annual Report). The Board continued to fulfil its commitments as the Accounting Authority and provided leadership and strategic direction in various focus areas.

There was adherence to corporate governance requirements, including compliance with the Water Services Act (Act 108 of 1997), internal policies and King IV Code of Governance Principles. uMngeni-uThukela Water's commitments as per Bulk Supply Agreements with its customers were met through consistent provision of safe drinking water without protracted supply failures occurring. Commissioning of some infrastructure enhanced assurance of supply or made it possible for municipalities to extend water services to formerly un-served or under-served areas.

Since the instatement of the Board, stability has been reached through the appointment of a permanent Chief Executive as well as the Chief Operations Officer, and processes are underway to address all other vacant positions, particularly at Senior Management and Board levels. This is indicative of an organisation at work, which is making concerted efforts to ensure leadership stability.

### Accolades and Achievements

uMngeni-uThukela Water's contribution to socio-economic development in KwaZulu-Natal was recognised by the Professional Management Review Africa Research Company when it awarded the organisation in recognition of its vital contribution to the economy and good public health through provision of an efficient potable water service.

### The Year Ahead

uMngeni-uThukela Water has successfully turned the corner in terms of ensuring a smooth transition from the reconfiguration.

Our customers and stakeholders, both from the erstwhile Umgeni and uMhlathuze Water areas of operation have fully embraced our vision and goals and are supportive of the organisation. This has created the perfect environment to expand our service offerings to existing customers while at the same time also making overtures to new potential clients.

The ushering in of the Seventh Administration brought with it some major changes at Executive levels of government. This included the re-deployment of the then Minister of Water and Sanitation, Mr Senzo Mchunu to a different Ministry. At the same time as we

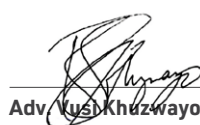
wish the Minister well in his new endeavours and express gratitude for his unwavering leadership over the years, we equally welcome our new Minister, the Honourable Pemmy Majodina to the water sector.

We are doubtless that under Minister Majodina's leadership, we will continue to propel uMngeni-uThukela Water to greater heights.

In the year ahead, we aim to further bolster our symbiotic relationships with stakeholders and customers. Our focus will be on fast tracking the completion of existing infrastructure projects, working with municipalities to relieve them of their backlogs. Particularly in areas of capacity building and operations and maintenance and supporting our industrial customers in the North-Eastern region meet their bottom line. We also aim to continue engaging with the various levers of government, starting at local levels, to provincial and ultimately national government.

In delivering this report, we would like to acknowledge the following stakeholders who remain integral to the ability of uMngeni-uThukela Water to discharge its mandate:

- The Minister of Water and Sanitation, Ms Pemmy Majodina for her leadership of the water sector;
- The Deputy Ministers of Water and Sanitation, Mr David Mahlobo and Mr Isaac Sello Seithohlo;
- The immediate past Minister and Deputy Minister of Water and Sanitation, Mr Senzo Mchunu and Ms Judith Tshabalala for the support during their tenure in office;
- The former Premier of KwaZulu-Natal, Ms Nomusa Dube-Ncube, for her leadership of the Province and commitment to service delivery;
- The recently inaugurated Premier of KwaZulu-Natal, Mr Thamsanqa Ntuli for his support of the utility since assuming premiership;
- Parliament, through the Portfolio Committee on Water and Sanitation, for oversight and direction;
- The Department of Water and Sanitation for support, oversight and direction;
- uMngeni-uThukela Water's customers: eThekweni Metropolitan Municipality; iLembe, Ugu, Harry Gwala, uMgungundlovu and King Cetshwayo District Municipalities, and Msunduzi Local Municipality for their support and collaborative engagements;
- Investors and financial institutions for their vote of confidence in the financial stability and sustainability of uMngeni-uThukela Water and for their willingness to open discussions on funding and on matters that are aimed at promoting good governance; and
- uMngeni-uThukela Water Management and employees for the manner in which the organisation's strategies were executed in the year and for their dedication and hard work in realising these results.



**Adv. Kusi Khuzwayo SC**  
Chairperson of the Board  
28 November 2024



04

# CHIEF EXECUTIVE'S REPORT

Ngwadini Dam advance works was completed in April 2024 where R37million was spent on Local CPGs and approximately R8.3million on local labour including labour intensive activities.



**Mr Sandile Psychology Mkhize**  
Chief Executive

Spring Grove Dam



It is my pleasure to present the 2023/2024 annual report to our stakeholders and customers. This report represents a special milestone in the history of uMngeni-uThukela Water: this is the first annual report on the activities of the water board since operating under its new name, uMngeni-uThukela Water, from the 1st of July 2023. This is a process that followed the disestablishment of Mhlathuze Water, transferring the staff and assets into Umgeni Water and renaming of the organisation.

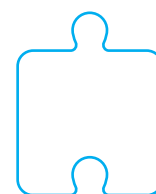
This was an epochal moment which ushered in a new era for water provision in KwaZulu-Natal. While we were venturing into unknown terrain, which doubtless came with its own set of challenges, we were nonetheless undaunted; resolute in the belief that our course was a righteous one which would ultimately alter for the better the province's water provision landscape.

A year later, and many valuable lessons later, uMngeni-uThukela Water continues to grow as a Water Board built on the foundations of ongoing growth, innovation and development. Our conscious partiality towards the people of KwaZulu-Natal is informed by the need to ensure that we live up to our founding mandate to eliminate all instances of water service delivery backlogs in the province.

To that essential end, we realise that due to the capital intensive nature of water infrastructure projects, the formation of partnerships with all stakeholders in the value chain is critical. This is inclusive of those Water Services Authorities, currently seven in total, that we already have bulk water contractual agreements with, our industrial clients, new potential customers and the Department of Water and Sanitation as the shareholder. These partnerships are a critical ingredient in our quest to expand our frontiers of water provision.



Middledrift Water Treatment Work Bulk Augmentation: 10ml/Day Expansion



## Three WSAs, all contracted to uMngeni-uThukela Water for their bulk supply, received Blue Drop certifications in 2023.

This report therefore provides an in-depth account of those activities undertaken by uMngeni-uThukela Water in the pursuit of its mandate in the 2023/2024 financial period.

Supported by the Board and the Executives, the entity delivered plans, strategic initiatives, projects and programmes that yielded successful results and outcomes during the year. These are summarised at a high level per outcome in this section, with more detail provided in the various chapters of this Annual Report.

### Product Quality

The envisaged future growth of uMngeni-uThukela Water's footprint into previously uncharted territory means that we need to be sharpen our operations in order to meet the demands of both our existing municipal and industrial customers as well as potential customers. As evinced by the contents of the 2023 Blue Drop report, most of the country's water supply systems are beset by issues related to inferior water quality. According to the report, nearly half of the 958 water systems assessed were found to be unsafe for human consumption. Notably, in the Province of KwaZulu-Natal, at least three WSAs (Ilembe District, uMgungundlovu District and Msunduzi Local Municipalities) who are all contracted to uMngeni-uThukela Water for their bulk water supply received a Blue Drop status for the quality of their drinking water. The water supply systems of the latter two are managed by uMngeni-uThukela Water. It is in keeping with this spirit of consistently producing a high quality product that in the reporting period under review, 13 uMngeni-uThukela Water bulk supply systems, three (3) uMgungundlovu District Municipality (UMDM) schemes and eight (8) King Cetshwayo District Municipality systems were monitored and reported against the five (5) risk categories as specified in SANS 241:2015.

We are pleased to report that we have maintained our trend of the excellent compliance of our bulk potable water supply systems. For the period under review, the quality of water at the uMgungundlovu District Municipality's potable water supply systems compliance was excellent while in the King Cetshwayo District, eight (8) potable

water supply systems were excellent for four risk categories including Acute Microbiological Health, Acute Chemical Health, Chronic Chemical Health and Aesthetic. Combined compliance was, however, unacceptable for the Operational risk category, associated with poor raw water quality, inefficient process control/optimisation and inadequate and ageing infrastructure. Our intention is to maintain and surpass these water quality compliance standards in the coming years.

In the Ilembe District, twelve uMngeni-uThukela Water bulk water supply systems that were monitored under the SANS 241:2015 risk categories showed excellent compliance, while the Maphumulo Wastewater Treatment Works reported Good performance for the operational risk category.

Eleven (11) of our wastewater treatment works (WWTW) that were assessed against the relevant standards, were found to be compliant with the set performance targets.

This improvement in the overall effluent compliance at our WWTW may be attributed to a number of interventions including: maintenance and process optimisation to compensate the challenges and impacts of load shedding in the treatment process.

Twelve (12) uMngeni-uThukela Water bulk water supply systems showed excellent compliance with all monitored SANS 241:2015 risk categories, while Maphumulo WTW's reported Good performance for the operational risk category. The Good performance recorded was due to elevated coliforms, turbidity, heterotrophic plate count and inadequate disinfection associated with poor performance of the package plant which affects the final water and the offsite reservoirs. The package plant cleaning was completed and will be added to the Planned Maintenance (PM) programme on a quarterly frequency, the turbidity meter was replaced and plant upgrade is anticipated to take place in 2023. The uMgungundlovu District Municipality's drinking water supply systems recorded a combined excellent performance against all the risk categories specified in SANS 241:2015.



## Customer Satisfaction

At the heart of our operations lies a desire to meet and surpass our customers' expectations. Our years of experience in the bulk water and wastewater management space have shown that the real measure of our excellence lies in achieving customers and stakeholder satisfaction. Our growth strategy entails penetrating new markets for water and wastewater management services including:

- Expanding our operation in KwaZulu-Natal: for water services and other related activities;
- Servicing other areas of South Africa with water services and other related activities on demand; and
- Expansion into the rest of the African continent through knowledge management, networking and responding to bilateral agreements between South Africa and other countries.

A hallmark of uMngeni-uThukela Water's growth lies in its ability to consistently maintain a quality service offering of bulk water delivery. In this regard, for the year under review, a total of 665 million cubic metres of potable water per annum (1 822ML/d) were supplied to customers who serve a population of 6.7 million people or 1.9 million households through reticulation networks. This is a 2.7% year-on-year increase as compared to the previous year.

While we managed to remain committed to service excellence, there were some challenges which disrupted our supply volumes. In the year under review, there were unplanned supply disruptions of 12.73 supply days in four of our sixteen supply systems as follows:

- 3.77 days at the Hazelmere Water Supply System during Q1 as a result of a pipe leak;
- 1.34 Days at Mhlabatshane WTW Supply System during Q2 as a result of a power failure;
- 1.62 Days at Amanzimtoti WTW during Q3 as a result of SCA trunk main washed away;
- 3.12 Days at Mtwalume WTW during Q3 as a result of plant shutdown due to floods;
- 2.88 Days at Mhlabatshane WTW during Q3 caused by power failure.

In all the mentioned instances including planned disruptions, customers were kept informed on progress of any interventions. This was in addition to our regular and proactive engagement with customers in line with our service level agreements.

Bulk wastewater treated from eleven inland Wastewater Treatment Works over this period amounted to 31 million cubic metres (85ML/d) for the year per annum, a 5% increase from the previous year (29.5 million cubic metres or 81ML/d in 2023).

## Bulk Supply Agreements

Bulk Supply Agreements are concluded to cover obligations of both uMngeni-uThukela Water and its customers in relation to water volumes, water quality, supply pressure, service interruption intervals, metering, tariff consultation, assurance of supply and capital infrastructure plans. Water demand projections are updated based on trends in historical water sales volumes and customer demand trends.

In parallel, analysis of our infrastructure and water works capacity in relation to demands highlight any infrastructure supply constraints or limitations on future growth that need to be responded to.

## Supply Capacity and Constraints

Several uMngeni-uThukela Water treatment works are currently operated above their design capacity to meet demands, and both long- and short-term interventions are in place to address them including major works capital upgrades, refurbishments, pipeline developments, utilisation of package plants (interim measure) and general operational and process upgrades to alleviate bottlenecks.

## Operational Performance and Service Planning

In the period under review, customer requirements were significantly met in relation to supply volumes, supply pressure, service levels and metering. Structured consultation for communication of future demands, infrastructure plans and tariff assumptions took place, and robust customer inputs were received. Conceptual plans for growth and expansion of water services and provision of universal access have been developed, for existing and new customers in KwaZulu-Natal. Discussion and communication with customers and stakeholders regarding these, notably implementation priorities and funding; and financing will become the focus over the next few years.

## Asset Condition, Maintenance and Management

Regular maintenance and inspection of all assets were undertaken in the reporting period as an intrinsic part of continued operations management. Maintenance is implemented in accordance with the asset management strategy and implementation plan for the year. This comprises planned maintenance – inclusive of preventative maintenance, repairs, redesign and modifications – complemented by ongoing unplanned, reactive and corrective maintenance.

**Based on assessments conducted over the past year, there are no assets that pose significant risk to supply. The organisation does not envisage major interruptions to its business over the next five (5) years and beyond.**

Over the years uMngeni-uThukela Water has continued to maintain its assets and on average invests 6.6% of its revenue on asset maintenance. Based on assessments conducted over the past year, there are no assets that pose significant risk to supply and the organisation does not envisage major interruptions to its business over the next five (5) years and beyond.

## Stakeholder Understanding and Support

Closely linked to the imperative of achieving customer satisfaction is the need to ensure that we maintain regular communication with all stakeholders. A number of stakeholders, including government, amakhosi and the private sector were consulted in the year under review. Our aim was to give all of our stakeholders in the value chain an assurance of supply, asset management, capital infrastructure plans and future tariff charges, as well as opportunities for growth, jobs and partnerships within the utility.

Lower uMkhomazi Bulk Water Supply Scheme

## Water Loss Management and Metering

Non-revenue water was successfully maintained below 5%. This has been a result of a metering strategy that focuses on metering all critical nodes and monitoring of meter accuracy. This initiative will continue through meters installed by uMngeni-uThukela Water at various critical points in its systems.

## Community and Environmental Sustainability

uMngeni-uThukela Water remains cognisant of and attentive to the impact it has on communities and environmental sustainability. The entity therefore, strives to manage its operations, infrastructure and investments to support socio-economic development, while using water, energy and other natural resources effectively.

Leveraging off its capital expenditure and other programmes, uMngeni-uThukela Water continued to facilitate the participation of targeted enterprises in the economy. uMngeni-uThukela Water's Contract Participation Goal target of  $\geq 35\%$  for construction contracts, professional services projects and other operational contracts (of which 10% was to be allocated to Black owned businesses) and another 10% to Black local enterprises in the project footprint. All the set targets associated with this programme were met in the reporting year.

In the year under review, uMngeni-uThukela Water created a total of 501 temporary jobs through its Capex Programme. In line with this, just over R19.01m (R20m in the previous year) was paid in wages to local labour. This further reinforces the organisation's commitment to the creation of decent job opportunities.

## Infrastructure Stability

During this reporting period, twenty one (21) strategic projects targeting five water service authority customers were at various stages of planning, design and construction.

Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year was R2 833million (parent only), of which R2 336m was spent on infrastructure work and R805m of this amount went towards projects for rural development. Overall, 88% of target water infrastructure project milestones were met.

Details of target customers, infrastructure projects and milestones during the reporting period are as follows:

## (1) uMkhomazi Water Project

***Serves eThekweni Metropolitan Municipality, uMgungundlovu District Municipality, Msunduzi Local Municipality, Ugu District Municipality and iLembe District Municipality***

Phase 1 of the infrastructure development includes a dam on the uMkhomazi River, raw water tunnel to Baynesfield, balancing dam, raw water pipeline, water treatment works and bulk potable storage reservoir at Baynesfield and bulk potable water pipeline to Umlaas Road. Phase 2 includes a further dam higher up on uMkhomazi River at Impendle, raw water tunnel, raw water pipeline, water treatment works capacity and reservoir storage upgrades and a second bulk potable water pipeline.

The detailed feasibility study for Phase 1 was completed in 2015 and the Environmental Authorisation was obtained at the end of 2020. The process of appointing an Environmental Assessment Practitioner (EAP) who will amend the conditions in the approved Environmental Authorisation and undertake the Water Use Licence (WUL) application was initiated in August 2021. The Political Steering Committee, comprising CoGTA, DWS, TCTA, UUW and Water Users, was set in 2021 to facilitate the development of solutions regarding the funding model for the project and affordability of tariffs for Water Users. The Steering Committee continues to function on a weekly basis. The Committee's latest resolution was that the State will fund 50% of the project and the balance will be funded by water users through a capital unit charge of R 2.58 per kilolitre, which has since been approved by National Treasury. The outstanding matter of signing of off-take agreements as well as water user agreements was resolved. All Six Water Service Authorities that will benefit from this project signed both the Water User Agreement and offtake agreements on the 5<sup>th</sup> April 2024. The Department of Water and Sanitation Minister signed a memorandum of understanding with Water Service Authorities Political Leadership on 19<sup>th</sup> April 2024.

## (2) Lower uMkhomazi Bulk Water Supply Scheme

***Serves eThekweni Metropolitan Municipality and Ugu District Municipality, and will augment the coastal areas from Amanzimtoti to Hibberdene via the South Coast Pipeline. The planned infrastructure comprises:***

Phase 1: Consists of a 10 million meter cube dam at Ngwadini and two approximately 146ML/day Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and 25ML Raw Water



Reservoirs; the construction of Ngwadini Advance Works was complete in April 2024 where R37million was spent on Local CPGs and approximately R8.3million on local labour including labour intensive activities, i.e. clearing of the dam basin. Ngwadini Dam: the construction commenced in 14 November 2023, it is 13% in construction progress and it is expected to be completed in July 2027. Ngwadini Dam: the construction commenced in 14 November 2023, it is 13% in construction progress and it is expected to be completed in July 2027. Ngwadini Abstraction Works; was awarded in July 2024 to commence with construction in September 2024 and it is expected to be completed in April 2027. Construction has commenced for Goodenough Abstraction Works, with completion scheduled for April 2026. The construction of the Goodenough Abstraction Works and Pump Stations is complete. Raw Pipelines and Raw Water Reservoirs are on tender stage, the tender was advertised in June 2024 and closes on 15 August 2024, it is expected to commence construction in November 2024. Overall, the project is planned for completion in November 2027.

Phase 2: a 100ML/d Water Treatment Works, storage reservoir and Bulk Potable Water Pipeline. The detailed feasibility and preliminary designs were completed in 2017 and the detailed design was completed in 2021. The design documentation stage is currently in progress, after which the procurement of the various construction contract packages will follow. Project is planned for completion in December 2027. The Earthworks contract which was in preparation of the Water Treatment Works was completed in April 2023, where R86m was spent to local SMME's and more than R3.9m was spent on local communities through temporary employment.

Water Treatment Works tender was advertised in August 2023, tender closed on 29 February 2024 and is expected to be awarded in September 2024 and construction to commence in January 2025. The Water Treatment Works site will be accompanied by a "green" administration building (4 star), Pipeline and extension of Quarry Reservoir the tenders for which are planned to be advertised in February 2025. The application for amendment to the environmental authorisation is in progress.

### (3) Greater Mpofana Bulk Water Supply Scheme

**Serves uMgungundlovu District Municipality**

The scheme comprised of a water treatment works, two storage reservoirs and two bulk pipelines. The construction of the 20ML/d Rosetta Water Treatment Works commenced in the 2016/17 financial year and was completed in March 2021. The construction and commissioning of the 5ML/d and 12ML/d reservoirs that feed Nottingham Road and Bruntville communities is complete. The construction of the 8km long Nottingham Road Pipeline – from the Water Treatment Works to the Nottingham Road Reservoir – was completed in June 2016. The construction of the 13 km long Bruntville Pipeline was completed in June 2023. The Final integration and Commissioning of the Rosetta Water Treatment Works, Bruntville and Nottingham Road Pipelines and Reservoirs, formally known as the Greater Mpofana Bulk Water Supply Scheme Phase 1 was concluded in July 2023. Phase 2 of the Greater Mpofana Bulk Water Supply Scheme – which will be a labour intensive 25 km long steel pipeline from Nottingham Road Reservoir to Lions River Reservoir and 3 Reservoirs at Zenzani Village, Lidgetton and Lions River – is currently at Detailed Feasibility/Design Development Stage and is planned for construction in the 2024/2025 financial year. There are proposed changes to the scope of work for the project. The appointed environmental assessment practitioner (EAP) will

include the proposed scope changes for all environmental assessments required.

### (4) Impendle Bulk Water Supply Scheme Stepmore Scheme

**Serves uMgungundlovu District Municipality (Impendle Local Municipality) and Harry Gwala District Municipality (Dr. Nkosazana Dlamini-Zuma Local Municipality)**

The Bulk Water Supply Scheme: Stepmore Scheme is designed to supply 1.6ML/d upgradeable to 3ML/d. Construction of the Stepmore scheme is planned to commence in 2025, with targeted completion in the latter part of the year in 2026. The environmental approvals for Stepmore are in place.

### Nzinga Scheme

**Serves uMgungundlovu District Municipality (Impendle Local Municipality)**

The Bulk Water Supply Scheme: Nzinga Scheme is designed to supply 13ML/d upgradeable to 18.5ML/d. The detailed design for the Nzinga is 45% complete. Construction of the Nzinga scheme is planned to commence in 2026, with targeted completion in the latter part of the year in 2029. The Environmental Impact Assessment for Nzinga Scheme is still underway.

### (5) uMshwathi Bulk Water Supply System Phase 4 (Southern Ndwedwe)

**Serves iLembe District Municipality and the Southern Ndwedwe areas**

The scheme will draw 22.85 ML/d bulk potable water from the existing 12ML Ozwathini Reservoir and supply by gravity to the entire Southern Ndwedwe area, under the Ndwedwe Local Municipality. The detailed design stage is currently in progress. The three work packages are at various stages of implementation. The pipe supply contract was awarded in June 2023 and completion of the same is envisaged at the end of September 2024. Currently 75% of the works have been completed. Work package 2 was advertised in February 2024 via the open tender system, and currently the intention to award has been issued to the preferred bidder. Work package 3 is planned to be advertised for construction by end of 2024. Procurement for the appointment of an independent Environmental Control Officer was concluded at the end of May 2024 and is now on site performing their duties.

### (6) uMshwathi Regional Bulk Water Supply Scheme: Phase 6

**Serves uMgungundlovu and iLembe District Municipality and eThekweni Metro**

The project will consist of a pipeline from Bruyns Hill Reservoir to Wosiyani in Southern Ndwedwe, with an off-take supplying parts of eThekweni Metro. The capacity of the scheme is 10 ML/day and will ultimately serve 100 000 people. The project is currently in detailed design and the application for environmental authorisation is being finalised.

## (7) Lower Thukela Bulk Water Supply Scheme Phase 2

**Serves iLembe District Municipality, specifically areas North of the uThukela River.**

The project will upgrade the existing Lower Thukela Water Treatment Works from 55ML/d to 110 ML/d. At present, the detailed design has been finalised and procurement for a PSP to review the design has been undertaken and will be appointed. Due to the cancellation of the Bulk Supply Agreement with King Cetshwayo District Municipality, the 7km Rising Main and a 30ML reservoir will no longer be constructed, however the design for the pipeline was reviewed by a PSP and shelved. The associated servitudes have been conclusively acquired from landowners. Wayleaves with the relevant authorities have been approved. Both the Environmental Impact Assessment (EIA) and Water Use Licence (WUL) applications have been completed and approved. Procurement for construction will commence in 2025.

## (8) Maphumulo Bulk Water Supply Scheme Phase 3

**Serves iLembe District Municipality, which includes KwaMaphumulo, Ndwedwe and KwaDukuza Local Municipalities, and will serve 150 000 people in Maqumbi, Ashville, Maphumulo, Masibambisane, KwaSizabantu and Ngcebo supply areas**

Phase 3 includes the upgrade of the Water Treatment Works from 6ML/d to 12ML/d plant, raw water abstraction and booster Pump Stations. The upgrade of the Pump Stations is complete. The Construction of the Water Treatment Works is 39% complete, Upgrade of Filters, Clarifiers, Reservoir, Reactor, Administration building, Chlorine room and Head of Works are in progress. The Environmental Authorisation, Works Permit, WULA and Waste Management Licence are all in place and the project is in compliance with all Legislation requirements. The planned practical completion date is January 2025. The raw water abstraction Works from Hlimbithwa river to augment supply to Imvutshana Dam and the Water Works is part of Phase 4 Scheme. Construction Tender is under evaluation.

## (9) Mhlabatshane Bulk Water Supply Scheme Phase 2 – Mzimkhulu River Abstraction

**Serves Ugu District Municipality and will reach and provide potable water access for over 100 000 inhabitants in 10 tribal authority areas**

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station and pipeline to deliver water to the Mhlabatshane Water Treatment Works and an upgrade of the Water Treatment Works from 4ML/d to 12ML/d supply. Environmental Assessments for licences and approvals have been concluded with the draft environmental report currently under review for submission. Design Development Report is complete but subject to an approved Environmental Assessment (EA). An EAP has been appointed to facilitate the application for a new EA in line with the increased capacity of the upgrade. Eskom has committed to provide the necessary power required for the upgrade.

## (10) Vulindlela Bulk Water Supply Scheme Upgrade

**Serves Msunduzi Local Municipality**

Phase 1 includes a new 20ML reservoir, 6km of pipelines (rising main and gravity pipelines), one Pump Station at Howick West Reservoir and two at Mpophomeni, 9.37km rising mains and a new 10ML Reservoir at Mpophomeni. The construction of Phase 1 has commenced and 40% completion in line with the latest programme. Phase 2 has been delayed due to numerous additions to ensure UUW's Operations are in-line with the latest equipment and construction is in-line with best guaranteed supply. Added pipe route to the original design has been included which brings upon environmental approval, hence the delay in advertising for construction by end of 2024. Phase 1 and 2 are planned to run concurrently with a targeted completion date of 2026. The Environmental Assessment Practitioner has initiated an application to amend the environmental authorisation.

## (11) Mpophomeni Wastewater Treatment Works

**Serves uMgungundlovu District Municipality and uMngeni Local Municipality**

The infrastructure development comprised of a 6ML/d Wastewater Treatment Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020 and is ongoing. Completion is scheduled for December 2024. Compliance monitoring is being undertaken against the environmental approvals.

## (12) South Coast Pipeline Phase 3

**Serves the Umdoni and Umzumbe Local Municipalities within the Ugu District Municipality**

The South Coast Pipeline is intended to provide a supply of potable water to the South Coast Region via a single bulk pipeline that will stretch from the Quarry reservoir in Umkomaas to the Catalina reservoir in the town of Hibberdene. Phases 1 and 2A are complete, with Phase 2B currently undergoing construction. Phase 3 will extend the scheme from Umdoni to Mthwalume and then to Hibberdene, and will also augment Phase 1B and Phase 2A, as the existing diameters are insufficient. Phase 3 is currently at Detailed Feasibility and Preliminary Design Stage, which is planned for completion by August 2024, (Gate 4 review scheduled for August 2024), with construction targeted to commence in June 2027. Detailed design is scheduled to commence by January 2025. Environmental assessments have commenced, as well as landowner consultations. Both are making good progress.

## (13) Emergency Rehab to Nagle Aqueducts 1 & 2

**Serves eThekweni Metropolitan Municipality**

The project comprised of repair sections of Aqueducts 1 and 2, varying from 50-100metres which was caused by the April 2022 floods. The repair brought back 180 ML/d of raw water supply to Durban Heights Water Treatment Works. The break sites were repaired in a manner that makes them more resilient to withstand future flooding events. The repair to all the break sites were completed in 12 months.



## (14) Emergency Rehabilitation to Nagle Aqueduct 3 & 4 Siphon 6

### **Serves eThekweni Metropolitan Municipality**

This project entails for the slip lining of the existing Pre-Stressed Concrete Pipes (PCP) on Nagle Aqueducts 3 & 4 Siphon 6 (the last siphon that passes Clermont and Reservoir Hills); The PCP will be slip lined using steel pipes that will essentially be slotted into the PCP so that the raw water is conveyed inside the steel pipe; The slip lining will ensure that the community that resides on top and around the Aqueducts will be safe in the event of a pipe burst- as the material of the pipes are PCP, in the event of a failure, the entire pipe fails catastrophically. The project results in additional safety to the community as well as operational resilience of infrastructure.

## (15) South Coast Pipeline Phase 2B

### **Serves Ugu District Municipality, including Pennington, Kelso, Malangen and Shayamoya**

The pipeline is designed to supply approximately 16.7ML/d and will link Scottburgh South to Pennington and then to Malangen Reservoir. The contract was awarded in August 2020 and construction commenced in March 2021 and practical completion for the access road was achieved in June 2023. Compliance monitoring is being undertaken against the environmental approvals.

## (16) Rehabilitation of Nagle/ Durban Heights/ Inanda/ Wiggins Systems

### **Serves eThekweni Metropolitan Municipality**

This project is a rehabilitation of major existing assets and is split into four sub-projects as outlined:

- Emergency Rehabilitation to Aqueducts 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Project has been awarded and the appointed contractor was scheduled to commence with work however the April 2022 floods had damaged Nagle Aqueducts 1 & 2. Subsequently, the Nagle Aqueducts 3 & 4 could not be handed over to the contractor and the project has been suspended until the Emergency Rehabilitation of Nagle Aqueducts 1 & 2 has been completed.
- Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under the Rehab. The rehabilitation of the Nagle Aqueducts 1 & 2 is currently underway, and the anticipated completion date is December 2023
- Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Project is scheduled to only be implemented once the Emergency Rehabilitation to Nagle Aqueducts 1 & 2 as well as the slip-lining project for Nagle Aqueducts 3 & 4 Siphon 6 has been completed.
- Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts.
- PSP appointment underway for upgrade/rehabilitation of Old, New degs and pulsator clarifiers at Durban Heights.

## (17) Darvill WWTW Capacity Increase

### **Serves Msunduzi Local Municipality**

The works capacity has been upgraded from 65ML/d to 100ML/d. Practical completion has been achieved the project comprises a new inlet works, Primary and Secondary Settling Tanks, pumps and Pump Station, Reactor, Chlorination House and Anaerobic Digesters, among other components It also features a state of the art 2ML/d Reuse Demonstration Plant. The project was significantly delayed because of the main contractor going into business rescue. The project was turned around and successfully completed in June 2023. The performance of the newly upgraded plant has reached up to 100% in one of the months of 2024, albeit minor challenges being ironed out as part of the defect liability period. Applied Research proposals in partnerships with various research institutions are also underway to fully utilise the demonstration plant by knowledge generation to benefit the entire globe.

## (18) Trustfeeds WWTW

### **Serves uMgungundlovu District Municipality and iLembe District Municipality**

The infrastructure development comprises a 1 ML/d Wastewater Treatment Works; 4.5km of bulk sewer outfall pipeline and a 1.5km gravel access road. Construction of the bulk sewer outfall and access road is complete. Construction of the Wastewater Treatment Works was completed in October 2020 and handed over in December 2020. The plant automation works is currently underway and the anticipated completion date is February 2025.

## (19) Umzinto Water Treatment Works Upgrade

### **Serves Ugu District Municipality**

The project entailed a substantial upgrade to the head-of-works (inlet system) to improve capacity, efficiency and chemical dosing systems for the water treatment process. Commissioning of the works is complete and the upgrade now operational.

## (20) Augmentation of Nsezi Water Treatment Works

### **Serves uMhlathuze Local Municipality**

The project entailed, an increase in capacity of the Nsezi water treatment plant from 205ML/day to 260ML/day, through construction of additional water treatment process units. The works reached state of practical completion in June 2024 and the upgrade portion of the water treatment plant is in operation.

## (21) Thukela-Goedertrouw Transfer Scheme

### **Serves King Cetshwayo District Municipality (KCDM) and Local Farmers**

The project entailed, Completion of the upgrade of the Thukela-Goedertrouw transfer scheme to duplicate the existing scheme and transfer an additional 1.2 m<sup>3</sup>/s of raw water from the uThukela River to the Mvuzane River, a tributary of the Mhlathuze River, upstream of the Goedertrouw Dam.

## (22) UMkhanyakude District Municipality Section 63 Ministerial Directive

### **Serves four (4) Local Municipalities with UKDM**

This project is a ministerial intervention implemented as a section 63 Schedule 6B. The interventions includes refurbishment of existing water supply schemes, establishment of augmentation water supply schemes, upgrades and replacement of water infrastructure and implementation of WDWCM initiatives through projects. The project include development of Business Plans for the WSIG funding and implementation of approved BPs in Mtubatuba LM, Big 5 Hlabisa LM, UMhlabuyalingana LM and Jozini LM.

### **Water Resources Adequacy**

uMngeni-uThukela Water leverages water sector partnerships and collaborations to respond to the challenges facing the region including water availability, redistribution, demand management and drought and impact of climate change. Its core business function is to treat and supply bulk potable water – a business highly dependent on the availability of sustainable water resources. The reconciliation between water resource availability and water demand is, therefore, of primary importance to the entity and forms an integral part of the infrastructure planning process. Understanding what water resources are available to the entity, both current and future resources, and what factors affect the assurance level of these resources is crucial to balancing supply with customer demand and maintaining supply sustainability into the future.

The primary water sources used by the entity is distributed across four major water resource systems, namely, the uMngeni System (Mooi and uMngeni Rivers), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers), the South Coast System (Nungwane, Mzimayi, uMuziwezinto and Mhlabatshane rivers), the uMhlathuze System (uMhlathuze River) and the KCDM System.

In the reporting period, progress was made with the following water resource dam developments:

- The construction of Phase 1 of the uMkhomazi Water Project (Smithfield Dam) is anticipated to be completed by 2032;
- Hazelmere Dam raising (DWS) has been completed but awaiting a licence to impound which is expected at the end of 2024;
- Approximately 75% progress has been achieved for Ngwadini Phase 1. The contract for Ngwadini Dam and Associated Infrastructure has been awarded. The project construction completion is planned for 2027.

### **Leadership and Employee Development**

At uMngeni-uThukela Water, skills development remains an essential enabler for employees to excel in their individual and organisational roles to deliver on the entity's mandate.

As part of the continued endeavours to strengthen organisational leadership capacity; two Executives enrolled for an Executive Leadership Development Program at Stellenbosch University. A three multi-layered assessment was adopted focusing on key areas namely, behaviour change, attitudinal and technical skills. The outcomes of the capacity impact assessment report will be used as baseline for the design and decision-making on future Leadership Development initiatives.

A total of 17 employees have been completed the Management Development Program (MDP) at the University of Kwa Zulu – Natal Extended Learning, one Executive completed the Executive Leadership Development Program (ELDP) with Stellenbosch University. Twenty-one (21) completed the Supervisory Development Programme (SDP) from Enterprise University of Pretoria. The purpose of this programme is to equip the newly appointed managers and supervisors with new set of skills and current individuals who are already occupying leadership roles, to ensure the achievement of the organisation's Vision and organisational sustainability. The MDP, ELDP and SDP programs further aim to assist with the achievement of short- and long-term goals of the organisation.

The Learnerships and Apprenticeships programme provided training, development and exposure to both internal and external candidates. On completion of trade tests and were deemed to be competent as Artisans, then Apprentices will be appointed as junior artisans for a two-year period in order for them to gain experience that is in line with the minimum requirements of the artisan positions. A total of 57 apprentices were appointed in the apprenticeship programme and will receive theoretical training at Amajuba TVET College and Shukela Training Centre in the Automotive Motor Mechanics, Boilermaking, Electrical, Instrumentation, Fitting and Millwright trades. In 2023/2024 apprentices will receive practical work exposure from various operational sites within the entity as per the requirements of the programme.

uMngeni-uThukela Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-year training plan to fill the skills and competency gaps. The internal positions include Superintendents, Process and Quality Technicians, Senior Operators, Operator and Process Controller positions. In the reporting period a total of 525 Process Controllers were enrolled in either the Learnership Programme or in N3 Water and Waste Treatment and various courses in water and wastewater treatment.

The organisation continued to provide employees with financial support to further their studies in disciplines related to the entity's core and support business for improved performance to meet the current and future skills needs through the Assisted Education Programme (AEP). For the period under review, 36% of employees enrolled in formal qualifications that respond directly to critical and scarce skills needs. The qualifications ranges from NQF level 6 to NQF level 10, consisting of under graduate and post graduate qualifications.

### **Operational Resilience**

uMngeni-uThukela Water defines risk as all sources of uncertainty that could, affect positively or negatively, the entity's ability to achieve its strategic objectives and outcomes. Risk management at uMngeni-uThukela Water is guided by an Integrated Risk



Management Framework and the risk management process is aligned to strategy, which ensures a focused and integrated process of risk management in the entity.

Eight out of ten strategic risks (80%) have been managed to a level of equal to or above reasonable ( $\geq 55\%$ ) overall response effectiveness.

uMngeni-uThukela Water continues to maintain the quality of its laboratories at a level that ensures that they provide a world-class service 365 days a year. These facilities are ISO/IEC 17025 accredited in chemistry, microbiology, hydrobiology and soil testing, and have highly skilled and dedicated technical staff.

### Operational Optimisation

Water efficiencies have been ensured in the bulk business through careful water balancing per system. In the reporting period, water loss was maintained well below the entity's target level of 5%, with a total of 3.2% recorded for the year).

Energy is a crucial resource for water and wastewater treatment processes. Optimal pumping and other strategies remain inherent parts of the business mindset from planning, design and construction through to operation.

### Financial Viability

The entity has maintained its reputation as a financially viable entity, creating significant value for customers and shareholders. Strong results were achieved because of sound financial management in the year, notably:

- Revenue (Group) of R6.9bn was generated (R5.3bn in the previous year);
- Net surplus (Group) of R1.47bn (R1.2bn in the previous year);
- Balance sheet reserves were strengthened to R17.6bn (R14.4bn in the previous year).

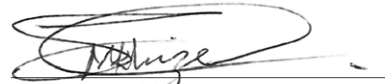
The earned surplus for the year will be invested in support of the future five-year R14.4bn (not escalated) capital investment programme, as well as used for debt reduction. As at 30 June 2024, a significant portion of capital investments were already committed.

The strength of the balance sheet and access to other strategic financial resources remain vital to uMngeni-uThukela Water for expanding services to new areas and implementing the strategy of enabled and innovative growth.

### Outlook

uMngeni-uThukela Water is an organisation poised for growth. The challenge that lies before us is that of ensuring that we continue to discharge our mandate of bulk water and wastewater management services in a diligent and ethical manner. Through the continued guidance of the Board and the Minister of Water and Sanitation as the shareholder representative, this is a task that we are more than equal to. In this regard, we will continue to rely on each of the men and women that make up this wonderful organisation to resolutely play their part as we seek to seize the challenges that lie ahead.

I am grateful to the Board of uMngeni-uThukela Water, the staff, our stakeholders and all customers for continuing to support this utility in its pursuit of the noble objective of making sustainable water provision for all an attainable dream for the province and her people.



**Mr Sandile Psychology Mkhize**  
Chief Executive

28 November 2024



iMvutshane Dam, Maphumulo

uMngeni-uThukela Water is dedicated to maintaining excellent water quality while addressing challenges and exceeding future demands.



## 05

ORGANISATIONAL  
PROFILE


uMngeni-uThukela Water, established in 1974 and rebranded in 2023, supplies water and sanitation to KwaZulu-Natal's 12.42 million residents, with key infrastructure including 981 km of pipelines and 53 treatment works.

### 5.1 LEGISLATIVE MANDATE

uMngeni-uThukela Water is a state-owned entity (SOE) and a water board that was established in 1974 and effectively from the 1st of July 2023, operates under its current name after the incorporation of Mhlathuze Water into Umgeni Water. The entity provides water and related services to other water services institutions and other customers in its gazetted service area of the Province of KwaZulu-Natal. The entity operates in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999), amongst others, and is categorised as a National Government Business Enterprise.

uMngeni-uThukela Water reports directly to the Department of Water and Sanitation (DWS), through the Board (Accounting Authority) and through its functionaries, the Chairperson of the Board and the Chief Executive. The Minister of Water and Sanitation is the Executive Authority for Water Boards.

### 5.2 ACTIVITIES OF UMGENI-UTHUKELA WATER

The primary activities of uMngeni-uThukela Water, as pronounced in section 29 of the Water Services Act, is to provide water services (water supply and sanitation services) to other water services institutions in its service area.

In addition, section 30 of the Water Services Act, enables uMngeni-uThukela Water to undertake other activities, provided they do not impact negatively on the entity's ability to perform its primary activity.

These include:

- Providing management services, training and other support services to other water services institutions in order to promote co-operation in the provision of water services;
- Supplying untreated or non-potable water to end-users who do not use the water for household purposes;
- Providing Catchment Management Services to or on behalf of the responsible authority;
- With the approval of the Water Services Authority having jurisdiction in the area – supplying water directly for industrial use, accepting industrial effluent and acting as a water services provider to consumers;
- Providing water services in joint venture with water services authorities; and
- Performing water-conservation functions.

uMngeni-uThukela Water established two subsidiary companies, Msinsi Holdings SOC Ltd ("Msinsi") and Umgeni Water Services (UWS) SOC Ltd to advance its water service delivery mandate.

Msinsi is a company primarily established to focus on the management and conservation of major water resources located in the Mgeni River System and continues to extend its presence in other areas in line with its approved corporate plan and shareholder compact. The Mgeni River System supplies the Msunduzi Local Municipality and eThekweni Metropolitan Municipality.

UWS is an agile frontend company established primarily to drive the expansion of the Group's operational and business footprint through collaborating with stakeholders in finding viable solutions to the challenges experienced by water providers in the water sector.

### 5.3 SUPPLY AREA AND CUSTOMERS (SHOWN ON MAP)

KwaZulu-Natal is the gazetted supply area of uMngeni-uThukela Water, which straddles a total geographical area of 94 359 km<sup>2</sup> and is home to 12.42 million people and 2.9 million households.

KwaZulu-Natal comprises one Metropolitan Municipality, 10 District Municipalities and 43 Local Municipalities. A total of 14 of these municipalities are Water Services Authorities (direct retail customers) as defined in the Water Services Act. uMngeni-uThukela Water's customers are spread across more than 41% of KwaZulu-Natal's geographical area and home to more than 74% households (STATSSA, 2022).

In the reporting period, uMngeni-uThukela Water derived revenues from the following customers:

- eThekweni Metropolitan Municipality;
- iLembe District Municipality;
- Ugu District Municipality;

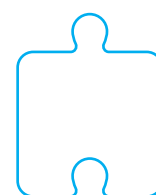
- Harry Gwala District Municipality;
- uMgungundlovu District Municipality;
- Msunduzi Local Municipality;
- King Cetshwayo District Municipality; and
- Mhlathuze Local Municipality (City of Mhlathuze).
- SIZA Water

Within the King Cetshwayo District Municipality, in the Port City of Richards Bay, the organisation continued to supply water to industries such as Mondi Paper, Richards Bay Minerals (RBM), Hulamini, Mpact, Foskor, Tronox, South 32, Richards Bay Titanium and Wilmar.

uMngeni-uThukela Water's infrastructure assets in support of its bulk water services business comprises:

- Approximately nine hundred and eighty one (981) km of pipelines and fifty-three (53) km of tunnels.
- Fourteen (14) impoundments;
- Fifty-three (53) water treatment works;
- One (1) effluent pump station; and
- Twenty-three (23) wastewater treatment works

The uMngeni-uThukela Water Board in KZN is assisting a number of districts to implement various water supply schemes to **increase access to piped clean drinking water for local communities.**



Vulindlela Bulk Water Supply Scheme



## Supply Area

**KwaZulu-Natal has a total geographical area of 94 359 km<sup>2</sup> and is home to 12.42 million people and 2.9 million households.**

A total of 54 municipalities of which 14 are Water Services Authorities (WSAs):  
1 Metro; 10 DMs; and 43 LMs of which 3 are WSAs.



## 5.4 STRUCTURE OF UMNGENI-UTHUKELA WATER

The uMngeni-uThukela Water Group consists of a parent entity with two subsidiaries.

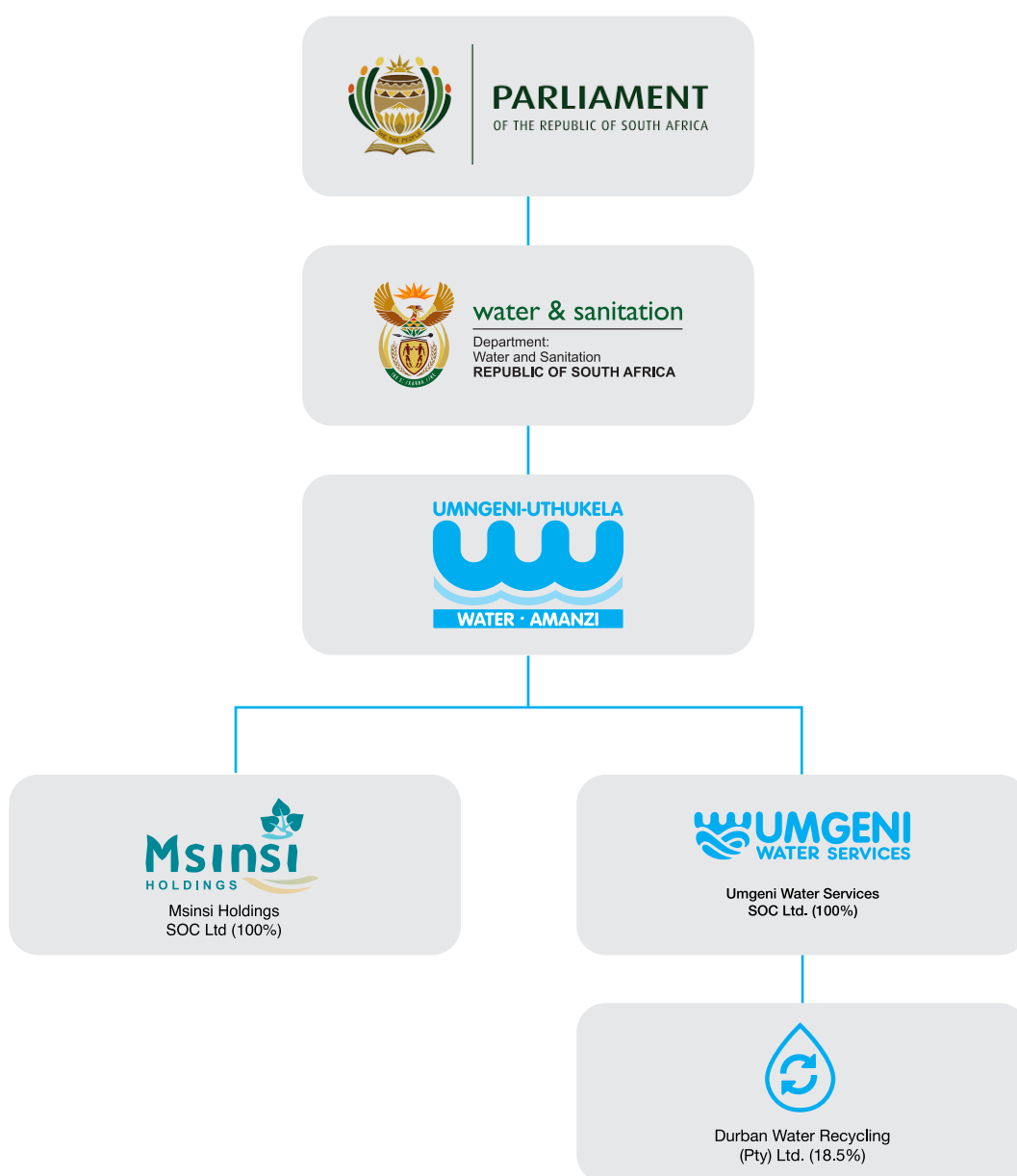
The Executive Committee is the top management structure of uMngeni-uThukela Water Parent, and for the reporting year comprised five members including the Chief Executive, the Chief Operations Officer, the Chiefs Governance and Compliance Officer, Chief Financial Officer and the Chief Shared Services Officer. The Chief Executive guides the day-to-day activities of the entity with powers delegated to him by the Board.

The non-executive Board is the Accounting Authority and provides strategic leadership to the Executive Committee. The Board is appointed by the Minister of Water and Sanitation.

With respect to the subsidiaries, uMngeni-uThukela Water has 100% shareholding in Msinsi Holdings SOC Ltd and Umgeni Water Services SOC Ltd.

The uMngeni-uThukela Water Group as at 30 June 2024 comprised:

- A head count of 1 557 employees;
- Revenue for the year of R6.9 billion with R1.4 bn net surplus generated;
- Balance sheet asset value of R17.6bn with reserves totalling R16.6bn.





## uMngeni-uThukela Water Strategy Outcomes

To improve focus on strategy implementation, the organisation further aligned its strategic focus on the following ten outcomes of Effectively Managed Utilities as determined by the United States Environmental Protection Agency and its collaborating water sector associations.

### Product Quality (Water and Related Services)

Achieved when uMngeni-uThukela Water produces water and related services in full compliance with statutory and reliability requirements and consistent with customer and environmental needs

### Water Resources Adequacy

Achieved when uMngeni-uThukela Water assesses the scarcity of freshwater resources, investigates sustainable alternatives, manages water abstractions assiduously and has access to stable raw water resources to meet current and future customer needs.

### Operational Optimisation

Achieved when uMngeni-uThukela Water has on-going, timely, cost-effective, reliable, and sustainable performance improvements in all facets of its operations, minimises resource use, loss, and impacts from day-to-day operations and maintains awareness of information and operational technology developments to anticipate and support timely adoption of improvements

### Stakeholder Understanding and Support

Attained when uMngeni-uThukela Water engenders understanding and support from statutory, contracted and non-contracted bodies for service levels, tariff structures, operating budgets, capital improvement programmes, risk management decisions, and water resources adequacy.

### Financial Viability

Achieved when uMngeni-uThukela Water understands the organizational life-cycle costs and maintains a balance between debt and assets while managing operating expenditures and increasing revenues. In addition, the organization aims at a sustainable tariff that is consistent with customer expectations, recovers costs and provides for future expansion.

### Infrastructure Stability

Achieved when uMngeni-uThukela Water's understands the condition and costs associated with critical infrastructure assets and maintains and enhances the condition of all assets over the long-term. This is done at the lowest possible life-cycle cost and acceptable risk levels, is consistent with customer service and statutory-supported service levels, and consistent with anticipated growth and system reliability goals. The organization further assures that asset repair, rehabilitation, and replacement efforts are coordinated to minimise disruptions and other negative consequences.

### Operational Resiliency

Achieved when uMngeni-uThukela Water's leadership and staff work together to anticipate and avoid problems and proactively identify, assess, and establish tolerance levels for, and proactively and effectively manages a full range of business risks, consistent with industry trends and system reliability goals.

### Community and Environmental Sustainability

Achieved when uMngeni-uThukela Water is explicitly cognisant of and attentive to the impacts it has on current and future community sustainability, supports socio-economic development, and manages its operations, infrastructure, and investments to protect, restore, and enhance the natural environment, whilst using energy and other natural resources efficiently.

### Leadership and Employee Development

Achieved when uMngeni-uThukela Water is a participatory, collaborative organization dedicated to continual learning and improvement, recruits and retains a workforce that is reflective of demographics, competent, motivated and adaptive, and works safely, ensures institutional knowledge is retained and improved; provides opportunities for professional and leadership development, and creates an integrated and well-coordinated senior leadership team.

## Strategic Statements of uMngeni-uThukela Water and its Functional Divisions

**uMngeni-uThukela Water** We will lead the process of providing solutions through an innovative, vigorous growth path, to increase sustainable water supply in order to satisfy the developmental water services requirements in our region, which contributes to the government's objectives.

### Board:

We will consider internal and external factors, consult with stakeholders, develop a strategy, provide oversight over strategy implementation and resource usage and manage risks, to produce a valid and approved strategic plan, deliver on strategic objectives and provide sound corporate governance, to achieve our vision and mission in order to contribute towards Government Objectives.

### Chief Executive Office:

We will position and lead the organisation, plan activities and allocate resources, implement strategy, champion corporate governance, partner with stakeholders to deliver organisational objectives, to achieve a well governed, vibrant, committed, sector-relevant and engaged organisation that delivers on its mandate.

### Operations:

Provide water and related services to improve the quality of life and enhance sustainable economic development.

### Scientific Services:

We will undertake water sampling and laboratory analysis, assess water quality and, environmental health, catchment health, leverage technology, optimise water treatment processes, to achieve sustainability, water resources security and public health and provide innovative and optimal scientific solutions in order to meet organisational objectives.

### Infrastructure Development:

To be a transformational leader and key partner in the development of appropriate source to source water infrastructure in an innovative, environmentally sustainable and cost-effective manner utilising an enabled, globally recognised skills base to ensure socio-economic development.

### Finance:

Provide agile financial resources in support of the organisation to achieve sustainable growth and competitive advantage in the provision of water and related services within the relevant governance framework.

### Shared Services:

A key partner in the provision of strategic support by enabling a conducive, innovative, transformative and sustainable environment for the organisation to be recognised as a global water brand.

### Governance & Compliance:

Provide combined assurance, champion corporate governance, risk and legal compliance within the Group.

### Durban Heights Water Treatment Works





## 06

CORPORATE  
GOVERNANCE

uMngeni-uThukela Water improves compliance and auditing. Internal and external audits verify controls and regulations. The Executive Committee manages daily operations, with governance overseen by the Company Secretary, following King IV principles.

### 6.1 Composition and Functioning of the Board

Board members are appointed by the Minister of the Department of Water and Sanitation (DWS) in terms of the Water Services Act, 1997 (Act 108 of 1997). The 12-member Board was appointed on 01 October 2023 for a four year term.

Board Composition is a significant contributing factor to the performance of a Board of Directors ("Board"). It is crucial for an organisation to get the right mix and balance of people to become Members of its Board. The Chairperson of the Board and all other Board members (with the exclusion of the Chief Executive and Chief Finance Officer), are independent non-executive directors in the manner described in the King IV Report on Corporate Governance (hereinafter referred to as "King IV") to ensure the independence of the different positions and the clear definition of roles and responsibilities.

The organisation has the following existing Board Committees which are chaired by and constitute mainly of independent non-executive directors, and the Chief Executive and Chief Finance Officer as the *ex-officio* members of the Board:

1. Audit, Finance and Risk Committee,
2. Social and Ethics Committee,
3. Capital Projects and Fixed Assets Committee (Capex),

4. Human Resources and Remuneration Committee,
5. Innovation, Technology and Information Committee; and
6. The Governance Committee.

The list of Board and Committee members is shown in **Table 6.1** and **Figure 6.1** shows the age and gender profile of the Board members.

The Board is entrusted with the responsibility to provide effective, ethical leadership and control of uMngeni-uThukela Water, based on integrity, competence, responsibility, accountability, fairness and transparency. Its responsibilities include the development, review and monitoring of strategic objectives, the approval of major capital expenditure, risk management and monitoring of operational and financial performance. The government of the Republic of South Africa, represented by the Minister, and the Department of Water and Sanitation, is the sole shareholder of uMngeni-uThukela Water. The Board contracts with the Executive Authority, the Minister, through an annually approved shareholder compact.

Non-executive directors receive fees as determined by the Minister on an annual basis in line with the Policy regarding Board Practises and the remuneration of Board members of entities reporting to the Minister of Water and Sanitation. Therefore, no Board member is involved in determining his / her own remuneration. The remuneration of all the Board Members is fully disclosed in uMngeni-uThukela Water's Annual Report.

## Board Members



*Period of Service: 9 Months*

*Age: 62*

*Appointed as Chairperson and Board Member in October 2023*

### **ADV. VUSI KHUZWAYO SC**

#### **Qualifications and experience**

B. Proc, LLB, Admitted Advocate, Appointed Snr Counsel

Adv. Khuzwayo, SC has more than 31 years practical experience in law, admitted to practice in RSA and Lesotho. Currently practising from the Durban Chambers. He is currently serving as the chairman of the Integrated Forensic Accounting Services (Pty) Ltd, erstwhile chairman of KZN Gaming and Betting Board. He is currently the sole member of QCK Lezmin 4650 cc, with interest in property portfolio.

#### **Professional Registrations and/or Positions held on other Boards**

Chair of KZN Gaming and Betting, Board of Inquiry into allegations of Misconduct, Chair of the Disciplinary Inquiry, Institute of Directors South Africa (IoDSA)



*Period of Service: 9 Months*

*Age: 32*

*Appointed as Board Member and Deputy Chairperson in October 2023*

### **MS NOTHANDO NONKULULEKO MKHIZE**

#### **Qualifications and experience**

B Tech Civil Engineering, Post Grad Diploma Project Management, Global Executive Development Programme

Ms Mkhize is certified Director with the Institute of Directors in South Africa. She holds a degree in Civil Engineering specializing in Water, a Postgraduate diploma in Project Management, and a diploma in Civil Engineering.

Her experience spans across both the public and private sector. She served as a non-Executive director at former Mhlathuze Water.

She has a deep understanding of the public sector governance and oversight, statutory compliance requirements, PFMA, Treasury Regulations King INV Code on Good Corporate Governance in South Africa. (King IV), the Companies Act and other legislation applicable to the public sector including municipal entities.

#### **Professional Registrations and/or Positions held on other Boards**

Board Member of Mhlathuze Water, Operational Joint Working Group, Project Management Steering Committee Dube Trade Port Corporation, IoDSA





*Period of Service: 9 Months*

*Age: 68*

*Appointed  
as Board Member  
in October 2023*

## MS DIANA GLORIA HOORZUK

### Qualifications and experience

Diploma in Executive Leadership Municipal Development

Ms Hoorzuk is a former Deputy Mayor of eThekweni Municipality and Chair of Finance Committee of Council in 2021. Former local government Councillor for a period of 20 years. She held various positions of office during her tenure as a Councillor at eThekweni Municipality.

### Professional Registrations and/or Positions held on other Boards

AHF Thailand, AHF Kenya, Global Chair AHF SA Incorporating Swaziland and Zambia, Ezemvelo Wild Life, KZN Tourism Board, AIDS Healthcare Foundation based in the USA, Mangosuthu University of Technology, uShaka Marine World, PRISA, IoDSA



*Period of Service: 17 Months*

*Age: 44*

*First appointed in March 2023  
as Interim Board Member  
Re-appointed as a Board  
Member in October 2023*

## MS THANDAZILE SYLVIA MHLONGO

### Qualifications and experience

Diploma in Accounting, Diploma in Purchasing Management, Bachelor of Commerce in Municipal Accounting, Bachelor of Accounting Science in Financial Accounting, Master in Business Administration, and Certificate in Executive Leadership in Municipal Development.

Ms Mhlongo has served in different Municipalities for over 21 years, and most of which were at leadership level. She is currently working at National Treasury as a Technical Advisor: Budget and Revenue Management.

### Professional Registrations and/or Positions held on other Boards

Former Chairperson – Msinsi Holdings SOC  
Board Member – uMngeni Water Services SOC, IoDSA



*Period of Service: 9 Months*

*Age: 40*

*Appointed  
as Board Member  
in October 2023*

## ADV. KWAZIKWENKOSI INNOCENT MSHENGU

### Qualifications and experience

LLB, Bachelor of Social Science Honours, (Public Policy and Development Studies), Master of Law (LLM)

Adv. Mshengu has 11 years' experience in government administration and 3 years as MEC for Education. Leadership: Former CSRC President-General and Former CSRC Secretary General at UKZN

### Professional Registrations and/or Positions held on other Boards

Chairperson of the IDT Board, IoDSA  
Chairperson of Msinsi Holdings SOC  
ANC OR Tambo School of Leadership Board Member



*Period of Service: 9 Months*

*Age: 50*

*Appointed  
as Board Member  
in October 2023*

## MR SIPHO MAXWELL MTOLO

### Qualifications and experience

Degree in Public Administration, Postgraduate Diploma in Project Management, Advanced Project Management Safety and Security Executive Development Programme

Mr Mtolo, possess a diverse career that spans both from the public and private sectors. He has served as a soldier between 1990 - 1994 in the Umkhonto Wesizwe Military and the South African National Defence Force in 1994 - 2006. He then ventured into Engineering consultancy, Property development, printing, and building construction.

### Professional Registrations and/or Positions held on other Boards

KZN Ezemvelo Wildlife Board, Msinsi Holdings SOC, IoDSA




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*Period of Service: 9 Months*

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*Age: 45*

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*Appointed  
as Board Member  
in October 2023*

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## **MR KHANYISANI STANLEY SHANDU**

### **Qualifications and experience**

National Diploma Chemical Engineering, Master's in Business Administration

Mr Khanyisani Shandu is a distinguished business man and community leader with an exceptional track record. He is the founder and driving force behind a highly successful business operating in the Civil Construction and Engineering Sector, known as Lthah Africa.

With a background as a Chemical Engineer, Mr. Shandu possesses over 5 years of Invaluable experience in Plant Management and Operation at Sappi Salcor. His expertise in managing large-scale projects across various industries showcases his proficiency in leveraging world-class engineering infrastructure.

Under his exemplary leadership as the Managing Director, the company has achieved remarkable growth and established itself as a significant player in the Construction and Engineering Sector.

Mr. Shandu's commitment to social responsibility is evident in his employment and development of over 2000 young South Africans. Moreover, he actively promotes young talent by providing sponsorship opportunities and serving as a mentor.

With a strong business acumen, extensive experience in engineering, and a dedication to community empowerment, Mr. Khanyisani Shandu is a highly respected figure in both the business and social spheres.

### **Professional Registrations and/or Positions held on other Boards**

Chairperson – uMngeni Water Services SOC, Trade and Investment KZN, Enterprise iLembe Board member later Chairperson, IoDSA




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*Period of Service: 9 Months*

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*Age: 71*

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*Appointed  
as Board Member  
in October 2023*

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## **MR TIMOTHY JAMES CORNISH**

### **Qualifications and experience**

Civil Engineer (BSc Hons) registered with the Engineering Council of South Africa (ECSA), Professional Construction Project Manager registered with the South African Council for the Project and Construction Management Professions (SACPCMP), Construction dispute Adjudicator registered with the Construction Adjudication Association of South Africa, Accredited as an Evaluative Mediator with the Royal Institution of Chartered Surveyors

Mr Cornish brings a wealth of experience spanning over 45 years working as a civil engineer predominantly in the water and sanitation sector. For 9 years, he served as manager of water and sanitation division of a major municipality. His career includes experience working in client bodies, consulting, and contracting and as a self-employed project manager, adjudicator and mediator.

### **Professional Registrations and/or Positions held on other Boards**

Engineering Council of CSA, SAICE, SACPCMP, IoDSA





*Period of Service: 17 Months*

*Age: 57*

*First appointed in March 2023  
as Interim Board Member  
Re-appointed as a Board  
Member in October 2023*

## MR SIBUSISO WYCLIFF MKHIZE

### Qualifications and experience

Master of Public Administration, Executive Leadership Programme, and Law Certificate for Municipal & local Government Personnel, Secondary Teachers Diploma

Mr Mkhize is Public Administrator and has accumulated over 20 years experience in various public and service delivery management roles within Local, Provincial and National Government. These roles, included being a Transformation Manager, responsible for amalgamation and integration of policies, structures, systems and procedures from various erstwhile Transitional Local Authorities into a single wall-to-wall then Hibiscus Coast Municipality.

A vast experience of more than 10 years as an accounting officer at Local Government including a Water Service Authority. A Ministerial Representative at one distressed Municipality responsible for financial, governance and service delivery recovery plan. A General Manager: Corporate Services responsible for organisational efficiency and effectiveness at a provincial department.

### Professional Registrations and/or Positions held on other Boards

Board Member of uMngeni Water Services, IoDSA



*Period of Service: 17 Months*

*Age: 48*

*Appointed as a Board Member  
in October 2023*

## MS BUHLE HLENGIWE MVUBU

### Qualifications and experience

Bachelor of Arts, Advanced Project Management

Ms Mvubu is an experienced Public Affairs & Stakeholder Executive with over 22 years of experience. She has held positions at Foskor, including Communications & PR Specialist as the first black PR Professional in 2004.

She has served as Group Stakeholder Manager for Foskor Richards Bay Division, Phalaborwa, and Johannesburg. She is an impact driven professional currently works at Mondi South Africa responsible for managing Stakeholder Engagement, Reputation, Risk and Corporate Responsibility.

### Professional Registrations and/or Positions held on other Boards

President of the Zululand Chamber of Commerce and Industry (Dep), 1 KZN TV Board Member, Chairperson of Ethembeni Care Centre, Council Member of the Univ of Zululand, Director of Business against Crime, Thukela Goedetrow Member, Amangwe Village Member, Mondi Shanduka Trustee, uThungulu Community Foundation, IoDSA

## Ex-Officio Members



*Period of Service to UUW:*

*5 months*

*Age: 53*

*Appointed as Chief Executive  
in July 2024*

## MR SANDILE PSYCHOLOGY MKHIZE

### Qualifications and experience

BSc in Chemistry and Microbiology, Bachelor of Technology in Biotechnology, Masters Degree in Environmental Biotechnology

### Other Key Directorships and/or Professional designations held

Member of WISA, IoDSA



*Period of Service to UUW:*

*2 Years and 5 Months*

*Age: 46*

*Appointed as Chief Financial  
Officer in February 2022*

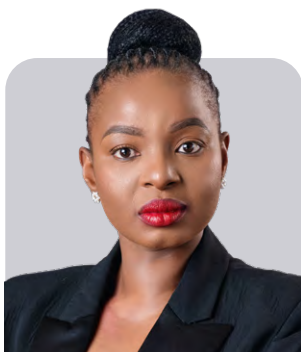
## MR TAMSANQA MKHWANAZI CA (SA)

### Qualifications and experience

B. Com (Accounting), B. Com Honours (CTA)

### Other Key Directorships and/or Professional designations held

Chartered Accountant South Africa, IoDSA



*Period of Service: 9 Months*

*Age: 37*

*Appointed as Board Member in October 2023*

## MS SENAMILE KHETHEKILE NTOMBIZOTHANDO MASANGO

### Qualifications and experience

BSc in Physics and Electronics - University of Zululand, BSc Honours in Physical Science Majored with Nuclear Physics - University of Zululand, MSc in Physical Science Majored with Nuclear Physics passed with Cum Laude - University of the Western Cape, PGD in Energy Leadership - Wits Business School, Project Management - Varsity College, PhD candidate (2019 - 2020) at The University of the Western Cape.

Project Engineer at CMA Consulting - year 2012- 2015, CEO of Women in Science and Engineering in Africa- year 2014 to present Chairperson of the Senamile Masango Foundation, year 2018 to Present, Director at Mphathisithile consulting pty - year 2021 to Present, Director at South African Energy corporation- year 2020 to present, Director at Moses Kotane- year 2022 - 2024, Director at NMISA- year 2023 to present

### Professional Registrations and/or Positions held on other Boards

Former CERN Member Associate, Former Member of Project Managers in KZN, IODSA Member, Member of the SACNAS



## Company Secretary

*Period of Service to UUW:*

*5 months*

*Age: 40*

*Appointed as Company Secretary in July 2024*

## MS SIMANGELE MBATHA

### Qualifications and experience

LLB, Post Grad Diploma in Governance and Strategic Management, Certificate in Public Sector Governance

Ms Mbatha is an admitted attorney of the High Court and has experience in the company secretariat field. Prior to joining the former Mhlathuze Water, she worked as the first Company Secretary at Agribusiness Development Agency, a state owned entity under the KZN-Department of Agriculture and Rural Development. She has experience both in the public and private sectors, having previously worked at the Trust and Fiduciary Services department of Nedgroup Trust (Nedbank Private Clients). She has also worked at the Department of Justice and Constitutional Development and the Legal Aid South Africa.

### Professional Registrations and/or Positions held on other Boards

Legal Practice Council, IODSA



*Period of Service: 17 Months*

*Age: 53*

*First appointed in March 2023 as Interim Board Member  
Re-appointed as a Board Member in October 2023*

## ADV. LAVANDRAN NANDA GOPAUL

### Qualifications and experience

Advocate of the High Court of South Africa, MPA, LLM, LLB, BCom, and Mason Fellow.

Lavan Gopaul serves as the Managing Director of Merchant Afrika, a private equity firm. With a career spanning over three decades, Gopaul's professional journey is marked by strategic leadership roles and senior management positions across stock brokering, derivatives, fund management, and law. His work has consistently emphasized capital markets, investment management, and the facilitation of substantial capital-raising initiatives. Gopaul's extensive expertise-rooted in 30 years of leadership, financial insight, and legal acumen-equips him with a rare blend of skills and perspectives that enable him to significantly impact diverse sectors.

### Professional Registrations and/or Positions held on other Boards

uMngeni Water Services - Board Member (Non-Executive)  
Merchant Afrika - Private Equity firm - Director & Fund Manager  
Harvard University Alumni Assoc of SA - Vice President (Non-Executive), MANCOSA - Member of the Senate (Non-Executive)  
National Libraries of South Africa - Board Member (Non-Executive)  
Biotechnology World - Chair (Non-Executive)  
Animation SA - Board Member (Non-Executive)  
USH Publishers - Board Member (Non-Executive)

### Professional Qualification

Tax Practitioner - South African Revenue Service, Member of the Institute of Directors South Africa, Member of the Legal Practice Council  
Member of the Inner Temple, England & Wales, Society of Barristers  
Member of the National Bar Council of South Africa  
Member of the Property Practitioners Regulatory Authority  
Fellow of the Institute of Financial Markets  
Member of the Investment Analyst Society



**Table 6.1:** Board and Committee Memberships, from 01 October 2023 to 30 June 2024.

| Board Member                      | Gender | Board | Audit, Finance and Risk | HR & REMCO | Capex | Governance | Social and Ethics | ITI |
|-----------------------------------|--------|-------|-------------------------|------------|-------|------------|-------------------|-----|
| Adv. V Khuzwayo SC <sup>1,6</sup> | M      | ✓     |                         |            |       | ✓          |                   |     |
| Ms N Mkhize <sup>2,8</sup>        | F      | ✓     |                         |            | ✓     | ✓          | ✓                 |     |
| Ms S Masango                      | F      | ✓     | ✓                       |            |       |            |                   | ✓   |
| Ms T Mhlongo <sup>3</sup>         | F      | ✓     | ✓                       |            |       | ✓          |                   | ✓   |
| Ms H Mvubu                        | F      | ✓     |                         | ✓          | ✓     |            | ✓                 |     |
| Mr K Shandu                       | M      | ✓     |                         |            | ✓     |            |                   | ✓   |
| Adv. L Gopaul                     | M      | ✓     | ✓                       |            |       |            | ✓                 |     |
| Mr S Mkhize <sup>4</sup>          | M      | ✓     |                         | ✓          |       | ✓          |                   | ✓   |
| Adv. K Mshengu                    | M      | ✓     |                         | ✓          |       |            |                   |     |
| Ms D Hoorzuk <sup>5</sup>         | F      | ✓     |                         | ✓          | ✓     | ✓          | ✓                 |     |
| Mr T Cornish <sup>7</sup>         | M      | ✓     |                         |            | ✓     | ✓          | ✓                 | ✓   |
| Mr S Mtolo                        | M      | ✓     | ✓                       | ✓          |       |            |                   |     |
| Dr S Manana <sup>9</sup>          | M      | ✓     |                         | ✓          | ✓     |            | ✓                 | ✓   |
| Mr T Mkhwanazi <sup>10</sup>      | M      | ✓     |                         | ✓          | ✓     |            | ✓                 | ✓   |

✓ Denotes Committee Member

1. Board Chairperson

2. Deputy Board Chairperson

3. Audit, Finance &amp; Risk Committee Chairperson

4. Human Resources and Remuneration Committee Chairperson

5. Capital Projects and Fixed Assets Committee Chairperson

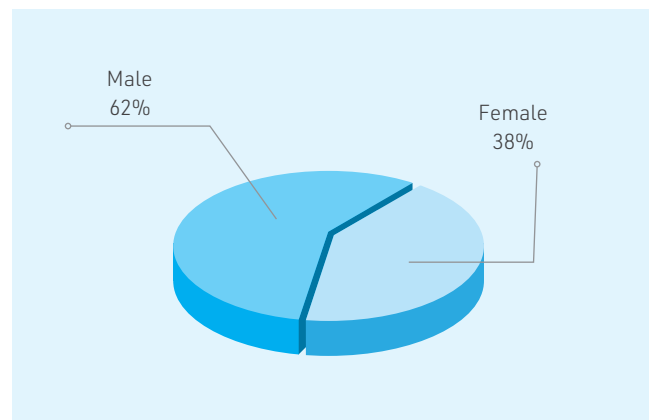
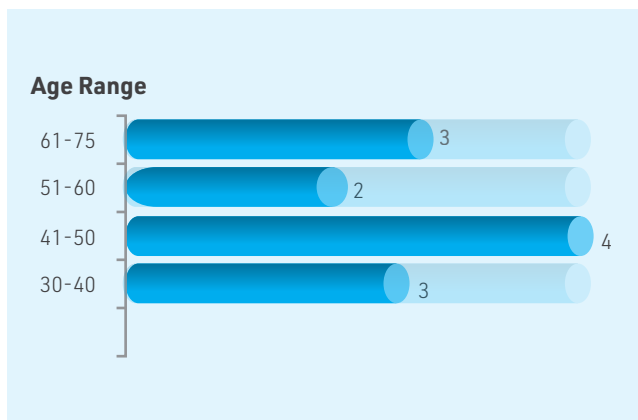
6. Governance Committee Chairperson

7. Innovation, Technology and Information Committee Chairperson

8. Social &amp; Ethics Committee Chairperson

9. Acting Chief Executive, appointed on 01 July 2022 – 28 February 2024

10. Acting Chief Executive, appointed on 1 March 2024 – 30 June 2024

**Figure 6.1:** Board Member Age and Gender Profiles (from 01 October 2023)

The Board Charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is read in conjunction with:

- The Public Finance Management Act (Act 1 of 1999), as amended, hereinafter referred to as the PFMA;
- Treasury Regulations (GG 27338) as amended;
- The Water Services Act (Act 108 of 1997), as amended;
- The King Code of Governance Principles, 2016 (King IV).

As recommended in King IV, during the period under review, the Board Charter was reviewed and approved by the Board.

**Table 6.2(a):** Board Meeting Attendance 2022/23 (01 July 2023 – 30 September 2023)

|                               |        | 416 <sup>th</sup> Board |
|-------------------------------|--------|-------------------------|
| Interim Board Member          | Gender | 20 Sept 2023            |
| 1. Mr M Msiwa <sup>1, 6</sup> | M      | ✓                       |
| 2. Ms T Mhlongo <sup>2</sup>  | F      | ✓                       |
| 3. Ms K Mbonambi <sup>3</sup> | F      | ≠                       |
| 4. Mr J Ndlovu <sup>4</sup>   | M      | ✓                       |
| 5. Ms H Majazi                | F      | ✓                       |
| 6. Mr S Mkhize                | M      | ✓                       |
| 7. Adv. L Gopaul              | M      | ✓                       |
| 8. Dr S Manana <sup>5</sup>   | M      | ✓                       |

✓ Denotes attendance

≠ Denotes absence with apology

1. Board Chairperson

2. Deputy Board Chairperson

3. Audit & ITI Committee Chairperson

4. Human Resources and Remuneration Committee and Capex, Fixed Assets and Procurement Committee Chairperson

5. Acting Chief Executive

6. Governance Committee Chairperson



Mpophomeni Waste Water Work



**Table 6.2(b):** Board Meeting Attendance 2023/24 (01 October 2023 – 30 June 2024)

|                                                   | 41 <sup>6th</sup><br>Board | 41 <sup>7th</sup><br>Board | 41 <sup>8th</sup><br>Board | 41 <sup>9th</sup><br>Board | 42 <sup>0th</sup><br>Board | Special Board |               |               |               |               |             |              |
|---------------------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|---------------|---------------|---------------|---------------|---------------|-------------|--------------|
| Board Member                                      | 21 Sept 2023               | 231 Oct 2023               | 29 Nov 2023                | 31 Jan 2024                | 30 April 2024              | 23 Jan 2024   | 28 March 2024 | 15 April 2024 | 17 April 2024 | 22 April 2024 | 15 May 2024 | 21 June 2024 |
| 1. Adv. V Khuzwayo SC <sup>1</sup> & <sup>6</sup> | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✗             | ✓             | ✓             | ✓             | ✓           | ✓            |
| 2. Ms N Mkhize <sup>2</sup> & <sup>8</sup>        | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✓             | ✓             | ✓             | ✓           | ✓            |
| 3. Ms T Mhlongo <sup>3</sup>                      | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✓             | ✓             | ✓             | ✓           | ✓            |
| 4. Mr S Mkhize <sup>4</sup>                       | n/a                        | ✓                          | ✓                          | ✓                          | ✗                          | ✓             | ✓             | ✓             | ✓             | ✓             | ✓           | ✓            |
| 5. Ms D Hoorzuk <sup>5</sup>                      | n/a                        | ✗                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✓             | ✓             | ✓             | ✓           | ✓            |
| 6. Mr T Cornish <sup>7</sup>                      | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✓             | ✓             | ✓             | ✓           | ✓            |
| 7. Adv. L Gopaul                                  | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✗             | ✓             | ✓             | ✓           | ✓            |
| 8. Mr K Shandu                                    | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✓             | ✓             | ✓             | ✓           | ✗            |
| 9. Mr S Mtolo                                     | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✓             | ✓             | ✓             | ✓           | ✓            |
| 10. Adv. K Mshengu                                | n/a                        | ✗                          | ✓                          | ✗                          | ✓                          | ✓             | ✗             | ✗             | ✓             | ✗             | ✓           | ✗            |
| 11. Ms S Masango                                  | n/a                        | ✓                          | ✓                          | ✓                          | ✓                          | ✓             | ✓             | ✗             | ✓             | ✓             | ✗           | ✗            |
| 12. Ms S Mvubu                                    | n/a                        | ✓                          | ✓                          | ✗                          | ✓                          | ✓             | ✓             | ✗             | ✗             | ✓             | ✓           | ✓            |
| 13. Dr S Manana <sup>9</sup>                      | ✓                          | ✓                          | ✓                          | ✓                          | n/a                        | n/a           | n/a           | n/a           | n/a           | n/a           | n/a         | n/a          |
| 14. Mr Thami Mkhwanazi <sup>10</sup>              | n/a                        | n/a                        | ✓                          | n/a                        |                            |               |               |               |               |               |             |              |

✓ Denotes attendance

✗ Denotes absence with apology

1. Board Chairperson

2. Deputy Board Chairperson

3. Audit, Finance &amp; Risk Committee Chairperson

4. Human Resources and Remuneration Committee Chairperson

5. Capital Projects and Fixed Assets Committee Chairperson

6. Governance Committee Chairperson

7. Innovation, Technology and Information Committee Chairperson

8. Social &amp; Ethics Committee Chairperson

9. Acting Chief Executive, appointed on 01 July 2022 – 28 February 2024

10. Acting Chief Executive, appointed on 1 March 2024 – 30 June 2024

## 6.2 Board Committees and Assurance Providers

The Board Committees are formally constituted and are chaired by independent non-executive directors. The Board Committees assist the Board in the performance of duties and enables effective decision-making through providing detailed attention to matters within their respective terms of reference. The Committees report to the Board on their activities at every quarterly Board meeting. In terms of the Water Services Act and King IV, the Board is authorised to delegate powers to the Committees established by the Board. The functions and powers delegated to Committees are set out in the written Terms of Reference, which are formally approved by the Board and are reviewed frequently.

Those charged with governance are required by law to avoid conflicts of interests, in cases where such conflict cannot be avoided, it should be disclosed to the Board in full and at the earliest opportunity, and then proactively managed subject to legal provisions. At the start of a financial year, each members of the Board is required to submit a declaration of all financial, economic and other interest held by a member and related parties or whenever there are significant changes.

At the beginning of each meeting of the Board or its committees, all members are required to declare whether they have any conflict of interest in respect of a matter on the agenda. During the period under review, none of the members had any conflict of interest to declare.

### Audit, Finance and Risk Committee

The Committee is mandated to exercise oversight and ensure achievement of the highest level of financial management, accounting and reporting to the Shareholder and to meet the requirements prescribed in section 51(1)(a)(ii) and 76(4)(d) of the Public Finance Management Act (Act 29 of 1999), as well as Treasury Regulations, 2005 (Chapter 27.1). The Audit, Finance and Risk Committee's oversight responsibility covers issues of ethics, and performs a critical function of risk management oversight by ensuring the effectiveness, quality, integrity and reliability of uMngeni-uThukela Water's risk management processes.

The terms of reference of the Audit, Finance and Risk Committee take into account the recommendations in King IV, the Companies Act (Act 71 of 2008), the Public Finance Management Act (Act 29 of 1999) as amended and Treasury Regulations, 2005, to ensure alignment to best practice and legislation.

**Table 6.3:** Audit, Finance and Risk Committee Meeting Attendance 2023/24 (01 October 2023 – 30 June 2024)

| Members                        | Committee Meeting | Special          | Committee Meeting | Special & SEC |
|--------------------------------|-------------------|------------------|-------------------|---------------|
|                                | 26 January 2024   | 20 February 2024 | 24 April 2024     | 21 June 2024  |
| 1. Ms T Mhlongo <sup>1</sup>   | ✓                 | ✓                | ✓                 | ✓             |
| 2. Adv L Gopaul                | ✓                 | ✓                | ✓                 | ✓             |
| 3. Ms S Masango                | ≠                 | ✓                | ✓                 | ≠             |
| 4. Adv. K Mshengu              | ≠                 | ✓                | ✓                 | ✓             |
| 5. Mr S Mtolo                  | ✓                 | ✓                | ✓                 | ≠             |
| 6. Dr S Manana <sup>2</sup>    | ✓                 | ✓                | n/a               | n/a           |
| 7. Mr T Mkhwanazi <sup>3</sup> | n/a               | n/a              | ≠                 | ✓             |

✓ Denotes Attendance

≠ Denotes absence with apology

1. Chairperson

2. Acting Chief Executive, appointed on 01 July 2022 – 28 February 2024

3. Acting Chief Executive, appointed on 1 March 2024 – 30 June 2024

### Social and Ethics Committee

The Board acknowledges its responsibility to ensure that uMngeni-uThukela Water is a fair, transparent and ethical entity and continues to exercise oversight through its already fully functional Social and Ethics Committee as prescribed in Section 29.1.1 of the Treasury Regulations in the PFMA as well as in line with the requirements of section 72 (4) of the Companies Act (Act No. 71 of 2008).

The Social and Ethics Committee accounts to the Board. Any high-risk areas identified are managed and mitigated at that level. The Committee provides assurance to the Board that there are effective

ethics management systems, institution-wide prevention of fraud and corruption and ensures that complaints are managed effectively, followed up appropriately and investigated competently.

The Committee consists of five (5) non-executive directors and the Chief Executive, the Committee is chaired by an independent non-executive director. A code of ethics has been approved by the Board and provides guidelines for ethical decision-making by all employees, board members, and stakeholders. The code formally acknowledges the organisation's intent to undertake business in an ethical manner and is communicated to all employees through various awareness and communication forums and programmes.

**Table 6.4:** Social and Ethics Committee Meeting Attendance 2023/24 (01 October 2023 – 30 June 2024)

| Members                     | Committee Meeting | Committee Meeting | Joint SEC & Capex | Committee Meeting |
|-----------------------------|-------------------|-------------------|-------------------|-------------------|
|                             | 10 Nov 2023       | 22 Jan 2024       | 25 Jan 2024       | 18 Apr 2024       |
| 1. Ms N Mkhize <sup>1</sup> | ✓                 | ✓                 | ✓                 | ✓                 |
| 2. Ms D Hoorzuk             | ✓                 | ✓                 | ✓                 | ≠                 |
| 3. Adv. L. Gopaul           | ✓                 | ✓                 | ✓                 | ✓                 |
| 4. Ms H Mvubu               | ✓                 | ✓                 | ✓                 | ≠                 |
| 5. Mr T Cornish             | ✓                 | ≠                 | ✓                 | ✓                 |

✓ Denotes Attendance

≠ Denotes absence with apology

1. Chairperson

### Capital Projects and Fixed Assets Committee

The capital projects and fixed assets committee ("Capex Committee") is established to assist the Board to discharge key performance outcomes that are consistent with the following aspects of uMngeni-uThukela Water's strategy:

i. Infrastructure Stability

ii. Operational Resiliency

iii. Customer Satisfaction

iv. Water Resource Adequacy

v. Product Quality: Water & Wastewater

vi. Community and environmental sustainability and the reduction and management of risks associated with the above aspects.



**Table 6.5:** Capital Projects and Fixed Assets Committee Meeting Attendance 2023/24 (01 October 2023 – 30 June 2024)

| Members                        | Committee Meeting | Special Capex | Committee Meeting | Joint Capex & SEC | Committee Meeting | Special Capex |
|--------------------------------|-------------------|---------------|-------------------|-------------------|-------------------|---------------|
|                                | 15 Nov 2023       | 05 Jan 2024   | 24 Jan 2024       | 25 Jan 2024       | 17 April 2024     | 27 May 2024   |
| 1. Ms D Hoorzuk <sup>1</sup>   | ✓                 | ✓             | ✓                 | ✓                 | ✓                 | ✓             |
| 2. Mr T Cornish                | ✓                 | ✓             | ✓                 | ✓                 | ✓                 | ✓             |
| 3. Ms H Mvubu                  | ✓                 | ✓             | ✓                 | ✓                 | ✓                 | ✓             |
| 4. Ms N Mkhize                 | ✓                 | ✓             | ✓                 | ✓                 | ✓                 | ✓             |
| 5. Mr K Shandu                 | ✓                 | ✓             | ✓                 | ≠                 | ≠                 | ✓             |
| 6. Dr S Manana <sup>2</sup>    | ✓                 | ✓             | ✓                 | ✓                 | n/a               | n/a           |
| 7. Mr T Mkhwanazi <sup>3</sup> | n/a               | n/a           | n/a               | n/a               | ✓                 | ✓             |

✓ Denotes Attendance

≠ Denotes absence with apology

1. Chairperson

2. Acting Chief Executive, appointed on 01 July 2022 – 28 February 2024

3. Acting Chief Executive, appointed on 1 March 2024 – 30 June 2024

## Human Resources and Remuneration Committee (HR & REMCO)

### Objective

The Human Resources and Remuneration Committee ("the Committee") is a Committee of the Board, comprised of wholly of Non-executive directors and whose responsibility covers providing strategic guidance and oversight over human resource issues and matters connected therewith, recommending appointment of Executive Management, remuneration and benefits framework to the Board.

### Key Responsibilities of the HR and Remuneration Committee

The Committee provides strategic guidance and oversight over human resource issues and matters connected therewith, including any strategic restructuring, realignment and re-organizing of the organization, in particular on the following key focus areas:

- i. Human Resources policies, organisational structure and compliance with the Employment Equity Act, (Act 55 of 1998) and other Labour legislation,
- i. Conditions of employment of executive management,
- ii. Appointment of the Chief Executive, Company Secretary and members of executive management,
- iii. Remuneration packages for the Chief Executive, members of executive management and staff,
- iv. Succession planning for executive management,
- v. Policies and practices for Performance Management
- vi. Strategic Human Resource related matters, and
- vii. Special rewards recommended by the Chief Executive.

**Table 6.6:** Human Resources and Remuneration Committee Meeting Attendance 2023/24 (01 October 2023 – 30 June 2024) quarterly Meetings:

| No. | Members                  | 26/10/23 | 16/11/2023 | 25/01/2024 | 22/04/2024 |
|-----|--------------------------|----------|------------|------------|------------|
| 1.  | Mr S Mkhize <sup>1</sup> | ✓        | ✓          | ✓          | ✓          |
| 2.  | Adv. K Mshengu           | ✓        | ≠          | ✓          | ✓          |
| 3.  | Mr S Mtolo               | ✓        | ✓          | ✓          | ✓          |
| 4.  | Ms D Hoorzuk             | ✓        | ✓          | ✓          | ✓          |
| 5.  | Ms H Mvubu               | ✓        | ✓          | ✓          | ✓          |

✓ Denotes Attendance

≠ Denotes absence with apology

1. Chairperson

As per table above meeting attendance was excellent from all members, the Committee was able to discharge its duties and responsibilities. In the conduct of its duties, the Committee complied with its Terms of Reference which were reviewed in the period under review and has discharged its responsibilities therein. The Committee is satisfied that it complied with legal, regulatory and other responsibilities.

During the period under review, the Committee performed the following duties in line with its key focus Areas:

### Appointment of Chief Executive

With effect from 01 July 2024, the Committee through the Board appointed the Chief Executive of uMngeni-uThukela on a five-year fixed term contract.

### Appointment and Placement of Executive Management

The Committee through the Board concluded appointments and placements of the executive management including the confirmation of the Company Secretary. The only outstanding executive position is the Chief Procurement Officer, it is anticipated to be finalised shortly.

### Approval of Policies

During the reporting period, the Committee approved the harmonisation and alignment of policies to the reconfigured entity and approved the organisational structure in line with the reconfigured entity.

### Performance Management

The Committee reviews organisational performance reports on a quarterly basis and recommends to the Board through the Audit, Finance and Risk Committee.

### Conclusion

The Committee confirms its commitment as mandated by the Board. It had adhered to the following key principles:

- i. Accountability;
- ii. Transparency;
- iii. Responsibility;
- iv. Confidentiality
- v. Good Faith; And
- vi. Disclosure.

The Committee is satisfied that it has fulfilled its responsibilities in accordance with its Terms of Reference.

### Innovation, Technology and Information Committee

The Committee is mandated to exercise oversight on matters relating to assurance of the organisation's implementation of an effective Innovation strategy, ICT Strategy, ICT Governance Framework and Risk & Compliance Framework.

The terms of reference of the Innovation, Technology and Information Committee take into account the recommendations of King IV, recognise the importance of innovation as well as the need for strategic focus on technology and information. The issues falling within the oversight responsibility of this Committee cover the whole Group, and as such the Committee composition includes representation of subsidiaries at executive level as well.

**Table 6.7:** Innovation, Technology and Information Committee Meeting Attendance 2023/24(01 October 2023 – 30 June 2024)

| No. | Members                    | 17/11/2023 | 19/01/2024 | 18/04/2024 |
|-----|----------------------------|------------|------------|------------|
| 1.  | Mr T Cornish <sup>1</sup>  | ✓          | ✓          | ✓          |
| 2.  | Mr S Mkhize                | ✓          | ✓          | ✓          |
| 3.  | Mr K Shandu                | ✓          | ✓          | ✓          |
| 4.  | Ms T Mhlongo               | ✓          | ✓          | ✓          |
| 5.  | Ms S Masango               | ✓          | ✓          | ✓          |
| 6.  | Mrs M Ndlovu <sup>2</sup>  | ✓          | ✓          | ✓          |
| 7.  | Mr P Thompson <sup>3</sup> | ✓          | ✓          | ✓          |

✓ Denotes Attendance

1. Chairperson

2. Managing Director of Msinsi

3. Managing Director of uMngeni Water Services



## Governance Committee

The Committee consists of eight (8) non-executive directors, who are also the chairpersons of the different board committees, chairpersons of the subsidiaries and the Chief Executive; the Committee is chaired by an independent non-executive director, The Board Chairperson. The Committee assists the Board in monitoring and assessing performance of the Chief Executive, other Executives and the Company Secretary and recommends to the Board the approval of the incumbents' salary increases and performance scales in line with approved Policies.

The Governance Committee meets quarterly to discuss and develop a strategy to deal with issues that are not ordinarily attended to by any of the committees of the board. The Committee also reviews the composition of Board Committees and recommends rotation protocols. In line with its delegation, the Committee reviews the adequacy of Board Committees with the view of recommending, where appropriate, adequate oversight structures

**Table 6.8: Governance Committee Meeting Attendance 2023/24 (01 October 2023 – 30 June 2024)**

| Members                            | Meetings   |            |            |                                  |
|------------------------------------|------------|------------|------------|----------------------------------|
|                                    | 14/02/2024 | 14/04/2024 | 05/06/2024 | 06/06/2024<br>(Special Meetings) |
| 1. Adv. V Khuzwayo SC <sup>1</sup> | ✓          | ✓          | ✓          | ✓                                |
| 2. Ms N Mkhize <sup>2</sup>        | ✓          | ✓          | ✓          | ✓                                |
| 3. Ms T Mhlongo <sup>3</sup>       | ✓          | ✓          | ✓          | ✓                                |
| 4. Mr T Cornish <sup>4</sup>       | ✓          | ✓          | ✓          | ✓                                |
| 5. Mr S Mkhize <sup>5</sup>        | ✓          | ✓          | ✓          | ✓                                |
| 6. Ms D Hoorzok <sup>6</sup>       | ✓          | ✓          | ✓          | ✓                                |
| 7. Adv. K Mshengu <sup>7</sup>     | ✓          | ✗          | ✗          | ✓                                |
| 8. Mr K Shandu <sup>8</sup>        | ✗          | ✓          | ✓          | ✓                                |

- ✓ Denotes Attendance  
 ✗ Denotes absence with apology  
 1. Board Chairperson  
 2. Social and Ethics Chair  
 3. Audit, Finance and Risk chair

4. ITI Committee Chairperson  
 5. HR and REMCO Chair  
 6. CAPEX Committee Chairperson  
 7. Subsidiary Chairperson  
 8. Subsidiary Chairperson

## Compliance with Laws and Regulations

uMngeni-uThukela Water continues to enhance its compliance management system. The entity continued to use its Legal Compliance Regulatory Universe, Compliance Checklists and Compliance Monitoring/Assurance Plan for monitoring and reporting Legal Compliance. The areas of non-compliance that were flagged in the year are receiving the necessary attention.

## Internal Audit

Internal Audit is an independent assurance function, the purpose, authority and responsibility of which is formally defined in a charter approved by the Board in line with stipulations of the Institute of Internal Auditors. In line with the requirements of the Public Finance Management Act (PFMA) and Good Governance, the internal audit function gives the Audit Committee and management assurance on the appropriateness and effectiveness of internal controls.

During the year under review, a number of audit assignments were undertaken, and these included the following:

- Compliance Audits;
- Internal Controls and Process Audits;
- Audit of the Pre-determined Objectives; and,
- Information Communication Technology Audits.

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.

## External Audit

The Auditor General of South Africa (AGSA) is mandated to conduct an independent audit of uMngeni-uThukela Water. The AG provides independent assurance on the entity's Annual Financial Statements including a review of predetermined objectives information, risk management, internal control systems and compliance with legislation and regulations applicable to the institution. This is based on, among others:

- Assessing the risks of material misstatement of the consolidated financial statements, the report on predetermined objectives and material non-compliance with laws and regulations;
- Considering internal controls relevant to uMngeni-uThukela Water's preparation and fair presentation of the financial statements, the report on predetermined objectives and compliance with laws and regulations;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management; and
- Evaluating the appropriateness of systems and processes that ensure the accuracy and completeness of the financial statements, the report on predetermined objectives and compliance with laws and regulations.

The external auditors express an opinion on the consolidated financial statements and report on findings relating to their audit of the report on predetermined objectives and compliance with material matters in laws and regulations applicable to the entity.

## Delegation of Authority

A comprehensive Delegation of Authority Framework governs the authority levels for the Board and management. These are exercised through various board and management committees. This framework assists the Board to discharge its duties with Board members' accountability and responsibility. The Board reviews the framework regularly.

## Executive Committee

The Board has delegated the day-to-day running of the entity to the Chief Executive, who works with Chief Officers, each heading a Division, to assist with this task. The Executive Committee is the highest executive decision-making structure in the entity. Central to its role is the formulation and implementation of the Board's strategy and policy direction, and ensuring that all business activities are aligned in this respect.

Each Division works towards the achievement of set strategic objectives for a predetermined period. The entity's wholly-owned operating subsidiaries also work independently, towards enabling uMngeni-uThukela Water to fulfil its mandate and contracted obligations.

## Company Secretariat

The Company Secretary oversees the portfolio of secretariat, governance advisory services and plays a critical role in legal and

governance advisory to the board, risk and compliance management, and attends all Board and Committee meetings as secretary at group level, which includes subsidiaries.

The Board as a whole and individual Non-Executive Directors and members of the Executive have access to the Company Secretary who is enjoined to provide guidance on how members should discharge their duties and responsibilities in the best interests of the Company.

The Company Secretary continues to oversee the preparation and coordination of the induction and on-going training of Board members and assists the Board and its Committees in formulating annual plans, agendas, minutes, and terms of reference as warranted.

The Company Secretary is not a Director of the Company or any of its subsidiaries and accordingly maintains an independent and arm's length relationship with the Board and the Executives.

## King IV Disclosure

Below are the governance principles that King IV dictates well-governed organisations should apply to maintain the highest levels of governance. uMngeni-uThukela Water has, going forward, chosen to include this disclosure reporting in its compliance against each principle. The disclosure must be read together with other aspects of this report.

| King IV Principle                                                                                                                                                                                                                       | 2023/2024 Disclosure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. The governing body should lead ethically and effectively                                                                                                                                                                             | The Board is the accounting authority on all issues relating to ethical and effective leadership, including codes of conducts and performance evaluations. The Board is accountable to the Executive Authority and accounts to Parliament for its performance which includes financial and non-financial matters.                                                                                                                                                                                                                    |
| 2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture                                                                                                       | The Board, through the Social and Ethics Committee provides oversight on ethics matters and ensures that periodic reports are received by the Board on the work of the Committee. The terms of reference of the Social and Ethics Committee ensures that there is a system of monitoring and reporting ethics matters and that the work of the Committee is properly planned and focused on promoting and ethical culture across the organisation.                                                                                   |
| 3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen                                                                                                                          | The Board approved an enterprise development strategy and CSI policy. These documents serve as the foundations of ensuring that the organisation puts systems in place to gear itself as a responsible corporate citizen. With these policies put to full implementation, the entity will become a visible caring organisation. The organisation reports on its ESG activities, through the disclosure of environmental, social and corporate governance data while improving investor and stakeholder transparency.                 |
| 4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process | The board appreciates the expectations of its stakeholders and its benevolent intent through its strategies indicates the board's awareness that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.                                                                                                                                                                                         |
| 5. 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                           | The Board encourages management to be transparent in all its endeavours. All key documents are publicised on the organisation's website or other platforms, for access by stakeholders: <ul style="list-style-type: none"> <li>• corporate governance disclosures; integrated reports;</li> <li>• annual financial statements;</li> <li>• other external reports.</li> <li>• Media statements are released periodically to address areas of concern from stakeholders and there is continuous engagements with the media.</li> </ul> |
| 6. The governing body should serve as the focal point and custodian of corporate governance in the organisation                                                                                                                         | The board's annual reports contain full disclosures on the status of corporate governance matters affecting the organisation, which include the members of the board, their expertise, number of meetings held during reporting period and attendance, whether the board is satisfied that it has fulfilled its responsibilities in accordance with its Charter and applicable Codes and legislation.                                                                                                                                |
| 7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively                     | The annual report discloses: <ul style="list-style-type: none"> <li>• the board's comfort that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence</li> <li>• Categorisation of its members as either executive/ independent non-Executive</li> <li>• Qualifications and experience of members and executives</li> <li>• Period of service</li> <li>• Age</li> <li>• Other professional positions held</li> </ul>                                                              |



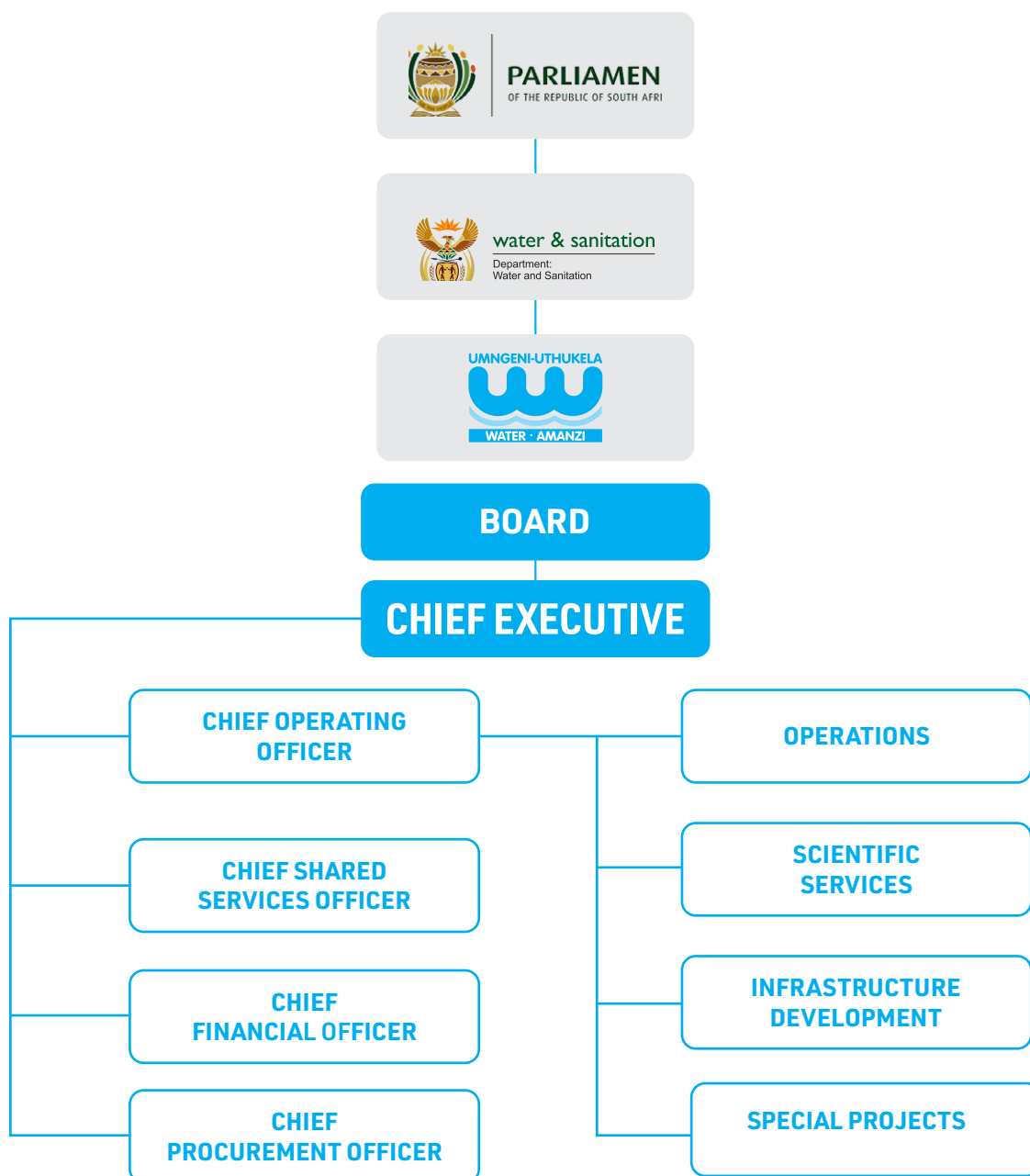
| King IV Principle                                                                                                                                                                                                                                                                  | 2023/2024 Disclosure                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>8.</b> The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties</p>                                                         | <p>The Board operates in accordance with a Board Charter.</p> <p>All Committees of the Board operate in accordance with delegations given to each Committee by the Board with clear roles and responsibilities/functions</p> <p>The annual report discloses:</p> <ul style="list-style-type: none"> <li>• Composition, qualifications and experience of members;</li> <li>• Number of meetings held and attendance</li> <li>• Whether the board / committee is satisfied that it has fulfilled its responsibilities</li> <li>• Statement as to whether audit committee is satisfied that the external auditor is independent, specifically addressing: <ul style="list-style-type: none"> <li>– the policy/controls and nature and extent of non-audit services rendered</li> <li>– tenure of external audit firm</li> <li>– rotation of designated external audit partner</li> <li>– significant changes in the management of the organisation during external audit firm's tenure</li> </ul> </li> <li>• Significant matters considered in relation to the annual financial statements, and how these were addressed</li> <li>• Views on quality of the external audit</li> <li>• Views on effectiveness of the chief audit executive and arrangements for internal audit</li> <li>• Views on effectiveness of design and implementation of internal financial controls</li> <li>• Views on effectiveness of CFO and finance function</li> <li>• Arrangements in place for combined assurance and views on its effectiveness</li> </ul> |
| <p><b>9.</b> The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness</p>                                                  | <p>The Board has over the years relied on formal self-assessment process as one of the tools to assess board/ committee effectiveness. Over time this method will be reviewed and benchmarked against peers. An annual self-evaluation / performance report is submitted to the executive authority highlighting key issues identified during the evaluation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <p><b>10.</b> The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities</p>                                                                                  | <p>The organisation has in place a clearly defined delegation of authority framework that contributes to role clarity and effective exercise of authority.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <p><b>11.</b> The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives</p>                                                                                                                                  | <p>The risk identification and management process is firmly entrenched in the organisation's business processes and the Board exercises the appropriate platform for this and gives enough space to management to manage risks and report periodically to the Board, through the Audit, Finance and Risk Committee, on risk related matters.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <p><b>12.</b> The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives</p>                                                                                                               | <p>The Information, Technology and Innovation committee is charged with the responsibility of assisting the board to conduct appropriate oversight on matters related to ICT and Innovation. Management is required to provide periodic reports on ICT governance, put actions taken to monitor effectiveness of technology and information and provide plans that are meant to enhance ICT systems for future focus.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <p><b>13.</b> 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>                                                          | <p>The Board is accountable for ensuring organisation-wide compliance. Overview of arrangements for governing and managing compliance and the annual report addresses how the board seeks to ensure compliance in all layers of the organisation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p><b>14.</b> 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>                                      | <p>The HR &amp; Remuneration committee of the board plays exercises oversight on all HR related matters, including but not limited to remuneration matters.</p> <p>The annual report fully discloses remuneration of Board members and Executives in detail and provides the basis for remuneration strategies.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>15.</b> 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><b>Assurance of external reports</b></p> <p>The annual report fully discloses assurance processes applied, in addition to the independent, external audit opinions, including:</p> <ul style="list-style-type: none"> <li>• brief description of nature and scope of assurance functions, and services and processes underlying preparation of report</li> <li>• statement by governing body on integrity of report and basis of this statement</li> </ul> <p><b>Internal audit</b></p> <ul style="list-style-type: none"> <li>• Refer to Audit committee disclosures in Principle 8 above</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <p><b>16.</b> In the execution of its governance roles 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>The annual report fully discloses the organisation's benevolent intention in relation to transparency and how stakeholders are kept abreast of all developments regarding the organisation. In the reporting year, stakeholders have been kept abreast of key matters / developments regarding the entity through various mediums of communication.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

### 6.3 Functions and Management Structure

Each Division works towards the achievement of set strategic objectives for a predetermined period.

uMngeni-uThukela Water has the following structure that responds to its strategy. The core functions pertaining to each is articulated in the strategic statements that follow. uMngeni-uThukela Water will continue to ensure a structure that is aligned to functions and mandate of a regional water utility. During the 2023/24 financial year, the Board conducted a review of the strategy and emphasised on the urgent need to focus on the execution of the strategy.

As such, the Board deemed urgent to ensure that the organisation is "fit-for-purpose" in that it responds to the urgent expectations of delivering on the mandate of providing water to all citizens of the Province of KwaZulu-Natal. This "fit-for-purpose" alignment, which is founded on ensuring the effective way of implementing the strategy, has culminated in the review of the organisation's macro-structure and has further been drilled down the entire organisation, through informal and formal consultation processes that are compliant to legislation and internal policies.





## EXCO Members' Appointment Dates and Details



*Period of Service to UUW: 5 months*

*Age: 53*

*Appointed as Chief Executive in July 2024*

### MR SANDILE PSYCHOLOGY MKHIZE

#### Qualifications and experience

BSc in Chemistry and Microbiology, Bachelor of Technology in Biotechnology, Masters Degree in Environmental Biotechnology

Mr Mkhize has over 20 years of work experience in various roles in both the public and private sector and 10 years of those in the water and sanitation and environmental sectors at senior and executive level. Before joining uMngeni-uThukela Water he served as a Chief Executive Officer of Magalies, a position he was promoted to after serving as its Chief Operating Officer, after working in various senior positions in the private sector including the mining companies, provincial and national government. An accomplished leader, Mr Mkhize has skills in Environmental Rehabilitation/ remediation, Environmental Risk Management, Integrated Environmental Management and Water Resources Management and Planning amongst others.

#### Other Key Directorships and/or Professional designations held

Member of WISA, IoDSA



*Period of Service to UUW:  
2 Years and 5 Months*

*Age: 46*

*Appointed as Chief Financial  
Officer in February 2022*

### MR TAMSANQA MKHWANAZI CA (SA)

#### Qualifications and experience

B. Com (Accounting), B. Com Honours (CTA)

Mr. Mkhwanazi has over 22 years of experience of which 12 years was in the private sector which spans across the automotive, retail and wholesale, import and export of medical equipment, and the logistics sectors. Two of the entities were part of the listed group of companies. 9 years in the public sector as Chief Financial Officer. Of the 22 years, 16 years has been at the management level and 13 of those years at the senior management level. The public sector experience spans across a municipality, two municipal entities, and a section 3A state-owned entity.

#### Other Key Directorships and/or Professional designations held

Chartered Accountant South Africa, IoDSA



*Period of Service to UUW:  
11 years*

*Age: 39*

*Appointed as the Chief  
Operating Officer in July 2024*

### MR SANELE MAZIBUKO

#### Qualifications and experience

BSc Chemical Engineering, BEng (Hon) Water Utilization, MEng Chemical Engineering, BCom Financial Management.

Mr. Mazibuko has over 16 years' experience in design and operations in process engineering from various industries including speciality chemicals, FMCG, pulp and paper, and water and wastewater. Serves as Board Member for the Water Institute of Southern Africa (WISA) since 2019 where he is responsible for strategy formulation and implementation on water governance and management in Southern Africa. He is also an Industry Advisory Board Member for the Department of Chemical Engineering in UKZN since 2017 where he gives critical input on academic programmes to be aligned with the industry needs.

#### Other Key Directorships and/or Professional designations held

Professional Engineer with Engineering Council of South Africa, Served as Board Member of Water Institute of Southern Africa. IoDSA



*Period of Service to Uuw:*

*2 years 4 months*

*Age: 59 years*

*Appointed as the Acting  
Chief Shared Services  
Officer in December 2023*

### **MS MOKETENYANE MOLEKO**

#### **Qualifications and experience**

BComm, MDP, Post Grad Diploma in Business Management

Ms Moleko has more than 30 years working for state owned entities in different portfolios. She has worked for Eskom, South African Airways, MerSeta, erstwhile Umgeni Water and CIDB.

#### **Other Key Directorships and/or Professional designations held**

Member of the South African Reward Association (SARA), IoDSA



*Period of Service to Uuw:*

*01 January 2022- to date*

*Age: 44 years*

*Appointed as Chief  
Governance and Compliance  
Officer in July 2022*

### **MR SBUSISO MADONSELA**

#### **Qualifications and experience**

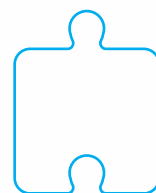
Bachelor of Laws (LLB), Postgraduate Diploma in Compliance, Master of Laws (LLM)

Prior to that he was the Competition Commission's Legal Counsel. Had a stint in private legal practice. Served as a Trustee of the Umgeni Water Provident Fund and later as the Fund's Principal Officer. Was re-appointed as Group Company Secretary from 01 January 2022. Was appointed as Chief Governance and Compliance Officer from 01 July 2022.

#### **Other Key Directorships and/or Professional designations held**

Legal Practice Council, IRMSA, IoDSA

The Chief Executive, supported by divisional heads, manages daily operations. The Executive Committee oversees strategy and policy, while subsidiaries operate independently to support the entity's mandate.





## 07

SOCIAL AND ETHICS  
COMMITTEE REPORT

The uMngeni-uThukela Water report (June 2024) shows strong ethics management, with 97% of goals met, and plans to boost stakeholder engagement and ethical culture.



**Ms Nothando Mkhize**  
Chairperson of the Social and Ethics Committee

### Foreword

I am pleased to present the Social and Ethics Committee report for the year ending June 2024. uMngeni-uThukela Water is committed to ethical leadership and to conducting its business in an honest and transparent manner. Good governance principles have elevated the social and ethics matters to board level, thus ensuring that they are treated as matters of strategic importance. During the reporting period, the Social and Ethics Committee managed to execute their roles and responsibilities in line with the approved Integrated Ethics Management framework.

### Integrated Ethics Management Framework

uMngeni-uThukela Water has formally adopted best practice principles as contained in King IV with respect to ethics and fraud-prevention planning. This enables, among other aspects, greater accountability and transparency, an integrated approach to corporate governance in view of economic, social and environmental spheres, and a greater integration between the role and function of the Social and Ethics Committee and other Board committees. In a pursuit of achieving an ethical culture, uMngeni-uThukela Water has adopted an integrated approach in improving the management of ethics. This includes assessing the organisational culture; conducting ethics risk assessment, drafting an ethics strategy, revising its code of ethics; institutionalising ethics into the organisation and auditing and verifying the effectiveness of the programme whilst reporting back to stakeholders, which will ultimately build and ethical culture.

- Firstly, uMngeni-uThukela Water considers, and is accountable for, its impact on the economy in which it operates. It does not undermine fair competition, or harm local economic development, but rather that it contributes positively to the sector.

- Secondly, uMngeni-uThukela Water considers its impact on the workplace. They take care of the health, safety and development of its employees.
- Thirdly, uMngeni-uThukela Water considers its impact on the social environment; in other words, the people and communities affected by its operations, the effects of its products and services on the safety, health and quality of life of consumers.
- Finally, uMngeni-uThukela Water considers how its activities impact on the natural environment. This brings into play such issues as pollution, waste management and the responsible use of natural resources.

During the reporting period, regular reports on the ethics performance and implementation of the ethics programme forms part of the monitoring and reporting phase of the framework which ensures tracking performance towards a mature and sustainable ethical culture over time. An integrated approach incorporating financial, social and environmental ethics will ensure this continued sustainability. This comprehensive Ethics Management Framework is also a translation of uMngeni-uThukela Waters' strategy to fight fraud in a holistic manner while reducing potential risk to the organization's assets, service delivery efficiency, and reputation. 97% of the goals were met within the financial year 2023/2024.

The review of the Social and Ethics Committee will take place in Q1 of 2024/2025 to finalize the full quarter performance. The social and ethics performance is tracked via this implementation plan and the quarterly ethics management reports submitted to the social and ethics committee is based on the key deliverables per quarter that were contained in the Ethics Implementation Plan for 2023/2024, and this was approved by the Social and Ethics Committee in 2023. This in turn allowed us to implement all the activities to ensure we reach a target of building an ethical culture.

## Roles and Responsibilities

During the financial year, the Social and Ethics Committee continued to provide assurance to the board that there is effective institutional-wide prevention of fraud and corruption and that where there are complaints, those are effectively managed and appropriately followed-up and efficiently investigated. During the financial year, management reports on progress and risks regarding social and ethics performance, integrity reports, social and economic development, environmental and public health, good corporate citizenship, consumer relationships, labour and employment and other functions falling within the delegated authority of the Social and Ethics Committee. uMngeni-uThukela Water is committed to a water services business that is sustainable and therefore supports the Ten Principles of the United Nations Global Compact on human rights, labour, environment, and anti-corruption. Being part of this initiative ensures that we continue to develop policies and implement programmes to address all forms of corruptions. The Social and Ethics Committee further monitors progress on this initiative.

## Governance of ethics

The Board has in place a Code of Ethics and a Pledge, as well as a Board Charter as a commitment to providing effective leadership based on an ethical foundation and in line with uMngeni-uThukela Water's core values for ethical behaviour. Ethics is embedded in uMngeni-uThukela Water's corporate culture as all policies, structures, systems and processes are in place to ensure that the board, employees and service providers are familiar with and adhere to the organisation's ethical standards.

During the reporting period, the incoming Board ensured its commitment to ethical leadership by establishing a stand-alone Social and Ethics Committee reporting directly to the Board as opposed to previously being a subcommittee of the Audit Committee. The year saw the Committee realign and approve its Terms of Reference for the implementation of its critical role of ensuring the continued efforts in creating an ethical culture. The primary purpose of the SEC committee is to oversee the group's activities regarding sustainable social and economic development initiatives, Corporate Social initiatives, stakeholder relationships, labour and employment, the promotion of equality, and ethics management. The Committee provides assurance to the Board that there are effective ethics management systems, institution-wide prevention of fraud and corruption and ensures that all complaints, queries and whistleblowing calls are managed effectively, followed up appropriately and investigated competently. The approved Board Plan ensured that the Social and Ethics Committees objectives as set out in the Terms of Reference were carried out in four (4) quarterly meetings during this period which was adequate to deal with the various matters contemplated in the Companies Act read with Regulation 43 of the Companies Regulations, 2011 as well as the committee's mandate and terms of reference. Quarterly reports discussed at uMngeni-uThukela Water Social and Ethics Committee meetings assisted the Board to make strategic decisions with regards to ethical leadership.

During the reporting period, the Committee further made input and recommended to the Board for the approval the changes affecting the subcommittee in terms of the Strategic Delegation of Authority Framework. The committee further approved the Sponsorships and Donations policy, clearly articulating the approach to be followed when the organisation makes a sponsorships that is within the ethical prescripts. A review of the Integrated Stakeholder Management Strategy which serves as a road map for engagements and communication with uMngeni-uThukela Water's vast array of stakeholders was interrogated and approved by the Social and Ethics Committee to ensure a fair and transparent engagements process when dealing with stakeholders as well as creating shareholder value and trust. During the reporting period, uMngeni-uThukela Water's website was updated to align to the current changes relating to the name change and the appointment of the new Board.

## Code of Ethics

During this reporting period, the Board approved the Code of Ethics which provides guidelines for ethical decision-making by all employees, board members, and stakeholders. The code formally acknowledges the organisation's intent to undertake business in an ethical manner and is communicated to all employees through various awareness and communication forums and programmes.

## Ethics Risk

The organisation commits to continuously and proactively managing risk to ensure organisational sustainability. To ensure that uMngeni-uThukela Water is equipped with an early warning detection mechanism for ethics risk, a formal ethics opportunity-risk assessment, culminating in an ethics risk profile, ensured that the organisation is equipped with early warning tools to assess ethics risks. During this reporting period, the rationalization of the former Umgeni Water (UW) and Mhlathuze Water (MW) risks into a consolidated risk register for the organisation took place. This framed the position of the organisation in order to reinforced controls of a combined entity. Further quarterly ethics risks reports were presented at the divisional risk review meetings to interrogate their controls to confirm risk ratings and scores. The confirmed control effectiveness, reliance, and risk ratings and scores were discussed at Corporate risk Committee and elevated to the Social and Ethics Committee. uMngeni-uThukela Management ensures that the recommended risk mitigation plans are reviewed, agreed and implemented within specific timeframes and the Ethics Office together with Risk Management monitors the implementation thereof and report on progress made to the Social and Ethics Committee. There are six (6) divisional ethics related risks linked to strategic objectives and all are within the risk appetite and tolerance levels.

## Ethics Awareness and Training

During the reporting period, awareness and training continued to be high up on the ethics agenda, The 'Ethics Splash' an internal ethics brochure provides constant reminders to staff of what is acceptable behaviour within the organisation, was communicated to all staff. Communication and feedback to staff on calls received and internal controls that were strengthened in some areas, alerting staff that the Code of Ethics updates, reinforcing the hotline number and how to make a call as well as interesting reads on ethics were included in this brochure. The positive feedback we receive from staff members on the publication shows the reach as well as the interest of staff in matters of ethics and performance. An ongoing focus on ethics in every changing environment is of utmost importance to keep abreast with legislation as well as creating awareness and ethics and of the hotline facility and ensure that the number is adequately advertised by means of posters, intranet, staff information and induction sessions, supplier forums as well as and other means deemed effective and appropriate.

uMngeni-uThukela Water participated in the Ethics Institutes 11th Annual Conference as well as attended the World Whistleblower Webinar, Ethics Ambassador training and the Ethics Learning forums on Improving Ethical Conduct in Organizations through The Ethics Institution. We further raised awareness on Global Ethics Day 2023 in empowering ethics as a force for good and dispelling misconceptions about ethics.

The hotline service for the former Mhlathuze Water was terminated in September 2023 and an addendum to the uMngeni-uThukela Water contract to include an ensure there is one dedicated channel for whistleblowing saw and establishment in September 2023. The hotline protocol and procedure were updated during the reporting period to reflect the new Board and Social and Ethics committee's details. Further, subscribing to membership of The Ethics Institution for the Social and Ethics Committee ensures the members are kept abreast with latest developments and training with regards to best practice in ethics. We also created awareness of the new hotline number in the Northeast region as the former hotline number was cancelled and we have a main hotline for the group. The Board including the Social and Ethics Committee were onboarded and inducted on the Integrated Ethics Management Framework and Hotline Awareness during the reporting period.



## Ethics Management Strategy

To keep the integrated framework alive and track its objectives of meeting an ethical culture saw the review and approval of the ethics management strategy during the year. An ethics management strategy that is led by the ethics office and guided by the ethics champion is the third dimension of an Integrated Ethics Management Framework. The ethics management strategy was designed after the ethics risk assessment and will assist uMngeni-uThukela Water in identifying ethics focus areas to build ethics interventions to address problems and build the ethical culture.

The ethics management strategy encompasses a plan of coordinated actions designed to achieve the ethics goals and is translated into an implementation plan every year. A review was necessary to assess the scale of ethics maturity as well as cosmetic changes after the last review in June 2023, whereby we promote responsible, ethical behaviour, due to the integrated approach of managing ethics, we have raised the level of corporate ethical performance by including a target into our strategic objectives on ethics management and ethics behaviour is detected and recognised. As an organisation we are cognizant to the fact that this desired ethical culture cannot be achieved in the short term but requires sustained leadership commitment to ensure an ethical culture over time. The embedding of an ethical culture could take three to five years to reach maturity and move to a totally aligned mode of ethics. The review saw that uMngeni-uThukela Water has transitioned from the compliance mode and is operating in an integrity mode, whereby we promote responsible, ethical behaviour, due to the integrated approach of managing ethics, we have raised the level of corporate ethical performance by including a target into our strategic objectives on ethics management and ethics behaviour is detected and recognised.

## Hotline Facility

The Social and Ethics Committee provides assurance to the Board that there is effective institutional-wide prevention of fraud and corruption, and that complaints and allegations are effectively managed, appropriately followed-up and efficiently investigated. Hotline monitoring and tracking reports were submitted in to all four Social and Ethics Committee meetings for approval and monitoring of investigations and controls.

uMngeni-uThukela Water uses its external whistle-blowing hotline service managed by an external service provider as a means of fraud detection and as a means of encouraging an ethical culture. This 24-hour - 365-day facility provides an anonymous and confidential communication channel for all stakeholders to report suspicions of fraud or otherwise unethical conduct. During the reporting period, a review of the fraud hotline protocol procedure was necessary in line with the macro structure and new interim Board details to ensure implementation. The procedure ensures that all calls received by the whistleblowing hotline are dealt with in a transparent and consistent manner,

During the reporting period, 18 calls were received ranging from low to medium in nature. Consequence management instituted for allegations that proved to have substance were implemented with internal controls tightened to mitigate other weakness identified. The ability for employees to report on ethical breaches, ask questions, or provide suggestions provides leadership with an opportunity to identify troubling hotspots and prevent possible disasters from happening. Confidence in non-retaliation when speaking up can boost internal conversation, anonymous or otherwise, because employees feel safe to report what they see, when they see it. When employees feel safe to report misconduct, it sends a clear message that management is interested in having easy, or tough conversations, and is interested in what employees have to say. This helps create a speak-up culture, and this can reduce harmful risks to the organisation.

uMngeni-uThukela Water shall endeavour to create and maintain an awareness of this facility and ensure that the number is adequately advertised by means of posters, intranet and other means deemed effective and appropriate.

All hotline call reports will be taken seriously and will be assessed. On receipt, the organisation has in place a hotline protocol and procedure for dealing with all hotline calls and allegations. Staff will be given de-personalised feedback on hotline call reports and action taken as a result of the hotline reports at the staff information sessions. Employees must be made aware not make allegations that are false with malicious intentions. Where such malicious or false allegations are discovered, the person who made the allegations will be subjected to firm disciplinary action or any other appropriate action. Provision for anonymity to any individual who willingly comes forward to report a suspicion of fraud is a key to encouraging such reporting.

uMngeni-uThukela Water staff should feel comfortable to raise concerns, knowing they will be taken seriously, and the concerns dealt with fairly. uMngeni-uThukela Water will use ethics ambassadors to act as advocates for the system to promote its efficacy. This can ensure ethical values are disseminated and supported throughout the organisation. Ethical values are embedded in employee selection, communication is open, policies empower employees to behave ethically, and leadership genuinely pursues ethical outcomes.

## Ethics Ambassadors

During the 2023/2024 financial year, uMngeni-uThukela Water Ethics Ambassadors continued to implement its TORs. These divisional ambassadors are the go-to person regarding ethics in the division, region, department, or section of the organisation. They further support the ethics management function and act as facilitators of ethics. An ethics workplan and quarterly meetings ensured targeted ethics communication to the ambassadors as conduits of ethics awareness and communication. All Ethics ambassadors attended training on their duties and responsibilities. The role of the ambassadors is a conduit of ethics information and are considered the voice of the ethics management function. Their role includes the dissemination and distribution of the ethics message in the organisation over and above the communication efforts of the ethics management function. They assist the ethics management function to quickly tap into the ethical culture or climate of their organisations with the aim of enhancing them meaningfully.

## Fraud Prevention

Whilst Ethics is promotion of ethical culture, fraud is the punishment of unethical behaviour. uMngeni-uThukela Water is mindful that although it has in place policies and procedures for preventing, there can be instances where "fraud happens." It is therefore important to put preventive and detective techniques in place to mitigate the exposure. While prevention encompasses policies, procedures, training, and communication, detection involves activities and programs designed to identify fraud or misconduct that is occurring or has occurred. High fraud risk areas such as Supply chain management, Human Resources and Finance remain high up on the plan with mitigations to support addressing fraud risk.

The potential controls like the code of ethics, disclosure of interests, delegation of authority limits, performing background checks, induction programmes, information security, performance management systems, transaction-level procedures for third party and related party transactions and business process controls all help prevent possible fraud. During the reporting period quarter, our main theme was Fraud and the Fraud Awareness Campaign that ran from 12 -18 November 2023. We shared a five-day series of text and video-based learning materials with the aim of achieving a widespread understanding and awareness of the subject of fraud. While our management controls, including our policies and procedures, play a critical role in fraud mitigation, fraud schemes are evolving all the time, and this means that fraud awareness creation needs to be an ongoing process. This five-day campaign was a 'microlearning' programme designed to have the strongest educational impact in the shortest possible time.

## Independent Assessment and External Reporting

The Board will ensure that the organisation's ethics performance is assessed, monitored, reported, and disclosed. There is an independent assessment of the adequacy and effectiveness of the ethics management framework and processes. During the reporting period an independent assessment was conducted on the Ethics Management Processes and Framework, we are pleased to announce there was no material findings.

## Looking Ahead

uMngeni-uThukela Water will continue to intensify its efforts to creating an ethical culture in all areas of the business. The Social aspect of ethics will be the main focus of the committee in the coming year.

- Stakeholder Engagement and ensuring aligned ethical application of the sponsorship and donations policy and procedure.
- The Social and Ethics Performance Review will ensure that challenges and misalignment areas in the TORS are addressed in order to ensure that the Social and Ethics Committee comply with its mandate.
- An independent Ethics Risk assessment
- CSI will be a focus area in the new reporting cycle, also ensuring targeted and aligned strategies in place for CSI for a positive impact on the communities we serve
- Increase communication and awareness on ethics matters
- Focus on stakeholder, Marketing and Branding Report (The organisation's advertising, promotional activity and community engagements, complaints received, compliance with consumer protection laws and advertising laws, any breaches).
- Once the moratorium on recruitment is lifted the Ethics office will be resourced and assist with the implementation of its strategy and plan.

## Ethical Culture

uMngeni-uThukela Water will drive, build and maintain an organisational culture marked by ethical leadership, ethics awareness, ethical decision-making, and sustained ethical behaviour. This ethical culture cannot be achieved in the short term but requires sustained leadership commitment to ensure an ethical culture over time. The embedding of an ethical culture could take three to five years to reach maturity.

uMngeni-uThukela Water will strive to build genuine commitment to doing the right thing. Ethics management will ensure that there is alignment with organisational strategies and operations with basic ethical standards of what is good, right and fair. The ethics office will measure ethical culture, influences it, reassesses it to evaluate improvement, and reports on progress. A strong ethical culture will potentially minimise the risk of ethical breaches and the negative costs and consequences that flow from ethical failure. Strong ethics management should lead to an ethical culture and by implication improve integrated sustainability.

uMngeni-uThukela Water is confident that the leadership, governance structures and phases in the ethics management framework as well as assurance providers input, will assist the Board build and maintain an ethical culture, with enhance investor confidence and stakeholder value.



**Nothando Mkhize**

Chairperson of the Social and Ethics Committee

28 November 2024



## 08

# STAKEHOLDER UNDERSTANDING AND SUPPORT

uMngeni-uThukela Water engages regularly with diverse stakeholders, including communities and officials, to improve water services and infrastructure. Media coverage is largely positive or neutral, helping maintain a strong reputation.

## 8.1 Stakeholder Interaction and Engagements

A key Strategic Objective of uMngeni-uThukela Water is to increase customer and stakeholder value, understanding and support, as well as ensure that relationships developed remain constructive. In order to achieve this, a structured and regular engagements with stakeholders take place consistently. Stakeholder engagements are undertaken by uMngeni-uThukela Water's Board, management and officials, and these occur with individuals and organisations that are impacted on, affected or may have an interest in the core functions of the organisation. As a reflection of the seriousness with which uMngeni-uThukela Water regards stakeholder engagement and cordial relations, stakeholders have been categorised into four groups. These groups are: *Statutory*, *Strategic*, *Contracted* and *Non-Contracted*. Some engagements are mandatory as they are a requirements of the Water Services Act, Act No 108 of 1997, the Municipal Finance Management Act 56 of 2003 and contractual obligations as per bulk supply agreements with municipal customers.

### Statutory:

- Minister of Water and Sanitation (Executive Authority)
- Department of Water and Sanitation (DWS), including Director-General (DG) and Deputy Director-Generals (DDGs)
- Portfolio Committee with oversight for Water and Sanitation via Executive Authority
- National Treasury via Executive Authority

### Strategic Stakeholders:

- Provincial Stakeholders, including, Office of the Premier, KZN EDTEA, CoGTA, KZN Planning Commission
- SALGA and SAAWU
- Human Rights Commission
- Water sector institutions and sector professional organisations

### UMNGENI-UTHUKELA WATER STAKEHOLDERS

### Contracted:

- Customers (WSAs & Industries)
- Union
- Staff
- Suppliers
- Investors
- IngonyamaTrust

### Non-Contracted:

- Communities
- Environmentalists
- Media
- Academia/Research
- Other Partners/Collaborators

## Engagements with stakeholders on crucial issues

During the financial year under review, as uMngeni-uThukela Water we realised that our ability to remain resilient and sustainable hinges on how well we manage our relationship with all our stakeholders. Led by members of the Board and the Executive and, in certain instances by the Minister of Water and Sanitation, we held a number of engagements with various role players including *amakhosi*, mayors, councillors and captains of industry to count a few among many.

These engagements culminated in robust discussions and resolutions being taken on how to improve bulk water provision or plans to develop potable water infrastructure in instances where such was lacking.

## Ministerial interventions

The Board and Executives of uMngeni-uThukela Water participated in a number of a community outreach programmes which were led by the Minister of Water and Sanitation. These were geared towards either inspecting progress on the implementation of infrastructure projects, updating communities and stakeholders on progress on implementation or issuing directives to uMngeni-uThukela Water to undertake emergency or long term relief efforts towards water provision.

Some of the visits took place as follows:

- **Ugu District Municipality** - Lower uMkhomazi Bulk Water Supply Scheme Launch
- **uMgungundlovu District** - Upper uMkhomazi site visit and signing of off-take agreement
- **UThukela District** - Announcement of Section 63 intervention
- **eThekweni Municipality** - KwaXimba, community engagement on water infrastructure
- **ILembe District** - KwaMaphumulo, community engagement on water infrastructure
- **Zululand District** - Babanango, community engagement on water infrastructure
- **uMkhanyakude District** - Jozini, launch of Water User Associations

uMngeni-uThukela Water's other pre-arranged engagements continued with other stakeholders during the period under review. These were meetings with the Office of the Public Protector, Durban Chamber of Commerce and Industry; the Ingonyama Trust Board; other municipal customers of uMngeni-uThukela Water; the Department of Water and Sanitation; the Trans-Caledon Tunnel Authority (TCTA), Verulam Water Crisis Committee, Phoenix Water Crisis Committee where numerous strategic focus areas were discussed, including:

- The ability of uMngeni-uThukela Water to supply bulk water to WSAs as per contractual agreements;
- The delivery of uMngeni-uThukela Water's audited annual performance results;
- Consultation on the proposed bulk water tariff for the new financial year, and,
- The five-year bulk potable water infrastructure development programme

Engagements also took place with the King Cetshwayo District, uMkhanyakude District as well the Msunduzi Local Municipalities during the process of mediation over municipal outstanding debt for services provided by uMngeni-uThukela Water. The potential buy-back of the Darvill Wastewater Treatment Plant by Msunduzi Local Municipality was also discussed.

All statutory documents for the reporting year were submitted as per deadlines.

## 8.2 Key Areas of Discussions with Stakeholders

A large number of customer engagements took place, including strategic and operational meetings. Engagements with uMngeni-uThukela Water's customers focused on performance with respect to bulk supply agreements, service delivery needs, infrastructure plans, status of water resources and water conservation and demand management. Events that were either hosted by uMngeni-uThukela Water or in which the entity participated were:

- Presentation of uMngeni-uThukela Water 2022/2023 annual performance to stakeholders;
- Presentation of the Capital Expenditure Programme and explanation of the workings of Enterprise Development to the Black Business Federation, with whom uMngeni-uThukela Water has signed a Memorandum of Agreement;
- Various inter-governmental platforms to discuss strategies and plans to ensure future water security in support of business development;
- A signing ceremony to formalise off-take agreements for the uMkhomazi Dam between uMngeni-uThukela Water and the Harry Gwala District, Ugu District, eThekweni Metropolitan, Msunduzi and uMgungundlovu District Municipalities;
- Information sharing session with Overberg Water; and
- Information sharing session with a delegation by Royal Eswatini Sugar.

uMngeni-uThukela Water is aware of the importance of maintaining a healthy internal pulse. In this regard, engagements took place with employees and the organised labour formation, represented by the National Education, Health and Allied Workers' Union and the South African Municipal Workers Union. This included visits to sites to interact with staff members, commemoration of special days in the year, the introduction of the new Board, induction of new employees and communiqués designed to inform employees of events, Ministerial and Board announcements and speeches.

**As uMngeni-uThukela Water, we realise that our ability to remain resilient and sustainable hinges on how well we manage our relationship with all our stakeholders.**

**Table 8.1: uMngeni-uThukela Water Stakeholders, Basis for Engagement and Value Proposition**

| uMngeni-uThukela Stakeholders, Basis for Engagement and Value Proposition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                                                                                                            |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|
| Statutory Stakeholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                            |
| Stakeholders who have a regulatory or oversight function over uMngeni-uThukela Water, among them the Minister of Water and Sanitation, the Department of Water and Sanitation, the Portfolio Committee with oversight on Water and Sanitation and the National Treasury. uMngeni-uThukela Water, a State-owned entity, is required to interact with these stakeholders on a formal and regular basis to ensure that statutory obligations are met and there is alignment with the Government's objectives, strategies and plans.                                                                                                                                                                                                                                                                                                |                                                                                                            |
| <ul style="list-style-type: none"> <li>Minister of Water and Sanitation</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | <ul style="list-style-type: none"> <li>Department of Water and Sanitation</li> </ul>                       |
| <ul style="list-style-type: none"> <li>Portfolio Committee with oversight on Water and Sanitation</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>National Treasury</li> </ul>                                        |
| <p><b>Basis for engagement:</b> Delivery on mandate, compliant with the Water Services Act, the Public Finance Management Act and other pertinent legislation and regulations, delivering strategy and plans aligned to the Government outcomes and Executive Authority expectations, demonstrating adequate water resource planning mobilisation, investing in water infrastructure, ensuring efficient water use and conservation and water quality management, demonstrating a well-governed and efficiently run entity, ensuring performance in line with financial and predetermined objectives and plans to deliver sustainability, a partner that shows alignment with water sector communication strategies and plans, and a leader that contributes to establishing synergies in value chain and the water sector.</p> |                                                                                                            |
| Strategic Stakeholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                                                            |
| Provincial and some national stakeholders to whom uMngeni-uThukela Water provides information relating to organisational performance, water resource status, capital infrastructure plans, solutions to prolonged bulk water supply interruptions and expertise available to assist vulnerable water boards and municipalities.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                            |
| <ul style="list-style-type: none"> <li>KwaZulu-Natal (KZN) Provincial Stakeholders, including the Office of the Premier, KZN EDTEA, CoGTA and KZN Planning Commission</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | <ul style="list-style-type: none"> <li>South African Human Rights Commission</li> </ul>                    |
| <ul style="list-style-type: none"> <li>South African Local Government Association (SALGA)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <ul style="list-style-type: none"> <li>Water Sector Institutions</li> </ul>                                |
| <ul style="list-style-type: none"> <li>South African Association of Water Utilities (SAAWU)</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | <ul style="list-style-type: none"> <li>Professional organisations representing sector employees</li> </ul> |
| <p><b>Basis for engagement:</b> Structured implementation plan to enhance assurance of supply and extend water services to previously unserved communities, affordable tariff, water resource adequacy and sustainability as a catalyst for economic expansion, delivery on mandate and alignment to policy and National and Provincial Development Plans, partner in service delivery, accelerated service delivery, corporate governance, benchmarking and strategic information exchanges, collaboration in major events and celebrations and proactive measures to mitigate effects of prolonged water shortages and supply interruptions.</p>                                                                                                                                                                              |                                                                                                            |
| <p><b>uMngeni-uThukela Water, KZN Province and other Strategic Stakeholders desire:</b> Sound water services delivery partnerships, affordable services, role in ensuring regional economic growth and development and exchange of strategic information.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                                                                                                            |
| <p><b>uMngeni-uThukela Water, sector institutions and professional organisations desire:</b> Sound water services delivery partnerships, information exchange, partnerships to enhance knowledge and service delivery and collaboration in projects</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                            |
| <p><b>Basis for engagement:</b> Information exchange and knowledge management, collaboration in water research and development, support for water centres of excellence, student internships and experiential training and exposure, study tours and site visits, collaboration in major events, such as National Water Week, participation in international exhibitions, specifically in Africa, knowledge management, networking and responding to bilateral agreements between South Africa and other African countries and continental water utilities.</p>                                                                                                                                                                                                                                                                 |                                                                                                            |
| <p><b>uMngeni-uThukela Water and water sector-related institutions desire:</b> A partner and sector collaborator that contributes to knowledge and skills development for the country, province and region.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                                                                                                            |
| Contracted Stakeholders                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                            |
| Stakeholders with whom uMngeni-uThukela Water has contracted to provide or purchase products, services and goods. They include customers, suppliers and investors and, in the case of employees and organised labour, provision of employment and accompanying service benefits.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                                                                                                            |



Water Service Authorities in KwaZulu-Natal with whom uMngeni-uThukela Water has bulk supply agreements comprise:

|                                       |                                          |
|---------------------------------------|------------------------------------------|
| • eThekweni Metropolitan Municipality | • Ugu District Municipality              |
| • Msunduzi Municipality               | • Harry Gwala District Municipality, and |
| • uMgungundlovu District Municipality | • King Cetshwayo District Municipality   |
| • iLembe District Municipality        | • City of Umhlathuze Municipality        |

**Basis for engagement:** Service agreements, assurance of supply, quality and quantity, care and support, responsive to needs, tariff consultation, partnerships in socio-development initiatives and partnerships in corporate Social Investment (CSI) initiatives.

*uMngeni-uThukela Water and WSA customers both desire: A high-performing, efficient, effective and responsive Water Services Provider.*

|                                                 |                                                                 |
|-------------------------------------------------|-----------------------------------------------------------------|
| • Employees of uMngeni-uThukela Water           | • National Education, Health and Allied Workers' Union (NEHAWU) |
| • South African Municipal Workers' Union (SAMU) |                                                                 |

**Basis for engagement:** Compliance with collective agreement, demonstrating relevance as an organisation that adds value to the sector, regular feedback and communication regarding sector issues and organisational performance, regular information sharing and feedback on entity events planned and held, equitable jobs, fair labour practice, good working conditions, enabling work environment and communication, fair market-related compensation and service conditions, sound performance management and recognition system and engaged employees, productivity, delivery and return on investment.

**uMngeni-uThukela Water management, union and staff all desire:** An equitable company, whose policies, practices, systems and feedback create motivated, engaged and aligned employees.

|                                   |                                              |
|-----------------------------------|----------------------------------------------|
| • Suppliers and Service Providers | • Investors and other Financial Institutions |
| • Ingonyama Trust Board           |                                              |

#### Non-contracted Stakeholders

*Stakeholders to whom uMngeni-uThukela Water demonstrates its value as a socially responsible, efficient and high-performing entity.*

|                                                           |  |
|-----------------------------------------------------------|--|
| • Community and Civil Society Institutions and Formations |  |
|-----------------------------------------------------------|--|

**Basis for engagement:** uMngeni-uThukela Water's provision of assurance of supply, quality and quantity, information on tariff, demonstration of responsible corporate citizenship and information sharing on infrastructure development projects. In turn, uMngeni-uThukela Water encourages recognition for creating value, pollution prevention and safeguarding of water supply resources.

**uMngeni-uThukela Water and business desire:** A sustainable entity that adds value to society through sound balance of economic growth, social development and environmental sustainability.

|                                 |  |
|---------------------------------|--|
| • South African Weather Service |  |
|---------------------------------|--|

**Basis for engagement:** Access to information, demonstrating accountability, transparency and good governance. In turn, uMngeni-uThukela Water expects regular information provision to guide its water resources planning

**uMngeni-uThukela Water and the South African Weather Service desire:** Transparency and regular sharing of information

|                                |  |
|--------------------------------|--|
| • Media and the general public |  |
|--------------------------------|--|

**Basis for engagement:** Access to information, demonstrating accountability, transparency and good governance. In turn, uMngeni-uThukela Water expects accurate and balanced reporting and media integrity.

**uMngeni-uThukela Water and media/public desire:** A sustainable entity that adds value to society.

### 8.3 Frequency of media engagement, nature of coverage received in year under review and elaboration of tonality

An analysis of media coverage is contained in this section. Publicity received by uMngeni-uThukela Water is tracked and analysed by an external service provider. Reports are produced quarterly and submitted to the Ethics Committee and Management in order to ensure they are made aware of key focus areas of media attention. In addition, the quarterly reports on media coverage are incorporated in comprehensive reports on stakeholder engagement that are submitted to the Board and Executive of uMngeni-uThukela Water.

The nature of media coverage received is categorised as Positive, Neutral and Negative, all of which are explained in this section. In the financial year under review, the majority of coverage received was a combination of Positive and Neutral in tonality, which means there was no adverse impact on the reputation of uMngeni-uThukela Water.

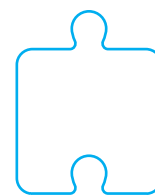
**Positive:** Favourable or Positive media coverage is a powerful image-enhancement and image-building tool that assists in promoting the reputation of uMngeni-uThukela Water as a stable and sustainable entity that is attuned to the needs and expectations of its stakeholders.

In the financial year 2023/2024 uMngeni-uThukela Water received Positive coverage that, together with Neutral coverage, ensured that the organisation's good standing and sound reputation remained intact and were protected.

**Neutral:** This reflects unbiased reporting in which facts are presented as they are and not couched in, for example, emotive language that is intended to negatively influence public opinion. Unbiased reporting is fundamental to journalistic ethics, and reporting of this nature is becoming increasingly visible. This is helpful as it serves to keep the public factually informed and it does not impact – adversely or otherwise – on the reputation of an organisation.

**Negative:** Research has shown that reports of this nature have a profound effect on public opinion and impressions, leading to significant damage to the reputation of an individual, organisation or entity on which a report is based. Reports of this nature are sometimes the result of an unwelcome incident or incidents that is/are beyond the control of the individual, organisation or entity to whom these reports pertain. Increased publicity through “follow ups” exacerbate the situation. Managing such damage is imperative and should be instituted immediately.

In 2023/2024, the organisation received Positive and Neutral coverage, which ensured that the organisation's reputation remained intact.



Darvill Wastewater Treatment Works







# **PART B**

## **BUSINESS MODEL AND PERFORMANCE INFORMATION**

uMngeni-uThukela Water provides water and wastewater services, with performance measured by service quality, financial results, and efficiency.



09

# ANNUAL PERFORMANCE REPORT 2023/24

uMngeni-uThukela Water's balanced scorecard for 2023/2024 achieved 96.20% of targets, showing strong performance in customer satisfaction, financial results, and operational efficiency.

uMngeni-uThukela Water implements its strategy through a balanced scorecard. For the past year, this comprised Four Perspectives and 12 Strategic Objectives.

The Performance Objectives are further made up of 54 total annual measurable Result Indicators, for which responsibilities and accountabilities were agreed and targets approved within the entity at the start of the year. These Result Indicators include all statutory indicators specifically targeted by the Executive Authority and approved through the Shareholder Compact.

Collectively, the scorecard enables the organisation to achieve its ten Outcomes and ultimately its Mission of **creating value for our customers through providing innovative, sustainable, effective and affordable water and related services**

For the period 1 July 2023 to 30 June 2024, the planned initiatives were implemented and progress was assessed by the entity. The detailed scorecard follows. Performance against the strategy is also illustrated graphically in **Figures 9.1 and 9.2**.

Percent targets met **96.20%**

Percent targets not met **3.80%**

uMngeni-uThukela Water has achieved excellent performance for the year continuing its positive performance trend over the years. This is illustrative of an entity that has delivered well against its mission and mandate to provide innovative, sustainable, effective and affordable bulk water and sanitation services.

For the Customer and Stakeholder perspective:

**100% performance was achieved, of which:**

- SO 1 – Improve stakeholder value achieved 100%;
- SO 2 – Improve customer value achieved 100%.

**Key outcomes: Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability**

For the Financial perspective:

**99.60% performance was achieved, of which:**

- SO 3 – Improve Financial Sustainability achieved 99.60%;

**Key outcome: Financial Viability**

For the Process Perspective:

**91.33% performance was achieved, of which:**

- SO 4 – Improve stakeholder engagement 92.60%;
- SO 5 – Improve governance processes achieved 83.89%;
- SO 6 – Improve internal efficiency and effectiveness achieved 100%;
- SO 7 – Increase customers and services achieved 100%

- SO 8 – Improve product and service quality achieved 100%

**Key outcomes: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality**

For the Organisational capacity:

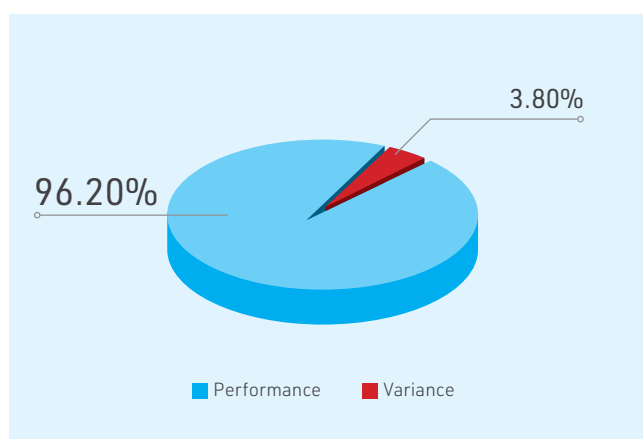
**98.87% performance was achieved , of which :**

- SO 9 – Improve skills and competency achieved 100%;
- SO 10 – Improve the use of data and technology achieved 100%;
- SO 11 – Improve work culture achieved 100%.
- SO 12 – Increase supply security achieved 97.63%.

**Key outcomes: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability**

**uMngeni-uThukela  
Water Performance  
(2023/2024): Customer  
& Stakeholder 100%,  
Financial 99.60%,  
Process 91.33%,  
Organisational  
Capacity 98.73%.**

**Figure 9.1:** uMngeni-uThukela Water overall Performance



**Figure 9.2:** Performance per Strategic Objective



The detailed performance of the organisation against indicators and targets for 2023/2024 follows, with further expansion in each of the Annual Report chapters.

### Scorecard 2023/2024<sup>1</sup>

| #                                                                                                                         | Result Indicator                                                            | Target                       | Actuals                                                                   | Reason for Variance                                                                                                                   |
|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------------------------|---------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <b>Balanced Scorecard Perspective: CUSTOMER AND STAKEHOLDER PERSPECTIVE</b>                                               |                                                                             |                              |                                                                           |                                                                                                                                       |
| <b>OUTCOMES: Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability</b> |                                                                             |                              |                                                                           |                                                                                                                                       |
| <b>Strategic Objective 1: Improve Stakeholder Value</b>                                                                   |                                                                             |                              |                                                                           |                                                                                                                                       |
| KPI 1:                                                                                                                    | Per cent Stakeholder satisfaction improvement<br>Action Plan milestones met | ≥ 80%                        | 91% Stakeholder satisfaction<br>improvement Action Plan<br>milestones met | N/A                                                                                                                                   |
| <b>Strategic Objective 2: Improve Customer Value</b>                                                                      |                                                                             |                              |                                                                           |                                                                                                                                       |
| KPI 2:                                                                                                                    | Per cent Customer Satisfaction Improvement<br>Action Plan milestones met    | ≥80%                         | 84% Customer Satisfaction<br>Improvement Action Plan<br>milestones met    | N/A                                                                                                                                   |
| #                                                                                                                         | Result Indicator                                                            | Target                       | Actuals                                                                   | Reason for Variance                                                                                                                   |
| <b>Balanced Scorecard Perspective: FINANCIAL PERSPECTIVE</b>                                                              |                                                                             |                              |                                                                           |                                                                                                                                       |
| <b>OUTCOMES: Financial Viability</b>                                                                                      |                                                                             |                              |                                                                           |                                                                                                                                       |
| <b>Strategic Objective 3: Improve financial sustainability</b>                                                            |                                                                             |                              |                                                                           |                                                                                                                                       |
| KPI 3:                                                                                                                    | Operating cash flows                                                        | ≥ R1 355m                    | R2 317m                                                                   | N/A                                                                                                                                   |
| KPI 4:                                                                                                                    | Current Ratio (SHC)                                                         | ≥ 4.60                       | 6.13                                                                      | N/A                                                                                                                                   |
| KPI 5:                                                                                                                    | Debt to Equity ratio (SHC)                                                  | ≤ 7.40%                      | 6.23%                                                                     | N/A                                                                                                                                   |
| KPI 6:                                                                                                                    | Interest cover ratio                                                        | ≥ 3.33                       | 5.68                                                                      | N/A                                                                                                                                   |
| KPI 7:                                                                                                                    | Number of debtor days (SHC)                                                 | ≤ 48                         | 43                                                                        | N/A                                                                                                                                   |
| KPI 8:                                                                                                                    | Per cent return on assets (SHC)                                             | ≥ 3.13%                      | 4.72%                                                                     | N/A                                                                                                                                   |
| KPI 9:                                                                                                                    | Employee related costs as a % of total operating<br>expenditure (SHC)       | ≤ 35%                        | 23%                                                                       | N/A                                                                                                                                   |
| KPI 10:                                                                                                                   | Total s29 revenue                                                           | R 5.965bn ± 10%              | R6.059bn (within allowable limit)                                         | N/A                                                                                                                                   |
| KPI 11:                                                                                                                   | Total expenditure (SHC)                                                     | R 6.309bn ± 10%              | R6.212bn (within allowable limit)                                         | N/A                                                                                                                                   |
| KPI 12:                                                                                                                   | Total surplus (loss)                                                        | R 716m ± 10%                 | R1.47bn                                                                   | Net finance income was R463m<br>higher than budgeted for, which led<br>to a net profit of R1.47bn                                     |
| KPI 13:                                                                                                                   | Total s30 revenue (SHC)                                                     | R 705m ± 10%<br>11% turnover | R830m<br>12% turnover                                                     | Due to higher sales for water,<br>wastewater to industries and water<br>infrastructure related projects<br>(Ludeke Dam and TG scheme) |
| KPI 14:                                                                                                                   | Gross profit margin for primary activity (SHC)                              | ≥ 54%                        | 55%                                                                       | N/A                                                                                                                                   |
| KPI 15:                                                                                                                   | Net profit margin for primary activity (SHC)                                | ≥ 11%                        | 21%                                                                       | N/A                                                                                                                                   |
| KPI 16:                                                                                                                   | Gross profit margin for secondary activity (SHC)                            | ≥ 38%                        | 46%                                                                       | N/A                                                                                                                                   |
| KPI 17:                                                                                                                   | Net profit margin for secondary activity (SHC)                              | ≥ 10%                        | 25%                                                                       | N/A                                                                                                                                   |



| # | Result Indicator | Target | Actuals | Reason for Variance |
|---|------------------|--------|---------|---------------------|
|---|------------------|--------|---------|---------------------|

#### Balanced Scorecard Perspective: PROCESS PERSPECTIVE

#### OUTCOMES: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality

##### Strategic Objective 4: Improve Stakeholder Engagement

|         |                                                                                                                                                                       |                                                                                                              |                                                                                                                                                                                   |                                                                                                                                                                                                                                                                                                             |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPI 18: | Actual vs Planned stakeholder management plan deliverables met                                                                                                        | ≥ 80%                                                                                                        | ≥ 80%                                                                                                                                                                             | N/A                                                                                                                                                                                                                                                                                                         |
| KPI 19: | Invoice payment turnaround times                                                                                                                                      | ≥ 80% SMME invoices paid within 14 days of receipt<br>≥ 80% Supplier invoices paid within 30 days of receipt | 65% SMME invoices paid within 14 days of receipt<br>60% Supplier invoices paid within 30 days of receipt                                                                          | A (15%) variance is due to Current contracting terms with service providers are 15 days in line with the policy while the KPI states 14 days which is not aligned to policy.<br>A (20%) variance is due to late submission of approved invoices and supporting documents to finance for payment processing. |
| KPI 20: | Number of statutory submissions made on time (Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan, Policy Statement, Shareholder Compact) (SHC) | 13 submissions                                                                                               | 13 submissions<br>4 Organisational Performance Reports,<br>4 Quarterly Financial Monitoring Reports, Annual Report, Tariff, Corporate Plan, Shareholder Compact, Policy Statement | N/A                                                                                                                                                                                                                                                                                                         |
| KPI 21: | Actual B-BBEE spend as a % of total expenditure and<br>Number of new B-BBEE entrants awarded work (SHC)                                                               | ≥ 80%<br>≥ 10 new entrants awarded work                                                                      | 114%<br>54                                                                                                                                                                        | N/A<br>N/A                                                                                                                                                                                                                                                                                                  |
| KPI 22: | Number of permanent and temporary jobs created (SHC)                                                                                                                  | HR report on new posts created on the permanent establishment<br>≥ 400 capex jobs                            | HR report on new posts created on the permanent establishment<br>501 temporary capex jobs at Q4                                                                                   | N/A<br>N/A                                                                                                                                                                                                                                                                                                  |

##### Strategic Objective 5: Improve Governance Processes

|         |                                                                                           |                                                                                       |                                                                                   |                                                                                                                                                                                        |
|---------|-------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| KPI 23: | Per cent actual vs planned controls improved                                              | ≥ 80% Combined Assurance milestones met                                               | 90% Combined Assurance milestones met                                             | N/A                                                                                                                                                                                    |
| KPI 24: | Per cent audit findings resolved within target dates                                      | ≥ 80% Internal and external audit findings resolved within target dates               | 70% Internal and external audit findings resolved within target dates             | There is a variance of 10%<br>The organisation is in progress of resolving 18 audit findings, 8 audit findings are not yet resolved, they will be addressed in the next financial year |
| KPI 25: | Increase in Risk Responsiveness of mitigation measures for all strategic risks identified | ≥ 80% of strategic risks have a Response effectiveness greater or equal to REASONABLE | 80% of strategic risks have Response effectiveness greater or equal to REASONABLE | N/A                                                                                                                                                                                    |
| KPI 26: | Actual vs Planned Integrated Ethics Management Framework milestones                       | ≥ 80% Integrated Ethics Management Framework milestones met                           | 87% Integrated Ethics Management Framework milestones met                         | N/A                                                                                                                                                                                    |
| KPI 27: | Board / Committee meetings attended as a % of planned meetings (SHC)                      | ≥ 80% Board/ Committee meetings attendance                                            | 95% Board/ Committee meetings attendance                                          | N/A                                                                                                                                                                                    |
| KPI 28: | Resolutions taken by the board as a % of resolutions required (SHC)                       | ≥ 80% Resolutions taken                                                               | 100% Resolutions taken                                                            | N/A                                                                                                                                                                                    |

| #       | Result Indicator                                                         | Target                                               | Actuals                                                                                           | Reason for Variance                 |
|---------|--------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------------------------------|
| KPI 29: | Unqualified audit report with no emphasis of matters (Clean Audit) (SHC) | Unqualified audit report with no emphasis of matters | Unqualified with findings                                                                         | Refer to audit report in chapter 15 |
| KPI 30: | Number of repeat and unresolved findings (SHC)                           | 0 repeat findings<br>≤ 7 unresolved findings         | 0 repeat findings<br>2 unresolved findings                                                        | N/A                                 |
| KPI 31: | Number of breaches in materiality and significance framework (SHC)       | Nil                                                  | There were instances of irregular expenditure in breach of materiality and significance framework | Refer to audit report in Chapter 15 |

#### Strategic Objective 6: Improve Internal Efficiency and Effectiveness

|         |                                                              |                                                           |                                                           |     |
|---------|--------------------------------------------------------------|-----------------------------------------------------------|-----------------------------------------------------------|-----|
| KPI 32: | Number of alternate funding and pricing strategies developed | Hydraulic Pricing Model for Wastewater Services developed | Hydraulic Pricing Model for Wastewater Services Developed | N/A |
|         |                                                              | Funding model developed and presented to board            | Funding model developed and presented to board            | N/A |

#### Strategic Objective 7: Increase Customers and Services

|         |                                                                                                    |                                                  |                                                                                                                                                                     |     |
|---------|----------------------------------------------------------------------------------------------------|--------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| KPI 33: | Total number of signed contracts (bulk supply agreements) in place as a % of total customers (SHC) | 100% (6 of 6)                                    | 100%                                                                                                                                                                | N/A |
| KPI 34: | Per cent Directives implemented in accordance with plan (SHC)                                      | ≥ 80% planned Implementation plan Milestones met | 92% planned Implementation plan Milestones met                                                                                                                      | N/A |
| KPI 35: | Number of signed contracts/MOUs with rural Municipalities for provision of support (SHC)           | ≥ 2 Signed contracts/MOUs                        | 3 Signed contracts/MOUs<br>- Ugu DM: Expires June 2025.<br>- Harry Gwala DM: Expires November 2027.<br>- Alfred Nzo DM: MOU valid until terminated by either Party. | N/A |
| KPI 36: | Number of dysfunctional schemes in rural communities resuscitated                                  | ≥ 80% Implementation plan milestones met         | 80% Implementation plan milestones met                                                                                                                              | N/A |

#### Strategic Objective 8: Improve Product and Service Quality

|         |                                                                                                         |                                                                                                                                                                                         |                                                                                                                                                         |     |
|---------|---------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|-----|
| KPI 37: | Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (SHC)         | Compliance with five SANS 241 categories:<br>Acute Microbiological Health ≥ 99%<br>Acute Chemical Health ≥ 97%<br>Chronic Chemical Health ≥ 97%<br>Operational ≥ 95%<br>Aesthetic ≥ 95% | Acute Microbiological Health = 99.31%<br>Acute Chemical Health = 100%<br>Chronic Chemical Health = 99.81%<br>Operational = 95.07%<br>Aesthetic = 96.35% | N/A |
| KPI 38: | Per cent Compliance against Licence or General Authorization or Green Drop Standards as a minimum (SHC) | 10 WWTW ≥ 90% compliant<br>1 WWTW ≥ 80% compliant                                                                                                                                       | 10 WWTW ≥ 90% compliant<br>1 WWTW ≥ 80% compliant                                                                                                       | N/A |
| KPI 39: | Per cent Compliance against Coastal Waters Discharge Permit                                             | ≥ 85%                                                                                                                                                                                   | 87.60%                                                                                                                                                  | N/A |

| #                                                                                                                                                 | Result Indicator                                                                                       | Target                                                          | Actuals                                                         | Reason for Variance |
|---------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|-----------------------------------------------------------------|---------------------|
| <b>Balanced Scorecard Perspective: ORGANISATIONAL CAPACITY PERSPECTIVE</b>                                                                        |                                                                                                        |                                                                 |                                                                 |                     |
| <b>OUTCOMES: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability</b> |                                                                                                        |                                                                 |                                                                 |                     |
| <b>S09: Improve Skills and Competency</b>                                                                                                         |                                                                                                        |                                                                 |                                                                 |                     |
| KPI 40:                                                                                                                                           | Actual vs planned HR plans delivered to progressively close identified strategic skills gaps           | ≥ 6 Skills Development Programmes implemented.                  | 8 Skills Development Programmes implemented                     | N/A                 |
| KPI 41:                                                                                                                                           | Number of staff terminations, excluding normal retirements, as a % of the total staff complement (SHC) | ≤ 8%                                                            | 3%                                                              | N/A                 |
| KPI 42.1:                                                                                                                                         | Per cent decrease in outsourcing of critical internal functions                                        | ≥ 80% Workshop Revitalisation milestones met                    | 83% Workshop Revitalisation milestones met                      | N/A                 |
| KPI 42.2:                                                                                                                                         | Actual vs planned Rapid Response Team development milestones met                                       | ≥ 80% Rapid Response Team development milestones met            | 100% Rapid Response Team development milestones met             | N/A                 |
| <b>Strategic Objective 10: Improve the use of Data &amp; Technology</b>                                                                           |                                                                                                        |                                                                 |                                                                 |                     |
| KPI 43:                                                                                                                                           | Actual vs planned Group ICT Strategy and programme milestones met                                      | Project Charters for the Top 5 high priority projects developed | Project Charters for the Top 5 high priority projects developed | N/A                 |
| KPI 44:                                                                                                                                           | Per cent RDI projects on track against planned milestones                                              | ≥ 70% projects on track against planned milestones              | 96% projects on track against planned milestones                | N/A                 |
| <b>Strategic Objective 11: Improve Work Culture</b>                                                                                               |                                                                                                        |                                                                 |                                                                 |                     |
| KPI 45:                                                                                                                                           | Per cent change management programme milestones met over total milestones                              | ≥ 90%                                                           | 93% Change Management programme milestones met                  | N/A                 |
| KPI 46:                                                                                                                                           | Per cent of Persons living with disabilities employed                                                  | ≥ 1%                                                            | 2%                                                              | N/A                 |



| #                                                       | Result Indicator                                                                                      | Target                                         | Actuals                                                                                                      | Reason for Variance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------|--------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Strategic Objective 12: Increase Supply Security</b> |                                                                                                       |                                                |                                                                                                              |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| KPI 47:                                                 | Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (SHC)         | 0 days > 24 hours                              | 12.73 >24 hours<br><br>Overall, the same 12.73 days of 365 supply days disrupted at 4 of 16 WTW system at Q4 | Supply disruption was due to; <ul style="list-style-type: none"> <li>- 3.77 Days at Hazelmere Water Supply System during Q1 as a result of a pipe leak</li> <li>- 1.34 Days at Mhlabatshane WTW Supply System during Q2 as a result of a power failure</li> <li>- 1.62 Days at Amanzimtoti WTW during Q3 as a result of SCA trunk main washed away</li> <li>- 3.12 Days at Mtwalume WTW during Q3 as a result of Plant shutdown due to floods</li> <li>- 2.88 Days at Mhlabatshane WTW during Q3 caused by power failure.</li> <li>- Generator kicked in and used up all the available emergency fuel. There was a delay by the contracted service provider in replenishing fuel.</li> </ul> |
| KPI 48:                                                 | Avoidable water lost (mil m <sup>3</sup> ) over total water produced (mil m <sup>3</sup> ) (SHC)      | ≤ 5%                                           | 3.21%                                                                                                        | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| KPI 49:                                                 | Per cent actual vs. planned CAPEX programme milestones met (SHC)                                      | ≥ 85% milestones met for Strategic projects    | 88%                                                                                                          | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| KPI 50:                                                 | Total CAPEX spend against budget (SHC)                                                                | R3 330m ±20%                                   | R2 754m                                                                                                      | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| KPI 51:                                                 | Capital expenditure for rural expansion (development) projects as % of total capex budget spent (SHC) | ± 21% of Annual Capex Budget (R692m of R3330m) | 29% of Annual Capex Budget spent (R805m of R2 754m)                                                          | Mshwathi phase 4 incurring costs to fast track the project which was delayed by slow completion of designs for the project, to meet project timelines.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| KPI 52:                                                 | Repairs and Maintenance as a percentage of PPE (SHC)                                                  | R571m±10%;<br>≥3% of PPE                       | R 627m<br>5.06% of PPE                                                                                       | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| KPI 53:                                                 | Decrease in infrastructure theft, vandalism and servitude encroachment incidents                      | ≥95%                                           | 100%                                                                                                         | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| KPI 54:                                                 | Percent Environmental Sustainability Programme milestones met over total milestones                   | ≥ 70%                                          | 88%                                                                                                          | N/A                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |

## Midmar Water Treatment Works



uMngeni-uThukela Water ensures reliable water supply in KwaZulu-Natal, supporting health, economic growth, and environmental sustainability.

Nsezi Water Treatment Works





## 10

CREATING  
VALUE

uMngeni-uThukela Water ensures safe drinking water and manages wastewater risks, adhering to SANS 241:2015 standards and supporting Blue and Green Drop Certifications.

*uMngeni-uThukela Water ensures that reciprocal value propositions are cultivated with customers and stakeholders. Value is created by actively applying the entity's core and distinctive competencies to meet identified needs.*

### 10.1 Product Quality

#### Management Approach

The quality of potable water is paramount to uMngeni-uThukela Water (UUW), thus the organisation endeavours to ensure that the quality of potable water produced within its operational area is safe for human health over a lifetime of consumption. To achieve this, a comprehensive water quality management programme is implemented throughout the supply area. The programme adopts a risk-based approach including monitoring programmes, water quality assessments, system audits, compliance reporting and water safety plans embracing the catchment-to-consumer concept.

The risks associated with abstraction, conveyance, treatment and bulk distribution are reviewed constantly to ensure control effectiveness and quality assurance. Potable water quality incidents are managed in accordance with an Incident Management Protocol aligned to the requirements of the South African National Standard for drinking water (SANS 241:2015).

In addition to providing safe drinking water and protecting public health, uMngeni-uThukela Water is also committed to ensuring that wastewater discharges are not harmful to the environment and downstream users. This is achieved through the development and implementation of wastewater risk abatement plans that include a combination of comprehensive and site specific risk assessments, the implementation of corresponding mitigation plans as well as site specific incident management protocols to manage wastewater incidents and non-compliances.

All potable and wastewater sampling and analysis are undertaken in accordance with an ISO 9001 certified monitoring programme and SANAS 17025-accredited laboratory methods respectively. Information on water and wastewater effluent quality compliance is regularly conveyed to customers, stakeholders and regulators in accordance with the organisational stakeholder communication plan.

uMngeni-uThukela Water supports the relaunch of the DWS Blue Drop and Green Drop Certification Programmes that are used as incentive-based regulatory tools in order to acknowledge excellence in drinking water quality and wastewater quality management. The organisation participated fully in the latest progress assessments and regulatory audits, and is committed to supporting municipalities to progressively improve all systems towards Blue and Green Drop Certification.



## Potable Water Quality Performance

The South African National Drinking Water Standard (SANS 241:2015) provides for minimum compliance requirements for potable water supply systems. The performance of each system is reported against the following five risk categories specified in SANS 241:2015.

- (1) Acute Microbiological Health;
- (2) Acute Chemical Health;
- (3) Chronic Chemical Health;
- (4) Aesthetic;
- (5) Operational Categories.

The respective performance targets for the institutional UuW aggregate water supply system is specified by the Department of Water and Sanitation (**Table 10.1**).



**Table 10.1:** DWS shareholder compact performance targets

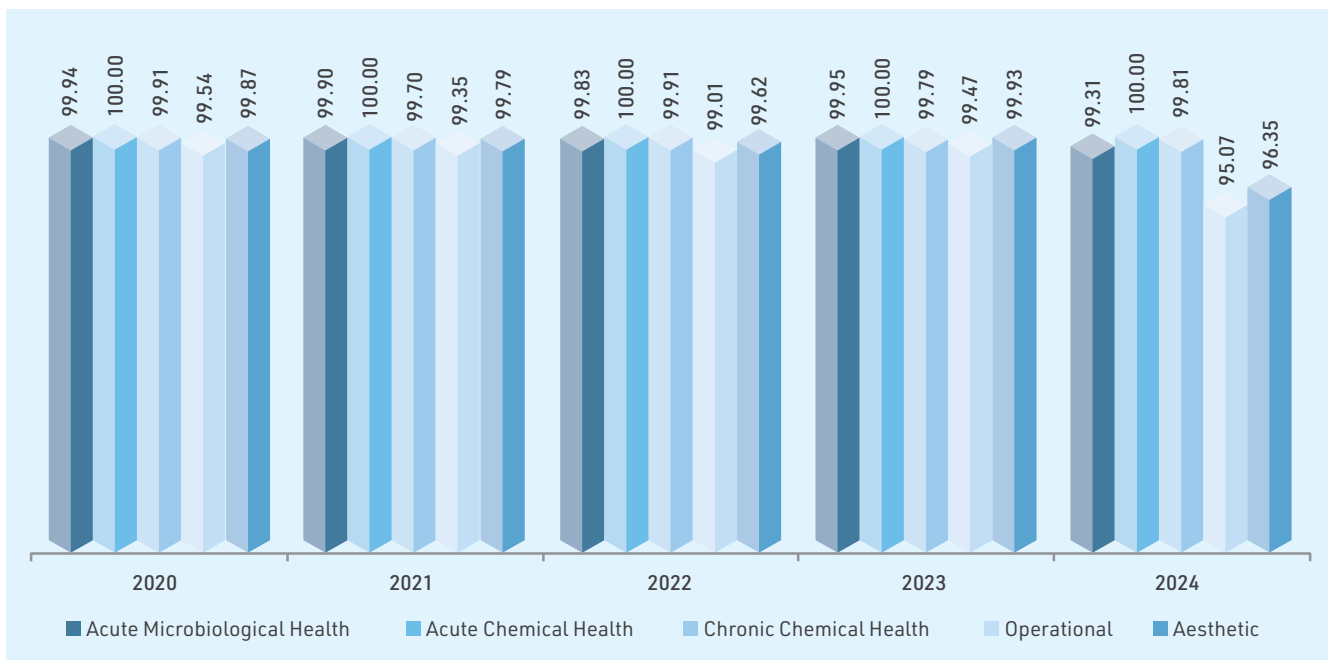
| Risk                         | DWS Shareholder Compact Targets |
|------------------------------|---------------------------------|
| Acute Microbiological Health | ≥99%                            |
| Acute Chemical Health        | ≥97%                            |
| Chronic Chemical Health      | ≥97%                            |
| Operational                  | ≥95%                            |
| Aesthetic                    | ≥95%                            |

During the reporting period, all the Water Treatment Works (WTWs) maintained and operated by uMngeni-uThukela Water were measured against the Department of Water and Sanitation Shareholder Compact targets for Key Performance Area (Bulk potable water quality compliance). All five (5) institutional potable water quality compliance targets referenced in the Shareholder Compact were achieved during FY2023/2024 (**Table 10.2**).

**Table 10.2:** uMngeni-uThukela Water Institutional Potable Water Quality: % Compliance against Department of Water and Sanitation Shareholder Compact

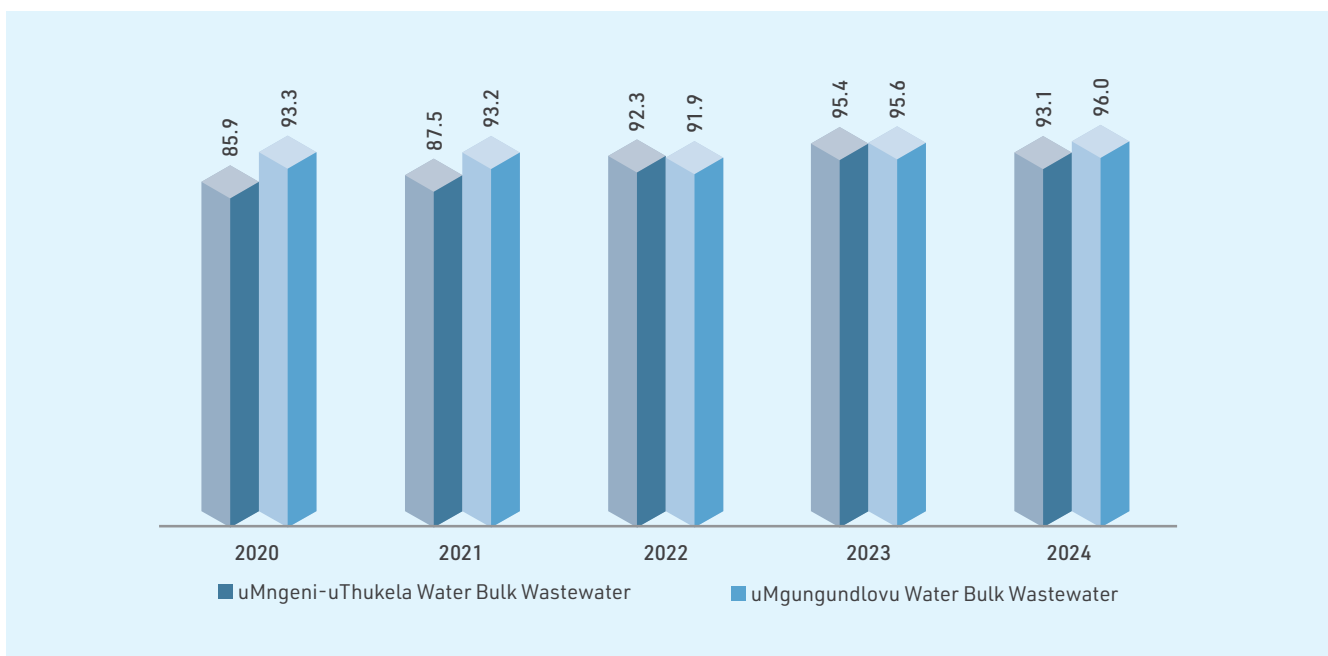
| Risk                         | DWS Shareholder Compact Targets | Compliance Performance |
|------------------------------|---------------------------------|------------------------|
| Acute Microbiological Health | ≥99%                            | 99.31%                 |
| Acute Chemical Health        | ≥97%                            | 100.00%                |
| Chronic Chemical Health      | ≥97%                            | 99.81%                 |
| Operational                  | ≥95%                            | 95.07%                 |
| Aesthetic                    | ≥95%                            | 96.35%                 |

Overall, the aggregate/combined compliance of the potable water supply systems operated and maintained by uMngeni-uThukela Water achieved the specified targets in all the risk categories (**Figure 10.1**). The aggregate UuW water supply system for this reporting period (2023/2024) is constituted by UuW bulk water supply systems, as well as uMgungundlovu District Municipality (UMDM) schemes and King Cetshwayo District Municipality (KCDM) Schemes. UuW is contracted to operate and maintain on behalf of these District Municipalities

**Figure 10.1** uMngeni-uThukela Water Bulk Systems Potable Water Quality Compliance (%) with SANS 241

### Wastewater Quality Performance

**Figure 10.2** and **Table 10.3** show wastewater quality compliance per system, assessed against the relevant licence or General Authorisation General Limits prescribed by the Department of Water and Sanitation (DWS).

**Figure 10.2** Wastewater Quality Compliance (%)

**Table 10.3:** Wastewater Compliance per Treatment Works

| Per cent Compliance        |                    |                              |        |       |         |         |         |             |             |
|----------------------------|--------------------|------------------------------|--------|-------|---------|---------|---------|-------------|-------------|
| Wastewater Treatment Works |                    | Average daily volume treated |        | 2020  | 2021    | 2022    | 2023    | 2024 Target | 2024 Actual |
|                            |                    | (ML/d)                       | (%)    |       |         |         |         |             |             |
| 1                          | Darvill            | 64.27                        | 80.90% | 82.2% | 84.05%  | 90.44%  | 94.57%  | ≥ 90%       | 92.3%       |
| 2                          | Howick             | 9.62                         | 12.11% | 91.1% | 93.33%  | 95.56%  | 94.40%  | ≥ 90%       | 92.7%       |
| 3                          | Ixopo              | 0.56                         | 0.71%  | 92.6% | 88.13%  | 94.58%  | 93.33%  | ≥ 90%       | 96.7%       |
| 4                          | Lynnfield Park     | 0.30                         | 0.38%  | 92.5% | 96.79%  | 95.65%  | 96.79%  | ≥ 90%       | 96.2%       |
| 5                          | Mpofana            | 3.23                         | 4.07%  | 88.4% | 86.92%  | 87.30%  | 92.08%  | ≥ 80%       | 92.4%       |
| 6                          | Richmond           | 0.59                         | 0.74%  | 95.3% | 96.67%  | 99.17%  | 97.14%  | ≥ 90%       | 96.1%       |
| 7                          | Cool Air           | 0.56                         | 0.71%  | 99.5% | 100.00% | 98.33%  | 97.69%  | ≥ 90%       | 98.1%       |
| 8                          | Camperdown         | 0.07                         | 0.09%  | 93.1% | 94.44%  | 100%    | 98.61%  | ≥ 90%       | 98.6%       |
| 9                          | Appelsbosch        | 0.15                         | 0.19%  | 93.1% | 97.22   | 93.06%  | 91.23%  | ≥ 90%       | 97.4%       |
| 10                         | Albert Falls North | 0.03                         | 0.04%  | -     | 100.00% | 100.00% | 100.00% | ≥ 90%       | 100.00%     |
| 11                         | Albert Falls South | 0.05                         | 0.06%  | -     | 100.00% | 100.00% | 94.44%  | ≥ 90%       | 96.7%       |

### Compliance per System

Compliance for eleven (11) wastewater treatment works (WWTW) was assessed against the relevant standards, with all eleven (11) WWTW being compliant with the set performance targets. The overall effluent compliance at the WWTW may be attributed to a number of interventions including: maintenance and process optimisation to compensate the challenges and impacts of loadshedding on the treatment process, improvements in wasting at Howick and Mpofana WWTW which has reduced the carryover of solids and the completion of the Darvill WWTW upgrade project.

### Coastal Discharges: Wastewater Effluent Quality Performance

The effluent discharged offshore is authorized by the Coastal Waters Discharge Permit (2012/02/KZN/MHLATHUZE WATER) issued by the Department of Forestry, Fisheries and the Environment (DFFE). The system comprises of two pipelines; the A-line which discharges industrial wastewater sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze; and the C-Line which discharges gypsum effluent from Foskop.

Compliance for two (2) coastal discharges was assessed against the Coastal Waters Discharge Permit, and both lines were found to be compliant as depicted in **Table 10.4:**

**Table 10.4:** Compliance to Coastal Water Discharge Permit

| Effluent Line    | Quarterly Cumulative |                         |                          |                          | Cumulative Performance (Jul 23- Jun 24) |
|------------------|----------------------|-------------------------|--------------------------|--------------------------|-----------------------------------------|
|                  | 2023/24 Target       | Q1 (Jul -Sep) 2023/2024 | Q2 (Jul - Dec) 2023/2024 | Q3 (Jul - Mar) 2023/2024 | Q4 (Jul - Jun) 2023/2024                |
| 1. A line dilute | ≥ 85.00%             | 92.18%                  | 89.27%                   | 87.77%                   | 87.56 %                                 |
| 2. C line dilute | ≥ 85.00%             | 87.26%                  | 87.05%                   | 87.18%                   | 87.64%                                  |

The regress in compliance that is evident in the A line is due to operational issues including, failures in terms of mostly pH, Total Suspended Solids (TSS) and fluoride. The underlying causes for the failures of the specified determinants have been identified and a project plan that seeks to address these compliance issues was developed. The plan is monitored quarterly as well as through frequent engagements with the relevant industries.





uMngeni-uThukela Water expands services while ensuring quality water treatment and responsible wastewater management.



## 10.2 Customer Satisfaction

### Geographical Markets and Customers

uMngeni-uThukela Water has identified the following markets for growth of water services (water and wastewater) and water related services:

1. KwaZulu-Natal: for water services and other related activities;
2. South Africa: water services and other related activities on demand;
3. Continent of Africa: knowledge management, networking and responding to bilateral agreements between South Africa and other countries.

Within KwaZulu-Natal bulk water and wastewater services and/or waterrelated services will be increased progressively in customer areas:

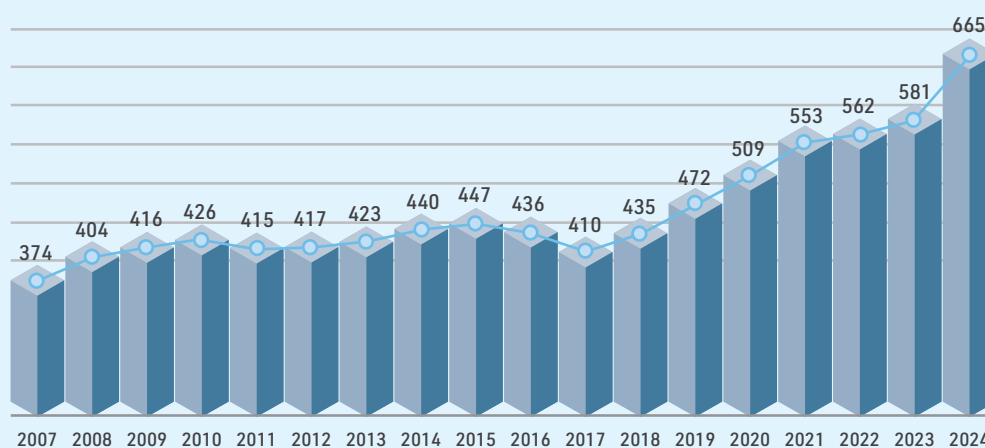
|     |                                                  |                                    |
|-----|--------------------------------------------------|------------------------------------|
| 1.  | eThekweni Metropolitan Municipality:             | Retain and grow                    |
| 2.  | Msunduzi Local Municipality:                     | Retain and grow                    |
| 3.  | iLembe District Municipality:                    | Retain and grow                    |
| 4.  | uMgungundlovu District Municipality:             | Retain and grow                    |
| 5.  | Mhlathuze Local Municipality (City of Mhlathuze) | Retain and grow                    |
| 6.  | King Cetshwayo District Municipality:            | Retain and grow                    |
| 7.  | Harry Gwala District Municipality:               | Market penetration                 |
| 8.  | Ugu District Municipality:                       | Market penetration                 |
| 9.  | uMkhanyakude District Municipality:              | Market penetration                 |
| 10. | uThukela District Municipality:                  | Market development (Demand driven) |
| 11. | Newcastle Municipality:                          | Market development (Demand driven) |
| 12. | Amajuba District Municipality:                   | Market development (Demand driven) |
| 13. | uMzinyathi District Municipality:                | Market development (Demand driven) |
| 14. | Zululand District Municipality:                  | Market development (Demand driven) |

### Bulk Provision and Infrastructure Assets

The core bulk water and wastewater business is undertaken in a manner that serves customers and stakeholders most effectively. As part of the value chain function, raw water is carefully abstracted from dams, rivers and borehole sources and conveyed using both gravity and the most effective pumping options to bulk water treatment works, where it is treated to meet SANS 241 quality standards and distributed to customers.

Equally, with regard to wastewater treatment, effluent is received from municipal sewer systems, treated at bulk wastewater treatment works and effluent is discharged back into receiving systems mindful of the quality and potential impacts on receiving systems and potential for reuse.

**Figure 10.1** Customer Volumes Supplied (million m<sup>3</sup>)



uMngeni-uThukela Water's infrastructure assets in support of its bulk water services business comprise of:

- Approximately nine hundred and eight one (981) km of pipelines and fifty-three (53) km of tunnels.
- Fourteen (14) impoundments;
- Fifty-three (53) water treatment works;
- One (1) effluent pump station; and
- Twenty-three (23) wastewater treatment works

A total of 665 million cubic metres of potable water per annum (1 822ML/d) were supplied to customers (**Figure 10.3**) who serve a population of 6.7m or 1.9m households through reticulation networks. This is a 2.7% year-on-year increase as compared to the previous year.

Treatment works' capacities and utilisation are shown in **Figure 10.4 (a)** and **(b)** respectively.

In the year under review, there were unplanned supply disruptions of 12.73 supply days in four of the 16 supply systems as follows :

- 3.77 days at the Hazelmere WTW during Quarter 1 as a result of a pipe leak;
- A total of 4.22 days during Quarter 2 and 3 at the Mhlabatshane WTW as a result of back up generators not running due to a computer box fault;
- 3.12 days during Quarter 3 at the Mtwalume WTW due to power

failure as a result of floods and diesel shortage; and

- 1.62 days at the Amanzimtoti WTW as a result of SCA trunk main being washed away.

In all such instances including planned disruptions, customers are kept informed on progress of any interventions. uMngeni-uThukela Water continues to engage regularly with its customers in line with service level agreements.

Bulk wastewater treated from eleven inland Wastewater Treatment Works over this period amounted to 31 million cubic metres (85ML/d) for the year per annum, a 5% increase from the previous year (29.5 million cubic metres or 81ML/d in 2023).

Wastewater Treatment Works' (WWTWs) capacities and utilisation are shown in **Figure 10.4 (c)** and **(d)** respectively.

### Bulk Supply Agreements

Bulk Supply Agreements are concluded to cover obligations of both uMngeni-uThukela and its customers in relation to water volumes, water quality, supply pressure, service interruption intervals, metering, tariff consultation, assurance of supply and capital infrastructure plans.

Water demand projections are updated based on trends in historical water sales volumes and customer demand trends. In parallel, analysis of uMngeni-uThukela Water's bulk infrastructure and water works capacity in relation to demands highlight any infrastructure supply constraints or limitations on future growth that need to be responded to.

**Figure 10.4:** Water and Wastewater Treatment Works Capacity and Utilisation

**Figure 10.4 (a) WTW Design Capacity (ML/d)**

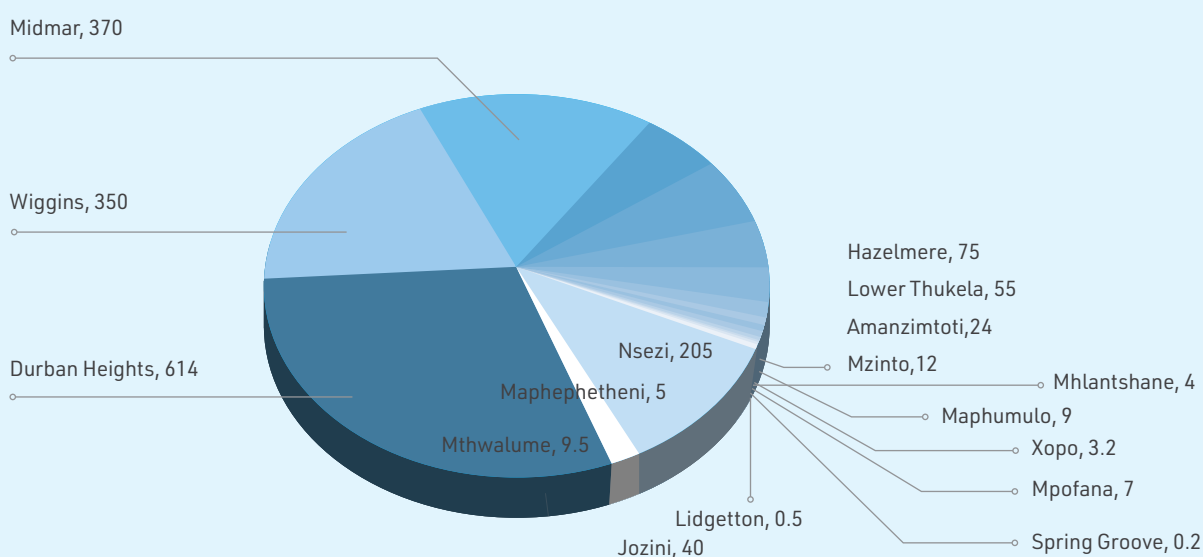




Figure 10.4 (b) WTW Utilization

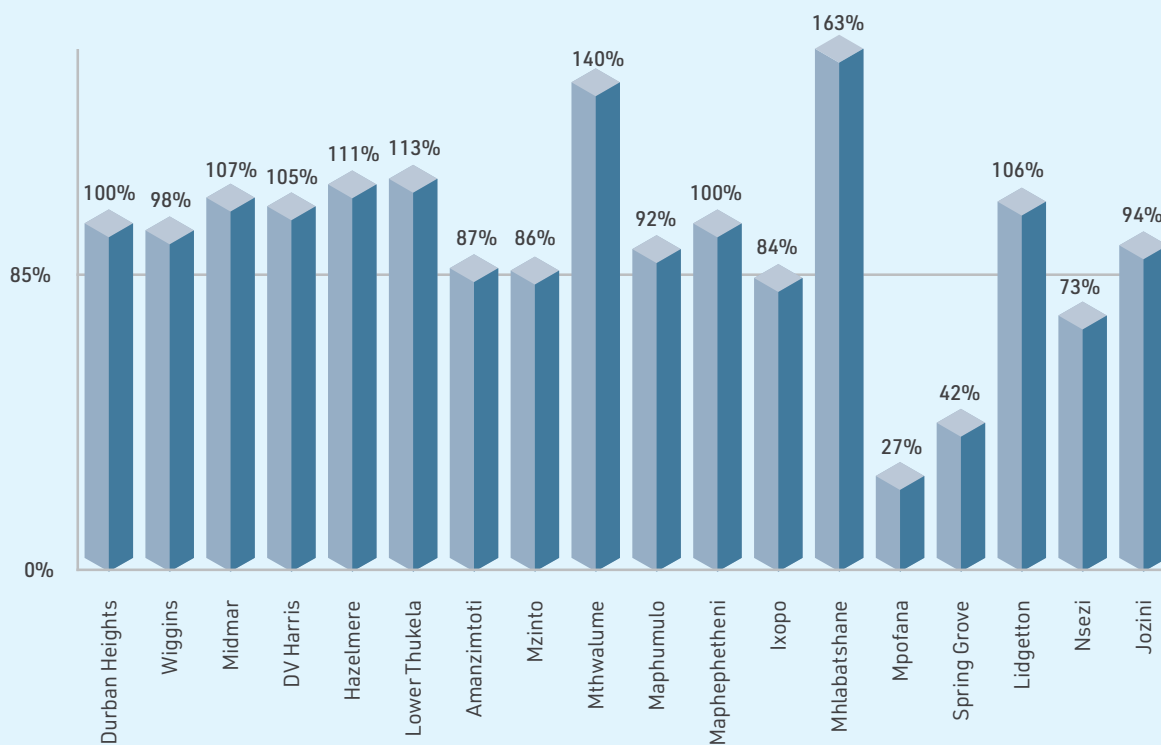
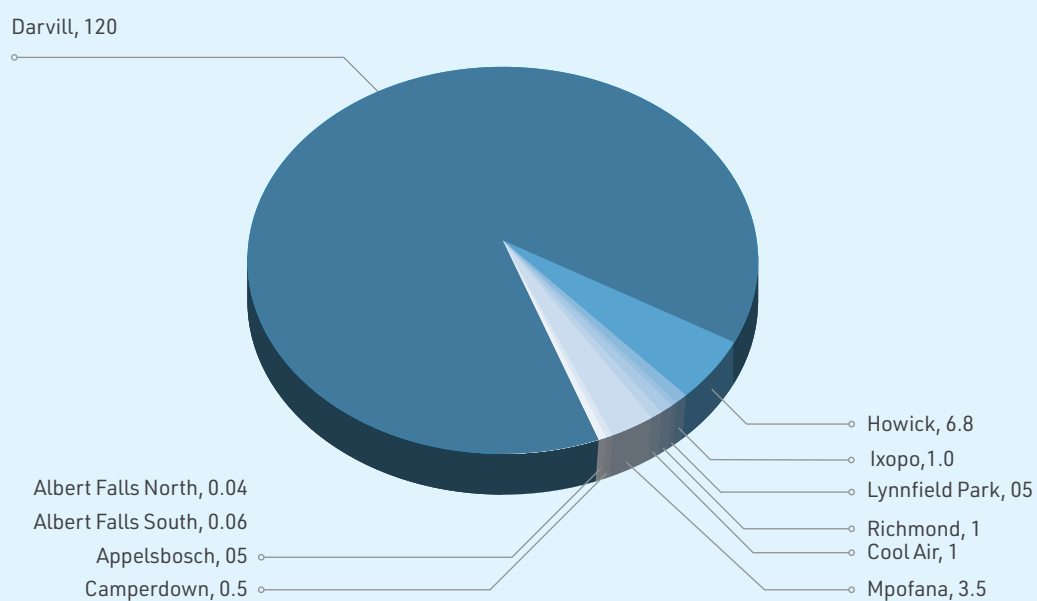
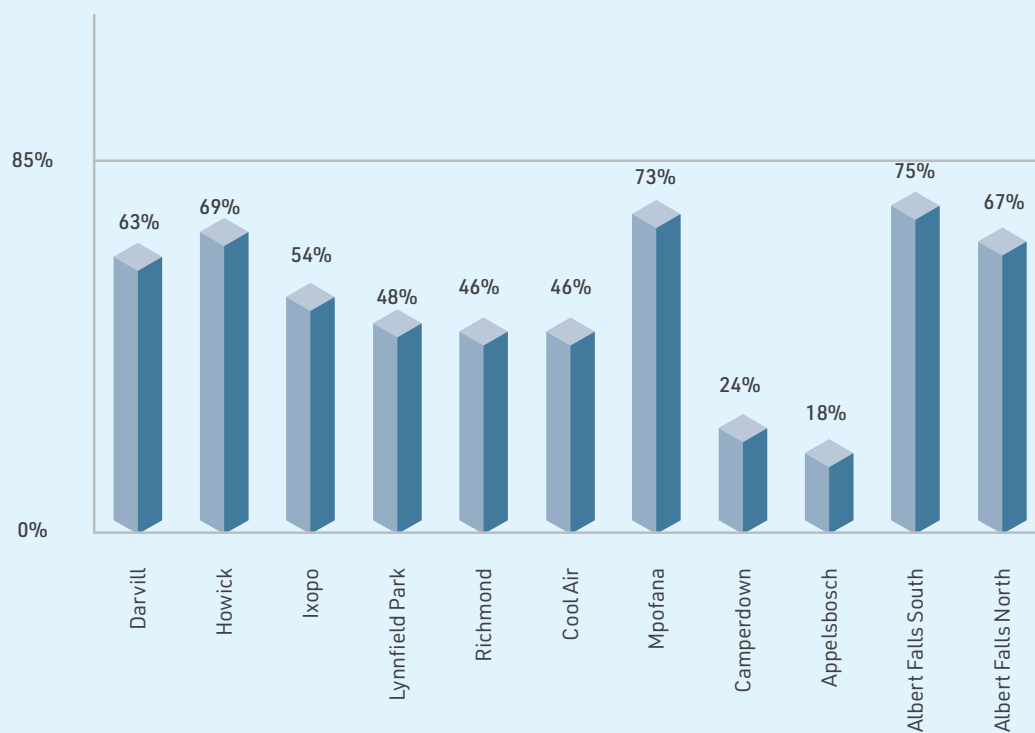


Figure 10.4 (c) WWTW Design Capacity (MU/d)



**Figure 10.4 (d) WWTW Utilization****Nsezi Water Treatment Works**

## Supply Capacity and Constraints

Several works, as shown in **Figure 10.4 (b)** are currently operated above their design capacity to meet demands, and both long- and short-term interventions are in place to address them including major works capital upgrades, refurbishments, pipeline developments, utilisation of package plants (interim measure) and general operational and process upgrades to alleviate bottlenecks.

## Operational Performance and Service Planning

uMngeni-uThukela Water met all customers formally in the year to assess performance as per the signed customer bulk supply agreements. Customer requirements were significantly met in relation to supply volumes, supply pressure, service levels and metering. Structured consultation for communication of future demands, infrastructure plans and tariff assumptions took place, and robust customer inputs received.

Conceptual plans for growth and expansion of water services and provision of universal access have been developed, for existing and new customers in KwaZulu-Natal (KZN). Discussion and communication with customers and stakeholders regarding these, notably implementation priorities and funding and financing will become the focus over the next few years. Customer engagement and consultation is core to uMngeni-uThukela Water successfully extending access to unserved areas in KZN.

## Drought Management

Most of KwaZulu-Natal including uMngeni-uThukela Water's area of operation received relatively normal to above normal rainfall during the 2023/2024 rainfall season. UUW-operated infrastructure sites generally received above normal rainfall from October 2023 to January 2024 with some coastal sites receiving additional good rains in March and April 2024. As a result of the relatively good rainfall season during the 2023/24 hydrological year, most UUW-operated dams are at an acceptable water resource status. However, it is important to note that the demand for water from various systems (e.g. uMngeni System) exceed sustainable levels, as a result, there is a critical need to make water conservation a priority.

A subtle *El Niño* cycle was also experienced late in 2023 but updated climate models showed that this phenomenon ended as of the April 2024. The models are currently showing weather conditions to be in a neutral state, more leaning towards a *La Niña* cycle for the latter part of 2024.

The raising of Hazelmere Dam wall has been completed and DWS is expected to issue an impoundment license by the end of 2024. The repairs on iMvutshane Dam wall are in-progress and due for completion by the end of 2024. Thereafter, full impoundment is expected to resume after commissioning has taken place.

uMngeni-uThukela Water adopts a multi-faceted approach to deal with the water supply challenges experienced as a result of the previous drought and potential future droughts:

- The frequency of water resource monitoring, status updates and projections continue at an increased level;
- Advice and support for drought intervention initiatives is being provided to the Department of Water & Sanitation (DWS), Water Service Authorities and the KZN Department of Co-operative Governance & Traditional Affairs (CoGTA);
- Communication with the media and the Water Service Authorities continues to include water saving tips and the potential for future exposure to water resource constraints if these are not implemented. Communication is co-ordinated in the province through CoGTA;
- Facilitation of Joint Operating Committee (JOC) meetings for uMngeni System – eThekweni Metropolitan Municipality, Msunduzi Local Municipality, uMgungundlovu District Municipality, Ugu District Municipality, DWS, CoGTA, Agricultural sector.

## Asset Condition, Maintenance and Management

Regular maintenance and inspection of all assets was undertaken in the reporting period as an intrinsic part of continued operations management.

Maintenance is implemented in accordance with the asset management strategy and implementation plan for the year.

This comprises planned maintenance – inclusive of preventative maintenance, repairs, redesign and modifications – complemented by ongoing unplanned, reactive and corrective maintenance.

Assessments of the condition of assets remain a vital part of determining the useful life and future investments required to maintain the level of service to customers.

In the reporting year the total Repairs and maintenance was R627m. Based on assessments conducted over the past year, there are no assets that pose significant risk to supply and the organisation does not envisage major interruptions to its business over the next five years and beyond.

## Water Loss Management and Metering

There have been concerns around the increasing non-revenue water (NRW) at the Water Services Authority (WSA) level across the Province. These result from direct water losses due to aging infrastructure and poor revenue collection among others. To this end, UUW has signed Memorandum of Understandings (MOUs) with some of the WSAs to provide assistance through water conservation and demand management (WDCM) initiatives to better manage NRW.





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uMngeni-uThukela Water upgrades infrastructure sustainably, with 70% water access, but some areas remain unserved.

### 10.3 Infrastructure Stability

#### Management Approach

uMngeni-uThukela Water plans and manages the stability/reliability of its bulk water infrastructure in order to meet current and future customer needs. The planned outcome is the provision of bulk infrastructure that is consistent with exceptional levels of service, manageable risk and anticipated projected future growth demand to ensure that long-term system reliability goals are met. To this end, the capacity and condition of existing infrastructure is assessed annually and informs future infrastructure planning and development. Infrastructure developments, therefore, comprises:

- Infrastructure upgrades, additions, augmentation, expansion, rehabilitation and development in order to deliver a high-quality product, sustainable and reliable to customers;
- Growth to new areas and to serve projected needs;
- Supply rural areas and municipalities to reduce backlogs and increase community sustainability.

In implementing infrastructure projects, uMngeni-uThukela Water uses local labour as its preferred workforce to facilitate skills transfer

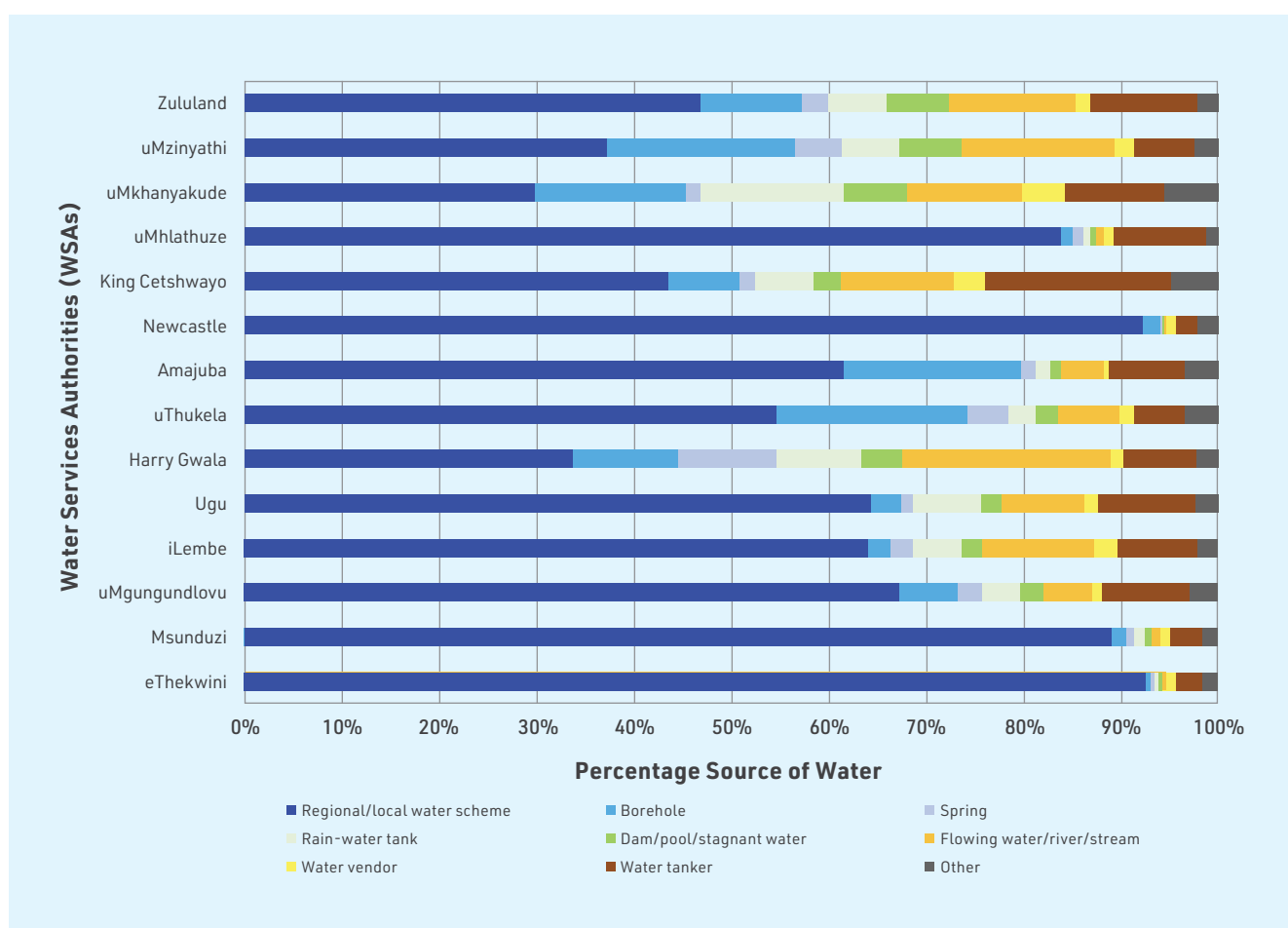
and economic support to local communities. uMngeni-uThukela Water further ensures that there is meaningful Broad-based Black Economic Empowerment (B-BBEE) through its policies that drive the provision of meaningful economic opportunities to targeted enterprises.

All bulk water infrastructure developments are undertaken in an environmentally sustainable manner. Appropriate projects are subjected to Environmental Impact Assessments during project planning, design, construction and commissioning phases; and manifest in the development and implementation of sound Environmental Management Plans that are monitored and audited independently during implementation.

#### Status of Water Access in the Supply Area

Within uMngeni-uThukela Water's area of focus in the reporting period, access to potable water inside the dwelling/ house/ yard comprise 70% of the total number of people with access to water (**Figure 10.5** – Census 2022). There are many areas that fall outside the supply of uMngeni-uThukela Water's bulk water infrastructure footprint, that are still not benefiting from any other water schemes. In addition, components of the served areas that are characterised by small schemes have been found to be unsustainable.

**Figure 10.5:** Main Source of Water for Drinking by WSA (Stats SA, Census 2022)



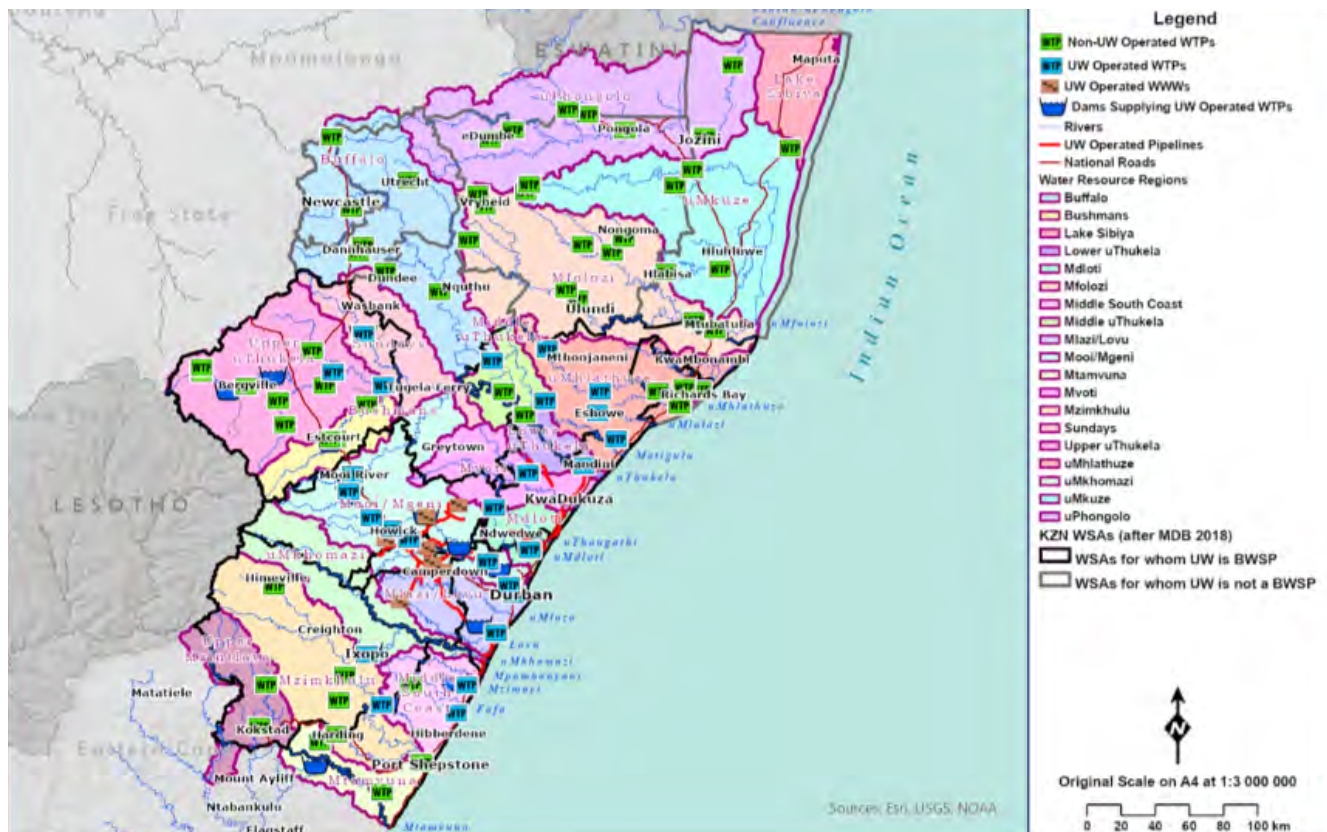


## Universal Access Plan

Working closely with national and provincial stakeholders in KwaZulu-Natal, uMngeni-uThukela Water completed the planned development of Universal Access Plans (UAPs) for all Water Services Authorities (WSAs) in KwaZulu-Natal in 2016. The outputs comprise conceptual bulk water supply scheme plans per municipality for all KZN. The plans reconcile backlogs and growth in demands with bulk infrastructure to meet the needs for the 2045 planning horizon. In the year under review, uMngeni-uThukela Water further extended this plan to include the secondary bulk that would be needed to link regional schemes to community areas.

In addition to the UAP suite of projects, uMngeni-uThukela Water has developed bulk water Infrastructure Master Plans for the entire province of KwaZulu-Natal. They are available on the uMngeni-uThukela Water website and provide an understanding of the status quo of the existing water resource and supply infrastructure as represented by **Figure 10.6 (a)** and **Figure 10.6 (b)**, the expected future supply needs and recommendations for infrastructure projects to provide regional supply to all areas.

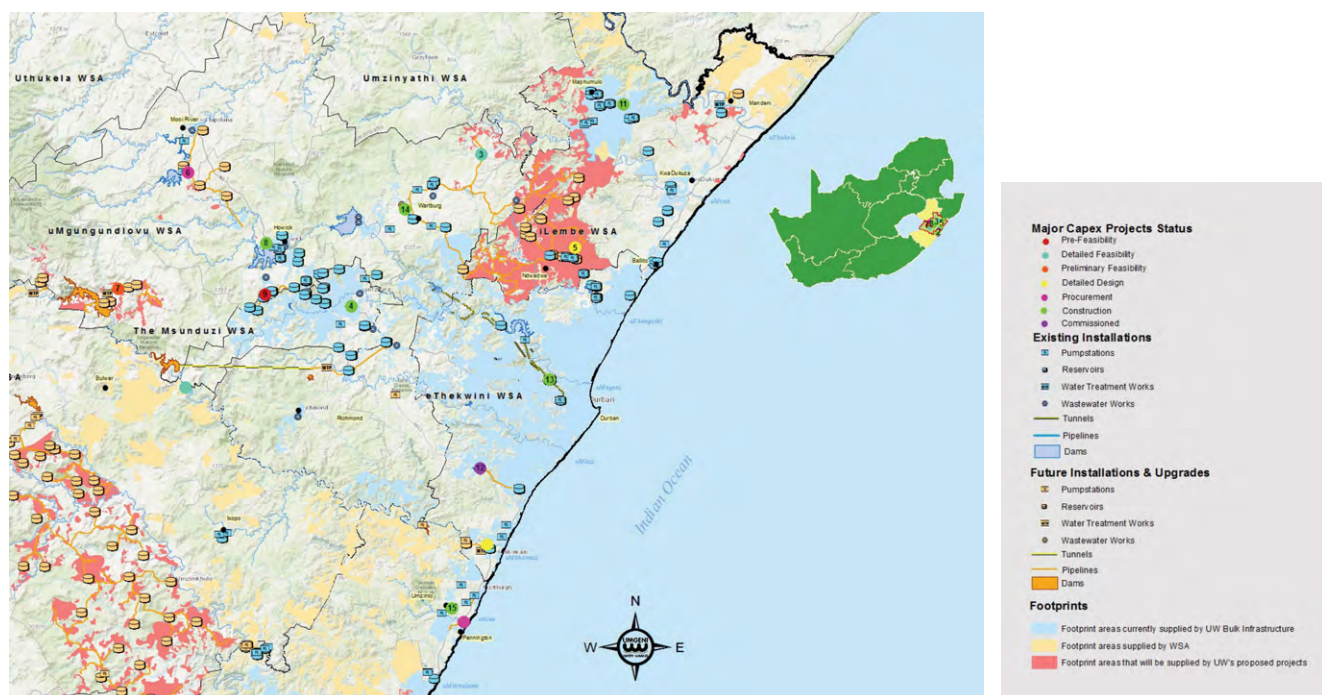
**Figure 10.6 (a):** KZN Primary Water Supply Systems as identified in the uMngeni-uThukela Water Infrastructure Master Plan 2024



uMngeni-uThukela Water investigates the feasibility of implementing these plans where they exist within its operational area, and feasible (financial and technical) projects are thereafter included within the organisation's capital expenditure programme for implementation.

uMngeni-uThukela Water's Current Bulk Infrastructure and Supply Footprint and the Status of Bulk Infrastructure implemented in the reporting period are shown in **Figure 10.6 (b)**.

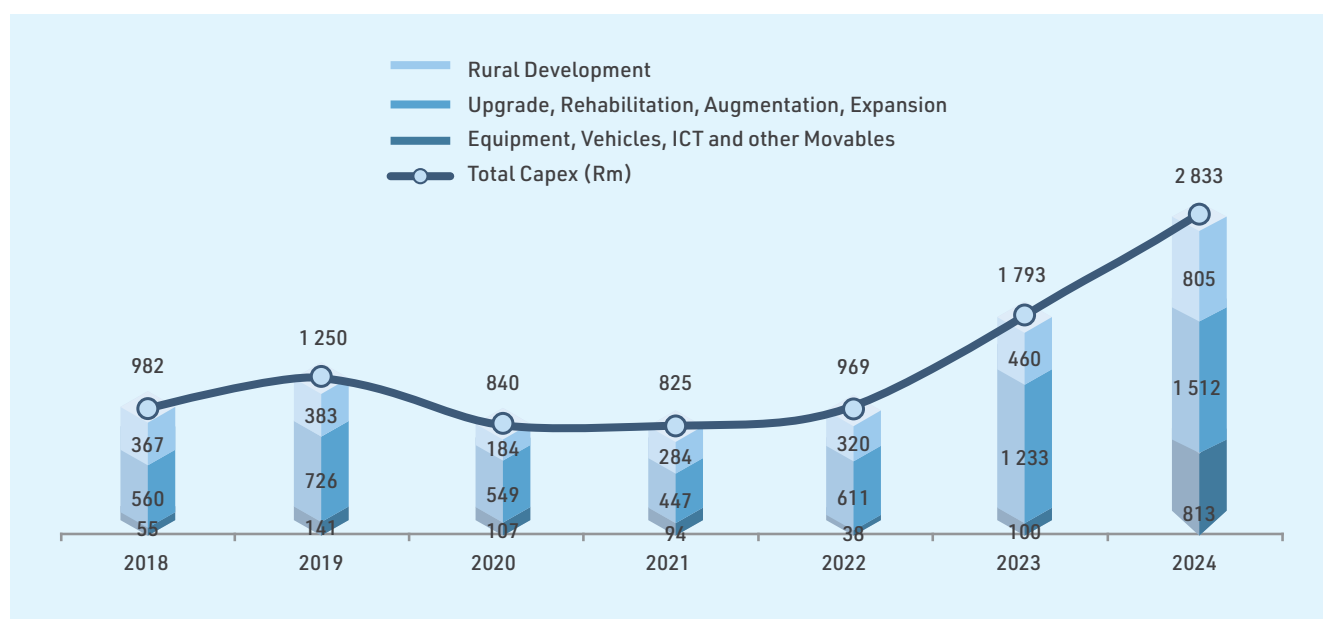


**Figure 10.6 (b):** Current Bulk Supply Footprint and Status of Bulk Infrastructure implemented in the reporting period under review

### Performance with Capital Infrastructure Plan

Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year was R2 833million (parent only), of which R2 336m was spent on infrastructure work and R805m of this amount went towards projects for rural development as shown in **Figure 10.7**. Overall, 88% of target water infrastructure project milestones were met. Key projects implemented are shown in **Table 10.5**.

In addition, the Supply Chain Management (SCM) process, specifically the turnaround time of Capex Programme tenders, continued to improve in the reporting period. uMngeni-uThukela Water will continue to streamline its processes to maintain and improve turnaround.

**Figure 10.7:** Capital Infrastructure Implemented (Parent) (Rm)

**Table 10.5:** Major Projects Implemented in 2023/2024

|    | Project Name                                                                               | Project Status                                | Objective                                                     | Major Customer                      | Total Project Budget (Rm) |
|----|--------------------------------------------------------------------------------------------|-----------------------------------------------|---------------------------------------------------------------|-------------------------------------|---------------------------|
| 1  | uMkhomazi Water Project                                                                    | Detailed Feasibility                          | Augmentation                                                  | eThekwini MM, uMgungundlovu DM      | 8 278                     |
| 2  | Lower uMkhomazi Bulk Water Supply Scheme                                                   | Procurement and Construction                  | Augmentation                                                  | eThekwini MM, Ugu DM,               | 6 191                     |
| 3  | Greater Mpofana Bulk Water Supply Scheme                                                   | Completed                                     | Rural Expansion                                               | uMgungundlovu DM                    | 1 022                     |
| 4  | Impendle BWSS: Stepmore                                                                    | Detailed Design                               | Rural Expansion                                               | uMgungundlovu DM<br>Harry Gwala DM  | 260                       |
|    | Impendle BWSS: Nzinga                                                                      | Detailed Design                               | Rural Expansion                                               | uMgungundlovu DM                    | 649                       |
| 5  | uMshwathi BWSS Phase 4 (Southern Ndwedwe)                                                  | Procurement and Construction                  | Rural Expansion                                               | iLembe DM                           | 700                       |
| 6  | uMshwathi Phase 6                                                                          | Detailed Design (On-Hold)                     | Rural Expansion                                               | uMgungundlovu DM                    | 322                       |
| 7  | Lower Thukela BWSS Phase 2                                                                 | Detailed Design                               | Rural Expansion                                               | iLembe DM                           | 1 406                     |
| 8  | Maphumulo BWSS Phase 3: WTW Upgrade (6 ML/d to 12 ML/d)                                    | Construction                                  | Rural Expansion                                               | iLembe DM                           | 387                       |
| 9  | Mhlabatshane Sub-Regional Scheme Ph 2                                                      | Detailed Design & Construction of access road | Rural Expansion                                               | Ugu DM                              | 852                       |
| 10 | Vulindlela BWSS Upgrade                                                                    | Procurement and Construction                  | Augmentation                                                  | Msunduzi LM                         | 519                       |
| 11 | Mpophomeni Wastewater Treatment Works (WWTW)                                               | Construction                                  | Rural Expansion                                               | uMgungundlovu DM                    | 536                       |
| 12 | South Coast Pipeline Phase 3                                                               | Detailed Feasibility                          | Expansion                                                     | eThekwini MM, Ugu DM                | 186                       |
| 13 | Emergency Rehab to Nagle Aqueducts 1 & 2                                                   | Completed                                     | Rehabilitation                                                | eThekwini MM                        | 781                       |
| 14 | Emergency Rehabilitation to Nagle Aqueduct 3 & 4 Siphon 6 Clermont Siphon 6 Rehabilitation | Procurement of PSP for design (to follow)     | Rehabilitation                                                | eThekwini MM                        | 506                       |
| 15 | South Coast Pipeline Phase 2B                                                              | Construction                                  | Expansion                                                     | eThekwini MM, Ugu DM                | 339                       |
| 16 | Rehabilitation of Nagle / Durban Heights / Inanda / Wiggins Systems                        | Construction                                  | Rehabilitation                                                | eThekwini MM                        | 194                       |
| 17 | Trustfeed WWTW                                                                             | Completed                                     | Rural Expansion                                               | uMgungundlovu DM                    | 194                       |
| 18 | Umzinto Water Treatment Works Upgrade                                                      | Completed                                     | Upgrade                                                       | Ugu DM                              | 85                        |
| 19 | Augmentation of Nsezi Water Treatment Works                                                | Complete (Contract 1)                         | Augmentation                                                  | uMhlathuze Local Municipality       | 292                       |
| 20 | Thukela-Goedertrouw Transfer Scheme Upgrade                                                | Construction                                  | Upgrade                                                       | King Cetshwayo DM and Local Farmers | 420                       |
| 21 | UKDM Section 63 Ministerial Directive                                                      | Construction                                  | Refurbishments, Upgrades, Replacements and New infrastructure | UKDM                                | 1 300                     |

## Customers Targeted and Progress with Key Bulk Infrastructure Developments

### (1) uMkhomazi Water Project

***Serves eThekweni Metropolitan Municipality, uMgungundlovu District Municipality, Msunduzi Local Municipality, Ugu District Municipality and iLembe District Municipality***

Phase 1 of the infrastructure development includes a dam on the uMkhomazi River, raw water tunnel to Baynesfield, balancing dam, raw water pipeline, water treatment works and bulk potable storage reservoir at Baynesfield and bulk potable water pipeline to Umlaas Road. Phase 2 includes a further dam higher up on uMkhomazi River at Impendle, raw water tunnel, raw water pipeline, water treatment works capacity and reservoir storage upgrades and a second bulk potable water pipeline.

The detailed feasibility study for Phase 1 was completed in 2015 and the Environmental Authorisation was obtained at the end of 2020. The process of appointing an Environmental Assessment Practitioner (EAP) who will amend the conditions in the approved Environmental Authorisation and undertake the Water Use Licence (WUL) application was initiated in August 2021. The Political Steering Committee, comprising CoGTA, DWS, TCTA, UUW and Water Users, was set in 2021 to facilitate the development of solutions regarding the funding model for the project and affordability of tariffs for Water Users. The Steering Committee continues to function on a weekly basis. The Committee's latest resolution was that the State will fund 50% of the project and the balance will be funded by water users through a capital unit charge of R 2.58 per kilolitre, which has since been approved by National Treasury. The outstanding matter of signing of off-take agreements as well as water user agreements was resolved. All Six Water Service Authorities that will benefit from this project signed both the Water User Agreement and offtake agreements on the 5th April 2024. The Department of Water and Sanitation Minister signed a memorandum of understanding with Water Service Authorities Political Leadership on 19<sup>th</sup> April 2024.

### (2) Lower uMkhomazi Bulk Water Supply Scheme

***Serves eThekweni Metropolitan Municipality and Ugu District Municipality, and will augment the coastal areas from Amanzimtoti to Hibberdene via the South Coast Pipeline***

***The planned infrastructure comprises:***

Phase 1: Consists of a 10 million meter cube dam at Ngwadini and two approximately 146ML/day Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and 25ML Raw Water Reservoirs; the construction of Ngwadini Advance Works to prepare for the construction Ngwadini Dam and Associated Structures was complete in April 2024 where R37million was spent of Local CPGs and approximately R8.3million of local labour including labour intensive activities, i.e. clearing of the dam basin. Ngwadini Dam: the construction commenced on 14 November 2023, it is 13% in construction progress, and it is expected to be completed in July 2027. Ngwadini Dam: the construction commenced in 14 November 2023, it is 13% in construction progress and it is expected to be completed in July 2027. Ngwadini Abstraction Works; was awarded in July 2024 to commence with

construction in September 2024 and it is expected to be completed in April 2027. Construction has commenced for Goodenough Abstraction Works, with completion scheduled for April 2026. The construction of the Goodenough Abstraction Works and Pump Stations is complete. Raw Pipelines and Raw Water Reservoirs are on tender stage, the tender was advertised in June 2024 and closes on 15 August 2024, it is expected to commence construction in November 2024. Overall, the project is planned for completion in November 2027.

Phase 2: a 100ML/d Water Treatment Works, storage reservoir and Bulk Potable Water Pipeline.

The detailed feasibility and preliminary designs were completed in 2017 and the detailed design was completed in 2021. The design documentation stage is currently in progress, after which the procurement of the various construction contract packages will follow. Project is planned for completion in December 2027. The Earthworks contract which was in preparation of the Water Treatment Works was completed in April 2023, where R86m was spent to local SMME's and more than R3.9m was spent on local communities through temporary employment.

Water Treatment Works tender was advertised in August 2023, tender closed on 29 February 2024 and is expected to be awarded in September 2024 and construction to commence in January 2025. The Water Treatment Works site will be accompanied by a "green" administration building (4 star), Pipeline and extension of Quarry Reservoir the tenders for which are planned to be advertised in February 2025. The application for amendment to the environmental authorisation is in progress.

### (3) Greater Mpofana Bulk Water Supply Scheme

***Serves uMgungundlovu District Municipality***

The scheme comprised of a water treatment works, two storage reservoirs and two bulk pipelines. The construction of the 20ML/d Rosetta Water Treatment Works commenced in the 2016/17 financial year and was completed in March 2021. The construction and commissioning of the 5ML/d and 12ML/d reservoirs that feed Nottingham Road and Bruntville communities is complete. The construction of the 8km long Nottingham Road Pipeline – from the Water Treatment Works to the Nottingham Road Reservoir – was completed in June 2016. The construction of the 13 km long Bruntville Pipeline was completed in June 2023. The Final integration and Commissioning of the Rosetta Water Treatment Works, Bruntville and Nottingham Road Pipelines and Reservoirs, formally known as the Greater Mpofana Bulk Water Supply Scheme Phase 1 was concluded in July 2023. Phase 2 of the Greater Mpofana Bulk Water Supply Scheme – which will be a labour intensive 25 km long steel pipeline from Nottingham Road Reservoir to Lions River Reservoir and 3 Reservoirs at Zenzani Village, Lidgetton and Lions River – is currently at Detailed Feasibility/Design Development Stage and is planned for construction in the 2024/2025 financial year. There are proposed changes to the scope of work for the project. The appointed Environmental Assessment Practitioner (EAP) will include the proposed scope changes for all environmental assessments required.



#### (4) Impendle Bulk Water Supply Scheme: Stepmore Scheme

**Serves uMgungundlovu District Municipality (Impendle Local Municipality) and Harry Gwala District Municipality (Dr. Nkosazana Dlamini-Zuma Local Municipality)**

The Bulk Water Supply Scheme: Stepmore Scheme is designed to supply 1.6ML/d upgradeable to 3ML/d. Construction of the Stepmore scheme is planned to commence in 2025, with targeted completion in the latter part of the year in 2026. The environmental approvals for Stepmore are in place.

#### Nzinga Scheme

**Serves uMgungundlovu District Municipality (Impendle Local Municipality)**

The Bulk Water Supply Scheme: Nzinga Scheme is designed to supply 13ML/d upgradeable to 18.5ML/d. The detailed design for the Nzinga is 45% complete. Construction of the Nzinga scheme is planned to commence in 2026, with targeted completion in the latter part of the year in 2029. The Environmental Impact Assessment for Nzinga Scheme is still underway.

#### (5) uMshwathi Bulk Water Supply System Phase 4 (Southern Ndwedwe)

**Serves iLembe District Municipality and the Southern Ndwedwe areas**

The scheme will draw 22.85 ML/d bulk potable water from the existing 12ML Ozwathini Reservoir and supply by gravity to the entire Southern Ndwedwe area, under the Ndwedwe Local Municipality. The detailed design stage is currently in progress. The three work packages are at various stages of implementation. The pipe supply contract was awarded in June 2023 and completion of the same is envisaged at the end of September 2024. Currently 75% of the works have been completed. Work package 2 was advertised in February 2024 via the open tender system, and currently the intention to award has been issued to the preferred bidder. Work package 3 is planned to be advertised for construction by end of 2024. Procurement for the appointment of an independent Environmental Control Officer was concluded at the end of May 2024 and is now on site performing their duties.

#### (6) uMshwathi Regional Bulk Water Supply Scheme: Phase 6

**Serves uMgungundlovu and iLembe District Municipality and eThekweni Metro**

The project will consist of a pipeline from Bruyns Hill Reservoir to Wosiyani in Southern Ndwedwe, with an off-take supplying parts of eThekweni Metro. The capacity of the scheme is 10 ML/day and will ultimately serve 100 000 people. The project is currently in detailed design and the application for environmental authorisation is being finalised.

#### (7) Lower Thukela Bulk Water Supply Scheme Phase 2

**Serves iLembe District Municipality, specifically areas North of the uThukela River.**

The project will upgrade the existing Lower Thukela Water Treatment Works from 55ML/d to 110 ML/d. At present, the detailed design has been finalised and procurement for a PSP to review the design has been undertaken and will be appointed. Due to the cancellation of the Bulk Supply Agreement with King Cetshwayo District Municipality, the 7km Rising Main and a 30ML reservoir will no longer be constructed, however the design for the pipeline was reviewed by a PSP and shelved. The associated servitudes have been conclusively acquired from landowners. Wayleaves with the relevant authorities have been approved. Both the Environmental Impact Assessment (EIA) and Water Use Licence (WUL) applications have been completed and approved. Procurement for construction of the Water Treatment Works upgrade will commence in 2025.

#### (8) Maphumulo Bulk Water Supply Scheme Phase 3

**Serves iLembe District Municipality, which includes KwaMaphumulo, Ndwedwe and KwaDukuza Local Municipalities, and will serve 150 000 people in Maqumbi, Ashville, Maphumulo, Masibambisane, KwaSizabantu and Ngcebo supply areas**

Phase 3 includes the upgrade of the Water Treatment Works from 6ML/d to 12ML/d plant, raw water abstraction and booster Pump Stations. The upgrade of the Pump Stations is complete. The Construction of the Water Treatment Works is 39% complete, Upgrade of Filters, Clarifiers, Reservoir, Reactor, Administration building, Chlorine room and Head of Works are in progress. The Environmental Authorisation, Works Permit, WULA and Waste Management Licence are all in place and the project is in compliance with all Legislation requirements. The planned practical completion date is January 2025. The raw water abstraction Works from Hlimbithwa river to augment supply to Imvutshana Dam and the Water Works is part of Phase 4 Scheme. Construction Tender is under evaluation.

#### (9) Mhlabatshane Bulk Water Supply Scheme Phase 2 – Mzimkhulu River Abstraction

**Serves Ugu District Municipality and will reach and provide potable water access for over 100 000 inhabitants in 10 tribal authority areas**

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station and pipeline to deliver water to the Mhlabatshane Water Treatment Works and an upgrade of the Water Treatment Works from 4ML/d to 12ML/d supply. Environmental Assessments for licences and approvals have been concluded with the draft environmental report currently under review for submission. Design Development Report is complete but subject to an approved Environmental Assessment (EA). An EAP has been appointed to facilitate the application for a new EA in line with the increased capacity of the upgrade. Eskom has committed to provide the necessary power required for the upgrade.

## (10) Vulindlela Bulk Water Supply Scheme Upgrade

### ***Serves Msunduzi Local Municipality***

Phase 1 includes a new 20ML reservoir, 6km of pipelines (rising main and gravity pipelines), one Pump Station at Howick West Reservoir and two at Mpophomeni, 9.37km rising mains and a new 10ML Reservoir at Mpophomeni. The construction of Phase 1 has commenced and 40% completion in line with the latest programme. Phase 2 has been delayed due to numerous additions to ensure UUW's Operations are in-line with the latest equipment and construction is in-line with best guaranteed supply. Added pipe route to the original design has been included which brings upon environmental approval, hence the delay in advertising for construction by end of 2024. Phase 1 and 2 are planned to run concurrently with a targeted completion date of 2026. The Environmental Assessment Practitioner has initiated an application to amend the environmental authorisation.

## (11) Mpophomeni Wastewater Treatment Works

### ***Serves uMgungundlovu District Municipality and uMngeni Local Municipality***

The infrastructure development comprised of a 6ML/d Wastewater Treatment Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020 and is ongoing. Completion is scheduled for December 2024. Compliance monitoring is being undertaken against the environmental approvals.

## (12) South Coast Pipeline Phase 3

### ***Serves the Umdoni and Umzumbe Local Municipalities within the Ugu District Municipality***

The South Coast Pipeline is intended to provide a supply of potable water to the South Coast Region via a single bulk pipeline that will stretch from the Quarry reservoir in Umkomaas to the Catalina reservoir in the town of Hibberdene. Phases 1 and 2A are complete, with Phase 2B currently undergoing construction. Phase 3 will extend the scheme from Umdoni to Mthwalume and then to Hibberdene, and will also augment Phase 1B and Phase 2A, as the existing diameters are insufficient. Phase 3 is currently at Detailed Feasibility and Preliminary Design Stage, which is planned for completion by August 2024, (Gate 4 review scheduled for August 2024), with construction targeted to commence in June 2027. Detailed design is scheduled to commence by January 2025 (latest). Environmental assessments have commenced, as well as landowner consultations. Both are making good progress.

## (13) Emergency Rehab to Nagle Aqueducts 1 & 2

### ***Serves eThekweni Metropolitan Municipality***

The project comprised of repair sections of Aqueducts 1 and 2, varying from 50-100metres which was caused by the April 2022 floods. The repair brought back 260 ML/d of raw water supply to Durban Heights Water Treatment Works. The break sites were repaired in a manner that makes them more resilient to withstand future flooding events. The repair to all the break sites were completed in 12 months.

## (14) Emergency Rehabilitation to Nagle Aqueduct 3 & 4 Siphon 6

### ***Serves eThekweni Metropolitan Municipality***

This project entails for the slip lining of the existing Pre-Stressed Concrete Pipes (PCP) on Nagle Aqueducts 3 & 4 Siphon 6 (the last siphon that passes Clermont and Reservoir Hills); The PCP will be slip lined using steel pipes that will essentially be slotted into the PCP so that the raw water is conveyed inside the steel pipe; The slip lining will ensure that the community that resides on top and around the Aqueducts will be safe in the event of a pipe burst as the material of the pipes are PCP, in the event of a failure, the entire pipe fails catastrophically. The project results in additional safety to the community as well as operational resilience of infrastructure.

## (15) South Coast Pipeline Phase 2B

### ***Serves Ugu District Municipality, including Pennington, Kelso, Malangen and Shayamoya***

The pipeline is designed to supply approximately 16.7ML/d and will link Scottburgh South to Pennington and then to Malangen Reservoir. There will also be an off-take to supply the Umdoni Reservoir and the pipeline will cross the Umzinto Bridge along the N2. The contract was awarded in August 2020 and construction commenced in March 2021 and the Due Completion Date is scheduled for November 2024 and practical completion for the access road was achieved in June 2023. Compliance monitoring is being undertaken against the environmental approvals.

## (16) Rehabilitation of Nagle/ Durban Heights/ Inanda/ Wiggins Systems

### ***Serves eThekweni Metropolitan Municipality***

This project is a rehabilitation of major existing assets and is split into four sub-projects as outlined:

- Emergency Rehabilitation to Aqueducts 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Project has been awarded and the appointed contractor was scheduled to commence with work however the April 2022 floods had damaged Nagle Aqueducts 1 & 2. Subsequently, the Nagle Aqueducts 3 & 4 could not be handed over to the contractor and the project has been suspended until the Emergency Rehabilitation of Nagle Aqueducts 1 & 2 has been completed.
- Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under the Rehab. The rehabilitation of the Nagle Aqueducts 1 & 2 is currently underway, and the anticipated completion date is December 2023
- Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Project is scheduled to only be implemented once the Emergency Rehabilitation to Nagle Aqueducts 1 & 2 as well as the slip-lining project for Nagle Aqueducts 3 & 4 Siphon 6 has been completed.
- Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts.
- PSP appointment underway for upgrade/rehabilitation of Old, New degs and pulsator clarifiers at Durban Heights.

### (17) Trustfeeds WWTW

**Serves uMgungundlovu District Municipality and iLembe District Municipality**

The infrastructure development comprises a 1 ML/d Wastewater Treatment Works; 4.5km of bulk sewer outfall pipeline and a 1.5km gravel access road. Construction of the bulk sewer outfall and access road is complete. Construction of the Wastewater Treatment Works was completed in October 2020 and handed over in December 2020. The plant automation works is currently underway, and the anticipated completion date is February 2025.

### (18) Umzinto Water Treatment Works Upgrade

**Serves Ugu District Municipality**

The project entailed a substantial upgrade to the head-of-works (inlet system) to improve capacity, efficiency and chemical dosing systems for the water treatment process. Commissioning of the works is complete and the upgrade now operational.

### (19) Augmentation of Nsezi Water Treatment Works

**Serves uMhlathuze Local Municipality**

The project entailed, an increase in capacity of the Nsezi water treatment plant from 205ML/day to 260ML/day, through construction of additional water treatment process units. The works reached state of practical completion in June 2024 and the upgrade portion of the water treatment plant is in operation.

### (20) Thukela-Goedertrouw Transfer Scheme

**Serves King Cetshwayo District Municipality (KCDM) and Local Farmers**

The main project is at 90% progress and it entails, Completion of the upgrade of the Thukela-Goedertrouw transfer scheme to duplicate the existing scheme and transfer an additional 1.2 m<sup>3</sup>/s of raw water from the uThukela River to the Mvuzane River, a tributary of the Mhlathuze River, upstream of the Goedertrouw Dam. The other aspects of the project are the community beneficiation components which are at 35% progress.

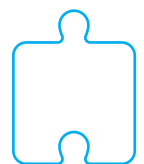
### (21) UMkhanyakude District Municipality Section 63 Ministerial Directive

**Serves four (4) Local Municipalities with UKDM**

This project is a ministerial intervention implemented as a section 63 Schedule 6B. The interventions include refurbishment of existing water supply schemes, establishment of augmentation water supply schemes, upgrades and replacement of water infrastructure and implementation of WDWCM initiatives through projects. The project includes the development of Business Plans for the WSIG funding and implementation of approved BPs in Mtubatuba LM, Big 5 Hlabisa LM, UMhlabuyalingana LM and Jozini LM uMhlabuyalingana LM and Jozini LM.



Overall, 88%  
of target water  
infrastructure  
project milestones  
were met.





Vulindlela Bulk Water Supply



uMngeni-uThukela Water supports SMMEs through B-BBEE policies, allocating 35% of contracts to targeted enterprises, including black-owned and local business. Over R6 Billion has been awarded in five years.



## 10.4 Economic Empowerment

### Management Approach

uMngeni-uThukela Water's approach to economic empowerment is guided by the Constitution of the Republic [Section 217 (2)] supported by enabling pieces of legislation such as the Preferential Procurement Policy Framework Act (PPPFA) and Regulations and the Broad-Based Black Economic Empowerment Act. To facilitate the realisation of economic empowerment, uMngeni-uThukela Water has B-BBEE and Enterprise & Supplier Development Policies. These efforts are targeting Small, Medium and Micro Enterprises (SMMEs) in uMngeni-uThukela's area of operation. uMngeni-uThukela Water has an established Enterprise and Supplier Development Department to foster the institutionalisation of economic transformation by empowering SMMEs and ensuring their participation in uMngeni-uThukela Water's Supply Chain opportunities, and entrenching the principles of B-BBEE in the entity. Through the economic empowerment programme, uMngeni-uThukela Water wants to achieve the following key objectives:

- Facilitating access of B-BBEE compliant suppliers to the entity's procurement activities;
- Developing or establishing new, sustainable business with black entrepreneurs, through the procurement process and empowerment of SMMEs; and,
- Contributing to skills development and job creation through the employment of targeted labour.

### Contract Participation Goals

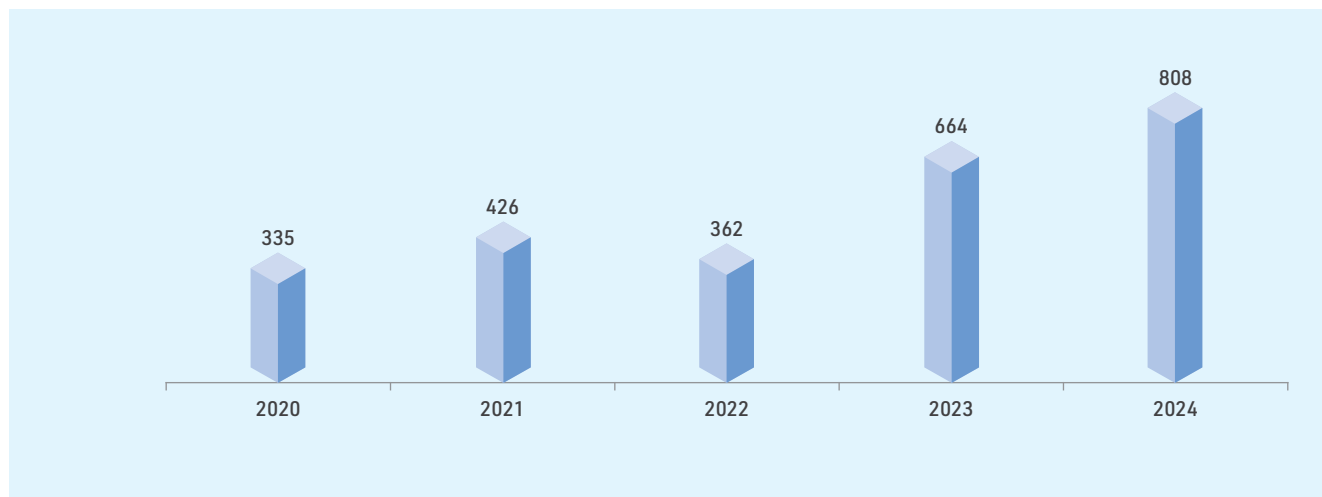
uMngeni-uThukela Water's Contract Participation Goals (CPGs) has remained a key instrument for providing meaningful economic opportunities to targeted enterprises. This is done by requiring tenderers to allocate a certain percentage of the scope of work and value to targeted enterprises.

uMngeni-uThukela Water's CPG targets were 35% for all applicable contracts of which 10% was to be allocated to black-owned businesses and another 10% made available for local enterprises in the project footprint.

An average of 35% was achieved with a total CPG value of R808m (R664m in the previous year). R250m (11%) was awarded to Black women-owned enterprises. Local businesses in the project footprint benefitted to the value of R228m which represents 10% of the value of contracts awarded.

Through this CPG programme, more than R6bn was awarded to targeted enterprises. Below in **Figure 10.8** is the graphical representation of uMngeni-uThukela Water's 5 year CPG performance in millions of Rands.

**Figure 10.8:** CPG 5 Year Trend in Rm



## B-BBEE Spend Performance

uMngeni-uThukela Water continues to monitor and ensure sourcing from B-BBEE compliant suppliers. The B-BBEE spend target of  $\geq 80\%$  for the reporting period was achieved. Spend performance for the year exceeded 100% (114%).

Of the new CPGs added to the database, 54 were awarded work for the first time at uMngeni-uThukela Water.

Monitoring B-BBEE/ CPG implementation of awarded contracts is undertaken to confirm that:

- Contractors are engaging the targeted enterprises as per contracts;
- Targeted enterprises are performing the scope as per contract;
- Payments due to targeted enterprises are processed at the correct rates and at agreed time frames.

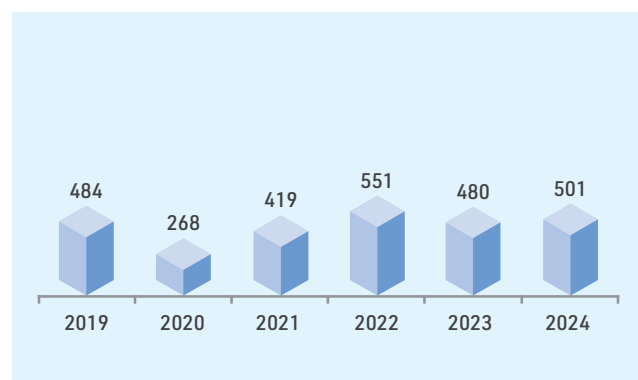
## Skills Development and Job Creation

Infrastructure construction is targeted towards the most disenfranchised members of society and employs unskilled workers. These temporary jobs enable skills to be developed and utilised at a local community level and results in meaningful flow of income to these communities.

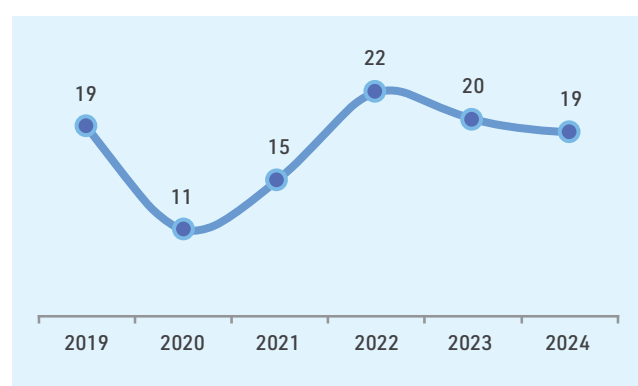
In the year under review, uMngeni-uThukela Water created a total of 501 temporary jobs through its Capex Programme.

In line with this, just over R19m (R20m in the previous year) was paid in wages to local labour. This further reinforces the organisation's commitment to the creation of decent job opportunities.

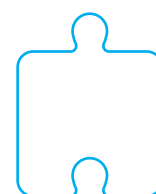
**Figure 10.9: Capex Jobs**



**Figure 10.10: Wages Paid (Rm)**



A total CPG value of R808 million (R664m in the previous year). R250m (11%) was awarded to Black women-owned enterprises.





## 10.5 Corporate Social Investment

### Management Approach

uMngeni-uThukela Water's Corporate Social Investment (CSI) programme supports socio-economic development initiatives to improve community livelihoods. The entity's investments in this regard are driven through an approved CSI Policy. This ensures a co-ordinated approach in the implementation of CSI initiatives, which are prioritised in terms of the following categories:

- Programme-Related Corporate Social Responsibility (CSR): This relates to those activities, which are submitted by various divisions as a way of taking total responsibility towards the business environment in which uMngeni-uThukela Water operates;
- Strategic / Discretionary CSI: These are initiatives that are implemented at the discretion of the Chairperson of the Board and the Chief Executive;
- Targeted CSI Initiatives: These initiatives are those that would be submitted in response to the call for CSI proposals, from different targeted areas within uMngeni-uThukela Water's area of operations. Ideally, these initiatives will assist to build relationships in the areas where uMngeni-uThukela Water will be rolling out Capex projects; and,
- Legacy Projects: These initiatives are meant to live a physical and visual memento, for the communities to remember uMngeni-uThukela Water, for years to come.

uMngeni-uThukela Water's categories of initiatives focus in the following areas:

- Education, Training and Skills Development;
- Job Creation;
- Public Health and Community Support;
- Environmental Conservation; and,
- Staff Voluntarism and Support.

To ensure that investments are aligned to policy, applications follow a thorough process of screening that entails consideration by the designated internal bodies to ensure that investments contribute and support the organisation's strategic goals. A comprehensive process has been developed to institutionalise the processes and systems for the provision of social and economic development support and natural environment stewardship by the organisation.

uMngeni-uThukela Water has committed 1% of Net Profit After Tax to Social Corporate Investment initiatives.

### Water Education and Community Outreach

uMngeni-uThukela Water prides itself on the establishment of its water conservation and environmental education initiatives that it conducts for community and schools outreach programmes and adopted schools. The programme which has been running for over three decades, under the banner "Water Education and Community Outreach initiatives" provides a number of rural, urban and semi-urban schools and communities within our area of operation, with vast knowledge on water and environmental issues.

These programmes are conducted to ensure that learners and communities (especially where uMngeni-Uthukela Water is implementing Capex Projects) understand our source-to-sea process, water and wastewater treatment processes, the value of water, water conservation, sanitation, health, hygiene and environmental issues.

Awareness initiatives on water, environment and health and hygiene education were conducted through three targeted programmes during the reporting period namely:

- Themed Activations per quarter;
- Schools and Community Outreach Programmes; and,
- Adopt-A-School Programme.

### Themed Activations

During the reporting period, four themes were created i.e. Servitude Encroachment, Waste Disposal, Illegal Sand Mining as well as Water, Environment and Biodiversity awareness, with the aim of educating and creating awareness on the importance of all spheres and their impact. Active learning through recognition of prior knowledge and guided questioning ensured that all stakeholders that participated were kept engaged.

### Schools and Community Outreach Programmes:

uMngeni-uThukela Water's education initiatives included outreach programmes to raise awareness around water safety, pollution, water conservation, climate change and environmental health. Programmes implemented included awareness events, clean-up campaigns and commemoration of special environmental day events.

Sixty-five communities across the organisation's area of operation were reached. Activities included awareness talks to youth and women's groups, conducting river clean-ups, invasive alien plants removal and greening initiatives, as well as creating awareness activations at various taxi ranks and shopping centres in collaboration with Vuma FM, internal stakeholders and some of our Municipal stakeholders.

The areas reached were as follows:

- EThekweni Municipality: Umlazi, Hammarsdale, KwaNyuswa, KwaMashu, Molweni, CBD, Mnini, Wyebank, Isipingo
- Umzumbe LM: Umzumbe CBD, Turton, Sibanini, Nkalokazi (Hibberdene)
- Ray Nkonyeni LM: Bhobhoyi
- uMngeni LM: Mpophomeni, Shiyabazali
- Msunduzi LM: Pietermaritzburg CBD, Plesislaer, Esigodini, Mbutshane, Edendale, Nxamalala, Copesville, Kwa-Mpumzu and CBD Taxi Rank
- Mkhambathini LM: Nkanyezini, Abebhuzi, Kwa-Ximba no 9, Nagle Dam and Umlaas Road
- Impendle LM: Impendle Village, iNguga, Smillo Bar, CBD and KwaPhindangene
- Richmond LM: Hopewell Argosy

- Mshwathi LM: Mbava
- Stanger LM: Glenhills and Stanger
- Maphumulo LM: Ward 4, Maphumulo Mandeni LM: Sundumbili
- KwaDukuza LM: Ntshawini (Wards 9, 15 and 26), Mbozamo River and Groutville
- Ndwedwe LM: Thembalabantu Dalibho & Nondabula (Wards 2, 4, 6, 7, 8, 9)
- City of uMhlathuze: Richards Bay (Alkanstrand Beach)
- Dr Nkosazana Dlamini-Zuma LM: Bulwer and Emangwaneni
- Lower Kokstad: Ebhongweni location

Schools outreach engagements were conducted at 106 schools within our operational area. Eleven (11) Workshops for educators representing various schools were conducted in Vulindlela, KwaNgubeni, Sweetwaters, Imbali, Maqadini, KwaTshobho, Sundumbili, Indaleni, Ntuzuma, and Ethekewini CBD. Eighteen (18) plants tours were conducted for schools and higher institutions of learning at Durban Heights Water Treatment Works, Lower Thukela Water Treatment Works, Midmar Water Treatment Works, Maphumulo Water Treatment Works, Mhlabatshane Water Treatment Works and Darvil Wastewater Treatment Works and Howick Wastewater Treatment Works.

### Adopt-A-School Programme:

The schools adopted during the reporting period were part of the schools that have been adopted for a period of three years, from July 2022 until June 2025. The distribution of the 21 adopted schools are as follows: six schools within uMgungundlovu District Municipality, one school within Harry Gwala District Municipality, three schools in eThekweni Metropolitan Municipality, four school in Ugu District Municipality and seven schools within ILembe District Municipality.

Activities implemented at these schools included Cleaning and Greening awareness, tree planting, career guidance, Invasive plants, handwashing and sanitation awareness, wetlands and water awareness, tapped buckets for each classroom sponsored to each school to be used for water management, Earth Day Awareness, Biodiversity Awareness, World Environment Day Awareness, presentation to parents at Mcathu Primary and Dubeyane Primary, seedlings sponsored by EDEA to Siphamandla Primary and Mnawe Primary and Umhloti Primary attended a Biodiversity Day Awareness programme held at Hazelmere Dam.

### Institutional Support and Development (ISD)

Institutional Support and Development (ISD) is one of the vehicles that the organisation is using to engage more broadly with the community and in ways that promote participation and collaborated decision making. This is due to the realisation that the organisation cannot solve complex problems without the combined efforts of the community it serves. Whilst there has been improvement and less project disruptions due to the early involvement of ISD and the Social facilitation teams, there is much work to be undertaken in the rollout of strategies that will ensure community buy-in when it comes to local business participation.

During this financial year, 20 projects were supported under ISD. Sixteen of the projects were managed successfully without any stoppages. uMngeni-uThukela Water has ensured that meaningful community inclusion and sustainable development is undertaken by fostering local community engagement, provision of economic opportunities, and enhancing social cohesion as highlighted below.

### Socio Economic Participation

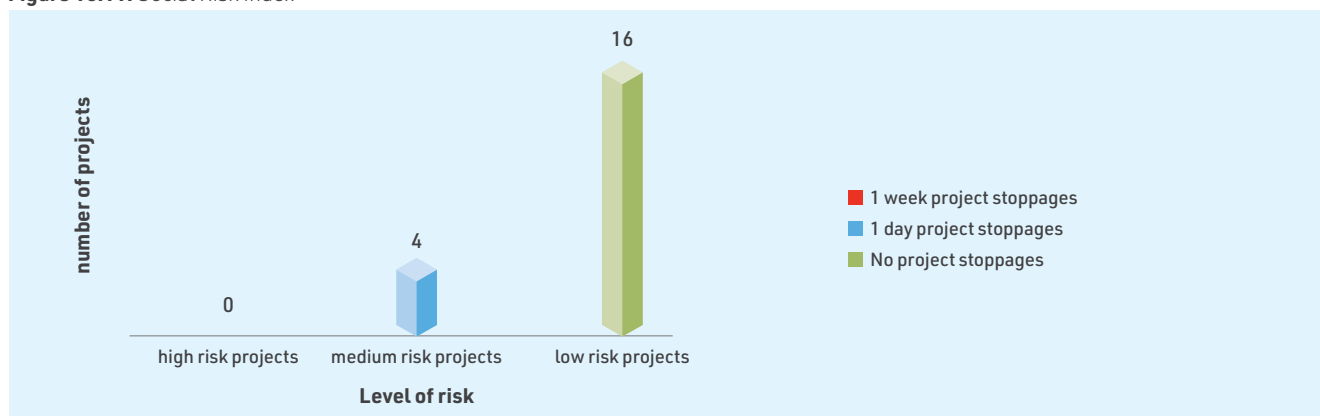
In each of the projects under construction, local community participation is ensured through local employment, skills development, and support to local businesses through local CPG opportunities.

A total of 501 local labour has been employed during this reporting period whilst 66 local companies have participated as CPGs in the various projects. During this reporting period UUW has offered training to 112 community members under various projects. Training programmes included skills relevant to the construction industry including shutter hand, concrete Hand, bricklaying, steel fixing, concrete mixing, form work, Plastering, Carpentry, Gabions, and working on heights. Graduate Trainees programmes were offered to three candidates.

The organisation has ensured that the risks associated with project disruptions are minimised by the significant economic benefit brought by local employment, and skills development. While challenges remain, our commitment to community inclusion continues to drive our efforts.

Whilst there are areas for improvement, the overall impact has been positive. The quantifiable results, such as the decreasing number of project stoppages as shown in the graph below, reflect the success of uMngeni-uThukela Water strategies to address complex socio-economic issues. Continued efforts in monitoring, coordination, and sustainability will further enhance the effectiveness of the ISD interventions and contribute to long-term broader socio-economic progress.

**Figure 10.11:** Social Risk Index



During the reporting period, the total CSI investment was R8 846 062.86. This represents 27% increase in CSI investment compared to the previous year of 2022/2023.

During the reporting period of 2023/2024, 18 projects were completed as tabulated in **Table 10.7** below

**Table 10.7:** CSI Projects Completed

| #   | Project Name                                   | Description                                                                                                                                   | Focus Area                                 | Spent to Date |  |
|-----|------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------|--|
| 1.  | Seed of Hope                                   | Drilling of Borehole                                                                                                                          | Public Health and Community Support        | R250 606.80   |  |
| 2.  | Mantsuna Karate                                | Supporting Karate International world cup with travelling expenses                                                                            | Public Health and Community Support        | R405 000.00   |  |
| 3.  | Scars are Blessing Feeding Scheme              | Donation of non -perishable goods and kitchen utensils                                                                                        | Public Health and Community Support        | R20 000.00    |  |
| 4.  | Cosmoore Primary School                        | Construction of shelter and paving of assembly area                                                                                           | Education & Training                       | R88 025.03    |  |
| 5.  | Nokusa support for the disability              | Donation for wheelchairs, equipment to assist with basic needs of the physically challenged people.                                           | Public Health and Community Support        | R87 194.99    |  |
| 6.  | Victoria Primary School                        | Donation with Jojo Tanks and Dictionaries.                                                                                                    | Education & Training                       | R20 000.00    |  |
| 7.  | Unemployed Mpolweni Group                      | Donation for gardening equipment including water storage tanks, seeds and fertilizers                                                         | Public Health                              | R37 004.80    |  |
| 8.  | KZN Children's Hospital (Institute of Internal | Procurement of Water bottles and Water Dispensers                                                                                             | Governance                                 | R8 756.00     |  |
| 9.  | Support for Lebogang Mashigo                   | Education support for an orphaned learner who was adopted by uMngeni-uThukela Water. The learner is on uMngeni-uThukela Water Bursary Scheme. | Education, Training and Skills Development | R0            |  |
| 10. | Ward 60 sports committee                       | Donation for sporting equipment's and kits                                                                                                    | Chief Executive                            | R97 472.00    |  |
| 11. | Hhaza C community hall                         | Procurement of Computers for the Youth Centre                                                                                                 | Operations Inland                          | R97 398.56    |  |
| 12. | UYWP Tutoring Programmes                       | Provision of Tutoring to grade 10-12 classes at Mpophomeni and Mqhele Centre                                                                  | Education & Training                       | R682 500.00   |  |
| 13. | Eastwood Secondary School                      | Procurement of white boards with markers, lawnmower, Jojo Tank, assistance with detection of leaks and 50 desks.                              | Education & Training                       | R72 539.55    |  |
| 14. | Bizimali Secondary School                      | Prefab science lab, Gift for top achievers, renovation of ablution facilities and installation of Clear Enviro solution                       | Education & Training                       | R3 596 182.25 |  |
| 15. | Lukhasa Secondary School                       | Drilling of borehole for drinking water and procure of furniture                                                                              | Public Health and Community Support        | R365 704.31   |  |
| 16. | Inzuzwenhle Full-Service School                | Provision of Water Storage Tank and Water Quality Testing                                                                                     | Education & Training                       | R195 168.16   |  |
| 17. | Mandosi Combined School                        | Conversion of pit toilets to flushing toilets using waterless sanitation solution and water supply for the school                             | Education & Training                       | R187 662.78   |  |
| 18. | uMngeni-uThukela Water Career Day (Cwakeme)    | Career Day hosted by the Cwakeme Secondary school and other 6 schools                                                                         | Education and Training                     | R1 716 170.00 |  |



As per Impact shown in **Table 10.7** above, the implementation of the CSI projects created opportunities for 21 Local SMMEs, 63 employment opportunities and assisted more than 13 thousand individuals.

|  | Approved Amount    | Wsa                         | Location           | Status                                                                         | SMMEs Work Opportunities Beneficiaries |    |                  |
|--|--------------------|-----------------------------|--------------------|--------------------------------------------------------------------------------|----------------------------------------|----|------------------|
|  | R573 125.50        | EThekweni Metro             | eThekweni Ward 109 | Project is 100% complete and handed Over to the beneficiaries                  | 1                                      | 6  | 500 Children     |
|  | R405 000.00        | eThekweni Metro             | eThekweni Ward 1   | Payments have been made; the karate world cup took place on the 26 August 2023 | 0                                      | 0  | 200 Participants |
|  | R20 000.00         | eThekweni Metro             | eThekweni          | Project is 100% complete                                                       | 0                                      | 0  | 50 Families      |
|  | R104 000.00        | uMgungundlovu DM            | Mkhambathini       | Project is 100% complete and handed Over to the beneficiaries                  | 1                                      | 5  | 198              |
|  | R104 000.00        | eThekweni Metro             | eThekweni          | Project is 100% complete and handed Over to the beneficiaries                  | 1                                      | 0  | 10 Families      |
|  | R56 000.00         | EThekweni                   | Tongaat            | Project Complete, awaiting for handover                                        | 1                                      | 3  | 704              |
|  | R104 000.00        | uMgungundlovu DM            | UMshwathi          | Project Complete                                                               | 1                                      | 0  | 6                |
|  | R104 000.00        | eThekweni Metro             | eThekweni          | Project Complete                                                               | 1                                      | 0  | 540 beds         |
|  | No specific amount | uMgungundlovu DM            | Pietermaritzburg   | Project Complete                                                               | 0                                      | 0  | 1                |
|  | R104 000.00        | eThekweni Metro             | Verulam            | Project Complete.                                                              | 0                                      | 0  | 60               |
|  | R104 000.00        | uMgungundlovu DM            | Msunduzi           | Project Complete.                                                              | 1                                      |    | 2 300 youth      |
|  | R870 750.00        | uMgungundlovu DM/ Ethekeeni | Umngeni/Clermont   | Project Complete. (covering Coastal and Inland)                                | 3                                      |    | 300 learners     |
|  | R104 000.00        | uMgungundlovu DM            | Msunduzi           | Project Complete                                                               | 2                                      |    | 1 365 learners   |
|  | R3 995 000.00      | King Cetshwayo DM           | iNkandla           | Project Complete,                                                              | 2                                      | 10 | 2 300 Learners   |
|  | R648 002.50        | iLembe DM                   | Ndwedwe            | Project Complete,                                                              | 2                                      | 1  | 605 Learners     |
|  | R146 356.41        | uMgungundlovu DM            | Msunduzi           | Project Complete,                                                              | 0                                      | 4  | 1 387            |
|  | R500 000.00        | eThekweni Metro             | Mzinyathi / Inanda | Project Complete                                                               | 2                                      | 9  | 868              |
|  | R897 850.00        | uMkhanyakude DM             | Big 5 - Hlabisa    | Project Complete                                                               | 3                                      | 31 | 2 500            |





uMngeni-uThukela Water invests in community development through education, job creation, and environmental initiatives, supporting 501 workers and 66 local businesses.



## 11

# CONSERVING OUR NATURAL RESOURCES

## 11.1 Environmental Sustainability, including Water Resources Adequacy

### Management Approach

The environment constantly undergoes multiple changes, changes that are occurring over different temporal and spatial scales. As a result, it is vital that natural resources are managed in a sustainable manner. Adequate supplies of raw water resources are paramount to uMngeni-uThukela Water, which together with reliable sources of energy, water treatment chemicals and other resources are crucial for sustainability of the water business.

The entity, therefore, is steadfast in protecting, conserving and using and sustaining these resources efficiently.

Environmental management programmes and plans are embedded in all components of the water business lifecycle, namely, during planning, construction, operation and decommissioning. uMngeni-uThukela Water has classified its environmental management programmes as Corporate, Operational or Integrated Environmental Management:

- Corporate Environmental Management focuses on aligning the business activities to environmental sustainability and promoting a shift towards the state of a green economy;
- Integrated Environmental Management focuses on identification, mitigation and implementation of management plans for potential environmental impacts associated with infrastructure developments.

uMngeni-uThukela Water, as a public water services entity in South Africa, complies with all mandatory environmental disclosure requirements. Notwithstanding this, the entity continues to improve alignment of environmental indicators with other national and internationally accepted indicator disclosure requirements, King IV Report on Corporate Governance, in terms of materiality and relevance. Relevant aspects include materials, including chemicals and water resources, energy efficiency, greenhouse gas emissions, carbon footprint mapping, biodiversity and waste management.

### Water Resources Adequacy

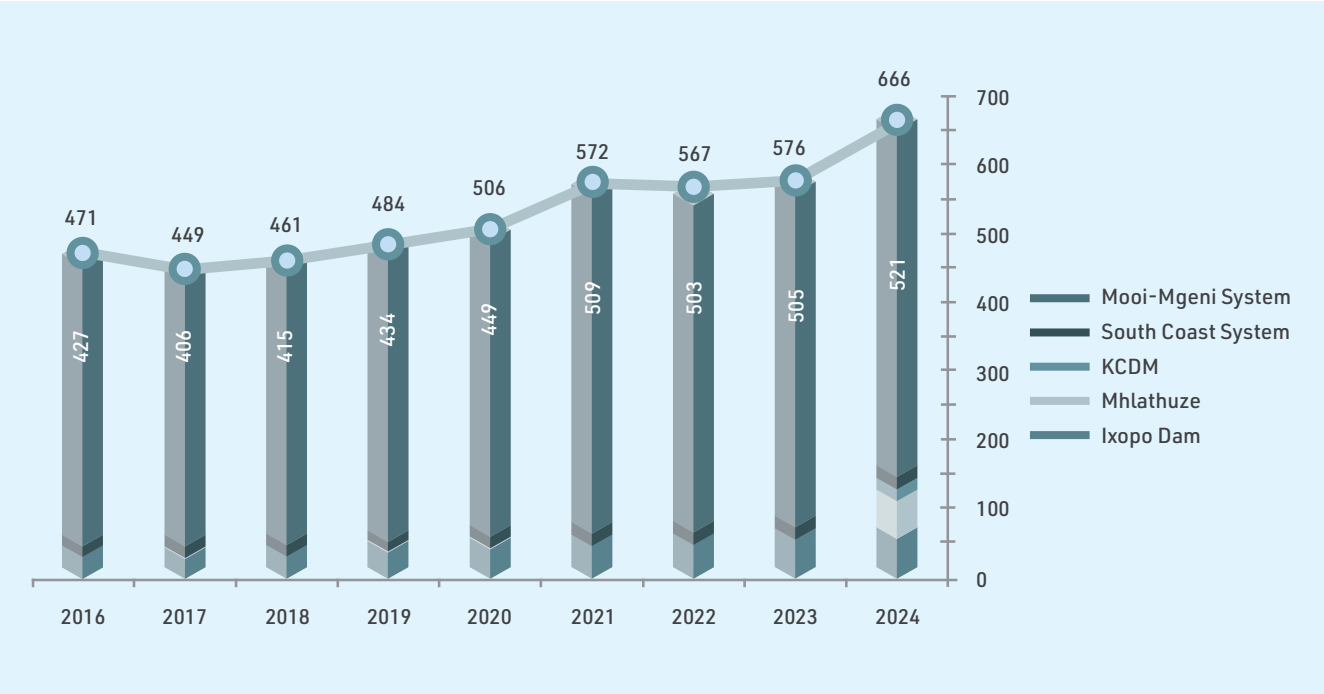
uMngeni-uThukela Water leverages water sector partnerships and collaborations to respond to the challenges facing the region including water availability, redistribution, demand management, flood and drought management and impact of climate change. Its core business function is to treat and supply bulk potable water – a business highly dependent on the availability of sustainable water resources. The reconciliation between water resource availability and water demand is, therefore, of primary importance to the entity and forms an integral part of the infrastructure planning process. Understanding what water resources are available to the entity, both current and future resources, and what factors affect the assurance level of these resources is crucial to balancing supply with customer demand and maintaining supply sustainability into the future.

The primary water sources used by the entity is distributed across four major water resource systems, namely, the uMngeni System (Mooi and uMngeni Rivers), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers), the South Coast System

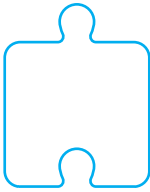


(Nungwane, Mzimayi, uMuziwezinto and Mhlabatshane rivers), the uMhlathuze System (uMhlathuze River) and the KCDM System. Total water withdrawal by source is shown in **Figure 11.1**. In addition, UuW has installed equipment to monitor the water resources in the KCDM area and this installation has enabled efficient management of the water resources in the area.

**Figure 11.1:** Water Withdrawal by Source (million m³)



uMngeni-uThukela Water ensures sustainable resource use accross all operations, focusing on key water systems and efficient monitoring for long-term supply.



I



Ngwadini Dam

In the reporting period, progress was made with the following water resource dam developments:

- The construction of Phase 1 of the uMkhomazi Water Project (Smithfield Dam) is anticipated to be completed by 2032;
- Hazelmere Dam raising (DWS) has been completed but awaiting a licence to impound which is expected at the end of 2024;
- Approximately 75% progress has been achieved for Ngwadini Phase 1. The contract for Ngwadini Dam and Associated Infrastructure has been awarded. The project construction completion is planned for 2027.

## Climate Change and Water Resources

The natural climate is the prime determinant of water resources availability, whether surface or groundwater. Sufficient water that is fit for purpose is key to the business of uMngeni-uThukela Water. During the year under review, uMngeni-uThukela Water implemented the organisational Climate Change Response Policy. The main purpose of the policy is to provide a framework for uMngeni-uThukela Water's just transition to a climate resilient and lower carbon water entity. The objectives of the policy are to:

- Provide a co-ordinated and integrated uMngeni-uThukela Water response to Climate Change and its impacts on all aspects of the water value chain;
- Manage climate change impacts effectively through implementing interventions that reduce the organisation's vulnerability, build its resilience and adaptive capacity to the impacts of climate change; and
- Assist uMngeni-uThukela Water contribute fairly to the global efforts to stabilise greenhouse gas emissions to a level that avoids anthropogenic interference with the climate system and enables sustainable development.

During 2023/2024 a climate change implementation plan was implemented. This plan is integrated to the overarching uMngeni-uThukela Water sustainability implementation plan and incorporates targets for both mitigation and adaptation responses, where the mitigation targets are aimed at reducing the organisation's greenhouse gas emission, while the adaptation initiatives responds directly to water resource and water supply sustainability and are aimed at building the organisation's resilience to the current and protected impacts of climate change which includes reduced streamflow, extreme weather events (wet spells and dry spells), poor water quality, catchment degradation and ecological collapse.

The climate mitigation interventions that were implemented during the period under review included carbon emissions reduction related practices such as monitoring energy usage, water usage, undertaking a feasibility study for the solar power installation at seven (7) uMngeni-uThukela Water sites; undertaking a feasibility study for the Darvill WWTWs co-generation; appointment of service provider to undertake detailed feasibility of the Mpofana Hydropower installation; and implementation of ecological infrastructure interventions that have benefits for climate regulation and carbon sequestration.

The implemented adaptation interventions on the other hand, included the monitoring drought parameters; monitoring of flood

parameters; development and implementation of an annual flood drill plan; issuing of flood early warnings to various operational sites; communication of weekly water resource status updates on various digital media platforms; installation of automated river level monitoring equipments at various sites; setting up of a hydronet subscription for hydro alerts and maps that will be integrated into the flood forecasting and early warning system; calibration of hydraulic model for the flood forecasting and early warning system; setting up of a web-based dashboard for viewing the flood early warning system by external users; development and implementation of water safety plans for water quality management; implementation of catchment management and ecological infrastructure interventions that support water quality enhancement and sustainable water supply.

In terms of climate change related stakeholder engagement, during 2023/2024, uMngeni-uThukela Water actively participated at the KwaZulu-Natal Climate Change Committee quarterly meetings that are chaired by the Department of Economic Development, Tourism and Environmental Affairs who is the regulator for climate change in SA. UUW participated at the the KZN SALGA Climate Change Compact to create awareness on the interventions that are implemented by the organisation. Two (2) climate change sector department trainitions were attended by uMngeni-uThukela Water, one on the climate change response strategy for the water and sanitation which included incorporation of climate change on to water safety plans and the other on green economy and just transition.

## Wastewater Reuse

uMngeni-uThukela Water (UUW) is operating a water recovery plant at its Darvill Wastewater Treatment Works (WWTW)). The 2 ML/d plant comprises a conventional wastewater treatment plant to provide process water for the Darvill WWTP, followed by an advanced tertiary treatment plant. The plant is being used for evaluating the effectiveness of reuse processes and for demonstrating to communities the benefits of wastewater reuse to applicable potable water standards. Recently UUW completed a WRC study, which successfully illustrated the effectiveness of the plant in producing potable water complying with the South African National Standard Drinking Water specification (SANS 241:2015). Partnerships are now being developed with various Universities i.e. Venda and UNISA, to utilise this facility for further research.

## Raw Water Quality

The status of raw water quality per resource is shown in **Table 11.1** and **Figure 11.2**. Water quality risks in uMngeni-uThukela Water supply catchments arise from factors including: eutrophication (nutrient enrichment and its associated threats including algal blooms, taste and odours and aquatic weed infestations), faecal contamination and associated pathogen risks, suspended solids and chemical constituents (including iron and manganese). This impacts on treatability, chemical usage and other cost implications, and may contribute to final water non-compliance with the South African National Standard Drinking Water specification (SANS 241: 2015). Source and raw water quality monitoring is undertaken to assess and mitigate treatability risks, optimise raw water quality and provide early warning of adverse raw water quality that can be expected at the water treatment works.

**Table 11.1:** Resource Water Quality

| System                 | Catchment     | Impoundment/<br>Abstraction          | Abstraction Water Quality Status and Trends                                                                     |                                                                                                                |  |
|------------------------|---------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|--|
|                        |               |                                      | 2020                                                                                                            | 2021                                                                                                           |  |
| Inland & Central Coast | Mooi          | Spring Grove Dam                     | Excellent                                                                                                       | Excellent                                                                                                      |  |
|                        |               | Mearns Dam                           | Excellent                                                                                                       | Good                                                                                                           |  |
|                        | uMgeni        | Midmar Dam                           | Excellent                                                                                                       | Good                                                                                                           |  |
|                        |               | Albert Falls Dam                     | Unsatisfactory                                                                                                  | Satisfactory                                                                                                   |  |
|                        |               | Nagle Dam                            | Unsatisfactory                                                                                                  | Satisfactory                                                                                                   |  |
|                        |               | Inanda Dam                           | Good                                                                                                            | Good                                                                                                           |  |
| North Coast            | uMdloti       | Hazelmere Dam                        | Excellent                                                                                                       | Excellent                                                                                                      |  |
|                        | uMvoti        | iMvutshane Dam and River abstraction | Unsatisfactory                                                                                                  | Unsatisfactory                                                                                                 |  |
|                        | uThukela      | River abstraction                    | Unsatisfactory                                                                                                  | Unsatisfactory                                                                                                 |  |
| South Coast            | iLovu         | Nungwane Dam                         | Good                                                                                                            | Good                                                                                                           |  |
|                        | uMzimayi      | EJ Smith Dam                         | Unsatisfactory                                                                                                  | Unsatisfactory                                                                                                 |  |
|                        | uMhlabatshane | Mhlabatshane Dam                     | Unsatisfactory                                                                                                  | Unsatisfactory                                                                                                 |  |
|                        | uMzinto       | uMzinto Dam                          | Good                                                                                                            | Unsatisfactory                                                                                                 |  |
|                        | uMtamvuna     | Ludeke Dam                           | Good                                                                                                            | Good                                                                                                           |  |
|                        | uMthwalume    | uMthwalume River abstraction         | Unsatisfactory                                                                                                  | Satisfactory                                                                                                   |  |
|                        | Ixopo         | Home Farm Dam                        | The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam levels and presence of weeds. | The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam levels and presence of weeds |  |



|  | Abstraction Water Quality Status and Trends |                |                | Comments                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|--|---------------------------------------------|----------------|----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | 2022                                        | 2023           | 2024           | Adverse Raw Water Quality                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|  | Excellent                                   | Excellent      | Excellent      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Excellent                                   | Excellent      | Excellent      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Excellent                                   | Good           | Excellent      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Unsatisfactory                              | Satisfactory   | Poor           | Albert Falls Dam showed poor water quality status due to elevated <i>E. coli</i> , <i>algal</i> counts and <i>Geosmin</i> concentrations due to catchment rainfall event. And catchment inputs.                                                                                                                                                                                                                                                                        |
|  | Good                                        | Good           | Excellent      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Unsatisfactory                              | Poor           | Excellent      | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Good                                        | Good           | Good           | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Unsatisfactory                              | Unsatisfactory | Good           | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Unsatisfactory                              | Unsatisfactory | Unsatisfactory | Raw water abstracted from the uThukela River (Lower Thukela Raw) showed unsatisfactory water quality status due to elevated <i>E. coli</i> , iron, total organic carbon and turbidity associated with catchment rain / erosion events and human and animal activities in the catchment.. The Sundumbili Town sewer network and sewage pump stations just upstream of the WW are thought likely to be a significant part of the problem affecting the lower Thukela WW. |
|  | Good                                        | Good           | Unsatisfactory | Nungwane Dam showed unsatisfactory water quality status due to elevated <i>E. coli</i> , <i>Geosmin</i> and turbidity associated with catchment inputs.                                                                                                                                                                                                                                                                                                                |
|  | Unsatisfactory                              | Unsatisfactory | Unsatisfactory | EJ Smith Dam showed unsatisfactory water quality status due to elevated <i>E.coli</i> , total organic carbon, turbidity, iron, ortho-phosphate, chlorophyll "a" and 2-MIB associated with ongoing sewage contamination sewer problems from uMzinto Town.                                                                                                                                                                                                               |
|  | Unsatisfactory                              | Unsatisfactory | Unsatisfactory | Mhlabatshane Dam showed unsatisfactory water quality status due to elevated <i>E.coli</i> , turbidity and iron associated with the poor condition of the immediate catchment conditions such as from overgrazing and soil erosion.                                                                                                                                                                                                                                     |
|  | Unsatisfactory                              | Unsatisfactory | Unsatisfactory | uMzinto Dam showed unsatisfactory water quality status due to elevated total organic carbon, turbidity, iron, <i>Geosmin</i> and <i>E. coli</i> due to associated with catchment nutrient inputs.                                                                                                                                                                                                                                                                      |
|  | Good                                        | Good           | Satisfactory   | -                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|  | Unsatisfactory                              | Unsatisfactory | Poor           | Raw water abstracted from the Mthwalume river showed poor water quality status due to elevated <i>E. coli</i> due to catchment inputs rainfall events                                                                                                                                                                                                                                                                                                                  |
|  | Unsatisfactory                              | Satisfactory   | Unsatisfactory | Home Farm Dam showed unsatisfactory water quality status due to elevated total organic carbon, manganese, chlorophyll "a" <i>Geosmin</i> and <i>E. coli</i> due to ongoing sewer problems in the Ixopo Town. <i>Azolla</i> weed has been noted to have developed rapidly in the impoundment.                                                                                                                                                                           |





**Table 11.2:** Catchment management interventions

| Water Resource                                     |   | Intervention                                                                          | Target                                                               | Actual   |  | Anticipated Outcome                                                                                                                                                                                                                                                                      |
|----------------------------------------------------|---|---------------------------------------------------------------------------------------|----------------------------------------------------------------------|----------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Mooi-Mngeni:</b><br><b>Midmar</b>               | 1 | Undertake catchment or land use assessment for the Midmar Resource Unit               | Final catchment assessment report by 31 March 2024.                  | Achieved |  | Obtain an understanding of Midmar catchment land uses and associated impacts on Midmar resource quality and quantity. This information is to be used to inform decision making on where interventions are required.                                                                      |
|                                                    | 2 | Develop and Implement the greater Mngeni System integrated catchment management plan. | Final Integrated management plan by 30 June 2024.                    | Achieved |  | Improved ecological infrastructure, enhancement of water quality, improved water availability; flood mitigation, drought mitigation and climate regulation.<br><br>Management plan to guide implementation of interventions and mitigate the risk of Midmar water quality deterioration. |
|                                                    |   | Active participation at the Upper Mngeni CMF                                          | Attend 2 out of planned CMF meetings during the 2023/2024 FY.        | Achieved |  | Enhanced collaboration on the implementation of interventions resulting in sharing of costs, large scale implementation of interventions and improved raw water quality and ecological infrastructure.                                                                                   |
|                                                    |   | Monitoring of the Mphophomeni Upper Mthinzima Wetland                                 | Develop a wetland monitoring and maintenance plan by 30 June 2024.   | Achieved |  | Water quality enhancement at Midmar Dam; improved Midmar Dam water supply and flood mitigation.                                                                                                                                                                                          |
| <b>Mooi-Mngeni:</b><br><b>Albert Falls – Nagle</b> | 1 | Undertake catchment or land use assessment for Albert Falls –Nagle Resource Unit      | Final catchment assessment report by 31 March 2024.                  | Achieved |  | Obtain an understanding of Albert Falls-Nagle catchment land uses and associated impacts on Albert Falls-Nagle resource quality and quantity, leading to the implementation of interventions for improved water resource quality and quantity.                                           |
|                                                    | 2 | Active Participation at the Inanda/Nagle CMF                                          | Attend 2 out of the planned quarterly CMF meetings during 2023/2024. | Achieved |  | Enhanced collaboration on the implementation of interventions resulting in sharing of costs, large scale implementation of interventions and improved raw water quality and ecological infrastructure.                                                                                   |
|                                                    |   | Monitoring of the Mpophomeni Sakabula Wetland                                         | Develop a wetland monitoring and maintenance plan by 30 June 2024.   | Achieve  |  | Water quality enhancement; improved water supply and flood mitigation.                                                                                                                                                                                                                   |
| <b>Mooi-Mngeni:</b><br><b>Inanda</b>               | 1 | Undertake catchment or land use assessment for the Inanda Resource Unit               | Final catchment assessment report by 31 March 2024.                  | Achieved |  | Obtain an understanding of Midmar catchment land uses and associated impacts on Midmar resource quality and quantity. This information is to be used to inform decision making on where interventions are required.                                                                      |
|                                                    |   | Implement the Inanda Integrated catchment management plan                             | ≥80% of the milestones achieved by 30 June 2024.                     |          |  | Msunduzi Municipality paid about R40 million for the Darvill upgrade. Other benefits include water quality enhancement, improved ecological infrastructure, effective management of aquatic weeds; flood mitigation, and drought mitigation.                                             |
|                                                    |   | Active participation at the Msunduzi CMF                                              | Attend 2 out of planned CMF meetings during the 2023/2024 FY.        | Achieved |  | Improved collaboration on the implementation of interventions resulting in sharing of costs, large scale implementation of interventions and improved raw water quality and ecological infrastructure.                                                                                   |
| <b>South Coast:</b><br><b>Umzinto</b>              | 1 | Undertake/update catchment or land use assessment for Mzimayi Resource Unit           | Final catchment assessment report by 31 March 2024.                  | Achieved |  | Understanding of Mzimayi/Umzinto-EJ Smith catchment land uses and associated impacts on EJ Smith Dam resource quality and quantity.                                                                                                                                                      |
|                                                    | 2 | Implement the Mzimayi / EJ Smith integrated catchment management plan                 | ≥80% of the milestones achieved by 30 June 2024.                     | Achieved |  | Effective management of aquatic weeds management water quality enhancement, improved ecological infrastructure, effective management of aquatic weeds; flood mitigation, and drought mitigation                                                                                          |



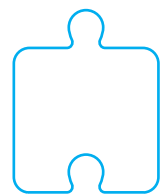
**Table 11.2 :** Catchment management interventions (Continued)

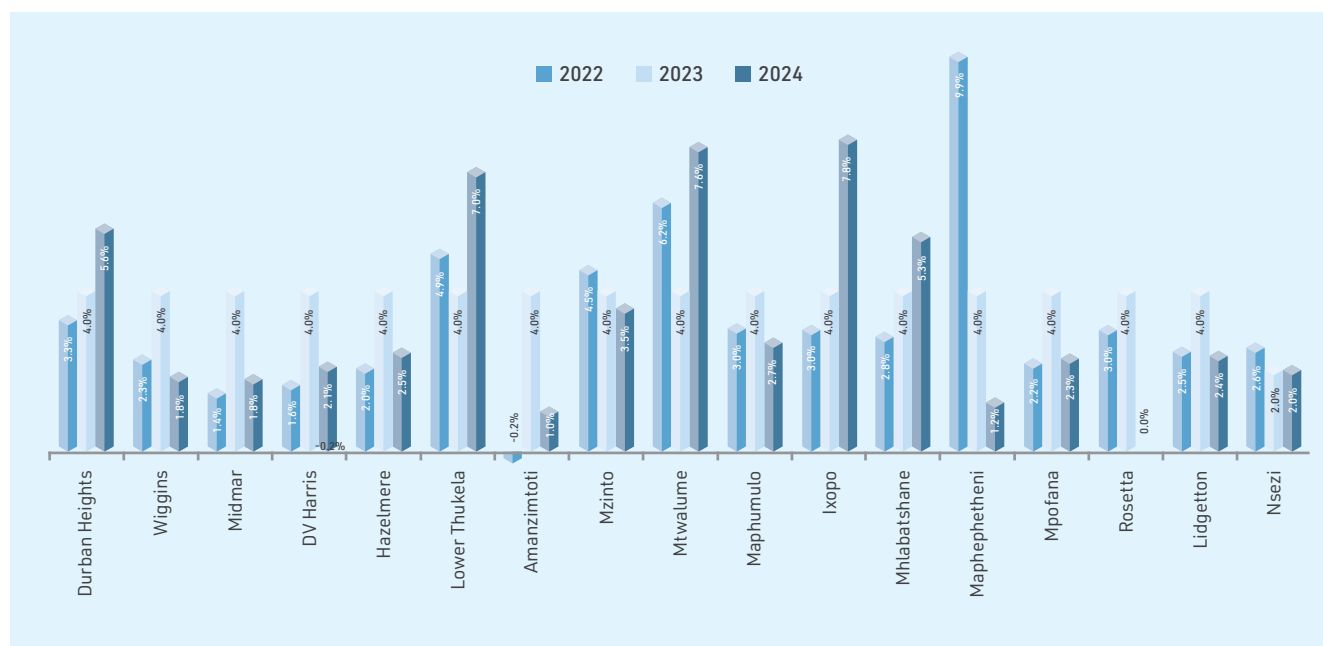
| Water Resource                      |   | Intervention                                                                          | Target                                                                                  | Actual   |  | Anticipated Outcome                                                                                                                                                                                                                                |
|-------------------------------------|---|---------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|----------|--|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>South Coast: Umzinto</b>         | 3 | Undertake/update catchment or land use assessment for the Mhlabatshane resource unit. | Final catchment assessment report by 31 March 2024.                                     | Achieved |  | Obtain an understanding of Mhlabatshane catchment land uses and associated impacts on Mhlabatshane Dam resource quality and quantity.                                                                                                              |
| <b>South Coast: Mhlabatshane</b>    |   | Undertake/update catchment or land use assessment for the Mhlabatshane catchment.     | Final catchment assessment report by 31 March 2024.                                     | Achieved |  | Obtain an understanding of Imvutshane catchment land uses and associated impacts on Imvutshane Dam resource quality and quantity, leading to the implementation of interventions at source and improvement of water resource quality and quantity. |
| <b>North Coast: Imvutshane</b>      |   | Undertake/update catchment or land use assessment for the Imvutshane resource unit    | Final catchment assessment report by 31 March 2024.                                     | Achieved |  | Obtain an understanding of Imvutshane catchment land uses and associated impacts on Imvutshane Dam resource quality and quantity, leading to the implementation of interventions at source and improvement of water resource quality and quantity. |
| <b>North Coast: Hazelmere</b>       |   | Undertake/update catchment or land use assessment for Hazelmere Resource Unit.        | Draft Integrated Catchment Management Plan for Hazelmere Resource Unit by 30 June 2024. | Achieved |  | Obtain an understanding of Imvutshane catchment land uses and associated impacts on Imvutshane Dam resource quality and quantity, leading to the implementation of interventions at source and improvement of water resource quality and quantity. |
| <b>Inland: Ixopo</b>                |   | Undertake/update catchment or land use assessment for the Ixopo system.               | Final catchment assessment report by 31 March 2024.                                     | Achieved |  | Obtain an understanding of Imvutshane catchment land uses and associated impacts on Imvutshane Dam resource quality and quantity, leading to the implementation of interventions at source and improvement of water resource quality and quantity. |
|                                     |   | Implement the Ixopo integrated catchment management plan.                             | ≥80% of the milestones achieved by 30 June 2024.                                        | Achieved |  | Improved water quality monitoring using technology and innovation. Improved organizational agility.                                                                                                                                                |
| <b>Catchment wide interventions</b> |   | Undertake catchment water quality modelling for former UuW Strategic Dams.            | Calibration of water quality model by 30 June 2024.                                     | Achieved |  | Improve understanding of the sources of poor raw water quality.                                                                                                                                                                                    |

## Water Loss Management

uMngeni-uThukela Water strives to use the water abstracted from resources assiduously. Water balancing and water loss management measures are in place per treatment system. Overall, water loss levels have been maintained below the entity's target level of 5% over the years. Water loss trends are shown in **Figure 11.3** below.

uMngeni-uThukela Water successfully completed catchment assessments and management plans, enhancing water quality and ecological management across various regions.



**Figure 11.3: Water Losses**

## Materials Usage and Efficiency

Water is the most significant input material for uMngeni-uThukela Water, as described in the previous section, followed by energy, which is discussed below. In addition, uMngeni-uThukela Water has a high reliance on water treatment chemical resources and is, therefore, committed to improving the usage efficiency thereof.

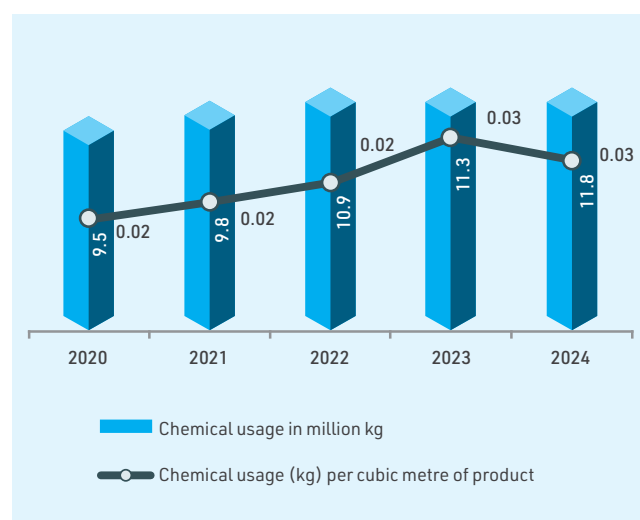
## Chemicals Usage and Efficiency

The chemical usage trend for the past five years is presented in **Figure 11.4**. During the current assessment period, uMngeni-uThukela Water utilised a total of 11.8 million kg of water treatment chemicals. A notable increase in chemical usage was observed compared to the previous year. This escalation is likely due to the need to treat larger volumes of raw water of suboptimal quality, a consequence of catchment activities, as well as the operation of additional plants and the expansion of our operational footprint. The use of water treatment chemicals was essential to ensuring that potable water consistently met the required quality standards and maintained these standards up to the point of use.

uMngeni-uThukela Water has implemented various initiatives to optimise the use of water treatment chemicals. These include:

- Testing the effectiveness of water treatment chemicals for each raw water system / plant. This informs the selection of the optimal treatment chemical and therefore prevents inefficiency / unnecessary usage;
- Monthly chemical optimisation audits to ensure that optimal use of treatment chemicals is maintained and to facilitate a prompt response should a problem be identified through the monthly sampling;
- Monitoring and evaluation of the water treatments process per plant, which identifies areas of process improvement and operational efficiency;

- Monitoring and assessing seasonal variation of the water column / dam levels to assess levels with optimal raw water quality;
- Participating in catchment management activities and forums and contributing to the information base, including provision of water quality data. This influences decisions on catchment land use activities and more sustainable development.

**Figure 11.4: Chemical Usage and Efficiency Trends**

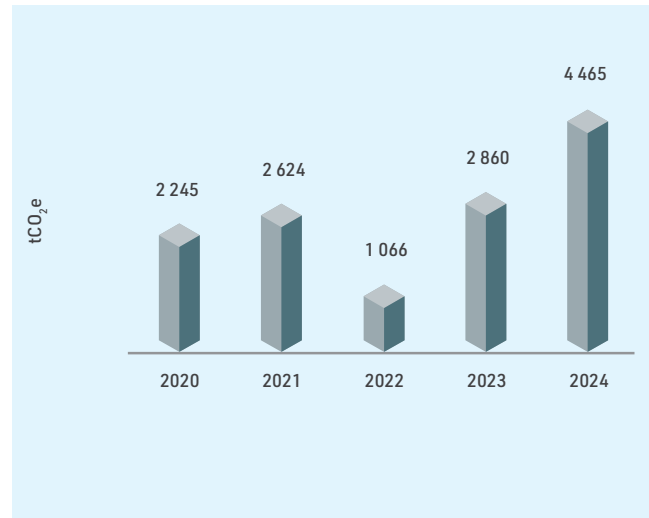
## Energy Usage, Carbon Footprint and Emissions Reduction Initiatives

Carbon footprint can be described as the total amount of carbon dioxide and other greenhouse gas (GHG) emissions (expressed as carbon dioxide equivalents or CO<sub>2</sub>e) for which an organisation or site is responsible for or has control over, resulting from business activities. The entity's carbon emissions are shown in **Figure 11.5**.

uMngeni-uThukela Water wants to take full ownership of all emissions that it can control, influence and reduce. Scope 1 emissions refer to direct emissions that the organisation can control, whereas scope 2 and 3 emissions are indirect emissions controlled by third party organisations.

**Table 11.3** shows the GHG Emissions for scopes 1, 2 and 3 where increment is notable in association with expansion of the operational area. uMngeni-uThukela Water's direct CO<sub>2</sub> emission (Scope 1) contributions emanate mainly from vehicles, boats, generators and methane production from anaerobic wastewater treatment process (**Figure 11.5**). Indirect GHG emissions are predominantly due to electricity consumption (>99%) which is one of the main inputs to water and wastewater treatment processes. (**Table 11.3**).

**Figure 11.5:** uMngeni-uThukela Water's direct carbon emissions



**Table 11.3:** Direct and indirect greenhouse gas emissions in tons of CO<sub>2</sub> equivalents

| Emission type      | Activity                                           | Tons of CO <sub>2</sub> equivalents per activity |                |                   |                  |                   |
|--------------------|----------------------------------------------------|--------------------------------------------------|----------------|-------------------|------------------|-------------------|
|                    |                                                    | 2020                                             | 2021           | 2022              | 2023             | 2024              |
| Direct (Scope 1)   | Combustion: Generators, Cars, boats & Mobile Plant | 2 112                                            | 1 442          | 1 066             | 2 860            | 3 211             |
|                    | Methane from Anaerobic wastewater treatment        | 132                                              | 1 182          | -                 | -                | 1 254             |
| Indirect (Scope 2) | Electricity                                        | 142 166                                          | 123 228        | 15 752 648        | 6 064 825        | 15 974 994        |
| Indirect (Scope 3) | Travel: Air & Car Hire                             | 327                                              | 305            | -                 | -                | -                 |
| <b>TOTAL</b>       |                                                    | <b>144 738</b>                                   | <b>126 157</b> | <b>15 753 714</b> | <b>6 067 685</b> | <b>15 979 459</b> |

- Data unavailable for the reporting period

uMngeni-uThukela Water is in the process of investigating and implementing sustainable initiatives to reduce its carbon footprint. The main initiative that is proposed for implementation is the development of an electricity cogeneration plant at Darvill WWTW that will utilise the methane produced at this plant to produce electricity. Preliminary studies indicate that energy produced from this system can reduce the Darvill WWTW's energy demand by approximately 40%. Other initiatives to reduce and offset the organisation's emissions form part of the organisation's Environmental Sustainability Plan.

### Green Building

uMngeni-uThukela Water's objective of greening its operational and future infrastructure is driven and supported by its desire to shift towards environmental sustainability. Green buildings not only reduce or eliminate negative impacts on the environment by using less water, energy or natural resources, but may also have a positive impact on the environment by generating their own energy or by increasing biodiversity. Key drivers of the need for green building include climate change, energy, water security, waste reduction, healthy working environments and biodiversity.

As a water utility, uMngeni-uThukela Water can play a significant role in the green building sector through its comprehensive Capital Expenditure Programme, which involves the provision of vital infrastructure required to enhance assurance of water supply. Therefore, uMngeni-uThukela Water has since developed a Green Building Policy with the following objectives:

- To facilitate the adoption of green building principles and construction techniques into all types of development;
- To influence development to achieve improved sustainable outcomes;
- To advocate for a more sustainable approach;
- To demonstrate leadership in commitments to sustainable development.

This policy provides a framework to structure the approach to achieving sustainable design outcomes, commitment and minimum requirements for its implementation.



One of the projects that have been identified for Green Star Certification is the Lower uMkomaas Bulk Water Supply Scheme which is a scheme that will serve eThekweni Metropolitan Municipality and Ugu District Municipality. The planned infrastructure comprises the raw water infrastructure and the bulk water treatment works. The administration building situated at the water treatment works is earmarked for certification.

### Integrated Catchment Management

In 2019, uMngeni-uThukela Water Executive Committee and Board identified the deterioration in the quality of catchment or raw water resources and the associated impacts of climate change as a strategic risk. This deterioration impacts on the quality and quantity of raw water resources which are paramount to uMngeni-uThukela Water's core business of sustainable water supply. Implications include supply limitation, high water treatment costs, high infrastructure design costs, decreased affordability of customers, non-payment for water services by customers and several other risks. The source of the problem of poor catchment health stems from several factors including, poor land use practices, poor mindset and behaviour of water users towards water resources, lack of pollution reduction/prevention from source, lack of coordination of water resource management activities at catchment level, poor compliance monitoring and enforcement by regulators, lack of institutional capacity within the mandated departments for environmental and water resource protection and lack of integration between water users/stakeholders.

These issues are a symptom of a failure of traditional water resource management approaches in which water resource management was highly centralised and did not encourage an holistic approach to water resource management where there is:

- participation of all water users/stakeholders including communities in water resource management decision making;
- coordinated development and management of water, land and related resources to maximise socio-economic welfare without compromising the sustainability of vital ecological infrastructure and the associated ecosystem services; and
- where every water user is responsible for managing their water use and prevent/minimise/treats pollution at source.

In response to the serious and urgent challenge of deterioration of catchment health, in 2019 uMngeni-uThukela Water established a Catchment Management unit within its scientific Services Division. The primary mandate of the newly established department is to implement catchment interventions that will improve water resource quality and availability strategic water supply catchments. Since water is shared resource among different users, efforts towards its effective management require coordination and collaboration between stakeholders in order to ensure effectiveness of interventions. The catchment management initiatives undertaken by uMngeni-uThukela Water during the 2023/2024 period are discussed below.

### Catchment Assessments

Catchment assessments are undertaken or updated on an annual basis to help improve the understanding of the different land use activities and other stressors that affect raw water quality and availability.

During the period under review catchment assessments and updates were undertaken for the following catchments:

- Mooi water resource unit
- Midmar
- Albert Falls Dam – Nagle
- Inanda
- Home Farm or Ixopo water resource unit
- Nungwane
- Mthwalume
- Umzinto - Mzimayi
- Mhlabatshane
- Imvusthane
- Mhlathuze and
- Middle uThukela catchments.

Overall outcomes of the catchment assessments indicated that the main land use and water use types that affects catchment health within uMngeni-uThukela Water area of operation include discharges from wastewater treatment works; raw sewer discharges from poorly maintained sewer infrastructure; nutrient inputs from agricultural runoff; ecological/environmental degradation; poor solid waste management; extreme weather events; ecological infrastructure transformation to agricultural lands; poor development and spatial planning; urbanisation and the associated poor sanitation services; unsustainable agricultural practices; soil erosion; alien invasive plant infestation; industrial discharges or chemical spillages; illegal sand mining; and poor mindset and behaviour of water users towards water management.

Biodiversity Management – Aquatic Alien Invasive Weeds Management Well-managed and sustainable water resources are critical to uMngeni-uThukela Water's core function of providing sustainable water supply. Alien aquatic weeds invading various water resources pose a significant risk to water security. The aquatic weeds of main concern in uMngeni-uThukela Water impoundments and supply rivers include Water Hyacinth (*Potamogeton crassipes*); Water lettuce (*Pistia stratiotes*); Kariba weed (*Salvinia molesta*); Parrot's feather (*Myriophyllum aquaticum*) and Honwort (*Ceratophyllum demersum*). These free-floating and submerged aquatic alien invasive weeds are extremely difficult to control in eutrophic water resources due to their exponential growth rate. To ensure the effective management of these invasive weeds, interventions are implemented both in the upstream catchments as well as at the infested uMngeni-uThukela Water operated dams. An integrated approach adopted at both upstream catchments and at the infested dams, where a combination of biocontrol, manual removal and herbicide spraying is undertaken to ensure effective management of the weeds. In order to be effective, this work is undertaken in collaboration with key stakeholders including, communities, Community Based Organisation, Non-Governmental Organisations, Non-Profit Organisations and the Department of Fisheries, Forestry and Environment's (DFFE) Working for Water Programme.

The alien aquatic weeds management interventions undertaken during the period under review included:

- Regular site inspections and implementation of integrated methods of management (biocontrol, herbicide spraying and manual removal) at infested catchments and dams to reduce infestation.
- Undertaking boat surveys for Inanda Dam, Albert Falls, Ixopo Home Farm Dam and Hazelmere Dam.
- Development and implementation of integrated catchment management plans for aquatic weeds infestation at Inanda Dam, Ixopo Home Farm Dam and E.J. Smith Dam in collaboration with the uMngeni-uThukela Water internal stakeholders (Operations, Water and Environmental Services) Centre for Biological Control (CBC) of Rhodes University, Msinsi Holdings, DFFE and Duzi-Umngeni Conservation Trust. The management plans outline the procedures for the monitoring, control and the management approaches that are being adopted to control the infestation. Interventions aim to treat the problem at source and also treat the symptoms of the problem.

Targets and interventions that were implemented during the period under review included:

- Regular inspections at all infested sites.
- Undertaking desktop assessments using satellite remote sensing imagery.
- Providing support to the Municipalities for sewer leaks/infrastructure monitoring.
- Achieving low residual risk of infestation.
- Liaison with DFFE and relevant stakeholders to support weed management efforts in the upstream catchment of the infested or vulnerable dams.
- Operation and maintenance of the Inanda Dam and Lynnfield Park biocontrol mass rearing facilities.
- Mass release of biocontrol agents at infested sites.
- Procurement/sourcing of herbicide for spraying at infested sites.
- Appointment of contractors to undertake herbicide spraying at infested sites.
- Continuous aquatic weeds research and training in collaboration with the CBC of Rhodes University
- Undertook a helicopter survey to assess weed infestation status at Inanda Dam.
- Impoundment shoreline boat survey of Inanda Dam with the support from the CBC of Rhodes University.
- Undertook aerial herbicide spraying and the associated water quality monitoring of Inanda Dam.
- Visited the Magalies Water hartbeespoort dam to learn from the beneficiation project.
- Undertaking monthly progress meetings with uMngeni-uThukela Water Aquatic Weeds Management Working Group consisting of internal and external stakeholders to support the implementation

## Investment in Ecological Infrastructure

Ecological infrastructure is defined as the nature-based equivalent of built or hard infrastructure. It refers to ecosystems that function naturally to deliver invaluable services to people and the environment including enhanced water quality and sustainable water supply, soil erosion management, climate regulation and disaster risk reduction. Ecological infrastructure includes catchments, rivers, wetlands, groundwater resources, inland and coastal areas, nodes and corridors of natural habitats, which together form a network of interconnected natural structural elements in the landscape.

Management and protection of ecological infrastructure ensures sustainable water availability, and therefore is as fundamental to uMngeni-uThukela Water's business as engineered infrastructure development. uMngeni-uThukela Water's initiatives on investment in ecological infrastructure are aligned to national government priorities and specified on the National Development Plan. This also includes the key principles that guide investment in ecological infrastructure as recommended by the South African National Biodiversity Institute (SANBI). The ecological infrastructure related initiatives undertaken by uMngeni-uThukela Water in the year include:

## Wetland Restoration and Management

During the 2023/2024 financial year the following wetland management targets were achieved to support sustainable water supply at strategic dams:

- Monitoring and Maintenance of the Mphophomeni Sakabula, Upper Mzinizima and Lower Mthinzima wetland rehabilitation for reducing the impacts of effluent from the Mphophomeni WWTWs.
- Significant progress made on the rehabilitation of the Mthinzima wetland to enhance or polish the raw sewage from the leaking Mphophomeni sewer pipelines before it can be discharged to Mthinzima River that supplies water to Midmar Dam.
- Engagement of key stakeholders (authorities and municipalities) on the implementation of the Bayenspruit wetland rehabilitation strategy to improve the water quality of Msunduzi River and Inanda Dam.
- Engagement of key stakeholders (authorities and municipalities) on the implementation of the Ixopo wetland rehabilitation strategy to improve the water quality of Ixopo Home farm Dam.
- Commencement of the construction of the Darvill artificial wetland.

## Soil Erosion Management: The Upper Mkhomazi Catchment Restoration

The Department of Water and Sanitation, uMngeni-uThukela Water and the Trans-Caledon Tunnel Authority are implementing the Mkhomazi-Mngeni Transfer Scheme to meet the current and future water demands of eThekweni Metro and surrounding areas. The major challenge is that the catchment upstream of the proposed Smithfield Dam in the uMkhomazi River is already highly degraded and a significant proportion of the remainder is at a high risk of future similar degradation. Technical experts have generated a number of scenarios related to the rate of sediment deposition that might occur in the proposed dam and the most reasonable scenario indicates that the dam would lose about half of its volume to sediment over 100 years. In addition, highly turbid water due to sedimentation and siltation will contribute significantly to an increase in purification costs. Climate

change, bringing both droughts and more intense rainfall events to this area, is likely to accelerate erosion and subsequent dam sedimentation and further increase turbidity. Population demographics for the uMkhomazi area show that 68% of people living in the area have no formal income and 10% earn less than R3 500 per month. Women are particularly vulnerable with 8 755 female-headed households of which about 3 492 are reliant on unprotected water sources. Many households survive by supplementing social grant and transfer payments with small-scale stock and crop production.

**uMngeni-uThukela** Water has partnered with communities and stakeholders to share knowledge on practices that will lead to the restoration of the Upper Mkhomazi landscape. In addition to improving water security and reducing the cost of water treatment, this initiative creates significant direct and indirect economic opportunities to local residents and improve biodiversity with associated ecosystem benefits. However, it is anticipated that the benefits of successful conservation and restoration will, over the long term, far outweigh the costs. The dam itself (estimated cost at R30 billion) is likely to deliver limited local economic opportunities and most benefits will accrue from upstream protection rather than from the dam itself. The first phase of the project was completed in 2020, phase 2 commenced in 2020 and was completed in December 2023. Phase 3 is currently underway in collaboration with collaborators.

The overall objective of this project is use nature based solutions to address the severe land degradation and invasive alien plant infestation in the Upper Mkhomazi Catchment so as to improve water security, the livelihood prospects of local residents and biodiversity outcomes. This is being achieved through implementation of catchment management and ecological infrastructure interventions at degraded areas located upstream of the proposed Smithfield Dam. During 2023/2024 the following targets interventions were implemented:

- Expanding on restoration activities and implementing improved rangeland management at restoration sites. This included establishing two (2) additional hectares degraded land protected by Vetiver hedgerows in conjunction with brushparks; 40 additional hectares of invasive alien wattles cleared to create brushparks; 29 additional hectares of household agricultural land applying conservation agriculture in collaboration with 100 local farmers who successfully implemented conservation agriculture and had herbicide and seed supply assistance.
- Building and supporting local institutional development for sustainability. This included hosting a farmer's exchange workshop that was on 24 August 2023 to promote knowledge sharing and collaborations among farmers, officials, and stakeholders.
- Monitoring and Evaluation of implemented interventions. This entailed undertaking monitoring of the brushparks that were established during phase 2 at 4 restoration sites.
- Training and capacity Development. This included training and supporting 60 Eco-rangers across the 15 Dip Tank Committees. In addition, a specialized training was provided in Inzinga for enterprise management and bioturbation, which is a technique for ecological restoration through the controlled trampling of livestock.
- Influencing the development of Municipal Integrated Development Plans to creating an enabling environment for catchment management. This included engaging four (4) municipalities to include catchment management on their IDPs.
- Building and strengthening partnerships. This included holding two (2) Mkhomazi Working group workshops/engagements to develop a vision and strategy for the Mkhomazi Working Group Partnership.
- Facilitating further investment from local and international investors. This entailed submitting proposals to potential funders and collaborators for co-funding and catchment management related work that can be implemented in the Upper Mkhomazi focus areas.

### Ecological Infrastructure for Water Security Project (EI4WS) – uMngeni-uThukela Water-SANBI Collaboration

The Ecological Infrastructure for water security project is a five year \$7.2 million (approximately R90 million) worth investment from the Global Environment Facility (GEF) with considerable cofinance from various collaboration with South African partners. The Department of Environmental Affairs is the National focal point for this project, the Development bank of South Africa (DBSA) is the Implementing Agent for the GEF and SANBI is the project executing agency. The Project aims to transform the way people think about, value and invest in water and ecosystems, and will lead to increased investment in the management of ecological infrastructure in the future.

The project acknowledges the reality that, South Africa's water security depends not only on our built water infrastructure, but also on well managed land and biodiversity ecosystems in our catchments. As such the project also recognises the urgent need to bring investment in the management, maintenance and restoration of ecosystems into the planning, financing and development in the water sector. It is anticipated that such investments will create more jobs and advance SA's developmental agenda, especially in face of a changing climate. The EI4WS project is designed in close consultation with the Department of Water and Sanitation (DWS), and supports the implementation of the National Water Resource Strategy and the Call to Action of the Water and Sanitation Master Plan. Project implementation is through a suite of partnerships involving several other public, private and civil society organisations, such as the DWS, the WRC, WWF-SA and uMngeni-uThukela Water.

The project was launched as a development finance institution with the ability to take the country's natural capital into account in development financing.

As part of the signed collaboration agreement between uMngeni-uThukela Water and SANBI, the following achievements were attained in the year under review:

- Completing of mapping of woody alien invasive Vegetation in the Greater Mngeni System;
- Completion of the review of biodiversity offsets framework;
- Project management and training of the Mpophomeni Amanzi Champions that are contracted to undertake community based water resource management using citizen science tools at Mpophomeni, including monitoring and maintenance of the Mthinzima wetland.



- Completed situational analysis of the project to confirm of eligibility/suitability of catchments for the implementation of the Waste Discharge Charge System;
- Completed the situational analysis of the project to develop a detailed costing for the ecological infrastructure component of the Phongolo-Mthamvuna Catchment Management Strategy;
- Completed situational naysis of the project to investigate of the full cost of water for different water user groups in the catchment and explore opportunities within the water value chain to ensure equitable allocation of full costs of water amongst different users.

### Smart Catchment Management

The smart catchment management initiative that were undertaken during the period under review included undertaking calibration of the catchment water quality model; calibrating the hydraulic model of the flood early warning system; completing the hydronet system hydro-alerts configuration; establishing a Water Security Action Hub for Mobilising action towards water security and sustainable water supply; catchment parameter monitoring using citizen science tools in collaboration with Amanzi Champions; monitoring of aquatic weeds investation using satellite imagery and Unmanned Aerial Vehicles; and undertaking satellite based water quality monitoring at uMngeni-uThukela Water selected dams.

### Water Use Compliance: Licence Status

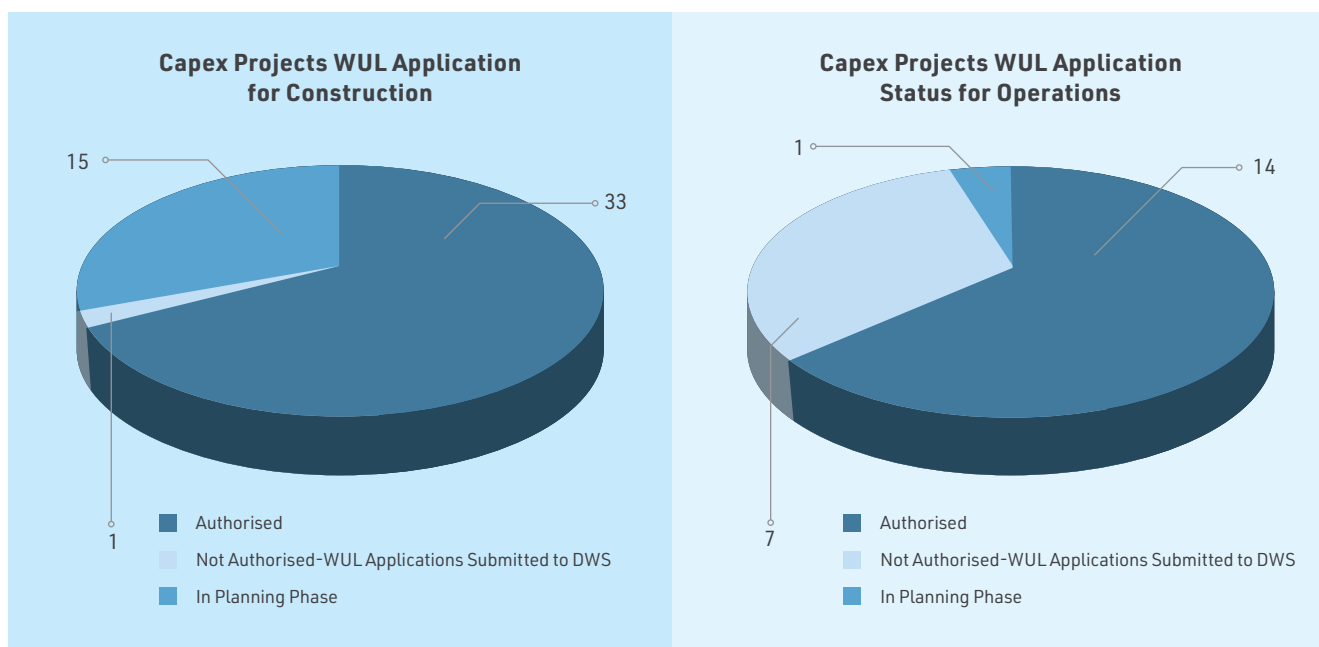
The National Water Act, Act No 36 of 1998 (NWA), requires that water-use licences are obtained before any water-use activity or development can be undertaken. Water use is defined as undertaking activities that have an impact on a water resource.

The impact may be on the amount of water in the resource, the quality of water in the resource and the environment surrounding the resource. Section 21 of the NWA lists 11 water uses as requiring a water-use licence before they can be undertaken. Of the 11 listed water uses, only seven (7) are applicable to uMngeni-uThukela Water and include:

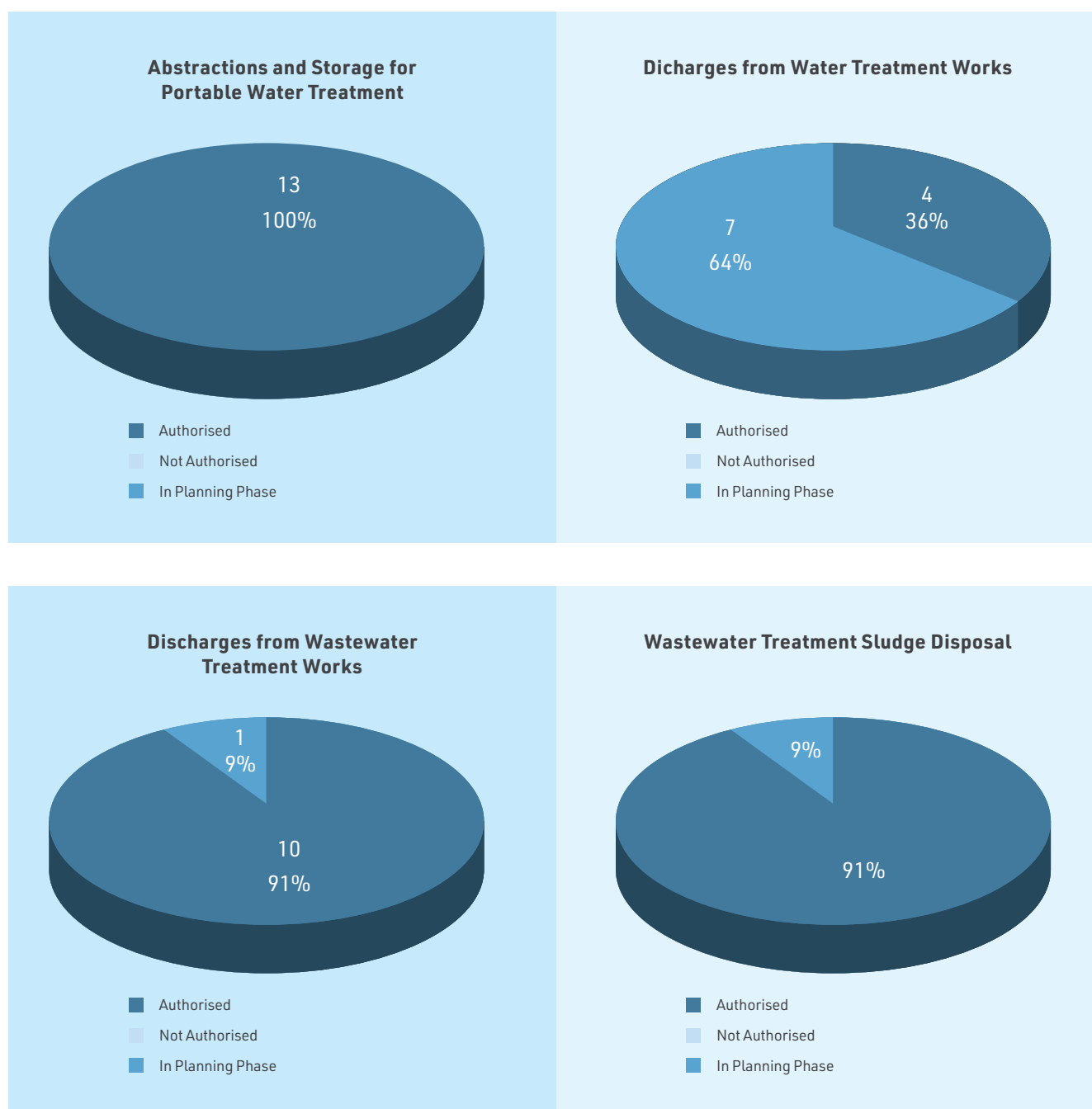
- Taking water from a water resource (water abstractions);
- Storing water (raw waterstorage in a dams);
- Impeding or diverting the flow of water in a watercourse (river or wetland crossing or construction of a dam or weir);
- Discharging waste or water containing waste into a water resource through a pipe, canal, sewer, sea outfall or other conduits (discharges from WWTW and WTW to the river);
- Disposing of waste in a manner which may detrimentally impact on a water resource (sludge solids disposal);
- Altering the bed, banks, course or characteristics of a watercourse (river or wetland crossing or construction of a dam or weir);
- Engaging in a controlled activity (Irrigation with wastewater/sludge).

Water users can include any entity or individual whose operations trigger the water uses that are listed in section 21 of the NWA. To ensure compliance with the requirements of the NWA, the water-use licence status and compliance was monitored and quarterly reporting was undertaken. This included developing and implementing action plans to obtain outstanding licences and compliance with the conditions of the existing authorisations.

The status of water use licence applications for CAPEX Projects (new infrastructure development projects) is presented in the figure below:



The Status of Water Use Licences for Operational Water Uses (existing water uses) is presented in the figure below:



### Compliance with Water Use Licence (WUL) conditions

A comprehensive audit assessing compliance with Water Use Licence (WUL) conditions was conducted and finalized in the 2023/2024 reporting year. The non-compliances raised were mainly due to issues related to flood damage and increased demand. An external audit of the Mhlathuze River abstraction license was completed and submitted to

DWS. The audit revealed a few minor issues, such as the need to remove alien plants, which can be resolved through regular daily operations.

Collaborative efforts are in progress to rectify these issues, these include maintaining a communication with DWS, and ensure continuous improvement in all of UUW operational sites.

In terms of the offshore discharge system, UUW is compliant with most of the permit conditions. The only challenging area is that of quality compliance due to poor performing Contributors. The problematic Contributors have been identified and have been requested to put together a project plan that seeks to address these compliance issues. The plan is monitored quarterly as well as through frequent engagements with the relevant contributing industries. The authorities are also kept updated on the performance offshore in terms of effluent volumes, quality as well as in the case of Section 30 incidents.

In terms of the non-compliance with water use licence abstraction limits in the the Mngeni System, uMngeni-uThukela Water assisted uMsunduzi and eThekweni Municipality to develop a plan of action to reduce their water demand volumes within a period of 6 months from 10 October 2023 to 10 April 2024. The action plan also indicated that, should any of the Municipalities fail to reduce their planned demand within six (6) months, uMngeni-uThukela Water will have to curtail water supply at the water treatment plants to force compliance with the licence limits. Regarding progress, uMsunduzi Municipality has done well in reducing its demand, while eThekweni Municipality's demand is still well above their planned reduced demand due to procurement related reasons. The eThekweni Municipality submitted a motivation to DWS to extend their 6-month grace period so they can be able to finalise procurement and implement water demand interventions. DWS granted eThekweni an extension up to October 2024 to reduce their demand before UUW can curtail supply at the water treatment works

### Msinsi Holdings Sustainable Land and Resource Management

Msinsi Holdings SOC Ltd, a wholly-owned subsidiary of uMngeni-uThukela Water, is mandated to manage the land and biodiversity of the areas around the dams owned or managed by uMngeni-uThukela Water in a manner that balances the divergent factors of local community development provision of recreational facilities for the public and water resources/biodiversity protection.

These reserves are located at:

- Spring Grove Dam;
- Albert Falls Dam;
- Nagle Dam;
- Inanda Dam;
- Hazelmere Dam.

The following sites have been incorporated into the scope of Msinsi for implementing catchment management interventions associated with alien invasive plant eradication:

- Nungwane Dam;
- Imvutshani Dam;
- Mhlabatshane Dam;
- Umzinto Dam;
- EJ Smith Dam;
- Darvill Wastewater Treatment Works;
- Ixopo Dam (aquatic weeds).

Detailed management plans for each of the reserves in line with industry best practice have been completed and form the basis for all operations in the reserves. In the past year, Msinsi succeeded in protecting the habitats and ensuring an ecological sustainable and protected water environment through implementing its resource management plans which focused on:

- The management of the game and species according to the carrying capacity of each reserve;
- Local community development;
- Recreation for the public;
- Grassland management;
- Pollution control within purchase areas;
- Removal of alien invasive plants (terrestrial and aquatics).

The ecological balance was managed effectively during this period through the implementation of Reserve Management Plans. In particular, carrying capacity was managed to ensure sustainability of wildlife populations and measures to mitigate poaching, which has been a significant threat to the reserve wildlife, were put in place.

Security patrols are conducted as per a patrol plan to identify and mitigate security risks to the reserves including ensuring reserve fence lines are in good condition.

Msinsi Holdings continues to be seen as a significant player in the conservation and tourism sector in KwaZulu-Natal. The state-owned company will continue to ensure that ecosystem services provided by water and environmental resources continue to be sustainable.

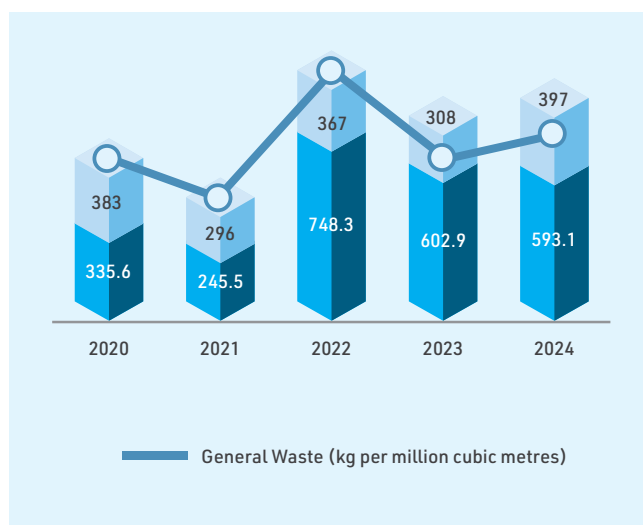
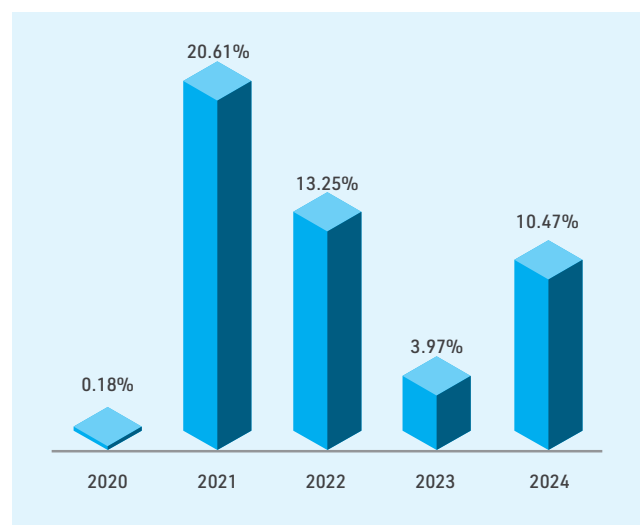
Stakeholder engagement successfully created value for Msinsi's operations and the communities at large during this reporting period. As a result, there was no interruption of Msinsi's operations as a result of community instability in the neighbouring areas.

### Waste Management: Reducing Waste and Consumption Pressure

uMngeni-uThukela Water's waste management approach centres on complying with applicable regulatory requirements and adhering to circular economy principles. uMngeni-uThukela Water's commitment to environmental sustainability and the circular economy is documented in the Environmental Sustainability Plan. The initiatives aim to transform the organisation from the typical wasteful linear economic model (take-make-use-dispose) to an economic model that enables economic growth, while aiming to optimise the operation chain in a more sustainable approach. Waste minimisation was identified as one of the crucial initiatives in reducing the amount of waste that is disposed at landfill sites. Therefore, a target was set in 2023/2024 to divert five percent (5%) of the waste from the landfill sites through recycling.

A significant increase of waste diverted from landfill through recycling was observed during 2023/2024 (**Figure 11.6 and 11.7**). The reported recyclable waste was 10.47% which is above the target of 5%. There were a number of recycling initiatives that were employed by uMngeni-uThukela Water including separation of the waste from source, 3 in 1 recycling bins and placed in strategic positions.



**Figure 11.6:** Waste Generated**Figure 11.7:** % General Waste Recycled

uMngeni-uThukela Water continues to support SA's recycling businesses. These businesses do not only remove waste in the form of glass, paper, plastic and other non-biodegradable materials from the environment, but also create work for many families that collect and sell waste to recyclers. Recycling also creates alternative income streams for factories where waste materials may be sold to recycling entities rather than being dumped in landfills

### Water Treatment Residues and Waste Water Sludge

Management and disposal of sludge and water treatment residues remains a critical issue across uMngeni- uThukela Water operation. Current sludge management practices include on and off-site disposal and river discharges. These current practices are not sustainable due to increasing costs, limited space, environmental concern, and the required legislative requirements. As a result, uMngeni-uThukela Water developed a comprehensive Sludge Management Plan (SMP) for its operational sites.

The water treatment residues will be applied to agricultural land as a soil conditioner whilst the wastewater sludge will be used as organic compost. Land application of water treatment residues offers a sludge management option with potential benefits when applied to soil. The application of water treatment residues to the land helps conserve landfill disposal capacity and natural resources.

Wastewater sludge contains organic matter and nutrients that can provide soil benefits. Preliminary process designs for both options were concluded during the year under review and acquisition is for the process yet to be concluded.

### Environmental Performance of Operational Sites

Annual environmental audits are undertaken at operational sites the objectives, which are:

- To assess whether the site complies with all applicable environmental legislation and regulations;
- To assess internal policy and procedural compliance in relation to environmental management;
- To assess the status of energy consumption, waste management and biodiversity management at the site and alignment with corporate environmental sustainability initiatives;
- To recommend mitigation measures to address areas of non-conformance.

Operational environmental audits were conducted at 24 sites for 2023/2024. Out of 28 findings, four (4) findings were rated major.

**Table 11.4:** Environmental Findings Classification

| Risk Rating  | No. of Findings | %          |
|--------------|-----------------|------------|
| Minor        | 24              | 86         |
| Major        | 4               | 14         |
| <b>TOTAL</b> | <b>28</b>       | <b>100</b> |

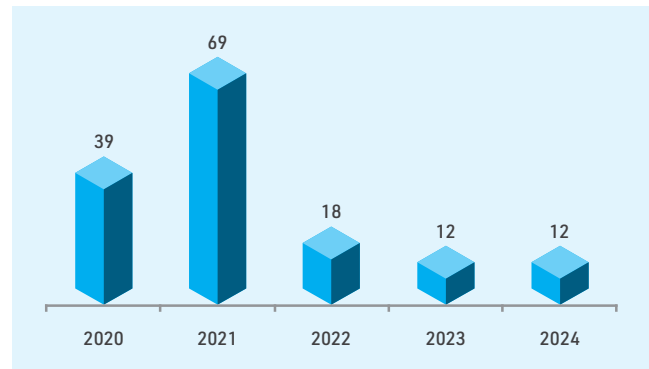
## Environmental Incidents

In the year under review, there were 12 environmental incidents recorded for the 2023/2024 financial year. This indicates a stable performance in the number of incidents from the previous year.

**Figure 11.8** provides the comparative analysis for the past five years.

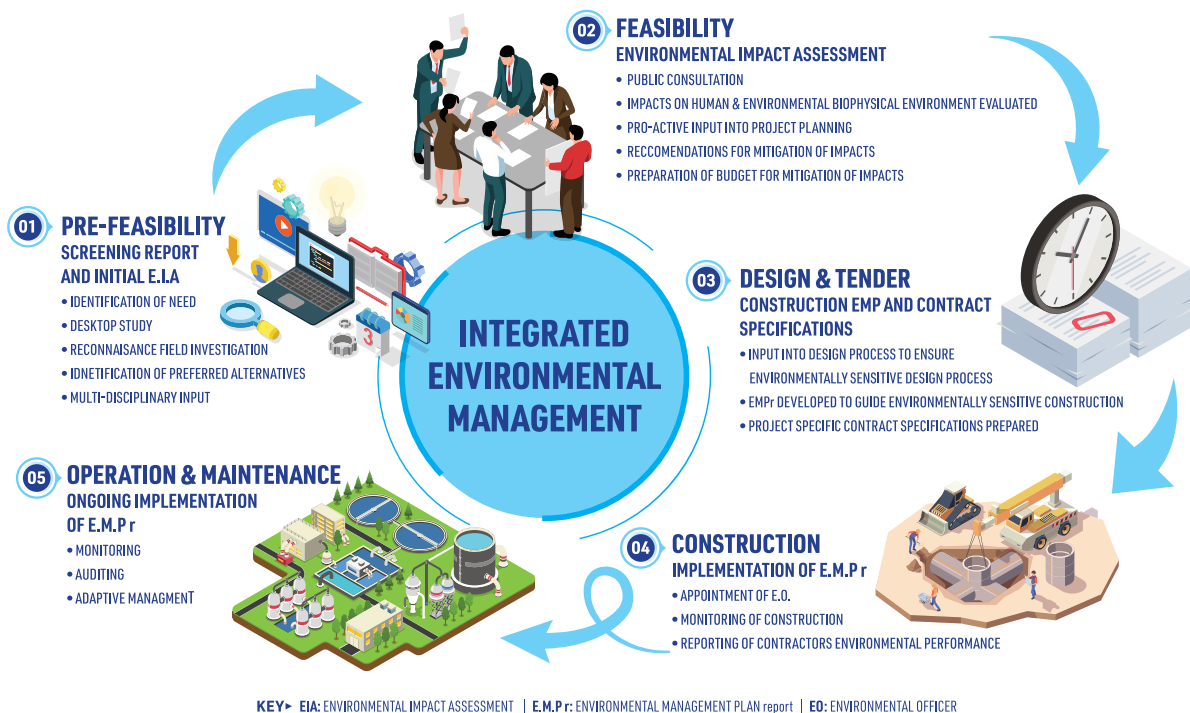
uMngeni-uThukela Water supports recycling, reduces waste, and uses sludge for soil and compost.

**Figure 11.8:** Environmental Incidents



## Integrated Environmental Management

**Figure 11.9:** Integrated environmental management system in the implementation of new infrastructure projects.



uMngeni-uThukela Water's core business function is to provide water services - water supply and sanitation services - to other water services institutions. Business relies highly on the natural resource, which is freshwater resources, although there has been measures to venture into other sources of water. In this regard, the natural environment is core to uMngeni-uThukela Water. The assessment and management of environmental aspects, which could arise from the development of new infrastructure projects, is managed through the integrated environmental management system (IEM).

The IEM is a philosophy that is concerned with finding the right balance between development and the environment and provides an overarching framework for the integration of environmental assessment and management principles into environmental decision-making.

The IEM system has various tools, which can be applied at different stages of the activity life cycle such as planning, design, construction, operations and closure. They include conducting environmental screenings, environmental impact assessments (EIAs), Environmental Management Plans (EMPs), auditing, and specialist inputs.

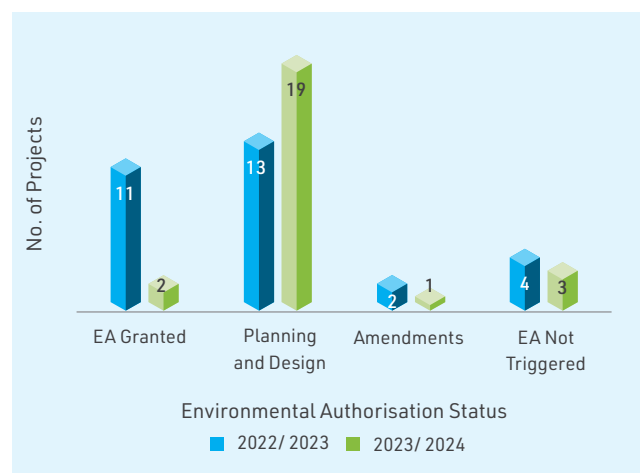
uMngeni-uThukela Water utilises the EIA tool governed by the provisions of the National Environmental Management Act, 107 of 1998 (NEMA) which stipulates that projects triggering listed activities as stipulated in the regulations are required to obtain an environmental authorisation (EA) either through a basic assessment (BA) or a scoping and full environmental impact assessment process (EIA). Where project developments do not trigger listed activities as defined in the Act, the environmental screening and EMP tools are utilised to ensure that all the potential environmental impacts emanating from project implementation are eliminated or minimised to acceptable levels.

### Projects in the planning and design phases

In the previous financial year, a total of 31 projects were in the Planning or Design phases. During the current reporting period of 2023/2024, 25 projects were in the Planning or Design phase:

- 2 projects received environmental authorisations and were cleared to proceed with construction.
- 19 projects are currently undergoing the environmental authorisation application process.
- 1 project is in the process of amending its environmental authorisation due to changes made during the design phase.
- 3 projects did not trigger any listed activities and thus do not require environmental approval. Environmental management plans are being developed internally for these projects to mitigate any negative environmental impacts during construction.
- 9 projects awaiting construction.

**Figure 11.10: Environmental Approvals**

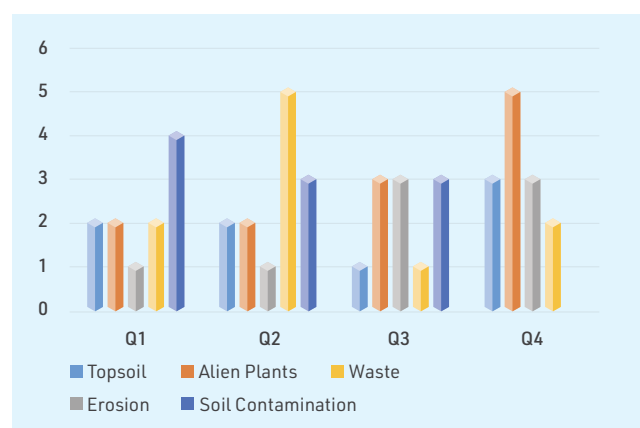


### Projects in the construction and rehabilitation phases

At the beginning of the 2023/2024 financial year, the organisation had a total of 19 projects that were in the construction phase and had obtained all the required environmental authorisations and permits. As the year progressed, the number of projects increased to 25 projects in the construction phase at the end of the 2023/2024 financial year. During the financial year, environmental audits were conducted and environmental compliance was monitored.

- It was observed that there were common recurring findings between the different projects such as inadequate topsoil management, alien plant control, waste management, erosion as well as soil contamination.
- Non-compliance notices were issued by the Department of Fisheries, Forestry and Environmental Affairs (DFFE) for the Nagle Aqueducts 1 & 2 (emergency repairs to flood damage) as well as the Mpophomeni (WWTW upgrade). Mitigation measures have been undertaken and the non-compliances have been closed.

**Figure 11.11: Recurring Findings**





12

# ENABLING OUR PEOPLE

uMngeni-uThukela Water encourages ethical behavior among employees, Board Members, and stakeholders through a Code of Ethics. The Ethics Committee monitored and assessed activities during the reporting period to ensure compliance.

## 12.1 Leadership and Employee Development

### Management Approach

uMngeni-uThukela Water promotes and encourages ethical behaviour and decision-making by all employees, Board Members and stakeholders. This is facilitated through a Code of Ethics. During the reporting period, the Ethics Committee monitored and assessed the following activities of uMngeni-uThukela Water:

#### Labour and employment matters, including:

Human capital and workforce matters: recruitment and selection, succession and coaching, health and safety, HIV awareness, wellness programmes, disciplinary and dispute resolution processes, training and development.

#### Social and economic development, including:

- This includes uMngeni-uThukela Water's standing in terms of the goals and purposes of:
- The 10 principles set out in the United Nations Global Compact Principles and OECD recommendations regarding corruption, including human rights, child and forced labour, environment, anti-corruption, bribery, extortion and transparency;
- The Employment Equity Act, No 55 of 1998;
- The Broad-Based Black Economic Empowerment Act, No 53 of 2003.

#### Good corporate citizenship, including:

- Promotion of equality, prevention of unfair discrimination and measures to address corruption;
- Corporate social contribution and development of the communities in which uMngeni-uThukela Water conducts its business;
- Impartial/objective sponsorship, donations and charitable giving.

#### The environment, health and public safety, including:

- Impact of uMngeni-uThukela Water's activities, products and services.

#### Consumer relationships, including:

- uMngeni-uThukela Water's policies and record relating to advertising, public relations and compliance with consumer protection laws.

## Labour Practices and Decent Work

The entity's goals and human resources needs are mutual, compatible and strongly interdependent and Human Resources policies seek to ensure a competent, motivated and engaged workforce.

### Employment

The workforce profile is shown in **Table 12.1** and **Figure 12.1**.

- The entity seeks to maintain a workforce that enables it to deliver quality services to all stakeholders;
- All employees are based in KwaZulu-Natal and within commuting distance from all operational sites;
- All full-time and fixed-term contract employees are provided with several benefits, including membership of provident fund or retirement fund, housing allowance and medical aid;
- All female employees are entitled to maternity leave. During the reporting period, 14 (2.55%) female employees qualified for 100% maternity leave benefits.

## Succession, Mentoring and Coaching

The Succession Planning Policy focuses on executing a systematic and multi-dimensional workforce management and succession strategy that promotes uMngeni-uThukela Water as an employer of choice, supports career growth and development of talent at all levels of the organisation and optimises organisational performance to ensure the continuity and success of uMngeni-uThukela Water operations and service delivery to communities. The goals / strategies include:

- Attracting talent to the organisation through:
  - Graduate Development Programmes
  - Updated processes relating to recruitment
- Ensuring Leadership is developed to meet Existing and Future Challenges through:
  - Management Development Programme
  - Leadership Development Programme
  - Executive Development Programme

The annual target is set based on the premise that a division has an employee who is about to retire and occupies a critical position that in order for skills transfer and retention of institutional memory to happen; a succession planning route is followed.

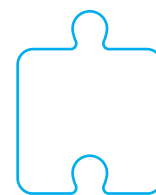
**Table 12.1** 2023/2024 workforce by employment type/category, and race and gender is shown for the permanent establishment for (a) parent company and (b) wholly-owned subsidiary.

#### (a) uMngeni-uThukela Water (Permanent Establishment)

| Occupational Category                                                                                             | Total        | Male       |           |           |           | Female     |           |           |           |
|-------------------------------------------------------------------------------------------------------------------|--------------|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
|                                                                                                                   |              | African    | Coloured  | Indian    | White     | African    | Coloured  | Indian    | White     |
| Top management *                                                                                                  | 8            | 6          | 0         | 0         | 0         | 2          | 0         | 0         | 0         |
| Senior management                                                                                                 | 47           | 23         | 1         | 5         | 4         | 11         | 0         | 2         | 1         |
| Professionally qualified and experienced specialists and mid-management                                           | 240          | 96         | 5         | 31        | 8         | 78         | 2         | 14        | 6         |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents | 810          | 368        | 8         | 38        | 14        | 338        | 8         | 31        | 5         |
| Semi-skilled and discretionary decision-making                                                                    | 233          | 208        | 2         | 0         | 0         | 20         | 1         | 2         | 0         |
| Unskilled and defined decision-making                                                                             | 74           | 46         | 0         | 0         | 0         | 28         | 0         | 0         | 0         |
| <b>Total</b>                                                                                                      | <b>1 412</b> | <b>747</b> | <b>16</b> | <b>74</b> | <b>26</b> | <b>477</b> | <b>11</b> | <b>49</b> | <b>12</b> |

\* Top management consists of Executives on Five-year fixed-term contracts

uMngeni-uThukela Water supports employees with benefits and career growth through talent attraction and leadership development for service continuity.

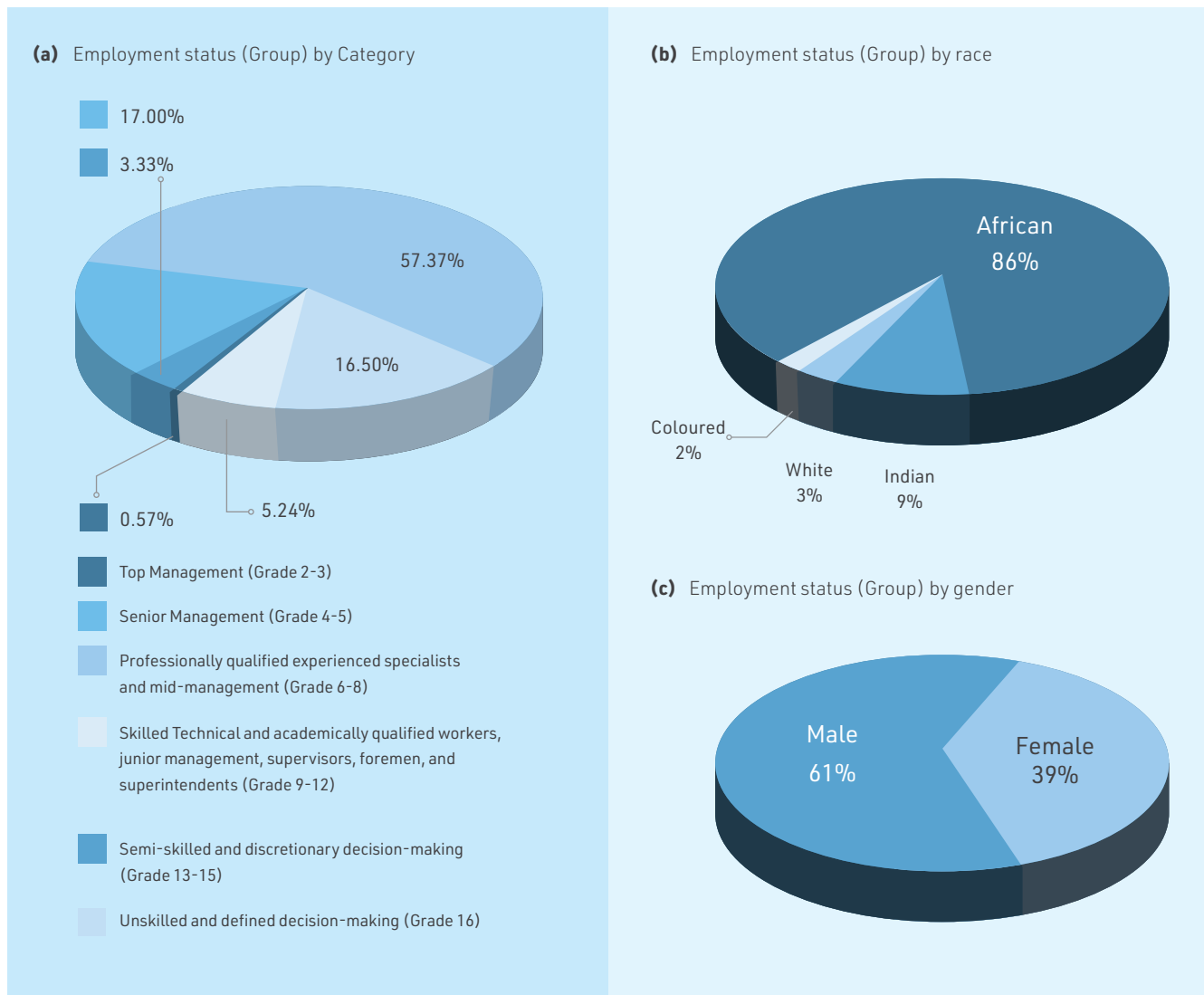


**(b)** Msinsi Holdings SOC Ltd (Permanent Establishment)

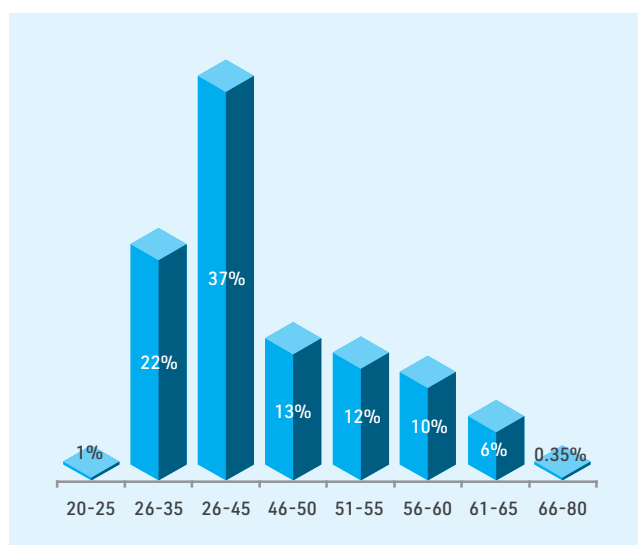
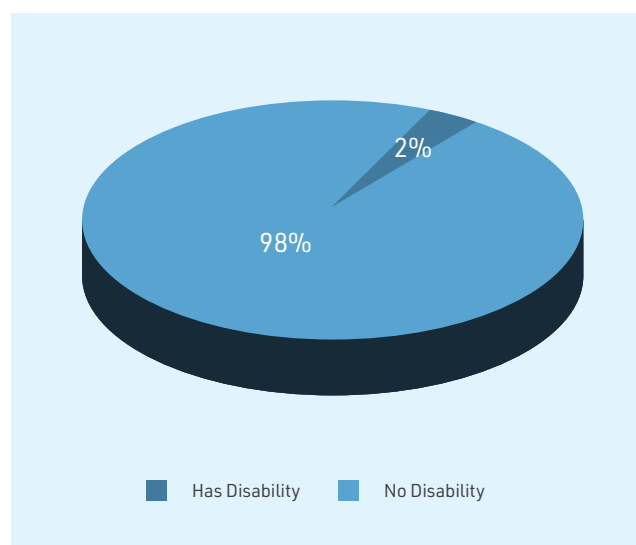
| Occupational Levels                                                                                                        | Male      |          |          |          | Female    |          |          |          | Foreign Nationals |          | Total      |
|----------------------------------------------------------------------------------------------------------------------------|-----------|----------|----------|----------|-----------|----------|----------|----------|-------------------|----------|------------|
|                                                                                                                            | A         | C        | I        | W        | A         | C        | I        | W        | Male              | Female   |            |
| Top management (P4)                                                                                                        | 0         | 0        | 0        | 0        | 1         | 0        | 0        | 0        | 0                 | 0        | 1          |
| Senior management (P5)                                                                                                     | 0         | 0        | 0        | 0        | 2         |          | 0        | 0        | 0                 | 0        | 2          |
| Professionally qualified and experienced specialists and mid-management (P6-8)                                             | 3         | 0        | 0        | 0        | 4         | 0        | 1        | 0        | 0                 | 0        | 8          |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P9-12) | 12        | 0        | 0        | 0        | 22        | 1        | 0        | 0        | 0                 | 0        | 35         |
| Semi-skilled and discretionary decision making (P13-15)                                                                    | 38        | 0        | 0        | 0        | 10        | 0        | 0        | 0        | 0                 | 0        | 48         |
| Unskilled and defined decision making (P16)                                                                                | 21        | 0        | 0        | 0        | 23        | 0        | 0        | 0        | 0                 | 0        | 44         |
| <b>TOTAL PERMANENT + 1 contract</b>                                                                                        | <b>74</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>61</b> | <b>1</b> | <b>1</b> | <b>0</b> | <b>0</b>          | <b>0</b> | <b>138</b> |

\* Top management consists of the Managing Director on a five-year fixed-term contract

**Figure 12.1:** Employment in 2023/2024 showing (a) category, (b) race, (c) gender, (d) age and (e) disability





**(d) Age Profile (Parent)****(e) Employment Disability Profile (Parent)****Table 12.2:** Summary of staff numbers as at 30 June 2024

| Staff Numbers              | Total |
|----------------------------|-------|
| Parent permanent           | 1 414 |
| Msinsi permanent           | 143   |
| Group permanent            | 1 557 |
| Group fixed-term contracts | 244   |
| Group Total                | 1 801 |

### Recruitment and Turnover

In the reporting period the entity recruited 43 employees, comprising:

- 10 contract employees; and
- 33 graduates, interns and in-service trainees.

Terminations were 46 including:

- 13 resignations;
- 8 natural deaths;
- 1 early retirement;
- 17 normal retirements;
- 4 because of medical boarding, and
- 3 dismissals

The entity's labour turnover percentage for the year is 3% and is below the industry benchmark of 8%.

### Labour/Management Relations

uMngeni-uThukela Water strives to create an environment in which employees feel valued and support the organisation's values, strategies and priorities. The rights and well-being of all employees are safe-guarded and protected through alignment of corporate policies with relevant legislation and regulations. Specifically, with its unions, NEHAWU and SAMWU, the entity has in place a Collective Agreement that is maintained. Currently, 82% of the total workforce are union members and 78% are within the collective bargaining unit.

Quarterly Union-Management meetings were held in the reporting period, excluding special meetings that were held to provide more timely feedback. The collective agreement serves as the minimum terms of engagement, as the entity is committed to information sharing and to always provide reasonable response to organised labour regarding any significant operational changes that affect employees. During the engagement sessions, management actively engaged labour regarding concerns raised and sought to achieve resolution of issues without any stand-offs. The reconfiguration of the two entities has brought in various dynamics in terms of culture, policies and conditions of service.

Management and organised labour have worked very hard to ensure that the harmonisation of policies and conditions of employment is aligned to ensure the smooth transition.

### Occupational Health and Safety

uMngeni-uThukela Water places great importance on the protection of Health and Safety and welfare of its employees, contractors and other stakeholders and firmly believes in risk prevention and the promotion of Health and Safety in the workplace, as these are key factors that improve job quality, working conditions, competitiveness and sustainability of operations. Health and Safety is a way of doing business and it is not the responsibility of a single person or department but a collective effort where every employee is responsible for playing their part.

The entity's commitment is driven by:

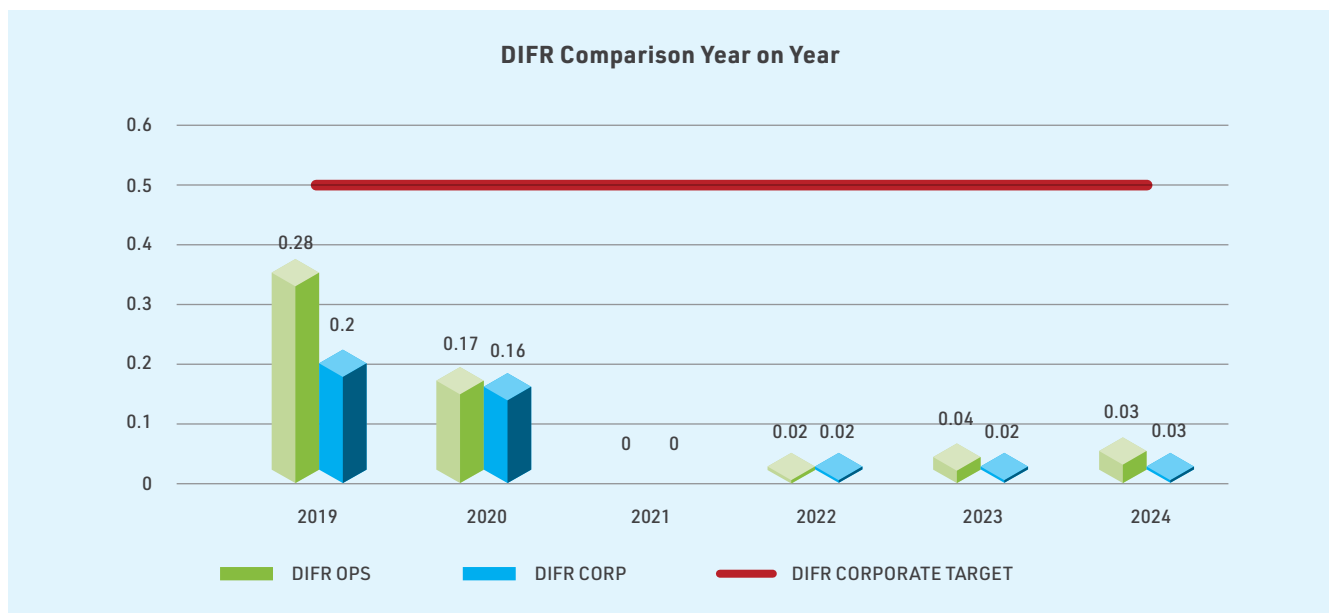
- Acknowledging that while we operate in an inherently high-risk industry, we cannot ignore our moral and legal obligation to safeguard the well-being of our people and community and other stakeholders;
- The introduction of a safety article by the Chief Executive to demonstrate leadership and commitment;
- By ensuring that employees understand the hazards and risks associated with their activities;
- By prioritising and addressing and mitigating Health and Safety risks;
- Our approach is that to health and safety comes first at all times and that there are no shortcuts;
- Our continuous efforts to create a culture where every employee understands the importance of working safely and can go home safe and healthy to their family after every shift;
- Ongoing supervision and inspections by supervisors and line management;
- Introduction of site Health and Safety IMBIZOs to promote Health and Safety Awareness amongst all employees;
- By instilling our beliefs and culture to our employees and relevant stakeholders, that a safe site is a productive site and that safety and production go hand in hand;
- Maintaining the health and safety of our employees, as well as within the communities in which we operate;

- Promoting Dam Safety awareness to schools and communities, which are located within the dams;
- Scheduled compliance audits are conducted on all sites to ensure maximum SHEQ compliance, and these include management audits to instil participative leadership;
- Continuously providing resources, information, training, equipment, systems and other support to all individuals as they have a role to play; to enable all to understand their role, to work safely, healthily, and to participate in improving performance overall and minimise business impact upon the environment;
- The migration from an Operations Division SHEQ policy to a Co-operate SHEQ policy. This further strengthened our top management leadership commitment.

uMngeni-uThukela Water applies international, as well as South African standards across the organisation. The entity also drives programmes to support it in complying with relevant legislation and regulations that govern its operations and operating environment. In this regard, the organisation has retained its OHSAS 18001 accreditation and duly awarded ISO 9001:2015 accreditation. To maintain the integrity and continuous improvement of this system, regular SHE legal compliance audits were conducted by an independent, competent and accredited service provider.

One of the measures adopted by uMngeni-uThukela Water in measuring its safety performance is the Disabling Injury Frequency Rate (DIFR). There was a noticeable increase in the number of disabling incidents recorded in the year compared with previous years. Our final DIFR was recorded at 0.02. **(Figure 12.2)**

**Figure 12.2:** DIFR Comparison Year on Year



Calculation of disabling incident frequency rate (DIFR) is as follows: The total number of fatal injury cases, permanent disability cases, lost workday cases, restricted workday cases, health fatality cases, irreversible diagnosed disease cases and reversible diagnosed cases times 200 000 divided by the number of rolling man-hours worked over the exposure period.

## Skills Development

Every year, uMngeni-uThukela Water compiles and submits a Workplace Skills Plan and Annual Training Report to Energy and Water Sector Education Training Authority (EWSSETA), which guides the implementation of skills and development initiatives through the identification of the skills needs of the entity and ensures the effectiveness of skills development plans. The skills development programmes include:

- Employee training and development;
- Assisted education programme;
- Learnership and apprenticeship programmes
- Bursary programme;
- Graduate trainee and Internship programmes; and,
- Leadership Development.

## Skills Audit & Capacity Building Framework

The outcome of the uMngeni-uThukela Water Skills Audit provided the entity with a five-year multi-layered competency framework that guides the identification of skills development gaps, scarce and critical skills and prioritisation of training and development initiatives to support the entity's continuity. For this reporting period, the entity is on year four of the skills audit of the implementation plan

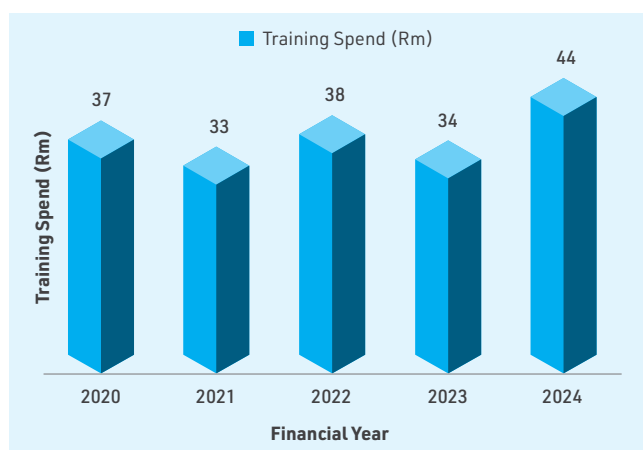
For the reporting period, the entity continued with the application of the approved three-layered Capacity Building Framework that offers a simplified and systematic approach to organisational capacity building to aid the implementation and evaluation of capacity building programmes. that is individual, organisational and environmental levels.

## Training and Development

The implementation of training and development initiatives is aligned with the Skills Development Act Number 97 of 1998 and other related legislation for purposes of developing the workforce skills requisite to improve the quality of life, productivity and competitiveness, and delivery of social services. Furthermore, to respond to the water sector skills requirements

The organisation has consistently invested in skills development of its employees. This is graphically represented in **Figure 12.3**.

**Figure 12.3:** Training Expenditure



## Leadership, Learnership and Apprenticeships

At uMngeni-uThukela Water, skills development remains an essential enabler for employees to excel in their individual and organisational roles to deliver on the entity's mandate.

As part of the continued endeavours to strengthen organisational leadership capacity; two Executives enrolled for an Executive Leadership Development Program at Stellenbosch University. A three multi-layered assessment was adopted focusing on key areas namely, behaviour change, attitudinal and technical skills. The outcomes of the capacity impact assessment report will be used as baseline for the design and decision-making on future Leadership Development initiatives.

A total of 17 employees have been completed the Management Development Program (MDP) at the University of Kwa Zulu – Natal Extended Learning, one Executive completed the Executive Leadership Development Program (ELDP) with Stellenbosch University. Twenty-one (21) completed the Supervisory Development Programme (SDP) from Enterprise University of Pretoria. The purpose of this programme is to equip the newly appointed managers and supervisors with new set of skills and current individuals who are already occupying leadership roles, to ensure the achievement of the organisation's Vision and organisational sustainability. The MDP, ELDP and SDP programs further aim to assist with the achievement of short- and long-term goals of the organisation.

The apprenticeships programme provided training, development and exposure to both internal and external candidates. On completion of trade tests, the Apprentices are deemed to be competent as Artisans. The Apprentices are then appointed as junior artisans for a two-year period for them to gain experience that is in line with the minimum requirements of the artisan positions. A total of 57 apprentices were appointed in the apprenticeship programme and will receive theoretical training at Majuba TVET College and Shukela Training Centre in the Automotive Motor Mechanics, Boiler making, Electrical, Instrumentation, Fitting and Millwright trades. In 2023/24 apprentices will receive practical work exposure from various operational sites within the entity as per the requirements of the programme.

uMngeni-uThukela Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-year training plan to fill the skills and competency gaps. The internal positions include Superintendent, Process and Quality Technician, Senior Operator, Operator and Process Controller positions. In the reporting period a total of 525 Process Controllers were enrolled in either the Learnership Programme or in N3 Water and Waste Treatment and various courses in water and wastewater treatment.

## Assisted Education

The organisation continued to provide employees with financial support to further their studies in disciplines related to the entity's core and support business for improved performance to meet the current and future skills needs through the Assisted Education Programme (AEP). For the period under review, 36% of employees enrolled in formal qualifications that respond directly to critical and scarce skills needs. The qualifications range from NQF level 6 to NQF level 10, consisting of undergraduate and post graduate qualifications.



### uMngeni-uThukela Water Young Professionals

The existence of uMngeni-uThukela Water Young Professionals (UUWYP) proves the entity's ongoing acknowledgement and support towards initiatives aimed at developing the youth. Since the inception of UUWYP in 2014, the forum has an active membership of 250, consisting of employees below the age of 35. The UUWYP is a solution-oriented platform that aims to cultivate professional development, leadership and social responsibility among the entity's young workforce.

The forum continues to aim at being a catalyst in supporting the organisation to achieve its vision and mission, be the proponent of continuous learning, growth and collaboration, and being a key partner to enable the organisation to achieve efficiency gains through innovation and use of best-fit technology. Aligned with uMngeni-uThukela Water growth strategy; the forum's operational model is underpinned by its constitution, strategy and the following objectives:

- To create an enabling environment for professional growth through affiliation and registration;
- To encourage active community and social responsibility participation;
- To create a solid professional and social networking the young professionals in the organisation;
- To empower uMngeni-uThukela Water Young Professionals (UUWYP) through skills development, resources and information-sharing.

During the reporting period, the UUWYP initiated and advocated for different Initiatives that were seen as being key to the progress and continuous success of the forum. These initiatives were borne of engagements with different internal and external stakeholders.

Notable activities completed by UUWYP in the year include:

- UUWYP has implemented the High School tutoring program for grade 10 – 12 learners at two High schools in two (2) UUW supply areas. One Programme will be implemented and fully operational in the Richards Bay region in the new financial year
- Sponsored and participated in the 2024 Annual Green Youth Indaba Youth, where the YPs presented, part of the panel discussion and exhibited on the different programs available at the conference
- Sponsored one (1) young professional who partook in the Wetskills challenge part of their professional development,
- Partnered with the Department of Water and Sanitation in planning and the 2024 National Youth Indaba. UUWYP were part of the Programme and participated in the various task teams. At the end of the conference there were YPs that were awarded by the Department and Lepelle Northern Water in appreciation for the work they have done in ensuring the success of the Conference in Polokwane,
- Planning and successfully assisting Overberg Water in establishing the Young Professional Forum. UUWYP was approached by the Department of Water and sanitation to assist other Water Boards in establishing the forum in preparation for the National Youth Forum that was established at the National Youth Indaba 2024,

- UUWYP participated at the UUW career day which was held at North KZN. The purpose of this event was to assist Grade 12 students in choosing careers in the Water sector. This was a ministerial event where the minister opened the event, encouraged the students and wished them well for their upcoming finals.
- UUWYP sponsored nine (9) YPs to attend the WISA 2024 Biannual conference. YPs were exposed to different sector players that added more knowledge to the YPs on the water sector.
- UUWYP hosted their Annual General Meeting where the session was split into two parts. The first part was to officially welcome the new YPs from the Richards Bay Region since the two entities have become. This was well received by the new YPs joining the forum, as the members after that session have grown. The second part of the meeting the committee presented all the activities that the forum has done in the previous financial year. The forum had four (4) objectives namely Increase brand value, increase membership, improve effectiveness of social programmes, Improve internal processes. All these objectives the forum was able to achieve through the various initiatives that were implemented
- A few YPs were recognized for their exceptional work they have done during the calendar year. This was seen by that YPs in their respective departments were awarded Young Professionals of the year. Another YP received a Spotlight on Greatness award from the University of KwaZulu-Natal for the commendable work he has done. This shows that the forum not only does it participate in forum activities only but does produce YPs that do well in their day-to-day activities in and outside of the organisation.

### Bursar, Graduate and In-service Trainee Programmes

uMngeni-uThukela Water's graduate trainee programme aims to expose trainees to a practical working environment that puts structured learning into practice in order to equip beneficiaries with applicable competencies to allow development of a pool of qualified, skilled and experienced candidates for future employment. In the reporting period, the entity had 35 graduates enrolled in the engineering, science and other required professional fields and 33 in-service trainees

A total 31 interns were contracted for a two-year internship programme in multi-disciplinary fields across the organisation. The duration of the internship program was extended to two years to allow adequate workplace exposure and for interns to meet the minimum requirements for entry-level positions. A total of 13 leadership learners 18.2 were enrolled in the program.

uMngeni-uThukela continued with its bursary programme and funded 19 bursary students through the Bursary Scheme with students enrolled at various universities in disciplines of Civil Engineering, Mechanical Engineering, Electrical Engineering, Chemistry, Microbiology and Computer Science - Cyber Security.

uMngeni-uThukela Water has in place a Memorandum of Agreement for Infrastructure Skills Development Grant Transfer of Funds with eThekweni Municipality and the National Treasury department whereby uMngeni-uThukela Water offers training to graduates in various Engineering disciplines. The main purpose of the

programme is to prepare the graduates for professional registration with the appropriate statutory bodies. During this reporting period, one (1) Mechanical Engineering Graduate (Technologist), on the 26th of June 2024 was interviewed by Engineering Council of South Africa (ECSA) as part of her final Engineering reports submitted for an assessment. If deemed competent by ECSA panel of assessors, the Graduate will then be awarded with the status of Professional Engineering Technologist. Currently, the Programme has 39 Graduate Trainees enrolled in different Engineering disciplines

## Key Memberships and Associations

uMngeni-uThukela Water employees subscribe to a wide range of memberships and associations (**Table 12.3**). These straddle governance and risk, water, science and engineering, natural resources, social impact management, business, finance and accounting, and occupational health and safety, among others. The memberships ensure employees keep abreast in fields of expertise and participate in sector knowledge-sharing.

**Table 12.3:** Key Membership and Associations

| Category                                                                                       | Memberships                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Governance and Risk</b>                                                                     | Institute of Directors in Southern Africa (IoDSA)<br>Institute of Risk Management South Africa (IRMSA)<br>Ethics Institute of South Africa (EthicsSA)<br>Institute of Internal Auditors (IIA)<br>Information Systems Audit and Control Association (ISACA)<br>Compliance Institute of South Africa<br>Association of Arbitrators<br>Corporate Counsel Association of South Africa<br>Association of Arbitrators and Corporate Counsel Association of South Africa                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Financial and Business</b>                                                                  | South African Institute of Chartered Accountants (SAICA)<br>Association of Corporate Treasurers of Southern Africa (ACTSA)<br>Chartered Institute of Management Accountants (CIMA)<br>South African Institute of Professional Accountants (SAIPA)<br>National Business Initiative (NBI)<br>Durban Chamber of Commerce and Industry (DCCI)<br>Pietermaritzburg Chamber of Business (PCB)<br>Chartered Institute of Purchasing (CIPS)<br>SA Accounting Academy (SAAA)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Product Quality, Infrastructure Stability, Research, Innovation, Science and Technology</b> | Water Institute of Southern Africa (WISA)<br>South African Association of Water Utilities (SAAWU)<br>International Desalination Association<br>South African Institute of Agricultural Engineers<br>South African Institute of Mechanical Engineers<br>International Association of Hydrological Sciences<br>American Water Works Association (AWWA)<br>International Water Association (IWA)<br>Engineering Council of South Africa (ECSA)<br>South African Institute of Civil Engineers (SAICE)<br>Construction Industry Development Board (cidb)<br>South African Institute of Chemical Engineers (SAIChE)<br>Project Management Institute<br>South African Council for Planners<br>South African Planning Institute<br>South African National Committee on Large Dams (SANCOLD)<br>The Association of SA Quantity Surveyors<br>Concrete Society of Southern Africa NPC<br>South African Council for the Project and Construction Management Professions (SACPCMP)<br>The Southern African Institute of Mining and Metallurgy (SAIMM)<br>South African Geomatics Council<br>American Chemical Society (ACS)<br>South African National Standards |
| <b>Community and Environmental Sustainability, Science and Technology</b>                      | International Association for Impact Assessment (IAIAsa)<br>South African Council for Natural Scientific Professions (SACNASP)<br>Institute of Waste Management                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |

| Category                                                                                     | Memberships                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Employee and Leadership Development, Operational Resilience, Operational Optimisation</b> | <p>Institute of Information Technology Professional of South Africa (IITPSA)</p> <p>South African National Standards Association (SABS)</p> <p>South African Institute of Draughting</p> <p>Electrical Contractors' Association</p> <p>NACE International</p> <p>South African Right of Way Association (SARWA)</p> <p>Institute of Safety Management.</p> <p>Fire Protection Association of South Africa</p> <p>South African Board of People Practice (SABPP)</p> <p>South African Nursing Council (SANC)</p> <p>South African Reward Association (SARA)</p> <p>South African Society of Occupational Health Nursing Practitioners (SASHON)</p> <p>Chartered Institute for Purchasing and Supply (CIPS)</p> <p>State-Owned Entities Procurement Forum (SOEPF)</p> <p>Society of South African Archivists (SASA)</p> <p>Library and Information Association of South Africa (LIASA)</p> <p>South African Institute of Occupational Safety and Health (SAIOSH)</p> <p>Toastmasters International</p> <p>The Association for Office Professionals of South Africa (OPSA)</p> |

## Performance, Alignment to Strategy and Remuneration

uMngeni-uThukela Water continues to implement successfully a three-component performance management system in the organisation. The system ensures that all employees have conceptual knowledge, and an understanding of the role and purpose of their jobs with line of sight to the entity's strategy and performance objectives and targets.

The Board of uMngeni-uThukela Water assesses the entity's performances against predetermined objectives on a quarterly and annual basis, while formal employee performance assessments are undertaken twice a year.

The Remuneration Policy and Strategy are aligned to the Performance Management Policy to ensure that the performance management process at uMngeni-uThukela Water is development orientated and intended to cultivate effective human resources management and career development. As a result, appraisals are constructively used to provide feedback and coaching to individual employees concerning their job performance.

Through this structured performance management system, uMngeni-uThukela Water ensures implementation of its strategic goals through skilled, competent, motivated and engaged employees, while recognising and rewarding good performance.

## Diversity and Equal Opportunity

uMngeni-uThukela Water's workforce by employment type/category, race and gender is shown in **Table 12.1** and **Figures 12.1**. The organisation annually submits an Employment Equity Plan to the Department of Labour and prepares quarterly equity reports to track the status of its workforce diversity against its plan. uMngeni-uThukela Water does not discriminate between men and women in terms of remuneration.

## Change Management

### Improving Work Culture

Employees need to understand that change is inevitable. Change is enabled when employees are involved and equipped. They need to see visible commitment to the change. The Change Management Programme serves to provide generic guidance for Change implementation in the

organisation. The organisation remains committed to effectively managing change and is confident that the Change Management Programme will contribute to the effective transformation that will benefit the sector.

## Human Rights

### Investment and Procurement Practices

uMngeni-uThukela Water is an entity of the State that is committed to a system of acquisition of goods and services that is fair, equitable, transparent, competitive and cost-effective and promotes the objectives of Broad-Based Black Economic Empowerment (B-BBEE).

Awareness continues to be built amongst the entity's employees through requesting mandatory disclosures of interests in support of fair, equitable, transparent and competitive procurement practices. The entity remains confident that it is contributing to effective economic transformation that will benefit the sector.

### Child and Forced Labour

uMngeni-uThukela Water, as a state-owned entity, subscribes fully to National Legislation that ensures a healthy and safe work environment for its employees. The entity's Human Resources Policies comply and are in line with the Labour Relations Act (Act No 66 of 1995), Basic Conditions of Employment Act (Act No 75 of 1997) and their relevant Codes of Good Practice. The entity is also aligned to the United Nations Global Compact Principles and OECD recommendations in this regard. uMngeni-uThukela Water does not practise child and forced labour

### Non-Discrimination

In the year under review, zero (0) incidents of discrimination were reported.

### Indigenous Rights

uMngeni-uThukela Water subscribes fully to the Bill of Rights in terms of the Constitution of the Republic of South Africa (Act 108 of 1997). During the year, there were zero reported incidents of violation of rights of indigenous people in any aspect of the organisation's business.

### Human Rights Remediation

Zero (0) grievances related to human rights issues / contraventions were filed.



uMngeni-uThukela Water aligns performance with strategy, ensures equal pay, supports Black Economic Empowerment, and follows labor laws with no reported violations.





## 13

IMPROVING  
RESILIENCE

Water samples from the entire supply system (catchment to consumer) are collected by a team of dedicated well-trained sampling officers daily throughout uMngeni-uThukela Water's operational area.



### 13.1 ISO/IEC 17025 Accredited Laboratory Services Assuring Water Quality

Four modern ISO/IEC 17025-accredited laboratories make up the entity's Laboratory Services. They are Chemistry, Microbiology, Hydrobiology and Soil Chemistry Testing, all with a long-established reputation of meeting international standards. Highly-skilled and dedicated scientists, technicians and laboratory support staff, utilising modern analytical techniques enable this facility to provide a world-class service 365 days a year.

During the financial year, the laboratory supported core business activities through:

- Providing assurance that the entity produces potable water that complies with drinking water standards;
- Assuring that treated effluent complies with wastewater and effluent discharge limits;
- Assuring, via the above, public health protection from water-borne diseases and water-related health impacts;
- Undertaking research and development and generation of scientific data for new infrastructure developments;
- Supporting water treatment for process selection and optimisation;
- Undertaking catchment and river health monitoring to assess the status of water resources and quality of raw water supply;
- Immediate provision of early warnings and alerts to stakeholders when a breach of quality standards is detected and ensuring that the incident-management protocol is followed to contain and remedy the breach.

- Maintaining analytical results database which allows all uMngeni-uThukela Water users access to over 30-years of test results for trend forecasting. This is critical for construction of dams, water and wastewater treatment works and other capital projects.

Water samples from the entire supply system (catchment to consumer) are collected by a team of dedicated well-trained sampling officers daily throughout uMngeni-uThukela Water's operational area, and are assessed in terms of physical, chemical and microbiological characteristics, as per SANS 241 standard requirements. The sampling activities are also governed and guided by ISO/IEC 9001 certification standard, which they have to conform to.

The analytical results are produced within specified times that form part of Service Level Agreements with end users. Supported by LabWare Laboratory Information Management System (LIMS), water quality results are captured, validated, stored and reported timeously. Laboratory Services generates 20 000 to 30 000 analytical results per month from its four accredited laboratories, split as follows: Chemistry, approximately 20 000; Microbiology, 5 000; Hydrobiology, 500 and Soil Chemistry, 100. The laboratories generated about 323 830 test results in this financial year. Direct access to the results is also provided to external users via the Electronic Water Quality Management System (eWQMS), the IRIS Blue Drop System (BDS) and the IRIS Green Drop System (GDS).

In addition to assuring the quality of bulk water produced, Laboratory Services provides water testing and sampling services to municipalities and various private sector clients. This valuable service supports and assists municipalities to improve their IRIS Blue and Green Drop compliance.

As an ISO 17025-accredited laboratory, uMngeni-uThukela Water laboratory has to constantly keep up with the requirements of the standard, in order to maintain its accreditation status against the ISO 17025: 2017 Management System. As such, Laboratory Services has successfully retain its ISO/IEC 17025:2017 Accreditation status after SANAS completed the re-assessment evaluation on the 18th and 19th May 2023 with the clearance of all six (6) non-conformances recorded for the Laboratory Management System with a minimum 75% of the laboratory's Chemistry Scope of Accreditation which includes methods and technical signatories. This Certification of Accreditation shall be valid for the next five (5) years considering successful SANAS surveillance assessments every 18 to 24 months, to ensure major efforts and commitments to the standard, thus achieving and enhancing customer and stakeholder quality assurance.

The Microbiology and Hydrobiology laboratory voluntarily suspended all the accredited methods of the two (2) laboratories. The suspension was implemented from the 01st May 2023. These methods were affected due to the facility undergoing planned refurbishment activities which have an impact on the environmental conditions within the laboratory. The refurbishment is scheduled for a period of six to eight months. The laboratory remains committed to providing ongoing services under these conditions and shall assure continued quality, credibility and reliability of test results produced.

uMngeni-uThukela Water will increase revenue streams by deploying responsive water and related solutions to the market using its intellectual capacity to minimize its heavy reliance on the tariff as a main source of revenue.

### Laboratory Services

uMngeni-uThukela Water provides an extensive array of ISO/IEC 17025 accredited laboratory-testing services to various municipalities in Kwa-Zulu Natal. Currently contracts/MoUs are in place for water and/or wastewater quality monitoring with the Harry Gwala DM, Ugu DM and Alfred Nzo DM. The primary objective of the partnership with the WSAs is to improve the level of compliance in terms of the Integrated Regulatory Information System – IRIS and Green Drop Systems. In addition, Laboratory services are provided to various other water entities including eThekweni MM, as well as to over 3000 other clients.

Laboratory Services also collaborates with academic institutions, other municipalities to provide in-service, and National Treasury graduate training to various students annually.

### Support to Municipalities

uMngeni-uThukela Water is supporting vulnerable customers to implement projects to improve water service delivery. Interventions vary from emergency refurbishment of reticulation infrastructure to upgrades of municipal wastewater systems.

uMngeni-uThukela Water is piloting a flood early warning system for selected local communities within uMgungundlovu District Municipality. The project aims to increase the resilience of vulnerable communities through interventions that include community-based early warning systems, climate-smart agriculture and climate proofing of settlements. This work will continue in the corporate planning period.

uMngeni-uThukela Water also provides IRIS, Sampling, SANS 241:2015 and Testing Methods training to various municipal staff to enable better understanding of legislation and general requirements; thus improving their capabilities and performance.

## 13.2 Information and Communication Technology

### ICT Governance

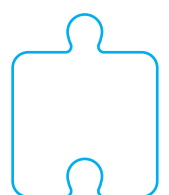
In line with King IV Report on Corporate Governance for South Africa 2016, the purpose of ICT Governance is to support the organisation to achieve its strategic objectives. The Board has delegated this function through the Innovation, Technology & Information (ITI) Committee to exercise this oversight role. The Information Technology and Innovation (ITI) Committee manages the governance of ICT and reports quarterly to the Board.

The Board has approved the ICT strategy which will be implemented over the next four (4) years. The ICT Strategy is aligned to the Government Wide Enterprise Architecture (GWEA) framework as prescribed by the Department of Public Service and Administration (DPSA).

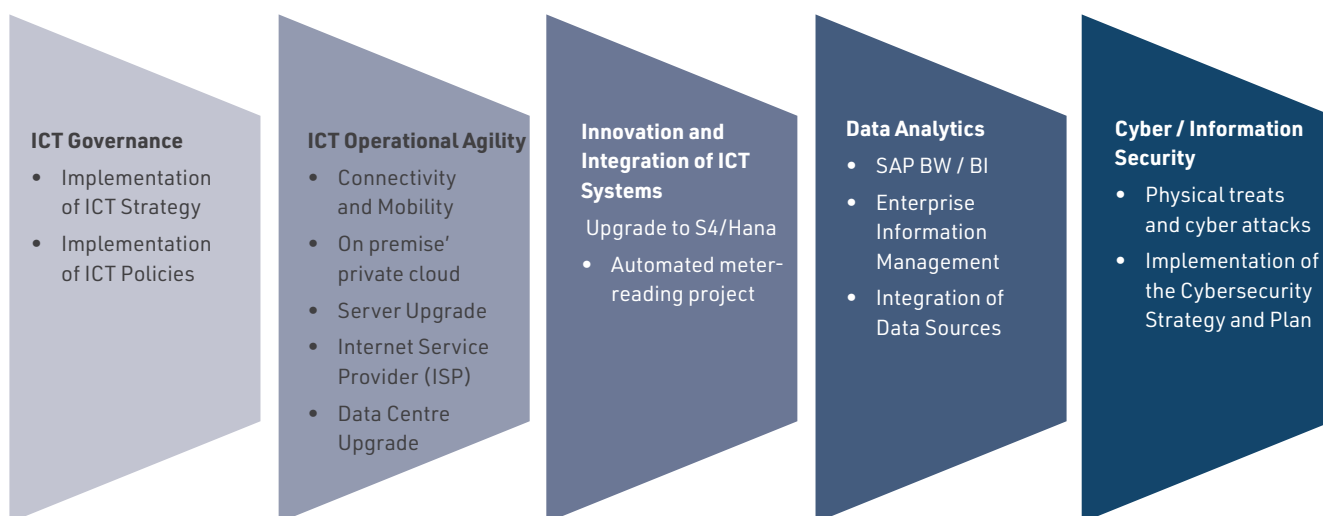
The new ICT Strategy would find its integration and alignment to the uMngeni-uThukela Water's organisational strategy. The ICT Strategy will assist in supporting the goals and outcomes of the organisation in achieving a better synergy across all business processes as well as optimisation of processes, adoption of innovative technologies, and a single source of corporate-wide data information. uMngeni-uThukela Water has moved from a "best of breed" to a consolidated solution i.e. Enterprise Resource Planning (ERP), thus ensuring alignment to best practices and governmental standards. With the change in technology and increase in uMngeni-uThukela Water's operational area, the new ICT Strategy will incorporate uMngeni-uThukela Water as a Group which would include both Information Technology (IT) and Operational Technology (OT) environments.

Digital transformation (**Figure 13.1**) is the integration of digital technology into all areas of a business resulting in fundamental changes to how businesses operate and how they deliver value to customers. In this regard, the Information Communication and Technology (ICT) department has ensured the delivery of a collaborative and integrated service to uMngeni-uThukela Water via an organisational centric approach to Digital Transformation.

uMngeni-uThukela Water's ICT strategy aligns with King IV and GWEA to enhance efficiency, integration, and digital transformation, using ERP to improve operations.





**Figure 13.1:** uMngeni-uThukela Water's Digital Transformation Pathway

### ICT Operational Agility

In support of the business objectives of bulk water and waste water provision, the availability and reliability of systems are of utmost importance. In this regards, uMngeni-uThukela Water continued to standardise connectivity and ensured a maximum uptime at all Water sites; the organisation has opted for fibre optic cables for fixed line connectivity. This has further prepared the organisation for 4G and 5G connectivity.

ICT is in the final process of building its own "on premise" private cloud to securely host all corporate data. This will ensure that uMngeni-uThukela Water critical data is not housed outside the borders of South Africa and is compliant with relevant data regulatory requirements. The Extranet which is being implemented would be a portal for Board and External facing data sharing will also form part of this private cloud facility.

In a connected world, the Internet of Things (IoT) with its collaborative tools has assisted with the delivery of Mobility via Microsoft Teams and video conferencing. uMngeni-uThukela Water has continued to roll out these mobility tools in order to speed up business decisions and reduce costs and time of employees.

uMngeni-uThukela Water continued to engage with the Independent Communications Authority of South Africa (ICASA) to extend the Broadband License is in an advanced stage. This has provided a platform for the establishment of uMngeni-uThukela Water as an Internet Service Provider (ISP).

ICT has upgraded its Data Centre, which has the capacity to act as a bureau hosting facility for public sector entities.

### Innovation & Integration of uMngeni-uThukela Water Business Systems

uMngeni-uThukela Water took a decision to consolidate its operating environment by implementing an ERP system in 2017. The Enterprise Resource Planning (ERP) system namely: SAP has been supporting and enabling the business successfully. However, the system is now due for an upgrade to S/4Hana due to the end of

support life of the existing software version. This upgrade would also include the identified SAP enhancements as per the approved ICT Strategy. The upgrade of SAP ECC 6.0 to SAP S/4HANA is scheduled to commence during Q1 of F24/25.

uMngeni-uThukela Water's meter reading process is currently captured monthly. Any breaks in the system are only detected at month-end i.e. burst pipes, leaking pipes, etc. In a drive for efficiency and to support the operational business the automated meter-reading project will allow meters to be read at any determined regular intervals and compromised thresholds flows will be flagged automatically. Implementation of this project is scheduled to commence during Q3 of the financial year 2024/2025.

### Data Analytics

The Board, EXCO and Management require data and insights in order to make quick informed business decisions. To achieve this, ICT is supporting the business to harness their diverse data sources in one platform, having a single source of the truth.

The SAP Business Warehousing/Business Intelligence (BW/BI) Reports and Dashboards project was implemented and went live during 2020 in order to support management decision-making and corporate reporting requirements. This has improved levels of data integration, consistent, reliable information across the business value chains, as well as the single version of the truth across operational areas. The integrity of the system has also been from a trusted data source.

Information is the most valuable resource in the digital world. uMngeni-uThukela Water has embarked on an Enterprise Information Management (EIM) project which has moved from a paper base to an electronic medium in preparation for digital transformation. The completion of the implementation of Digital Signatures has enhanced business processes and efficiencies.

To ensure the Integration of Data Sources, uMngeni-uThukela Water continued with the "data architecture analysis" to review all business systems for identifying integration points in preparation for data digital transformation. uMngeni-uThukela Water continues to work towards



ensuring the delivery of data across the spectrum of data subject areas and data structure types in the enterprise, to meet the data consumption requirements of all applications and business processes. These types of data will include, Business Systems, SCADA, Drone Data, Spatial, Sensors and 3rd Parties, etc. The project has progressed well during the period and uMngeni-uThukela Water will continue with this momentum during the 2024/2025 financial year.

### Integrated Security

In a drive to protect people, assets and reputations as well as physical security technology; ICT continued to support security in the business by integrating technology and security to produce an integrated security solution. The integration of Physical Guarding and Technology has enabled the security guards to be more pro-active in responding to security threats and risks. The merger of these functions has also enhanced the integration of systems, that is Access Control and CCTV.

uMngeni-uThukela Water is mindful that with new technologies in the world of the Fourth Industrial Revolution (4IR), the organisation is prone to cyber attacks. This makes cybersecurity a critical mechanism in the safeguarding of uMngeni-uThukela Water's information and assets. The organisation has upgraded its Information Security Infrastructure to the latest technology on both the Corporate and Operational networks. uMngeni-uThukela Water has attained, and continues to maintain National Key Point (NKP) accreditation at three key Operational sites namely, Durban Heights, Wiggins and Midmar.

### 13.3 Research, Development and Innovation.

uMngeni-uThukela Water has implemented the Research, Development and Technology and Innovation (RDTI) plan, with identified initiatives of relevance to UUW, in the past financial years.

An implementation plan which covers the period 01 July 2023 to 30 June 2024, was developed, and is inclusive of targets from Quarter 1 to Quarter 4. A total of 18 initiatives straddling the four (4) Research, Development, Technology and Innovation (RDTI) pillars were identified. The 2023/2024 RDTI implementation plan traverses the following four focus areas:

- Water Resources Management
- Pollution and Environmental Management
- Water and Wastewater Treatment Process Optimization
- Energy Optimisation and Alternatives

The focus areas are guided by various guideline documents, principles and factors, which include the Science, Technology and Innovation (STI) White Paper, National Development Plan (NDP), SA's Water Research, Development and Innovation Roadmap, Sustainable Development Goal (SDG) 6, National Water Resource Strategy (NWRS-3), as well as identified external and internal drivers for change.

The RDTI plan is aligned to UUW Strategy and Vision and is part of the UUW Corporate Plan, Strategic Objective (SO) 10: Improve the use of data and technology.

The plan also aligns with at least Six (6) of the Ten Attributes of Effectively Managed Water Sector Utilities, namely:

- Product Quality
- Operational Optimisation
- Water Resource Sustainability
- Infrastructure Stability
- Operational Resiliency
- Community Sustainability

The RDTI plan is also aligned to various national policies and imperatives as follows:

South Africa's vision for Science, Technology and Innovation (STI) as promoted in its "White Paper". The "White Paper" aims to use STI to help South Africa benefit from global developments such as rapid technological and innovative advancements, increase in economic growth and allow for a more competitive economy.

South Africa's Water Research, Development and Innovation Roadmap (2015-2025) is a comprehensive document that outlines the country's strategic approach to water research and development initiatives. As an organization that operates within the water sector, UUW aligns itself with this roadmap and leverages its recommendations to drive RDTI initiatives and projects.

UUW RDTI plan also aligns with the National Water Resources Strategy (NWRS-3) which aims to enhance research, development and innovation towards effective and efficient water and sanitation management solutions that respond to the needs for water security and sustainable sanitation for communities, productive use, and strategic water use and ecosystem services.

UUW RDTI implementation plan encompasses the four (4) pillars, namely:

#### Research Pillar:

- UUW's focus is on applied research which aims to address existing operational challenges, optimize existing business processes, improve operational efficiency, reduce turn-around times and reduce operational and treatment costs.
- Is undertaken using internal resources, leveraging the expertise, skills and knowledge of UUW staff, and external resources through strategic partnerships (academic and research institutions e.g. University Research Chairs; Water Research Commission (WRC); Council for Scientific and Industrial Research (CSIR); where internal expertise is not available.

#### Development Pillar:

- Considering that uMngeni-uThukela Water operates with limited resources, and does not have a Business Development Unit, the organisation will utilise the services of its Umgeni Water Services subsidiary to develop new technologies, products, methods and services, related to water and related services.

#### Technology Pillar:

- This entails adoption of existing technologies (in the market, request demos where possible, benchmark where already in use, test, pilot and optimise and deem fit for UUW purposes) for water and wastewater and related services to improve product quality.
- Umgeni Water Services subsidiary will also focus on the development of new technologies pertaining to water and related services.

#### Innovation Pillar:

- Includes adoption and evaluation of new innovative or improved methods and technologies, including automation, with an aim to improve production levels, lower unit costs and to achieve more efficient use of materials.

For 2023/2024, there are four focus areas within which the RDTI pillars are encapsulated, with a total of 18 initiatives implemented in the focus area, as follows.

- Water Resources Management: 7 initiatives (2 Research, 2 Development and 3 Innovation)
- Pollution and Environmental Management: 3 initiatives (1 Research, 1 Development and 1 Innovation)
- Water and Wastewater Treatment Process Optimisation: 3 initiatives (1 Development, 1 Technology and 1 Innovation)
- Energy Optimisation & Alternatives: 5 Innovation initiatives

Sixteen (16) projects are well on track, two (2) projects are slightly behind schedule.

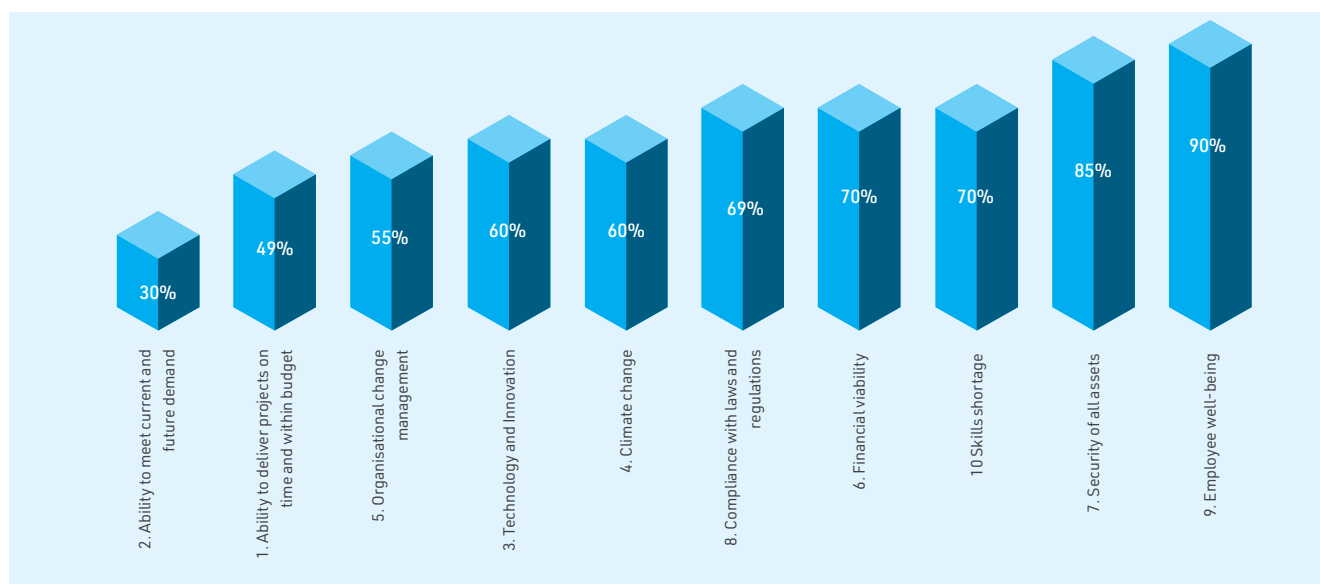
### 13.3 Risk Management

uMngeni-uThukela Water defines risk as all sources of uncertainty that could, positively or negatively, affect the entity's ability to achieve its strategic objectives and outcomes. Risk management at uMngeni-uThukela Water is guided by an Integrated Risk Management Framework and the risk management process is aligned to strategy, which ensures a focused and integrated process of risk management in the entity.

The entity has ten strategic risks as presented in **Table 13.1** below, which are sorted by descending risk score, linked to strategic objectives and indicating their appetite/tolerance positions. One risk is outside both risk appetite and risk tolerance, seven risks are outside risk appetite but within risk tolerance and the remaining two risks are within both risk appetite and risk tolerance.

Eight out of ten strategic risks (80%) have been managed to a level of equal to or above reasonable ( $\geq 55\%$ ) overall response effectiveness as presented in **Figure 13.2**.

**Figure 13.2:** Overall Response Effectiveness





**Table 13.1:** Strategic Risks as at 30 June 2024

| Risk # | Risk Name, Risk Rating and Risk Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Cause and Context and Risk Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | <p>Ability to deliver projects on time and within budget.</p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Poor 49%</li> <li>Severity: Major-High : 200</li> <li>Probability: 90% Highly probable and / or certain to occur within 1 year</li> <li>Risk Owner: Executive: Infrastructure Development</li> </ul> <p><b>Score 180</b> <b>Medium</b></p> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p><u>Project planning and design phase:</u></p> <p>Global challenge in goods and services resulting in the delay of ICT products. Lengthy &amp; bureaucratic procurement process including Bid Specification Committee process delays. Incorrect specifications. Complex and Ineffective CPG and Enterprise Development Processes. Appeals after intention to award. Internal capacity constraints. Possible Inefficient forms of contract.</p> <p><u>Project construction phase:</u></p> <p>Social disruption during construction during all project phases. Changes during design and construction leading to over runs and time delays. Ineffective project and contract management. Poorly performing Professional Services Providers and contractors.</p> <p><b>Treatment Approach:</b></p> <p><i>Treatment Approach:</i></p> <p><i>Optimised contracting strategies.</i></p> <p><i>Strategic engagements with stakeholders.</i></p> <p><i>Timeous acquisition or design of facilities.</i></p> <p><i>Streamlined procurement process.</i></p> <p><i>CPG policy &amp; procedure.</i></p> <p><i>Clarity of tender documentation.</i></p> <p><i>Proactive social facilitation.</i></p> <p><i>Improved project/contract management.</i></p> <p><i>Mandatory attendance of appropriate divisional staff at individual project steering committee meetings.</i></p> <p><i>Hold poorly performing PSPs and contractors accountable.</i></p>                                                                                                                                                                                                                                                                                                                                                                                       | <p><b>Customer and stakeholder perspective:</b></p> <p><b>S01:</b> Improve Stakeholder Value</p> <p><b>S02:</b> Improve Customer Value</p> <p><b>Process perspective:</b></p> <p><b>S04:</b> Improve Stakeholder Engagement</p> <p><b>S07:</b> Increase Customers and Services</p> <p><b>Organisational Capacity Perspective:</b></p> <p><b>S0 12:</b> Increase Supply Security</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction</p> <p>Stakeholder Understanding and Support</p> <p>Community Sustainability</p> <p>Operational Optimisation</p> <p>Enterprise Resiliency</p> <p>Product Quality</p> <p>Employee and Leadership Development</p> <p>Water Resources Sustainability</p> <p>Infrastructure Strategy and Performance</p>                                                                                                                                                        |
| 2      | <p><b>Ability to meet current and future water demands</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Reasonable 30%</li> <li>Severity: Major- High -: 200</li> <li>Probability: 80% Likely and/or could occur within 1 year</li> <li>Risk Owner: Executive: Infrastructure Development</li> </ul> <p><b>Score -180</b> <b>Medium</b></p> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Outside Tolerance</li> </ul>      | <p><b>Cause &amp; Context:</b></p> <p>Long-term water resources: Delays in the implementation of water resource development projects.</p> <p>Infrastructure Adequacy: Mis-managed urbanization, ineffective demand management (demand out-stripping supply). Delays in developing infrastructure. Deteriorating catchment water quality and declining quantity or catchment yield. Compromised Ecological Infrastructure. Delayed implementation of the 'National Water and Sanitation Infrastructure Master Plan' by the government.</p> <p><b>Treatment Approach:</b> <i>Augmented supply.</i></p> <p><i>Timeously implemented Infrastructure Master Plan.</i></p> <p><i>Demand Side Management.</i></p> <p><i>Engaging in multi-stakeholder management initiatives.</i></p> <p><i>Embarking on initiatives to improve ecological infrastructure.</i></p> <p><i>Progress</i></p> <p><i>TCTA have appointed a professional services provider (PSP) to undertake the design of the tunnel and raw water delivery system. An appointment for the design of the dam is imminent.</i></p> <p><i>UUW will procure a PSP for the design of the WTP during the second half of this calendar year.</i></p> <p><i>The signing of the Water User Agreements has delayed the project significantly and it is likely that water will only be delivered from the scheme in 2032.</i></p> <p><i>With respect to the design of the Lower uMkhomazi BWSS, the WTW design is complete.</i></p> <p><i>The construction of Lower uMkhomazi BWSS is to be completed by October 2027.</i></p> <p><i>An appointment of a PSP for a review of the design of the Stephen Dlamini Dam is being concluded with SCM, an appointment of a PSP to design the Cwabeni Dam has been made and a review of the Detailed Feasibility Study report undertaken for DWS is currently being done.</i></p> | <p><b>Customer and stakeholder perspective:</b></p> <p><b>S01:</b> Improve Stakeholder Value</p> <p><b>S02:</b> Improve Customer Value</p> <p><b>Financial perspective:</b></p> <p><b>S03:</b> Improve Financial Sustainability</p> <p><i>Increase access to services</i></p> <p><b>Process perspective:</b></p> <p><b>S07:</b> Increase Customers and Services</p> <p>Manage costs within approved budget</p> <p><b>Organisational Capacity Perspective:</b></p> <p><b>S0 12:</b> Increase Supply Security</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction</p> <p>Stakeholder Understanding and Support</p> <p>Community Sustainability</p> <p>Financial viability</p> <p>Operational Optimisation</p> <p>Enterprise Resiliency</p> <p>Product Quality</p> <p>Employee and Leadership Development</p> <p>Water Resources Sustainability</p> <p>Infrastructure Strategy and Performance</p> |

| Risk # | Risk Name, Risk Rating and Risk Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | Cause and Context and Risk Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3      | <p><b>Organisational change management</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Reasonable-55%</li> <li>Severity: Major- High -: 200</li> <li>Probability: 80% Likely and/or could occur within 1 year</li> <li>Risk Owner: Executive: Chief Shared Services Officer</li> </ul> <div> <div>Score 180</div> <div>Medium</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul> | <p><b>Cause&amp;Content:</b></p> <p>Leadership values &amp; communication. Working in silos. Uncertainty of the reconfiguration process. Uncertainty on the organisational structure.</p> <p><b>Treatment Approach:</b></p> <p>Change Management Programme.<br/>Effective communication.<br/>Formalised organisational structure.<br/>The Organisation has appointed Service Provider to help fast track Organisational Change initiatives due to the reconfiguration.<br/>The progress so far is as follows:</p> <ul style="list-style-type: none"> <li>Outlined and defined effective utility management (EUM) concept within the UUW</li> <li>UUW scope outlined and defined</li> <li>Corporate Plan approved</li> <li>Strategy Vision Mission endorsed</li> <li>Macro &amp; Micro Structure approved</li> <li>Currently filling the positions as per Placement Policy</li> <li>Early measurement of culture improvements through survey</li> <li>Organisational Culture Survey and Focus Groups undertaken.</li> <li>Currently reviewing report recommendations on how to improve and align UUW culture.</li> <li>UUW HR Policies aligned and approved.</li> <li>ICT business systems and tools alignment for UUW(hardware, software, applications) undertaken</li> <li>Public engagements conducted by UUW leadership and CSMU.</li> <li>UUW Investors, Customers and Suppliers notified of the change.</li> </ul> | <p><b>Customer and stakeholder perspective:</b></p> <p><b>S04 :</b> Improve Stakeholder Engagement</p> <p><b>Organisational Capacity perspective:</b></p> <p><b>S011 :</b> Improve Work Culture</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| 4      | <p><b>Technology and Innovation</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Reasonable 60%</li> <li>Severity: Major-Low: 100</li> <li>Probability: 90% Highly probable and / or certain to occur within 1 year</li> <li>Risk Owner: Executive: Scientific Services</li> </ul> <div> <div>Score 90</div> <div>Low Medium</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul>   | <p><b>Cause &amp; Context:</b></p> <p>Starting projects without the end user, a lot of technology and innovation is at a feasibility phase, slow uptake of new technologies, researcher only doing the research, project execution not adapted due to end user absence, stakeholder mapping to be done at the beginning of the project, Difficulty in procurement due to following one option, Technology/innovation not specific to the challenge, Personnel may not be adequately trained for the new technology/innovation, restrictions imposed by procurement regulations, innovation revolution, lack of clear business case. Slow uptake of technology an innovation. Digital technology adoption (AI, ERP, IoT etc.), technology on management and maintenance of infrastructure. The end user not consulted when the project starts.</p> <p><b>Treatment Approach:</b></p> <p>Corporate Innovation, Technology and Information Committee.<br/>uMngeni-uThukela Water Research and Innovation Facility.<br/>Research, Technology and Innovation (RTI) Strategy.</p>                                                                                                                                                                                                                                                                                                                                             | <p><b>Customer and stakeholder perspective:</b></p> <p><b>S02:</b> Improve Customer Value</p> <p><b>Process perspective:</b></p> <p><b>S06:</b> Improve internal efficiency and effectiveness</p> <p><b>Process perspective:</b></p> <p><b>S08:</b> Improve Product and Service Quality</p> <p><b>Organisational capacity perspective:</b></p> <p><b>S010:</b> Improve the use of data and technology</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction<br/>Stakeholder Understanding and Support<br/>Community Sustainability<br/>Financial Viability<br/>Operational Optimisation<br/>Enterprise Resiliency<br/>Product Quality<br/>Employee and Leadership Development<br/>Water Resources Sustainability<br/>Infrastructure Strategy and Performance</p> |

| Risk # | Risk Name, Risk Rating and Risk Score                                                                                                                                                                                                                                                                                                                                                                                                                                         | Cause and Context and Risk Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
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| 5      | <p><b>Climate change</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Reasonable 60%</li> <li>Severity: Major-Low: 100</li> <li>Probability: 65% Even probability and/or could occur within 1-2 years</li> <li>Risk Owner: Executive: Scientific Services</li> </ul> <p><b>Score 65</b> → <b>Low</b></p> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p>Starting projects without the end user, a lot of technology and innovation is at a feasibility phase, slow uptake of new technologies, researcher only doing the research, project execution not adapted due to end user absence, stakeholder mapping to be done at the beginning of the project, Difficulty in procurement due to following one option, Technology/innovation not specific to the challenge, Personnel may not be adequately trained for the new technology/innovation, restrictions imposed by procurement regulations, innovation revolution, lack of clear business case. Slow uptake of technology an innovation. Digital technology adoption (AI, ERP, IoT etc.), technology on management and maintenance of infrastructure. The end user not consulted when the project starts.</p> <p><b>Treatment Approach:</b></p> <p><i>Corporate Innovation, Technology and Information Committee. uMngeni-uThukela Water Research and Innovation Facility. Research, Technology and Innovation (RTI) Strategy.</i></p> | <p><b>Customer and stakeholder perspective:</b></p> <p><b>S02:</b> Improve Customer Value</p> <p><b>Process perspective:</b></p> <p><b>S06:</b> Improve internal efficiency and effectiveness</p> <p><b>Process perspective:</b></p> <p><b>S08:</b> Improve Product and Service Quality</p> <p><b>Organisational capacity perspective:</b></p> <p><b>S010:</b> Improve the use of data and technology</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction</p> <p>Stakeholder Understanding and Support Community Sustainability</p> <p>Financial Viability</p> <p>Operational Optimisation</p> <p>Enterprise Resiliency</p> <p>Product Quality</p> <p>Employee and Leadership Development</p> <p>Water Resources Sustainability</p> <p>Infrastructure Strategy and Performance</p> |





| Risk # | Risk Name, Risk Rating and Risk Score                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Cause and Context and Risk Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 6      | <p><b>Compliance with laws and regulations</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Reasonable 69%</li> <li>Severity: Moderate-High 40</li> <li>Probability: 65% Even probability and/or could occur within 1-2 years</li> <li>Risk Owner: Chief Governance and Compliance Officer</li> </ul> <p><b>Score 26</b> <b>Low</b></p> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p>Material misstatements; material irregularities or adjustments to financial statements, inconsistency in performance results against pre-determined objectives. Non-compliance to laws and regulations, policies and procedures as a result of dishonest behaviour and/or poor performance.</p> <ul style="list-style-type: none"> <li>Ever changing regulatory environment and the lack of agility to adapt to the operating environment by aligning and implementing policies and procedures.</li> <li>Poor document management system control.</li> </ul> <p>Non-renewal of licences.</p> <p>Lack of understanding, misinterpretation or non-compliance to procurement processes and contract management, as required by regulations.</p> <p>Inadequate and untimely consequence management.</p> <p>Increase in irregular expenditure, fruitless and wasteful expenditure.</p> <p>The Water Use Licence in the Mngeni System has been exceeded for two years. The Department of Water and Sanitation has issued a pre-directive asking for UUW to develop a plan which would reduce supply over 12 months starting in October 2024.</p> <p><b>Treatment Approach:</b></p> <p>Strategic oversight and combined assurance framework.</p> <p>Committee towards a clean audit.</p> <p>Tracking of licenses and/or permits.</p> <p>Compliance monitoring.</p> <p>Assurance of compliance:</p> <ul style="list-style-type: none"> <li>On-going assessment of control effectiveness.</li> <li>Compliance to policies and procedures.</li> <li>Proactive policy review process.</li> <li>Regulatory analysis.</li> </ul> <p>Delegation of Authority.</p> | <p><b>Customer and stakeholder perspective</b></p> <p><b>S01:</b> Improve Stakeholder Value</p> <p><b>Process perspective:</b></p> <p><b>S05:</b> Improve Governance Processes</p> <p><b>S08:</b> Improve Product &amp; Service Quality</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| 7      | <p><b>Financial Viability</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Good 70%</li> <li>Severity: Moderate-High: 40</li> <li>Probability: 65% Even probability and/or could occur within 1-2 years</li> <li>Risk Owner: Chief Financial Officer</li> </ul> <p><b>Score 26</b> <b>Low</b></p> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul>                                       | <p><b>Cause &amp; Context:</b></p> <p>Financial sustainability of the organisation.</p> <p>Tariff increases are not cost reflective. Industrial customers' skepticism or fear that UUW is too expensive once it applies its pricing policy. Inappropriate business model to support infrastructure investment and operating costs. Debtor's collections. Cash flow. Inability to raise funding to support socio-economic infrastructure investments. Opportunity: Sustainable growth. Service provision. Leveraging debt. Economic down turn could result in the inability to recover debt, access capital at affordable interest rates and affect revenue generation affecting the ability to implement a sustainable tariff. Reliance on major customer eThekweni. Benefit Realisation from the capital. Reduction or complete erosion of anticipated return on asset due to higher cost to implement than planned (VO's due to extension of time, lengthy negotiation times, increase in scope, significant difference in design and tender estimates to prices received from contractors).</p> <p><b>Treatment Approach:</b></p> <p>Sustainable tariff model for potable water.</p> <p>Annual tariff review.</p> <p>Operating cost plan.</p> <p>Monitoring and reporting on payment plans and cash flows.</p> <p>Developing and implementing debt collection programme for all customers.</p> <p>Grant funding to support social investment in projects.</p> <p>Revenue Enhancement strategies.</p> <p>Business case for all projects.</p> <p>Efficient &amp; effective gate review process.</p> <p>Improved project/contract management.</p>                                         | <p><b>Customer and stakeholder perspective</b></p> <p><b>S01:</b> Improve Stakeholder Value</p> <p><b>S02:</b> Improve Customer Value</p> <p><b>Financial perspective:</b></p> <p><b>S03:</b> Improve financial sustainability</p> <p>Increase access to services</p> <p><b>Process perspective:</b></p> <p><b>S04:</b> Improve Stakeholder Engagement</p> <p><b>S05:</b> Improve Governance Processes</p> <p>Manage costs within approved budget</p> <p>Outcomes:</p> <p>Customer Satisfaction</p> <p>Stakeholder Understanding and Support</p> <p>Community Sustainability</p> <p>Financial viability</p> <p>Operational Optimisation</p> <p>Enterprise Resiliency</p> <p>Product Quality</p> <p>Employee and Leadership Development</p> <p>Water Resources Sustainability</p> |

| Risk # | Risk Name, Risk Rating and Risk Score                                                                                                                                                                                                                                                                                                                                                                                                                                              | Cause and Context and Risk Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8      | <p><b>Security of all assets.</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness:</li> <li>Good 85%</li> <li>Severity: Moderate-High: 40</li> <li>Probability: 65 % Even probability and/or could occur within 1 - 2 years</li> <li>Risk Owner: Chief</li> </ul> <div> <div>Score 26</div> <div>Low</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Within Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p>Physical assets:<br/>Breach of/ damage to/ loss of physical assets (property). Illegal settlements and encroachments on properties &amp; servitudes.<br/>Injury and loss of human capital. Business forums and Military Veteran disruptions. Threats to stop Capex. Theft of copper cables leading to disruption of connectivity. Load shedding</p> <p>Service delivery protests may affect site accessibility or cause damage to infrastructure.</p> <ul style="list-style-type: none"> <li>Remote locations that are difficult to secure or monitor theft and vandalism. Personal safety and occupational health and safety hazards.</li> </ul> <p>Information Assets:<br/>Loss of/damage to information assets and resources (non-physical assets). Cyber-attacks and social engineering. Sabotage.</p> <ul style="list-style-type: none"> <li>Inappropriate use or transmission of confidential data<br/>Breach of confidentiality.</li> </ul> <p>Sustainability of natural resources (air, land water, energy).<br/>Deterioration in the state and the stress of environmental systems: the vital environmental systems – air, land, water and energy – that uMngeni-uThukela Water depends upon are not maintained at healthy levels and/or levels are deteriorating.</p> <p><b>Treatment Approach:</b><br/>Implementation of physical security processes and procedures.<br/>Establish and maintain good relationship with provincial and local SAPS.<br/>Gather intelligence.<br/>Identification of hot spot areas &amp; project sites.<br/>Deployment of additional resources.<br/>Implementation of the Occupational Health and Safety Management System (ISO 45001 - Clause 7.1): Resources which deal with security of physical and or human resources.<br/>Monitoring of inflows/outflows of raw and potable water pipelines and reservoirs to detect reduction in volumes and pressure, which could indicate that there has been tampering with infrastructure.<br/>Information Assets:<br/>Implementation of ICT related policies and strategies.<br/>Implementation of the Environmental Sustainability Plan which encompasses initiatives that cause no serious harm to the environmental systems (air, land, water and energy) upon which UUW depends.<br/>Implementation of the Environmental Sustainability Plan focusing on Climate Change interventions.<br/>Climate Change Response Policy.</p> | <p><b>Customer and stakeholder perspective</b></p> <p><b>S02:</b> Improve Customer Value</p> <p><b>Process perspective:</b></p> <p><b>S08:</b> Improve Product and Service Quality</p> <p><b>Organisational Capacity Perspective:</b></p> <p><b>S010:</b> Improve The Use of Data and Technology<br/><b>S012:</b> Increase Supply Security</p> <p><b>Outcomes:</b></p> <p>Stakeholder Understanding and Support<br/>Customer Sustainability<br/>Operational Optimisation<br/>Enterprise Resiliency<br/>Product Quality<br/>Employee and Leadership Development<br/>Water Resources Sustainability<br/>Infrastructure Strategy and Performance</p> |

| Risk # | Risk Name, Risk Rating and Risk Score                                                                                                                                                                                                                                                                                                                                                                                                                                              | Cause and Context and Risk Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 9      | <p><b>Employee well-being</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Very Good 90%</li> <li>Severity: Negligence: 1</li> <li>Probability: 80% Likely and/ or could occur within 1 year.</li> <li>Risk Owner: Chief Shared Services Officer</li> </ul> <div> <div>Score 1</div> <div>Low</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Within Appetite</li> <li>Within Tolerance</li> </ul>     | <p><b>Cause &amp; Context:</b></p> <p>Mental wellbeing (financial, personal challenges, high stress levels). Poor work-life balance Unhealthy life style and communicable diseases. Poor job design. Overtime and number of hours worked. Failure to provide employees with social support. Conflict between work and family commitments. Perceived unfairness and injustice at work. Job insecurity uncertainty of the future.</p> <p><b>Treatment Approach:</b><br/> <i>Employee Assistance Programs (EAP).<br/> Policies aligned to the basic conditions of employment.<br/> Wellness programmes.</i></p>                                                                                                                                                                                                         | <p><b>Process perspective:</b></p> <p><b>S06:</b> Improve internal efficiency and effectiveness</p> <p><b>Organisational Capacity Perspective:</b></p> <p><b>S011:</b> Improve Work Culture</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction<br/> Stakeholder Understanding and Support<br/> Community Sustainability<br/> Financial Viability<br/> Operational Optimisation<br/> Enterprise Resiliency<br/> Product Quality<br/> Employee and Leadership Development<br/> Water Resources Sustainability<br/> Infrastructure Strategy</p> |
| 10     | <p><b>Skills shortage</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Good 70%</li> <li>Severity: Negligence: 1</li> <li>Probability: 50% Fairly poor and/or could possibly occur within 2 years</li> <li>Risk Owner: Chief Shared Services Officer</li> </ul> <div> <div>Score 1</div> <div>Low</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Within Appetite</li> <li>Within Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p>Competitive external employment opportunities. Non-competitive remuneration structure leading to unaffordability of skills. Difficulties in recruiting key personnel (Executives). Failure to attract scarce and critical skills. Too much reliance on consultants. Under-investment in skill development. Failure to attract digitally wise and/or adaptive workforce. Poor job design. Overtime and number of hours worked. Perceived unfairness and injustice at work. Job insecurity and uncertainty of the future.</p> <p><b>Treatment Approach:</b><br/> <i>Competitive remuneration structure.<br/> Internal and external recruitment and research.<br/> Skills transfer from consultant services.<br/> Policies aligned to the basic conditions of employment.</i></p> | <p><b>Process perspective:</b></p> <p><b>S05:</b> Improve Governance Process</p> <p><b>S07:</b> Increase customers and services</p> <p><b>S08:</b> Improve product and service quality</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction<br/> Stakeholder Understanding and Support<br/> Community Sustainability<br/> Operational Optimisation<br/> Enterprise Resiliency<br/> Product Quality<br/> Employee and Leadership Development<br/> Water Resources Sustainability<br/> Infrastructure Strategy and Performance</p>               |



There are six divisional risks outside both risk appetite and tolerance.

**Table 13.2:** Divisional Risks outside appetite and tolerance as at 30 June 2024

| Risk # | Risk Name, Score and Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Cause, Context and Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                           |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1      | <p><b>SCM Process – Tendering Phase Risks</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: reasonable 60%</li> <li>Severity: Major-High: 200</li> <li>Probability: 100% Virtually certain and/or already occurred</li> <li>Risk Owner: Chief Financial Officer</li> </ul> <div> <div>Score 200</div> <div>Medium</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Outside Tolerance</li> </ul> | <p><b>Cause &amp; context:</b></p> <p>Lack of responsiveness and flexibility in decision-making by SCM process participants, stakeholders and Delegation of Authority (DOA) holders. Insufficient stakeholder interaction between SCM and divisions / Department heads. Procurement process cycle time take too long to finalise (delays). Inadequate planning by procurement end users. High frequency of adhoc purchases. Unclear, inadequate selection and award criteria or unskilled, negligent/biased technical evaluation teams may lead to non-achievement of planned projects due to appeals.</p> <p><b>Treatment Approach:</b></p> <p><i>Checklist to guide SCM compliance to legislation.</i><br/> <i>Quarterly Internal stakeholder engagements.</i><br/> <i>Reduce procurement process turnaround time.</i><br/> <i>SCM policies and procedures in place.</i><br/> <i>Training and capacity building of SCM practitioners.</i></p> | <p><b>Process perspective:</b></p> <p><b>S05:</b> Improve Governance Process</p> <p><b>S06:</b> Improve Internal Efficiency and Effectiveness</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction<br/> Stakeholder Understanding and Support<br/> Community Sustainability<br/> Operational Optimisation<br/> Enterprise Resiliency<br/> Product Quality<br/> Employee and Leadership Development<br/> Water Resources Sustainability<br/> Infrastructure Strategy and Performance</p> |
| 2      | <p><b>Catchment Water Quality</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Poor 40%</li> <li>Severity: Major-High: 200</li> <li>Probability: 90% Highly probable and/or certain to occur within a year</li> <li>Risk Owner: Executive: Scientific Services</li> </ul> <div> <div>Score 180</div> <div>Medium</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Outside Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p>Polluted runoff from poor land use management, broken and blocked municipal sewers, non-compliant discharges from point sources such as wastewater effluents or illegal discharges from industry all contribute to poor water quality. Destruction of ecological infrastructure and substantial reduction in the assimilative capacity / natural ecosystem functioning of water resources.</p> <p><b>Treatment Approach:</b></p> <p><i>Identification / Management of emerging contaminants (ECs).</i><br/> <i>Implement Catchment Management Interventions.</i><br/> <i>Investment in Ecological Infrastructure.</i><br/> <i>Partnership Development and Stakeholder Engagement.</i><br/> <i>Water quality monitoring / assessments.</i></p>                                                                                                                                                             | <p><b>Organisational Capacity Perspective:</b></p> <p><b>S0 12:</b> Increase Supply Security</p> <p>Increase access to services</p> <p><b>Outcomes:</b></p> <p>Stakeholder Understanding and Support<br/> Customer Sustainability<br/> Operational Optimisation<br/> Enterprise Resiliency<br/> Product Quality<br/> Employee and Leadership Development<br/> Water Resources Sustainability<br/> Infrastructure Strategy and Performance</p>                                           |

| Risk # | Risk Name, Score and Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Cause, Context and Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|--------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 3      | <p><b>Reliability of chlorine supply</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Good 70%</li> <li>Severity: Major-Low: 100</li> <li>Probability: 90% Highly probable and/or certain to occur within a year</li> <li>Risk Owner: Executive: Operations</li> </ul> <div> <div>Score 80</div> <div>Low</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Outside Tolerance</li> </ul>                     | <p><b>Cause &amp; Context:</b></p> <p>Stability of power supply. Reliability of supply: chlorine is currently being sold by only two suppliers in South Africa.</p> <p><b>Treatment Approach:</b><br/> <i>Investigate alternate disinfectants for each site.<br/>           Setting up of new chlorine contract for the water treatment works.<br/>           Proposal for a National Multi-stakeholder team.</i></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | <p><b>Customer and stakeholder perspective:</b><br/> <b>S01:</b> Improve Stakeholder Value</p> <p><b>Financial perspective:</b><br/> <b>S03:</b> Improve financial sustainability</p> <p><b>Process perspective:</b><br/> <b>S04:</b> Improve Stakeholder Engagement<br/> <b>S07:</b> Increase Customers and Services<br/> <b>S08:</b> Improve Product and Service Quality</p> <p><b>Outcomes:</b><br/>           Customer Satisfaction<br/>           Stakeholder Understanding and Support<br/>           Community Sustainability<br/>           Operational Optimisation<br/>           Enterprise Resiliency<br/>           Product Quality<br/>           Employee and Leadership Development<br/>           Water Resources Sustainability<br/>           Infrastructure Strategy and Performance</p> |
| 4      | <p><b>Waste Water Quality for Waste Water Treatment Works &lt;10MU/d</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Good 70%</li> <li>Severity: Major-Low: 100</li> <li>Probability: 80% Likely &amp;/or could occur within a year</li> <li>Risk Owner: Executive: Operations</li> </ul> <div> <div>Score 40</div> <div>Low</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Outside Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p>Overloading of Howick WWTW. Power outages. High and prolonged down time in treatment works. Plant design. Skills competence of process controllers and capability. Leaks at the pumps station. Dilapidated infrastructure. Quality and quantity impact of trade influent (Howick &amp; Mpofana WWTW). Low influent flows, dam deterioration impacting on raw water source for Ixopo wastewater treatment work.</p> <p><b>Treatment Approach:</b><br/> <i>Plant Upgrades and refurbishments.<br/>           Upkeep of infrastructure and maintenance.<br/>           Wastewater operating licence compliance/General authorisation.<br/>           Wastewater treatment process.<br/>           Laboratory reports on out-of-range results.<br/>           Media strategy to curb illegal effluent discharges.<br/>           Monitoring and analysis of ecosystems.<br/>           On-site water quality management and monitoring programme.<br/>           Process audits.<br/>           Site inspections.</i></p> | <p><b>Process perspective:</b><br/> <b>S05:</b> Improve Governance Processes<br/> <b>S06:</b> Improve Internal Efficiency and Effectiveness<br/> <b>S07:</b> Increase Customers and Services<br/> <b>S08:</b> Improve Product and Service Quality</p> <p>Effective Internal Controls, Compliance and Risk Management</p> <p><b>Outcomes:</b><br/>           Customer Satisfaction<br/>           Stakeholder Understanding and Support<br/>           Community Sustainability<br/>           Operational Optimisation<br/>           Enterprise Resiliency<br/>           Product Quality<br/>           Employee and Leadership Development<br/>           Water Resources Sustainability<br/>           Infrastructure Strategy and Performance</p>                                                       |

| Risk # | Risk Name, Score and Status                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Cause, Context and Treatment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Main Strategic Perspectives, Objectives and Outcomes Impacted                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|--------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5      | <p><b>Credit Risk.</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Good 80%</li> <li>Severity: Moderate-High: 40</li> <li>Probability: 100% Virtually certain and /or already occurred</li> <li>Risk Owner: Chief Financial Officer.</li> </ul> <div> <div>Score 5</div> <div>Low</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Outside Tolerance</li> </ul>                                            | <p><b>Cause &amp; Context:</b></p> <p>The ability of customers to collect from end users and pay water bills to uMngeni-uThukela Water on time due to poor cash flow management of the municipalities. Instability in municipality leadership increasing risk of non-payment. Municipalities under administration and financial pressure. Inability of customers to manage their cash flows and make payments on time. Increased credit risk with new customers in new areas taken over and existing customers who are behind on payments and in some instances contractual disputes.</p> <p><b>Treatment Approach:</b></p> <p><i>Debtor's monthly report and age analysis.</i><br/> <i>Monthly reporting and age analysis on debtors to DWS and National Treasury in terms of Section 41.</i><br/> <i>Debtors Policy &amp; procedure in place.</i><br/> <i>Enhanced customer engagement.</i></p> <p><i>Liquidity buffer is maintained</i></p> | <p><b>Customer and stakeholder perspective:</b></p> <p><b>S02:</b> Improve Customer Value</p> <p><b>Financial perspective:</b></p> <p><b>S03:</b> Improve financial sustainability</p> <p><b>Process perspective:</b></p> <p><b>S05:</b> Improve Governance Processes</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction<br/> Stakeholder Understanding and Support<br/> Community Sustainability<br/> Operational Optimisation<br/> Enterprise Resiliency<br/> Product Quality<br/> Employee and Leadership Development<br/> Water Resources Sustainability<br/> Infrastructure Strategy and Performance</p> |
| 6      | <p><b>Post Award SCM Risks</b></p> <ul style="list-style-type: none"> <li>Overall Response Effectiveness: Reasonable 60%</li> <li>Severity: Minor-Low: 5</li> <li>Probability: 90% Highly probable and / or certain to occur within a year</li> <li>Risk Owner: Executive: Chief Financial Officer.</li> </ul> <div> <div>Score 90</div> <div>Medium</div> </div> <p><b>Risk Appetite and Tolerance</b></p> <ul style="list-style-type: none"> <li>Outside Appetite</li> <li>Outside Tolerance</li> </ul> | <p><b>Cause &amp; Context:</b></p> <p>Terms &amp; conditions/ documents tailored for construction instead of goods &amp; services. Use of generic SLA's not adequately customised to suit each transaction. Inadequate contracts to address business requirements and inadequate document management. Deviations from contract terms and conditions. Timeous renewal of contracts. Contracts not in place.</p> <p><b>Treatment Approach:</b></p> <p><i>All contracts are aligned to DOA processes for approval.</i><br/> <i>Ensure appropriate contract management provisions are included in the standard bidding documents used.</i><br/> <i>Identify repetitive purchases on items eligible to be placed on contract.</i><br/> <i>Electronic Contract Management System in SAP for all contracts.</i></p>                                                                                                                                   | <p><b>Process perspective:</b></p> <p><b>S05:</b> Improve Governance Processes</p> <p><b>S06:</b> Improve Internal Efficiency and Effectiveness</p> <p><b>Outcomes:</b></p> <p>Customer Satisfaction<br/> Stakeholder Understanding and Support<br/> Community Sustainability<br/> Operational Optimisation<br/> Enterprise Resiliency<br/> Product Quality<br/> Employee and Leadership Development<br/> Water Resources Sustainability<br/> Infrastructure Strategy and Performance</p>                                                                                                                       |



Financial risks are detailed in the annual financial statement section of this annual report.

### Mitigated Risks

Mitigated risks refer to risks that have been treated to an acceptable level with continual monitoring by Internal Audit to ensure the controls in place are still effective and efficient. There were no strategic risks mitigated.

### Emerging Risks

Emerging risks refer to those uncertainties that have a potential to affect the organisation meeting its objectives but which an organisation does not fully understand. The entity regularly reviews the internal and external landscapes with a view to identifying emerging risks.

Emerging strategic and divisional risks are constantly monitored and no emerging risks have been identified for the 2023/2024 period.

## 13.5 Business Continuity Management

uMngeni-uThukela Water has a well-established Business Continuity Management Programme, the objective of which is to:

- Protect the business, including its staff and stakeholders, by minimising the impact of a material disruption to critical business activities;
- Understand and communicate the recovery needs of the business and ensure an appropriate recovery capability is provided;
- Recover the business in a planned and controlled manner, meeting the requirements of the business whilst complying with applicable laws, contracts, regulations etc.; and
- Ensure that business continuity is an essential part of business planning and development in order to enhance organisational resilience.

The relevant structures and roles that are required to ensure that the Business Continuity Programme is entrenched and executed within the organisation are mature, continually reviewed and improved, through quarterly scenario/stress-testing of the Crisis Management Plan (CMP), Business Continuity Plans (BCPs) and Emergency Response Plans (ERPs), as an integral component of the Corporate-wide Integrated Risk Management Framework.

## 14

# PFMA AND OTHER COMPLIANCE DISCLOSURES FOR ANNUAL REPORT

## 14.1 Irregular, Fruitless and Wasteful Expenditure and Material Losses

### 1 Irregular Expenditure PFMA Disclosure

The following table include disclosure of the total Irregular Expenditure balance, including the historic closing balances.

Reconciliation of irregular expenditure

#### Total Irregular Expenditure

Opening Balance

Less: condonations in prior years not removed

Less: condonations in prior years

Add: prior year error

#### As restated

Add: Irregular Expenditure confirmed

Irregular Expenditure for the current year - Transfer from Mhlathuze Water

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

|   | 30 Jun 2024      | 30 Jun 2023      |
|---|------------------|------------------|
|   | R'000            | R'000            |
|   |                  |                  |
|   | 2 674 608        | 2 018 055        |
|   | -                | -                |
|   | -                | -                |
|   | -                | -                |
|   | <b>2 674 608</b> | <b>2 018 055</b> |
| a | 1 497 881        | 656 553          |
| a | 634 819          | -                |
| c | -                | -                |
|   | -                | -                |
| e | -                | -                |
| f | -                | -                |
|   | <b>4 807 298</b> | <b>2 674 608</b> |

Irregular Expenditure comprise of 39 transactions emanating from payment for IE from on going contracts identified prior years and 10 identified in the current year one incident of R135m which is currently under assessment.

**A Reconciling notes to the annual financial statements disclosure**

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 - Transfer from Mhlathuze Water

**Total**

Irregular expenditure incurred relates to continuing contracts identified in prior year whose services could not be terminated due business continuity.

Irregular expenditure for the current year includes transaction from the EX Mhlathuze Water irregular expenditure register of total of R635m.

**B Details of current year and previous year irregular expenditure under assessment, determination and investigation**

Irregular Expenditure under assessment

Irregular Expenditure under determination

Irregular Expenditure under investigation

**Total**

Cases for IE incurred from 2017 to 2022 are awaiting submission for condonation 2022/2023 and 2023/2024 are currently awaiting determination/ further investigation reports. Action will be taken as recommended. This is a consolidated amount which includes the take-on of the former Mhlathuze Water of R635m and the amount of 134 575 which was sent to NT for assessment.

**C Details of current and previous year irregular expenditure condoned**

Irregular Expenditure condoned by the Board

**Total**

**D Details of current and previous year irregular expenditure removed - not condoned**

Irregular expenditure not condoned and removed

**Total**

| 30 Jun 2024      | 30 Jun 2023    |
|------------------|----------------|
| R'000            | R'000          |
| -                | -              |
| 775 014          | 634 832        |
| 634 810          | -              |
| <b>1 409 823</b> | <b>634 832</b> |
| 134 575          | -              |
| 1 363 305        | 656 553        |
| -                | -              |
| <b>1 497 881</b> | <b>656 553</b> |
| -                | -              |
| -                | -              |
| -                | -              |



|                                                                                                                                                                                      | 30 Jun 2024 | 30 Jun 2024 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
|                                                                                                                                                                                      | R'000       | R'000       |
| <b>E Details of current and previous year irregular expenditure recovered</b>                                                                                                        |             |             |
| Irregular Expenditure recovered                                                                                                                                                      | -           | -           |
| <b>Total</b>                                                                                                                                                                         | -           | -           |
| Awaiting determination report recommendations                                                                                                                                        |             |             |
| <b>F Details of current and previous year irregular expenditure written off</b>                                                                                                      |             |             |
| Irregular Expenditure written off                                                                                                                                                    | -           | -           |
| <b>Total</b>                                                                                                                                                                         | -           | -           |
| <b>G Details of non-compliance cases where an institution is involved in an inter-institutional arrangement, where such institution is not responsible for the non-compliance</b>    |             |             |
| None identified                                                                                                                                                                      | 238 648     | -           |
| <b>Total</b>                                                                                                                                                                         | -           | -           |
| <b>H Details of non-compliance cases where an institution is involved in an inter-institutional arrangement, where such institution <u>is responsible</u> for the non-compliance</b> |             |             |
| None                                                                                                                                                                                 | -           | -           |
| <b>Total</b>                                                                                                                                                                         | -           | -           |
| <b>I Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure</b>                                                              |             |             |
| Number of cases where officials were disciplined and issued reprimand letters                                                                                                        | 9           | 11          |
|                                                                                                                                                                                      | <b>9</b>    | <b>11</b>   |
| <b>1.9a Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure</b>                                                           |             |             |
| Number of official disciplined: resigned prior to concluding DC                                                                                                                      | -           | -           |
| Number of official disciplined: dismissed as result of DC                                                                                                                            | -           | -           |
| Number of official disciplined: not-guilty as result of DC                                                                                                                           | -           | -           |
|                                                                                                                                                                                      | -           | -           |

## 1.2 Fruitless and Wasteful Expenditure PFMA Disclosure

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 30 Jun 2024    | 30 Jun 2023   |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | R'000          | R'000         |
| <b>(a) Reconciliation of fruitless and wasteful expenditure</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                |               |
| Opening amount                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 54 668         | 17 878        |
| Add: Fruitless and Wasteful expenditure - prior year identified in the current year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | 56 214         | -             |
| Add: Fruitless and Wasteful expenditure - current year                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 43 877         | 36 834        |
| Less: Losses recovered/or written off                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | -              | (44)          |
| <b>Closing balance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>154 796</b> | <b>54 668</b> |
| <b>Details of fruitless and wasteful expenditure incurred</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                |               |
| Transfer of Fruitless and Wasteful Expenditure from Mhlathuze Water from 1 July 2023 resulted in Fruitless and Expenditure of R 78m being incorporated to uMgeni uThukela Water. Mhlathuze Water refunded a customer that was billed a levy during 2009 to 2013. Full amount of claimed levy that was disputed by CoU as not payable for Lake, was initially disclosed as Contingent Asset receivable in FY2022/23. This amount was then incorrectly adjusted as Fruitless Expenditure to resolve the finding instead of adjusting as per remittance, by limiting it to only the part of payment relating to Levy disputed for lakes, not the mark-up. A correction of R21.8m was effected on prior period disclosed amount | 56 214         | -             |

|                                                                                                                                    | 30 Jun 2024    | 30 Jun 2023   |
|------------------------------------------------------------------------------------------------------------------------------------|----------------|---------------|
|                                                                                                                                    | R'000          | R'000         |
| Fines and penalties                                                                                                                | -              | 5 226         |
| Financial losses                                                                                                                   | 43 872         | 36 948        |
| Interest paid                                                                                                                      | 5              | 6 469         |
| Other fruitless and wasteful expenditure                                                                                           | -              | 6 025         |
|                                                                                                                                    | 110 882        | 54 668        |
| <b>Reconciling note</b>                                                                                                            |                |               |
| Fruitless and wasteful expenditure that was under assessment & determination                                                       | 110 882        | 54 668        |
| Fruitless and wasteful expenditure that relates to 2022/23 and identified in 2023/24                                               | -              | -             |
| Fruitless and wasteful expenditure for the current year                                                                            | 43 877         | -             |
| Fruitless and wasteful expenditure investigated and referred to criminal and civil cases                                           | -              | -             |
| <b>TOTAL</b>                                                                                                                       | <b>110 887</b> | <b>54 668</b> |
| Details of current previous year fruitless and wasteful expenditure<br>(under assessment, determination and investigation)         |                |               |
| <b>(b) Fruitless and wasteful expenditure that was under assessment</b>                                                            |                |               |
| Fruitless and wasteful expenditure that was under determination                                                                    | 108 423        | 52 204        |
| Fruitless and wasteful expenditure that was under investigation                                                                    | 2 464          | 2 464         |
| <b>TOTAL</b>                                                                                                                       | <b>154 759</b> | <b>54 668</b> |
| <b>Details of current and previous year expenditure recovered</b>                                                                  |                |               |
| <b>(c) No recoveries were made during the year</b>                                                                                 | -              | -             |
| <b>Total</b>                                                                                                                       | <b>-</b>       | <b>-</b>      |
| <b>Details of current and previous year expenditure not recovered and written off</b>                                              |                |               |
| <b>(d) Various board approved incidents write-off</b>                                                                              |                |               |
| Penalties and interest                                                                                                             | -              | (44)          |
| <b>Total</b>                                                                                                                       | <b>-</b>       | <b>(44)</b>   |
| <b>Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure</b> |                |               |
| <b>Disciplinary steps taken:</b>                                                                                                   |                |               |
| Disciplinary steps will be taken as per recommendation of pending determination reports                                            |                |               |
| <b>(e) Late and/non-payment of suppliers</b>                                                                                       |                |               |

| Information on payment of supplier's invoices                                                                   | Number of invoices | Value R'000 |
|-----------------------------------------------------------------------------------------------------------------|--------------------|-------------|
| Valid invoices received                                                                                         | 35 507             | 5 962       |
| Invoices paid within 30 days or agreed period                                                                   | 16 695             | 3 713       |
| Invoices paid after 30 days or agreed period                                                                    | 18 278             | 2 143       |
| Invoices older than 30 days or agreed period (unpaid and without dispute) - current invoices as at 30 June 2024 | 430                | 44          |
| Invoices older than 30 days or agreed period (unpaid and in dispute due to pending investigations)              | 104                | 62          |

## Supply Chain Management

### Reporting of Expansions and Variations of Contracts

In compliance with the SCM Instruction Note 3 of 2021/2022 "Enhancing Compliance, Transparency and Accountability in SCM, the transaction below was a variation approved which exceeded the 15% of the original contract value

### Contracts Variations and Expansions

| No | Project Description                                                                        | Name of Supplier                        | Contract Modification type (expansion or Variation)                                                                                                                                                                                                                | Contract Number | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|--------------------------------------------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 1  | Lower Umkhomazi Bulk Water Supply Scheme - Phase 1: Ngwadini Advance Works                 | Egxen Engineering CC                    | Extension of claims time ruling as a result of delays associated with access to site challenges, CPG issues, work stoppages resulting from interferences by local taxi association, local Inkosi and communities and late approval of environmental authorisation. | 2020/062        | 73 478                                  | -                                                                   | 11 590                                       |
| 2  | Lower Umkhomazi Bulk Water Supply Scheme - Phase 1: Ngwadini Advance Works                 | Egxen Engineering CC                    | Relocation of community and royal graves from dam basin.                                                                                                                                                                                                           | 2020/062        | 73 478                                  | 11 590                                                              | 7 143                                        |
| 3  | Planning Study to Determine Infrastructure to Supply Bulk Water toTonga North              | SMEC South Africa (Pty) Ltd             | An additional survey is required based on the outcome of the pre-feasibility study. The tender quantity for survey was 6km. After the pre-feasibility report, the quantity needed to be changed to 11km.                                                           | 2022/024        | 1 433                                   | -                                                                   | 226                                          |
| 4  | The Construction of the Hilton N3 Corridor Pumpstation, rising main and gravity main       | Zana Manzi Services (PTY) LTD           | Financial losses incurred by the CPG Partner for the procurement and delivery of the river sand for bedding material. Additional supply of river sand required for the width that exceeded measurement.                                                            | 2020/138        | 36 938                                  | 5 204                                                               | 1 901                                        |
| 5  | Darvill Wastewater Works: Interior Remodelling of Administration Building and Office Block | Globacon (Pty) Ltd                      | Contingency provision is insufficient to cater for the additional scope of works required to make the project functional (ommissions were identified relating to work components to be done while project was live)                                                | 2020/144        | 10 236                                  | -                                                                   | 1 945                                        |
| 6  | 2021/22 Water Conservation and Water Demand Management Support Programme                   | Map Africa Consulting (Pty) Ltd         | Extension of time to completion by 1 month, in order to allow for PSP to update the report in line with the special request received from DWS and COGTA                                                                                                            | 2021/124        | 1 975                                   | -                                                                   | 122                                          |
| 7  | Raw Water Augmentation to the Harding Supply System from the Weza River                    | Rembu Construction Cc/ Grand Connection | Final and binding extension of time claim 3, per the Engineer's ruling. This was done in line with the GCC 2016 due to employer failing to pay due claims and it was to avoid legal action.                                                                        | 2021/021        | 47 101                                  | 37 529                                                              | 8 102                                        |



## Contracts Variations and Expansions (Continued)

| No | Project Description                                                                                                                                    | Name of Supplier                           | Contract Modification type (expansion or Vaiation)                                                                                                                                                                                                                                                                  | Contract Number | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 8  | Imvutshane Dam Remedial Work and Construction of access road                                                                                           | Grinaker LTA (Pty) Ltd                     | Variation request is to accommodate escalation cost which were not provided for in the original tender.                                                                                                                                                                                                             | 2020/140        | 103 223                                 | 33 072                                                              | 1 880                                        |
| 9  | Provision security guarding services                                                                                                                   | Tactical Security Services Cc              | Additional security measures need to be implemented at all fourteen (14) identified U-UW sites.                                                                                                                                                                                                                     | 2021/074 (A)    | 436 622                                 | 22 769                                                              | 23 327                                       |
| 10 | Lower uMkhomazi Bulk Water Supply Scheme Phase 2: PSP to undertake the detailed design and contract administration (Waterworks, Pipeline and Resevior) | Ingerop South Africa/V3 Consulting         | Additional Specialists for Wet Services Design. Specialist services were required to ensure buildngs compliance with local authority approvals and associated health and safety requirements.                                                                                                                       | 2018/009        | 63 492                                  | 14 752                                                              | 7 604                                        |
| 11 | Upgrades to SAP and Hardware Infrastructure uMngeni-uThukela Water                                                                                     | Maventic Innovative Technologies (Pty) LTD | The amalgamation of Mhlathuze Water which was using a different business systems from e former Umgeni Water necessitated that their business systems and data is intergrated into Umngeni Uthukela Water SAP business system. The variation was highly necessary for the seamless amalgamation of the two entities. | 2023/007        | 964 029                                 | 53 077                                                              | 122 005                                      |
| 12 | Appointment of a PSP to undertake contract administration, inspection,close out and construction monitoring for the Mphophemeni Waste Water Works      | Royal Haskoning DHV (PTY) Ltd              | The extension and adjustment of time for PSP time based for construction monitoring                                                                                                                                                                                                                                 | 2015/138        | 189 933                                 | -                                                                   | 8 251                                        |
| 13 | Appointment of a PSP to undertake contract administration, inspection,close out and construction monitoring for the Mphophemeni Waste Water Works      | Royal Haskoning DHV (PTY) Ltd              | Due to lockdown works were abandoned which resulted in PSP incurring costs.                                                                                                                                                                                                                                         | 2015/138        | 189 933                                 | -                                                                   | 9 329                                        |
| 14 | Raw Water Augmentation to the Harding Supply System from the Weza River                                                                                | Rembu Construction Cc/Grand Connection     | The variation involves the addition of a specialist wetland environmental control officer to the project which requires regular monitoring which is essential to determine if erosion is taking place and what interventions must be implemented to arrest and repair the impact.                                   | 2021/021        | 47 101                                  |                                                                     | 28 036                                       |
| 15 | Upgrades to SAP and Hardware Infrastructure UW                                                                                                         | Maventic Innovative Technologies (Pty) LTD | To deal with issues raised by AGSA and State Security Agency (SITA) when auditing significant ICT environments, a full suite of VMWare products are procured and configured across all regions.                                                                                                                     | 2023/007        | 964 029                                 | 53 077                                                              | 160 867                                      |

## Contracts Variations and Expansions (Continued)

| No | Project Description                                                                                                                                                             | Name of Supplier                         | Contract Modification type (expansion or Vaiation)                                                                                                                                                                                                                                                                                                                                              | Contract Number | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 16 | Transaction Advisory Services to Umgeni Water for the Biogas-To-Energy Cogeneration Project: Darvill Wastewater Works                                                           | J Maynard South Africa (Pty) Ltd         | OEM required high electricity generation when deciding on investing. The 1MW which would potentially be generated might not be sufficient to attract OEMs investments.                                                                                                                                                                                                                          | 2020/087        | 7 237                                   | -                                                                   | 363                                          |
| 17 | Appointment Of An Environmental Assessment Practitioner To Undertake The EIA And WULA For Nagle (Durban Heights) And Inanda (Wiggins) Conveyance Systems Refurbishment Project. | Envirocarb Consulting T/A ECA Consulting | A services provider was appointed to undertake a water use licence, subsequent to that uMngeni-uThukela Water was tasked to tie in ethekweni line which is 2.8km. Since a service provider was already appointed for the uMshwathi, uMngeni-uThukela Water felt it was going to be quicker to extend the scope on the existing contractor for the packing of the water use licence application. | 2020/044        | 1 447                                   | -                                                                   | 91                                           |
| 18 | Hygiene Services from 01 Dec - 31 May 2024                                                                                                                                      | Sanitech-Durban HS (Pty) Ltd (WACO)      | Contract Extension for 6 months                                                                                                                                                                                                                                                                                                                                                                 | MO/ADM/012/21   | 999                                     | -                                                                   | 176                                          |
| 19 | Imvutshane Dam Remedial Work and Construction of access road                                                                                                                    | Grinaker LTA (Pty) LTD                   | Completion of the remaining works.                                                                                                                                                                                                                                                                                                                                                              | 2020/140        | 103 233                                 | 45 217                                                              | 73 780                                       |
| 20 | Supply, Delivery and offloading of Lime to Operational Areas                                                                                                                    | Metsi Chem International (Pty) Ltd       | uMngeni-uThukela Water took over ten wastewater treatment works from eThekweni in November and the entity did not have enough lime on stock. Lime was needed on the urgent basis for effective operations of the treatment works. The variation was unavoidable.                                                                                                                                | 2018/137        | 60 882                                  |                                                                     | 55                                           |
| 21 | Lower uMkhomazi Bulk Water Supply Scheme Phase 2: PSP to undertake the detailed design and contract administration (Waterworks, Pipeline and Reservoir)                         | Ingerop South Africa/V3 Consulting       | Contractor was appointed on an estimated costs based or linked fee. With the additional costs approved for the contractor that necessitated the increase in the PSP fees.                                                                                                                                                                                                                       | 2018/009        | 63 492                                  | 20 104                                                              | 2 252                                        |
| 22 | ICT Operations Maintenance and Support                                                                                                                                          | Gagasi IT (Pty) Ltd                      | Value of services have been increased due to the additional area of coverage caused by the reconfiguration. Additional backup equipment was required to ensure immediate hardware replacements or repair to sustain the required service level agreement within the organisation. SCM process was followed in amending the order in line with this variation order's issuing.                   | 2021/068        | 98 726                                  | -                                                                   | 11 229                                       |

## Contracts Variations and Expansions (Continued)

| No | Project Description                                                                                                                                             | Name of Supplier                     | Contract Modification type (expansion or Vaiation)                                                                                                                                                                                                                                                                                                        | Contract Number | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 23 | Supply, Fabrication & Delivery of Daphnia Water Solution Cages                                                                                                  | Amber Skies Trading CC               | The Flotation test was held and the 3 prototype cages sunk below the water level. This would render the project fruitless and the daphnia would not held in the cages as required.                                                                                                                                                                        | 2023-010        | 12 900                                  |                                                                     | 993                                          |
| 24 | Replace the leaking DN450 18m steel pipeline with HDPE pipeline                                                                                                 | Imidwi Construction Services         | The scope of work awarded to Imidwi Construction Services was based on the estimate.                                                                                                                                                                                                                                                                      | PO000037971-1   | 407                                     |                                                                     | 348                                          |
| 25 | Supply and delivery of chlorine to various sites of uMngeni-uThukela Water                                                                                      | NCP Chlorchem (Pty) Ltd              | Spring groove Water Works and eThekweni Water Services Waste Water Works utilize chlorine gas for disinfection to meet the final water quality standards, theses sites are the expansion of the contract as there were not in the contract.                                                                                                               | 2017/121        | 103 204                                 | 77 781                                                              | 8 406                                        |
| 26 | Appointment of a panel of 5 service providers for enterprise and supplier development for 3 yrs                                                                 | Nova College (Pty) Ltd               | Effectively monitor and support the beneficiaries for Enterprise and Supplier Development which will result to UUW obtaining a B-BBEE Certificate                                                                                                                                                                                                         | 2022/086        | 62 068                                  | -                                                                   | 11 678                                       |
| 27 | Supply and installation of CCTV and access Control                                                                                                              | Procurex Advisory & General Services | Change in the BOQ due to the addition of more sites to be covered by CCTV and Access control neccesited the variation.                                                                                                                                                                                                                                    | 2022/029 (A)    | 58 372                                  | -                                                                   | 11 372                                       |
| 28 | Appointment of a PSP to undertakethe design, contract Admin and construction monitoring for the Mpophomeni Sewers                                               | Royal Haskoning DHV (PTY) Ltd        | Reumbersment of the PSP for the costs incurred in accordance with the relevant fee scales related to the value of the works being constructed                                                                                                                                                                                                             | 2018/120        | 5 685                                   | -                                                                   | 2 018                                        |
| 29 | Lower Umkhomazi Bulk Water Supply Scheme - Phase 1: Construction of Goodenough Abstraction works, De-silting and pumping system: Civil, Mechanical & Electrical | Stefanutti Stock PCI Consortium      | Emerging of the Black Business forum. Changes in the local political leadership after Local Governement elections impacted in the project. Site became unsafe and project had to be stopped while local issues were being addressed. There was atotal of R31.246.276 (excl VAT) incurred for standing time, project relaunch and all the related expenses | 2021/018        | 796 654                                 | 27 859                                                              | 31 246                                       |
| 30 | Supply of lime to uMngeni-uThukela Water's operational areas                                                                                                    | Metsi Chem International (Pty) Ltd   | Expansion of contract at Operations & EWS Wastewater. uMngeni-uThukela Water took over ten wastewater treatment works from eThekweni in November and lime is needed on an urgent basis to ensure effective operation of the treatment works.                                                                                                              | 2018/137        | 60 882                                  | 55                                                                  | 327                                          |



## Contracts Variations and Expansions (Continued)

| No | Project Description                                                                          | Name of Supplier                       | Contract Modification type (expansion or Vaiation)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Contract Number | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|----------------------------------------------------------------------------------------------|----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 31 | 2019/174 – Supply, Delivery and Offloading of polymeric coagulant for uMngeni-uThukela Water | Improchem Pty Ltd                      | Expansion of contract at Operations & EWS Wastewater. WS currently do not have a Poly Contract for both their potable and wastewater. In the past they had requested uMngeni-uThukela Water to assist by sourcing Poly for potable water, a similar request has been made. They requested to use the existing Wastewater Agreement to process payment.                                                                                                                                                                                         | 209/174         | 19 022                                  | -                                                                   | 189                                          |
| 32 | Appointment of a Co-op to undertake ground maintenance for Dbn Central Infrastructure        | Zamajokah Primary Co-operative Limited | Expansion of the contract to cater for the request from eThekweni Metro. This Plant falls under the cohort of the treatment works that are being operated & maintained by uMngeni-uThukela Water. eThekweni Metro has Service Providers for grounds maintenance but their current Service Provider couldn't meet the speed to keep the grounds clean. As a result the Superintendent requested assistance from uMngeni-uThukela Water as access to some of the unit processes is not safe, hence resulting in compromised treatment processes. | 2022/019        | 8 127                                   | -                                                                   | 460                                          |
| 33 | Rehabilitation to Nagle Aqueducts 1 & 2 due to April floods                                  | Esor Construction (PTY) Ltd            | It is an extension of time claim due to the rearrangement of the original programme. The rehabilitation to Nagle Aqueduct 1 & 2 was caused by the April 2022 floods. The floods caused damage to different locations. Some were completely destroyed with some ranging from 30m - 80m. The damage to aqueducts 1 & 2 resulted in 250m/day shortfall for Durban Height WTW. This extension was required to repair all broken sites as well as to undertake the upgrade of Inanda Dam PS                                                         | 2022/113        | 719 611                                 | -                                                                   | 27 927                                       |
| 34 | Ngwadini Advance Works                                                                       | Egxei Engineering CC                   | The costs of overruns have largely been due to the delays caused by the additional works and circumstances which were added to the contract and also due to the change of scope. The work under this contract will have major repercussions on the Ngwadini Dam and Abstraction works, which have significant daily costs, should the delays be encountered on the contract. Increase in a budget for cost in accordance with Clause 6.8.2 of the contract price adjustment                                                                    | 2020-062        | 73 478                                  | 18 632                                                              | 10 531                                       |

## Contracts Variations and Expansions (Continued)

| No | Project Description                                                                                                                                      | Name of Supplier   | Contract Modification type (expansion or Vaiation)                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Contract Number | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 37 | Construction of 8.5km long DN800 steel pipeline from Scottburgh South to Umdoni: Variation Order No. 4 for the cost to complete South Coast Pipe-line 2b | Cerimele Ukhasi JV | Engineer's Ruling on Claim 12. as per the GCC15 clause 10.1.5. VO 4 contained the Notice to Claim 12 submission and VO 5 contains the employer's agents's ruling on claim submission. At the time of requesting budget to continue under VO 4, the claim was still a notice (that was to justify the events and the need for VO 4) once the project resumed from the suspension, the claim materialised and was submitted. The employer's agent then ruled on it and it became due and payable, hence the need for VO 5. | 2020/085        | 79 221                                  | 193 084                                                             | 18 705                                       |
| 38 | Detailed Design of a Hydropower Unit at the Mpofana Outfall                                                                                              | Gibb (Pty) Ltd     | Eskom grid as the grid at the hydrostation site is off. In order to overcome this, it was proposed that the hydrostation is connected to Eskom's 88kVA grid as it is not subject to load shedding. This will allow that whenever pumping at Spring Grove is taking place, power can be generated at the Hydro station without being affected by loadshedding.                                                                                                                                                            | 2022/082        | 15 531                                  | -                                                                   | 2 849                                        |
| 39 | Detailed Design of a Hydropower Unit at the Mpofana Outfall                                                                                              | Gibb (Pty) Ltd     | The EAP was not included under the Gibb original scope of works of the project.                                                                                                                                                                                                                                                                                                                                                                                                                                          | 2022/082        | 15 531                                  | 2 849                                                               | 838                                          |
| 40 | Supply of polymeric cougulant for uMngeni-uThukela Water                                                                                                 | Improchem Pty Ltd  | Expansion of contract at Operations & EWS Wastewater. EWS currently does not have a Poly Contract for both their potable and wastewater treatment. In the past they had requested uMngeni-uThukela Water to assist by sourcing Poly for potable water, a similar request has been made. They requested to use the existing Wastewater Agreement to process payment.                                                                                                                                                      | 209/174         | 19 022                                  | 189                                                                 | 751                                          |

## Contracts Variations and Expansions (Continued)

| No | Project Description                                                                                           | Name of Supplier                    | Contract Modification type (expansion or Vaiation)                                                                                                                                                                                                                                                                                                                                                                                                              | Contract Number        | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|---------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 41 | Sludge removal for waste water for Izintaba Region                                                            | Isiphephelo Industries (Pty) Ltd    | Expansion of contract at Operations & eThekweni Water Services Wastewater to cover transportation of sludge. uMngeni-uThukela Water was commissioning and optimising a number of eThekweni wastewater treatment plants. This process required healthy sludge to be induced to the system. The service provider is required to transport sludge from Amanzimtoti Wastewater Works to uMhlanga and Phoenix Wastewater Works for seeding as part of commissioning. | 2019/192               | 17 402                                  | -                                                                   | 2 005                                        |
| 42 | Dredging and dewatering of maturation River and Ponds at Umhlanga Waste Water Works                           | United Water Technologies (Pty) Ltd | Expansion of contract at Operations & EWS Wastewater, due to excessive rainfall on the 13 to 17 January 2024 that resulted to ingress water and silt to the site. There was sump maturation pond, storm water cut off trench was silted and temporary aftertreatment pond also silted up                                                                                                                                                                        | 2024/062               | 12 886                                  | -                                                                   | 1 152                                        |
| 43 | Provision of HVAC Maintenance for Head Office (4600000821)                                                    | Muzansi Trading Enterprise Cc       | Expansion of contract at Operations & EWS Wastewater. No supporting document                                                                                                                                                                                                                                                                                                                                                                                    | 2021/090(A)            | 3 033                                   | -                                                                   | 616                                          |
| 44 | Emergency motivation for refurbishment of critical equipment in EWS Northern Area                             | Godide Engineering Services Cc      | The initial scope for the aerator gearbox only made provision for minor maintenance - replace oil and grease with grease nipple, upon assessment it was found that the gearbox has seized up, requiring a complete refurbishment. Therefore, the need for a more extensive service is a result of unforeseen issues discovered during the assessment                                                                                                            | 2024/058<br>4500103796 | 4 944                                   | -                                                                   | 973                                          |
| 45 | South Coast Phase 2b: Contract 2015/095: appointment of a PSP to undertake design and construction monitoring | JG Afrika (Pty) Ltd                 | Contract price increase affects the PSP percentage. PSP fees were based on the percentage of the construction value of the project. The required additional contract administration and construction monitoring was required for the contract completion. that was an addition that escalated costs.                                                                                                                                                            | 2015/095               | 3 079                                   | 355                                                                 | 7 936                                        |
| 46 | Procurement of valves & fittings for uMngeni-uThukela Water Nagle and Wiggins Systems                         | Zenzele Valves (Pty) Ltd            | Expansion of scope of work                                                                                                                                                                                                                                                                                                                                                                                                                                      | 2021/024               | 168 575                                 | 32 945                                                              | 29 972                                       |



**Contracts Variations and Expansions (Continued)**

| No | Project Description                                                                                                                                           | Name of Supplier                                           | Contract Modification type (expansion or Vaiation)                                                                                                                                                                                                                                                                                                                                                                                                                     | Contract Number | Original contract value Excl. VAT R'000 | Value of previous contract expansion or variation of contract R'000 | Value of Variation/ Contract expansion R'000 |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------------------------------|---------------------------------------------------------------------|----------------------------------------------|
| 47 | Lower uMkhomazi Bulk Water Supply Scheme Phase 2: PSP to undertake the detailed design and contract administration (Water Works, Pipeline and Resevior)       | Ingerop South Africa/V3 Consulting                         | Request for additional budget for contract administration and Construction Monitoring for the Water Works                                                                                                                                                                                                                                                                                                                                                              | 2018/009        | 63 492                                  | 22 356                                                              | 321 848                                      |
| 48 | Lower uMkhomazi Bulk Water Supply Scheme Phase 1: Construction of Goodenough abstraction works, de-silting and pumping system: civil, mechanical & Electrical | Stefanutti Stock PCI Consortium                            | Request for additional funding for SMME P&G contribution by uMngeni-uThukela Water, strategic security and CPG mentor                                                                                                                                                                                                                                                                                                                                                  | 2021/018        | 796 654                                 | 59 106                                                              | 70 743                                       |
| 49 | Sludge removal for wastewater for Izintaba Region                                                                                                             | Isiphephelo Industries (Pty) Ltd                           | Contract Extension. There were delays in the appointment of the new contractor due to circular UW17 of 2023. Although the tender process have commenced an extension will be required to close the gap from contract expiry to the acquiring of the new contractor. The plants do not have capacity to keep sludge produced on a daily basis in the premises threfore the organisation will suffer immensely if there would be no contractor on site to remove sludge. | 2019/192        | 17 402                                  | -                                                                   | 1 229                                        |
| 50 | Removal, Treatment and Disposal of Hazardous and Non Hazardous Waste and Supply of Containers                                                                 | Enviroserv Waste Management (Pty) Ltd                      | Contract Expansion to eThekweni Water Works                                                                                                                                                                                                                                                                                                                                                                                                                            | 2020/051 (a)    | 107 309                                 | 995                                                                 | 6 968                                        |
| 51 | Design, Design Review and Contract Administration and Construction Monitoring for Mvutshane Dam                                                               | Hi-Tech Consulting Engineers and Project Manager (Pty) Ltd | Claim administration                                                                                                                                                                                                                                                                                                                                                                                                                                                   | 2024-001        | 17 239                                  |                                                                     | 6 946                                        |
| 52 | Strategy Review - Facilitate a strategy review by planning, guiding and managing the sessions to review the Five-Year Strategy and Corporate Plan             | PMI Africa Pty) LTD                                        | Facilitate a strategy review by planning, guiding and managing the sessions to review the Five-Year Strategy and Corporate Plan                                                                                                                                                                                                                                                                                                                                        | RFQ 22/312/NS   | 427                                     |                                                                     | 15                                           |
| 53 | Framework Agreement for the Provision of Professional Engineering Services                                                                                    | Panel of PSPs                                              | Contract period extension                                                                                                                                                                                                                                                                                                                                                                                                                                              | 2020/011-020    | 100 317                                 | -                                                                   | 2 670                                        |
|    |                                                                                                                                                               |                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                 |                                         |                                                                     | <b>1 067 655</b>                             |

## Procurement by other means

### Procurement through Emergency Cases

| No | Description of goods / services                                                                          | Name of Supplier                                                                                            | Contract Reference (RFQ /Tender No.)           | Est. Value (Incl. VAT) R' 000 |
|----|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------------------------|
| 1  | Installation of EPDM seals on leaking sections of the 53 pipeline                                        | Barita Construction and Civils (PTY) Ltd                                                                    | PO4500093953                                   | 200                           |
| 2  | Unblock Head Office phase 2 Building sewage line                                                         | C F Thompson Plumbers Cc                                                                                    | PO4500095906                                   | 85                            |
| 3  | Supply and installation of the vacuum pumps - Variable Speed Drive (VSDs)                                | Sietech projects and solutions (Pty) Ltd                                                                    | PO4500093595                                   | 162                           |
| 4  | Darvil Waste Water Works boiler solenoid valves replacement                                              | Boiler and Industrial Plant(Pty) Ltd                                                                        | PO4500094791                                   | 183                           |
| 5  | Emergency to replace stolen power cables at Gingindlovu raw water station                                | LLPM Trading Pty Ltd                                                                                        | PO4500101209                                   | 239                           |
| 6  | B-Line to Cline Diversion Works                                                                          | Isandiso Pipelines & Engineering (Pty) Ltd                                                                  | P037782                                        | 3 100                         |
| 7  | OffShore C-Line Breakdown:- Off Shore Effluent B -Line Repair Works                                      | Subtech South Africa (Pty) Ltd                                                                              | P037813                                        | 3 968                         |
| 8  | Emergency Repairs of HDPE Bend                                                                           | NRB Piping Systems (Pty) Ltd                                                                                | PO000038327                                    | 48                            |
| 9  | Removal of waste sludge from Amanzimtoti Wastewater Works                                                | Isiphephelo Industries (Pty) Ltd                                                                            | PO4500103794                                   | 1 211                         |
| 10 | Refurbishment of chlorine gas dosing system at Northern Works                                            | Klomac Engineering (Pty) Ltd                                                                                | PO4500117892 (2024/084)                        | 19 433                        |
| 11 | Refurbishment of critical equipment in EWS Northern Area (Northern Works, KwaMashu, Phoenix and Umhlanga | Godide Engineering Services Cc                                                                              | PO4500103796                                   | 5 685                         |
| 12 | Dredging and Dewatering Of Maturation Ponds at Umhlanga Waste Water Works                                | United Water Technologies (Pty) Ltd                                                                         | PO4500103973                                   | 14 819                        |
| 13 | To repair chlorine dosing system failure at Midmar Water Works                                           | Lechintech (Pty) Ltd                                                                                        | PO4500103951                                   | 2 903                         |
| 14 | Emergency for Bioremediation of wastewater treatment works and polluted rivers                           | BioPower KZN (Pty) Ltd                                                                                      | PO4500103997                                   | 8 312                         |
| 15 | Supply and deliver electrical cables and accessories for Ellingham                                       | Contact Electrical Suppliers (Pty)                                                                          | PO4500102797                                   | 110                           |
| 16 | Ohlanga Old Pumpstation - Draining sewage from sump-storage                                              | Pelepele Investment (Pty) Ltd                                                                               | PO4500103982                                   | 2 208                         |
| 17 | Isipingo wastewater - Installation of chlorine carrier system for disinfection                           | Mzolo's Reliable Maintenance Solutions                                                                      | PO4500102801                                   | 99                            |
| 18 | Supply and install batteries for phase 2 UPS                                                             | DPSI (South Africa) Pty Ltd                                                                                 | PO4500105584                                   | 500                           |
| 19 | Provision of internal audit and ancillary service                                                        | 1. SVZ Consulting Pty Ltd<br>2. OMA Chartered Accountant Inc.<br>3. Ubuntu Business Advisory and Consulting | PO4500107709,<br>PO4500107705;<br>PO4500107708 | 8 871                         |
| 20 | Phoenix Waste Water Works: 11kv Medium Voltage ring network cable fault identification and repairs       | Gubhuza 3 Trading (Pty) Ltd                                                                                 | PO4500107617                                   | 49                            |
| 21 | Supply of a 550KVA generator at Somerset Pumpstation                                                     | Gubhuza 3 Trading (Pty) Ltd                                                                                 | PO4500107616                                   | 342                           |
| 22 | Mahatma Gandhi Sewer Pump station- urgent repairs to 250kW Variable Speed Drive                          | Vinpower Electrical CC                                                                                      | PO4500107615                                   | 680                           |
| 23 | Flood Damage- Repairs to Armstrong and Sibaya Casino Pump                                                | Ecochem Pumps (Pty) Ltd                                                                                     | PO4500110907                                   | 9 170                         |
| 24 | Supply and offloading of Ammonia to Midmar                                                               | Metsi Chem International (Pty)Ltd                                                                           | PO4500107621                                   | 170                           |
|    |                                                                                                          |                                                                                                             |                                                | <b>82 547</b>                 |

## Procurement through urgent Case

| No | Description of goods / services                                                                                                                                                                       | Name of Supplier                           | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R' 000 |
|----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------|-------------------------------|
| 1  | Mngeni-uThukela Water critical business HP system (support and maintenance)                                                                                                                           | Hewlett- Packard South Africa (Pty)        | PO4500099036                         | 2 741                         |
| 2  | Provision of Marquees for the launch of construction of the Vulindlela water supply scheme                                                                                                            | Skystar Trading Enterprise (Pty) Ltd       | PO4500093847                         | 1 123                         |
| 3  | The Ministerial Directive project Event Coordinator for 13 Dec 2023 Makhathini Flat -Jozini (5000 peopl) & Event Coordinator for 14 Dec 2023 Khandova Sport Ground -Ezimbuzini-KwaGumbi (2500 people) | Qwalety Group CC and Mqapheli Suppliers CC | Cheque Requisition                   | 5 000                         |
| 4  | Ministerial launch of water and sanitation service policy to privately owned land at uThukela District Municipality                                                                                   | Going Places Construction and Projects     | PO4500110642                         | 500                           |
| 5  | Request for sponsorship of marquees, sound system, transportation (5 taxis), & Catering for ministerial event at King Cetshwayo District Municipality on 25th Feb 2024 to launch boreholes            | Mqapheli Suppliers CC                      | Cheque Requisition                   | 250                           |
|    |                                                                                                                                                                                                       |                                            |                                      | <b>9 614</b>                  |

## Procurement through single source deviation

| No. | Description of goods / services                                                                                                                                            | Name of Supplier                                                     | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R' 000 |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------|-------------------------------|
| 1   | Memorial Service décor of the late Infrastructure Development Executive (Mr Chamane)                                                                                       | Mzansi Sounds and Promotions CC                                      | PO4500093119                         | 19                            |
| 2   | Replacement of La Mercy balancing meter                                                                                                                                    | Krohne (Pty) Ltd                                                     | PO4500095343                         | 189                           |
| 3   | Purchase of whistleblowers fraud awareness microlearning series as per request by the CE's office.                                                                         | Whistle Blowers (Pty) Ltd                                            | PO4500094807                         | 29                            |
| 4   | Repairs of pressure reducing (Bermad) valves at Hazelmere water treatment plant                                                                                            | Macsteel Fluid Control (Div. Macsteel Services Centres SA (PTY) Ltd) | PO4500097795                         | 78                            |
| 5   | Training for apprenticeship programme for a period of 36 months                                                                                                            | Shukela Training Centre (Pty) Ltd and Majuba TVET College            | OA4600000872<br>OA4600000873         | 4 700                         |
| 6   | Annual renewal of mimecast licenses                                                                                                                                        | Dimension Data (Pty) Ltd                                             | PO4500097500                         | 1 937                         |
| 7   | Method validation and uncertainty of measurement training, Chemistry; Microbiology and Hydrobiology Method verification                                                    | Michem Dynamics (Pty) Ltd                                            | PO4500097933                         | 140                           |
| 8   | uMshwathi System- medium voltage switchgear repairs, ABB safe plus 12kv 630A 2x ABB Ref-615 protection relay, 6 tripping colls.                                            | AMJ Electrical CC                                                    | PO4500098415                         | 453                           |
| 9   | Renewal of Autodesk licences for a period of 36 months                                                                                                                     | Modena Design Centres Durban (Pty) Ltd                               | PO4500097338                         | 143                           |
| 10  | Supply 1x STK vacuum regulator                                                                                                                                             | Klomac Engineering (Pty) Ltd                                         | PO4500097352                         | 40                            |
| 11  | Supply and Delivery of Packings at Nsezi Plant                                                                                                                             | AESSEAL (Pty) Ltd                                                    | PO37908                              | 64                            |
| 12  | Procurement of power supply replacement on Thermo Scientific (Inductively coupled plasma - optical emission spectrometry) iCAP ICP-OES 7400 and repairs to the Aquakem 250 | Anatech Instruments (Pty) Ltd                                        | PO4500111268                         | 276                           |
| 13  | Fault find and repair 11kV Pil Cable 120mm2                                                                                                                                | B And V Electrical (Pty) Ltd                                         | PO38440                              | 328                           |
| 14  | Supply, Collection & Rental of Waste Bin at Richards Bay                                                                                                                   | Compass Waste Services (Pty) Ltd                                     | PO37791                              | 16                            |
| 15  | Maximo Software Renewal & Maintenance support for 2023/2024                                                                                                                | First Technology (Pty) Ltd                                           | PO37811                              | 153                           |
| 16  | Supply & Deliver of Colilert                                                                                                                                               | IDEXX Laboratories (Pty) Ltd                                         | PO37878                              | 580                           |



## Procurement through single source deviation (Continued)

| No. | Description of goods / services                                                                                        | Name of Supplier                                                     | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R' 000 |
|-----|------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------|--------------------------------------|-------------------------------|
| 17  | Reassessment of useful lives and determination of replacement cost (Discussion between IMQS & AG)                      | IMQS Software (Pty) Ltd                                              | PO000037767                          | 608                           |
| 18  | Servicing of PCR Instrument                                                                                            | LTC Tech South Africa (Pty) Ltd                                      | PO37945                              | 76                            |
| 19  | Emergency clean-up of Polymeric Coagulant spillage at Nsezi Water Treatment Plant                                      | Spill Tech CC                                                        | PO37758                              | 362                           |
| 20  | Hire of Excavator for DN450 Pipeline Breakdown in Jozini                                                               | WM and M Trading Enterprise (Pty) Ltd                                | PO38009                              | 250                           |
| 21  | Printing of 28 additional pages in the Mhlathuze Water Annual Report 2022/2023                                         | Zippy Calendars & Gifts CC                                           | PO000037904                          | 12                            |
| 23  | Supply & Install CM7 Workstation Software Upgrade                                                                      | Anatech Instruments (Pty) Ltd                                        | PO000038278                          | 112                           |
| 24  | Supply and delivery of Idexx Colilerts consumables                                                                     | IDEXX Laboratories (Pty) Ltd                                         | PO000038321                          | 315                           |
| 25  | Water Microbiology Poficiency Testing                                                                                  | National Laboratory Association – South Africa                       | PO000038347                          | 24                            |
| 26  | Flow Meter Verification                                                                                                | Krohne (Pty) Ltd                                                     | PO000038355                          | 17                            |
| 27  | Annual Servicing of Chlorine Dosing                                                                                    | Klomac Engineering (Pty)Ltd                                          | PO000038365                          | 202                           |
| 28  | Supply and Deliver Promag 400 Flowmeter Transmitter Connection Boards                                                  | Endress and Hauser (Pty) Ltd                                         | PO4500113387                         | 22                            |
| 29  | Conduct Flow Meter Verification at Nsezi Water Treatment Plant A Line Pump Station and at Jozini Water Treatment Plant | Endress and Hauser (Pty) Ltd                                         | PO4500112115                         | 93                            |
| 30  | Collect, strip and quote for repairs 900kw Electric Motor for C-Line Pump station at Waste Water Disposal System       | LH Marthinusen Durban                                                | PO4500114166                         | 57                            |
| 31  | Fabrication and installation of Line A & Line B manifold for Nsezi Pre Chlorination.                                   | Lechintech (Pty) Ltd                                                 | PO4500111118                         | 80                            |
| 32  | Supply and deliver bottled water at Harry Gwala for Premier's event (Moratorium in the procurement processes)          | MTech Designs (Pty) Ltd                                              | PO4500099302                         | 50                            |
| 33  | uMngeni-uThukela Water Corporate Plan writing and Editing                                                              | Likhanyile Group (Pty) Ltd T/A Likhanyile Tutoring & Media           | PO4500098868                         | 54                            |
| 34  | Replacement of controller for Duban Heights shaft generator                                                            | Power Electric Manufactures (Pty) Ltd                                | PO4500099616                         | 68                            |
| 35  | Venue hire for memorial service of Ms T. Hammond                                                                       | The Royal Agricultural Society of Natal                              | PO4500100027                         | 137                           |
| 36  | Service & Rehabilitation of Gas Chlorine Disinfection System                                                           | Klomac Engineering (Pty) Ltd                                         | OA4600001007                         | 16 897                        |
| 37  | Ministerial visit and community engagement in Uthukela District held on the 20 and 21 November 2023                    | Outside Broadcasting Facilities and Bhincangwane Investments         | Cheque Requisition                   | 1 500                         |
| 38  | Repairs high lift sulzer pumps at Mearns pump station                                                                  | Sulzer Pumps South Africa Ltd                                        | PO4500114901                         | 47 090                        |
| 39  | Replacement of honolulu reservoirs pressure reducing (Bermad) Valves                                                   | Macsteel Fluid Control (Div. Macsteel Services Centres SA (PTY) Ltd) | PO4500097795                         | 90                            |
| 40  | Supply, deliver and offloading of poly for Darvil                                                                      | Thuthukani Chemical Services (Pty) Ltd                               | PO4500104094                         | 556                           |
| 41  | Payroll Payslip Machine Service and replacement of postmate 3 machines parts                                           | PBSA (Pty) Ltd                                                       | PO4500103916                         | 14                            |
| 42  | Biodiversity Institute of Southern Africa (SANBI) project for Ecological Infrastructure for Water Security             | Prime Africa RSA (PTY) LTD                                           | PO4500103976                         | 1 000                         |
| 43  | Emergency for Chlorine Gas To Ethekwini Wastewater Treatment Works                                                     | NCP Chlorchem (Pty) Ltd                                              | PO4500103064                         | 1 030                         |
| 44  | Temporary repairs of the rising main pipeline in Ohlanga Pump Station                                                  | Ecochem Pumps (Pty) Ltd                                              | PO4500106125                         | 138                           |

## Procurement through single source deviation (Continued)

| No. | Description of goods / services                                                                                                                    | Name of Supplier                                      | Contract Reference (RFQ /Tender No.)                                                   | Est. Value (Incl. VAT) R' 000 |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------------------------------------------------------------------------------------|-------------------------------|
| 45  | Renewal of SAP annual maintenance license for a period 12 month                                                                                    | G3G Pty Ltd                                           | PO4500102924                                                                           | 13 373                        |
| 46  | Renewal of INCE - iBoard paper solution for 6 months                                                                                               | INCE (Pty) Ltd                                        | PO4500104572                                                                           | 192                           |
| 47  | Annual treasury management for hosted licenses                                                                                                     | Treasury One (Pty) Ltd                                | PO4500116791                                                                           | 1 102                         |
| 48  | Refurbishment of lime screw feeder at Hazelmere                                                                                                    | Techmatic Africa Pty Ltd                              | PO4500105699                                                                           | 200                           |
| 49  | Exposure assessment of emerging contaminants (personal care and pharmaceutical product) in water system analysis                                   | CSIR (Council for Scientific and Industrial Research) | PO4500106847                                                                           | 359                           |
| 50  | KwaMashu wastewater: Raw Sludge pumpstation - Urgent repairs for 1 pump failures                                                                   | A2QG Solution Pty Ltd                                 | PO4500114733                                                                           | 735                           |
| 51  | Supply and deliver sludge plant air blowers x 2 at Wiggins Water Works                                                                             | James Howden Holdings (Pty)Ltd                        | PO4500112587                                                                           | 206                           |
| 52  | Repairs Maphumulo Res telemetry equipment and radio repeater station                                                                               | Hybrid Control Corporation Cc                         | PO4500111336                                                                           | 300                           |
| 53  | Ohlanga Pumpstation - Repairs of standby pump                                                                                                      | Enza Engineering Services (Pty)Ltd                    | PO4500112892                                                                           | 432                           |
| 54  | To repair G2-75 centrifuge at Midmar Water works sludge plant                                                                                      | ES Separation Engineering (PTY) LTD                   | PO4500110935                                                                           | 394                           |
| 55  | Provision of Legal advice and a systematic approach to institutional development and implent change management programmes                          | Aziye Solutions (Pty)Ltd                              | PO4600000987                                                                           | 5 000                         |
| 56  | Ministerial Directive project for appointment of a Turnkey Contractor for KwaXimba Package Plant and Associated Infrastructure                     | Esor Construction (PTY)Ltd                            | PO4500110118                                                                           | 435 120                       |
| 57  | Wellness Day Event – King Cetshwayo District Municipality (KCDM)                                                                                   | Aloe Lifestyle Hotel - Eshowe                         | PO4500107274                                                                           | 68                            |
| 58  | Bioremediation of Wastewater Treatment Works and Polluted Rivers for Ethekwini Water Services in the closed central, Southern and Northern Beaches | BioPower KZN (Pty) Ltd                                | PO4500112253                                                                           | 4 498                         |
| 59  | Pumpstation Flooding repairs to Armstrong and Isibaya Casino                                                                                       | Pelepele Investment (Pty) Ltd                         | PO4500112391                                                                           | 1 000                         |
| 60  | Caseware Licencing & Software                                                                                                                      | Adapt-It(Pty) Ltd                                     | PO4500112369                                                                           | 1 700                         |
| 61  | Ansys Fluent Training for uMngeni -uThukela Water                                                                                                  | Qfinsoft (Pty) Ltd                                    | PO4500117484                                                                           | 173                           |
| 62  | Conduct Major Hazard Installations (MHI) Assessment for 09 sites at eThekweni Water and Sanitation under uMngeni -uThukela Water                   | Ishecon Cc                                            | PO4500114156,<br>PO4500114253-4,<br>PO4500114260-1,<br>PO4500114256-9,<br>PO4500114259 | 496                           |
|     |                                                                                                                                                    |                                                       |                                                                                        | <b>545 360</b>                |

## Procurement through sole supplier - Original Equipment manufacturer (OEM) deviation

| No. | Description of goods / services                                                                                                                                                     | Name of Supplier                  | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R'000 |
|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------------------|------------------------------|
| 1   | Supply, implement, support and enhancement of Trilogy Advanced Prescheduling system (TAPs), mobile data collection system (hand software and system counting software for 36 months | Rezolve Solutions CC              | OA4600000871                         | 4 165                        |
| 2   | Pump audit for Mthunzini, Gingindlovu, Eshowe and Greater Mthonjaneni water treatment plants                                                                                        | APE Pumps (Pty) Ltd               | PO4500101853                         | 650                          |
| 3   | Replacement of rotating assembly for ALDEC G-275 Alfa Laval centrifuge at Midmar Plant                                                                                              | Alfa Laval (Pty) Ltd              | PO4500111200                         | 2 513                        |
| 4   | Purchase of vitek 2 reagents/accessories: Vitek densichek display base kit and Vitek Densichek POD                                                                                  | Biomerieux South Africa (Pty) Ltd | PO4500095558                         | 237                          |

## Procurement through sole supplier - Original Equipment manufacturer (OEM) deviation (Continued)

| No. | Description of goods / services                                                                                                                                                                          | Name of Supplier                                          | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R'000 |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------|--------------------------------------|------------------------------|
| 5   | Microscope servicing and replacing burner mercury lamp                                                                                                                                                   | Carl Zeiss (Pty) Ltd                                      | PO4500096412                         | 13                           |
| 6   | Supply and delivery of Colilerts 18 reagent                                                                                                                                                              | IDEXX Laboratories (Pty) Ltd                              | PO4500097008                         | 862                          |
| 7   | Annual service of the agilent (Inductively coupled plasma - optical emission spectrometry) ICP-OES instrument                                                                                            | Chemetrix Export Pty Limited                              | PO4500097474                         | 58                           |
| 8   | Service of Thermo ION chromatography and consumables                                                                                                                                                     | Anatech Instruments (Pty) Ltd                             | PO4500096714                         | 250                          |
| 9   | Annual service of four auto-titrators                                                                                                                                                                    | Metrohm Sa (Pty) Ltd                                      | PO4500097918                         | 453                          |
| 10  | Filtration ultrapure water systems-cartridges and filters                                                                                                                                                | Promolab Pty Ltd                                          | PO4500096691                         | 200                          |
| 11  | License renewal for Mike ArcGIS model                                                                                                                                                                    | Ekosource Insight (Pty)Ltd                                | PO4500097288                         | 41                           |
| 12  | Annual Service of ION Chromatographs                                                                                                                                                                     | Anatech Instruments (Pty) Ltd                             | PO38084                              | 146                          |
| 13  | Strip, assess and quote for repair of pump set unit 14/18 EME split casing pump and 1400kw motor. Also, to provide repairs services as per the assessment quote including installation and commissioning | APE Pumps (Pty) Ltd                                       | PO4500112077                         | 2 000                        |
| 14  | Collection, strip, assess & quote for repairs for a pump                                                                                                                                                 | KSB Pumps & Valves (Pty) Ltd                              | PO37922                              | 14                           |
| 15  | Supply and Delivery of Impeller                                                                                                                                                                          | KSB Pumps & Valves (Pty) Ltd                              | PO38014                              | 361                          |
| 16  | Suply, delivery of Liner KSB LCC                                                                                                                                                                         | KSB Pumps & Valves (Pty) Ltd                              | PO000038011                          | 237                          |
| 17  | Vibro Choleea                                                                                                                                                                                            | Lasec SA (PTY) Ltd                                        | PO000037896                          | 112                          |
| 18  | Repairs on 900KW Motor at Waste Water Disposal System                                                                                                                                                    | LH Marthinusen Durban                                     | PO000037999                          | 111                          |
| 19  | Annual Service of the Omnjis Autotitrator                                                                                                                                                                | Metrohm Sa (Pty) Ltd                                      | PO37956                              | 57                           |
| 20  | Supply of Chemical Oxygen Demand (COD) Reagents                                                                                                                                                          | Promolab (Pty) Ltd                                        | PO37799                              | 105                          |
| 21  | Nanocolor reagents for Chemical Oxygen Demand (COD) analysis                                                                                                                                             | Promolab (Pty) Ltd                                        | PO4500115006                         | 150                          |
| 22  | South African Certification and Auditing Services (SACAS) Management Systems re-certification audit fees                                                                                                 | South African Certification and Auditing Services (SACAS) | PO37958                              | 190                          |
| 23  | Annual Service of Mantech Autotitrator                                                                                                                                                                   | Test -It- Pty Ltd                                         | PO38069                              | 64                           |
| 24  | Annual service of Liquid Chromatography (HPLC) and Gas Chromatography (GC) equipment                                                                                                                     | Trilab Support Cc                                         | PO37959                              | 125                          |
| 25  | Service and calibration of Hatch meters                                                                                                                                                                  | Universal Water Solutions cc                              | PO37856                              | 27                           |
| 26  | Refurbishment of 2x DN500 and 1x DN 700 Valves rom Madungela                                                                                                                                             | Zenzele Valves (Pty) Ltd                                  | PO38149                              | 1 358                        |
| 27  | Monthly servicing of Head Office lifts by Schindler                                                                                                                                                      | Schindler Lifts SA (Pty) Ltd                              | PO38346                              | 43                           |
| 28  | Conduct complete repairs on 2 x Single and Multi (SM) split casing pumps                                                                                                                                 | Sulzer South Africa (Pty) Ltd                             | PO38361                              | 3 179                        |
| 29  | Conduct repairs of 2x LCC125 bearing assemblies as per strip and quote assessment                                                                                                                        | KSB Pumps & Valves (Pty) Ltd                              | PO38364                              | 435                          |
| 30  | Annual service of Perkin Elmer (Inductively coupled plasma - mass spectrometer) ICP-MS Nexion instrument, serial number 85 X 5100602                                                                     | Perkinelmer South Africa (Pty)Ltd                         | PO4500111315                         | 100                          |
| 31  | Refill (Sulphur hexafluoride) SF6 gas, repair 11kV breaker, change contapits, commission and labour                                                                                                      | M R ZULU ELECTRICAL CONTRAC-TORS Cc                       | PO4500111664                         | 172                          |
| 32  | Annual Servicing of Chlorine dosing equipment                                                                                                                                                            | Lechintech (Pty) Ltd                                      | PO4500112076                         | 280                          |
| 33  | Conduct repairs on 14/18 eme Split casing pump and 1400kW electric motor                                                                                                                                 | APE Pumps (Pty) Ltd                                       | PO4500112077                         | 3 209                        |
| 34  | Service and Calibration of Hatch meters                                                                                                                                                                  | Universal Water Solutions cc                              | PO000037856                          | 27                           |
| 35  | Collection, strip, and assess Mathe and Platte Split casing                                                                                                                                              | APE Pumps (Pty) Ltd                                       | PO000038304                          | 115                          |



## Procurement through sole supplier - Original Equipment manufacturer (OEM) deviation (Continued)

| No. | Description of goods / services                                                                                                                     | Name of Supplier                      | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R'000 |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|--------------------------------------|------------------------------|
| 36  | Servicing of Hatch Turbidity Meters                                                                                                                 | Universal Water Solutions cc          | PO4500112250                         | 21                           |
| 37  | Licence renewal for Mike Urban Modelling software for 3 years                                                                                       | Ekosource Insight (Pty) Ltd           | PO4500105031                         | 850                          |
| 38  | Supply and delivery of Crypto and Giarda consumables                                                                                                | IDEXX Laboratories (Pty) Ltd          | PO45000101692                        | 862                          |
| 39  | Service of Shimadzu Ion chromatography and consumables                                                                                              | Shimadzu South Africa (Pty) Ltd       | PO4500104943                         | 100                          |
| 40  | Annual Service of PerkinElmer Nexion 2000 and consumables                                                                                           | Perkinelmer South Africa (Pty) Ltd    | PO45000102213                        | 200                          |
| 41  | Supply and installation of an extractor fan for the (Inductively coupled plasma - optical emission spectrometry) ICP- OES equipment                 | Vivid Air Cc                          | PO4500103474                         | 60                           |
| 42  | Peromnes Annual licence fee renewal                                                                                                                 | Deloitte Consulting Pty Ltd           | PO4500104420                         | 25                           |
| 43  | Repair of centrifuge at Durban Heights Water Treatment Plant                                                                                        | Alfa Laval SA (Pty) Ltd               | PO4500101874                         | 1 751                        |
| 44  | Supply and replace mother board strip, service and calibrate ION change analyser at Weza Water Works                                                | Lechintech (Pty) Ltd                  | PO4500104459                         | 20                           |
| 45  | Hazelmere Water Treatment Works - flow meter for Ndwedwe Reservoir inlet                                                                            | Krohne (Pty) Ltd                      | PO4500104456                         | 202                          |
| 46  | Supply and deliver PH probes for the HACH PH Lab meter at Mtwalume Water Works                                                                      | Universal Water Solutions Cc          | PO4500104460                         | 26                           |
| 47  | Supply & deliver Stabcal ampule kit calibration standards for Umzinto Water Works                                                                   | Universal Water Solutions Cc          | PO4500104462                         | 12                           |
| 48  | Supply and deliver 10 x positive displacement pump sets for Hazelmere Water Works                                                                   | Franklin Electric SA (Pty) Ltd        | PO4500104353                         | 198                          |
| 49  | Phoenix Wastewater Works - Dewatering Plant - Inspection and assessment of 2 andritz belt press machines and provision for repairs                  | Andritz Delkor (Pty) Ltd              | PO4500104457                         | 50                           |
| 50  | Purchasing the 560 HEPA filter autosampler enclosure for the thermofisher: Scientific inductively coupled plasma - Optical emission spectroscopy    | Anatech Instruments (Pty) Ltd         | PO4500101692                         | 15                           |
| 51  | Supply and delivery of proficiency testing schemes (PTS) for Microbiology and Hydrology                                                             | National Laboratory Association (NLA) | PO4500107342                         | 35                           |
| 52  | Supply and delivery of proficiency testing schemes (PTS) for Microbiology (Crypto and Giardia)                                                      | AEC Amersham SOC Ltd                  | PO4500109190                         | 35                           |
| 53  | Supply and delivery of Colilert - 18                                                                                                                | IDEXX Laboratories (Pty) Ltd          | PO4500097008                         | 943                          |
| 54  | Supply and delivery of microcystin and cylindrospermopsin proficiency testing schemes (PTS) for drinking and surface recreational water             | Toxsolutions Kits and services Cc     | PO4500105560                         | 60                           |
| 55  | Power supply replacement on Thermo Scientific Icap icap-oes 7400 and repairs to the Aquakem 250                                                     | Anatech Instruments (Pty) Ltd         | PO4500111268                         | 150                          |
| 56  | Service of Teledyne Teledyne Tekmar total organic carbon analyser and consumables                                                                   | Microsep (Pty) Ltd                    | PO4500108260                         | 200                          |
| 57  | Procurement of consumables for varian/agilent (Inductively coupled plasma - optical emission spectrometry) ICP- OES instruments                     | Chemetrix Export (Pty) Ltd            | PO4500109323                         | 364                          |
| 58  | Supply and deliver of proficiency testing schemes (PTS) for Microbiology                                                                            | AEC Amersham SOC Ltd                  | PO4500109190                         | 35                           |
| 59  | Supply and deliver of proficiency testing schemes (PTS) for Microbiology and Hydrobiology                                                           | National Laboratory Association (NLA) | PO4500107342                         | 35                           |
| 60  | ToxSolutions, kits and Services cc is the sole supplier of proficiency testing schemes                                                              | Toxsolutions Kits and services Cc     | PO4500115897                         | 814                          |
| 61  | Annual service on the instrument systems per manufacturing specifications. Repairs on instrument on a Vitek 2 Compact as a preventative maintenance | Biomerieux South Africa (Pty) Ltd     | PO4500112887                         | 16                           |
| 62  | Supply, Deliver, Install and commissioning of a 24 Volts Magflow Meter Transmeter                                                                   | Abb South Africa (Pty) Ltd            | PO4500114167                         | 26                           |
|     |                                                                                                                                                     |                                       |                                      | <b>29 164</b>                |

## Procurement with Less than Three Quotations Procurement

| No. | Description of goods / services                                                                                                                                 | Name of Supplier                                             | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R'000 |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------|------------------------------|
| 1   | Supply and delivery of couplings and steel pipes for Steadville sewer pipeline                                                                                  | Diya Valves International CC                                 | PO4500093936                         | 200                          |
| 2   | Catering for sports tournament at Stanger High                                                                                                                  | Magic Pan Three Caterers (Pty) Ltd                           | PO4500093901                         | 253                          |
| 3   | Supply and delivery of poly dosing pump                                                                                                                         | Debbies Pumps Accessories and Engineering Supplies (Pty) Ltd | PO4500095563                         | 64                           |
| 4   | Provision of HP Laserjet enterprise 700 MFP and HP Elite 600 tower G9                                                                                           | Blue Line Industries (Pty) Ltd                               | PO4500095518                         | 97                           |
| 5   | Provision to remove sand from balancing tanks                                                                                                                   | Sxaxa Logistics Cc                                           | PO4500096536                         | 500                          |
| 6   | Emergency Cleaning-up of the Gypsum Effluent Spillage at Waste Water Disposal Scheme                                                                            | One Tower Projects (Pty) Ltd                                 | PO4500110983                         | 495                          |
| 7   | Wetland rehabilitation at Cascades                                                                                                                              | BEE Construction And Consultancy (Pty) Ltd                   | PO4500096062                         | 495                          |
| 8   | Provision of automated rain gauge calibration kit and batteries                                                                                                 | Okuhle Trading and Development (Pty) Ltd                     | PO4500098072                         | 20                           |
| 9   | Provision of car wash services for all UUW workshop fleet in Richards Bay for 12 months                                                                         | Aboh Industrial Services (Pty) Ltd                           | PO45349                              | 701                          |
| 10  | Supply of Decacell Cuvettes                                                                                                                                     | Anatech Instruments (Pty) Ltd                                | PO45288                              | 28                           |
| 11  | Service and repair (Armaturen- Und MaschinenAntriebe) AUMA Control Valve Actuator.                                                                              | Aumanat Cc                                                   | PO000038186                          | 29                           |
| 12  | The Service Provider is required to Perform A-Service on Surge Tower 1 Control valve electrical actuator and submit the signed report by the Service Technician | Aumanat Cc                                                   | PO000037965                          | 71                           |
| 13  | Supply and delivery of promag 400 transmeter                                                                                                                    | Autotronix (Pty) Ltd                                         | PO000038237                          | 188                          |
| 14  | Supply & Delivery of Flow Controllers                                                                                                                           | Bay General Supplies Projects And Maintenance Cc             | PO000038216                          | 187                          |
| 15  | Supply double florescent Fittings                                                                                                                               | Bay General Supplies Projects And Maintenance Cc             | PO000037947                          | 37                           |
| 16  | Provision of used Chemical Oxygen Demand (COD) Tubes and Broken Glasses/Waste Disposal                                                                          | Dolphin Coast Landfill Management (Pty) Ltd                  | PO45327                              | 20                           |
| 17  | Supply and delivery of alcovisor mercury mouth piece                                                                                                            | Doculam (Pty) Ltd                                            | PO45335                              | 17                           |
| 18  | Perform EST Analytical Flex Autosampler                                                                                                                         | DG Gibbs t/a gibbs Technologies (Pty) Ltd                    | PO44949                              | 183                          |
| 19  | Provision for grounds maintenance services for Tugela Transfer Scheme for installations and pipelines within the jurisdiction of Ntshangase Traditional Area.   | Inkizalibalele Enterprise (Pty) Ltd                          | PO000038100                          | 540                          |
| 20  | Provision of Internal Audit for ISO's                                                                                                                           | IRCA Global KZN (Pty) Ltd                                    | PO45195                              | 70                           |
| 21  | Design and Construction of Polymer tand bundwall                                                                                                                | Khalilphi KZN Enterprise (Pty) Ltd                           | PO45310                              | 903                          |
| 22  | Refreshments for World Aids Day                                                                                                                                 | Kickys Pot (Pty) Ltd                                         | PO45259                              | 118                          |
| 23  | Provision of Laundry services                                                                                                                                   | Kuyasa Recruits and Services Cc                              | PO45344                              | 14                           |
| 24  | Hire of a helicopter services for the pipeline aerial view inspection                                                                                           | KZN Aviation Cc                                              | PO4500108832                         | 127                          |
| 25  | Re-Gasing of 11kV SF6 (Sulphur hexafluoride ) contactor                                                                                                         | M R Zulu Electrical Contractors Cc                           | PO45058                              | 27                           |
| 26  | Provision of KnowBe4 security awareness training licence for uMngeni- uThukela Water users                                                                      | Askaris Cyber Security (Pty) Ltd                             | PO4500111274                         | 510                          |

## Procurement with Less than Three Quotations Procurement (Continued)

| No. | Description of goods / services                                            | Name of Supplier                                | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R'000 |
|-----|----------------------------------------------------------------------------|-------------------------------------------------|--------------------------------------|------------------------------|
| 27  | Supply and Fit Bellows-A Line Pump                                         | Notefull 1294 CC                                | P045208                              | 29                           |
| 28  | Supply coupling hubs                                                       | Phuthuma Enterprise (Pty) Ltd                   | P045183                              | 354                          |
| 29  | Supply, delivery of esco gear                                              | Phuthuma Enterprise (Pty) Ltd                   | P045177                              | 80                           |
| 30  | Removal of Old Rubber in Mild Steel Reducer                                | Phuthuma Enterprises (Pty) Ltd                  | P045289                              | 12                           |
| 31  | Provision of Drivers Assessment                                            | PRO Driver Labour Hire (Pty) Ltd                | P00000038113                         | 31                           |
| 32  | Repair of 4 Godwin Diesel Pump Motor                                       | Phuthuma Enterprises (Pty) Ltd                  | P045259                              | 32                           |
| 33  | Servicing a Compressor control panel                                       | Qed Distributors (Pty) Ltd T/A At-co Penumatics | P045197                              | 31                           |
| 34  | Servicing a Compressor control panel                                       | Qed Distributors (Pty) Ltd T/A At-co Penumatics | P0000038255                          | 38                           |
| 35  | Laser alignment of Motor and lay shaft                                     | SAMCO Pumps (Pty) Ltd                           | P045268                              | 55                           |
| 36  | Ground Maintenance Richardsbay Region                                      | Sima 05 Trading (Pty) Ltd                       | P045294                              | 920                          |
| 37  | Removal of Rusted Cat Ladder and Platform at Weir                          | Somia Services (Pty) Ltd                        | P045210                              | 48                           |
| 38  | Laser Alignment of Madungela and Mkalazi Pump Sets (Motors and Pumps)      | The Pumpsmith Hire (Pty) Ltd                    | P045324                              | 48                           |
| 39  | Stripping of Existing Carpets                                              | Ulusha Trading (Pty) Ltd                        | P045294                              | 97                           |
| 40  | Provide Catering Services for Board Meeting with Minister                  | Umthlawethu (Pty) Ltd                           | P045273                              | 157                          |
| 41  | Urgent cleaning of gland service area filters at effluent disposal filters | Umusa Industrial Cleaning (Pty) Ltd             | P045287                              | 56                           |
| 42  | Supply and deliver Caustic Soda to Nsezi WTP.                              | Vilox (Pty) Ltd                                 | P0000038073                          | 720                          |
| 43  | Mhlathuze Water Annual Report Additional Pages                             | Zippy Calendars & Gifts Cc                      | P045315                              | 11                           |
| 44  | Waste Disposal Drums                                                       | Dolphin Coast Landfill Management (Pty) Ltd     | P045327                              | 20                           |
| 45  | Blinds for Waste Water Disposal Site Pumpstation                           | Versatile Interiors Cc                          | P045365                              | 19                           |
| 46  | Supply & Delivery of Wheel Chair                                           | Nokenhle Trading Enterprise (Pty) Ltd           | P045386                              | 25                           |
| 47  | Provision of Learnership Training                                          | Makhokha (Pty) Ltd                              | P045442                              | 382                          |
| 48  | Building Maintenance Materials Supply                                      | Richards Bay Hardware                           | P045354                              | 157                          |
| 49  | Provision of Sheq-Electronic Business System Services                      | IRCA Global KZN (Pty) Ltd                       | P045364                              | 408                          |
| 50  | Repairs of Electric Fence at Waste Water Disposal Site                     | B And V Electrical (Pty) Ltd                    | P045376                              | 80                           |
| 51  | Supply and Deliver 0-900kw meter, 4-20Ma Loop powered                      | Opil General Sales (Pty) Ltd                    | P045376                              | 74                           |
| 52  | Service and repair boom gates at Head Office                               | Kevin's Keys Cc                                 | P0000038281                          | 20                           |
| 53  | DJ and sound system required for the wellness day                          | Eyona Entertainment Cc                          | P0000038319                          | 12                           |
| 54  | Supply 0-60 ton Weighbridge display configure                              | Fanele Welding and Scaling (Pty) Ltd            | P0000038330                          | 29                           |
| 55  | Cartridges for a small printer in maintenance                              | Alert Stationers CC                             | P0000038331                          | 30                           |
| 56  | Supply and delivery of aesseal packings                                    | Aesseal (Pty) Ltd                               | P04500110032                         | 184                          |
| 57  | Mondi shut - Pipeline inspection: CCTV                                     | Dynamic Cathodic Services (Pty) Ltd             | P04500110956                         | 613                          |
| 58  | Supply and delivery of Lowara Submersible Pump                             | Global Armature Winders (Pty) Ltd               | P045273                              | 16                           |
| 59  | Cleaning of gland Services                                                 | Umusa Industrial Cleaning (Pty) Ltd             | P045288                              | 56                           |



## Procurement with Less than Three Quotations Procurement (Continued)

| No. | Description of goods / services                                                                                        | Name of Supplier                                      | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R'000 |
|-----|------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------|------------------------------|
| 60  | Supply and delivery of Laboratory Consumables                                                                          | Daveglen 9003 Invest Cc T/A Laboquip                  | PO45288                              | 203                          |
| 61  | Repairs on Flygt Submersible Pump                                                                                      | Phuthuma Enterprises (Pty) Ltd                        | PO45288                              | 237                          |
| 62  | Supply and delivery of Perspna Protective Equipment                                                                    | KZN Safety Industrial Suppliers Cc                    | PO45244                              | 22                           |
| 63  | Circuit Breaker Services                                                                                               | Diversified Power and System Intergration Cc          | PO45260                              | 20                           |
| 64  | Removal of water hycinth at Nsezi Lake                                                                                 | Qgama Environmental Group                             | PO45217                              | 451                          |
| 65  | Repairs on Tsurumi Submersible Pumps                                                                                   | Global Armature Winders (Pty) Ltd                     | PO45208                              | 111                          |
| 66  | Repairs on 800 mm Stainless Steel Tsurumi Submersible Pumps                                                            | Global Armature Winders (Pty) Ltd                     | PO45208                              | 111                          |
| 67  | Supply of 4 Channel liquiline Controller                                                                               | Diversified Power and System Intergration Cc          | PO45377                              | 136                          |
| 68  | Provision of laundry services                                                                                          | Kuyasa Recruits and Services Cc                       | PO45344                              | 14                           |
| 69  | Advanced Sampling for Water and Wastewater Plant Operations                                                            | Makhokha (Pty) Ltd                                    | PO45329                              | 30                           |
| 70  | Design and Construction of Polymer land bundwall                                                                       | Khalilphi KZN Enterprise (Pty) Ltd                    | PO45310                              | 903                          |
| 71  | Repairs of 80mm Tsurumi Pumps                                                                                          | Nokenhle Trading Enterprise (Pty) Ltd                 | PO45447                              | 29                           |
| 72  | Velocity evaluation of lab fumes                                                                                       | Vivid Air Cc                                          | PO45447                              | 23                           |
| 73  | Supply and delivery of the following; 98-08877-00 Colilert 18 (200PK) 98-06161-00 100 ml vessels with antifoam (200pk) | IDEXX Laboratories (Pty) Ltd                          | PO45442                              | 243                          |
| 74  | Executives Annual Standard Medical Examinations                                                                        | Khoza and Partners Radiology Services (Pty) Ltd       | PO45426                              | 39                           |
| 75  | Conduct C-Service on Waste Water Disposal Site, Wier and Nsezi WTP Electrical Actuators and submit service report      | Aumanat Cc                                            | PO45369                              | 305                          |
| 76  | Provision of MV switching training for Operations Department                                                           | Effective Human Intervention (Pty) Ltd                | PO4500100209                         | 198                          |
| 77  | Condition Monitoring of Critical equipment at Amanzimtoti                                                              | Quality Based Solution (Pty) Ltd                      | PO 4500100415                        | 48                           |
| 78  | Annual Servicing of switchgear at Mnini Pumpstation                                                                    | AMJ Electrical Cc                                     | PO 4500100834                        | 54                           |
| 79  | Supply and delivery lint free wipes                                                                                    | JVL Laboratory Engineering and General Supplies Cc    | PO 4500100142                        | 96                           |
| 80  | Repairs to stainless steel sand filter vessels and replenish sand media and nozzles at Mfongosi Water Works            | Kantech services (Pty) Ltd                            | PO 4500100416                        | 53                           |
| 81  | Provision of water use license for external audits                                                                     | Moishe Business Solutions (Pty) Ltd                   | PO4500105898                         | 423                          |
| 82  | Water and wastewater treatment learnership for the Izintaba Region NQF level 3 and 4                                   | Promeetse and Environmental Services Cc               | PO4500103263                         | 920                          |
| 83  | Ixopo managed aquifer recharge pre-feasibility study                                                                   | JG Afrika (Pty) Ltd                                   | PO4500104531                         | 869                          |
| 84  | Provision of buses for uMngeni-uThukela Water staff awards 2023                                                        | Shane Jayram Coaches CC                               | PO4500101720                         | 86                           |
| 85  | Supply and install chamber lids and gratings at Hazelmere Water Works                                                  | Enqikini Engineering (Pty) Ltd                        | PO4500103675                         | 747                          |
| 86  | Refurbish valves at Mnini Pump Station                                                                                 | Fast Track Global (Pty) Ltd                           | PO4500104078                         | 974                          |
| 87  | Appointment of strategic planning specialist service provider for uMngeni-uThukela Water                               | Performance Management Collaborate - Africa (Pty) Ltd | PO4500103082                         | 138                          |
| 88  | Appointment of a service provider to undertake sub-lethal aerial spraying of Aquatic weeds at Inanda Dam               | Gamework Helicopters CC                               | PO4500103162                         | 476                          |

## Procurement with Less than Three Quotations Procurement (Continued)

| No. | Description of goods / services                                                                                                  | Name of Supplier                                                | Contract Reference (RFQ /Tender No.)                                                                                                 | Est. Value (Incl. VAT) R'000 |
|-----|----------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 89  | Conduct a desktop and physical occupational health, safety and environment legal compliance audits to all uMngeni-uThukela Water | Soyikazi (Pty) Ltd                                              | PO4500103975                                                                                                                         | 250                          |
| 90  | Design and construction of mini chlorine house at Nagle Dam package                                                              | Njombela Holdings (Pty) Ltd                                     | PO4500106225                                                                                                                         | 115                          |
| 91  | Inspection and pressure testing of underground diesel and petrol tanks at coastal regions office-Pineside                        | OCA Testing Inspection and Certification South Africa (Pty) Ltd | PO4500105719                                                                                                                         | 56                           |
| 92  | Inspection and servicing of shutter doors/counter shutters in Ulwandle Region                                                    | Vision Power Holdings (Pty) Ltd                                 | PO4500105717                                                                                                                         | 81                           |
| 93  | Supply and deliver of dry lime feeder to Craigeburn                                                                              | Debbies Pumps Accessories and Engineering Supplies (Pty) Ltd    | PO4500105947                                                                                                                         | 110                          |
| 94  | Appointment of professional services provider for the cadastral surveying at Jubu Ndlovu                                         | BBT Geomatics Inc.                                              | PO4500105834                                                                                                                         | 184                          |
| 95  | Condition Monitoring of critical equipment at Durban Heights, Wiggins Water Works, Inanda Dam, Nagle Dam and Wiggins Water Works | Quality Based Solution (Pty) Ltd                                | PO4500105722                                                                                                                         | 97                           |
| 96  | Repair/replace and install highlift contractor at Wiggins Water Works                                                            | AMJ Electrical CC                                               | PO4500106227                                                                                                                         | 40                           |
| 97  | Install maqumbi and command pump stations motor starters at Maphumulo Water Treatment Pump                                       | Vinpower Electrical Cc                                          | PO4500106877                                                                                                                         | 647                          |
| 98  | Conduct MH1 Assessments for 8 Sites at Ethekwinini Water and Sanitation Under uMngeni-uThukela Water                             | Ishecon Cc                                                      | PO4500107213,<br>PO4500107214,<br>PO4500107208,<br>PO4500107207,-<br>PO4500107205,<br>PO4500107203,<br>PO4500107202,<br>PO4500107201 | 402                          |
| 99  | Supply and deliver welcome snacks, groceries and braai packs for wellness day 2024                                               | Dasi Catering (Pty) Ltd                                         | PO4500107486                                                                                                                         | 300                          |
| 100 | Provision of marquee, tables, chairs and event equipment for Wellness Day                                                        | Star Hire and Events (Pty) Ltd                                  | PO4500107518                                                                                                                         | 50                           |
| 101 | Supply and deliver proficiency testing schemes (PTS) samples for Lab                                                             | Microsep (Pty) Ltd                                              | PO4500110417                                                                                                                         | 231                          |
| 102 | Sponsorship- Supply and Deliver running shoes for KwaNxamalala Athletics Club ASA                                                | Poobie Naidoo                                                   | PO4500108374                                                                                                                         | 47                           |
| 103 | Provision of PSP for business plan development and rapid response unit and workshop revitalisation                               | Q24/552NM                                                       | PO4500112322                                                                                                                         | 8 000                        |
| 104 | Provision of MHI risk assessment at Midmar                                                                                       | Ishecon Cc                                                      | PO4500111882                                                                                                                         | 97                           |
| 105 | Supply and deliver bottled water to uMngeni-uThukela Water                                                                       | Lulunto Sanctuary                                               | PO4500110915                                                                                                                         | 35                           |
| 106 | Supply, Install, Load Test Batteries for the coastal vehicle workshop batteries for 1 year                                       | EXPO Motor Spares                                               | PO4500114460                                                                                                                         | 511                          |
| 107 | Supply and install two electric hoists at Hazelmere Chemical House                                                               | SCM to provide supplier                                         | PO4500114176                                                                                                                         | 724                          |
|     |                                                                                                                                  |                                                                 |                                                                                                                                      | <b>30 674</b>                |

## Procurement through limited/closed tender deviation

| No | Description of goods / services                                                                                                                                                   | Name of Supplier                    | Contract Reference (RFQ /Tender No.) | Est. Value (Incl. VAT) R' 000 |
|----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|--------------------------------------|-------------------------------|
| 1  | Supply, fabrication and delivery of Daphia water solutions cage, buoyancy framework and auxiliaries for Darvil Waste Water Works                                                  | Amber Skies Trading Cc              | PO4500100124                         | 3 560                         |
| 2  | Catering services for year end function                                                                                                                                           | Kaneez Catering (Pty) Ltd           | PO4500101691                         | 1 553                         |
| 3  | Provision of forcepoint web security licence for uMngeni-uThukela Water users                                                                                                     | Dotcom Security Solutions (Pty) Ltd | PO4500110554                         | 3 500                         |
| 4  | Transportation of Sewage liquid from Amanzimtoti Waste Water Treatment Works and Umhlathuzana Waste Water Works to Sourthern Works Waste Water Treatment Works using road tankers | Isiphephelo Industries (Pty) Ltd    | PO4600001001                         | 12 219                        |
| 5  | Provision of KnowBe4 security awareness training licence for uMngeni- uThukela Water users                                                                                        | Askaris Cyber Security (Pty) Ltd    | PO4500111274                         | 510                           |
|    |                                                                                                                                                                                   |                                     |                                      | <b>21 342</b>                 |



# PART C

## FINANCIAL SUSTAINABILITY



uMngeni-uThukela Water funds operations through water sales and grants, adjusting tariffs to stay sustainable while managing infrastructure and payment challenges.



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# FINANCIAL OVERVIEW

On July 1, 2023, Umgeni Water acquired Mhlathuze Water. For the year ended June 30, 2024, surplus rose by 26% and revenue increased by 31% to R6.90 billion. UUW plans to invest R15 billion in capital over five years.

## Introduction

On the 1<sup>st</sup> of July 2023, former Umgeni Water acquired through a transfer the assets, liabilities and equity of former Mhlathuze Water. With added operations and customer base, the acquisition ought to have increase the financial position and performance of uMngeni-uThukela Water (UUW). UUW therefore demonstrated business continuity in financial review for the year ended 30 June 2024. Operations were stable in comparison to the prior financial years. Credit risk management continued to be a key strategic risk as many customers have indicated financial distress and are behind on payments for bulk water services provided. The credit ratings achieved during the financial year were desired outcome of the objective.

The group surplus for the year ended 30 June 2024 increased by 28% to R1 468m (2023: R1 148m). Gross profit increased by 23% from R3 043m to R3 743m. The analysis of revenue and cost of sales is in section 2 of this report. The highlights in terms of financial performance is the R1.6 billion increase in revenue.

Total assets improved by 24% which was mainly driven by the increases in investments on hand and additions from assets taken on from former Mhlathuze Water. The Property, plant & equipment increased by 30% equivalent to R2.9 billion for the group.

uMngeni-uThukela Water measures its financial performance in terms of its achievement against financial indicators which are aligned to the organisation's strategic objectives and are included in the key performance indicators 2023/24 section of the annual report, page 53-60.

## Operating Performance

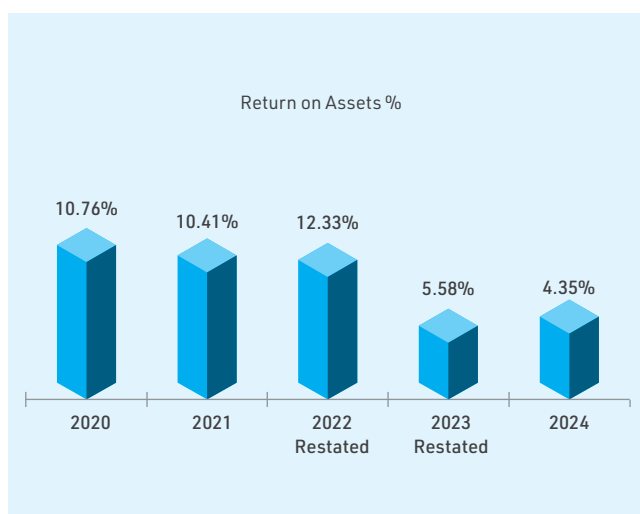
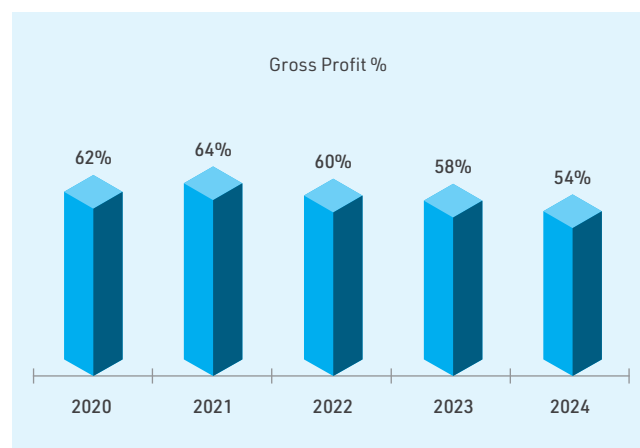
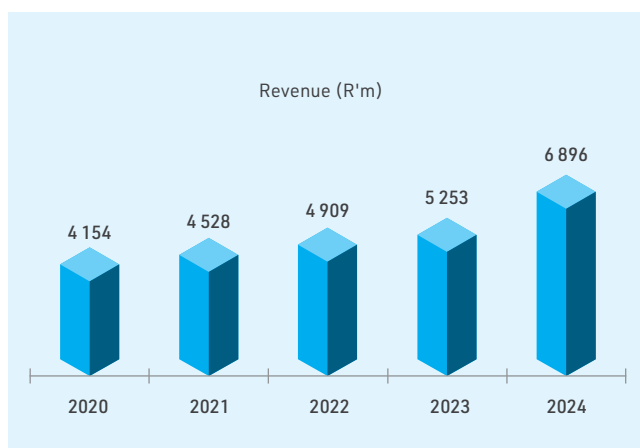
### Overview Of Operating Performance

#### Year On Year Changes Of Group Operating Performance

uMngeni-uThukela Water's operating profits have increased by 15% to R679m (2023: R592m). Bulk Water revenue increase of 19% with increased revenue from the volume increase and average bulk water tariff increase of 6%. Inclusion of Richards Bay contributed to the increase of revenue by R538m (11%) to the overall increase of R1.6bn (315) movement against last year.

Other operating and administrative expenses increased by 24% and are further discussed under section 2.1.4. The following table summarises the year on year operating financial performance of the group.

|                                             | 2024         | 2023         | Change    |
|---------------------------------------------|--------------|--------------|-----------|
|                                             | R'000        | R'000        | %         |
| Revenue                                     | 6 896        | 5 253        | 31        |
| Cost of sales                               | (3 153)      | (2 210)      | 43        |
| <b>Gross profit</b>                         | <b>3 743</b> | <b>3 043</b> | <b>23</b> |
| <i>GP%</i>                                  | <i>54%</i>   | <i>58%</i>   | -         |
| Other Income                                | 15           | 190          | (92)      |
| Other operating and administration expenses | (2 549)      | 2 061        | 22        |
| Expected credit losses                      | (531)        | (580)        | 8         |
| <b>Profit from operations</b>               | <b>679</b>   | <b>592</b>   | <b>16</b> |
| Net finance income                          | 785          | 554          | 42        |
| Share of profit from associate              | 4            | 3            | 57        |
| <b>Profit before tax</b>                    | <b>1 468</b> | <b>1 149</b> | <b>27</b> |



### Revenue

Bulk Water revenue increase of 19% compared to prior year, due to an increase from the volumes of 12% and average bulk water tariff increase of 6%. The expansion to the Richards Bay area of operation has increased revenue by R538m to the overall R943m movement against last year for bulk water revenue.

Wastewater revenue increased by 123% from prior year mainly due to the introduction of Ethekeeni Water Services Wastewater Operating & Maintenance (O&M) contract this financial year leading to an additional R77m revenue as well as approved increases to management fees.

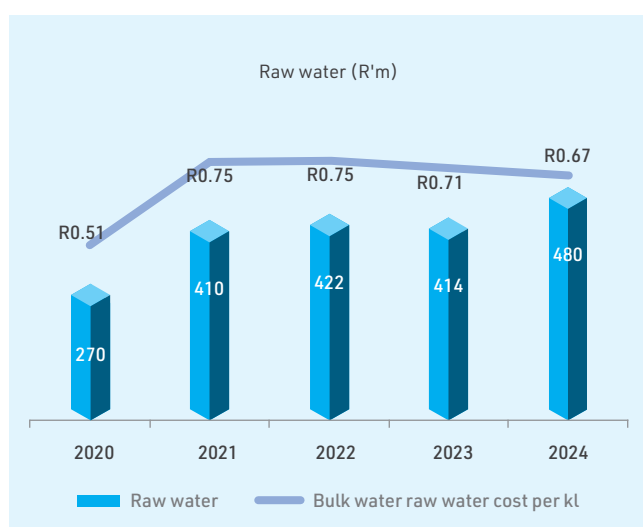
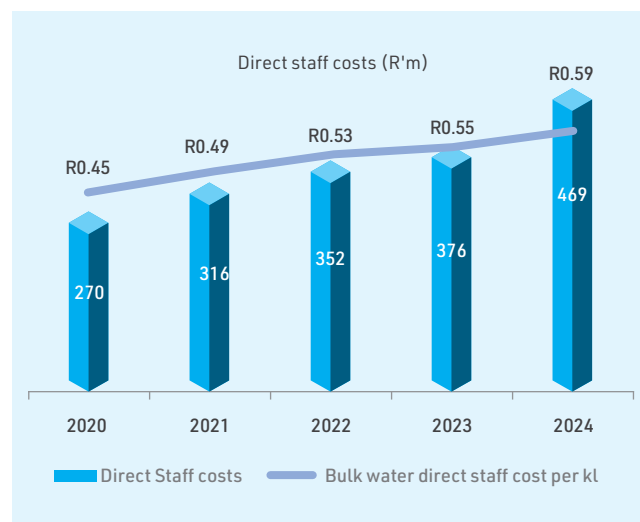
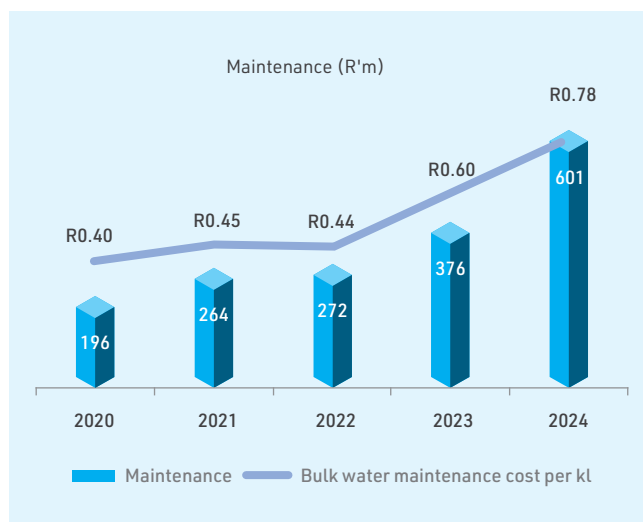
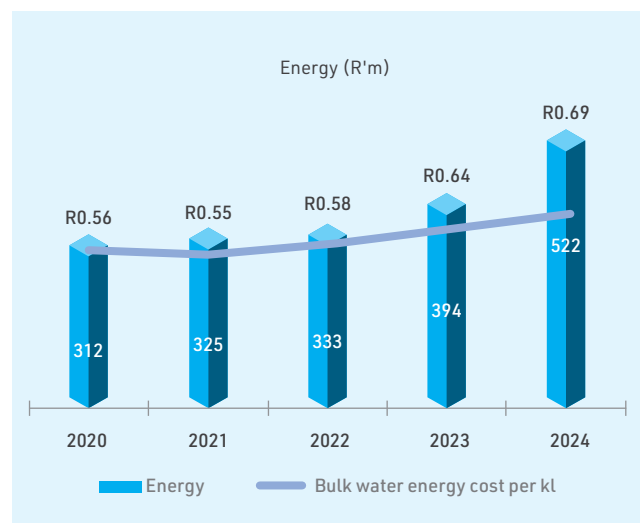
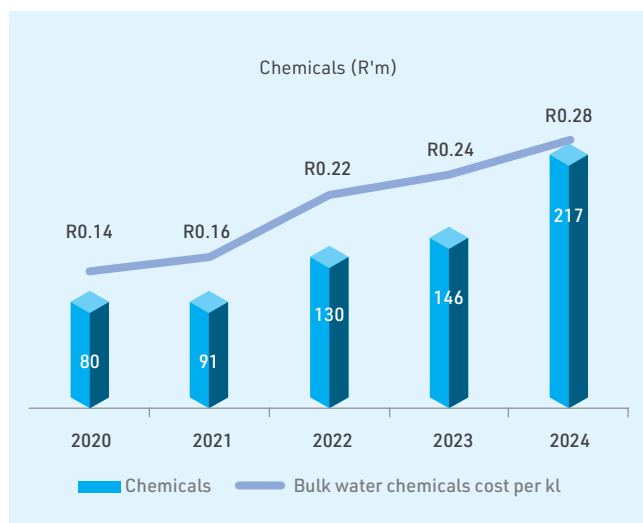
Section 30 revenue increased by R246m (537%) from prior year mainly due to the Greater Mbizana Phase 2 project costs incurred in 2024 and uMkhanyakude District Municipality directive.

Total revenue increased by 31% as a result of the information presented above with the inclusion of Richards Bay region increasing total revenue by R1.643bn.



### Main Cost Drivers Included In Cost of Sales

The main cost drivers for direct operating costs are chemicals, energy, maintenance, and raw water and staff costs.



### Chemicals

Chemicals increased by R71m (49%) against prior year is driven mainly by the average price increase of 8% with Chlorine, Bentonite & Lime prices being the major contributors to this increase. Overall average price increase is also impacted by the usage mix. Usage increase of all chemicals is leading to the overall increase of 21% with coagulants and bentonite the highest. R16m incurred for bioremediation at the eThekweni wastewater plants also increasing the costs this year.

### Energy

Energy increase over prior year amounts to R128m (33%) as a result of the increase in tariff, with average tariff increase of 16%. Lower usage at the Shaft pumps for Durban Heights has decreased this year with additional volumes coming from Nagle dam which is gravity fed.

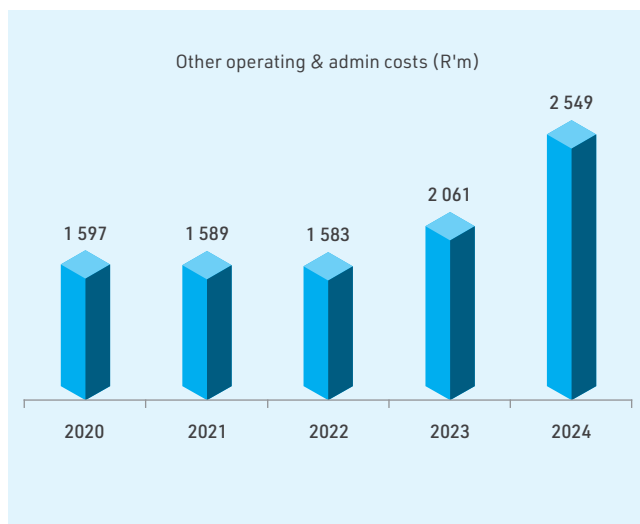
## Maintenance

Maintenance expenditure increase over prior year amounts to R225m (60%) resulting from higher external maintenance costs, internal maintenance recoveries for spares and other external costs together with increased labour recoveries. Expenditure on renewals with refurbishment of the Pinetown pump station (R13m) and iMvutshane dam wall costs of R43m as well as costs expensed relating to the Nagle Aqueduct project of R16m.

External maintenance costs increased by R75m with external repairs being the major contributor in the KCDM area and additional costs incurred at Mhlabashane on the access road. Costs relating to EWS Wastewater contract of R31m also impact on the increase.

Inclusion of Richards Bay costs increasing costs by a further R42m leading to total increase of R225m.

## Other Operating and Administration Expenses and Net Finance Income



## Expected credit Losses

Expected credit losses raised during the year has reduced compared to last year due to the reversals for UMDM and a significantly lower expected credit loss for other significant customers.

## Staff Costs

Staff costs increase over prior year of R227m, mainly due to an expansion of operations to include Richards Bay region and a R56m increase on the short term bonus provision, standard pay and other pay related increases being the major contributors to the increase. Short term bonus provision increased with top-up of prior year provision following conclusion of performance assessment and increased provision for 2024 based on the revised performance management policy. Vacant positions is reducing the impact of the increase.

## Other Admin Expenses

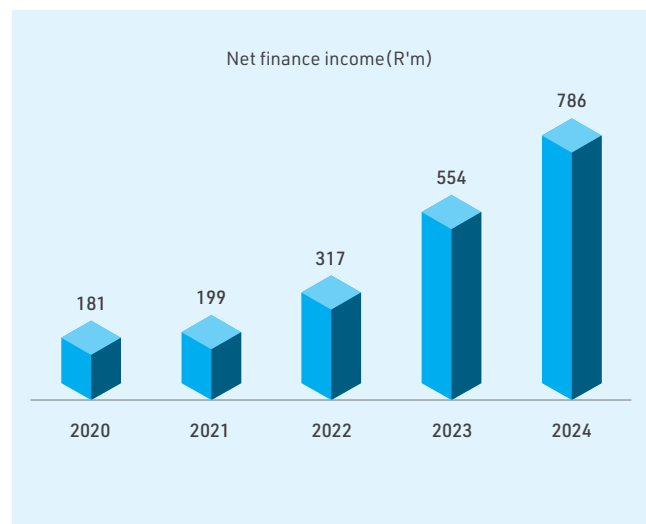
Total increase over prior year of R282m (30%) with enterprise supplier development initiatives, ICT system support costs, security, licences and insurance costs being the major contributors to the increases.

## Raw & Potable Water

Total raw & potable water cost increased by R66m (16%) compared to last year. Raw Water Increased over prior year with the volumes increase of 8% for Mgeni system and 11% for Hazelmere. Mgeni system tariff increase of 11%, Lower Thukela of 12% and Hazelmere with 8% also contributed to higher costs this year. In KCDM region raw & potable costs decreased by R18m as a result of the reduction in Potable water cost, resulting from adjustment made for price reduction implemented by City of uMhlathuze municipality (CoU) to King Cetshwayo District Municipality (KCDM).

## Staff Costs

Staff costs increase over prior year of R93m (25%) is driven by ST Bonus provision, overtime, standard pay and other pay related increases. Short term provision increased with top-up of prior year provision following conclusion of performance assessment and increased provision for 2024 based on the revised performance management policy.



ESD department has incurred significant cost this year for enterprise and supplier development with initiatives being undertaken with 4 institutions leading to an increase of R67m.

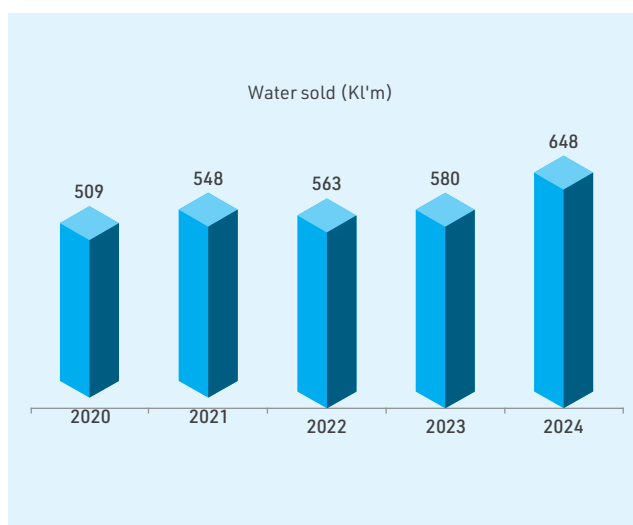
Maintenance increased resulting from high internal maintenance labour recoveries and renewals cost related to the Ludeke dam wall repairs project which is being undertaken by Infrastructure Development department. Inclusion of Richards Bay is increasing cost by R11m leading to total cost increase of R40m.

Licence costs increased by R41m (81%) with a once-off lump sum for UUW group wide EIM licence and additional costs incurred for ICT network hardware and software licencing renewals.

The ICT support cost increased with driven by the project to integrate Richards Bay region onto SAP of R118m with the additional SAP support costs incurred from November month onwards together with a dedicated SAP support team being provided to RB users based at the Richards Bay offices.

## Bulk Water Sales Volume Analysis

Bulk water sales volumes grew by 11.8%. The main source of increased sales volumes was from eThekweni Metro Municipality, Msunduzi Local Municipality and King Cetshwayo District Municipality.



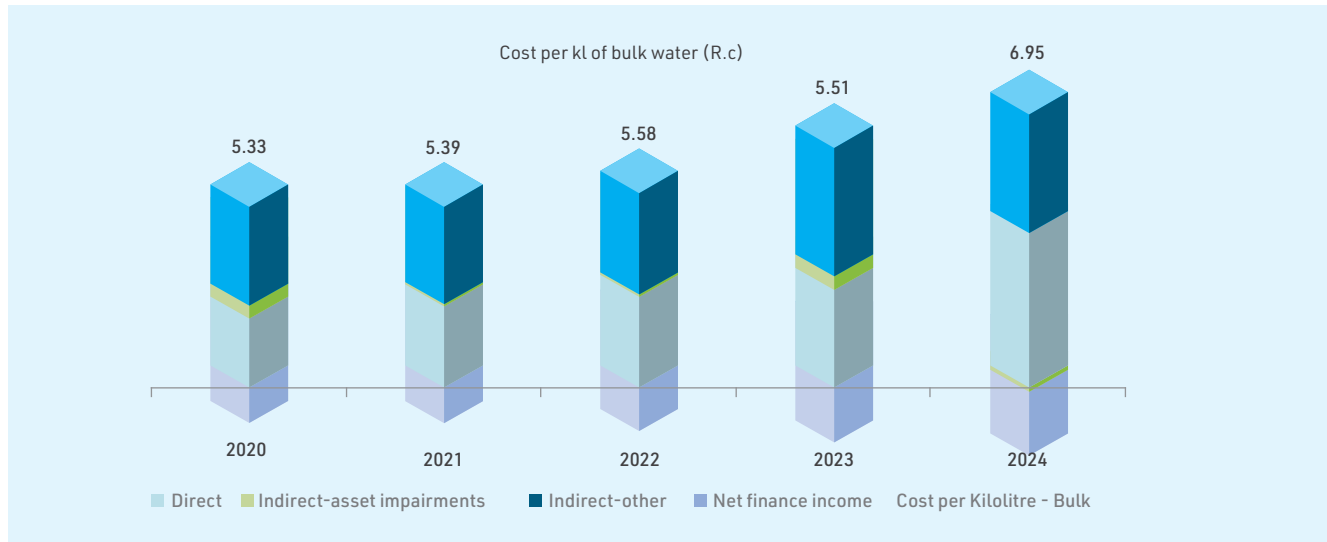
## Volume by customer and % change

|                 | 2020           | 2021           |             | 2022           |             | 2023           |             | 2024           |              |
|-----------------|----------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|--------------|
|                 | Kl'000         | Kl'000         | %           | Kl'000         | %           | Kl'000         | %           | Kl'000         | %            |
| EtheKwini       | 355 835        | 379 325        | (6.6%)      | 396 623        | 4.6%        | 409 534        | 3.3%        | 416 919        | 1.8%         |
| Other customers | 153 383        | 169 222        | (10.3%)     | 165 860        | (2.0%)      | 170 731        | 2.9%        | 231 945        | 35.9%        |
| Msunduzi        | 77 286         | 74 238         | 3.9%        | 80 844         | 8.9%        | 79 092         | (2.2%)      | 79 389         | 0.4%         |
| Umgungundlovu   | 22 905         | 26 425         | (15.4%)     | 26 805         | 1.4%        | 26 714         | (0.3%)      | 28 643         | 7.2%         |
| Siza            | 3 562          | 3 612          | (1.4%)      | 4 080          | 12.9%       | 5 015          | 22.9%       | 5 191          | 3.5%         |
| Ugu             | 13 543         | 14 272         | (5.4%)      | 14 566         | 2.1%        | 13 865         | (4.8%)      | 23 647         | 70.5%        |
| iLembe          | 20 731         | 23 536         | (13.5%)     | 22 686         | (3.6%)      | 24 995         | 10.2%       | 25 190         | 0.8%         |
| Harry Gwala     | 1 234          | 1 125          | 8.8%        | 1 230          | 9.3%        | 1 311          | 6.6%        | 1 294          | (1.3%)       |
| Uthukela        | 13 998         | 13 874         | 0.9%        | -              | (100.0%)    | -              | -           | -              | -            |
| King Cetshwayo  | -              | 12 054         | -           | 15 529         | 28.83%      | 19 610         | 100.0%      | 20 170         | 100.0%       |
| Other           | 124            | 86             | 30.9%       | 120            | 40.07%      | 129            | 7.5%        | 107            | (16.8%)      |
| Mondi           | -              | -              | -           | -              | -           | -              | -           | 25 394         | 100.0%       |
| COU - Empangeni | -              | -              | -           | -              | -           | -              | -           | 12 867         | 100.0%       |
| COU - R/Bay     | -              | -              | -           | -              | -           | -              | -           | 10 054         | 100.0%       |
| <b>Total</b>    | <b>509 218</b> | <b>548 547</b> | <b>7.7%</b> | <b>562 483</b> | <b>2.5%</b> | <b>580 265</b> | <b>3.2%</b> | <b>648 864</b> | <b>11.8%</b> |



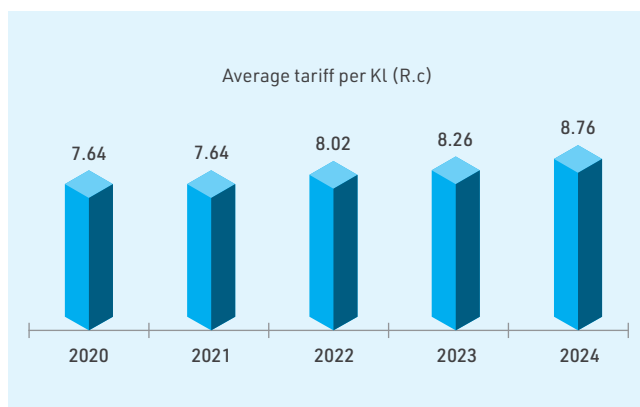
### Bulk Water Cost Per Kilolitre (Kl)

The cost of bulk water per kl increased by 9.8% mainly due to the increases in the main cost drivers which includes raw and potable water charges and maintenance costs, associated with the plants operated at King Cetshwayo District municipality in line with the bulk supply agreement implemented in the 2023/24 financial year.

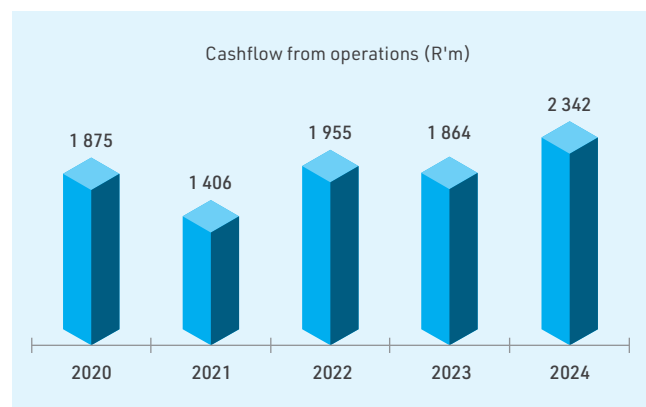


### Bulk Water Tariff

The average uMngeni-uThukela Water bulk water tariff increase for 2023/24 was approved and the bulk water tariff increase for the financial year 2023/2024, effective 1 July 2023. The average tariff per Kl increased from R8.26 to R8.76 per kilo litre which is equivalent to 6% increase.



Net cash used in financing activities totalled (R165m) (2023: R146m) which consisted of R35m (2023: R25m) loan repayments, interest paid of R122m (2023: R120m) and redemption investments purchased.



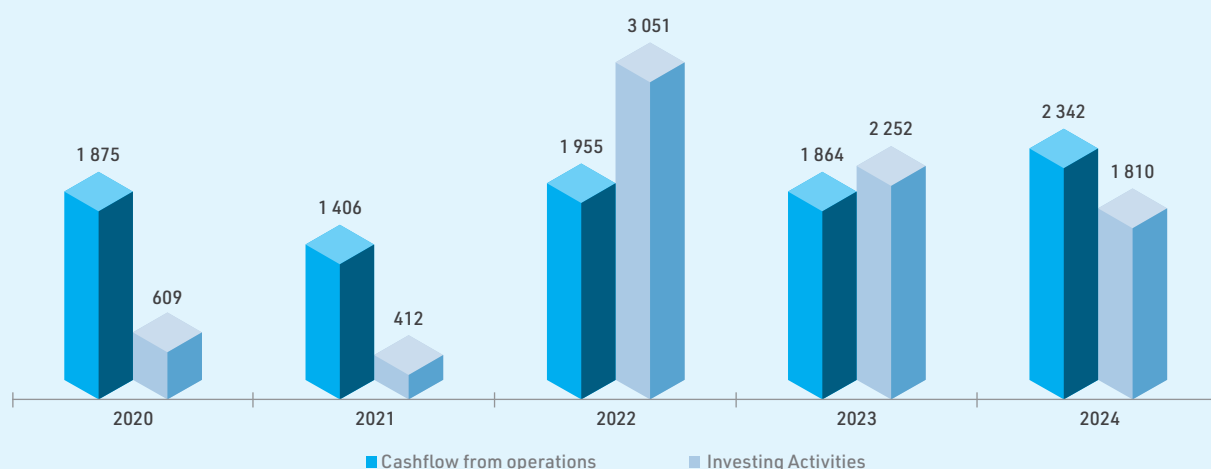
### Cash Flow Analysis

Operating cash flows totalled R2 342m (2023: R1 864m). The 25% increase is primarily due to the increase in cash from operations before the working capital changes.

Net cash used in investing activities were R1 810m (2023: R2 252m) consisting of R2 608m (2023: R1 792m) additions to property, plant & equipment offset by R234m (2023: R642m) Regional bulk infrastructure grant funding received for development projects, while additions to intangible assets were R231m (2023: R9m).

Investments increased by R118m (2023: R1 167m) as a result of Regional bulk infrastructure grants received and delays in capital expenditure and interest received of R526m (2023: R222m).

Cash flows from operations vs cash used in investing activities (R'm)



## Capital Projects

The capital expenditure programme is based on uMngeni-uThukela Water's Infrastructure Master Plan which is aligned to the KZN Bulk Water Supply Plan. The Infrastructure Master Plan is updated annually and outlines the organisation's future bulk infrastructure requirements to meet the regional demands. The capital infrastructure programme is drawn from this Master Plan and structured according to provincial and local strategic priorities. The capital expenditure programme is estimated at R19.8 billion for the next 5 years as per the Corporate Business Plan for 2025.

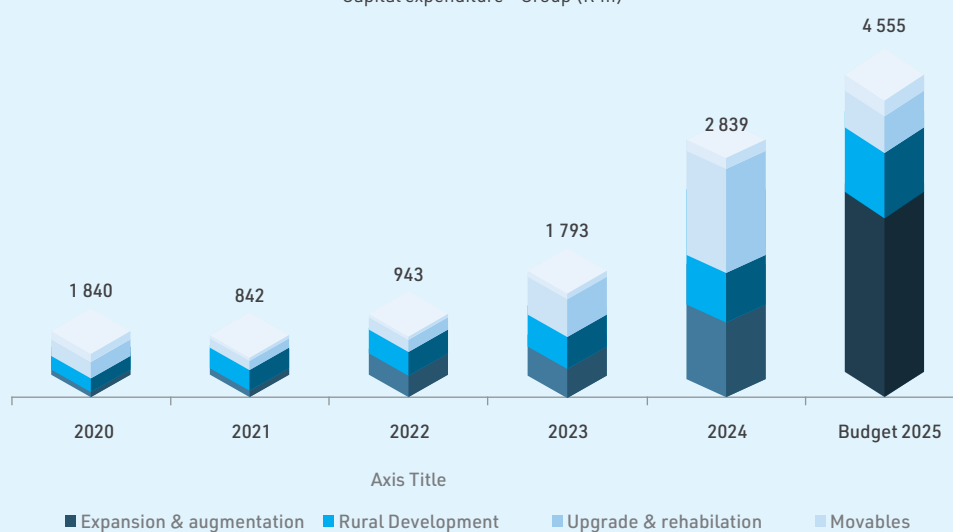
The capital expenditure commitments for the next five years will be funded through a combination of available cash investments, operating cash flows, new debt and regional bulk infrastructure grants.

For further details on the funding requirements, refer to section 8.1.

## Capital Expenditure

During the year capital expenditure including intangible assets against the targets set for 2023/2024 totalled R2.839m (2023: R2 758m). Details of major projects are included in the infrastructure section of the annual report on page 76.

Capital expenditure - Group (R'm)



## Development Projects

In response to customer water demands and the need to eliminate water service delivery backlogs, a specific allocation of R5.7 billion for development projects has been made for the period 2025 to 2029.

Due to their developmental nature, there is a need for government support via subsidy or grant funding for part of the social component of the development projects which cannot be recovered through the existing tariff structure. The social component carried by uMngeni-uThukela Water is reflected in the statement of profit and loss as impairments. These impairments are recognised during the construction period and reflected in work in progress on a progressive basis.

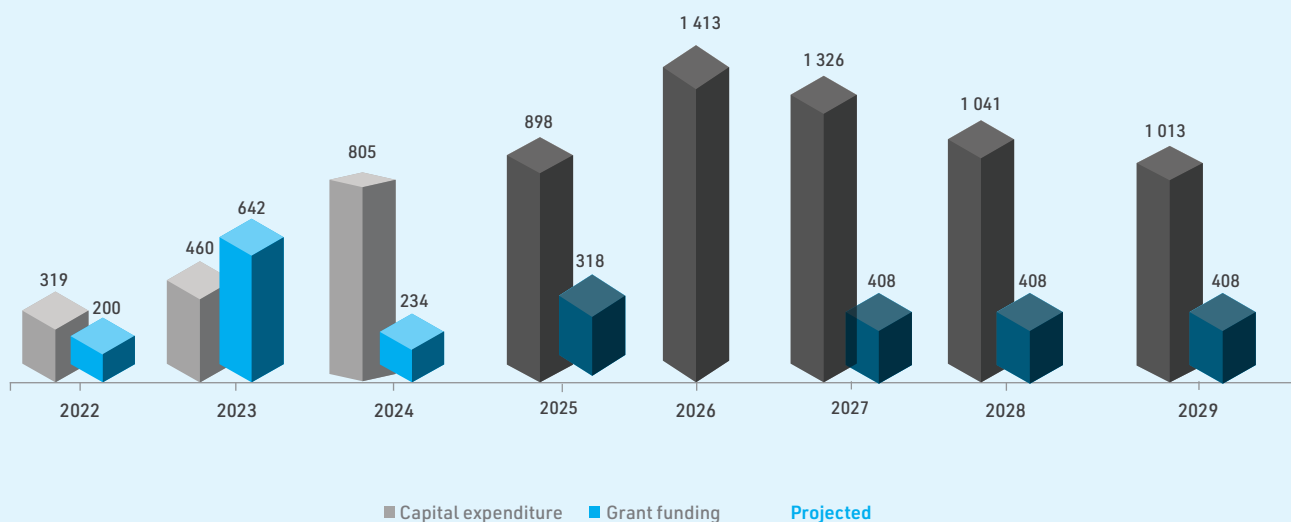
### Development projects funding & impairments June 2024

| Project                                                | System      | Total Project cost | Project funding split                      |                           | Total project Cost June 2024 | Impairment | 2024 Impairment |
|--------------------------------------------------------|-------------|--------------------|--------------------------------------------|---------------------------|------------------------------|------------|-----------------|
|                                                        |             |                    | Regional bulk infrastructure grant funding | UUW Funding               |                              |            |                 |
|                                                        |             | R'000              | R'000                                      | R'000                     | R'000                        | %          | R'000           |
| Mhlabatshane Sub regional scheme ph2 (Mzimkhulu River) | South Coast | 1 322 660          | 0%                                         | 1 322 660<br>100%         | 21 790                       | 67%        | (2 324)         |
| Lower Umkomazi Bulk Water Scheme                       | South Coast | 8 623 422          | 804 348<br>9%                              | 7 819 074<br>91%          | 939 734                      | 6%         | (18 123)        |
| Maphumulo Bulk Supply (Phase 3 and 4)                  | Upper Mvoti | 616 750            | 109 241<br>18%                             | 507 509<br>82%            | (13 701)                     | 0%         | -               |
| Mpophomeni WWW and Mpophomeni Sewer Outfall            | WWW         | 702 158            | 0%                                         | 702 158<br>100%           | 590 445                      | 100%       | 154 518         |
| Trustfeeds WWW Plant Automation                        | WWW         | 9 763              | 0%                                         | 9 763<br>100%             | 9 763                        | 100%       | 2 032           |
| Ilovu River Raw Water Transfer Pump Station            | South Coast | 17 087             | 0%                                         | 17 087<br>100%            | 17 087                       | 100%       | 12 976          |
| Weza Harding Abstraction and Pipeline                  | South Coast | 210 821            | 0%                                         | 210 821<br>100%           | 143 000                      | 2%         | (12 271)        |
| N3 Corridor WWW                                        | WWW         | 169 644            | 0%                                         | 169 644<br>100%           | 96 861                       | 57%        | 41 594          |
| <b>Total</b>                                           |             | <b>11 672 305</b>  | <b>913 589<br/>8%</b>                      | <b>10 758 716<br/>92%</b> | <b>1 804 979</b>             |            | <b>178 403</b>  |

Impairments on development infrastructure commissioned and included under buildings and infrastructure totalled R187m (2023: R292m). Further details on impairments are included in note 9 of the financial statements.



Capital expenditure on development projects and grant funding (R'm)



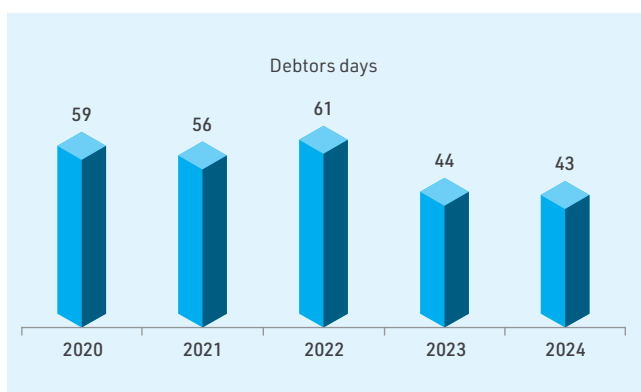
The projected capital expenditure is per the approved 2025 business plan, whilst the projected grant funding is per the latest approved RBIG funding schedule received from the Department of Water and Sanitation.

## Accounts Receivable

Group trade and other receivables totalled R1 429m (2023: R1 219m) which comprises both current and non-current components. This amounts to 17% increase from prior year. Trade debtor's days were 43 (2023: 44) at the end of the reporting period.

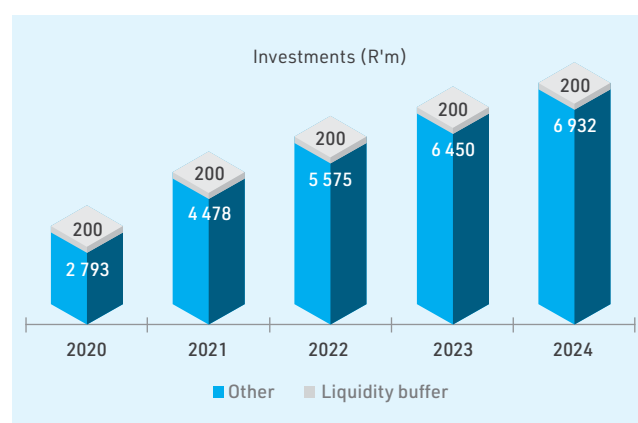
The allowance for credit losses were R2 142m (2023: R1 607m), a 33% increase after taking into account the increase in credit risk as a result of the overdue amounts from bulk customers.

Further details on trade and other receivables are included in note 16 of the financial statements.



## Investments

Financial investments totalled R6 932m (2023: R6 450m), a 8% increase due to delays in capital expenditure and Regional bulk infrastructure grant funding received and an increase in financial



Receivables grew by 17% to R1 429m, while investments rose by 8% to R6 932m. Credit losses increase by 33% to R2 142m.

## Debt Management

Debt Management is a key focus area at uMngeni-uThukela Water and is integral to the delivery of sustainable financial business solutions. uMngeni-uThukela Water targets a debt: equity ratio of 0.30 and an interest rate structure of 70% fixed and 30% variable.

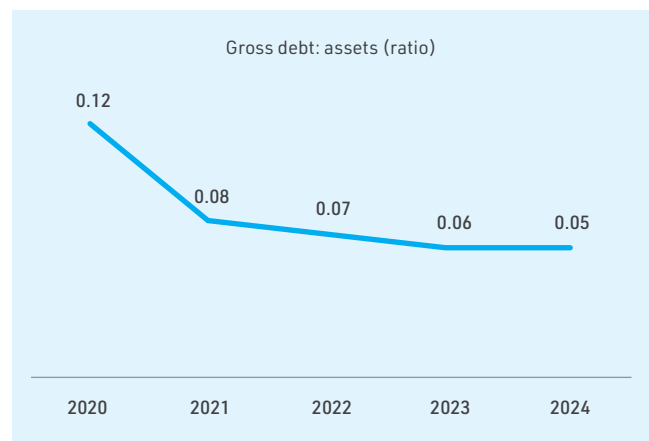
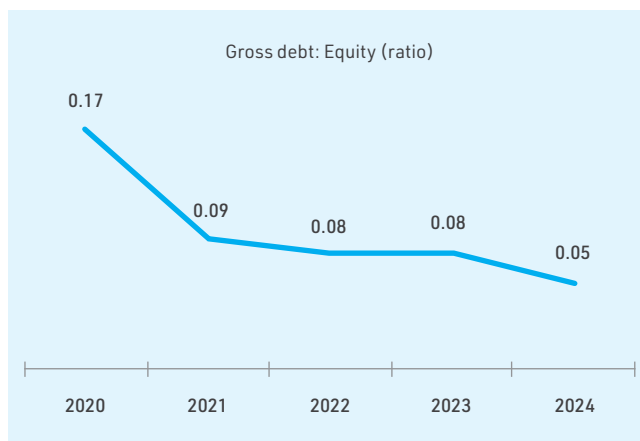
The gross debt: equity ratio has reduced at 0.06 (2023: 0.08) while the interest rate structure was 95% fixed and 5% variable (2023: 93% fixed and 7% variable). The high fixed rate structure is as a result of

the UG26 bond in issue. The gross weighted average cost of capital was 11.044% (2023: 10.79%).

All loan covenant requirements were met during the financial year ended 30 June 2024.

During the year R157m collectively was repaid towards the DBSA and EIB loans and R935m will be repaid on the redemption of the UG26 bond in March 2026.

|            | 2024      | 2023      |
|------------|-----------|-----------|
|            | R'000     | R'000     |
| Long-term  | 1 039 043 | 1 058 710 |
| Short-term | 68 719    | 58 153    |



## Funding Requirements

uMngeni-uThukela Water will continue to fund its operating and capital expenditure requirements in the most cost-effective way while diversifying its sources of funding. uMngeni-uThukela Water's funding sources encompass:

- General banking facilities.
- Development funding institutions include the DBSA and the EIB.
- Issuing short-term and long-term notes under the DMTN Program.
- Bank loans include bridging facilities and revolving credit facilities that can be used in the short term.

As per the Corporate Business Plan for 2025 detailed cash flow forecasts have been prepared for the next five years, taking into account the group's R19.8 billion planned capital expenditure (unescalated) and is detailed in the table that follows:

|                                                                                                               | Short Term     | Medium Term |           |           | Long Term  |
|---------------------------------------------------------------------------------------------------------------|----------------|-------------|-----------|-----------|------------|
| Financial Year                                                                                                | 2025           | 2026        | 2027      | 2028      | 2029       |
|                                                                                                               | R'm            | R'm         | R'm       | R'm       | R'm        |
| Operational Cash flows                                                                                        | 1 541          | 2 089       | 2 448     | 3 150     | 3 511      |
| CapEx - (Escalated)                                                                                           | (4 555)        | (4 359)     | (3 882)   | (3 500)   | (3 551)    |
| Net Operating cash (shortfall) after capex                                                                    | (3 014)        | (2 270)     | (1 434)   | (350)     | (40)       |
| Capex - Grants: Confirmed                                                                                     | 318            | -           | 408       | 408       | 408        |
| Net Financing activities (Includes New Debt, repayment of existing financial instruments & Net finance costs) | (279)          | 2 180       | 1 125     | 35        | (372)      |
| <b>Annual Funding Requirements</b>                                                                            | <b>(2 975)</b> | <b>(90)</b> | <b>98</b> | <b>92</b> | <b>(4)</b> |

The funding requirements in the short to medium term will be funded via operating cash flows, the utilisation of existing financial investments, grant funding and new debt to be raised in 2024/2025. The funding strategy takes cognisance of the funding levels projected in terms of determining the required borrowing limits for the years 2024/2025 to 2028/2029 as well as compliance with the covenants. Further details of the various sources of funding available to uMngeni-uThukela Water can be found in note 30 of the financial statements.

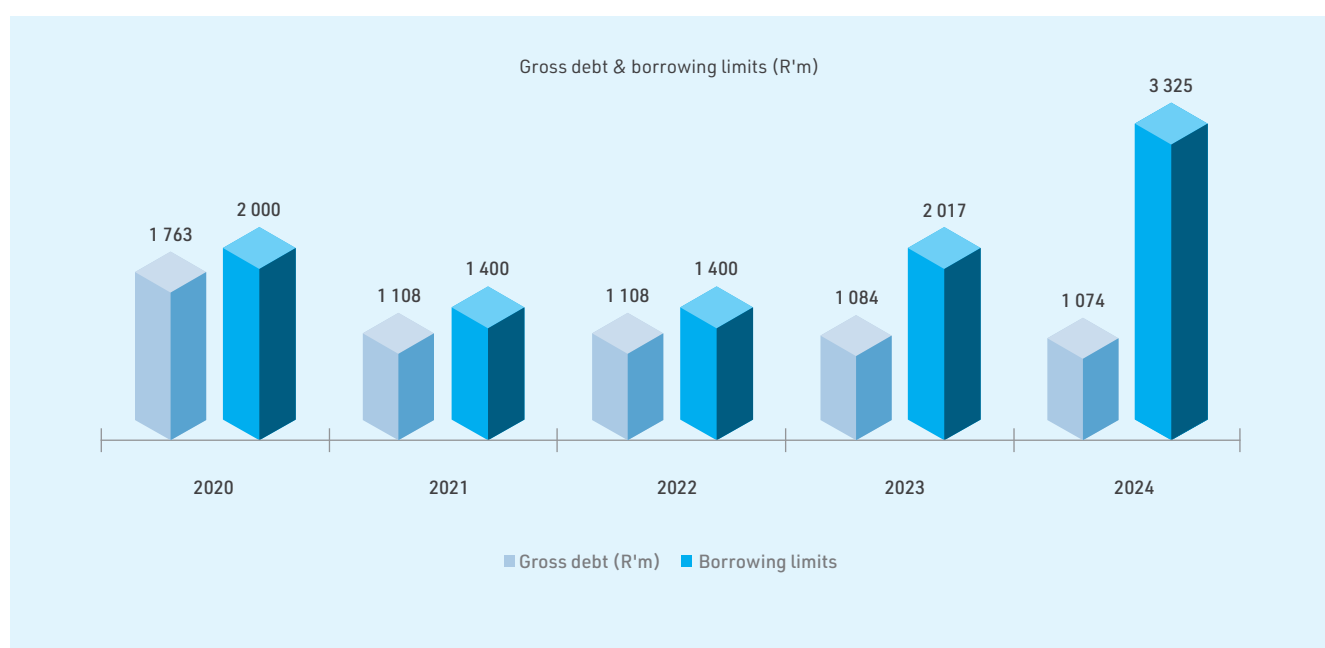
### Borrowing Limits

The borrowing limits for the period 2024 to 2026 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance. The borrowing limits are applicable to the value of gross borrowings, collateral & guarantees exposure and may not exceed the approved limits.

|              | Total Borrowing Limit R'm |
|--------------|---------------------------|
| 30 June 2024 | 3 325                     |
| 30 June 2025 | 4 534                     |

Utilisation of the borrowing limit as at 30 June 2024 was as follows:

|                           |                 |
|---------------------------|-----------------|
| Actual gross borrowings   | R1 074m         |
| Collateral and guarantees | R 7m            |
| Total actual borrowings   | R1 081m         |
| Borrowing limit           | R3 325m         |
| <b>Underutilisation</b>   | <b>R 2 244m</b> |





## Credit Ratings

There were revisions to the credit ratings in the current year.

| Rating Agency                                 | Date of rating re-affirmation or change | Long-term Rating | Short-term rating |
|-----------------------------------------------|-----------------------------------------|------------------|-------------------|
| <b>Standard &amp; Poor's (National Scale)</b> | 14 June 2024                            | zaAAA            | zaA-1+            |
| <b>Fitch Ratings</b>                          | 01 September 2023                       | AA+(zaf)         | F1+(zaf)          |

Standard & Poor's places particular emphasis on the critical role of uMngeni-uThukela Water to the government and the integral link thereto, whilst Fitch Ratings places more emphasis on uMngeni-uThukela Water's liquidity position.

## Retirement Benefit Obligations

### Defined Benefit Pension Plan

In terms of IAS19, the group's retirement benefit plan is in an under-funded position of R9m (2023: Nil) and in terms of the approved accounting policy the full amount has been recognised in the statement of financial position in order to account for this liability. Further details are disclosed in note 25 of the financial statements.

### Retirement Medical Aid

This scheme is currently unfunded and the group has recognised its full past service liability in the statement of financial position at the actuarial valuation of R383m (2023: R361m). Further details are disclosed in note 25 of the financial statements.

## Financial Risks

As in most state owned enterprises/entities, uMngeni-uThukela Water is faced with financial risks that need to be effectively managed in order to ensure that any negative impact on the group's financial performance and position is minimised.

Credit risk remained one of the top strategic financial risks faced by the organisation. All customers assessed with a high credit risk with overdue amounts have been included in the allowance for credit losses. Processes are in place with monitoring at Accounting Authority level to manage this risk and the group will follow the necessary processes as legislated to allow for collection of the overdue amounts whilst managing the service delivery objectives.

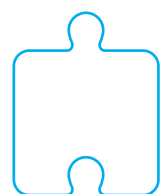
The operating environment has been assessed and where municipal customers were considered an increase in credit risk exposure, these were provided for in terms of the potential impact on credit losses to the organisation.

The major financial risks to the organisation and the mitigating strategies are analysed in note 30 on financial risk management to the financial statements and the Corporate Risk Management Framework on pages 122-132 of the annual report..

## Looking Ahead

The financial results of 2023/24 reflected an enhanced image of a water board intending to cover the KwaZulu-Natal province. The financial sustainability and viability indicated that UUW has what it takes to live up to the expectation of a water board that can serve the rest of the province. The increase in revenue over the increase in expenditure further reduces a risk of any financial difficulties that may be experienced. The approval of business plan and projection for gross borrowings also provides assurance that in the near future, the origination is in a right track financially and can be able to accomplish its strategic goals in the short term and long term. The financial position of UUW is furthermore on the rise, demonstrated by the increase in the asset base, this also provide opportunities in terms of ensuring that effective and efficient ways are employed to maximise conversion of assets to return thereby improving production, return on assets and investing in infrastructure.

The group has a R9m pension shortfall and R383m medical aid liability. Credit risks are managed, and UUW's financials are improving with revenue growth and a solid plan for long-term goals.



## Group Five-Year Key Performance Indicators

|                                                                                                                      | 2024    | 2023<br>Restated | 2022<br>Restated | 2021    | 2020    | 2023-2024<br>Movement |
|----------------------------------------------------------------------------------------------------------------------|---------|------------------|------------------|---------|---------|-----------------------|
| <b>Performance criteria/indicators</b>                                                                               |         |                  |                  |         |         |                       |
| Total revenue (R'm)                                                                                                  | 6 896   | 5 253            | 4 909            | 4 528   | 4 154   | 31.28%                |
| Profit from operations/revenue                                                                                       | 0.10    | 0.23             | 0.19             | 0.23    | 0.26    | (56.64%)              |
| Total expenditure/revenue                                                                                            | 0.79    | 0.71             | 0.75             | 0.74    | 0.70    | 12.03%                |
| Cost of sales/revenue                                                                                                | 0.46    | 0.42             | 0.40             | 0.39    | 0.36    | 8.66%                 |
| Capex spend (R'm) (including intangibles)                                                                            | 2 839   | 1 802            | 943              | 842     | 840     | 57.62%                |
| <b>Bulk water business segment</b>                                                                                   |         |                  |                  |         |         |                       |
| Treated water volume sold (Kl'000)                                                                                   | 648 864 | 580 266          | 562 483          | 548 547 | 509 217 | 11.82%                |
| Raw water volume sold (Kl'000)                                                                                       | 556     | 460              | 593              | 544     | 427     | 20.87%                |
| Total water sold (kl'000)                                                                                            | 649 420 | 580 726          | 563 076          | 549 091 | 509 644 | 11.83%                |
| Bulk water tariff 1 - Other Water Service Authority customers (Rc/kl)                                                | 9.118   | 8.365            | 8.121            | 7.734   | 7.734   | 9.00%                 |
| Bulk water tariff 2 - eThekweni MM (Rc/kl)                                                                           | 8.651   | 8.200            | 7.961            | 7.582   | 7.582   | 5.50%                 |
| Bulk water tariff 3 - KCDM(Rc/kl)                                                                                    | 13.132  | 12.048           | 11.697           | 11.140  | n/a     | 9.00%                 |
| Bulk water tariff 3 - CoU(Rc/kl)                                                                                     | 6.437   | -                | -                | -       | -       | 100.00%               |
| Bulk water tariff 3 - RB Industries(Rc/kl)                                                                           | 7.347   | -                | -                | -       | -       | 100.00%               |
| WRC levy (Rc/kl)                                                                                                     | 0.067   | 0.067            | 0.067            | 0.067   | 0.067   | -                     |
| Total bulk cost/volume sold (Rc/kl) (1)                                                                              | 7.13    | 5.58             | 5.41             | 5.02    | 4.24    | 27.78%                |
| Kl'000 sold per employee (1)                                                                                         | 420     | 383              | 405              | 401     | 378     | 9.66%                 |
| <b>Operating risk indicators</b>                                                                                     |         |                  |                  |         |         |                       |
| Working ratio                                                                                                        | 0.81    | 0.71             | 0.73             | 0.69    | 0.65    | 13.44%                |
| <i>Operating costs (excluding depreciation and amortisation) divided by revenue</i>                                  |         |                  |                  |         |         |                       |
| Rate of return on assets                                                                                             | 4.35%   | 5.24%            | 12.33%           | 10.76%  | 11.48%  | (58.45%)              |
| <i>Profit from operations divided by assets (excluding investments)</i>                                              |         |                  |                  |         |         |                       |
| Gross profit margin ratio                                                                                            | 54.28%  | 57.92%           | 59.95%           | 64.08%  | 61.48%  | (6.29%)               |
| Debtors collection period (days) after provision for doubtful debts                                                  | 43      | 44               | 61               | 56      | 59      | (2.27%)               |
| <i>Trade and other receivables (excluding amounts not recognised in revenue) divided by revenue (Incl VAT) x 365</i> |         |                  |                  |         |         |                       |
| <b>Financial risk indicators</b>                                                                                     |         |                  |                  |         |         |                       |
| Current ratio                                                                                                        | 3.93    | 6.13             | 6.56             | 4.88    | 2.61    | (35.95%)              |
| <i>Current assets divided by current liabilities</i>                                                                 |         |                  |                  |         |         |                       |
| Interest cover before interest capitalised                                                                           | 5.47    | 9.86             | 10.78            | 6.40    | 5.63    | (44.53%)              |
| <i>Profit from operations divided by finance costs before interest capitalised</i>                                   |         |                  |                  |         |         |                       |
| Debt :equity ratio                                                                                                   | 0.06    | 0.08             | 0.09             | 0.10    | 0.17    | (18.67%)              |
| <i>Total interest-bearing debt divided by capital and reserves</i>                                                   |         |                  |                  |         |         |                       |
| Debt :asset ratio                                                                                                    | 0.05    | 0.06             | 0.07             | 0.08    | 0.12    | (19.78%)              |
| <i>Total interest-bearing debt divided by total assets</i>                                                           |         |                  |                  |         |         |                       |

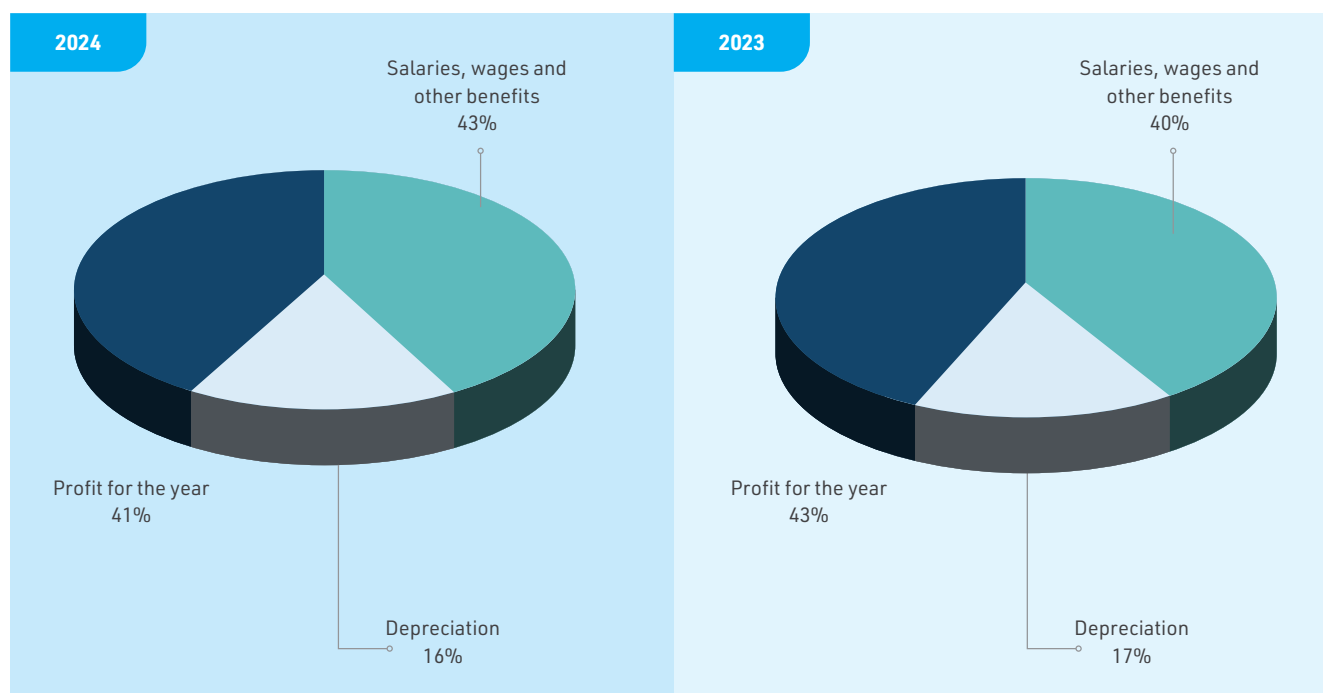
## Group Five-Year Key Performance Indicators (Continued)

|                                             | 2024             | 2023<br>Restated | 2022<br>Restated   | 2021             | 2020             |
|---------------------------------------------|------------------|------------------|--------------------|------------------|------------------|
|                                             | R'000            | R'000            | R'000              | R'000            | R'000            |
| <b>Financial position</b>                   |                  |                  |                    |                  |                  |
| Capital and reserves                        | 17 602 513       | 14 395 119       | 13 152 530         | 9 119 947        | 7 715 959        |
| Net debt                                    | (5 069 062)      | (5 180 436)      | (3 876 488)        | (1 086 515)      | (596 506)        |
| Assets excluding investments                | 15 609 894       | 11 284 792       | 11 145 789         | 9 864 092        | 8 770 196        |
| Total interest-bearing debt (nominal value) | 1 074 227        | 1 133 226        | 1 133 226          | 1 792 900        | 1 871 912        |
| Total investments                           | 6 176 824        | 6 297 299        | 5 018 186          | 2 933 144        | 2 524 446        |
| Total assets                                | 21 786 718       | 17 582 091       | 16 131 392         | 12 797 236       | 11 294 642       |
| <b>Financial performance</b>                |                  |                  |                    |                  |                  |
| Revenue                                     | 6 895 942        | 5 252 802        | 4 909 454          | 4 528 237        | 4 154 375        |
| Cost of sales                               | (3 152 893)      | (2 210 254)      | (1 966 084)        | (1 788 513)      | (1 492 297)      |
| <b>Gross Profit</b>                         | <b>3 743 049</b> | <b>3 042 548</b> | <b>2 943 370</b>   | <b>2 739 724</b> | <b>2 662 078</b> |
| Other income (expenses)                     | 15 371           | 190 377          | 13 840             | 81 688           | 13 067           |
| Other operating and administration expenses | (3 079 615)      | (2 641 046)      | (1 582 732)        | (1 762 966)      | 1 596 866        |
| <b>Profit from operations</b>               | <b>678 805</b>   | <b>591 879</b>   | <b>1 374 478</b>   | <b>1 058 446</b> | <b>4 272 011</b> |
| Net finance income                          | 785 573          | 553 985          | 316 716            | 199 376          | 181 288          |
| Share of profit from associate              | 4 011            | 2 548            | 4 088              | 4 853            | 5 441            |
| <b>Profit before taxation</b>               | <b>1 468 389</b> | <b>1 148 412</b> | <b>1 695 282</b>   | <b>1 262 675</b> | <b>4 458 740</b> |
| Taxation                                    | (184)            | (187)            | (42)               | (23)             | (31)             |
| <b>Profit for the year</b>                  | <b>1 468 205</b> | <b>1 148 225</b> | <b>1 695 240</b>   | <b>1 262 652</b> | <b>4 458 709</b> |
| <b>Cash flow</b>                            |                  |                  |                    |                  |                  |
| Net cash from operating activities          | 2 342 445        | 1 863 596        | 1 955 080          | 1 875 365        | 1 563 404        |
| Net cash used in investing activities       | (1 810 031)      | (2 251 818)      | (3 050 629)        | (609 107)        | (1 047 016)      |
| <b>Net cash generated (utilised)</b>        | <b>532 414</b>   | <b>(388 222)</b> | <b>(1 095 549)</b> | <b>1 266 258</b> | <b>516 389</b>   |
| Net cash used in financing activities       | (164 953)        | (146 270)        | (151 890)          | (973 376)        | (1 332 307)      |
| Net increase (decrease) for the year        | 290 420          | 824 912          | 1 247 439          | (20 654)         | 66 049           |
| <b>Net cash (utilised) generated</b>        | <b>657 881</b>   | <b>290 420</b>   | <b>-</b>           | <b>272 228</b>   | <b>(749 869)</b> |



## Value Added Statement

|                                              | 2024             | 2023             | 2022             | 2021             | 2020             |
|----------------------------------------------|------------------|------------------|------------------|------------------|------------------|
|                                              | R'000            | R'000            | R'000            | R'000            | R'000            |
| Gross revenue                                | 6 895 942        | 5 252 802        | 4 909 454        | 4 528 237        | 4 154 375        |
| Paid to suppliers for materials and services | (4 127 729)      | (3 134 039)      | (2 475 465)      | (2 166 971)      | (1 734 039)      |
| <b>Value added</b>                           | <b>2 768 213</b> | <b>2 118 763</b> | <b>2 339 977</b> | <b>2 420 336</b> | <b>2 351 873</b> |
| Income from investments and customers        | 788 138          | 554 603          | 327 051          | 249 397          | 285 917          |
| <b>Total wealth created</b>                  | <b>3 556 351</b> | <b>2 673 366</b> | <b>2 761 040</b> | <b>2 610 663</b> | <b>2 706 253</b> |
| Salaries, wages and other benefits           | 1 506 263        | 1 076 081        | 1 072 717        | 926 652          | 968 990          |
| Providers of debt capital                    | 2 565            | 619              | 10 335           | 50 021           | 104 629          |
| Depreciation                                 | 579 318          | 448 441          | 436 625          | 371 338          | 367 639          |
| Profit for the year                          | 1 468 205        | 1 148 225        | 1 241 363        | 1 262 652        | 1 264 995        |
| <b>Total wealth distributed</b>              | <b>3 556 351</b> | <b>2 673 366</b> | <b>2 761 040</b> | <b>2 610 663</b> | <b>2 706 253</b> |



## Employee Statistics

|                                     | 2024  | 2023  | 2022  | 2021  | 2020  | 2023-2024 Movement |
|-------------------------------------|-------|-------|-------|-------|-------|--------------------|
| Number of employees as at year-end  | 1 547 | 1 519 | 1 374 | 1 355 | 1 273 | 1.84%              |
| Gross revenue per employee (R'000)  | 4 458 | 3 458 | 3 573 | 3 342 | 3 263 | 28.91%             |
| Value added per employee (R'000)    | 1 789 | 1 428 | 1 727 | 1 727 | 1 901 | 25.31%             |
| Wealth created per employee (R'000) | 2 299 | 1 793 | 1 882 | 1 911 | 2 126 | 28.20%             |

## Statement of Directors Responsibilities and Approval of the Annual Financial Statements

The Directors are responsible for the integrity, preparation and fair presentation of the annual financial statements of uMngeni-uThukela Water and its subsidiaries (the group). The Directors are required by the Public Finance Management Act No.1 of 1999 to keep full and proper records of the financial affairs of the group and its performance against predetermined objectives at the end of the year.

The financial statements set out in this report have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by National Treasury in terms of section 79 of the Public Finance Management Act No.1 of 1999, as amended, and in the manner required by the Water Services Act No. 108 of 1997. The preparation of financial statements in conformity with IFRS requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The Directors are also responsible for the oversight of the group's system of internal controls. To enable the directors to meet their responsibilities, the Board sets standards and management implement systems of internal control aimed at reducing the risk of error or loss in a cost effective manner. These standards include policies, procedures, proper division of responsibilities within a clearly defined framework and effective accounting procedures to ensure an acceptable level of risk. Both management and internal audit monitor controls and actions are taken to correct deficiencies as they are identified.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risks cannot be fully eliminated, the group strives to minimise these risks by ensuring that appropriate infrastructure, controls, systems and ethical behavior are applied and managed within predetermined procedures and constraints.

The external auditor is responsible for independently auditing and expressing an independent opinion on the financial statements in accordance with International Standards on Auditing, the Public Audit Act No. 25 of 2004, Public Finance Management Act No.1 of 1999 and the Companies Act No. 71 of 2008. The entity's external auditor, Auditor-General of South Africa, has audited the financial statements after

having been provided unrestricted access to all financial records and related data. The Directors believe that all representations made to the external auditor during the audit were valid, appropriate and complete.

Apart from the non-compliance to legislation noted in the SCM processes resulting in irregular expenditure, nothing significant has come to the attention of the Directors to indicate that any material breakdown in the functioning of controls, procedures and systems has occurred during the year under review. The Directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements and that accountability for assets and liabilities is maintained.

The Audit Committee has evaluated uMngeni-uThukela Water and the group's financial statements and has recommended its approval to the Directors. The Audit Committee's approval is set out on page 173.

The Directors have reviewed the group's forecast financial performance for the year to 30 June 2024 as well as the longer term business plans and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue as a going concern for the foreseeable future. Any increase in credit risk has been adequately taken into account in the allowance for credit losses.

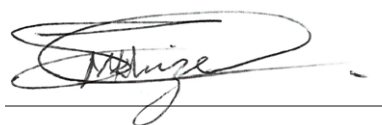
In the opinion of the Directors, based on the information available to date, the financial statements fairly present the financial position of uMngeni-uThukela Water and the group as at 30 June 2024 and the results of its operations and cash flow information for the year then ended.

### PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS

The financials have been prepared on a going concern basis under the supervision of the Chief Financial Officer, Mr Thamsanqa Mkhwanazi CA (SA). The financial statements set out on pages 187 to 264 were approved by the Accounting Authority on 172 .



**Adv. Vusi Khuzwayo SC**  
Chairperson of the Board



**Mr Sandile Psychology Mkhize**  
Chief Executive

# Report of the Audit Committee in terms of Regulation 27.1 of the Public Finance Management Act No. 1 Of 1999, as amended

The Audit Committee has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

The Debt Officer for the period ending 30 June 2024 was Mr. Thamsanqa Mkhwanazi CA(SA).

In the conduct of its duties, the Audit Committee has, inter alia, conducted the following oversight functions:

## Financial and non-financial reporting and disclosures

- The adequacy, reliability and accuracy of financial information provided by management;
- the experience, expertise and resources of the Chief Financial Officer and the finance function;
- considered whether the annual financial statements met the fair presentation requirements of the PFMA and International Financial Reporting Standards;
- considered the appropriateness of key judgements, estimates and accounting treatment related to significant transactions in the annual financial statements;
- The committee acknowledged that improvement is required in respect of compliance with applicable laws and regulations. In line with the Board's commitment to ensure proper governance protocols, all of the recommendations in the Auditor-General's report are being implemented so that the governance vision and objectives set by the Board are achieved. Additional legal support being received will strengthen measures already implemented to address the issue of irregular expenditure and consequence management thereof.

## Internal control, risk management and compliance with legal and regulatory provisions:

- The effectiveness of the internal control systems;
- the risk areas of the entity's operations covered in the scope of internal and external audits;
- the effectiveness of the system and process of risk management including the following specific risks:
  - financial reporting;
  - internal financial controls;
  - fraud risks relating to financial reporting; and
  - information technology risks relating to financial reporting;
- the effectiveness of the entity's compliance with legal and regulatory provisions.

## Internal and external audit:

- Accounting and auditing concerns identified as a result of internal and external audits;
- the effectiveness of internal audit;

- the activities of internal audit, including its annual work programme, coordination with the external auditor, the reports of significant investigations and the responses of management to specific recommendations; and
- the independence and objectivity of the external auditor, the Auditor General.

## The Audit Committee is of the opinion, based on the information and explanations given by management and internal audit and discussions with the independent external auditors on the result of their audits, that:

- The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained;
- the expertise, resources and experience of the Chief Financial Officer and the finance function are adequate;
- the system and process of risk management and compliance processes are adequate;
- the effectiveness of the combined assurance function is adequate and the internal audit charter was approved by the audit committee; and
- is satisfied with the independence and objectivity of the external auditors.

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The Audit Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

In line with the principles of combined assurance as outlined in King IV report on corporate governance, uMngeni-uThukela Water has developed a combined assurance model which provides a coordinated approach to all assurance activities.

The Audit Committee has evaluated the financial statements of uMngeni-uThukela Water and the group for the year ended 30 June 2024 and, based on the information provided to the Audit Committee, considers that they comply, in all material respects, with the requirements of the Public Finance Management Act No. 1 of 1999, as amended, and International Financial Reporting Standards. The Audit Committee concurs with the Accounting Authority that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The Audit Committee has therefore recommended, at their meeting held on 29 October 2024 the adoption of the financial statements by the Accounting Authority.



**Ms Thandazile Mhlongo**  
Audit Committee Chairperson

## Directors' Report

In terms of the Public Finance Management Act No. 1 of 1999, as amended, the Board of uMngeni-uThukela Water is the Accounting Authority. The Board presents their report for the year ended 30 June 2024.

### Nature of Business

uMngeni-uThukela Water is a state-owned business enterprise, established in 1974 to supply potable water in bulk to municipalities within its operational area. uMngeni-uThukela Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of section 29 of the Act are to provide water services (potable bulk water supply and bulk sanitation services) to other water services institutions within its area of operation.

In terms of section 30 of the Water Services Act, uMngeni-uThukela Water also engages in other services that complement bulk water service delivery such as laboratory services, water quality monitoring, environmental management and also provides other support services to water services institutions in order to promote co-operation in the provision of water services.

### Compliance with Legislation

The financial statements are prepared in accordance with International Financial Reporting Standards, approved by National Treasury in terms of section 79 of the Public Finance Management Act No. 1 of 1999, as amended, as well as the application of Directive 12 – The Selection of an Appropriate Accounting Framework for Entities as issued by the Accounting Standards Board and the following relevant statutes:

- Water Services Act No. 108 of 1997;
- Public Finance Management Act No. 1 of 1999, as amended (PFMA);
- Public Audit Act, 25 of 2004;

uMngeni-uThukela Water is not required and has not fully complied with the provisions of the Companies Act No 71 of 2008, as amended. The organisation has, however, incorporated into its processes some aspects of the Act that relate to the accounting records, financial statements and other ancillary matters which may impact the annual financial statements.

### Governance, Compliance and Risk Management

The Board supports the Code of Governance Principles as set out in King IV (King IV). The organisation's policies, procedures and processes are continuously reviewed to ensure alignment with King IV and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organisation in as far as compliance with King IV applicable legislations and regulations is concerned. Where the organisation has not fully complied with a certain principle of King IV applicable legislation or regulation, a rational reason and explanation for such deviation exists and is provided where required.

The Board is responsible for monitoring the risk management process. For further details on corporate governance and risk management, refer to the section on corporate governance detailed on pages 26 to 40 and risk management on pages 121 to 131.

The Board of uMngeni-uThukela Water will continue to ensure there is full compliance with legislation that seeks to curb wasteful, irregular and fruitless expenditure and promotes good governance. Investigations conducted in response to the Auditor-General's findings and in terms of the National Treasury Framework for irregular, fruitless and wasteful expenditure have made good progress in unravelling some of the details pertaining to non-compliance regarding approvals and accompanying possible transgressions of the Public Finance Management Act.

The Board is at a stage now where intense examination of these matters has separated possible common errors or deficiencies from issues that could potentially form the basis for disciplinary action and consequence management, including where possible institution of legal action for recovery of monies. During the reporting period, corrective action has been taken against a number of officials for reasons as recommended by investigations conducted and this process is on-going until all identified action against relevant individuals have been taken. This teasing out of issues creates a clearer picture about what motivations are to be made in terms of the National Treasury Framework for condonation. Amendments to the Public Audit Act No. 25 of 2004 have become an important guide in assisting the Board through this process.

### Share Capital and Directors' Interests

The entity has no share capital and therefore no director has any equity interest in the organisation.

### Directorate

The Board as constituted during the year under review is set out on pages 26 to 31 of the annual report.

Members of the Board and Executive Committee's emoluments are disclosed in note 34 of the financial statements the remuneration report on pages 259 to 263 in terms of regulation 28.1 of the PFMA.

### Company Secretary and Registered Address

The Company Secretary, Ms. S Mbatha was appointed on 01 July 2024.

The registered address of the Company Secretary and that of the registered office during the current financial year are as follows:

#### Business address

310 Burger Street  
Pietermaritzburg  
3201  
smbatha@mhlathuze.co.za

#### Postal address

PO Box 9  
Pietermaritzburg  
3200

### Auditors

The Auditor General of South Africa will continue to conduct external audit services for uMngeni-uThukela Water for the next financial year.



## Pricing Policy

Section 34 of the Water Services Act No. 108 of 1997 states that the water tariff must allow for the following:

- repayment and servicing of debt;
- recovery of capital, operational and maintenance costs;
- reasonable provision for depreciation of assets;
- recovery of costs associated with the repayment of capital from revenues (including subsidies) over time; and
- reasonable provision for future capital requirements and expansion.

Thus in setting its pricing policy uMngeni-uThukela Water has committed to the following underlying principles:

- the promotion of the efficient and sustainable use of water;
- the equitable access to water supply services, whereby the basic water service should be affordable; and
- the solvency and sound financial management of uMngeni-uThukela Water.

In implementing the pricing policy uMngeni-uThukela Water uses a 30-year tariff model which is based on the cash flow methodology underpinned by a financially viable tariff. As a result of this cash flow methodology, the organisation is able to manage its debt level which is the ultimate output of this model.

The annual tariff review process is carried out in terms of the requirements of Section 42 of the Municipal Finance Management Act No.56 of 2003 and Circular 23 issued by National Treasury. This process encompasses the principle of consultation and transparency and aims to assist uMngeni-uThukela Water's stakeholders with their long term planning.

uMngeni-uThukela Water bulk water tariff increase for 2024/2025 effective 1 July 2024 has been approved at 10.4% for all Water Service Authorities. The directors, after full analysis of its projected cash flows including the revision of the five-year capital expenditure programme together with prudent management of controllable operating costs, are of the opinion that the tariff for 2024/2025 will not adversely affect uMngeni-uThukela Water's gearing levels or its financial sustainability.

## AUDITORS

The Auditor General of South Africa will continue to conduct external audit services for uMngeni-uThukela Water for the next financial year.

## PRICING POLICY

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|                                                    | 2023          | 2024          | 2025          |
|----------------------------------------------------|---------------|---------------|---------------|
|                                                    | R./KI         | R./KI         | R./KI         |
| <b>- Bulk Tariff 1 - Water Service Authorities</b> |               |               |               |
| - Tariff Increase                                  | 0.244         | 0.753         | 1.003         |
| <b>- uMngeni-uThukela Water Tariff</b>             | <b>8.365</b>  | <b>9.118</b>  | <b>10.121</b> |
| <b>- % Increase-UUW</b>                            | <b>3.0</b>    | <b>9.0</b>    | <b>11.0</b>   |
| Add Capital unit charge                            |               |               |               |
| - uMkhomazi bulk water supply charge               | 0.167         | 0.182         | 0.202         |
| - uMkhomazi (Raw Water)                            | -             | -             | 2.139         |
| <b>- Total Tariff</b>                              | <b>8.532</b>  | <b>9.300</b>  | <b>12.462</b> |
| <b>- % Increase Total</b>                          | <b>(13.9)</b> | <b>9.0</b>    | <b>34.0</b>   |
| <b>- Bulk Tariff 2 eThekweni</b>                   |               |               |               |
| - Base Tariff                                      | 7.961         | 8.200         | 8.651         |
| - Tariff Increase                                  | 0.239         | 0.451         | 0.822         |
| <b>- uMngeni-uThukela Water Tariff</b>             | <b>8.200</b>  | <b>8.651</b>  | <b>9.473</b>  |
| <b>- % Increase UUW</b>                            | <b>3.0</b>    | <b>5.5</b>    | <b>9.5</b>    |
| Add Capital unit charge                            |               |               |               |
| - uMkhomazi (Potable)                              | 0.164         | 0.173         | 0.189         |
| - uMkhomazi Raw Water                              |               |               | 2.139         |
| <b>- Total Tariff</b>                              | <b>8.364</b>  | <b>8.824</b>  | <b>11.801</b> |
| <b>- % Increase-Total</b>                          | <b>(14.2)</b> | <b>5.5</b>    | <b>33.7</b>   |
| <b>- Bulk Tariff 3-Siza</b>                        |               |               |               |
| - Base Tariff                                      | 12.055        | 12.416        | 13.533        |
| - Tariff Increase                                  | -             | 1.117         | 1.489         |
| <b>- uMngeni-uThukela Water Tariff</b>             | <b>12.416</b> | <b>13.533</b> | <b>15.022</b> |
| <b>- % Increase-UUW</b>                            | <b>3.0</b>    | <b>9.0</b>    | <b>11.0</b>   |
| Add Capital unit charge                            |               |               |               |
| - uMkhomazi (Potable)                              | 0.248         | 0.271         | 0.300         |
| <b>- Total Tariff</b>                              | <b>12.664</b> | <b>13.804</b> | <b>15.322</b> |
| <b>- % Increase - Total</b>                        | <b>(9.0)</b>  | <b>9.0</b>    | <b>11.0</b>   |
| <b>- Bulk Tariff 4 - KCDM</b>                      |               |               |               |
| - Base Tariff                                      | 11.697        | 12.048        | 13.132        |
| - Tariff Increase                                  | 0.351         | 1.084         | 1.445         |
| <b>- uMngeni-uThukela Water Tariff</b>             | <b>12.048</b> | <b>13.132</b> | <b>14.577</b> |
| <b>- % Increase - Total</b>                        | <b>3.0</b>    | <b>9.0</b>    | <b>11.0</b>   |
| <b>- Bulk Tariff 5 - MSUNDUZI</b>                  |               |               |               |
| - Base Tariff                                      | 8.121         | 8.365         | 8.951         |
| - Tariff Increase                                  | 0.244         | 0.586         | 0.940         |
| <b>- uMngeni-uThukela Water Tariff</b>             | <b>8.365</b>  | <b>8.951</b>  | <b>9.891</b>  |
| <b>- % Increase - UUW</b>                          | <b>3.0</b>    | <b>7.0</b>    | <b>10.5</b>   |
| Add Capital unit charge                            |               |               |               |
| - uMkhomazi (Potable)                              | 0.167         | 0.179         | 0.198         |
| - uMkhomazi (Raw Water)                            | -             | -             | 2.139         |
| <b>- Total Tariff</b>                              | <b>8.532</b>  | <b>9.130</b>  | <b>12.228</b> |
| <b>- % Increase - Total</b>                        | <b>(13.9)</b> | <b>7.0</b>    | <b>33.9</b>   |

|                                                                                | 2023          | 2024         | 2025          |
|--------------------------------------------------------------------------------|---------------|--------------|---------------|
|                                                                                | R./KI         | R./KI        | R./KI         |
| <b>- Bulk Tariff 6 - Harry Gwala DM/ILEMBE DM</b>                              |               |              |               |
| - Base Tariff                                                                  | 8.121         | 8.365        | 9.118         |
| - Tariff Increase                                                              | 0.244         | 0.753        | 0.866         |
| <b>-uMngeni-uThukela Water Tariff</b>                                          | <b>8.365</b>  | <b>9.118</b> | <b>9.984</b>  |
| <b>- % Increase - UUW</b>                                                      | <b>3.0</b>    | <b>9.0</b>   | <b>9.5</b>    |
| Add Capital unit charge                                                        |               |              |               |
| - uMkhomazi (Potable)                                                          | 0.167         | 0.182        | 0.200         |
| - uMkhomazi (Raw Water)                                                        | -             | -            | 2.139         |
| <b>- Total Tariff</b>                                                          | <b>8.532</b>  | <b>8.300</b> | <b>12.323</b> |
| <b>- % Increase - Total</b>                                                    | <b>(13.9)</b> | <b>9.0</b>   | <b>32.5</b>   |
| <b>- Bulk Tariff 7 - City of Umhlathuze</b>                                    |               |              |               |
| - Base Tariff                                                                  | 5.533         | 6.018        | 6.437         |
| - Tariff Increase                                                              | 0.485         | 0.419        | 0.320         |
| <b>-uMngeni-uThukela Water Tariff</b>                                          | <b>6.018</b>  | <b>6.437</b> | <b>6.757</b>  |
| <b>- % Increase - UUW</b>                                                      | <b>8.8</b>    | <b>7.0</b>   | <b>5.0</b>    |
| <b>- Bulk Tariff 8 - Potable Water Charge to Industry In Richards Bay Area</b> |               |              |               |
| - Base Tariff                                                                  | 6.386         | 6.962        | 7.347         |
| - Tariff Increase                                                              | 0.576         | 0.385        | 0.874         |
| <b>-uMngeni-uThukela Water Tariff</b>                                          | <b>6.962</b>  | <b>7.347</b> | <b>8.221</b>  |
| <b>- % Increase - UUW</b>                                                      | <b>9.0</b>    | <b>5.5</b>   | <b>11.9</b>   |

## Financial Performance:

The group profits for the year have increased by 28%, which totalled R1 468m (2023: R1 149m). Bulk water revenue grew by 19% as a result of the 12% growth in bulk water sales volumes combined with the 6% bulk water tariff increase, whilst bulk water direct operating costs increased by 19.9%. This was mainly due to the increases in chemical costs directly associated with staff costs due to increases in the establishment combined with the annual wage increases and performance incentives. Total other operating and administrative expenses increased by 24% mainly as a result of the increase in staff costs.

Impairments of property, plant and equipment totalled R187m (2023: R292m) whilst asset write-offs totalled R3m (2023: R12m). Impairment of buildings and infrastructure was R9m (2023: R189m) while impairment of projects included in capital work in progress was R178m (2023: R103m). Refer to note 2 of the financial statements for further details on impairments.

Operating cash flows were R2 342m (2023: R1 864m), an increase of 28% year on year. Net cash used in investing activities was R1 810m (R2 251m) after the receipt of rural bulk infrastructure grants of R234m (2023: R642m) and net cash used in financing activities was R165m (2023: R146m).

During the year capital expenditure including intangible assets totalled R2 839m (2023: R1 793m). The group's capital commitments are set out in note 9.1. of the financial statements and the funding thereof is discussed in the financial review on page 166 to 167.

Loan covenants remain un-breached at financial year end and uMngeni-uThukela Water remained within its approved borrowing limits of R3 325m. The main loan covenant triggers are: reductions in operating profits; operating cash flows; accumulated profits and increases in gross borrowings and finance costs. None of these were in the proximity of triggering any breaches in loan covenants for the period under review. Further details on the loan covenants and debt management are included in note 29.1.2. to the financial statements.

Full details of the financial results of the group and company are set out in the financial statements and summarised in the financial review on pages 157 to 168.

## Subsidiary and Associate Companies

uMngeni-uThukela Water is the sole shareholder of uMngeni-uThukela Water Services SOC Limited and Msinsi Holdings SOC Limited. There were no changes to subsidiary and associate companies during the year. Further details are set out in note 13 of the financial statements.

## Events after the Reporting Period

As of 30 June 2024, the ruling in the Sobek Engineering case against uMngeni-uThukela Water had not been finalised. However, the arbitrator issued a ruling on 5 July 2024, regarding the prior unlawful termination of the contract, which creates a binding obligation for UUW. As a result, UUW has recognised a provision, given that the amount to be paid and the timing of the settlement remains uncertain. This provision is recognised as a subsequent event.

## Going Concern

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position, it has sufficient liquidity, and that it has adequate access to sufficient

borrowing facilities to meet its foreseeable cash requirements. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements. The Executive Authority has proceeded with the Institutional re-alignment of uMngeni-uThukela Water and Mhlathuze Water effective from 1 July 2023. As part of the reconfiguration process, there is a transfer of the staff, assets, and liabilities of Mhlathuze Water to uMngeni-uThukela Water.

## INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT NO.1 OF 1999, AS AMENDED

### Materiality Framework

In terms of Section 28.3.1 of the regulations of the PFMA, for the purposes of materiality and significance, the accounting authority has developed and agreed a framework of acceptable levels of materiality and significance established at 0.5% of gross revenue which equates to R34.5m (2023: R26.2m). Management also applies a qualitative aspect to all errors found.

### Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure incurred for the year was R44m (2023: R36.8m) which arose primarily from interest on late payments. Further details are set out in note 29 of the financial statements.

### Irregular Expenditure

Irregular expenditure incurred during the year totalled R1 363m (2023: R693m) which arose due to, non-compliance with legislation relating to deviations, procurement procedures and contract management. Irregular expenditure incurred and relating to the current year contracts totalled R4m (2023: R15.9m), whilst irregular expenditure incurred in the current year but relating to prior year contracts was R1 359m (2023 Restated R693m). Management has instituted preventative and corrective measures as considered appropriate to improve controls and processes. Further details are set out in the annual report under compliance.

### Fraud & Financial Misconduct

There were allegations of possible fraud; corruption and financial misconduct in the current financial year. These came through the whistle-blowers hotline as well as through the media reports and other written communication addressed to the Board. The Board, through its structures – notably the Social and Ethics Committee, have overseen that investigations into these allegations are instituted, concluded and reported on to the Board timeously. As a standing protocol, once the investigations are concluded the necessary corrective actions must be implemented to ensure that any fraud; corruption and financial misconduct is dealt with in accordance with the relevant legislation and policies of the group, including legal action for recovery of monies where possible. Further details relating to the Board's commitment to good governance relating to the non-compliance matters are included in the governance and risk management section of this report.

### Performance Against Financial Targets (Parent Only)

The performance of uMngeni-uThukela Water against the key financial indicators as agreed in the shareholder's compact is illustrated on page 56 of the Annual Report.



# Report of the Auditor-General to Parliament on uMngeni-uThukela Water and its Subsidiaries

## Report on the audit of the consolidated and separate financial statements

### Opinion

1. I have audited the consolidated and separate financial statements of the uMngeni-uThukela Water and its subsidiaries (the group) set out on pages 187 to 264, which comprise the consolidated and separate statement of financial position as at 30 June 2024, consolidated and separate statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including material accounting policy information.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the financial position of the uMngeni-uThukela Water as at 30 June 2024 and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board 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 consolidated and separate financial statements section of my report.
4. I am independent of the group 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.

### Key audit matters

6. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.

| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | How the matter was addressed in the audit                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Material impairment of infrastructure assets</b> <p>Included in note 9 to the consolidated and separate financial statements were material impairments of R187.19 million (2022-23: R291.76 million) that were raised on significant water infrastructure assets for uMngeni-uThukela Water. These assets are subject to annual impairment assessments which require significant judgement.</p> <p>The value in use method of valuation is applied to determine the recoverable amount of the water infrastructure assets, which makes use of the future estimated cash flows and other assumptions to determine the recoverable amount.</p> <p>The expected performance of these assets is based on the sales volume demand and the operating cost structure.</p> <p>Key assumptions include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand for significant water infrastructure assets.</p> <p>Future cash flows are estimated and projected over the expected useful life of the assets to reflect the long-term plans for uMngeni-uThukela Water using key economic indicators such as consumer price inflation, producer price inflation and energy costs.</p> | <p>I obtained an understanding of the process for impairment and the key assumptions and estimates used by management in determining the recoverable amounts.</p> <p>This included testing the reasonableness of the discount rates, cash flows, assets' useful lives as well as other management estimates used in the calculation. The forecasted inputs were assessed to determine whether they were consistent with inputs and judgements included in the rest of the business, including management's forward-looking corporate plan.</p> <p>The completeness of the information supporting the assumptions and estimates was assessed and it was confirmed that assessments were carried out for all infrastructure assets where there was a possibility of reduced cash flows.</p> <p>Having performed an independent assessment of estimates, budgets and calculations, the assumptions and resulting valuations were found to be reasonable.</p> |

## Emphasis of matter

7. I draw attention to the matter below. My opinion is not modified in respect of this matter.

## Material impairments

8. As disclosed in note 16.1 to the consolidated and separate financial statements, material impairments of R534,93 million (2022-23: R588,44 million) were raised by uMngeni-uThukela Water for the year under review on trade and other receivables due to debtors not being able to settle outstanding amounts.

## Responsibilities of the accounting authority for the consolidated and separate financial statements

9. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with the IFRS and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.
10. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group'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 group or to cease operations or has no realistic alternative but to do so.

## Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

11. My objectives are to obtain reasonable assurance about whether the consolidated and separate 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 reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
12. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 11, forms part of my auditor's report.

## Report on the audit of the annual performance report

13. In accordance with the Public Audit Act of South Africa 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.
14. I selected the following objectives presented in the annual performance report for the year ended 30 June 2024. I selected objectives that measure the entity's performance on its primary mandated functions and that are of significant national, community or public interest.

| Objective                           | Page numbers | Purpose                                                                                                                                                       |
|-------------------------------------|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Improve product and service quality | 58           | To produce water in full compliance with statutory and reliability requirements consistent with customer and environmental needs                              |
| Increase supply security            | 60           | To have reliable supply, minimise resource loss and ensure that asset repairs, rehabilitation and replacement efforts are coordinated to minimise disruptions |

15. 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 entity's planning and delivery on its mandate and objectives.

16. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the 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.

17. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

18. I did not identify any material findings on the reported performance information for the selected objectives.

### Other matters

19. I draw attention to the matters below.

### Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets.

21. 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.

### Increase supply security

| <i>Targets achieved: 75%</i>                                                                      |                                                 |                                                     |
|---------------------------------------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------|
| Key service delivery indicator not achieved                                                       | Planned target                                  | Reported achievement                                |
| Number of days (> 24 hours) supply disrupted over total supply days (365 days per year)           | 0 days > 24 hours                               | 12.73 days > 24 hours                               |
| Capital expenditure for rural expansion (development) projects as a % of total capex budget spent | ± 21% of annual capex budget (R692m of R3 330m) | 29% of annual capex budget spent (R805m of R2 754m) |

### Material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the increase supply security objective. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

## Report on compliance with legislation

23. 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 entity's compliance with legislation.

24. 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.

25. 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 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.
26. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

### Financial statements

27. The financial statements submitted for auditing were not fully prepared in accordance with the IFRS, as required by section 55(1)(b) of the PFMA. Material misstatements of current assets and disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure disclosed in note 28 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

### Consequence management

29. Disciplinary steps were not taken against the officials who had incurred or permitted irregular expenditure for investigations completed, as required by section 51(1)(e)(iii) of the PFMA.
30. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. Some investigations into irregular expenditure were not performed.
31. Investigations were not conducted into all allegations of financial misconduct committed by officials, as required by treasury regulation 33.1.1.
32. Disciplinary hearings were not held for confirmed cases of financial misconduct committed by officials, as required by treasury regulation 33.1.1.

## Other information in the annual report

33. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the consolidated and separate 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.
34. My opinion on the consolidated and separate 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.
35. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate 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.
36. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if 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

37. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
38. 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.
39. Leadership did not provide effective oversight regarding financial reporting and compliance with legislation. The accounting authority did not ensure that there is an adequately resourced and functioning internal audit unit and key positions remained vacant for a prolonged period. This has contributed to numerous material misstatements and instances of non-compliances.



40. The accounting authority did not effectively monitor the implementation of action plans designed to address the prior years' audit findings, resulting in similar instances of non compliance.

## Material irregularities

41. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

### Status of previously reported material irregularities

#### Payments for consultancy services not received

42. A tender for R338.10 million was awarded on 20 May 2020 to a supplier for social facilitation. Officials of uMngeni-uThukela Water accepted invoices submitted by the supplier and processed payments to the supplier without proof of services having been received by the entity. This resulted in the uneconomical use of the entity's resources by the responsible officials, in contravention of section 57(b) of the PFMA.
43. The non-compliance resulted in a likely cumulative financial loss of R167.04 million as at 30 June 2024. The accounting authority was notified of the material irregularity on 3 December 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.
44. The accounting authority responded on 14 March 2022 by disagreeing that there were any losses incurred on the contract as the accounting authority maintained that goods and services had been received.
45. I referred the material irregularity to the Special Investigating Unit (SIU) for investigation as provided for in section 5(1A) of the PAA. The SIU is conducting an investigation into the contract in terms of Proclamation 122 of 2023, issued in Government Gazette 48693 of 2 June 2023. The SIU investigation was still in progress at the date of this report.

#### Invalid payments for security services

46. uMngeni-uThukela Water entered into a security contract with a security service provider on 26 November 2018. uMngeni-uThukela Water further entered into an addendum with the service provider on 25 January 2019. Officials of uMngeni-uThukela Water accepted invoices and processed payments to the amount of R14.10 million to the supplier without adequate verification of supporting documentation. This resulted in the uneconomical use of the entity's resources by the responsible officials, in contravention of section 57(b) of the PFMA.
47. The non-compliance resulted in a likely material financial loss of R3.41 million for uMngeni uThukela Water if the losses are not recovered from the supplier. The accounting authority was notified of the material irregularity on 31 January 2022 and invited to make a written submission on the actions taken or to be taken to address the matter.
48. The accounting authority responded on 28 February 2022 by disagreeing that there were any losses incurred on the contract as the accounting authority maintained that payments made to the security service provider were based on valid charges.
49. I referred the material irregularity to the SIU for investigation as provided for in section 5(1A) of the PAA. The SIU is investigating the contract in terms of Proclamation 122 of 2023, issued in Government Gazette 48693 of 2 June 2023. The SIU investigation was still in progress at the date of this report.

#### Standing time costs incurred due to ineffective controls over payments to suppliers

50. uMngeni-uThukela Water awarded tender number 2020/085 on 17 September 2020 for R91.10 million to a service provider for the construction of the South Coast Pipeline Phase 2B. The total cost on the tender including variation orders amounted to R155.88 million. Management did not maintain effective systems over the approval of payment certificates and variation orders resulting in delays in payments to the contractor. As a result, the contractor suspended all work on the site.
51. During the suspension of works the contractor continued to bill uMngeni-uThukela Water for standing time resulting in an extension of time payment of R36.79 million. These costs were incurred from July 2022 to 20 October 2022 and were eventually paid by uMngeni-uThukela Water on 23 June 2023. The accounting authority was notified of the material irregularity on 18 October 2023 and invited to make a written submission on the actions taken or to be taken to address the matter.
52. The accounting authority responded on the 14 November 2023 and committed to specific actions to be taken. I concluded that appropriate action was being taken to address the material irregularity and followed up on these actions in the 2023-24 audit.
53. Based on the follow-up of these actions in the 2023-24 audit, I determined that the accounting authority is not taking appropriation action to resolve the material irregularity. I am in the process of deciding on further actions to be taken.

## Variation order approved based on the misrepresentation of steel price increase by supplier

54. The PFMA section 57(b) states; "An official in a public entity is responsible for the effective, efficient, economical and transparent use of the financial and other resources within that official's area of responsibility."
55. The entity entered into a contract for the *"Supply, deliver, protect pipeline and construct pipe yard for raw water pipeline from shooting range to Nsezi water treatment works ("Pipe yard Contract")* on 17 May 2021 wherein which the terms of reference stipulated that quotations must be open for acceptance for 60 days.
56. The tender submission made by the contractor on 26 April 2021 for the award included a quotation from the steel pipes supplier which indicated that the price of steel would be valid for 60 days.
57. On 10 June 2021, the contractor submitted a request that the public entity pays for the additional costs which was indicated to be as a result of steel price increases even though the steel price quotation from the supplier was still valid from the date of tender closing date. The request was discussed in a Bid Adjudication Committee (BAC) meeting dated 15 June 2021 wherein the request was approved by the BAC and thereafter by the CE. The BAC requested that a quotation be obtained by a representative of the public entity from the steel pipes supplier to confirm the validity of the submission from the contractor. The representative did not obtain the quotation directly from the steel pipes supplier but obtained it from the contractor, which resulted in the variation of an amount of R9.32 million being approved on false information.
58. The non-compliance resulted in a material financial loss of R9.32 million for the entity.
59. The accounting authority was notified of the material irregularity on 8 March 2023 and invited to make a written submission on the actions taken and those that will be taken to address the matter. The accounting authority responded on 3 April 2023 and indicated the following actions that had been taken:
- A forensic investigation report dated 27 May 2022 was concluded on the matter that provided recommendations to be implemented by the accounting authority
  - The recommendations indicated that the officials responsible for the material irregularity should be disciplined in accordance with the public entity's disciplinary policy. On implementation of the recommendation, some of the affected officials resigned prior to the disciplinary process being concluded. The remainder of the officials were to be disciplined in accordance with the disciplinary policy
  - A criminal case was opened with the National Prosecuting Authority (NPA) against the identified officials as well as a civil recovery case against the contractor and officials. The contractor was also in the process of being reported to the National Treasury
  - Disciplinary proceedings were concluded on three officials that had not resigned. Of the three officials, one was found not guilty and resumed duties and two officials were found guilty and dismissed.
60. I concluded that appropriate actions are being taken to address the matter. I have submitted a determination to the accounting authority on 23 October 2024 to confirm that the material irregularity is resolved.

## Other reports

61. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

## Investigations

62. In terms of Proclamation 4 of 2019, the SIU completed its investigations into alleged irregularities in the management of the affairs of uMngeni-uThukela Water (formerly Umgeni Water), which covered the period 2012 to 2019. The accounting authority has resolved to appoint a legal firm to assist with the implementation of recommendations in the SIU report. These actions were still in progress at the date of this report.
63. A forensic investigation was conducted by an external service provider to investigate allegations of financial misconduct and fraud with regards to irregularities on purchase orders for various service providers, as identified from a whistle-blower's report. The investigation was concluded during the year and the service provider recommended improvements to the internal control processes as well as consequence management against certain individuals. These actions were still in progress at the date of this report.

Auditor-General

Pietermaritzburg  
31 October 2024



## 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 consolidated and separate financial statements and the procedures performed on reported performance information for the selected objectives and on the entity's compliance with selected requirements in key legislation.

#### Financial Statements

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

- identify and assess the risks of material misstatement of the consolidated and separate 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 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- 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 consolidated and separate 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 entity and its subsidiaries 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 the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate 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 an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

#### 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 reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

## Compliance with Legislation - Selected Legislative Requirements

The selected legislative requirements are as follows:

| Location                                                      | Sections or regulations                                                                                                                                                                            |
|---------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Public Finance Management Act 1 of 1999                       | Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i);<br>Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b);<br>Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b);<br>Section 55(1)(c)(i); 56; 57(b); 57(d); 66(3)(b) |
| Treasury Regulations, 2005                                    | Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1;<br>Regulation 29.2.2; 29.3.1; 31.1.2(c); 31.2.5;<br>Regulation 31.2.7(a); 33.1.1; 33.1.3                                                          |
| Construction Industry Development Board Act 38 of 2000        | Section 18(1)                                                                                                                                                                                      |
| Construction Industry Development Board Regulations, 2004     | Regulation 17; 25(7A)                                                                                                                                                                              |
| Erratum National Treasury Instruction No. 5 of 202/21         | Paragraph 1                                                                                                                                                                                        |
| Erratum National Treasury Instruction No. 5 of 202/21         | Paragraph 2                                                                                                                                                                                        |
| National Treasury Instruction No. 4 of 2015/16                | Paragraph 3.4                                                                                                                                                                                      |
| National Treasury Instruction No. 5 of 2020/21                | Paragraph 4.8; 4.9; 5.3                                                                                                                                                                            |
| National Treasury SCM Instruction No. 03 of 2021/22           | Paragraph 4.2                                                                                                                                                                                      |
| National Treasury SCM Instruction No. 11 of 2020/21           | Paragraph 3.1; 3.4(b); 3.9                                                                                                                                                                         |
| Preferential Procurement Policy Framework Act 5 of 2000       | Section 1; 2.1(a); 2.1(f)                                                                                                                                                                          |
| Preferential Procurement Regulations 2022                     | Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4                                                                                                                                                  |
| Preferential Procurement Regulations, 2017                    | Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2;                                                                                                                                                 |
| Regulation 6.3; 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5;            | Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2;<br>Regulation 11.1; 11.2                                                                                                                           |
| Prevention and Combating of Corrupt Activities Act 12 of 2004 | Section 34(1)                                                                                                                                                                                      |



## Statements of Profit or Loss

for the year ended 30 June 2024

|                                             | Note       | Group            |                  | Parent           |                  |
|---------------------------------------------|------------|------------------|------------------|------------------|------------------|
|                                             |            | 2024             | 2023             | 2024             | 2023             |
|                                             |            | R'000            | R'000            | R'000            | R'000            |
| Revenue                                     | 4.1        | 6 895 942        | 5 252 802        | 6 889 591        | 5 236 076        |
| Cost of sales                               | 6.1        | (3 152 893)      | (2 210 254)      | (3 152 893)      | (2 210 254)      |
| <b>Gross profit</b>                         |            | <b>3 743 049</b> | <b>3 042 548</b> | <b>3 736 698</b> | <b>3 025 822</b> |
| Other income                                | 5          | 15 371           | 190 377          | 15 826           | 190 942          |
| Other operating and administration expenses |            | (2 548 971)      | (2 060 692)      | (2 526,402)      | (2 049 041)      |
| Expected credit losses                      |            | (530 644)        | (580 354)        | (530 631)        | (580 201)        |
| <b>Profit from operations</b>               | <b>6.1</b> | <b>678 805</b>   | <b>591 879</b>   | <b>695 491</b>   | <b>587 522</b>   |
| Net finance income                          |            | 785 573          | 553 985          | 780 730          | 550 605          |
| Interest income                             | 7          | 788 138          | 554 603          | 782 946          | 550 882          |
| Finance costs                               | 8          | (2 565)          | (618)            | (2 216)          | (277)            |
| Share of profit from associate              | 13         | 4 011            | 2 548            | -                | -                |
| <b>Profit before taxation</b>               |            | <b>1 468 389</b> | <b>1 148 412</b> | <b>1 476 221</b> | <b>1 138 127</b> |
| Income tax expense                          | 6.2        | (184)            | (187)            | -                | -                |
| <b>Profit for the year</b>                  |            | <b>1 468 205</b> | <b>1 148 225</b> | <b>1 476 221</b> | <b>1 138 127</b> |

## Statements of other Comprehensive Income

for the year ended 30 June 2024

|                                                                | Group            |                  | Parent           |                  |
|----------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                | 2024             | 2023             | 2024             | 2023             |
|                                                                | R'000            | R'000            | R'000            | R'000            |
| <b>Profit for the year</b>                                     | <b>1 468 205</b> | <b>1 148 225</b> | <b>1 476 221</b> | <b>1 138 127</b> |
| <b>Other comprehensive income:</b>                             |                  |                  |                  |                  |
| <b>Items that will not be reclassified to profit and loss:</b> |                  |                  |                  |                  |
| Remeasurement of retirement benefit obligations                | (7 078)          | 94 177           | (7 078)          | 94 177           |
| <b>Total comprehensive income for the year</b>                 | <b>1 461 127</b> | <b>1 242 402</b> | <b>1 469 143</b> | <b>1 232 304</b> |

## Statements of Financial Position

for the year ended 30 June 2024

|                                     | Notes | Group      |               |               | Parent     |               |               |
|-------------------------------------|-------|------------|---------------|---------------|------------|---------------|---------------|
|                                     |       | 2024       | 2023 Restated | 2022 Restated | 2024       | 2023 Restated | 2022 Restated |
|                                     |       | R'000      | R'000         | R'000         | R'000      | R'000         | R'000         |
| ASSETS                              |       |            |               |               |            |               |               |
| Non-current assets                  |       | 13 482 808 | 9 769 326     | 9 150 633     | 13 448 678 | 9 739 765     | 9 124 231     |
| Property, plant and equipment       | 9     | 12 408 429 | 9 469 691     | 8 954 960     | 12 387 113 | 9 450 651     | 8 938 088     |
| Investment property                 | 10    | -          | -             | -             | 8 252      | 8 474         | 8 696         |
| Intangible assets                   | 11    | 262 394    | 99 144        | 148 988       | 259 377    | 96 679        | 148 565       |
| Biological assets                   | 12    | 4 693      | 4 531         | 3 415         | -          | -             | -             |
| Investment in associate             | 13.2  | 10 567     | 8 830         | 10 031        | -          | -             | -             |
| Investments - financial assets      | 14.1  | 755 248    | 152 894       | -             | 755 248    | 152 894       | -             |
| Trade and other receivables         | 16.2  | 30 941     | 29 490        | 28 458        | 30 621     | 29 176        | 28 151        |
| Right of use assets                 | 23.1  | 10 536     | 4 746         | 4 781         | 8 066      | 1 891         | 731           |
|                                     |       |            |               |               |            |               |               |
| Non-current asset held for sale     | 9.2   | 2 829      | 2 943         | 548           | 2 829      | 2 943         | 548           |
|                                     |       |            |               |               |            |               |               |
| Current assets                      |       | 8 301 081  | 7 809 822     | 6 980 211     | 8 223 875  | 7 739 624     | 6 920 142     |
| Investments - financial assets      | 14.2  | 6 176 824  | 6 297 299     | 5 018 186     | 6 176 824  | 6 297 299     | 5 018 186     |
| Inventories                         | 15    | 68 322     | 33 022        | 26 081        | 68 322     | 33 022        | 26 081        |
| Trade and other receivables         | 16.1  | 1 398 054  | 1 189 081     | 1 111 032     | 1 406 319  | 1 184 125     | 1 110 874     |
| Bank and cash                       | 17    | 657 881    | 290 420       | 824 912       | 572 410    | 225 178       | 765 001       |
|                                     |       |            |               |               |            |               |               |
| Total assets                        |       | 21 786 718 | 17 582 091    | 16 131 392    | 21 675 382 | 17 482 332    | 16 044 921    |
|                                     |       |            |               |               |            |               |               |
| EQUITY AND LIABILITIES              |       |            |               |               |            |               |               |
| Capital and reserves                |       | 17 602 513 | 14 395 119    | 13 152 530    | 17 514 819 | 14 299 409    | 13 067 105    |
| Capital                             | 18    | 442 847    | 442 847       | 442 847       | 442 847    | 442 847       | 442 847       |
| Other comprehensive income reserve  |       | 503 975    | 511 053       | 416 876       | 503 975    | 511 053       | 416 876       |
| Accumulated profit                  |       | 16 655 691 | 13 441 032    | 12 292 807    | 16 567 997 | 13 345 509    | 12 207 382    |
|                                     |       |            |               |               |            |               |               |
| Non-current liabilities             |       | 2 071 515  | 1 913 865     | 1 915 102     | 2 068 528  | 1 911 476     | 1 911 657     |
| Debt - financial liabilities        | 19    | 1 039 043  | 1 058 710     | 1 083 548     | 1 039 043  | 1 058 710     | 1 083 548     |
| Contract liabilities                | 20.1  | 620 066    | 485 217       | 400 097       | 620 066    | 485 217       | 400 097       |
| Provisions                          | 21    | 21 188     | 15 057        | 23 469        | 21 188     | 15 057        | 23 469        |
| Lease liability                     | 23.1  | 7 043      | 3 538         | 3 865         | 4 056      | 1 149         | 420           |
| Post-retirement benefit obligations | 25    | 368 574    | 339 023       | 393 298       | 368 574    | 339 023       | 393 298       |
| Five-year long service benefit      | 26    | 15 601     | 12 320        | 10 825        | 15 601     | 12 320        | 10 825        |

## Statements of Financial Position (continued)

for the year ended 30 June 2024

|                                     | Notes | Group             |                   |                   | Parent            |                   |                   |
|-------------------------------------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|                                     |       | 2024              | 2023 Restated     | 2022 Restated     | 2024              | 2023 Restated     | 2022 Restated     |
|                                     |       | R'000             | R'000             | R'000             | R'000             | R'000             | R'000             |
| <b>Current liabilities</b>          |       | <b>2 112 692</b>  | <b>1 273 107</b>  | <b>1 063 760</b>  | <b>2 092 035</b>  | <b>1 271 447</b>  | <b>1 066 159</b>  |
| Debt - financial liabilities        | 19    | 68 719            | 58 153            | 58 150            | 68 719            | 58 153            | 58 150            |
| Provisions                          | 21    | 278 901           | 123 267           | 106 821           | 276 641           | 121 116           | 105 533           |
| Trade and other payables            | 22    | 1 651 278         | 942 303           | 732 422           | 1 634 182         | 944 892           | 737 322           |
| Contract liabilities                | 20.2  | 72 499            | 119 197           | 139 537           | 72 499            | 119 197           | 139 537           |
| Lease liability                     | 23.1  | 5 444             | 2 823             | 1 486             | 4 143             | 725               | 273               |
| Post-retirement benefit obligations | 25    | 23 614            | 21 835            | 18 776            | 23 614            | 21 835            | 18 776            |
| Five-year long service benefit      | 26    | 12 237            | 5 529             | 6 568             | 12 237            | 5 529             | 6 568             |
| <b>Total equity and liabilities</b> |       | <b>21 786 718</b> | <b>17 582 091</b> | <b>16 131 392</b> | <b>21 675 382</b> | <b>17 482 332</b> | <b>16 044 921</b> |



## Statements of Changes in Equity

for the year ended 30 June 2024

| Group - Attributable to equity holders of the parent |      |                |                |                   |
|------------------------------------------------------|------|----------------|----------------|-------------------|
|                                                      |      | Accumulated    |                |                   |
|                                                      |      | Capital        | OCI Reserve    | profit            |
|                                                      |      | R'000          | R'000          | R'000             |
| <b>Balance as at 30 June 2022</b>                    |      | 442 847        | 416 876        | 12 325 390        |
| Prior period error                                   | 31.2 | -              | -              | (32 583)          |
| <b>Balance as at 30 June 2022 Restated</b>           |      | <b>442 847</b> | <b>416 876</b> | <b>12 292 807</b> |
| <b>Movement for the year</b>                         |      |                |                |                   |
| Total comprehensive income                           |      | -              | 94 177         | 1 148 225         |
| Profit for the year                                  |      | -              | -              | 1 148 225         |
| Other comprehensive income                           |      | -              | 94 177         | -                 |
| <b>Balance as at 30 June 2023 Restated</b>           |      | <b>442 847</b> | <b>511 053</b> | <b>13 441 032</b> |
| Equity acquired through business combination         | 35   | -              | -              | 1 746 267         |
| <b>Movement for the year</b>                         |      |                |                |                   |
| Total comprehensive income                           |      | -              | (7 078)        | 1 468 205         |
| Profit for the year                                  |      | -              | -              | 1 468 205         |
| Other comprehensive income                           |      | -              | (7 078)        | -                 |
| <b>Balance as at 30 June 2024</b>                    |      | <b>442 847</b> | <b>503 975</b> | <b>16 655 504</b> |

| Parent                                       |      |                |                |                   |
|----------------------------------------------|------|----------------|----------------|-------------------|
|                                              |      | Accumulated    |                |                   |
|                                              |      | Capital        | OCI Reserve    | Profit            |
|                                              |      | R'000          | R'000          | R'000             |
| <b>Balance as at 30 June 2022</b>            |      | 442 847        | 416 876        | 12 239 965        |
| Prior period error                           | 31.2 | -              | -              | (32 583)          |
| <b>Balance as at 30 June 2022 Restated</b>   |      | <b>442 847</b> | <b>416 876</b> | <b>12 207 382</b> |
| <b>Movement for the year</b>                 |      |                |                |                   |
| Total comprehensive income                   |      | -              | 94 177         | 1 138 127         |
| Profit for the year                          |      | -              | -              | 1 138 127         |
| Prior period error                           | 31.2 | -              | -              | -                 |
| Other comprehensive income                   |      | -              | 94 177         | -                 |
| <b>Balance as at 30 June 2023 Restated</b>   |      | <b>442 847</b> | <b>511 053</b> | <b>13 345 509</b> |
| Equity acquired through business combination | 35   | -              | -              | 1 746 267         |
| <b>Movement for the year</b>                 |      |                |                |                   |
| Total comprehensive income                   |      | -              | (7 078)        | 1 476 221         |
| Profit for the year                          |      | -              | -              | 1 476 221         |
| Other comprehensive income                   |      | -              | (7 078)        | -                 |
| <b>Balance as at 30 June 2024</b>            |      | <b>442 847</b> | <b>503 975</b> | <b>16 567 997</b> |

## Statements of Cash Flows

for the year ended 30 June 2024

|                                                      | Notes | Group       |               | Parent      |               |
|------------------------------------------------------|-------|-------------|---------------|-------------|---------------|
|                                                      |       | 2024        | 2023 Restated | 2024        | 2023 Restated |
|                                                      |       | R'000       | R'000         | R'000       | R'000         |
| OPERATING ACTIVITIES                                 |       |             |               |             |               |
| Cash receipts from customers                         |       | 6 432 574   | 4 867 256     | 6 422 278   | 4 850 377     |
| Cash paid to suppliers and employees                 |       | (4 127 729) | (3 134 039)   | (4 137 274) | (3 125 120)   |
| Cash from operating activities                       | 17.1  | 2 304 845   | 1 733 217     | 2 285 004   | 1 725 257     |
| Interest received                                    |       | 37 600      | 130 379       | 32 408      | 126 658       |
| Net cash from operating activities                   |       | 2 342 445   | 1 863 596     | 2 317 413   | 1 851 915     |
| INVESTING ACTIVITIES                                 |       |             |               |             |               |
| Proceeds on disposals of assets                      |       | 159         | 1 252         | 159         | 1 252         |
| Receipt of Regional Bulk Infrastructure grants       | 9     | 233 916     | 642 324       | 233 916     | 642 324       |
| Additions to property plant and equipment            | 9     | (2 608 396) | (1 792 495)   | (2 602 421) | (1 788 699)   |
| Additions to intangible assets                       | 11    | (231 073)   | (9 023)       | (230 520)   | (6 980)       |
| (Increase) in redemption assets <sup>NI</sup>        | 31    | (248 252)   | (149 006)     | (248 252)   | (149 006)     |
| Increase in investments                              |       | (118 366)   | (1 166 532)   | (118 366)   | (1 166 532)   |
| Interest received                                    |       | 525 653     | 221 662       | 525 653     | 221 662       |
| Assets acquired through business combination         | 35    | 634 055     | -             | 634 055     | -             |
| Dividend received from associate                     |       | 2 273       | -             | -           | -             |
| Net cash used in investing activities                |       | (1 810 031) | (2 251 818)   | (1 805 776) | (2 245 979)   |
| FINANCING ACTIVITIES                                 |       |             |               |             |               |
| Long-term borrowings repaid                          | 19.1  | (35 408)    | (24 839)      | (35 408)    | (24 839)      |
| Lease payments                                       | 23.1  | (5 710)     | (1 160)       | (5 511)     | (989)         |
| Interest paid on lease liability                     |       | (1 399)     | (213)         | (1 399)     | (213)         |
| Finance costs paid                                   |       | (122 436)   | (120 058)     | (122 087)   | (119 717)     |
| Net cash used in financing activities                |       | (164 953)   | (146 270)     | (164 405)   | (145 758)     |
| CASH AND CASH EQUIVALENTS                            |       |             |               |             |               |
| Net increase/(decrease) in cash and cash equivalents |       | 367 461     | (534 492)     | 347 232     | (539 822)     |
| Cash and cash equivalents at 1 July                  |       | 290 420     | 824 912       | 225 179     | 765 001       |
| Cash and cash equivalents at 30 June                 | 17    | 657 881     | 290 420       | 572 410     | 225 179       |

N1 - increase in the redemption assets have be reclassified from financing activities to investing activities refer to note 31 for the details

# Notes to the Consolidated Annual Financial Statements

for the year ended 30 June 2024

## 1. GENERAL INFORMATION

uMngeni-uThukela Water is a water board established in terms of Section 28 of the Water Services Act (Act 108 of 1997) and a National Government Business Enterprise as per Schedule 3B of the Public Finance Management Act (Act 1 of 1999) as amended domiciled in South Africa. The consolidated financial statements comprise that of the uMngeni-uThukela Water and its subsidiaries (collectively 'the group' and individually 'Parent'). The accounting policies are applicable to both the group and parent entity. The following material accounting policies were applied by the group for the year ended 30 June 2024.

## 2. BASIS OF PREPARATION AND MEASUREMENT

### 2.1. STATEMENT OF COMPLIANCE

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards as issued by the International Accounting Standards Board (the IASB) the Public Finance Management Act (Act 1 of 1999) as amended (PFMA) and the Companies Act (Act 71 of 2008).

In terms of section 79 of the PFMA National Treasury has issued an approval authorising the use of IFRS accounting standards as the financial reporting framework. In addition uMngeni-uThukela Water has applied Directive 12 the Selection of an Appropriate Reporting Framework by Public Entities; issued by the Accounting Standards Board. The directive states that "An entity shall apply International Financial Reporting Standards (IFRS) as its reporting framework if it meets the criteria in paragraph 11. Otherwise it shall apply Standards of GRAP".

Paragraph 11 provides that "In assessing whether an entity shall apply IFRS Accounting Standards it considers whether it meets one of the following criteria:

- a) *the entity is a financial institution;*
- b) *the entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or*
- c) *its operations are such that they are:*
  - i) *commercial in nature; and*
  - ii) *only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government."*

uMngeni-uThukela Water satisfies the criteria in paragraph 11 as its operations are of a commercial nature which aim to provide services to generate profits to self-fund operating and capital expenditure

requirements and only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government. Thus the criteria in paragraph 11 (c) are met and uMngeni-uThukela Water has applied IFRS accounting standards as its accounting framework in the preparation of the consolidated financial statements.

### Basis of measurement of financial results

The Consolidated Financial Statements are prepared using the historic cost basis except for the following items in the statement of financial position:

- Biological assets are measured at fair value less costs to sell; and
- The defined benefit plan obligation and post-retirement ; health-care obligation are measured at the projected unit credit method.

The Consolidated Financial Statements are prepared on the going concern basis using the accrual basis of accounting except for cash flow statement and other information refer to Note 31 for Going Concern.

Except as otherwise disclosed these accounting policies are consistent with those applied in all periods presented in these consolidated financial statements.

### Current and non-current classification of assets and liabilities

Current assets are assets that are expected to be realised in the entity's normal operating cycle held primarily for the purpose of trading expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after reporting date. All other assets are non-current.

Current liabilities are those liabilities expected to be settled within the entity's normal operating cycle held for purpose of trading due to be settled within 12 months for which the entity does not have an right to defer settlement beyond 12 months. Other liabilities are non-current.

### Functional and presentation currency

These Consolidated Financial Statements are presented in Rands which is the group's functional and presentation currency. All financial information presented in Rands has been rounded to the nearest thousand.

## Use of estimates and judgements

### Significant judgements in applying the group's accounting policies

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

### Satisfaction of performance obligations

Refer to the accounting policy for revenue recognition in note 2.2 for the judgements applied when determining the satisfaction of performance conditions.

### Allowance for credit losses

As detailed under the accounting policy for impairment of financial assets, the group recognises a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

### Significant influence over associate

Refer to the accounting policy for associates in note 2.2 as well as Note 13. Refer to the accounting policy for associates in note 2.2 as well as note 9.2.

### Business model assessment for financial assets

Classification and measurement of financial assets depends on the results of the Sole Payments of Principal and Interest and the business model test. The group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective which is to fund the entities infrastructure requirements as well as operating expenditure requirements. This assessment includes judgement reflecting whether the financial asset continues to be held for the purposes of reducing the liquidity risk or whether value will be derived from selling of the asset.

uMngeni-uThukela Water holds financial assets to meet its working capital requirements which includes funding capital expenditure over a period of at least five years or more. The entity invests its excess cash in short and long-term financial assets so that it can fund the expenditure when the need arises. At least 12 to 18 months of working capital requirements are invested in term investments. The objective therefore is to collect contractual cash flows and redeem investments on redemp-

tion date for term investments or call upon same day liquidity investments placed with banks should an immediate funding requirement arise. Financial assets with same day liquidity (demand deposits) are reviewed for insignificant risk of changes of value and are then classified as cash equivalents. Investments in money market funds whilst deemed to have same day liquidity may have assets that are longer than three months duration. Therefore it cannot be established if there is an insignificant risk of changes in value. These investments are not included in the cash and cash equivalents balance.

There were no other significant judgements in the process of applying the group's accounting policies.

## Key sources of estimation uncertainty

### Value-in-use calculations for impairment of property plant and equipment

The recoverable amount of development infrastructure is determined based on value-in-use calculations. Key assumptions relating to these valuations include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand per scheme. Future cash flows are extrapolated over the useful life of the assets to reflect the long-term plan for the group using the growth rates as projected by the economic indicators (CPI, PPI, energy).

Management determines the expected performance of these assets based on the sales volume demands and the operating cost structure aligned to the system from which water will be drawn. Refer to note 9 for further details on impairments of property plant and equipment.

### Residual values and useful lives of property plant and equipment

Property plant and equipment are depreciated over its useful life taking into account residual values where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programs and relevant market information, manner of recovery and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions. Refer to note 9.

### Fair values of biological assets

The carrying amounts of biological assets are recognised at fair value. The fair values of game were determined with reference to market prices as at 30 June 2024. Refer to note 12 for further detail on biological assets.

### Defined benefit plans

The key assumptions relating to the defined benefit plan sensitivity analysis are disclosed in note 25.



### Calculation of a loss allowance

When measuring expected credit losses (ECL) the group uses reasonable and supportable forward looking information which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Further details are included under the impairment of financial assets accounting policy.

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

### Standards interpretations and amendments to published standards that are not yet effective

#### *IFRS 10 consolidated financial statements and ias 28 (amendments) sale or contribution of assets between an investor and its associate or joint venture – no effective date set as yet*

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically the amendments state that gains or losses

resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however earlier application of the amendments is permitted.

The Group does not anticipate the application of the amendments in the future to have a significant impact on the Group's Consolidated Financial Statements as both subsidiaries are 100% owned by uMngeni-uThukela Water. Other IFRS accounting standards interpretation or amendments not yet effective:

| IFRS Accounting Standard | Summary description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Issue date        | Effective date    |
|--------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| IFRS 10 and IAS 28       | Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 1 September 2014  | Not yet effective |
| IAS 21                   | Lack of exchangeability – Amendments to IAS 21 – The Group does not anticipate the application of the amendments in the future to have a significant impact on the Group's Consolidated Financial Statements                                                                                                                                                                                                                                                                                                                                                                                                                                    | 1 August 2023     | 1 January 2025    |
| IFRS 16 (Amendments)     | Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) – UuW does not have sale and leaseback. The Group does not anticipate the application of the amendments in the future to have a significant impact on the Group's Consolidated Financial Statements                                                                                                                                                                                                                                                                                                                                                                             | 22 September 2023 | 1 January 2024    |
| IFRS 18                  | Presentation and Disclosure in Financial Statements improvements – The Group does not anticipate the application of the amendments in the future to have a significant impact on the Group's Consolidated Financial Statements                                                                                                                                                                                                                                                                                                                                                                                                                  | 9 April 2024      | 1 January 2027    |
| IAS 1 (Amendments)       | Classification of Liabilities as Current or Non-current. The amendments aim to promote consistency in applying the requirements by helping entities determine whether in the statement of financial position debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. – The Group does not anticipate the application of the amendments in the future to have a significant impact on the Group's Consolidated Financial Statements                                                                                                  | 1 January 2020    | 1 January 2024    |
| IAS 1 (Amendments)       | Non-current Liabilities with Covenants. The amendments improved the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. It also deals with the classification of such a liability as current or non-current by clarifying when a covenant affects the rights to defer settlement of a liability based on when the entity is expected to be in compliance with such the covenant. – The Group does not anticipate the application of the amendments in the future to have a significant impact on the Group's Consolidated Financial Statements | 1 October 2022    | 1 January 2024    |

|                                  |                                                                                                                                                                                                                                                                                                                                                |            |                |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------|
| IAS 7 and IFRS 7<br>(Amendments) | Supplier Finance Arrangement. The amendments require an entity to provide additional disclosures (both qualitative and quantitative) about its supplier finance arrangements.<br>- The Group does not anticipate the application of the amendments in the future to have a significant impact on the Group's Consolidated Financial Statements | 1 May 2023 | 1 January 2024 |
|----------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------|

### Adoption of new and revised ifrs accounting standards

There were no new IFRS Accounting Standards or revision to existing standards that had a significant impact on the consolidated group financial statements in the current financial year.

### Improvements to IFRS accounting standards

A number of IFRS Accounting Standards have been amended as part of the IASB annual improvement project. The group is in the process of considering the relevant amendments to the standards and determining the financial impact on the group.

## 2.2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

### Basis of consolidation of financial results

The consolidated financial statements reflect the financial results of the group. All financial results are consolidated by combining like items of assets liabilities equity income expenses and cash flows of the parent with those of its subsidiaries except for investments in associates which are included in the group's results as set out below.

### Elimination of inter-company transactions

Inter-company transactions balances and unrealised gains and losses between entities are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset that loss is charged to the statement of profit or loss.

In respect of associates unrealised gains and losses are eliminated against the investment in the associate to the extent of the group's interest in these entities.

### Business combinations

A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods and services to customers generating investment income or generating other income from ordinary activities. A business may comprise an entity group of entities or an unincorporated operation including its operating assets and associated liabilities. Business combinations are accounted for using the acquisition method which is the date on which control is transferred to the group. On acquisition date fair values are attributed to the identifiable assets liabilities and contingent liabilities. Fair value of all identifiable assets and liabilities included in the business combination are determined by reference to market values of those similar items where available

or by discounting expected future cash flows using the discount rate to present values.. The consideration transferred is the fair value of the group's contribution to the business combination in the form of assets transferred liabilities assumed or contingent consideration at the acquisition date. Transaction costs directly attributable to the acquisition are charged to the statement of profit or loss except if related to the issue of debt or equity securities.

### Business combination

A non-controlling interest at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net identifiable assets of the entity acquired.

On acquisition date goodwill is recognised when the consideration transferred and the recognised amount of the non-controlling interests exceeds the fair value of the net identifiable assets of the entity acquired. Goodwill is tested at each reporting date for impairment. To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the consideration transferred and the recognised amount of non-controlling interests the excess is recognised in the statement of profit or loss on acquisition date.

When an acquisition is achieved in stages (step acquisition) the identifiable assets and liabilities are recognised at their full fair value when control is obtained and any adjustment to fair values related to these assets and liabilities previously held as an equity interest is recognised in the statement of other comprehensive income or statement of profit or loss as appropriate.

When there is a change in the interest in a subsidiary after control is obtained that does not result in a loss in control the difference between the fair value of the consideration transferred and the amount by which the non-controlling interest is adjusted is recognised directly in the statement of changes in equity.

When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying value of any related goodwill.

### Business combination under common control

A business combination under common control occurs when two or more entities all under the control of the same parent entity combine their operations. This policy applies to all business combinations involving entities under common control including acquisitions

mergers or other forms of business combination where the combining entities are ultimately controlled by the same parent entity both before and after the transaction.

Business combinations under common control are not accounted for at fair value. Instead the assets and liabilities of the acquired entity are recorded at their carrying amounts as of the date of the combination.

**Consideration Transferred:** The consideration if any transferred in a business combination under common control is measured based on the carrying amounts of the assets and liabilities exchanged.

**Assets and Liabilities:** All identifiable assets acquired and liabilities assumed in a Business combination under common control are recorded at their carrying amounts as of the combination date. The carrying amounts should be consistent with the amounts reflected in the books of the combining entities immediately before the combination.

No goodwill is recognized in a Business combination under common control. Any difference between the carrying amount of the net assets acquired and the consideration transferred should be recognized in equity as an adjustment to retained earnings.

uMngeni-uThukela Water discloses information about the nature and effect of business combinations under common control. This includes the names of the combining entities the date of the combination and a description of the transaction. Additionally entities should disclose the impact on the financial statements including the carrying amounts of the assets and liabilities involved.

## Subsidiaries

A subsidiary is an entity controlled by the group.

The group has two subsidiaries which are wholly owned and further details are included in Note 13 of the financial statements.

The assets liabilities income expenses and cash flows of subsidiaries are consolidated from the date of acquisition being the date on which the group obtains control and continue to be consolidated until the date that such control ceases. Control is achieved when the group is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee the group considers all relevant facts and circumstances in assessing whether it has power over an investee including:

- The contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary.

Where necessary adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the group. All inter-company balances and transactions are eliminated. In the parent financial statements the parent accounts for investments in subsidiaries at cost.

## Associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group has an associate through its subsidiary uMngeni Water Services SOC Ltd. Further details on the associate are included in Note 13 of the financial statements.

The financial results of associates are included in the group's results according to the equity method from acquisition date until disposal date. Under the equity method the investment in associate is initially recognised at cost including transaction costs and the carrying amount is increased or decreased to recognise the group's share of profit or loss of the associate after the acquisition date.

The group's share of profits or losses and other comprehensive income are recognised in the statement of profit or loss as equity accounted earnings. Distributions received from associates reduce the carrying amount of the investment. All cumulative post-acquisition movements in other comprehensive income of associates are adjusted against the carrying amount of the investment. When the group's share of losses in associate equals or exceeds its interest in those associates; the group does not recognise further losses unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates. Goodwill relating to associates forms part of the carrying value of those associates.

The total carrying value of each associate is evaluated annually as a single asset for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired the carrying value of the group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to the statement of profit or loss as part of equity accounted earnings of that associate.

When significant influence over an associate is lost the group measures any investment retained in the former associate at fair value with any consequential gain or loss recognised in profit or loss.

Where the reporting date of an associate differs from that of the group adjustments are made to the associate's most recent audited financial results for material transactions and events that occur since then to the reporting date of the group.

Where a group entity transacts with an associate of the group unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

In the parent financial statements the parent accounts for investments in associates at cost.

## Operating segments and segment reporting

The group has two reportable segments:

- the primary segment as defined by section 29 of the Water Services Act No. 108 of 1997; and
- other activities as defined by Section 30 of the Water Services Act No. 108 of 1997.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets head office expenses assets and liabilities.

## Property plant and equipment

Property plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

Costs include expenditure that is directly attributable to the acquisition of the asset. Works under construction are stated at cost less accumulated impairment losses and grant funding. Cost includes the cost of materials direct labour allocated portion of direct project overheads and any costs incurred which is directly attributable to

bringing it to its present location and condition. Work-in-progress is commissioned on date of significant completion net of grant funding in accordance with the accounting policy on grant funding.

Servitudes are considered an integral part of the asset and are essential to the operation of the asset and therefore forms part of the cost of the relevant asset. Borrowing costs are capitalised on qualifying assets in accordance with the relevant accounting policy on finance costs.

When property plant and equipment comprise major/significant components with different useful lives these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised if it meets the recognition criteria and any remaining carrying amount of the component replaced is written off in the statement of profit and loss. All other expenditure is charged to the statement of profit and loss.

Subsequent expenditure is only capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the group.

The carrying amount of property plant and equipment will be derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

Property plant and equipment are depreciated to its estimated residual values on a straight line basis over its expected useful life. The depreciation methods estimated remaining useful lives and residual values are reviewed at least annually and adjusted prospectively where appropriate.

| Asset Category                             | Estimated Useful Life (Years) | Estimated Residual Value |
|--------------------------------------------|-------------------------------|--------------------------|
| <b>Buildings and infrastructure</b>        |                               |                          |
| Buildings                                  | 40                            | 0% - 2%                  |
| Dams and weirs                             | 45                            | 0% - 2%                  |
| Pipelines                                  | 30-45                         | 0% - 2%                  |
| Pump stations                              | 10-30                         | 0% - 2%                  |
| Reservoirs and intake works                | 45                            | 0% - 2%                  |
| Tunnels                                    | 45                            | 0% - 2%                  |
| Water treatment works                      | 10-45                         | 0% - 2%                  |
| Waste water works                          | 10-45                         | 0% - 2%                  |
| Roads                                      | 15-30                         | 0% - 2%                  |
| Fences and gates                           | 15                            | 0% - 2%                  |
| Temporary and timber structures            | 25                            | 0% - 2%                  |
| <b>Equipment and vehicles</b>              |                               |                          |
| Plant and equipment furniture and fittings | 5                             | 0% - 10%                 |
| Vehicles                                   | 5                             | 0% - 10%                 |
| Computers                                  | 3-5                           | 0% - 10%                 |
| ERP Hardware                               | 5                             | 0% - 10%                 |
| ERP Software                               | 5                             | 0% - 10%                 |



## Investment property

Investment property which is property held to earn rentals is measured initially at cost including transaction costs. Subsequent to initial recognition investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation method and rate is aligned to the buildings class under property plant and equipment. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. Rental income earned on investment property is included in other income.

## Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification except to the extent that there is a delay caused by events or circumstances beyond the group's control and there is sufficient evidence that the group remains committed to its plan to sell the asset (or disposal group). Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Where a disposal group held for sale will result in the loss of control of a subsidiary all the assets and liabilities of that subsidiary are classified as held for sale regardless of whether a non-controlling interest in the former subsidiary is to be retained after the sale.

At the time of classification as held for sale immediately before the initial classification of the asset as held for sale the carrying amount of the asset is measured in accordance with applicable accounting policy. After classification as held for sale non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell. No depreciation or amortisation is provided on non-current assets from the date they are classified as held for sale.

Upon classification of a non-current asset or disposal group as held for sale it is reviewed for impairment. Any impairment loss is recognised in profit or loss. After classification as held for sale any impairment loss is calculated based on the difference between the adjusted carrying amounts of the asset/disposal group and fair value less costs to sell. Any impairment loss that arises is recognised in profit or loss.

If a non-current asset or disposal group is classified as held for sale but the criteria for classification as held for sale is no longer met the disclosure of such non-current asset as held for sale is ceased. On ceasing classification the non-current assets are reflected at the lower of:

- The carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale; and
- the recoverable amount at the date the classification as held for sale ceases.

The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash generating unit as determined in accordance with the group's policy on the impairment of non-financial assets.

Any adjustments required to be made on reclassification are recognised in profit or loss on reclassification.

## Leases

### Group as a lessee

#### Right-of-use assets

The group recognises right of use assets at commencement of the lease when the asset is available for use. The cost of right of use assets comprise of the initial lease liability amount initial direct costs incurred when entering into the lease less any lease incentive received.

Subsequent to initial recognition right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the shorter of the assets estimated useful lives in terms of the accounting policy for that class of asset or the lease term except for land which is depreciated over the term of the lease.

If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that the group will exercise a purchase option the group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

An impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use right-of-use assets that is impaired.

#### Lease liability

The lease liability is initially measured at the present value of the lease payments that have to be paid over the lease term. There are no variable lease payments that would impact on the determination of the lease liability.

The lease payments are discounted using the group's incremental borrowing rate (weighted average cost of capital) if the interest rate implicit in the lease contract is not readily determinable. For leases over equipment the interest rate implicit in the lease has been used.

After the commencement date the group measures the lease liability by:

- Amortised cost using the effective interest method;
- Increasing the carrying amount to reflect interest on the lease liability;

- Reducing the carrying amount to reflect lease payments made and
- Re-measuring the carrying amount to reflect any reassessment or lease modifications.

### Short-term leases and leases of low-value assets

The group elected to apply exemptions for short term leases that have a lease term of 12 months or less; and for leases for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

### Group as a lessor

In case of lease contracts based on which the group is a lessor; each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income is recognised in profit or loss on a straight-line basis over the lease term as other income.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee.

### Intangible assets

#### Research and development

Research expenditure is charged to the statement of profit or loss when incurred. Development expenditure relating to the production of new or substantially improved products is capitalised if the following conditions are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management intends to complete the intangible asset and use or sell it;
- There is an ability to use or sell the intangible asset;
- It can be demonstrated how the intangible asset will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs that do not meet the criteria are recognised in profit and loss. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Intangible assets are amortised to profit or loss from the time it's ready for use on a straight line basis over its useful life.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Software

Software is carried at cost less accumulated amortisation and impairment. Internally developed and packaged software and the direct costs associated with the development and installation thereof are capitalised and recognised as intangible assets.

Software is amortised in full on a straight-line basis as follows:

- Customised software 5 years; and
- Shelf software 2 years.

Costs associated with research of computer software programs are recognised as an expense as they are incurred as these costs do not meet the criteria for capitalisation.

Development costs are capitalised if it meets the criteria for capitalising development expenditure. Costs relating to the license renewals are treated as an expense in the period in which the license is renewed.

The useful lives of software are reviewed annually and adjusted prospectively if appropriate. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount and are recognised in the statement of profit and loss when the asset is derecognised.

### Biological assets

Game stock are measured at their fair value less estimated point-of-sale costs. The fair value of biological assets is determined annually based on market prices of similar age, genies and genetic merit after considering its highest and best use. All changes in fair values are recognised in the statement of profit or loss in the period in which they arise.

### Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets other than inventories to determine whether there is any indication that the carrying value may not be recoverable and whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using the weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount

of an asset or cash-generating unit is estimated to be less than its carrying amount the carrying amount of the asset or cash-generating unit (CGU) is reduced to its recoverable amount.

For impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised as an expense immediately in Profit or Loss in the period it is incurred and allocated to assets within the CGU.

Where an impairment loss subsequently reverses the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit in prior years.

A reversal of an impairment loss is recognised as income immediately in Profit or Loss in the period in which the reversal is identified.

## Inventories

Inventories are stated at the lower of the weighted average cost and net realisable value. Obsolete redundant and slow-moving inventories are identified and written down to the estimated net realisable value.

Net realisable value is the estimate of the selling price in the ordinary course of business less the estimated costs of completion selling and distribution expenses.

## uMngeni-uThukela Water capital and grant funding

Capital grants for infrastructure received by uMngeni-uThukela Water are reflected against property plant and equipment. As a result of the lower carrying value the grant results in a lower depreciation expense per annum in profit or loss for the period.

Government grants towards staff training are recognised in Profit or Loss in the periods necessary to match them with the related costs and are deducted in reporting the related expense.

## Employee benefits

### Retirement benefit costs – defined contribution

Contributions to the defined benefit provident fund are recognised as an expense when employees have rendered service entitling them to the contributions.

### Retirement benefits – defined benefits

For the defined benefit retirement plans the cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in other comprehensive income in accordance with IAS 19 revised. Past

service cost is recognised immediately to the extent that the benefits are already vested and otherwise is amortised on a straight line basis over the average period until the benefit becomes vested.

## Defined benefits – pension

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available funds and reductions in future contributions to the plan. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset) taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

## Defined benefit – healthcare

Post-retirement healthcare benefits are provided to certain of the group's retirees. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. This liability is not matched with any plan assets.

## Other long-term employee benefits

Other long term employee benefits comprise a five-year long service leave benefit that is either taken as leave or equivalent cash value and the long term incentive bonus which is raised in terms of the group's performance policy and is based on a five-year performance period. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in profit or loss in accordance with IAS 19 revised.

## Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Short-term employee benefits include salaries bonuses allowances and other fringe benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. Remuneration of employees is charged to the statement of profit and loss. The group recognises a liability for leave and performance bonuses which is included in provisions and accrues for other short-term employee benefits if the group has a present legal or constructive obligation to pay the amount and the obligation can be estimated reliably.

## Contingent liabilities

A contingent liability is disclosed for a possible obligation dependent on a future event for which the timing of payment is uncertain or the amount cannot be measured reliably.

## Provisions

Provisions are estimates recognised by management using the information available at the reporting date. Required disclosures relating to these provisions are included in relevant notes.

## Capital commitments

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes.

A contractual amount for each class of capital expenditure committed is disclosed in the financial statements for the acquisition of Property Plant and Equipment or intangible assets less expenditure recognised in the statement of financial position and financial performance.

## Financial assets

The group classifies its financial assets as financial assets measured at amortised cost. Financial assets relating to investments comprise redemption assets as well as money market investments. The money market investments are categorised into call (demand deposits) and term investments. To the extent that there is insignificant risk of changes in value the demand deposits are classified as cash equivalents. Other financial assets include trade and other receivables and cash and cash equivalents. The classification is based on the group's business model to collect cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding over the life of the instruments.

Financial assets are recognised on transaction date when the group becomes party to the contracts and thus obtains rights to receive economic benefits and are derecognised when those rights no longer exist. Financial assets are initially measured on transaction date at fair value including transaction costs.

## Trade and other receivables

Trade and other receivables both current and non-current are initially measured at their transaction price as they do not have significant financing components. Subsequent to initial recognition these are measured at amortised cost less any impairment losses.

## Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held with the banks. Cash equivalents are short-term (generally with original maturity of three months or less) highly liquid investments that are readily convertible to a known amount of cash and

which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term liquidity requirements rather than for investment or other purposes

## Impairment of financial assets

The group recognises a loss allowance for expected credit losses (ECL) on investments measured at amortised cost trade and other receivables as well as cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The loss allowance is recognised in the statement of financial position and the movement is accounted for in profit or loss.

## Trade receivables

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables in accordance with IFRS 9's simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience adjusted for factors that are specific to the debtors general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date including time value of money where appropriate. Irrespective of the outcome of the above assessment the group presumes that the credit risk on trade receivables has increased significantly since initial recognition when contractual payments are more than 30 days past due based on customer payment behaviours.

## Short-term investments and cash balances

The group's short-term investments and bank balances which are carried at amortised cost are considered to have low credit risk and the loss allowance recognised on these assets is therefore limited to 12-months ECLs. Short term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. If the group considers that credit risk on a financial instrument has increased significantly since initial recognition the expected credit losses are estimated based on the lifetime ECLs.

However if the credit risk on the financial instrument has not increased significantly since initial recognition the Group measures the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment the Group considers both



quantitative and qualitative information that is reasonable and supportable including historical experience and forward-looking information that is available without undue cost or effort.

In applying the forward-looking approach a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2); and
- Stage 3 relates to financial assets that have objective evidence of being credit-impaired at the reporting date.

Irrespective of the outcome of the above assessment the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the group has reasonable and supportable information that demonstrates otherwise.

### Derecognition of financial assets

The entity derecognises a financial asset only when:

- The contractual rights to the cash flows from the asset expire; or
- It transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or
- Retains the contractual rights to receive the cash flows of the financial asset but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

### Financial assets -write off

The group shall derecognise the gross carrying amount and accumulated impairment of a financial asset (partially or in full) when the group has no reasonable expectations of recovering that whole or part of the financial asset e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings or all collection efforts have failed. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss as a reduction to the impairment loss for the period as these cash flows relates to recoveries on financial assets that has been written-off.

### Financial liabilities

Financial liabilities are initially recognised at the transaction date when the group becomes party to a contract at fair value net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method. Premiums or discounts arising from the difference between the fair value of financial liabilities raised and the amount repayable at maturity date are charged to the statement of profit and loss as finance costs based on the effective interest rate method. Financial liabilities comprise loans as well as trade and other payables.

### Trade and other payables

Trade payables are short-term not interest bearing and are measured at their nominal value.

### Derecognition of financial liabilities

The group derecognises financial liabilities when and only when the group's obligations are discharged cancelled or they expire.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or cash payments (including all fees on points paid or received that form an integral part of the effective interest rate transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability.

### Offset

Financial assets and financial liabilities are only offset if there is a currently enforceable legal right to offset and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### Fair value of financial instruments not measured at fair value

A number of the group's financial instruments require the disclosure of fair value even though these assets are not measured at fair value.

When determining the fair value of an asset or liability for disclosure purposes the group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

### Revenue

The group recognises revenue from the following major sources:

- Sale of potable bulk water
- Treatment of bulk waste water
- Providing other services in the bulk water value chain in terms of Section 30 of the Water Services Act

Revenue is measured based on the consideration to which the group expect to be entitled to in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when its performance obligations are satisfied. Transactions prices are guided by the Pricing Policy of the organisation.

The following major revenue streams and significant judgements made for each revenue stream in applying IFRS 15 were relevant to the group.

The group applies the practical expedient in IFRS 15 with regards to the transaction price allocated to performance obligations unsatisfied or partially satisfied. Revenue has been recognised at the amount to which the group has a right to invoice which corresponds directly to the value to the customer of the group's performance completed to date.

### Potable and clarified bulk water supply

Raw water is abstracted from dams or rivers; distributed via bulk water infrastructure to the bulk water treatment plants for treatment processes and stored at reservoirs. The treated potable water is then distributed via the reservoirs and bulk water pipelines to customers and the bulk meters are the source of transfer of control of the bulk water from uMngeni-uThukela Water to the customer. Clarified water is semi-treated water. This revenue is recognised at a point in time when potable bulk water is metered at these bulk water metering points which is the point at which uMngeni-uThukela Water satisfies its performance obligation in terms of the bulk water supply contract with its customers. Revenue is recognised based on the water volumes sold at the bulk water tariff approved by the Minister of Water and Sanitation.

### Treatment of bulk waste water

**Operating and Maintaining:** Revenue is recognised at a point in time when performance obligations are satisfied relating to operating and maintaining activities of the bulk waste water works on behalf of the customer according to the agreed upon standards in terms of the contract. The transaction price is as per the contractual arrangement and based on the actual cost of carrying out these activities plus an agreed mark-up.

**Bulk Waste water treatment;** which includes sewage; trade effluent and contaminated storm water: Revenue is recognised at a point in time when waste water is accepted from the municipality or industry and treated to an acceptable standard and released to rivers or ocean in terms of the agreed period of the contract with the customer. The performance obligation is satisfied when the customer's waste water is accepted. The transaction price is a fixed fee as per the contractual arrangement and based on the expected costs associated with operating the infrastructure to treat waste water.

The advance payments for bulk water and wastewater services encompass the costs associated with the infrastructure necessary to facilitate the consistent supply of water to our customers. The primary objective of these advance payments is to mitigate the tariff rate payable by the customer in the future in relation to the quantity of water delivered to them.

### Other activities revenue

Other activities consist of other services included in the bulk water value chain such as laboratory services water quality monitoring operating and maintenance contracts implementing projects for any sphere of government for projects related to water service delivery as well as subsidiaries revenue which includes eco-tourism.

uMngeni-uThukela Water is the principal in implementation projects because it typically controls the delivery of construction contracts over time and assumes all risks until performance obligations are met. Revenue from implementing projects is recognised over time according to completed deliverables or stage of completion basis. A cost-to-cost method is used on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. This revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that they will result in revenue and can be measured reliably. The transaction price is determined based on the type of goods/services to be delivered and in accordance with the pricing policy of uMngeni-uThukela Water.

Advances relating to these contracts are recognised as contract liabilities and amounts invoiced for work performed but not collected from customers are included under trade receivables.

Revenue from laboratory services and water quality monitoring is recognised at a point in time when the requested service is completed. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

Revenue from eco-tourism (campsite conferences game etc.) is recognised at a point in time when the control of goods has been transferred and title has transferred to the customer with the exception of the wild card revenue where performance obligations are met over a period of time. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

### Cost of sales

Cost of sales includes the costs of raw water and all other direct operating costs associated with the production processes. The costs directly attributable to sales for other activities as defined in Section 30 of the Water Services Act (Act 108 of 1997) are disclosed as cost of sales. All other costs are considered to be administration expenses.

### Taxation

uMngeni-uThukela Water and Msinsi Holdings SOC Ltd are tax-exempt entities in terms of Section 10 (1) (cA) (i) of the Income Tax Act 58 of 1962 and therefore the policy is only in respect of its subsidiary Umgeni Water Services SOC Ltd and associates.

The income tax charge represents the tax currently payable and deferred tax.

### Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from profit as reported in the statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

## Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects at the reporting date to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

## Interest income

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is calculated using the effective interest method on the financial asset's gross carrying amount when the asset is not credit impaired and on the amortised cost when the asset is credit impaired.

## Finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment

income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation to those assets.

All other finance costs are recognised in the statement of profit or loss in the period in which they are incurred.

## Fruitless, wasteful and irregular expenditure

### Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Where a transaction, event or condition was undertaken without value or substance and which did not yield any desired results or outcome and careful application, attentiveness and caution was applied to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level, such transaction, event or condition is classified as fruitless and wasteful expenditure.

### Irregular expenditure

Where expenditure has been incurred that does not comply with any law or regulation, the group classifies that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with IFRS Accounting Standards.

- a) Irregular expenditure is removed when it is either;
- b) condoned by the relevant authority if no official was found to be liable in law;
- c) recovered from an official/supplier liable in law;
- d) written-off if it is irrecoverable from an official liable in law; or
- e) written-off if it is not condoned and not recoverable.

### Events after the reporting date

Only events that provide further evidence about conditions that existed at the end of the reporting period are adjusted for in the annual financial statements. Non-adjusting events are disclosed in the annual financial statements accordingly.

# Notes to the Consolidated Annual Financial Statements

for the year ended 30 June 2024

## 3. OPERATING SEGMENTS AND SEGMENT REPORTING

uMngeni-uThukela Water has two reportable segments:

- (i) The primary activities as defined by section 29 of the Water Services Act No. 108 of 1997 which is made up of bulk water and wastewater treatment; and
- (ii) Other activities as defined by Section 30 of the Water Services Act No. 108 of 1997. This business segment consists of non regulated activities which are mainly defined as services that complement bulk water service provision such as laboratory services, water quality monitoring, environmental management and where uMngeni-uThukela Water acts as an implementing agent for any sphere of government for projects related to water service delivery. Included in this segment are the subsidiaries which meet the definition of other activities in terms of Section 30 of the Water Services Act.

Trade debtors comprise bulk water and wastewater sales to municipalities of which eThekweni Municipality R3 358m (2023:R3 158m) and Msunduzi Municipality R 662m (2023:R 657m) which contributes to 81.04% ( 2023: 80.36%) of revenue. Additional information on the major customers per segment are included in note 16.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

### For the year ended 30 June 2024

|                                             | Group              |                  |                  |
|---------------------------------------------|--------------------|------------------|------------------|
|                                             | Primary activities | Other activities | Total            |
|                                             | R'000              | R'000            | R'000            |
| Revenue                                     | 6 059 205          | 836 737          | 6 895 942        |
| Cost of sales                               | (2 696 383)        | (456 510)        | (3 152 893)      |
| Changes in water inventory                  | 82                 | -                | 82               |
| Chemicals                                   | (201 691)          | (15 742)         | (217 433)        |
| Depreciation                                | (459 551)          | (32 326)         | (491 877)        |
| Energy                                      | (480 941)          | (41 390)         | (522 331)        |
| Maintenance                                 | (570 453)          | (30 132)         | (600 585)        |
| Raw water                                   | (436 514)          | (43 825)         | (480 339)        |
| Section 30 activities                       | -                  | (279 500)        | (279 500)        |
| Staff costs                                 | (456 428)          | (12 881)         | (469 309)        |
| Other direct operating expenses             | (90 887)           | (714)            | (91 601)         |
| <b>Gross profit</b>                         | <b>3 362 822</b>   | <b>380 227</b>   | <b>3 743 049</b> |
| Other income                                | 15 134             | 237              | 15 371           |
| Other operating and administration expenses | (2 318 043)        | (230 929)        | (2 548 972)      |
| Impairments of property plant and equipment | (187 202)          | -                | (187 202)        |
| Amortisation                                | (68 574)           | (1)              | (68 575)         |
| Depreciation                                | (82 286)           | -                | (82 286)         |
| Asset written off                           | (3 333)            | -                | (3 333)          |
| Staff costs                                 | (801 377)          | (65 859)         | (867 236)        |
| Other expenses and recoveries               | (1 175 271)        | (165 069)        | (1 340 340)      |
| Expected credit losses                      | (504 030)          | (26 614)         | (530 644)        |



# Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

## 3. OPERATING SEGMENTS AND SEGMENT REPORTING (continued)

| For the year ended 30 June 2024       |     | Group              |                  |                   |
|---------------------------------------|-----|--------------------|------------------|-------------------|
|                                       |     | Primary activities | Other activities | Total             |
|                                       |     | R'000              | R'000            | R'000             |
| <b>Profit from operations</b>         |     | <b>555 884</b>     | <b>122 921</b>   | <b>678 805</b>    |
| Interest income                       |     | 782 946            | 5 192            | 788 138           |
| Finance costs                         |     | (2 216)            | (349)            | (2 565)           |
| Share of profit from associate        |     | -                  | 4 011            | 4 011             |
| <b>Profit before tax</b>              |     | <b>1 336 614</b>   | <b>131 775</b>   | <b>1 468 388</b>  |
| Taxation                              | 6.2 | -                  | (184)            | (184)             |
| <b>Profit for the year</b>            |     | <b>1 336 614</b>   | <b>131 591</b>   | <b>1 468 205</b>  |
| <b>Capital expenditure</b>            |     | <b>2 832 941</b>   | <b>6 528</b>     | <b>2 839 469</b>  |
| Segment assets                        |     | 14 028 560         | 71 258           | 14 099 818        |
| Interest in associate                 |     | -                  | 10 567           | 10 567            |
| Bank and Investments                  |     | 6 859 573          | 72 499           | 6 932 072         |
| Unallocated                           |     |                    |                  | 744 261           |
| <b>Consolidated total assets</b>      |     |                    |                  | <b>21 786 718</b> |
| Segment liabilities                   |     | 1 727 828          | 72 499           | 1 800 327         |
| Unallocated                           |     |                    |                  | 2 383 879         |
| <b>Consolidated total liabilities</b> |     |                    |                  | <b>4 184 206</b>  |

| For the year ended 30 June 2023 |  | Group              |                  |                  |
|---------------------------------|--|--------------------|------------------|------------------|
|                                 |  | Primary activities | Other activities | Total            |
|                                 |  | R'000              | R'000            | R'000            |
| Revenue                         |  | 5 181 252          | 71 550           | 5 252 802        |
| Cost of sales                   |  | (2 164 178)        | (46 076)         | (2 210 254)      |
| Changes in water inventory      |  | 627                | -                | 627              |
| Chemicals                       |  | (145 690)          | (527)            | (146 217)        |
| Depreciation                    |  | (374 889)          | -                | (374 889)        |
| Energy                          |  | (393 961)          | -                | (393 961)        |
| Maintenance                     |  | (375 485)          | (844)            | (376 329)        |
| Raw water                       |  | (414 273)          | -                | (414 273)        |
| Section 30 activities           |  | -                  | (43 883)         | (43 883)         |
| Staff costs                     |  | (375 474)          | (648)            | (376 122)        |
| Other direct operating expenses |  | (85 033)           | (174)            | (85 207)         |
| <b>Gross profit</b>             |  | <b>3 017 074</b>   | <b>25 474</b>    | <b>3 042 548</b> |
| Other income                    |  | 190 415            | (38)             | 190 377          |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 3. OPERATING SEGMENTS AND SEGMENT REPORTING (continued)

For the year ended 30 June 2023

|                                             | Group              |                  |                   |
|---------------------------------------------|--------------------|------------------|-------------------|
|                                             | Primary activities | Other activities | Total             |
|                                             | R'000              | R'000            | R'000             |
| Other operating and administration expenses | (1 976 958)        | (83 734)         | (2 060 692)       |
| Impairments of property plant and equipment | (291 755)          |                  | (291 755)         |
| Amortisation                                | (58 866)           | (1)              | (58 867)          |
| Depreciation                                | (66 011)           | (2 872)          | (68 883)          |
| Asset written off                           | (12 036)           | -                | (12 036)          |
| Staff costs                                 | (579 066)          | (61 121)         | (640 187)         |
| Other expenses and recoveries               | (969 224)          | (19 740)         | (988 964)         |
| Expected credit losses                      | (580 730)          | 376              | (580 354)         |
| <b>Profit from operations</b>               | <b>649 801</b>     | <b>(57 922)</b>  | <b>591 879</b>    |
| Interest income                             | 550 882            | 3 721            | 554 603           |
| Finance costs                               | (277)              | (341)            | (618)             |
| Share of profit from associate              | -                  | 2 548            | 2 548             |
| <b>Profit before tax</b>                    | <b>1 200 407</b>   | <b>(51 994)</b>  | <b>1 148 413</b>  |
| Taxation                                    | 6.2                | -                | (187)             |
| <b>Profit for the year</b>                  | <b>1 200 407</b>   | <b>(52 181)</b>  | <b>1 148 226</b>  |
| <b>Capital expenditure</b>                  | <b>1 795 679</b>   | <b>5 839</b>     | <b>1 801 518</b>  |
| Segment assets                              | 10 729 790         | 57 616           | 10 787 406        |
| Interest in associate                       | -                  | 8 830            | 8 830             |
| Bank and Investments                        | 6 330 996          | 119 197          | 6 450 193         |
| Unallocated                                 |                    |                  | 335 662           |
| <b>Consolidated total assets</b>            |                    |                  | <b>17 582 091</b> |
| Segment liabilities                         | 1 602 080          | 119 197          | 1 721 277         |
| Unallocated                                 |                    |                  | 1 465 971         |
| <b>Consolidated total liabilities</b>       |                    |                  | <b>3 187 248</b>  |

Unallocated items comprise mainly corporate assets, head office expenses, assets and liabilities.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 4. REVENUE

The group recognises revenue for both goods and services at a point in time and over time in accordance with the accounting policies described on page 203 to 204 of the financial statements. Revenue is derived from the sale of goods and services within the KwaZulu-Natal Province from the major product/service lines as per the disaggregation of revenue table below.

The group applies the practical expedient in IFRS 15 with regards to the transaction price allocated to performance obligations unsatisfied or partially satisfied. Revenue has been recognised at the amount to which the group has a right to invoice, which corresponds directly to the value to the customer of the group's performance completed to date. Customers are required to pay their invoices within 30 days of receipts of the invoice, refer to Note 16.

Bulk water revenue comprises 84% (2023: 93%) of total revenue for the group. The average bulk water tariff was R8.76 (2023: R8.26).

### DISAGGREGATION OF REVENUE

#### For the year ended 30 June 2024

#### Revenue from major products/service lines as a result of performance obligations satisfied

|                                       | Primary activities | Other Activities | Total Parent     | Total Group      |
|---------------------------------------|--------------------|------------------|------------------|------------------|
|                                       | R'000              | R'000            | R'000            | R'000            |
| Bulk water sales                      | 5 539 977          | 279 328          | 5 819 305        | 5 819 305        |
| Waste water sales                     | 443 318            | 237 588          | 680 906          | 680 906          |
| Clarified water                       | 23 137             | -                | 23 137           | 23 137           |
| Scientific and environmental services | -                  | 3 122            | 3 122            | 3 122            |
| Operating and maintenance             | 52 773             | 10 607           | 63 380           | 63 380           |
| Training and capacity building        | -                  | 29 669           | 29 669           | 29 669           |
| Other                                 | -                  | 270 073          | 270 073          | 276 424          |
|                                       | <b>6 059 205</b>   | <b>830 386</b>   | <b>6 889 591</b> | <b>6 895 942</b> |

#### Timing of revenue recognition

|                    |                  |                |                  |                  |
|--------------------|------------------|----------------|------------------|------------------|
| At a point in time | 6 059 205        | 530 644        | 6 589 849        | 6 592 225        |
| Over time          | -                | 299 742        | 299 742          | 303 717          |
|                    | <b>6 059 205</b> | <b>830 386</b> | <b>6 889 591</b> | <b>6 895 942</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### DISAGGREGATION OF REVENUE (continued)

#### For the year ended 30 June 2023

##### Revenue from major products/service lines as a result of performance obligations satisfied

|                                       | Primary activities | Other Activities | Total Parent     | Total Group      |
|---------------------------------------|--------------------|------------------|------------------|------------------|
|                                       | R'000              | R'000            | R'000            | R'000            |
| Bulk water sales                      | 4 876 486          | -                | 4 876 486        | 4 876 486        |
| wastewater sales                      | 304 766            | -                | 304 766          | 304 766          |
| Scientific and environmental services | -                  | 10 406           | 10 406           | 10 406           |
| Operating and Maintenance             | -                  | 5 206            | 5 206            | 5 206            |
| Training and capacity building        | -                  | 26 823           | 26 823           | 26 823           |
| Other                                 | -                  | 12 389           | 12 389           | 29 115           |
|                                       | <b>5 181 252</b>   | <b>54 824</b>    | <b>5 236 076</b> | <b>5 252 802</b> |

#### Timing of revenue recognition

|                    |                  |               |                  |                  |
|--------------------|------------------|---------------|------------------|------------------|
| At a point in time | 5 181 252        | 15 612        | 5 196 864        | 5 209 615        |
| Over time          | -                | 39 212        | 39 212           | 43 187           |
|                    | <b>5 181 252</b> | <b>54 824</b> | <b>5 236 076</b> | <b>5 252 802</b> |

#### REVENUE FROM CONTRACT LIABILITIES

Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the financial year. The recognition is due to performance obligations satisfied during the financial year.

Refer to note 20.2 for the contract liabilities

| Group   |        | Parent  |        |
|---------|--------|---------|--------|
| 2024    | 2023   | 2024    | 2023   |
| R'000   | R'000  | R'000   | R'000  |
| 287 056 | 40 611 | 287 056 | 40 611 |



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 5. OTHER INCOME

|                           | Group         |                | Parent        |                |
|---------------------------|---------------|----------------|---------------|----------------|
|                           | 2024          | 2023           | 2024          | 2023           |
|                           | R'000         | R'000          | R'000         | R'000          |
| Sundry income             | 11 115        | 185 502        | 10 450        | 186 080        |
| Rental income             | 4 256         | 4 875          | 5 376         | 4 862          |
| <b>Total other income</b> | <b>15 371</b> | <b>190 377</b> | <b>15 826</b> | <b>190 942</b> |

Sundry income comprises primarily: Insurance proceeds of R1.5 million (2023: R183 million) and income from the sale of tender documents, the R183 million insurance proceeds relates to floods.

### 6.1 PROFIT FROM OPERATIONS

|                                                                                    | Group            |                  | Parent           |                  |
|------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                    | 2024             | 2023             | 2024             | 2023             |
|                                                                                    | R'000            | R'000            | R'000            | R'000            |
| Profit from operations is stated after taking the following items into account: N1 |                  |                  |                  |                  |
| <b>Total cost of sales</b>                                                         | <b>3 152 893</b> | <b>2 210 254</b> | <b>3 152 893</b> | <b>2 210 254</b> |
| Changes in water inventory                                                         | (82)             | (627)            | (82)             | (627)            |
| Chemicals                                                                          | 217 433          | 146 217          | 217 433          | 146 217          |
| Depreciation                                                                       | 491 877          | 374 889          | 491 877          | 374 889          |
| Energy                                                                             | 522 331          | 393 961          | 522 331          | 393 961          |
| <b>Maintenance</b>                                                                 | <b>600 585</b>   | <b>376 329</b>   | <b>600 585</b>   | <b>376 329</b>   |
| - Internal labour                                                                  | 176 471          | 162 332          | 176 471          | 162 332          |
| - Other internal costs                                                             | 26 587           | 21 348           | 26 587           | 21 348           |
| - External maintenance                                                             | 397 527          | 192 649          | 397 527          | 192 649          |
| Raw and potable water                                                              | 480 339          | 414 273          | 480 339          | 414 273          |
| Section 30 activities                                                              | 279 500          | 43 883           | 279 500          | 43 883           |
| Staff costs                                                                        | 469 309          | 376 122          | 469 309          | 376 122          |
| Other direct operating expenses                                                    | 91 601           | 85 207           | 91 601           | 85 207           |
| <b>Amounts included in operating and admin expenses</b>                            |                  |                  |                  |                  |
| Asset impairments and write-offs                                                   | 190 535          | 303 791          | 190 535          | 303 772          |
| - Buildings and infrastructure impairments (refer to note 9)                       | 8 784            | 188 978          | 8 784            | 188 978          |
| - Buildings and infrastructure write-offs (refer to note 9)                        | 2 295            | -                | 2 295            | -                |
| - Capital work-in-progress impairments (refer to note 9)                           | 178 403          | 102 777          | 178 403          | 102 777          |
| - Capital work-in-progress write-offs (refer to note 9)                            | -                | 9 265            | -                | 9 265            |
| - Intangible assets write-offs (refer to note 11)                                  | 10               | -                | 10               | -                |
| - Other asset impairments and write-offs (reversals)                               | 1 043            | 2 771            | 1 043            | 2 752            |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 6.1 PROFIT FROM OPERATIONS (continued)

|                                                               | Group   |         | Parent  |         |
|---------------------------------------------------------------|---------|---------|---------|---------|
|                                                               | 2024    | 2023    | 2024    | 2023    |
|                                                               | R'000   | R'000   | R'000   | R'000   |
| Amortisation                                                  | 68 576  | 58 867  | 68 574  | 58 866  |
| - Right of use agreement                                      | 1       | -       | -       | -       |
| - Amortisation of intangible assets (Refer to note 11)        | 68 575  | 58 867  | 68 574  | 58 866  |
| Auditors remuneration                                         | 9 152   | 7 259   | 7 711   | 6 128   |
| - Audit fees - current year                                   | 7 787   | 6 998   | 6 317   | 5 849   |
| - Audit fees - prior year (over) under provision              | 1 365   | 261     | 1 394   | 279     |
| Board members' emoluments (note 34)                           | 14 809  | 7 594   | 13 109  | 5 894   |
| Depreciation                                                  | 82 286  | 68 883  | 78 737  | 66 523  |
| - Property plant and equipment                                | 77 638  | 66 339  | 74 252  | 64 952  |
| - Investment property (refer to note 10)                      | -       | -       | 222     | 222     |
| - Right of use Asset (refer to note 23.1)                     | 4 648   | 2 544   | 4 263   | 1 349   |
| Consultants' fees                                             | 90 254  | 57 535  | 90 254  | 57 535  |
| Insurance premiums                                            | 87 919  | 65 323  | 87 919  | 65 323  |
| Financial losses (goods and services not received)            | 9 228   | 51 624  | 9 228   | 51 624  |
| Fair value adjustment of biological assets (refer to note 12) | (162)   | (1 116) | -       | -       |
| Indirect maintenance                                          | 62 381  | 21 997  | 57 102  | 16 718  |
| Maintenance ICT                                               | 347 678 | 248 103 | 347 587 | 248 103 |
| Loss (Profit) on disposal of property plant and equipment     | (68)    | 7 137   | (159)   | 7 137   |
| Loss on disposal of intangible assets                         | -       | 140     | -       | 140     |
| Research and Development                                      | 16 485  | 5 326   | 16 485  | 5 326   |
| Salaries and other staff costs                                | 867 237 | 640 187 | 801 377 | 579 066 |
| Security                                                      | 173 937 | 133 837 | 170 467 | 130 367 |

N1 - the amounts disclosed in this note are those that are considered to be material in amount or nature.

#### NUMBER OF EMPLOYEES AT 30 JUNE

|                                  | Group        |              | Parent       |              |
|----------------------------------|--------------|--------------|--------------|--------------|
|                                  | 2024         | 2023         | 2024         | 2023         |
|                                  | No.          | No.          | No.          | No.          |
| Permanent                        | 1 301        | 1 157        | 1 168        | 1 019        |
| Fixed term contracts             | 246          | 362          | 246          | 362          |
| <b>Total number of employees</b> | <b>1 547</b> | <b>1 519</b> | <b>1 414</b> | <b>1 381</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 6.2. TAXATION

|                                                                            | Group      |            | Parent   |          |
|----------------------------------------------------------------------------|------------|------------|----------|----------|
|                                                                            | 2024       | 2023       | 2024     | 2023     |
|                                                                            | R'000      | R'000      | R'000    | R'000    |
| Taxation arose from a 100% owned subsidiary Umgeni Water Services (SOC)Ltd |            |            |          |          |
| Taxation expense                                                           | 184        | 187        | -        | -        |
| <b>Reconciliation of taxation</b>                                          |            |            |          |          |
| Accounting profit                                                          | (11 309)   | 439        | -        | -        |
| Permanent differences                                                      | 11 989     | 237        | -        | -        |
| Profit from associate                                                      | (4 011)    | (2 548)    | -        | -        |
| Disallowed expenses                                                        | 16 000     | 2 785      | -        | -        |
| Taxable income                                                             | 680        | 676        | -        | -        |
| <b>Taxation expense (@27%)</b>                                             | <b>184</b> | <b>187</b> | <b>-</b> | <b>-</b> |

### 7. INTEREST INCOME

|                               | Group          |                | Parent         |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2024           | 2023           | 2024           | 2023           |
|                               | R'000          | R'000          | R'000          | R'000          |
| Interest income - investments | 677 791        | 464 808        | 673 357        | 464 808        |
| Interest income - other       | 110 347        | 89 795         | 109 589        | 86 074         |
| <b>Total interest income</b>  | <b>788 138</b> | <b>554 603</b> | <b>782 946</b> | <b>550 882</b> |

### 8. FINANCE COSTS

|                                                                                                                       | Group        |            | Parent       |            |
|-----------------------------------------------------------------------------------------------------------------------|--------------|------------|--------------|------------|
|                                                                                                                       | 2024         | 2023       | 2024         | 2023       |
|                                                                                                                       | R'000        | R'000      | R'000        | R'000      |
| Other                                                                                                                 | -            | 64         | -            | 64         |
| Bonds                                                                                                                 | 106 618      | 105 748    | 106 618      | 105 748    |
| Leases                                                                                                                | 1 748        | 554        | 1 399        | 213        |
| Loans                                                                                                                 | 15 749       | 13 908     | 15 749       | 13 908     |
| Less: borrowing costs capitalised (refer to note 9)                                                                   | (121 550)    | (119 657)  | (121 550)    | (119 657)  |
| Interest was capitalised to work-in-progress at the gross weighted average cost of capital of 11.05 %. (2023: 11.04%) |              |            |              |            |
| <b>Total finance costs</b>                                                                                            | <b>2 565</b> | <b>619</b> | <b>2 216</b> | <b>277</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 9. PROPERTY, PLANT AND EQUIPMENT

|                                              | Land         | Buildings and infrastructure | Equipment and vehicles | Capital infrastructure work in progress | Total parent      | Total Group       |
|----------------------------------------------|--------------|------------------------------|------------------------|-----------------------------------------|-------------------|-------------------|
| Year ended 30 June 2024                      | R'000        | R'000                        | R'000                  | R'000                                   | R'000             | R'000             |
| <b>Carrying amount 1 July</b>                | <b>3 940</b> | <b>7 443 599</b>             | <b>232 149</b>         | <b>1 770 963</b>                        | <b>9 450 651</b>  | <b>9 469 691</b>  |
| Cost                                         | 3 940        | 13 948 047                   | 606 490                | 3 333 301                               | 17 891 778        | 17 941 158        |
| Accumulated impairments                      | -            | (857 592)                    | -                      | (568 976)                               | (1 426 568)       | (1 426 568)       |
| Accumulated grant funding                    | -            | (2 310 857)                  | -                      | (993 362)                               | (3 304 219)       | (3 304 219)       |
| Accumulated depreciation                     | -            | (3 335 999)                  | (374 341)              | -                                       | (3 710 340)       | (3 740 680)       |
| Additions                                    | -            | -                            | 236 022                | 2 366 399                               | 2 602 421         | 2 608 396         |
| Assets acquired through business combination | 1 780        | 895 169                      | 41 928                 | 280 352                                 | 1 219 229         | 1 219 229         |
| Grant funding                                | -            | -                            | -                      | (233 916)                               | (233 916)         | (233 916)         |
| Borrowing costs capitalised                  | -            | -                            | -                      | 121 550                                 | 121 550           | 121 550           |
| Disposals/Asset write-offs                   | -            | (2 295)                      | (1 028)                | -                                       | (3 323)           | (3 414)           |
| Cost                                         | -            | (5 925)                      | (5 397)                | -                                       | (11 322)          | (11 413)          |
| Accumulated depreciation                     | -            | 3 630                        | 4 369                  | -                                       | 7 999             | 7 999             |
| Transfers to right of use asset              | -            | -                            | (6 587)                | -                                       | (6 587)           | (6 587)           |
| Cost                                         | -            | -                            | (9 858)                | -                                       | (9 858)           | (9 858)           |
| Accumulated depreciation                     | -            | -                            | 3 271                  | -                                       | 3 271             | 3 271             |
| Transfers between asset classes              | -            | 101                          | (101)                  | -                                       | -                 | -                 |
| Cost                                         | -            | 101                          | (101)                  | -                                       | -                 | -                 |
| Depreciation charge                          | -            | (501 278)                    | (74 432)               | -                                       | (575 710)         | (579 318)         |
| Impairment                                   | -            | (8 784)                      | (15)                   | (178 403)                               | (187 202)         | (187 202)         |
| Commissioning                                | -            | 1 575 717                    | -                      | (1 575 717)                             | -                 | -                 |
| Cost                                         | -            | 1 741 315                    | -                      | (1 741 315)                             | -                 | -                 |
| Accumulated grant funding                    | -            | (165 598)                    | -                      | 165 598                                 | -                 | -                 |
| <b>Total property plant and equipment</b>    | <b>5 720</b> | <b>9 402 229</b>             | <b>427 936</b>         | <b>2 551 228</b>                        | <b>12 387 113</b> | <b>12 408 429</b> |
| Cost                                         | 5 720        | 16 578 707                   | 869 084                | 4 360 287                               | 21 813 798        | 21 869 062        |
| Accumulated impairments                      | -            | (866 376)                    | (15)                   | (747 379)                               | (1 613 770)       | (1 613 770)       |
| Accumulated grant funding                    | -            | (2 476 455)                  | -                      | (1 061 680)                             | (3 538 135)       | (3 538 135)       |
| Accumulated depreciation                     | -            | (3 833 647)                  | (441 132)              | -                                       | (4 274 780)       | (4 308 728)       |
| <b>Total property plant and equipment</b>    | <b>5 720</b> | <b>9 402 229</b>             | <b>427 936</b>         | <b>2 551 228</b>                        | <b>12 387 113</b> | <b>12 408 429</b> |



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

|                                           | Land         | Buildings and infrastructure | Equipment and vehicles | Capital infrastructure work in progress | Total parent     | Total Group      |
|-------------------------------------------|--------------|------------------------------|------------------------|-----------------------------------------|------------------|------------------|
|                                           | R'000        | R'000                        | R'000                  | R'000                                   | R'000            | R'000            |
| <b>Year ended 30 June 2023</b>            |              |                              |                        |                                         |                  |                  |
| <b>Carrying Amount 1 July 2022</b>        | <b>3 940</b> | <b>6 688 607</b>             | <b>205 429</b>         | <b>2 040 112</b>                        | <b>8 938 088</b> | <b>8 954 960</b> |
| Cost                                      | 3 940        | 12 619 881                   | 550 113                | 2 857 349                               | 16 031 283       | 16 076 886       |
| Accumulated impairments                   | -            | (668 614)                    | -                      | (466 199)                               | (1 134 813)      | (1 134 813)      |
| Accumulated grant funding                 | -            | (2 310 857)                  | -                      | (351 038)                               | (2 661 895)      | (2 661 895)      |
| Accumulated depreciation                  | -            | (2 951 803)                  | (344 684)              | -                                       | (3 296 487)      | (3 325 218)      |
| Additions                                 | -            | -                            | 94 973                 | 1 693 726                               | 1 788 699        | 1 792 495        |
| Grant funding                             | -            | -                            | -                      | (642 324)                               | (642 324)        | (642 324)        |
| Borrowing costs capitalised               | -            | -                            | -                      | 119 657                                 | 119 657          | 119 657          |
| Disposals/asset write-offs                | -            | -                            | (2 752)                | (9 265)                                 | (12 017)         | (12 036)         |
| Cost                                      | -            | -                            | (13 269)               | (9 265)                                 | (22 534)         | (22 553)         |
| Accumulated depreciation                  | -            | -                            | 10 517                 | -                                       | 10 517           | 10 517           |
| Transfers                                 | -            | -                            | (2 865)                | -                                       | (2 865)          | (2 865)          |
| Cost                                      | -            | -                            | (25 327)               | -                                       | (25 327)         | (25 327)         |
| Accumulated depreciation                  | -            | -                            | 22 462                 | -                                       | 22 462           | 22 462           |
| Depreciation charge                       | -            | (384 196)                    | (62 636)               | -                                       | (446 832)        | (448 441)        |
| Impairment                                | -            | (188 978)                    | -                      | (102 777)                               | (291 755)        | (291 755)        |
| Commissioning                             | -            | 1 328 166                    | -                      | (1 328 166)                             | -                | -                |
| <b>Total property plant and equipment</b> | <b>3 940</b> | <b>7 443 599</b>             | <b>232 149</b>         | <b>1 770 963</b>                        | <b>9 450 651</b> | <b>9 469 691</b> |
| Cost                                      | 3 940        | 13 948 047                   | 606 490                | 3 333 301                               | 17 891 778       | 17 941 158       |
| Accumulated impairments                   | -            | (857 592)                    | -                      | (568 976)                               | (1 426 568)      | (1 426 568)      |
| Accumulated grant funding                 | -            | (2 310 857)                  | -                      | (993 362)                               | (3 304 219)      | (3 304 219)      |
| Accumulated depreciation                  | -            | (3 335 999)                  | (374 341)              | -                                       | (3 710 340)      | (3 740 680)      |
| <b>Total property plant and equipment</b> | <b>3 940</b> | <b>7 443 599</b>             | <b>232 149</b>         | <b>1 770 963</b>                        | <b>9 450 651</b> | <b>9 469 691</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

Infrastructure consists of: pipelines, dams, weirs, reservoirs, tunnels, pump stations, sludge plants, wastewater treatment works and water treatment works.

Equipment and vehicles consists of: motor vehicles, computer hardware and furniture and fittings. The subsidiaries property, plant and equipment is all classified as equipment and vehicles.

A schedule of land and buildings is available for inspection at the registered office of uMngeni-uThukela Water. The group has an agreement with its major customer to operate and maintain the South Coast Booster pump station with the option for the customer to acquire the pump station at the end of its useful life of 14 years. The asset has a remaining useful life of 4.2 years. The pump station has a carrying amount of R18m and is used by the customer to guarantee supply to a portion of its operational areas.

#### Change in estimated residual values and remaining useful lives

During the current year residual values and remaining useful lives of some equipment and vehicles were revised based on the age and condition of these assets and the amount expected to be obtained from the sale of these assets at the end of their useful

lives. The impact of the change in estimate associated with the residual values and remaining useful lives was an increase in depreciation of R2.7million (2023: R0,522 million). The cost of the assets that are still in use but have past it useful lives amount to R1.6 million (2023: R10.8 million)

#### Impairments & write-offs

Due to the nature of the rural development schemes which serve indigent communities, it is necessary to calculate the recoverable amount of these assets to determine whether there is an indication of impairment. The impairment losses recognised arose from projects/bulk supply schemes relating to the rural development infrastructure where the recoverable amount is less than the carrying amount. The recoverable amount is the estimated value in use using the weighted average cost of capital as at 30 June 11.05% (2023: 11.04%). The recoverable amount of buildings and infrastructure assets impaired in the current year was nil, resulting in the impairment charge disclosed. It was not possible to determine fair value less costs to sell as there was no basis for making a reliable estimate of the amount obtainable from the sale of these assets in an arms length transaction between knowledgeable and willing parties. The impairment losses to work-in-progress were calculated as a pro-rata impairment based on the final projected impairment value.

#### Summary of impairments

|                                           | Accumulated<br>Impairment | Impairment /<br>(Impairment<br>reversal) | Accumulated<br>Impairment |
|-------------------------------------------|---------------------------|------------------------------------------|---------------------------|
|                                           | 30 June 2023              | 30 June 2024                             | 30 June 2024              |
|                                           |                           | R'000                                    | R'000                     |
| <b>Property Plant and Equipment</b>       |                           |                                          |                           |
| <b>Primary activities</b>                 |                           |                                          |                           |
| Maphumulo bulk water supply scheme        | 494 648                   | 2 180                                    | 496 828                   |
| Mhlabatshane bulk water supply scheme     | 108 574                   | -                                        | 108 574                   |
| Mpambanyoni emergency scheme              | 15 465                    | -                                        | 15 465                    |
| Pipeline Ngcebo bulk water                | 38 774                    | -                                        | 38 774                    |
| Other assets                              | 6 473                     | (320)                                    | 6 153                     |
| Trustfeeds WWW                            | 124 053                   | -                                        | 124 053                   |
| Lovu Emergency Scheme                     | 67 910                    | -                                        | 67 910                    |
| KCDM assets                               | 1 695                     | 6 939                                    | 8 634                     |
| <b>Total Property Plant and Equipment</b> | <b>857 592</b>            | <b>8 799</b>                             | <b>866 391</b>            |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 9. PROPERTY, PLANT AND EQUIPMENT (continued)

|                                             | Recoverable Amount | Progressive Impairment | Progressive Impairment | Accumulated Impairment | Impairment / (Impairment reversal) | Accumulated Impairment |
|---------------------------------------------|--------------------|------------------------|------------------------|------------------------|------------------------------------|------------------------|
|                                             |                    | 2023                   | 2024                   | 30 June 2023           | 30 June 2024                       | 30 June 2024           |
|                                             | R'000              | %                      | %                      | R'000                  | R'000                              | R'000                  |
| <b>Work in progress</b>                     |                    |                        |                        |                        |                                    |                        |
| <b>Bulk Water</b>                           |                    |                        |                        |                        |                                    |                        |
| Mhlabashane Bulk Water Supply Scheme        | 439 540            | 78%                    | 67%                    | 16 873                 | (2 324)                            | 14 549                 |
| Lower Mkomazi Bulk Water Scheme             | 7 341 731          | 15%                    | 6%                     | 75 492                 | (18 123)                           | 57 369                 |
| Lovu Emergency Scheme                       | -                  | 100%                   | 100%                   | 4 111                  | 12 976                             | 17 087                 |
| Weza Harding Abstraction and Pipeline       | 206 591            | 16%                    | 2%                     | 15 140                 | (12 270)                           | 2 870                  |
| Mpophomeni WWW and Mpophomeni Sewer Outfall | -                  | 100%                   | 100%                   | 435 927                | 154 518                            | 590 445                |
| N3 Corridor                                 | 72 798             | 25%                    | 57%                    | 13 702                 | 41 594                             | 55 296                 |
| Trustfeeds Automation                       | -                  | 100%                   | 100%                   | 7 731                  | 2 032                              | 9 763                  |
| <b>Total work in progress</b>               | <b>8 060 660</b>   |                        |                        | <b>568 976</b>         | <b>178 403</b>                     | <b>747 379</b>         |

### 9.1. CAPITAL COMMITMENTS

|                                                                                                                          | Group            |                  | Parent           |                  |
|--------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                                          | 2024             | 2023 Restated*   | 2024             | 2023 Restated*   |
|                                                                                                                          | R'000            | R'000            | R'000            | R'000            |
| Contracted for but not provided for in the financial statements:                                                         |                  |                  |                  |                  |
| - Commitments in respect of capital expenditure for the expansion augmentation and upgrades of pipelines and water works | 3 114 910        | 1 678 777        | 3 114 910        | 1 674 670        |
| - Commitments in respect of capital expenditure for intangible assets                                                    | 198 563          | 200 185          | 197 150          | 200 185          |
| <b>Total capital commitments</b>                                                                                         | <b>3 313 473</b> | <b>1 878 962</b> | <b>3 312 060</b> | <b>1 874 855</b> |

\*Prior year has been restated to included the commitments relating to the SAP ERP upgrade.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 9.2. NON-CURRENT ASSETS HELD FOR SALE

The assets comprise vehicles and equipment. The assets are approved by the Disposal Committee to dispose via auction. This will ensure that the group obtains optimal value from the disposal of the assets, which is fair, equitable, transparent, competitive and cost-effective. The motor vehicles are to be disposed via an auction at a future date. Consultations are currently in progress with the appointed auctioneer to undertake the disposal of these assets in 2025. The assets held for sale relate to the primary bulk water segment of the group, with the exception of the subsidiary assets held for sale which fall within the other activities segment.

|                                   | Equipment and vehicles | Total Parent | Total Group  |
|-----------------------------------|------------------------|--------------|--------------|
|                                   | R'000                  | R'000        | R'000        |
| <b>As at 30 June 2024</b>         |                        |              |              |
| <b>Balance as at 1 July 2023</b>  | <b>2 943</b>           | <b>2 943</b> | <b>2 943</b> |
| Disposals                         | (114)                  | (114)        | (114)        |
| <b>Balance as at 30 June 2024</b> | <b>2 829</b>           | <b>2 829</b> | <b>2 829</b> |

|                                               | Equipment and vehicles | Total Parent | Total Group  |
|-----------------------------------------------|------------------------|--------------|--------------|
|                                               | R'000                  | R'000        | R'000        |
| <b>As at 30 June 2023</b>                     |                        |              |              |
| <b>Balance as at 1 July 2022</b>              | <b>548</b>             | <b>548</b>   | <b>548</b>   |
| Transferred from property plant and equipment | 2 868                  | 2 868        | 2 868        |
| Disposals                                     | (473)                  | (473)        | (473)        |
| <b>Balance as at 30 June 2023</b>             | <b>2 943</b>           | <b>2 943</b> | <b>2 943</b> |

### 10. INVESTMENT PROPERTY

uMngeni-uThukela Water accounts for the investment property using the cost model. The fair value of the building is estimated at R11.6 million as at 30 June 2024 using level 2 input from the municipal rates property valuation roll.

|                                  | Parent       | Group    |
|----------------------------------|--------------|----------|
|                                  | R'000        | R'000    |
| <b>Year ended 30 June 2024</b>   |              |          |
| Carrying amount 1 July 2023      | 8 474        | -        |
| Cost                             | 9 062        | -        |
| Accumulated depreciation         | (588)        | -        |
| Depreciation charge              | (222)        | -        |
| <b>Total Investment property</b> | <b>8 252</b> | <b>-</b> |
| Cost                             | 9 062        | -        |
| Accumulated depreciation         | (810)        | -        |
| <b>Total Investment property</b> | <b>8 252</b> | <b>-</b> |



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 10. INVESTMENT PROPERTY (continued)

|                                  | Parent       | Group    |
|----------------------------------|--------------|----------|
|                                  | R'000        | R'000    |
| <b>Year ended 30 June 2024</b>   |              |          |
| Carrying amount 1 July 2023      | 8 696        | -        |
| Cost                             | 9 062        | -        |
| Accumulated depreciation         | (366)        | -        |
| Depreciation charge              | (222)        | -        |
| <b>Total Investment property</b> | <b>8 474</b> | <b>-</b> |
| Cost                             | 9 062        | -        |
| Accumulated depreciation         | (588)        | -        |
| <b>Total Investment property</b> | <b>8 474</b> | <b>-</b> |

### 11. INTANGIBLE ASSETS

#### Software

Software is carried at cost less accumulated amortisation and impairment. Internally developed and packaged software and the direct costs associated with the development and installation thereof are capitalised and recognised as intangible assets.

Software is amortised in full on a straight-line basis as follows:

- Customised software 5 years; and
- shelf software 2 years.

Costs relating to the acquisition of licenses are treated as an expense in the period in which the license is acquired.

Change in estimated residual values and remaining useful lives

During the current year residual values and remaining useful lives of some intangible assets were revised based on the age and condition of these assets and the amount expected to be obtained from the sale of these assets at the end of their useful lives. The impact of the change in estimate associated

with the residual values and remaining useful lives was a decrease in amortization of R16.2million (2023: 886k)

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 11. INTANGIBLE ASSETS (continued)

|                                              |    | Software       | Work in progress Software | Parent Total   | Group          |
|----------------------------------------------|----|----------------|---------------------------|----------------|----------------|
|                                              |    | R'000          | R'000                     | R'000          | R'000          |
| <b>As at 30 June 2024</b>                    |    |                |                           |                |                |
| <b>Carrying amount 1 July 2023</b>           |    | <b>82 797</b>  | <b>13 882</b>             | <b>96 679</b>  | <b>99 144</b>  |
| Cost                                         |    | 413 654        | 13 882                    | 427 536        | 430 879        |
| Accumulated amortisation                     |    | (330 857)      | -                         | (330 857)      | (331 735)      |
| Additions                                    |    | 65 502         | 165 018                   | 230 520        | 231 073        |
| Assets acquired through business combination | 35 | 762            | -                         | 762            | 762            |
| Commissioning                                |    | 164 292        | (164 292)                 |                |                |
| Disposals and write-offs                     |    | (10)           | -                         | (10)           | (10)           |
| Cost                                         |    | (39)           | -                         | (39)           | (39)           |
| Accumulated amortisation                     |    | 29             | -                         | 29             | 29             |
| Amortisation                                 |    | (68 574)       | -                         | (68 574)       | (68 575)       |
| <b>Carrying Amount value 30 June 2024</b>    |    | <b>244 769</b> | <b>14 608</b>             | <b>259 377</b> | <b>262 394</b> |
| Cost                                         |    | 644 171        | 14 608                    | 658 779        | 662 675        |
| Accumulated amortisation                     |    | (399 402)      | -                         | (399 402)      | (400 281)      |
| <b>Total</b>                                 |    | <b>244 769</b> | <b>14 608</b>             | <b>259 377</b> | <b>262 394</b> |

|                                     |  | Software       | Work in progress Software | Parent Total   | Group          |
|-------------------------------------|--|----------------|---------------------------|----------------|----------------|
|                                     |  | R'000          | R'000                     | R'000          | R'000          |
| <b>As at 30 June 2023</b>           |  |                |                           |                |                |
| <b>Carrying Amount value 1 July</b> |  | <b>134 683</b> | <b>13 882</b>             | <b>148 565</b> | <b>148 988</b> |
| Cost                                |  | 406 674        | 13 882                    | 420 556        | 421 856        |
| Accumulated amortisation            |  | (271 991)      | -                         | (271 991)      | (272 868)      |
| Additions                           |  | 6 980          |                           | 6 980          | 9 023          |
| Amortisation                        |  | (58 866)       | -                         | (58 866)       | (58 867)       |
| <b>Total intangible assets</b>      |  | <b>82 797</b>  | <b>13 882</b>             | <b>96 679</b>  | <b>99 144</b>  |
| Cost                                |  | 413 654        | 13 882                    | 427 536        | 430 879        |
| Accumulated amortisation            |  | (330 857)      | -                         | (330 857)      | (331 735)      |
| <b>Total intangible assets</b>      |  | <b>82 797</b>  | <b>13 882</b>             | <b>96 679</b>  | <b>99 144</b>  |

Included in intangible assets is the SAP ERP system with a carrying amount of R14.4 million (2023: R22.8 million) with a remaining amortisation period of 1.7 years (2023: 0.75 years) and SAP BI software of R16.9 million (2023: R32.6 million) with a remaining amortisation period of 1.08 years (2023: 3.08 years). Work in progress relates to software.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 12. BIOLOGICAL ASSETS

|                                                                                                                                                                                                                                                                                    | Group        |              | Parent   |          |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|----------|----------|
|                                                                                                                                                                                                                                                                                    | 2024         | 2023         | 2024     | 2023     |
|                                                                                                                                                                                                                                                                                    | R'000        | R'000        | R'000    | R'000    |
|                                                                                                                                                                                                                                                                                    | 4 693        | 4 531        | -        | -        |
| <b>12.1. GAME</b>                                                                                                                                                                                                                                                                  |              |              |          |          |
| Opening carrying amount                                                                                                                                                                                                                                                            | 4 531        | 3 415        | -        | -        |
| Fair value adjustment                                                                                                                                                                                                                                                              | 162          | 1 116        | -        | -        |
| The carrying amount was based on an estimated 530 (2023: 500 ) game the most significant categories being Buffalo Giraffe Zebra and Wildebeest. The fair values of game are based on market related prices and is therefore classified as level 2 fair values in terms of IFRS 13. |              |              |          |          |
| <b>Total biological assets</b>                                                                                                                                                                                                                                                     | <b>4 693</b> | <b>4 531</b> | <b>-</b> | <b>-</b> |

### 13. SUBSIDIARIES AND ASSOCIATE

|                                          | Group         |              | Parent   |          |
|------------------------------------------|---------------|--------------|----------|----------|
|                                          | 2024          | 2023         | 2024     | 2023     |
|                                          | R'000         | R'000        | R'000    | R'000    |
|                                          | -             | -            | -        | -        |
| <b>13.1. INVESTMENTS IN SUBSIDIARIES</b> |               |              |          |          |
| Cost                                     | 30 000        | -            | 30 000   | 30 000   |
| Accumulated impairment                   | (30 000)      | -            | (30 000) | (30 000) |
| <b>Total investments in subsidiaries</b> | <b>-</b>      | <b>-</b>     | <b>-</b> | <b>-</b> |
| <b>13.2 INVESTMENTS IN ASSOCIATES</b>    |               |              |          |          |
| Cost                                     | 2 590         | 2 590        | -        | -        |
| Share of post-acquisition reserves       | 7 977         | 6 240        | -        | -        |
| <b>Total investments in associates</b>   | <b>10 567</b> | <b>8 830</b> | <b>-</b> | <b>-</b> |

| Investments in Subsidiaries        | Principal activity                | Place of incorporation | Proportion of ownership interest |      | Proportion of voting power held |      |
|------------------------------------|-----------------------------------|------------------------|----------------------------------|------|---------------------------------|------|
|                                    |                                   |                        | 2024                             | 2023 | 2024                            | 2023 |
|                                    |                                   |                        | %                                | %    | %                               | %    |
| Subsidiary                         |                                   |                        |                                  |      |                                 |      |
| Umgenti Water Services SOC Limited | Water services                    | RSA                    | 100                              | 100  | 100                             | 100  |
| Msinsi Holdings SOC Limited        | Land and environmental management | RSA                    | 100                              | 100  | 100                             | 100  |

The above entities remained subsidiaries throughout the year.

The impairment in the parent's investment in Msinsi Holdings SOC Ltd was re-assessed in 2024 based on value-in-use calculations using the projected operating cash flows of Msinsi and the weighted average cost of capital as at 30 June 2024 of 11.5% (2023:11.4%). uMngeni-uThukela Water continues to provide financial support to Msinsi Holdings SOC Limited to ensure that the company continues to trade in the foreseeable future without any disruption in its business. There is no impairment reversal due to the recoverable amount having not increased.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 12. SUBSIDIARIES AND ASSOCIATE (continued)

| Investments in associate of Umgeni Services SOC Limited | Water              | Place of incorporation | Proportion of ownership interest |      | Proportion of voting power held |      |
|---------------------------------------------------------|--------------------|------------------------|----------------------------------|------|---------------------------------|------|
|                                                         |                    |                        | 2024                             | 2023 | 2023                            | 2022 |
|                                                         |                    |                        | %                                | %    | %                               | %    |
| Associate                                               | Principal activity |                        |                                  |      |                                 |      |
| Durban Water Recycling (Pty) Limited                    | Water recycling    | RSA                    | 18.5                             | 18.5 | 18.5                            | 18.5 |

Umgeni Water Services SOC Limited has significant influence over Durban Water Recycling (Pty) Limited through the exercise of voting rights due to representation on the board of directors and is thus accounted for as an associate. Durban Water Recycling (Pty) Limited's financial year end is 31 December. The consolidated annual financial statements is prepared using the draft Annual financial statements of Durban water Recycling (Pty) Ltd since the final approved audited financial statements were not received as at the date of authorisation of this report. Assessments for material changes that occurred between 31 December and 30 June are done and considered as at 30 June.

| Investments in associate of Umgeni Water Services (Pty) Limited | Carrying amount |              | Directors' valuation |              |
|-----------------------------------------------------------------|-----------------|--------------|----------------------|--------------|
|                                                                 | 2024            | 2023         | 2024                 | 2023         |
|                                                                 | R'000           | R'000        | R'000                | R'000        |
| Durban Water Recycling (Pty) Limited                            | 10 567          | 8 830        | 10 567               | 8 830        |
| <b>Net Investment</b>                                           | <b>10 567</b>   | <b>8 830</b> | <b>10 567</b>        | <b>8 830</b> |



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 14. INVESTMENTS - FINANCIAL ASSETS

|                                                                                                                                                                                                                                                                                                                                                                                          | Group            |                  | Parent           |                  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                                                                                                                                                                                                                                                                                                                                          | 2024             | 2023             | 2024             | 2023             |
|                                                                                                                                                                                                                                                                                                                                                                                          | R'000            | R'000            | R'000            | R'000            |
| <b>14.1. LONG-TERM INVESTMENTS - FINANCIAL ASSETS</b>                                                                                                                                                                                                                                                                                                                                    | <b>755 248</b>   | <b>152 894</b>   | <b>755 248</b>   | <b>152 894</b>   |
| Redemption assets                                                                                                                                                                                                                                                                                                                                                                        | 425 424          | 152 894          | 425 424          | 152 894          |
| Money market investments                                                                                                                                                                                                                                                                                                                                                                 | 329 824          | -                | 329 824          | -                |
| <b>14.2. SHORT-TERM INVESTMENTS - FINANCIAL ASSETS</b>                                                                                                                                                                                                                                                                                                                                   | <b>6 176 824</b> | <b>6 297 299</b> | <b>6 176 824</b> | <b>6 297 299</b> |
| Money market investments                                                                                                                                                                                                                                                                                                                                                                 | 6 176 824        | 6 297 299        | 6 176 824        | 6 297 299        |
| Financial assets comprise money market investments.                                                                                                                                                                                                                                                                                                                                      |                  |                  |                  |                  |
| Refer to note 29 financial risk management and financial instruments for interest rates and maturity profile of investments. The carrying amount of investments approximates its fair value. For short term financial instrument this is due to the short term nature of the instruments and for long-term instrument this is because the instruments interest rates are market related. |                  |                  |                  |                  |
| <b>Total financial assets</b>                                                                                                                                                                                                                                                                                                                                                            | <b>6 932 072</b> | <b>6 450 193</b> | <b>6 932 072</b> | <b>6 450 193</b> |

### 15. INVENTORIES

|                                                                         | Group         |               | Parent        |               |
|-------------------------------------------------------------------------|---------------|---------------|---------------|---------------|
|                                                                         | 2024          | 2023          | 2024          | 2023          |
|                                                                         | R'000         | R'000         | R'000         | R'000         |
| <b>15.1. STORES</b>                                                     | <b>64 638</b> | <b>29 733</b> | <b>64 638</b> | <b>29 733</b> |
| Pipe inventories                                                        | 3 709         | 1 624         | 3 709         | 1 624         |
| Maintenance spares                                                      | 24 060        | 1 557         | 24 060        | 1 557         |
| Chemicals                                                               | 14 911        | 14 374        | 14 911        | 14 374        |
| Miscellaneous                                                           | 21 958        | 12 178        | 21 958        | 12 178        |
| <b>15.2. WATER INVENTORY</b>                                            |               |               |               |               |
| Water inventory consists of closing inventory of raw and treated water. | 3 684         | 3 289         | 3 684         | 3 289         |
| <b>Total Inventories</b>                                                | <b>68 322</b> | <b>33 022</b> | <b>68 322</b> | <b>33 022</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 16. TRADE AND OTHER RECEIVABLES

#### 16.1 CURRENT

|                                            | Group            |                  | Parent           |                  |
|--------------------------------------------|------------------|------------------|------------------|------------------|
|                                            | 2024             | 2023             | 2024             | 2023             |
|                                            | R'000            | R'000            | R'000            | R'000            |
| Trade receivables                          | 2 426 521        | 1 608 814        | 2 425 132        | 1 608 814        |
| Less: Allowance for credit losses          | (1 512 232)      | (908 410)        | (1 512 219)      | (908 410)        |
| Opening Balance                            | (908 709)        | (894 257)        | (908 410)        | (894 257)        |
| Written off during the year                | 299              | 741              | -                | 741              |
| Raised during the year                     | (603 822)        | (14 894)         | (603 809)        | (14 894)         |
| <b>Sub-total trade receivables</b>         | <b>914 289</b>   | <b>700 404</b>   | <b>912 913</b>   | <b>700 404</b>   |
| Sundry debtors                             | 147 062          | 153 469          | 156 703          | 148 221          |
| Prepayments                                | 336 703          | 210 769          | 336 703          | 210 769          |
| Amount due from DWS - Capital unit charges | -                | 89 613           | -                | 89 613           |
| SARS-VAT                                   | -                | 35 124           | -                | 35 118           |
| Less: Allowance for credit losses          | -                | (299)            | -                | -                |
| <b>Sub-total sundry debtors</b>            | <b>483 765</b>   | <b>488 676</b>   | <b>493 406</b>   | <b>483 721</b>   |
| <b>Current trade and other receivables</b> | <b>1 398 054</b> | <b>1 189 081</b> | <b>1 406 319</b> | <b>1 184 125</b> |
| Trade receivables                          | 660 694          | 728 120          | 660 374          | 727 806          |
| Less: Allowance for credit losses          | (629 753)        | (698 630)        | (629 753)        | (698 630)        |
| Opening balance                            | (698 630)        | (125 085)        | (698 630)        | (125 085)        |
| Raised during the year                     | 68 877           | (573 545)        | 68 877           | (573 545)        |
| <b>16.2. NON-CURRENT TRADE RECEIVABLES</b> | <b>30 941</b>    | <b>29 490</b>    | <b>30 621</b>    | <b>29 176</b>    |
| <b>Total trade and other receivables</b>   | <b>1 428 995</b> | <b>1 218 571</b> | <b>1 436 940</b> | <b>1 213 301</b> |

Trade debtors are granted credit terms of 30 days from date of invoice to settle outstanding debts. The average credit period for uMngeni-uThukela Water, at financial year-end, is 43 Days (2023: 44 days). Trade receivables to the value of R660 million (R138mil Uthukela DM; R428mil Msunduzi; R63mil Ugu and R30mil Ilembe) is expected to be realised beyond the 12 month period and has been fully impaired as at 30 June 2024.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 16. TRADE AND OTHER RECEIVABLES (continued)

A significant increase in credit risk is presumed for amount outstanding for more than 30 days.

A financial asset is credit-impaired when there is observable evidence that one or more event has occurred that has had a detrimental impact on the estimated future cash flows expected to flow from the asset such as:

- significant financial difficulty of the customer
- a breach of contract such as a default or being more than 90 days past due
- restructuring of the payment terms and the debtor being unable to meet those new payment plan terms

The group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and the analysis of the debtors current financial position adjusted for factors that are specific to the debtors general economic conditions, its operational conditions as well as forward looking information which includes the customers subsequent payments received and possible changes in the macroeconomic conditions and provincial political landscape. The group recognises a loss allowance of 100% against receivable over 90 days past due based on historical experience and current operational and economic conditions unless there is a payment arrangement in place with the customer which is being complied with, or these are received subsequently prior to approval of the financial statements.

The disclosures that follow relate to the parent only as the impact of the subsidiaries are not material to the group.

| June 2024                            | Amount due | Current | 30 Days | 60 Days | 90 Days | 120 + Days |
|--------------------------------------|------------|---------|---------|---------|---------|------------|
|                                      | R'000      | R'000   | R'000   | R'000   | R'000   | R'000      |
| Customer                             |            |         |         |         |         |            |
| eThekweni Metropolitan Municipality  | 491 124    | 445 765 | 4 442   | 10 192  | 10 011  | 20 714     |
| Msunduzi Local Municipality          | 719 705    | 109 540 | 96 354  | 24 377  | 17 209  | 472 225    |
| uMgungundlovu District Municipality  | 35 360     | 35 360  | -       | -       | -       | -          |
| iLembe District Municipality         | 28 138     | 28 138  | -       | -       | -       | -          |
| Siza Water                           | 130 561    | 8 670   | 2 064   | 2 137   | 2 135   | 115 555    |
| UGu District Municipality            | 408 120    | 21 027  | 17 574  | 17 059  | 17 849  | 334 611    |
| Harry Gwala District Municipality    | 2 449      | 2 610   | (173)   | -       | -       | 12         |
| UThukela District Municipality       | 166 501    | -       | -       | -       | -       | 166 501    |
| King Cetshwayo District Municipality | 875 250    | 37 607  | 34 897  | 34 744  | 34 650  | 733 352    |
| uMhlathuze Municipality              | 37 236     | 25 643  | 2 200   | -       | -       | 9 393      |
| uMkhanyakude District Municipality   | 41 862     | -       | 2 294   | 1 458   | 4 293   | 33 817     |
| Mondi South Africa                   | 33 806     | 34 285  | -       | (479)   | -       | -          |
| Mpact                                | 535        | 535     | -       | -       | -       | -          |
| Foskor                               | 24 153     | 14 737  | 9 394   | -       | 22      | -          |
| Richard Bay Titanium                 | 9 069      | 5 334   | 2 125   | 1 606   | 4       | -          |
| Tronox KZN Sands                     | 3 858      | 3 845   | -       | 13      | -       | -          |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 16. TRADE AND OTHER RECEIVABLES (continued)

|                                                              |                  |                |                |                |               |                  |
|--------------------------------------------------------------|------------------|----------------|----------------|----------------|---------------|------------------|
| South 32                                                     | 516              | 41             | 57             | 182            | 236           | -                |
| Hulamin Operations                                           | 796              | 38             | 14             | 743            | 1             | -                |
| Richard Bay Mining                                           | 990              | 164            | 164            | 92             | 570           | -                |
| DWS                                                          | 31 809           | -              | -              | 7 568          | 10 884        | 13 357           |
| Retail+Other sundry debtors                                  | 13 047           | 2 939          | 510            | 2 016          | 990           | 6 592            |
| <b>Gross carrying amount</b>                                 | <b>3 054 885</b> | <b>776 278</b> | <b>171 916</b> | <b>101 709</b> | <b>98 854</b> | <b>1 906 129</b> |
| Expected default rate <sup>N1</sup>                          |                  | 11.11%         | 35.64%         | 64.44%         | 87.51%        | 96.66%           |
| Credit loss allowance (default rate x Gross carrying amount) | (2 141 972)      | (86 247)       | (61 278)       | (65 545)       | (86 506)      | (1 842 396)      |
| <b>Net carrying amount</b>                                   | <b>912 913</b>   | <b>690 031</b> | <b>110 638</b> | <b>36 163</b>  | <b>12 348</b> | <b>63 733</b>    |

#### June 2023

|                                                              | Amount due       | Current        | 30 Days        | 60 Days       | 90 Days       | 120 + Days       |
|--------------------------------------------------------------|------------------|----------------|----------------|---------------|---------------|------------------|
| Customer                                                     | R'000            | R'000          | R'000          | R'000         | R'000         | R'000            |
| eThekweni Metropolitan Municipality                          | 390 117          | 390 106        | -              | -             | -             | 11               |
| Msunduzi Local Municipality                                  | 716 389          | 103 346        | 88 981         | 5 351         | 26 365        | 492 345          |
| uMgungundlovu District Municipality                          | 134 013          | 32 500         | 28 553         | 105           | 335           | 72 520           |
| iLembe District Municipality                                 | 22 724           | 22 724         | -              | -             | -             | -                |
| Siza Water                                                   | 114 783          | 7 817          | 1 761          | 1 816         | 1 706         | 101 682          |
| UGu District Municipality                                    | 231 000          | 14 433         | 11 776         | 12 449        | 11 049        | 181 293          |
| Harry Gwala District Municipality                            | 2 395            | 2 395          | -              | -             | -             | 1                |
| uThukela District Municipality                               | 188 502          | -              | -              | -             | -             | 188 502          |
| King Cetshwayo District Municipality                         | 499 921          | 42 568         | 29 801         | 28 577        | 25 732        | 373 243          |
| Retail                                                       | 913              | 195            | 149            | 13            | 12            | 543              |
| Other                                                        | 6 687            | 880            | 480            | 310           | 277           | 4 739            |
| <b>Gross carrying amount</b>                                 | <b>2 307 444</b> | <b>616 964</b> | <b>161 501</b> | <b>48 621</b> | <b>65 476</b> | <b>1 414 878</b> |
| Average Expected default rate <sup>N1</sup>                  |                  | 9.34%          | 27.29%         | 74.51%        | 91.91%        | 99.58%           |
| Credit loss allowance (default rate x Gross carrying amount) | (1 607 037)      | (57 621)       | (44 081)       | (36 225)      | (60 179)      | (1 408 931)      |
| <b>Net carrying amount</b>                                   | <b>700 407</b>   | <b>559 343</b> | <b>117 421</b> | <b>12 396</b> | <b>5 297</b>  | <b>5 947</b>     |

N1 - The Average expected default rate is calculated as: Expected default rate per customer x Gross carrying amount for each ageing bracket = Credit loss allowance amount per customer (Add all Credit loss allowance amount per ageing bracket for all customers) ÷ total trade receivables balance per age category.



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 16. TRADE AND OTHER RECEIVABLES (continued)

The changes in the default rate is as a result on changes in customers behaviour i.e. deterioration or improvements in their payment patterns as well as changes to payment plan in place.

The summary of the impact of expected credit losses is as follows:

| Customer                                 | Amount due       | Allowance for credit losses | Total 2024     | Total 2023     |
|------------------------------------------|------------------|-----------------------------|----------------|----------------|
|                                          | R'000            | R'000                       | R'000          | R'000          |
| eThekweni Metropolitan Municipality      | 490 928          | (70 037)                    | 420 891        | 389 684        |
| Msunduzi Local Municipality              | 719 705          | (422 161)                   | 297 544        | 22 724         |
| uMgungundlovu District Municipality      | 35 360           | -                           | 35 360         | 180 519        |
| iLembe District Municipality             | 28 138           | -                           | 28 138         | 43 170         |
| Siza Water                               | 130 561          | (123 951)                   | 6 610          | 53 867         |
| UGu District Municipality                | 402 462          | (402 462)                   | -              | 2 395          |
| Harry Gwala District Municipality        | 2 281            | -                           | 2 281          | 6 017          |
| uThukela District Municipality           | 166 501          | (166 501)                   | -              | -              |
| King Cetshwayo District Municipality     | 875 250          | (875 250)                   | -              | -              |
| Umlathuze Municipality                   | 36 720           | (9 449)                     | 27 271         | -              |
| Umkhanyakude District Municipality       | 41 862           | (41 862)                    | -              | -              |
| Mondi South Africa                       | 33 806           | -                           | 33 806         | -              |
| Mpact                                    | 535              | -                           | 535            | -              |
| Foskor                                   | 24 131           | -                           | 24 131         | -              |
| Richard Bay Titanium                     | 8 984            | (1 720)                     | 7 264          | -              |
| Tronox KZN Sands                         | 3 858            | -                           | 3 858          | -              |
| South 32                                 | 201              | (193)                       | 8              | -              |
| Hulamin Operations                       | 787              | (757)                       | 30             | -              |
| Richard Bay Mining                       | 990              | (705)                       | 285            | -              |
| Retail+Other sundry debtors              | 1 256            | (605)                       | 651            | 364            |
| Trade receivables - primary activities   | 3 004 317        | (2 115 653)                 | 888 664        | 698 740        |
| Trade receivables - secondary activities | 50 568           | (26 319)                    | 24 249         | 1 665          |
| <b>Total trade receivables</b>           | <b>3 054 885</b> | <b>(2 141 972)</b>          | <b>912 913</b> | <b>700 405</b> |

A further analysis of financial risk relating to trade receivables is included in note 29.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 17. BANK AND CASH

|                                                                                                                                                                                                                                                                                                                                                                   | Group          |                | Parent         |                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                                                                                                                                                                                                                                                                                                   | 2024           | 2023           | 2024           | 2023           |
|                                                                                                                                                                                                                                                                                                                                                                   | R'000          | R'000          | R'000          | R'000          |
| Cash and cash equivalents consist of:                                                                                                                                                                                                                                                                                                                             |                |                |                |                |
| Bank and cash on Hnd                                                                                                                                                                                                                                                                                                                                              | 239 266        | 68 738         | 212 316        | 3 496          |
| Demand deposits held with banks includes investments ring-fenced for insurance purposes as security for Bank Guarantees and S30 investments held to fund expenditure as and when needed on those projects. These are restricted investments and not available to the business for the daily operational working capital. the balances at year end are as follows: |                |                |                |                |
| Unrestricted deposits - Call Investments                                                                                                                                                                                                                                                                                                                          | 166 592        | 221 682        | 108 071        | 221 682        |
| Restricted deposits                                                                                                                                                                                                                                                                                                                                               | 252 023        | -              | 252 023        | -              |
| S30 Advances                                                                                                                                                                                                                                                                                                                                                      | 16 828         | -              | 16 828         | -              |
| Co-Insurance Asset                                                                                                                                                                                                                                                                                                                                                | 227 786        | -              | 227 786        | -              |
| Guarantees deposit                                                                                                                                                                                                                                                                                                                                                | 7 408          | -              | 7 408          | -              |
| The carrying amount of bank and cash approximates its fair value.                                                                                                                                                                                                                                                                                                 |                |                |                |                |
| All cash reserves are placed with reputable investment grade financial institutions. The estimated Probability of Default ("PD") rating is immaterial.                                                                                                                                                                                                            |                |                |                |                |
| <b>Total bank and cash</b>                                                                                                                                                                                                                                                                                                                                        | <b>657 881</b> | <b>290 420</b> | <b>572 410</b> | <b>225 178</b> |

The expected credit losses are determined to be immaterial

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 17. BANK AND CASH (continued)

|                                                               | Group            |                  | Parent           |                  |
|---------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                               | 2024             | 2023             | 2024             | 2023             |
|                                                               | R'000            | R'000            | R'000            | R'000            |
| <b>17.1 RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH</b> |                  |                  |                  |                  |
| <b>GENERATED FROM OPERATING ACTIVITIES</b>                    |                  |                  |                  |                  |
| Profit for the year                                           | 1 468 205        | 1 161 780        | 1 476 221        | 1 151 495        |
| Interest income                                               | (788 138)        | (554 603)        | (782 946)        | (550 882)        |
| Finance costs                                                 | 2 565            | 618              | 2 216            | 277              |
| <b>Adjusted for non-cash items:</b>                           |                  |                  |                  |                  |
| Fair value adjustment of biological assets                    | (162)            | (1 116)          | -                | -                |
| Asset impairments and write-offs                              | 190 525          | 303 772          | 190 525          | 303 772          |
| Intangibles disposals and write-offs                          | 10               | -                | 10               | -                |
| Amortisation - intangible asset                               | 68 575           | 58 867           | 68 574           | 58 866           |
| Depreciation - PPE                                            | 579 318          | 448 441          | 575 710          | 446 832          |
| Depreciation - Right of use asset                             | 4 648            | 2 544            | 4 263            | 1 349            |
| Depreciation - Investment property                            | -                | -                | 222              | 222              |
| Loss (Profit) on disposal of property plant and equipment     | (68)             | 7 156            | (159)            | 7 137            |
| Increase in provisions                                        | 195 603          | 51 451           | 195 493          | 50 588           |
| credit losses                                                 | 530 644          | 580 354          | 530 631          | 580 201          |
| Dividend receivable                                           | -                | 3 750            | -                | -                |
| Income Tax expense                                            | 184              | 187              | -                | -                |
| Share of profit from associate                                | (4 011)          | (2 548)          | -                | -                |
| Tax paid                                                      | (196)            | (158)            | -                | -                |
| <b>Operating surplus before working capital changes</b>       | <b>2 247 702</b> | <b>2 060 495</b> | <b>2 260 760</b> | <b>2 049 857</b> |
| <b>Working capital changes</b>                                | <b>57 143</b>    | <b>(313 909)</b> | <b>24 245</b>    | <b>(311 232)</b> |
| Increase in accounts receivable                               | (443 111)        | (581 600)        | (483 139)        | (576 641)        |
| Increase in accounts payable                                  | 521 672          | 209 852          | 528 802          | 207 570          |
| Decrease/(Increase) in contract liabilities                   | (21 057)         | 64 780           | (21 057)         | 64 780           |
| Increase in inventory                                         | (361)            | (6 941)          | (361)            | (6 941)          |
| <b>Cash from operating activities</b>                         | <b>2 304 845</b> | <b>1 746 586</b> | <b>2 285 004</b> | <b>1 738 625</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 18. CAPITAL

|                                                                                                                                             | Group          |                | Parent         |                |
|---------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                                                                                                             | 2024           | 2023           | 2024           | 2023           |
|                                                                                                                                             | R'000          | R'000          | R'000          | R'000          |
| Capital consists primarily of contributions made by the Department of Water and Sanitation (DWS) to provide financial capacity to the Water | 442 847        | 442 847        | 442 847        | 442 847        |
| <b>Total capital</b>                                                                                                                        | <b>442 847</b> | <b>442 847</b> | <b>442 847</b> | <b>442 847</b> |

### 19. DEBT - FINANCIAL LIABILITIES

|                                                                      | Group            |                  | Parent           |                  |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|
|                                                                      | 2024             | 2023             | 2024             | 2023             |
|                                                                      | R'000            | R'000            | R'000            | R'000            |
| Long-term                                                            | 1 039 043        | 1 058 710        | 1 039 043        | 1 058 710        |
| Short-term                                                           | 68 719           | 58 153           | 68 719           | 58 153           |
| Debt consists of interest bearing liabilities held at amortised cost |                  |                  |                  |                  |
| <b>Total capital</b>                                                 | <b>1 107 762</b> | <b>1 116 863</b> | <b>1 107 762</b> | <b>1 116 863</b> |

#### 19.1. ANALYSIS OF DEBT HELD AT AMORTISED COST

|                                         | Nominal Amount   |                  | Interest Rates |        | Maturity date | Group            |                  | Parent           |                  |
|-----------------------------------------|------------------|------------------|----------------|--------|---------------|------------------|------------------|------------------|------------------|
|                                         | 2024             | 2023             | 2024           | 2023   |               | 2024             | 2023             | 2024             | 2023             |
|                                         | R'000            | R'000            | R'000          | R'000  |               | R'000            | R'000            | R'000            | R'000            |
|                                         |                  |                  |                |        |               |                  |                  |                  |                  |
| <b>Development Funding Institutions</b> | 139 227          | 148 549          |                |        |               | 140 603          | 149 124          | 140 603          | 149 124          |
| EIB - Fixed Rate                        | 65 645           | 77 581           | 9.08%          | 9.08%  | 17 Dec 2029   | 66 251           | 77 874           | 66 251           | 77 874           |
| EIB - Variable Rate                     | 58 065           | 70 968           | 9.23%          | 9.68%  |               | 58 701           | 71 250           | 58 701           | 71 250           |
| RMB- Fixed Rate                         | 15 517           | -                | 10.54%         |        | 15 Dec 2028   | 15 651           | -                | 15 651           | -                |
| <b>Bonds</b>                            | 935 000          | 935 000          |                |        |               | 967 159          | 967 739          | 967 159          | 967 739          |
| UG26 - Fixed rate                       | 935 000          | 935 000          | 11.31%         | 11.31% | 09 Mar 2026   | 967 159          | 967 739          | 967 159          | 967 739          |
| <b>Total nominal debt</b>               | <b>1 074 227</b> | <b>1 083 549</b> |                |        |               |                  |                  |                  |                  |
| <b>Total debt</b>                       |                  |                  |                |        |               | <b>1 107 762</b> | <b>1 116 863</b> | <b>1 107 762</b> | <b>1 116 863</b> |

Refer to note 29 financial risk management and financial instruments for maturity profile and fair value of debt.



# Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

## 19. DEBT - FINANCIAL LIABILITIES (continued)

### 19.1. ANALYSIS OF DEBT HELD AT AMORTISED COST (continued)

#### Reconciliation of movement in debt for the year

|                                                      |    | Group            |                  | Parent           |                  |
|------------------------------------------------------|----|------------------|------------------|------------------|------------------|
|                                                      |    | 2024             | 2023             | 2024             | 2023             |
|                                                      |    | R'000            | R'000            | R'000            | R'000            |
| Balance at the beginning of the year:                |    | 1 116 863        | 1 141 698        | 1 116 863        | 1 141 698        |
| Loan acquired through business combination: RMB Loan | 35 | 26 086           | -                | 26 086           | -                |
| Loans Capital and Interest repaid                    |    | (157 551)        | (144 587)        | (157 551)        | (144 587)        |
| UG26                                                 |    | (106 618)        | (105 749)        | (106 618)        | (105 749)        |
| EIB 1                                                |    | (19 417)         | (19 045)         | (19 417)         | (19 045)         |
| EIB 2                                                |    | (18 710)         | (19 793)         | (18 710)         | (19 793)         |
| RMB Loan                                             |    | (12 806)         | -                | (12 806)         | -                |
| Amortised interest                                   |    | 122 364          | 119 752          | 122 364          | 119 752          |
| EIB 1                                                |    | 6 513            | 6 145            | 6 513            | 6 145            |
| EIB 2                                                |    | 6 773            | 7 858            | 6 773            | 7 858            |
| UG 26                                                |    | 106 617          | 105 749          | 106 617          | 105 749          |
| RMB Loan                                             |    | 2 461            | -                | 2 461            | -                |
| <b>Total debt</b>                                    |    | <b>1 107 762</b> | <b>1 116 863</b> | <b>1 107 762</b> | <b>1 116 863</b> |

## 20. CONTRACT LIABILITIES

Current contract liabilities comprise of section 30 advances, which represents amounts received from customers in terms of the contractual agreements and primarily relate to implementing agent agreements where we act as a principal. Performance obligations relating to these contract liabilities will be recognised over time and revenue will be recognised accordingly. Refer to note 4 for revenue recognised relating to performance obligations satisfied.

Non-current contract liabilities includes amounts invoiced in advance which relates to UMKomazi Bulk Water supply charge for water resource infrastructure. Revenue will be recognised as the asset is being constructed based on an output method as this depicts the value of the performance obligation transferred.

### 20.1 CONTRACT LIABILITIES NON-CURRENT

|                                                             | Group    |          | Parent   |          |
|-------------------------------------------------------------|----------|----------|----------|----------|
|                                                             | 2024     | 2023     | 2024     | 2023     |
|                                                             | R'000    | R'000    | R'000    | R'000    |
| Net amount invoiced in advance (Mkhomazi Bulk Water supply) | 620 066  | 485 217  | 620 066  | 485 217  |
| Balance as at 1 July                                        | 485 217  | 400 097  | 485 217  | 400 097  |
| Derecognised                                                | (14 000) | (13 176) | (14 000) | (13 176) |
| Invoiced during the year                                    | 148 849  | 98 296   | 148 849  | 98 296   |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 20. CONTRACT LIABILITIES (continued)

#### 20.2 CONTRACT LIABILITIES - CURRENT

The following table provides information about contract liabilities from contracts with customers:

|                                                      | Group          |                | Parent         |                |
|------------------------------------------------------|----------------|----------------|----------------|----------------|
|                                                      | 2024           | 2023           | 2024           | 2023           |
|                                                      | R'000          | R'000          | R'000          | R'000          |
|                                                      | 72 499         | 119 197        | 72 499         | 119 197        |
| Opening balance                                      | 119 197        | 139 537        | 119 197        | 139 537        |
| Additions - Mhlathuze Water take-on                  | 71 491         | -              | 71 491         | -              |
| Received during the year                             | 168 867        | 20 271         | 168 867        | 20 271         |
| Recognised in revenue during the year (Refer note 4) | (287 056)      | (40 611)       | (287 056)      | (40 611)       |
| <b>Total contract liabilities</b>                    | <b>692 565</b> | <b>604 414</b> | <b>692 565</b> | <b>604 414</b> |

### 21. PROVISIONS

|                                                  |    | Legal claims Provision for land rehabilitation |              | Short-term incentive bonus | Long-term Incentive current portion | Sub-total current Incentive bonus | Long-term Incentive bonus portion-non current | Total 2024     | Total 2023     |
|--------------------------------------------------|----|------------------------------------------------|--------------|----------------------------|-------------------------------------|-----------------------------------|-----------------------------------------------|----------------|----------------|
|                                                  |    | R'000                                          | R'000        | R'000                      | R'000                               | R'000                             | R'000                                         | R'000          | R'000          |
| <b>Group</b>                                     |    |                                                |              |                            |                                     |                                   |                                               |                |                |
| Opening balance as at 01 July 2023               |    | -                                              | -            | 114 936                    | 8 331                               | 123 267                           | 15 057                                        | 138 324        | 130 291        |
| Provisions acquired through business combination | 35 | -                                              | 4 704        | 2 779                      | -                                   | 7 483                             | -                                             | 7 483          | -              |
| Provided during the year                         |    | 67 186                                         | 249          | 193 866                    | 3 306                               | 264 607                           | 27 135                                        | 291 742        | 147 530        |
| Utilised/reclassified during the year            |    | -                                              | -            | (116 456)                  | -                                   | (116 456)                         | (21 004)                                      | (137 460)      | (139 497)      |
| <b>Closing balance</b>                           |    | <b>67 186</b>                                  | <b>4 953</b> | <b>195 125</b>             | <b>11 637</b>                       | <b>278 901</b>                    | <b>21 188</b>                                 | <b>300 089</b> | <b>138 324</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 21. PROVISIONS (continued)

|                                                  |    | Legal claims<br>Provision for land<br>rehabilitation |       | Short-term<br>incentive<br>bonus | Long-term<br>Incentive<br>current<br>portion | Sub-total<br>current<br>Incentive<br>bonus | Long-term<br>Incentive<br>bonus<br>portion- non<br>current | Total<br><br>2024 | Total<br><br>2023 |
|--------------------------------------------------|----|------------------------------------------------------|-------|----------------------------------|----------------------------------------------|--------------------------------------------|------------------------------------------------------------|-------------------|-------------------|
|                                                  |    | R'000                                                | R'000 | R'000                            | R'000                                        | R'000                                      | R'000                                                      | R'000             | R'000             |
|                                                  |    | Parent                                               |       |                                  |                                              |                                            |                                                            |                   |                   |
| Opening balance as at 01 July 2023               |    | -                                                    | -     | 112 785                          | 8 331                                        | 121 116                                    | 15 057                                                     | 136 173           | 129 002           |
| Provisions acquired through business combination | 35 | -                                                    | 4 704 | 2 779                            | -                                            | 7 483                                      | -                                                          | 7 483             | -                 |
| Provided during the year                         |    | 67 186                                               | 249   | 191 600                          | 3 306                                        | 262 341                                    | 27 135                                                     | 289 476           | 145 379           |
| Utilised/reclassified during the year            |    | -                                                    | -     | (114 299)                        | -                                            | (114 299)                                  | (21 004)                                                   | (135 303)         | (138 208)         |
| Closing balance                                  |    | 67 186                                               | 4 953 | 192 865                          | 11 637                                       | 276 641                                    | 21 188                                                     | 297 829           | 136 173           |

The Incentive bonus is raised to recognise the performance of employees, which is payable to employees at the Board's discretion in line with the Performance Management Policy.

The long term incentive bonus is raised in terms of uMngeni-uThukela Water's performance policy and is based on a five year performance period. Refer to the remuneration report for further detail.

Legal claims provisions are raised to the extent that it is probable uMngeni-uThukela Water will be required to honour obligations. Legal claims consist of employment matters, finalisation of which is expected within the next financial year. All provisions are raised in the ordinary course of business

The former Mhlathuze Water's wastewater spilled over and damaged the municipal land, a legal obligation in terms of National Environmental Management Act 107 of 1998 section 30 obliged Mhlathuze Water to rehabilitate the damaged land. The best estimate was done internally using public bids obtained from service providers who are to rehabilitate the land. The best estimate is undiscounted

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 22. ACCOUNTS PAYABLE

Trade and other payable excluding amounts relating to employees and VAT payable are financial liabilities classified at amortised cost. These are not interest bearing and are stated at their nominal value.

|                                                                                                                                                                                                               | Group            |                | Parent           |                |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|------------------|----------------|
|                                                                                                                                                                                                               | 2024             | 2023           | 2024             | 2023           |
|                                                                                                                                                                                                               | R'000            | R'000          | R'000            | R'000          |
| Trade accounts payable                                                                                                                                                                                        | 697 276          | 241 880        | 691 246          | 239 711        |
| Trade accruals                                                                                                                                                                                                | 646 517          | 515 617        | 646 166          | 515 120        |
| Bonus accrual                                                                                                                                                                                                 | 21 288           | 20 637         | 20 009           | 19 412         |
| Leave accrual                                                                                                                                                                                                 | 82 315           | 57 170         | 79 588           | 53 960         |
| Amounts due to related parties:                                                                                                                                                                               |                  |                |                  |                |
| Water purchases - DWS                                                                                                                                                                                         | 104 145          | 59 141         | 104 145          | 59 141         |
| Sundry creditors                                                                                                                                                                                              | 36 220           | 45 747         | 49 749           | 56 500         |
| SARS - VAT                                                                                                                                                                                                    | 42 739           | 628            | 42 230           | -              |
|                                                                                                                                                                                                               | -                | -              |                  |                |
| Other payables                                                                                                                                                                                                | 20 779           | 1 483          | 1 048            | 1 048          |
| Trade accounts payable and accruals comprise amounts outstanding for trade purchases.                                                                                                                         |                  |                |                  |                |
| Trade and other payables are carried at amortised cost using the effective interest method and the carrying amount approximates fair value. These are normally settled within 30 days from date of statement. |                  |                |                  |                |
| <b>Total accounts payable</b>                                                                                                                                                                                 | <b>1 651 278</b> | <b>942 303</b> | <b>1 634 182</b> | <b>944 892</b> |

### 23. LEASES

#### 23.1 GROUP AS A LEASEE

The groups right of use assets include land, buildings and ICT equipment. Information about these assets is included in the table that follows:

| Right-of-use asset | Short description                                   | Number of active agreements | Range of lease terms | Leases with variable payments | Leases with own/purchase options |
|--------------------|-----------------------------------------------------|-----------------------------|----------------------|-------------------------------|----------------------------------|
| Land               | Leases for land, plots and pipeline.                | 5                           | 3 - 20 years         | 3                             | 0                                |
| Buildings          | Leases for buildings and related items of category. | 3                           | 3 - 5 years          | 0                             | 0                                |
| ICT Equipment      | Leases for laptops, computers, printers and servers | 12                          | 3 - 5 years          | 3                             | 2                                |



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 23. LEASES (continued)

|                                              |    | Land and Pipelines | Buildings  | ICT equipment | Parent Total | Group         |
|----------------------------------------------|----|--------------------|------------|---------------|--------------|---------------|
|                                              |    | R'000              | R'000      | R'000         | R'000        | R'000         |
| <b>As at 30 June 2024</b>                    |    |                    |            |               |              |               |
| <b>RIGHT OF USE ASSET</b>                    |    |                    |            |               |              |               |
| <b>Carrying amount value 1 July 2023</b>     |    | <b>97</b>          | <b>712</b> | <b>1 082</b>  | <b>1 891</b> | <b>4 746</b>  |
| Cost                                         |    | 249                | 2 475      | 1 159         | 3 883        | 11 210        |
| Accumulated depreciation                     |    | (152)              | (1 763)    | (77)          | (1 992)      | (6 464)       |
| Additions                                    |    | 3 851              | -          | -             | 3 851        | 3 851         |
| Assets acquired through business combination | 35 | -                  | -          | 6 587         | 6 587        | 6 587         |
| Depreciation                                 |    | (1 730)            | (56)       | (2 477)       | (4 263)      | (4 648)       |
| <b>Total right of use assets</b>             |    | <b>2 218</b>       | <b>656</b> | <b>5 192</b>  | <b>8 066</b> | <b>10 536</b> |
| Cost                                         |    | 4 100              | 2 475      | 7 746         | 14 321       | 21 648        |
| Accumulated Depreciation                     |    | (1 882)            | (1 819)    | (2 554)       | (6 255)      | (11 112)      |
| <b>Total right of use assets</b>             |    | <b>2 218</b>       | <b>656</b> | <b>5 192</b>  | <b>8 066</b> | <b>10 536</b> |

|                                          |  | Land       | Buildings  | ICT equipment | Parent Total | Group        |
|------------------------------------------|--|------------|------------|---------------|--------------|--------------|
|                                          |  | R'000      | R'000      | R'000         | R'000        | R'000        |
| <b>As at 30 June 2023</b>                |  |            |            |               |              |              |
| <b>RIGHT OF USE ASSET</b>                |  |            |            |               |              |              |
| <b>Carrying Amount value 1 July 2022</b> |  | <b>158</b> | <b>353</b> | <b>220</b>    | <b>731</b>   | <b>4 781</b> |
| Cost                                     |  | 249        | 850        | 275           | 1 374        | 6 495        |
| Accumulated Depreciation                 |  | (91)       | (497)      | (55)          | (643)        | (1 714)      |
| Additions                                |  | -          | 1 624      | 885           | 2 509        | 2 509        |
| Depreciation                             |  | (61)       | (1 266)    | (22)          | (1 349)      | (2 544)      |
| <b>Total right of use assets</b>         |  | <b>97</b>  | <b>711</b> | <b>1 083</b>  | <b>1 891</b> | <b>4 746</b> |
| Cost                                     |  | 249        | 2 474      | 1 160         | 3 883        | 9 004        |
| Accumulated Depreciation                 |  | (152)      | (1 763)    | (77)          | (1 992)      | (4 258)      |
| <b>Total right of use assets</b>         |  | <b>97</b>  | <b>711</b> | <b>1 083</b>  | <b>1 891</b> | <b>4 746</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 23. LEASES (continued)

#### 23.1 GROUP AS A LEASEE

| LEASE LIABILITIES                                                         | Group         |              | Parent        |              |
|---------------------------------------------------------------------------|---------------|--------------|---------------|--------------|
|                                                                           | 2024          | 2023         | 2024          | 2023         |
|                                                                           | R'000         | R'000        | R'000         | R'000        |
| Present value of lease payments                                           | 12 487        | 6 412        | 8 199         | 1 875        |
| 0 - 1 year                                                                | 5 444         | 1 781        | 4 143         | 725          |
| 1 - 5 years                                                               | 5 233         | 1 920        | 4 056         | 1 149        |
| > 5 years                                                                 | 1 810         | 2 710        | -             | -            |
| <b>Total lease liabilities</b>                                            | <b>12 487</b> | <b>6 412</b> | <b>8 199</b>  | <b>1 875</b> |
| Maturity analysis - contractual undiscounted cash flows                   | 19 889        | 6 080        | 10 276        | 2 635        |
| 0 - 1 year                                                                | 8 250         | 1 170        | 5 410         | 974          |
| 1 - 5 years                                                               | 9 530         | 2 687        | 4 866         | 1 661        |
| > 5 years                                                                 | 2 108         | 2 223        | -             | -            |
| <b>Total lease liabilities</b>                                            | <b>19 889</b> | <b>6 080</b> | <b>10 276</b> | <b>2 635</b> |
| <b>Lease liabilities included in the statement of financial position</b>  |               |              |               |              |
| Current portion                                                           | 5 444         | 2 823        | 4 143         | 725          |
| Non-current portion                                                       | 7 043         | 3 538        | 4 056         | 1 149        |
| Capital repayment for the year (Refer: cash flows - financing activities) | 3 592         | 1 161        | 5 511         | 989          |
| Current year                                                              | 3 592         | 1 161        | 5 511         | 989          |
| <b>Recognised in Profit or loss/Project</b>                               |               |              |               |              |
| Depreciation                                                              | 4 619         | 2 543        | 4 263         | 1 348        |
| Current year                                                              | 4 619         | 1 627        | 4 263         | 432          |
| Prior year                                                                | -             | 916          | -             | 916          |
| Interest expense on lease liabilities (included in finance cost)          | 1 739         | 622          | 1 399         | 281          |
| Current year                                                              | 1 739         | 554          | 1 399         | 213          |
| Prior Year                                                                | -             | 68           | -             | 68           |
| Expense relating to short-term leases included in operating expenses      | -             | 249          | -             | 249          |
| <b>Reconciliation of lease liability</b>                                  |               |              |               |              |
| Opening balance                                                           | 6 336         | 5 351        | 1 875         | 693          |
| leases recognised/(derecognised) during the year                          | 10 114        | 1 524        | 10 437        | 1 890        |
| Interest included in finance cost                                         | 1 748         | 622          | 1 399         | 281          |
| Capital repayments                                                        | (5 710)       | (1 161)      | (5 511)       | (989)        |
| <b>Total lease liabilities</b>                                            | <b>12 487</b> | <b>6 336</b> | <b>8 200</b>  | <b>1 875</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 23. LEASES (continued)

#### 23.2 GROUP AS A LESSOR

##### Operating leases

At the reporting date, the group had no outstanding commitments under non-cancellable operating leases.

##### The group as the lessor - rental income

The group owns a number of properties on the plants, where an insignificant portion of the property is rented out. The properties are insured as part of property, plant and equipment and deposits are held for the duration of the lease to mitigate the any risk associated with the underlying asset. Rental income of R4.9m (2023: R4.5m ) was earned.

| Leased Assets         | Short description                                                                      | Number of lease items | Range of lease terms | Number of lease with an option to purchase | Number of leases with an option to extend | Number of leases with variable payments linked to index.                                 |
|-----------------------|----------------------------------------------------------------------------------------|-----------------------|----------------------|--------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------------|
| Buildings: Properties | Buildings/properties leased to employees for dwelling houses and companies as offices. | 116                   | 1 - 5 years          | 0                                          | 101, others are vacant                    | 0, The lease payments are fixed monthly subject to annual escalations, where applicable. |

|                                                                                                              | Group        |              | Parent       |              |
|--------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|
|                                                                                                              | R'000        | R'000        | R'000        | R'000        |
| At the reporting date the group had contracted with tenants for the following future minimum lease payments. | 2 749        | 2 471        | 3 842        | 3 564        |
| 0 - 1 year                                                                                                   | 1 548        | 1 467        | 2 394        | 2 313        |
| 1 - 5 years                                                                                                  | 1 201        | 1 004        | 1 448        | 1 251        |
| >5 years                                                                                                     | -            | -            | -            | -            |
| <b>Total group as a lessor</b>                                                                               | <b>2 749</b> | <b>2 471</b> | <b>3 842</b> | <b>3 564</b> |

### 24. CONTINGENT LIABILITIES

#### 24.1. CONTINGENT LIABILITIES

##### Contingent Liabilities

The contingent liabilities relate to possible obligations on supplier contracts of which both the amount and timing of cash outflows are uncertain.

The uncertainty in amount and timing of cash outflows is due to the cases still being discussed in court and it is possible that the ruling might not be in our favour. It is impracticable to provide disclosure regarding the nature of the uncertainty.

|                                     | Group         |               | Parent        |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2024          | 2023          | 2024          | 2023          |
|                                     | R'000         | R'000         | R'000         | R'000         |
|                                     | 22 841        | 16 026        | 22 841        | 16 026        |
| <b>Total contingent liabilities</b> | <b>22 841</b> | <b>16 026</b> | <b>22 841</b> | <b>16 026</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 25. POST-RETIREMENT BENEFIT OBLIGATIONS

All the uMngeni-uThukela Water retirement benefit plans are governed by the Pension Funds Act (No. 24 of 1956) of South Africa. All full-time employees are compelled to belong to either the defined benefit or the defined contribution plan.

|                                                                     | Group and Parent |                |
|---------------------------------------------------------------------|------------------|----------------|
|                                                                     | 2024             | 2023           |
|                                                                     | R'000            | R'000          |
| Summary of net liabilities for post-retirement benefit obligations: |                  |                |
| Defined benefit plan (refer note 25.2.)                             | 9 160            | -              |
| Post-retirement healthcare benefits (refer note 25.3.)              | 383 028          | 360 858        |
| <b>Total post-retirement benefit obligations</b>                    | <b>392 188</b>   | <b>360 858</b> |
| Liability current                                                   | 23 614           | 21 835         |
| Liability non-current                                               | 368 574          | 339 023        |

#### 25.1 DEFINED BENEFIT CONTRIBUTION

The total amounts recognised as an expense in profit or loss represents the group's portion of the contribution payable to the provident fund scheme. At reporting date all amounts due and

| Group  |        | Parent |        |
|--------|--------|--------|--------|
| 2024   | 2023   | 2024   | 2023   |
| R'000  | R'000  | R'000  | R'000  |
| 41 692 | 37 019 | 37 629 | 33 034 |

#### 25.2 DEFINED BENEFIT PLAN

The uMngeni-uThukela Water Retirement Fund was established on 1 December 1985 and was closed to new members with effect from 6 February 2007.

The scheme is funded and actuarially valued every year. The effective date of the most recent valuation is 30 June 2024. The assets of the uMngeni-uThukela Water Retirement Fund are held separately from those of the entity in a trustee administered fund, registered in terms of the Pension Funds Act, 1956. (Act 24 of 1956).

The fair value of the plan is arrived at after considering the following:

Key assumptions used in the actuarial valuation were as follows:

|                                   | Group & Parent |        |
|-----------------------------------|----------------|--------|
|                                   | 2024           | 2023   |
|                                   | %              | %      |
| Discount rate                     | 12.40%         | 12.90% |
| Expected return on plan assets    |                |        |
| Inflation rate                    | 6.50%          | 7.00%  |
| Expected rate of salary increases | 7.50%          | 8.00%  |
| Future pension increase           | 4.30%          | 4.70%  |



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 25. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

|                                                                                     | Group & Parent |                 |
|-------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                     | 2024           | 2023            |
|                                                                                     | R'000          | R'000           |
| Amounts recognised in profit/loss in respect of the defined benefit                 |                |                 |
| Current service cost                                                                | 24 077         | 27 057          |
| Interest on obligation                                                              | 117 156        | 116 399         |
| Expected return on plan assets                                                      | (119 023)      | (108 367)       |
| Past service cost                                                                   | -              | 3 452           |
| <b>Total included in staff costs in statement of profit or loss</b>                 | <b>22 210</b>  | <b>38 541</b>   |
| Amounts recognised in other comprehensive income in respect of                      |                |                 |
| IAS 19R Remeasurements - recognition of unrecognised gains and losses               |                |                 |
| Net actuarial loss/(gain)                                                           | 10 852         | (62 814)        |
| <b>Total included in statement of other comprehensive income</b>                    | <b>10 852</b>  | <b>(62 814)</b> |
| The amount included in the statement of financial position arising from the group's |                |                 |
| Present value of funded defined benefit obligation                                  | 961 945        | 936 845         |
| Fair value of plan assets                                                           | (952 785)      | (963 925)       |
| Unrecognised due to Par 65 limit                                                    | -              | 27 080          |
| <b>Net liability in statement of financial position</b>                             | <b>9 160</b>   | <b>-</b>        |

|                                                           | Group & Parent |                |
|-----------------------------------------------------------|----------------|----------------|
|                                                           | 2024           | 2023           |
|                                                           | R'000          | R'000          |
| Net liability at start of year                            | -              | 48 402         |
| Net expense recognised in the statement of profit or loss | 22 210         | 38 541         |
| Net expense (income) recognised in the statement of other | 10 852         | (62 814)       |
| Company contributions                                     | (23 902)       | (24 129)       |
| <b>Net liability at end of year</b>                       | <b>9 160</b>   | <b>-</b>       |
| Movements in the defined benefit obligation for the year: |                |                |
| Defined benefit obligation at beginning of year           | 936 845        | 937 195        |
| Current service cost                                      | 24 077         | 27 057         |
| Member contributions                                      | 8 905          | 8 998          |
| Interest cost                                             | 117 156        | 116 399        |
| Actuarial gain                                            | (9 702)        | (79 420)       |
| Benefits paid                                             | (107 386)      | (69 561)       |
| Risk premiums                                             | (5 842)        | (5 394)        |
| Past service cost                                         | -              | 3 452          |
| Expenses                                                  | (2 108)        | (1 881)        |
| <b>Defined benefit obligation at end of year</b>          | <b>961 945</b> | <b>936 845</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 25. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

|                                                                                      | Group & Parent |                 |
|--------------------------------------------------------------------------------------|----------------|-----------------|
|                                                                                      | 2024           | 2023            |
|                                                                                      | R'000          | R'000           |
| Movements in the present value of plan assets in the current period were as follows: |                |                 |
| Fair value of plan assets at beginning of year                                       | 963 925        | 888 793         |
| Interest on plan assets                                                              | 119 023        | 108 367         |
| Member contributions                                                                 | 8 905          | 8 998           |
| Employer contributions                                                               | 23 902         | 24 129          |
| Actuarial (loss)/gain                                                                | (47 634)       | 10 474          |
| Benefits paid                                                                        | (107 386)      | (69 561)        |
| Risk premiums                                                                        | (5 842)        | (5 394)         |
| Expenses                                                                             | (2 108)        | (1 881)         |
| <b>Fair value of plan assets at end of year</b>                                      | <b>952 785</b> | <b>963 925</b>  |
| Actual return on assets                                                              | 71 389         | 118 841         |
| The net actuarial gain is as follows:                                                |                |                 |
| Update of assumptions (discount rate)                                                | 44 559         | (37 819)        |
| Update of assumptions (inflation rate)                                               | (41 875)       | (16 216)        |
| Update of assumptions (statutory discount rate for minimum benefits)                 | (980)          | (15 245)        |
| Update of assumptions (mortality)                                                    | 16 529         | -               |
| Pension increases                                                                    | (1 679)        | (1 056)         |
| Salary increases                                                                     | (11 192)       | (13 443)        |
| Change in suspended pensioner liability                                              | 393            | (108)           |
| Demographic experience                                                               | (15 456)       | 4 466           |
| Other miscellaneous items                                                            | (1)            | 1               |
| <b>Total</b>                                                                         | <b>(9 702)</b> | <b>(79 420)</b> |

|                                                                                                                         | %              | %              |
|-------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
| Key assumptions used in the actuarial valuation were as follows:                                                        |                |                |
| The major categories of plan assets and the expected rate of returns at the end of the reporting period are as follows: |                |                |
| Cash                                                                                                                    | 4.67%          | 9.58%          |
| Equity                                                                                                                  | 41.55%         | 38.72%         |
| Bonds                                                                                                                   | 11.98%         | 21.70%         |
| Property                                                                                                                | 5.57%          | 3.75%          |
| International                                                                                                           | 34.41%         | 23.41%         |
| Other                                                                                                                   | 1.82%          | 2.84%          |
| <b>Total</b>                                                                                                            | <b>100.00%</b> | <b>100.00%</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 25. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

| Sensitivity Factor                        | Central Assumption | Defined Benefit Plan |          |          |          |
|-------------------------------------------|--------------------|----------------------|----------|----------|----------|
|                                           |                    | Increase             |          | Decrease |          |
|                                           |                    | %                    | R'000    | %        | R'000    |
| 1% change in discount rates               | 12.40%             | (6.30%)              | (60 146) | 10.80%   | 103 703  |
| 1% change in inflation rates              | 6.50%              | 9.00%                | 86 206   | (5.10%)  | (48 634) |
| 1% change in salary increase rate         | 7.50%              | 4.20%                | 40 624   | (2.40%)  | (22 888) |
| 1 year change in expected future lifetime | 8.6 years          | (1.10%)              | (10 180) | 1.00%    | 10 042   |

The sensitivity analysis presented on the table above reflect the changes to the defined benefit obligation in relation to the changes to the factors

#### 25.3 POST-RETIREMENT HEALTHCARE BENEFITS

The scheme is unfunded and the group has recognised its full past service liability. Actuarial valuations are done annually. The effective date of the most recent valuation is 30 June 2024.

Employees who joined uMngeni-uThukela Water after 28 February 2002 cannot elect to join this scheme.

Key assumptions used in the actuarial valuation were as follows:

|                                                                                                                                                                        | Group & Parent |                |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                                                        | 2024           | 2023           |
|                                                                                                                                                                        | %              | %              |
| Discount rate                                                                                                                                                          | 12.60%         | 13.00%         |
| Expected rate of increase in medical indices                                                                                                                           | 8.10%          | 8.50%          |
|                                                                                                                                                                        | R'000          | R'000          |
| Amounts recognised in profit or loss in respect of the post-retirement healthcare costs are as follows:                                                                |                |                |
| Current service cost                                                                                                                                                   | 3 706          | 4 557          |
| Interest on obligation                                                                                                                                                 | 45 347         | 43 822         |
| Past service cost                                                                                                                                                      | -              | -              |
| <b>Total included in staff costs in statement of profit or loss</b>                                                                                                    | <b>49 053</b>  | <b>48 379</b>  |
| Actuarial (gain) loss                                                                                                                                                  | (3 774)        | (31 363)       |
| Total included in statement of other comprehensive income                                                                                                              | (3 774)        | (31 363)       |
| The amount included in the statement of financial position arising from the group's obligation in respect of its post-retirement healthcare obligations is as follows: |                |                |
| Opening balance                                                                                                                                                        | 360 858        | 363 672        |
| Net expense recognised in the statement of profit or loss                                                                                                              | 49 053         | 48 379         |
| Company contributions                                                                                                                                                  | (23 109)       | (19 830)       |
| Net (income) expense recognised in the statement of other comprehensive income                                                                                         | (3 774)        | (31 363)       |
| <b>Liability at end of year</b>                                                                                                                                        | <b>383 028</b> | <b>360 858</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 25. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

Movements in the post-retirement healthcare obligation in the current period were as follows:

|                                                    | Group & Parent |                |
|----------------------------------------------------|----------------|----------------|
|                                                    | 2024           | 2023           |
|                                                    | %              | %              |
| Projected benefit obligation at beginning of year  | 360 858        | 363 672        |
| Current service cost                               | 3 706          | 4 557          |
| Interest cost                                      | 45 347         | 43 822         |
| Actuarial (gain) loss                              | (3 774)        | (31 363)       |
| Employer contributions                             | (23 109)       | (19 830)       |
| <b>Projected benefit obligation at end of year</b> | <b>383 028</b> | <b>360 858</b> |

The group expects to make a contribution of R25m to the post retirement medical aid during the next financial year.

An analysis of the impact of changes in the underlying assumptions used in the actuarial valuation are presented in the table below:

| Sensitivity Factor                       | Central Assumption | Increase |         | Decrease |          |
|------------------------------------------|--------------------|----------|---------|----------|----------|
|                                          |                    | %        | R'000   | %        | R'000    |
| 1% change in medical aid inflation rates | 8.10%              | 11.6%    | 44 250  | (9.8%)   | (37 511) |
| 1 year change in expected retirement age | 60 years           | (2.5%)   | (9 731) | 2.1%     | 8 200    |
| 1% change in discount rate               | 12.60%             | (9.3%)   | 35 692  | 11.1%    | 42 569   |

The information presented above is as per the latest valuation, which was performed on 30 June 2024. There has been no changes in the method of valuation used i.e. the Projected Unit Credit method as well as the key assumptions applied. Under the Projected Unit Credit method, the liability accrues uniformly whilst the member is in service. In this way, the liability may be divided into two parts for each current in-service member:

The risks faced by the company as a result of the post-employment retirement benefits obligation are as follows:

- Inflation: the risk that future CPI Inflation is higher than expected and uncontrolled;
- Longevity: the risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected;
- open-ended, long-term liability: the risk that the liability may be volatile in the future and uncertain;
- Future changes in legislation: the risk that changes to legislation with respect to the post-employment liability may increase the liability for the company;
- Future changes in the tax environment: the risk that changes in the tax legislation governing employee benefits may increase the liability for the company;
- Perceived inequality by non eligible employees: the risk of dissatisfaction of employees who are non eligible for a post-employment healthcare subsidy;
- Administration: administration of this liability poses a burden to the company; and
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced.



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 26. FIVE YEAR LONG SERVICE BENEFIT

The liability for the employee long service leave benefit arises when qualifying employee remains in the employ of uMngeni-uThukela Water for at least 5 years. This benefit excludes the Senior Managers and Executives on the long term incentive bonus benefit. This benefit aims at retaining employees and skills for at least 5 years and more. The employee has the option to commute the full benefit to cash or a full 30 days leave to be taken within a specified period or a combination of the both options being 50% cash and the remainder as leave.

The liability has been determined via an actuarial valuation performed as at 30 June 2024.

|                                                                                            | Group and Parent |               |
|--------------------------------------------------------------------------------------------|------------------|---------------|
|                                                                                            | 2024             | 2023          |
|                                                                                            | %                | %             |
| Discount rate                                                                              | 8.80%            | 9.20%         |
| Inflation rate                                                                             | 3.50%            | 4.40%         |
| Salary increase rate                                                                       | 4.50%            | 5.40%         |
|                                                                                            | R'000            | R'000         |
| Amounts recognised in profit or loss are as follows:                                       |                  |               |
| Current service cost                                                                       | 6 260            | 6 170         |
| Interest on obligation                                                                     | 1 973            | 1 422         |
| Current year (gain)/loss                                                                   | 7 072            | 3 528         |
| Past service cost                                                                          | -                | -             |
| <b>Total included in staff costs in statement of profit and loss</b>                       | <b>15 305</b>    | <b>11 120</b> |
| Movement in the liability recognised in the statement of financial position is as follows: |                  |               |
| Liability at beginning of year                                                             | 17 849           | 17 393        |
| Net expense recognised in the statement of profit or loss                                  | 15 305           | 11 120        |
| Company paid benefits                                                                      | (5 316)          | (10 664)      |
| <b>Net liability at end of year</b>                                                        | <b>27 838</b>    | <b>17 849</b> |
| Liability current                                                                          | 12 237           | 5 529         |
| Liability non-current                                                                      | 15 601           | 12 320        |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 27. RELATED PARTIES

The group is wholly owned by its shareholder, the Department of Water and Sanitation. uMngeni-uThukela Water is a schedule 3B public entity in terms of the Public Finance Management Act.

Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance management Act ) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website [www.treasury.gov.za](http://www.treasury.gov.za). It also provides the names of subsidiaries of the public entities.

Related parties of uMngeni-uThukela Water comprise of:

- The two 100% owned subsidiaries (Msinsi Holdings SOC Ltd and uMngeni-uThukela Water Services SOC Ltd);
- the associate Durban Water Recycling Pty Ltd of the group;
- post retirement benefit plans for the benefit of the employees, refer to note 26;
- Key management personnel of Umgeni or its shareholder and close family members of the related parties. Key management personnel for uMngeni-uThukela Water include the group's Board of directors and the executive management (EXCO) and their remuneration is disclosed in note 33.

IAS 24 Related Party disclosures provides government related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with government related entities at national and local levels of government.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Amounts receivable from related parties are included in the simplified approach for trade and other receivables. All related party transactions are carried within normal trade conditions. The following transactions were carried out with related parties.

|                                                                       | Group   |         | Parent  |         |
|-----------------------------------------------------------------------|---------|---------|---------|---------|
|                                                                       | 2024    | 2023    | 2024    | 2023    |
|                                                                       | R'000   | R'000   | R'000   | R'000   |
| <b>Revenue: Sale of goods and services</b>                            |         |         |         |         |
| <b>Revenue: Section 30</b>                                            |         |         |         |         |
| National Department                                                   | 287 056 | 271     | 287 056 | 271     |
| <b>Sundry Income</b>                                                  |         |         |         |         |
| Subsidiary                                                            | -       | -       | 1 178   | 1 111   |
| <b>Cost of sales</b>                                                  |         |         |         |         |
| National Department                                                   | 439 234 | 300 566 | 439 234 | 300 566 |
| <b>Section 30</b>                                                     |         |         |         |         |
| National Department                                                   | 270 783 | 12 381  | 270 783 | 12 381  |
| <b>Other operating and administration expenses</b>                    |         |         |         |         |
| Subsidiary                                                            | -       | -       | 87 583  | 80 638  |
| <b>Expected credit losses</b>                                         |         |         |         |         |
| National Department                                                   | 13 357  | -       | 13 357  | -       |
| <b>Work-in-progress: Grant funding for rural development projects</b> |         |         |         |         |
| National Department                                                   | 233 916 | 642 324 | 233 916 | 642 324 |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 27. RELATED PARTIES (continued)

|                                            | Group     |         | Parent    |         |
|--------------------------------------------|-----------|---------|-----------|---------|
|                                            | 2024      | 2023    | 2024      | 2023    |
|                                            | R'000     | R'000   | R'000     | R'000   |
| <b>Investments in subsidiaries</b>         | -         | -       | -         | -       |
| Associate <sup>N1</sup>                    | 10 567    | 8 830   | -         | -       |
| <b>Trade and other receivables</b>         |           |         |           |         |
| National Departments                       | 18 453    | -       | 18 453    | -       |
| Subsidiaries                               | -         | -       | 1 7385    | -       |
| National Departments - Capital unit charge | -         | 89 613  | -         | 89 613  |
| <b>Other payables</b>                      |           |         |           |         |
| Subsidiaries and associates                | -         | -       | 3 856     | 12 800  |
| National Departments                       | (104 145) | 59 141  | (104 145) | 59 141  |
| Raw water purchases accrual                | (104 145) | 59 141  | (104 145) | 59 141  |
|                                            | -         | -       | -         | -       |
| <b>Contract Liabilities</b>                |           |         |           |         |
| National Departments                       | 72 499    | 119 197 | 72 499    | 119 197 |

N1 - The prior year amount for investment in subsidiaries was updated to reflect the total investment in associate.

### 28. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE

|                                                                  | Group            |                | Parent           |                |
|------------------------------------------------------------------|------------------|----------------|------------------|----------------|
|                                                                  | 2024             | Restated 2023  | 2024             | Restated 2023  |
|                                                                  | R'000            | R'000          | R'000            | R'000          |
| Irregular expenditure incurred in the current year <sup>N1</sup> | 1 363 305        | 656 553        | 1 363 305        | 656 553        |
| Fruitless and wasteful expenditure incurred in the current year  | 43 877           | 36 834         | 43 524           | 36 834         |
| <b>Amounts awaiting condonement or write-off</b>                 | <b>1 407 182</b> | <b>693 387</b> | <b>1 406 829</b> | <b>693 387</b> |

N1 - prior year's irregular expenditure has been restated to include VAT as per the National Treasury regulations

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 28. IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE (continued)

| Parent |      |
|--------|------|
| 2024   | 2023 |
|        |      |
| -      | -    |
|        |      |
| 8      | 11   |
| -      | -    |
| -      | -    |
|        |      |
| -      | -    |

#### (1) Amounts of material losses through criminal conduct

No cases identified as resulting from criminal conduct

#### (2) Criminal or disciplinary steps taken as a result of losses on irregular expenditure

Number of officials issued with reprimand letters for cases up to 2021/2022

Number of disciplinary process

No criminal cases opened

Cases for IE incurred from 2017 to 2022 are awaiting submission for condonation 2022/2023 and 2023/2024 are currently awaiting determination/investigation reports. Action will be taken as recommended

#### (3) Impracticability Judgement

Determination tests stated the value of service rendered

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

#### 29.1.1 CAPITAL MANAGEMENT

Capital and reserves is consistent with the prior year and consists of:

Capital

Accumulated profit

Other comprehensive income

**Total**

Total interest bearing debt

| Group             |                   | Parent            |                   |
|-------------------|-------------------|-------------------|-------------------|
| 2024              | 2023              | 2024              | 2023              |
| R'000             | R'000             | R'000             | R'000             |
| 442 847           | 442 847           | 442 847           | 442 847           |
| 16 655 691        | 13 441 032        | 16 567 997        | 13 345 509        |
| 503 975           | 511 053           | 503 975           | 511 053           |
| <b>17 602 513</b> | <b>14 394 932</b> | <b>17 514 819</b> | <b>14 299 410</b> |
| 1 107 762         | 1 116 863         | 1 107 762         | 1 116 863         |

#### 29.1.2 DEBT MANAGEMENT

##### Debt management strategies

uMngeni-uThukela Water's treasury strategy focuses on solvency and debt management through the cash flow tariff model, after taking into account the long-term business plans, water demand curves, and future capital expenditure. The liability curve and debt redemption is then actively managed:

- (a) By targeting an optimal debt level;
- (b) by asset liability matching, through a redemption strategy framework which pro-actively manages liquidity and refinancing risk associated with large debt maturities such as bonds;
- (c) within approved borrowing limits; and
- (d) by maintaining an external credit rating.



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### (a) Optimal debt level

uMngeni-uThukela Water strives to be within an optimal debt level by not exceeding a gearing ratio of 0.30 and maintains a target debt interest rate structure of 70% fixed and 30% floating which aims to minimise volatility of both the tariff and statement of profit and loss.

|                                             | Group     |           | Parent    |           |
|---------------------------------------------|-----------|-----------|-----------|-----------|
|                                             | 2024      | 2023      | 2024      | 2023      |
|                                             | R'000     | R'000     | R'000     | R'000     |
| Gross Debt - Nominal amount (Refer note 19) | 1 074 227 | 1 083 549 | 1 074 227 | 1 083 549 |
| Interest Rate Structure                     |           |           |           |           |
| Fixed                                       | 95%       | 93%       | 95%       | 93%       |
| Floating                                    | 5%        | 7%        | 5%        | 7%        |
|                                             |           |           |           |           |
|                                             | Group     |           | Parent    |           |
|                                             | 2024      | 2023      | 2024      | 2023      |
|                                             |           |           |           |           |
| Gearing Ratio                               | 0.06      | 0.08      | 0.06      | 0.08      |

#### (b) Asset and liability management

Asset and liability matching focuses on two components:

- The first being the matching of maturity dates of financial assets and liabilities whereby financial assets will be used to repay debt on its maturity. This will typically be applied in a redemption strategy.
- The second component is whereby surplus cash (cash after operating expenditure and interest cost) is matched to debt redemption or specific funding requirements.

Taking the business environment and market conditions into account, the following framework is used in managing the redemption portfolio build-up over the years preceding the redemption of the bond. Prior to redemption, the entity must have provided for at least:

- 10% of the capital value 3 years before redemption;
- 40% of the capital value 2 years before redemption;
- 75% of the capital value 1 years before redemption;
- the balance is funded during the year of maturity.

|                                                                                             | Group and Parent |           |
|---------------------------------------------------------------------------------------------|------------------|-----------|
|                                                                                             | 2024             | 2023      |
| In terms of the redemption strategy uMngeni uThukela Water has placed a deposit as follows: |                  |           |
| UG 26                                                                                       | 935 000          | 935 000   |
| Redemption asset                                                                            | (425 425)        | (152 894) |
| Capital                                                                                     | (397 258)        | (149 006) |
| Interest                                                                                    | (28 167)         | (3 888)   |
| Net debt - UG26                                                                             | 509 576          | 782 106   |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### 29.1.2 DEBT MANAGEMENT (continued)

##### (c) Managing debt within approved borrowing limits

The borrowing limits for the period 2023 to 2025 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance and are as follows:

|                          | 2025             | 2024             | 2023             |
|--------------------------|------------------|------------------|------------------|
| Borrowing Limit          | R'000            | R'000            | R'000            |
| Not exceed as at 30 June | 4 534 000        | 3 325 000        | 2 017 000        |
| Guarantees               | 54 100           | 54 100           | 7 356            |
|                          | <b>4 588 100</b> | <b>3 379 100</b> | <b>2 024 356</b> |

The borrowing authority is further subjected to uMngeni uThukela Water adhering to the following additional requirements

- A gearing limit of 50% calculated as follows: interest-bearing debt relative to total equity;
- A minimum cash interest cover (CIC) ratio of three (3) times,
- A minimum debt service cover ratio (DSCR) of one (1) time
- uMngeni-uThukela Water submits quarterly progress reports to the Asset and Liability Management division on the Borrowing Programme and Funding Plan, including utilisation of the borrowing authority; and
- uMngeni-uThukela Water submits bi-annual reports to the Asset and Liability Management division on the progress of major capital expenditure projects and the project plans for the upcoming 6 months. If there are any delays in the projects, the entity should provide reasons for such delays.
- All loan covenants were met for both financial years presented.

|                                     | Group and Parent |                |
|-------------------------------------|------------------|----------------|
|                                     | 2024             | 2023           |
|                                     | R'000            | R'000          |
| Utilisation of borrowing limits     |                  |                |
| Borrowing limit                     | 3 325 000        | 2 017 000      |
| Gross borrowings (refer to note 19) | (1 074 227)      | (1 083 549)    |
| <b>Unutilised borrowing limits</b>  | <b>2 250 773</b> | <b>933 451</b> |

##### Collateral

At 30 June 2024 the group has no collateral held as security.

##### (d) Maintaining an external credit rating

The ability of uMngeni-uThukela Water to raise debt at competitive interest rates is significantly dependant on the external credit rating issued by a Ratings Agency. The credit rating is maintained through protection of operating cash flows by anticipating adverse market and business conditions and continuous monitoring of strategies devised to counteract the adverse market conditions.

uMngeni-uThukela Water's national credit ratings are as follows:

| Rating Agency       | Review date | Details         | Long-term rating | Short-term rating |
|---------------------|-------------|-----------------|------------------|-------------------|
| Standard and Poor's | 14/06/2024  | Affirmed rating | zaAAA            | zaA-1+            |
| Fitch Ratings       | 06/09/2024  | Affirmed rating | AA+(zaf)         | F1+(zaf)          |

# Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

## 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### 29.2. FINANCIAL RISK MANAGEMENT

uMngeni-uThukela Water's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of uMngeni-uThukela Water through the short, medium and long-term funding strategy, and highlights the risk implications of various financial transactions.

The use of financial derivatives is governed by uMngeni-uThukela Water's policies approved by the Board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. uMngeni-uThukela Water does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The principal financial risks to which uMngeni-uThukela Water is exposed as a result of its financial instruments are:

- Credit risk (which includes counterparty risk);
- liquidity risk and;
- market risk (interest rate risk)

#### Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

### 29.2.1 Credit Risk

Credit risk is the risk of financial loss to the group if a customer or other counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises principally from the group's receivables and investment securities. Credit risk concentration will result in uMngeni-uThukela Water being exposed to counter party failure. This has the potential to impact on the organisation's ability to remain within its optimal debt level.

#### Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of the water services agreements by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group)

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 30 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

- a) Investments
- b) Trade and other receivables
- c) Cash and cash equivalents

| Group     |           | Parent    |           |
|-----------|-----------|-----------|-----------|
| 2024      | 2023      | 2024      | 2023      |
| R'000     | R'000     | R'000     | R'000     |
| 6 932 072 | 6 450 193 | 6 932 072 | 6 450 193 |
| 3 231 991 | 2 578 408 | 3 239 923 | 2 572 846 |
| 657 881   | 290 420   | 572 410   | 225 178   |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### a) Investments

According to its Investment Policy uMngeni uThukela Water will manage investment credit risk by:

- Conducting transactions only with counter parties and issuers who satisfy soundly based and acceptable assessment processes, and only after formal limits have been set;
- same-day settlement limits will be set wherever possible and/or strict settlement procedures set and adhered to, and
- continuous monitoring of the credit quality of counterparties.

Concentration of credit risk is managed by setting credit limits at counterparty-specific level. The credit limit calculation is based on 5% of shareholders funds but subject to a maximum limit of R3000m as approved by the Board, and limited to parties where 5% of shareholders funds exceeds R1 000m. The group limits its exposure to credit risk by investing only with counterparties with a credit rating of "Investment Grade" as defined by external credit rating agencies.

Utilisation of the credit limit is measured in terms of risk weighting except in the case of zero coupon bonds where credit limit utilisation is based on current market value.

Deposits with banks and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit ratings are used to determine whether credit risk on an instrument has significantly increased since initial recognition. Where there has been no significant increase and the instrument remains of investment grade quality, no credit risk impairment adjustment is made.

#### Maximum credit risk exposure to uMngeni-uThukela Water:

The table below shows uMngeni uThukela Water's credit exposure to the approved counterparties in context of the credit limits assigned to each counterparty and the nominal value of the investment placed with each counterparty as 30 June.

| Financial Instruments                 |                                | Group and Parent |           |           |
|---------------------------------------|--------------------------------|------------------|-----------|-----------|
| Counterparty                          | Credit Rating <sup>a</sup>     | Credit Limit     | 2024      | 2023      |
|                                       |                                | R'000            | R'000     | R'000     |
| <b>Non-current financial assets</b>   |                                |                  | 755 248   | 152 894   |
| Nedbank Limited                       | Investment Grade <sup>N1</sup> | 2 000 000        | 223 102   | -         |
| ABSA Bank Limited                     | Investment Grade <sup>N1</sup> | 2000 000         | -         | -         |
| First Rand Bank Limited               | Investment Grade <sup>N1</sup> | 2000 000         | 532 146   | 152 894   |
| <b>Current financial assets</b>       |                                |                  | 6 176 824 | 6 518 981 |
| ABSA Bank Limited                     | Investment Grade <sup>N1</sup> | 2000 000         | 1 476 181 | 1 342 068 |
| First Rand Bank Limited               | Investment Grade <sup>N1</sup> | 2000 000         | 438 032   | 607 824   |
| Standard Bank of South Africa Limited | Investment Grade <sup>N1</sup> | 2000 000         | 810 610   | 671 661   |
| Nedbank Limited                       | Investment Grade <sup>N1</sup> | 3000 000         | 2 394 551 | 2 478 089 |
| Nedgroup Money Market Fund Limited    | Investment Grade <sup>N1</sup> | 700 000          | 302 127   | 428 973   |
| Stanlib Money Market Fund Limited     | Investment Grade <sup>N1</sup> | 700 000          | 302 154   | 487 394   |
| Ninety One                            | Investment Grade <sup>N1</sup> | 700 000          | 352 443   | 502 973   |
| Ashburton Money Market                | Investment Grade <sup>N1</sup> | 350 000          | 100 726   | -         |
| Corporation for Public Deposits       |                                | 3 000 000        | -         | -         |



# Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

## 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

### a) Investments (continued)

|                                       |                                | Group and Parent |                  |
|---------------------------------------|--------------------------------|------------------|------------------|
|                                       | Credit Limit                   | 2024             | 2023             |
|                                       | R'000                          | R'000            | R'000            |
| Cash and Bank                         |                                | 657 881          | 290 126          |
| First Rand Bank Limited               | Investment Grade <sup>N1</sup> | 78 407           | 106 239          |
| ABSA                                  | Investment Grade <sup>N1</sup> | 235 195          | 66 125           |
| Standard Bank of South Africa Limited | Investment Grade <sup>N1</sup> | -                | 96 690           |
| Nedbank Bank Limited                  | Investment Grade <sup>N1</sup> | 344 279          | 21 072           |
| <b>Total</b>                          |                                | <b>7 589 953</b> | <b>6 962 000</b> |

N1 - "Investment Grade" refers to the credit quality of investment grade as per the rating definitions of external credit rating agencies such as SandP ratings, Fitch Ratings, Moody's and Global Credit Ratings. In the context of money market funds, investment grade refers to the fund being rated as low to moderate risk of volatility.

### b) Trade and other receivables

The management of credit risk in relation to trade and other receivables is summarised as follows:

- uMngeni uThukela Water aims to minimise loss caused by default of customers through specific policies and procedures; and
- compliance with these policies and procedures are the responsibility of the Chief Financial Officer and Financial Manager. Monitoring of compliance with these policies is carried out by internal audit. All known risks are required to be fully disclosed and accounted for and are provided for in the allowance for credit losses. Credit risk relating to bulk supply water service authorities is managed in terms of the contractual arrangements and legislation applicable to organs of state.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are bulk or commercial customers, their aging profile and existence of previous financial difficulties.

The average credit period allowed is 30 days from invoice date. Interest is charged at prime rate on debtors over 30 days from date of invoice. The group trade and other receivables totalled R1 429m (2023: R1 219m) which comprises both current and non-current components. trade

debtor's days were 43 (2023: 44) at the end of the reporting period. The allowance for credit losses increased by 34% as a result of the overdue amounts, amounting to R2.141m (2023: R1.607m). A detailed analysis of Trade and other receivables is available on Note 16.

Concentration of credit risks relating to Trade receivables is based significance reliance on revenue from two customers which accounts for 81% of revenue generated and prior year (2023: 80%) Financial assets relating to trade and other receivables exclude amounts relating to employees and VAT receivable.

#### Monitoring exposure

uMngeni uThukela Water monitors exposures on an on-going basis utilising various reporting tools and flagging potential risks which are reported to National Treasury in terms of Section 41 of the Municipal Finance Management Act. The following reports are used to monitor credit risk:

- Age analysis reports; and
- status report for significant overdue debtors.

The maximum exposure to credit risk for trade and other receivables at the reporting date is disclosed in note 16.

### Lifetime Expected Credit Losses

Refer to note 16 for expected credit losses on trade and other receivables.

Analysis of the ageing of financial assets (trade receivables) which are past due but have not been impaired:

30 days  
60 days  
90 days  
120+ days

| Group and Parent |         |
|------------------|---------|
| 2024             | 2023    |
| R'000            | R'000   |
| 222 882          | 141 061 |
| 110 638          | 117 421 |
| 36 163           | 12 396  |
| 12 348           | 5 297   |
| 63 733           | 5 947   |

The group believes that the unimpaired amounts that are past due by more than 30 days are still recoverable, based on the customer payment behaviour, subsequent receipts and analysis of customer credit risk.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### b) Trade and other receivables (continued)

##### Cash and Cash Equivalents

The group held cash and cash equivalents of R408m at 30 June 2024 (2023: R290m) of the following which represents the maximum credit exposure on these assets.

| Counterparty                          | Group          |                | Parent         |                |
|---------------------------------------|----------------|----------------|----------------|----------------|
|                                       | 2024           | 2023           | 2024           | 2023           |
|                                       | R'000          | R'000          | R'000          | R'000          |
| <b>Cash</b>                           | 657 846        | 290 126        | 572 375        | 225 148        |
| First Rand Bank Limited               | 78 407         | 106 239        | 16 828         | 41 261         |
| ABSA                                  | 235 195        | 66 125         | 235 195        | 66 125         |
| Standard Bank of South Africa Limited | -              | 96 690         | -              | 96 690         |
| Nedbank Bank Limited                  | 344 244        | 21 072         | 320 352        | 21 072         |
| <b>Total</b>                          | <b>657 846</b> | <b>290 126</b> | <b>572 375</b> | <b>225 148</b> |

The remaining balance of R189K (2023: R294K) for the Group and R40K (2023: R30K) in for the parent represents petty cash in Rands per thousand for which there is no credit risk attached.

#### 29.2.2 Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

##### Mitigation approach

To mitigate liquidity risk, uMngeni uThukela Water:

- Monitoring the level of contractual cash flows of financial assets and compared to those of financial liabilities.
- Short-term funding facilities to meet on-going cash requirements for which facility options are in place with four banks.
- A domestic medium note programme, which has been established allowing for longer dated debt such as bonds to be

issued with relative ease.

- A redemption strategy framework, which provides guidelines for managing the risks associated with refinancing large debt maturities (such as UG21 and UG26 bonds), and
- Management of debt within approved borrowing limits by National Treasury.

#### 29.2.2.1 Liquidity risk inherent in contractual cash flows

The following tables summarises uMngeni uThukela Water's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which uMngeni uThukela Water can be required to pay. The table includes both interest and principal cash flows which may differ from the carrying values of the liabilities at the reporting date. The carrying values have been inserted into the disclosure for comparison purposes.

| Financial Liabilities              | Weighted average effective interest rate | Group                           |                  |                  |              |                  |
|------------------------------------|------------------------------------------|---------------------------------|------------------|------------------|--------------|------------------|
|                                    |                                          | Carrying value Per Note 19 & 22 | Up to 1 year     | 1-5 years        | >5 years     | Total            |
|                                    |                                          | R'000                           | R'000            | R'000            | R'000        | R'000            |
| <b>2024</b>                        |                                          |                                 |                  |                  |              |                  |
| Fixed interest rate instruments    | 11.15%                                   | 1 049 061                       | 134 757          | 1 105 554        | 6 239        | 1 246 550        |
| Variable interest rate instruments | 9.31%                                    | 58 701                          | 17 748           | 52 413           | -            | 70 161           |
| Trade and other payables           | n/a                                      | 1 472 809                       | 1 472 809        | -                | -            | 1 472 809        |
| <b>Total</b>                       |                                          | <b>2 580 571</b>                | <b>1 625 315</b> | <b>1 157 967</b> | <b>6 240</b> | <b>2 789 521</b> |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

|                                    | Weighted average effective interest rate | Group                              |                 |              |             |           |
|------------------------------------|------------------------------------------|------------------------------------|-----------------|--------------|-------------|-----------|
|                                    |                                          | Carrying value<br>Per Note 19 & 22 | Up to<br>1 year | 1-5<br>years | >5<br>years | Total     |
|                                    |                                          | R'000                              | R'000           | R'000        | R'000       | R'000     |
| 2023 Restated                      |                                          |                                    |                 |              |             |           |
| Fixed interest rate instruments    | 11.12%                                   | 1 045 613                          | 125 869         | 1 209 872    | 19 529      | 1 364 544 |
| Variable interest rate instruments | 8.52%                                    | 71 250                             | 19 417          | 63 413       | 6 749       | 98 775    |
| Trade and other payables           | n/a                                      | 834 552                            | 834 552         | -            | -           | 834 552   |
| Total                              |                                          | 1 951 415                          | 979 838         | 1 273 285    | 26 278      | 2 297 871 |

The group and parent figures remain the same with immaterial difference relating to the subsidiary

The following table details the group's expected maturity for its financial assets in order to mitigate the liquidity risk in the contractual liabilities above. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the uMngeni uThukela Water anticipates that the cash flow will occur in a different period.

| Financial Assets                          | Weighted average effective interest rate | Group                              |                 |              |             |            |
|-------------------------------------------|------------------------------------------|------------------------------------|-----------------|--------------|-------------|------------|
|                                           |                                          | Carrying value<br>Per Note 14 & 17 | Up to<br>1 year | 1-5<br>years | >5<br>years | Total      |
|                                           |                                          | R'000                              | R'000           | R'000        | R'000       | R'000      |
| 2024                                      |                                          |                                    |                 |              |             |            |
| Fixed interest rate instruments           | 10.34%                                   | 5 874 622                          | 5 312 185       | 1 298 111    | -           | 6 610 296  |
| Variable interest rate instruments        | 7.57%                                    | 1 715 331                          | 1 715 331       | -            | -           | 1 715 331  |
| Trade and other Receivables <sup>NI</sup> | n/a                                      | 3 231 991                          | 2 571 297       | 660 694      | -           | 3 231 991  |
| Total                                     |                                          | 10 821 944                         | 9 598 813       | 1 958 805    | -           | 11 557 618 |

|                                    | Weighted average effective interest rate | Group                              |                 |              |             |           |
|------------------------------------|------------------------------------------|------------------------------------|-----------------|--------------|-------------|-----------|
|                                    |                                          | Carrying value<br>Per Note 14 & 17 | Up to<br>1 year | 1-5<br>years | >5<br>years | Total     |
|                                    |                                          | R'000                              | R'000           | R'000        | R'000       | R'000     |
| 2023                               |                                          |                                    |                 |              |             |           |
| Restated                           |                                          |                                    |                 |              |             |           |
| Fixed interest rate instruments    | 8.36%                                    | 5 022 920                          | 4 745 080       | 935 000      | -           | 5 680 080 |
| Variable interest rate instruments | 8.77%                                    | 1 717 693                          | 1 717 693       | -            | -           | 1 717 693 |
| Trade and other Receivables        | n/a                                      | 2 578 408                          | 1 850 288       | 728 120      | -           | 2 578 408 |
| Total                              |                                          | 9 319 021                          | 8 313 061       | 1 663 120    | -           | 9 976 181 |

The group and parent figures remain the same with immaterial difference relating to the subsidiary. For financial assets, the variable interest rate instruments includes cash and cash equivalents. The interest rate on term deposits held with banks as well as the redemption assets will not change throughout the investment period till maturity hence these are classified as fixed interest rate instruments. In the prior year, the maturity analysis took into account the cashflows outflows required to build up assets which on maturity would fund the contractual liabilities maturities. Therefore this mismatch was corrected to reflect only the contractual maturities including interest.

The most significant contractual liability in the 1-5 years maturity time bucket is the UG26 bond at R935m. There is an investment in place that will mature at R935m to fund this liability on its due date and is accordingly reflected in the maturity bucket of 1-5 years.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### 29.2.2.2 Primary source of funding and unused facilities

The primary source of funding to meet uMngeni uThukela Water's requirements are revenue, cash inflows from maturing financial assets purchased, debt issued in the market and other loans. The following sources of funding are available to uMngeni uThukela Water to meet its short, medium and long-term funding requirements and will supplement the primary liquidity sources under stress conditions:

##### (a) Domestic Medium Term Note Programme (DMTN)

uMngeni-uThukela Water has established a Domestic Medium Term Note Programme to issue bonds to meet long term capital expenditure funding requirements. The programme has an authorised amount of R4 000m, and is a useful funding tool in terms of the following:

- Refinancing the duration of the stock of debt;
- refinancing the fixed to floating ratio of the debt book;
- meeting short-term liquidity requirements; and
- filling gaps in the debt maturity profile.

The UG26 was issued at a total nominal value of R935m at a fixed rate of 11.31% on 09 March 2016, under the DMTN Programme. The unutilised portion of the programme as at the 30 June 2024 is R3 096m.

##### (b) General banking facilities

uMngeni-uThukela Water has the following committed and uncommitted bank facilities available:

Type of facility

General Banking facility

| Group & Parent |             |
|----------------|-------------|
| Committed      | Uncommitted |
| R'000          | R'000       |
| 20 000         | 30 000      |

##### (c) Bank Loans

This method of funding allows uMngeni-uThukela Water to refinance short-term debt into longer-term debt with the view of achieving greater asset/liability matching.

#### 29.2.3 Interest rate risk

Interest rate risk is the risk that changes in interest rates cause a reduction/increase in net profit for uMngeni uThukela Water. uMngeni uThukela Water is exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates. Borrowings issued at floating interest rates exposes uMngeni uThukela Water to cash flow interest rate risk.

##### Mitigation approach

The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings: 70% fixed to 30% floating interest rate profile.

Ratio of fixed to floating interest rate

Fixed

Floating

Recommended Ratio

70%

30%

| Group & Parent |       |
|----------------|-------|
| 2024           | 2023  |
| R'000          | R'000 |
| 95%            | 93%   |
| 5%             | 7%    |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### 29.2.3 Interest rate risk (continued)

At reporting date the interest rate profile of the group's interest bearing financial instruments is as follows:

|                                  | Group & Parent   |                  |
|----------------------------------|------------------|------------------|
|                                  | 2024             | 2023             |
|                                  | R'000            | R'000            |
| <b>Fixed rate instruments</b>    |                  |                  |
| Financial assets                 | 5 547 052        | 4 815 694        |
| Financial liabilities            | (1 016 162)      | (1 012 581)      |
| <b>Net position</b>              | <b>4 530 890</b> | <b>3 803 113</b> |
| <b>Variable rate instruments</b> |                  |                  |
| Financial assets                 | 1 619 408        | 1 639 943        |
| Financial liabilities            | (58 065)         | (70 968)         |
| <b>Net Position</b>              | <b>1 561 343</b> | <b>1 568 975</b> |

he fixed prior year amounts have been corrected to include financial assets and the variable amounts were amended to include cash and cash equivalents.

#### Sensitivity Analysis

A sensitivity analysis to a change in interest rates has been performed based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities and investments, the analysis is prepared assuming the amount of liability and investment outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. The sensitivity analysis assumes that all other variables remain constant and has been prepared on the same basis for the prior year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the group's profit for the year (and hence equity) ended 30 June 2024 would decrease/increase by R5.5m (2023: R7.8m)



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### 29.4. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES

The following tables show the carrying values and the fair value of financial assets and liabilities, including the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

##### CARRYING VALUES

##### CATEGORIES OF FINANCIAL INSTRUMENTS

##### Non-current financial assets

##### Financial assets at amortised cost

Redemption assets

Money market investments

Trade and other receivables

##### Current financial assets

##### Financial assets at amortised cost

Money market investments

Trade and other receivables

Cash and cash equivalents

##### Financial Liabilities

##### Held at amortised cost

Long and short-term debt

Accounts payable

| Group            |                  | Parent           |                  |
|------------------|------------------|------------------|------------------|
| 2024             | 2023             | 2024             | 2023             |
| R'000            | R'000            | R'000            | R'000            |
|                  |                  |                  |                  |
| <b>786 189</b>   | <b>182 384</b>   | <b>785 869</b>   | <b>182 070</b>   |
| 425 424          | 152 894          | 425 424          | 152 894          |
| 329 824          | -                | 329 824          | -                |
| 30 941           | 29 490           | 30 621           | 29 176           |
| <b>7 893 735</b> | <b>7 529 298</b> | <b>7 816 529</b> | <b>7 459 037</b> |
| 6 176 824        | 6 297 299        | 6 176 824        | 6 297 299        |
| 1 059 065        | 941 579          | 1 067 330        | 936 560          |
| 657 846          | 290 420          | 572 375          | 225 178          |
| <b>2 580 571</b> | <b>1 951 415</b> | <b>2 567 988</b> | <b>1 958 277</b> |
| 1 107 762        | 1 116 863        | 1 107 762        | 1 116 863        |
| 1 472 809        | 834 552          | 1 460 226        | 841 414          |

Except as detailed below, the directors' consider the carrying values of the financial assets and financial liabilities recorded at amortised cost in the financial statements to be a reasonable approximation of their fair values.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 29. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

#### 29.4. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (continued)

|                                                  |         | Group       |             | Parent      |             |
|--------------------------------------------------|---------|-------------|-------------|-------------|-------------|
|                                                  |         | 2024        | 2023        | 2024        | 2023        |
| Fair Value Hierarchy Level                       |         | R'000       | R'000       | R'000       | R'000       |
| <b>FAIR VALUES</b>                               |         |             |             |             |             |
| <b>CATEGORIES OF FINANCIAL INSTRUMENTS</b>       |         |             |             |             |             |
| Non-current financial assets - Redemption assets | Level 2 | 422 196     | 141 623     | 422 196     | 141 623     |
| Long and short-term debt                         | Level 2 | (1 125 407) | (1 138 591) | (1 125 407) | (1 138 591) |

#### Financial instruments not measured at fair value

| Financial Instrument          | Valuation Technique                             | Significant unobservable inputs |
|-------------------------------|-------------------------------------------------|---------------------------------|
| Non-current financial assets  | Discounted cash flow analysis using prices from | N/A                             |
| Long-term and short term debt | Discounted cash flow analysis using prices from | N/A                             |

### 30. CONTINGENT ASSETS

There are insurance claims in progress for the reporting period relating to the KZN floods in April 2022 which caused damage to some of the infrastructure. The agreements of losses informing the insurance proceeds were not yet quantified as the date of approval of the financial statements. As a result the contingent asset relating to the amount receivable could not be quantified in the financial statements

### 31. PRIOR PERIOD ERROR

#### 31.1 IRREGULAR EXPENDITURE

During the preparation of the current period financial statements, it was identified that an error occurred in the prior period's financial statements for the year ended 30 June 2023. The irregular expenditure was understated by R89.7m due to in consent application of VAT. Consequently, the total expenditure for the prior period has been restated from R566.9m to R656,6m. The restatement has been made to ensure the accuracy of the financial statements and compliance with the applicable accounting standards.

#### 31.2 PROPERTY PLANT AND EQUIPMENT

During the preparation of the current period financial statements, it was identified that an error occurred in the prior period's financial statements for the year ended 30 June 2022/2023. Costs were recognised in Property, Plant and Equipment under assets under construction however it did not meet the asset recognition criteria and should have been expensed to the Statements of Profit and Loss in the year the costs were incurred

|                                                                        | 2022     | 2023     |
|------------------------------------------------------------------------|----------|----------|
| Effect on Statements of Profit and Loss                                |          |          |
| (Increase) in Expenses                                                 | (32 583) | (13 368) |
| Decrease in Profits                                                    | (32 583) | (13 368) |
| Effect on Statement of Financial Position                              |          |          |
| (Decrease) in Property Plant and Equipment (Assets under construction) | (32 583) | (13 368) |
| (Decrease) in Retained Earnings                                        | (32 583) | (13 368) |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 31. CONTINGENT ASSETS (continued)

#### 31.3 RECLASSIFICATION OF CASHFLOWS FROM THE INVESTMENT IN REDEMPTION ASSETS

During the year further analysis of IAS 7 the Statement of Cashflows indicated that the investment in Redemption assets should be tested against the definition of "Financing Activities" per paragraph 17 of the standard read in conjunction with paragraphs 22 and 23A and then evaluate if the disclosure in the prior years in terms of paragraph 44A is relevant from a presentation perspective in terms of the statement of cashflow. This introspection was in context of the liquidity risk disclosures (contractual maturities) made in note 29 to the financial statements and as there is no direct reference in the guidance of the definition of financing activities to consider the investment in redemption assets to be a financing activity toward the ultimate redemption of the UG26 in March 2026, it was deemed appropriate to reclassify the investment in redemption assets as "Cash used in investing activities". This is also consistent with the disclosure of the redemption asset as a separate asset on the face of the Statement of Financial position as a Non-Current Asset.

#### STATEMENTS OF CASH FLOWS

|                                               | Group                  |                  |             | Parent                 |                  |             |
|-----------------------------------------------|------------------------|------------------|-------------|------------------------|------------------|-------------|
|                                               | As previously reported | Reclassification | Restated    | As previously reported | Reclassification | Restated    |
|                                               | 2023                   | 2023             | 2023        | 2023                   | 2023             | 2023        |
|                                               | R'000                  | R'000            | R'000       | R'000                  | R'000            | R'000       |
| <b>Net Cash used in financing activities</b>  | (295 276)              | 149 006          | 146 270     | (294 764)              | 149 006          | (145 758)   |
| Increase in redemption investments            | (149 006)              | 149 006          | -           | (149 006)              | 149 006          | -           |
| <b>Net Cash used in investing activities*</b> | (2 102 812)            | (149 006)        | (2 251 818) | (2 096 973)            | (149 006)        | (2 245 979) |
| Increase in redemption investments            |                        | (149 006)        | (149 006)   |                        | (149 006)        | (149 006)   |

\*The amounts "As previously reported" has been adjusted for the R13.4m as per Note 31.2 above.

### 32. SUBSEQUENT EVENTS

As of 30 June 2024, the ruling in the Sobek Engineering case against uMngeni-uThukela Water had not been finalised. However, the arbitrator issued a ruling on 5 July 2024, regarding the prior unlawful termination of the contract, which creates a binding obligation for UUW. As a result, UUW has recognised a provision, given that the amount to be paid and the timing of the settlement remains uncertain. This provision is recognised as a subsequent event.

### 33. GOING CONCERN

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position, it has sufficient liquidity, and that it has adequate access to sufficient borrowing facilities to meet its foreseeable cash requirements. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

# Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

## 34. REMUNERATION REPORT

### REMUNERATION COMMITTEE

The Human Resources and Remuneration Committee assisted the Board during the year in applying:

- (a) the policy set by the Department of Water and Sanitation for the remuneration of the Board of directors and the Chief Executive (CE); and
- (b) the remuneration policy approved by the Board for the Executives.

### REMUNERATION STRUCTURE

The remuneration structure of EXCO comprises of the following components:

- Guaranteed amount:  
The guaranteed amount comprises a fixed cash portion and compulsory benefits such as medical aid and retirement that altogether comprise the total cost to company.
- Short term incentive bonus:  
The short term incentive bonus rewards the achievement of individual predetermined performance objectives and targets.
- Long term incentive bonus:

The long term incentive bonus is designed to attract, retain and reward the Chief Executive, Executives and Senior Managers at grade level 4 for meeting the organisational objectives set by the Board and the Shareholder.

### DIRECTORS' AND EXECUTIVES' EMOLUMENTS

|                                                                     |                          |                      |                    |                          | 2024  | 2023  |
|---------------------------------------------------------------------|--------------------------|----------------------|--------------------|--------------------------|-------|-------|
|                                                                     | R'000                    | R'000                | R'000              | R'000                    | R'000 | R'000 |
| Non-Executive Board Members                                         | Fees for services/salary | Allowances & Bonuses | Expense allowances | Retirement contributions | Total | Total |
| Ms Z.B Mathenjwa <sup>N1</sup><br>(Former Chairperson) <sup>N</sup> | -                        | -                    | -                  | -                        | -     | 609   |
| Ms N.B Chamane <sup>N1</sup>                                        | -                        | -                    | -                  | -                        | -     | 272   |
| Mr V.G Reddy <sup>N1</sup>                                          | -                        | -                    | -                  | -                        | -     | 321   |
| Mr S Shabalala <sup>N1</sup>                                        | -                        | -                    | -                  | -                        | -     | 455   |
| Mr T Nkhahle <sup>N1</sup>                                          | -                        | -                    | -                  | -                        | -     | 281   |
| Adv. S. Chamane <sup>N1</sup>                                       | -                        | -                    | -                  | -                        | -     | 284   |
| Mr W.L. Mapena <sup>N1</sup>                                        | -                        | -                    | -                  | -                        | -     | 329   |
| Prof. T. Mthembu <sup>N1</sup>                                      | -                        | -                    | -                  | -                        | -     | 61    |
| Mr M.E. Zakwe <sup>N1</sup>                                         | -                        | -                    | -                  | -                        | -     | 377   |

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 34. REMUNERATION REPORT (continued)

| DIRECTORS' AND EXECUTIVES' EMOLUMENTS                    |                          |                      |                    |                          | 2024          | 2023          |
|----------------------------------------------------------|--------------------------|----------------------|--------------------|--------------------------|---------------|---------------|
|                                                          | R'000                    | R'000                | R'000              | R'000                    | R'000         | R'000         |
| Non-Executive Board Members                              | Fees for services/salary | Allowances & Bonuses | Expense allowances | Retirement contributions | Total         | Total         |
| Ms B. Zulu <sup>N1</sup>                                 | -                        | -                    | -                  | -                        | -             | 378           |
| Mr S. Badat <sup>N1</sup>                                | -                        | -                    | -                  | -                        | -             | 333           |
| Mrs. L. Ngcobo <sup>N1 N2</sup>                          | -                        | -                    | -                  | -                        | -             | 365           |
| Mr. M. Msiwa<br>(Interim Chairperson) <sup>N3</sup>      | 326                      | -                    | 51                 | -                        | 377           | 387           |
| Ms. H.P. Majazi <sup>N3</sup>                            | 229                      | -                    | 26                 | -                        | 256           | 216           |
| Ms. T.S. Mhlomo <sup>N3</sup>                            | 922                      | -                    | 216                | -                        | 1 138         | 224           |
| Mr. S.W. Mkhize <sup>N3</sup>                            | 1 026                    | -                    | 219                | -                        | 1 246         | 282           |
| Mr. J. Ndlovu <sup>N3</sup>                              | 279                      | -                    | 37                 | -                        | 316           | 280           |
| Adv. L. Gopaul <sup>N3</sup>                             | 963                      | -                    | 140                | -                        | 1 103         | 209           |
| Ms. K.M. Mbonambi <sup>N3</sup>                          | 442                      | -                    | -                  | -                        | 442           | 231           |
| Adv. B.S. Khuzwayo<br>(Chairperson) <sup>N8</sup>        | 1 533                    | -                    | 179                | -                        | 1 712         | -             |
| Ms. D. Hooruzuk <sup>N8</sup>                            | 697                      | -                    | 136                | -                        | 832           | -             |
| Ms. H.B. Mvubu <sup>N8</sup>                             | 614                      | -                    | 146                | -                        | 760           | -             |
| Mr. K.S. Shandu <sup>N8</sup>                            | 821                      | -                    | 179                | -                        | 1 000         | -             |
| Adv. K.I. Mshengu <sup>N8</sup>                          | 458                      | -                    | 61                 | -                        | 519           | -             |
| Ms. N.N. Mkhize <sup>N8</sup>                            | 735                      | -                    | 286                | -                        | 1 021         | -             |
| Ms. S.K. Masango <sup>N8</sup>                           | 631                      | -                    | 124                | -                        | 755           | -             |
| Mr. S.M. Mtolo <sup>N8</sup>                             | 649                      | -                    | 155                | -                        | 804           | -             |
| Mr. T. Cornish <sup>N8</sup>                             | 677                      | -                    | 154                | -                        | 831           | -             |
| <b>Total Non Executive Board Members</b>                 | <b>11 001</b>            | <b>-</b>             | <b>2 108</b>       | <b>-</b>                 | <b>13 109</b> | <b>5 894</b>  |
| Executive Board Member                                   |                          |                      |                    |                          |               |               |
| Dr. S. Manana (ACE) <sup>N6</sup>                        | 2 550                    | 1 410                | 60                 | 2                        | 4 023         | 13 067        |
| Mr T.S. Mkhwanazi (ACE) <sup>N7</sup>                    | 2 229                    | 1 069                | 2                  | 322                      | 3 622         | -             |
| <b>Total -Parent</b>                                     | <b>15 780</b>            | <b>2 479</b>         | <b>2 170</b>       | <b>324</b>               | <b>20 753</b> | <b>18 961</b> |
| Msinsi Holdings (SOC) Ltd<br>Non-Executive Board Members | 1 700                    | -                    | -                  | -                        | 1 700         | 629           |
| <b>Total Subsidiaries</b>                                | <b>1 700</b>             | <b>-</b>             | <b>-</b>           | <b>-</b>                 | <b>1 700</b>  | <b>629</b>    |
| <b>Total Group</b>                                       | <b>17 480</b>            | <b>2 479</b>         | <b>2 170</b>       | <b>324</b>               | <b>22 453</b> | <b>19 590</b> |



## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 34. REMUNERATION REPORT (continued)

|                                |                          |                      |                    |                          | 2024          | 2023          |
|--------------------------------|--------------------------|----------------------|--------------------|--------------------------|---------------|---------------|
|                                | R'000                    | R'000                | R'000              | R'000                    | R'000         | R'000         |
| EXCO Members                   | Fees for services/salary | Allowances & Bonuses | Expense allowances | Retirement contributions | Total         | Total         |
| Mrs. M. Pillay                 | -                        | -                    | -                  | -                        | -             | 15 947        |
| Mr. S. Mjwara                  | 2 124                    | 8 359                | 231                | 2                        | 10 716        | 8 584         |
| Mr S. Dube                     | 1 918                    | 2 713                | 43                 | 400                      | 5 031         | 216           |
| Ms. N. Makhubu                 | 2 025                    | 40                   | 43                 | 2                        | 2 109         | 171           |
| Mr. X.J.Chamane (Deceased)     | -                        | 2 632                | -                  | -                        | 2 632         | 2 080         |
| Mr T. Mkhwanazi                | -                        | -                    | -                  | -                        | -             | 2 224         |
| Mr. S.B. Mazibuko              | 1 879                    | 1 054                | 148                | 217                      | 3 298         | 2 414         |
| Dr. D. Ntsapokazi              | 1 984                    | 559                  | 157                | 326                      | 3 026         | 3 001         |
| Mr D.S.D. Madonsela            | 2 309                    | 1 723                | 118                | 2                        | 4 152         | 1 270         |
| Mr R. Phora <sup>N7</sup>      | -                        | -                    | -                  | -                        | -             | 2 543         |
| Mr T.D. Shangase <sup>N4</sup> | -                        | -                    | -                  | -                        | -             | 1 024         |
| Mr N.E. Cele <sup>N5</sup>     | 1 155                    | 1 046                | 176                | 147                      | 2 524         | -             |
| Ms. M. Moleko <sup>N10</sup>   | 2 058                    | 321                  | 324                | -                        | 2 702         | -             |
| Ms. C. Dlulane <sup>N11</sup>  | 691                      | 754                  | 36                 | -                        | 1 481         | -             |
| Mr B.S. Ntlhoro <sup>N9</sup>  | 1 824                    | 187                  | 139                | 334                      | 2 484         | -             |
| Mr P. Maponya                  | 2 069                    | 323                  | 171                | -                        | 2 562         | -             |
| N9 Ms. N. Soji <sup>N9</sup>   | 2 108                    | 318                  | 227                | -                        | 2 653         | -             |
| Ms. P. Magagula <sup>N9</sup>  | 1 638                    | 166                  | 228                | -                        | 2 032         | -             |
| Mr P.Maisiri <sup>N9</sup>     | 420                      | -                    | 5                  | -                        | 425           | -             |
| <b>Total Exco</b>              | <b>24 200</b>            | <b>20 194</b>        | <b>2 002</b>       | <b>1 431</b>             | <b>47 827</b> | <b>39 473</b> |

#### LONG-TERM INCENTIVE BONUS

In terms of the approved Remuneration Strategy, uMngeni-uThukela Water aims to attract and retain talented high performing employees who can contribute technically, operationally and financially at a higher than average level, solving problems for customers and finding solutions that will contribute to the overall profitability of the organisation whilst operating in a safe and responsible manner. As a result remuneration consists of a variable pay portion is made up of Short-term incentives (STIs) and Long-term incentives (LTIs).

It is designed to reward performance and productivity based on the achievement of specific annual performance criteria. The qualifying criteria for Variable Pay will always be conditional upon set performance outcomes/criteria and is not guaranteed and will always remain at the Board's discretion.

Performance linked to the long-term incentive is only applicable to the Chief Executives, General Managers, Senior Managers Graded level 4. The available variable pay is calculated on a maximum of 20% of the audited surplus after considering the

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 34. REMUNERATION REPORT (continued)

covenant level for infrastructure sustainability. The available variable pay shall be apportioned with 70%/30% split to reflect the higher risk associated with the Executive team. Therefore, 70% of the available long-term performance bonus will be divided equally between the Chief Executive and Executives and the 30% divided equally between Grade 4 Senior Managers.

In terms of the uMngeni-uThukela Water Performance Management Policy, the long-term incentive bonus, based on variable pay, is payable when the following conditions are met:

- The pay-out of the long term performance bonus is calculated

in accordance with an AD VALOREM schedule which reflects the cumulative incentive earned up to that point and only a given percentage is applied to be

- Should an employee leave employment of uMngeni-uThukela Water before the payout stage, they do not qualify to receive the payout that would have been due if they had stayed.
- In the event that an Executive's contract comes to an end and the employee is not offered a contract renewal, they shall be entitled to receive the full payout due at the end of their 5 year performance contract.

Conditions met were approved by the board in December 2023, as a result the following long term incentive bonuses have accrued to Executives:

| Name                      | Designation                             | Opening Balance<br>1 July 2023 | Accrued /<br>(Reserved) | Sub-total 30<br>June 2024 | Utilised<br>2024 | Total<br>provided<br>30 June 2024 |
|---------------------------|-----------------------------------------|--------------------------------|-------------------------|---------------------------|------------------|-----------------------------------|
|                           |                                         |                                | R'000                   | R'000                     | R'000            | R'000                             |
| Mr S. Madonsela           | Chief Governance and Compliance Officer | 1 167                          | 2 341                   | 3 508                     | (1 013)          | 2 495                             |
| Dr. S. Manana             | Executive: Corporate Service            | -                              | 2 288                   | 2 288                     | -                | 2 288                             |
| Mr. T. Mkhwanazi          | Chief Financial Officer                 | -                              | 2 288                   | 2 288                     | -                | 2 288                             |
| Mr. S. Mazibuko           | Chief Operations Officer                | -                              | 2 098                   | 2 098                     | -                | 2 098                             |
| Dr. N. Deppa              | Executive: Scientific Services          | -                              | 2 098                   | 2 098                     | -                | 2 098                             |
| Mr. X. Chamane (Deceased) | Executive: Infrastructure Development   | -                              | 1 987                   | 1 987                     | (1 987)          | -                                 |
| <b>Total Executives</b>   |                                         | <b>1 167</b>                   | <b>13 100</b>           | <b>14 267</b>             | <b>(3 000)</b>   | <b>11 267</b>                     |

|                         | Opening Balance<br>1 July 2023 | Accrued /<br>(Reserved) | Sub-total 30<br>June 2024 | Utilised<br>2024 | Total provided<br>30 June 2024 |
|-------------------------|--------------------------------|-------------------------|---------------------------|------------------|--------------------------------|
|                         | R'000                          | R'000                   | R'000                     | R'000            | R'000                          |
| <b>Management</b>       |                                |                         |                           |                  |                                |
| Mr D. Naidoo            | 4 989                          | 2 129                   | 7 118                     | (3 490)          | 3 628                          |
| Mr S. Dube              | 4 666                          | 2 610                   | 7 276                     | (2 101)          | 5 175                          |
| Mr Mbambo               | 2 333                          | 1 948                   | 4 281                     | (1 236)          | 3 045                          |
| Mrs N Sikutshwa         | 4 810                          | 2 115                   | 6 925                     | (3 396)          | 3 529                          |
| Mr S. Mjwara            | 5 422                          | 2 365                   | 7 787                     | (7 787)          | -                              |
| Mr s. Mdunge            | -                              | 1 348                   | 1 348                     | -                | 1 348                          |
| Ms M. Muringwathoho     | -                              | 1 348                   | 1 348                     | -                | 1 348                          |
| Mr N. Cele              | -                              | 1 348                   | 1 348                     | -                | 1 348                          |
| <b>Total Management</b> | <b>22 220</b>                  | <b>15 211</b>           | <b>37 431</b>             | <b>(18 010)</b>  | <b>19 421</b>                  |

|                                             |               |               |               |                 |               |
|---------------------------------------------|---------------|---------------|---------------|-----------------|---------------|
| <b>Long - term incentive bonus provided</b> | <b>23 387</b> | <b>28 311</b> | <b>51 698</b> | <b>(21 010)</b> | <b>30 688</b> |
|---------------------------------------------|---------------|---------------|---------------|-----------------|---------------|

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### REMUNERATION REPORT (continued)

#### SERVICE CONTRACT PERIOD OF EXECUTIVES

| Executives                         | Designation                                           | Date first appointed by the Board | Date last re-appointed | Date due for re-appointment/ Contract terminated |
|------------------------------------|-------------------------------------------------------|-----------------------------------|------------------------|--------------------------------------------------|
| Mrs. M. Pillay                     | Chief Operations Officer                              | 01 December 2018                  | n/a                    | 01 December 2023                                 |
| Mr. S. Mjwara                      | General Manager: Special Projects                     | 01 November 2018                  | n/a                    | 01 November 2023                                 |
| Dr. S. Manana (ACE) <sup>N10</sup> | Executive: Corporate Service (Acting Chief Executive) | 01 July 2022                      | n/a                    | 30 June 2027                                     |
| Mr S. Dube                         | General Manager: Special Projects                     | 01 February 2021                  | n/a                    | 31 January 2026                                  |
| Ms. N. Makhubu                     | Chief Audit Executive                                 | 01 February 2021                  | n/a                    | 31 October 2022                                  |
| Mr. T. Mkhwanazi                   | Chief Financial Officer                               | 01 February 2022                  | n/a                    | 31 January 2027                                  |
| Mr. X.J. Chamane (Deceased)        | Executive Infrastructure Development                  | 01 August 2022                    | n/a                    | 30 June 2023                                     |
| Mr. S.B. Mazibuko                  | Chief Operations Officer                              | 01 June 2024                      | n/a                    | 31 May 2029                                      |
| Dr. N. Deppa                       | Executive Scientific Services                         | 01 August 2022                    | n/a                    | 31 July 2027                                     |
| Mr R. Phora                        | Chief Audit Executive                                 | 01 November 2022                  | n/a                    | 16 May 2023                                      |
| Mr D.S.D. Madonsela                | Chief Governance and Compliance Officer               | 01 July 2022                      | n/a                    | 30 June 2027                                     |
| Ms. M. Moleko <sup>N10</sup>       | Acting Chief Shared Services                          | 04 July 2022                      | n/a                    | 30 June 2027                                     |
| Mr B.S. Ntlhoro <sup>N9</sup>      | GM Scientific Services                                | 07 April 2008                     | n/a                    | Permanent                                        |
| Mr P. Maponya <sup>N9</sup>        | GM Operations and Maintenance                         | 18 January 2021                   | n/a                    | 17 January 2026                                  |
| Ms. N. Soji <sup>N9</sup>          | GM Technical Services                                 | 17 October 2022                   | n/a                    | 31 December 2027                                 |
| Ms. P. Magagula <sup>N9</sup>      | Interim CFO                                           | 17 January 2023                   | n/a                    | 30 November 2023                                 |
| Ms. P. Magagula <sup>N9</sup>      | Interim CFO                                           | 01 April 2024                     | n/a                    | 30 September 2024                                |
| Mr P. Maisiri <sup>N9</sup>        | GM Technical Services                                 | 01 October 2020                   | n/a                    | 12 June 2023                                     |

uMngeni-uThukela Water Executives are also appointed, from time to time, as directors in the wholly owned subsidiaries and Associate firms of uMngeni-uThukela Water. No remuneration was received by the directors from

#### SUBSIDIARY NON-EXECUTIVE DIRECTORS (EMPLOYED AS EXECUTIVE IN UMNGENI-UTHUKELA WATER)

| Executives   | Designation            | Date first appointed by the Board | Msinsi Holdings SOC Limited | uMngeni-uThukela Water Services SOC Limited | Resignation date |
|--------------|------------------------|-----------------------------------|-----------------------------|---------------------------------------------|------------------|
| Dr. N. Deppa | Non Executive Director | 01 January 2023                   |                             | N/A                                         | N/A              |

N1: Served as Board members for the 2019/2020 financial year and their contract ended on the 31<sup>st</sup> of July 2020 and reinstated on the 1<sup>st</sup> of November 2021, their contracts ended on the 7<sup>th</sup> of March.

N2: Interim Board appointed on 1<sup>st</sup> of August 2020 and their contracts ended on the 30<sup>th</sup> of October 2021.

N3: Interim Board appointed on the 8<sup>th</sup> of March 2023 and Terminated on the 30<sup>th</sup> of September 2023.

N4: Mr T.D. Shangase acted as Group Chief Shared Services Officer for the 1<sup>st</sup> of July 2023 to 31<sup>st</sup> of December 2023.

N5: Mr N.E. Cele Acted as Executive Operations from the 1<sup>st</sup> of July 2023 to 30<sup>th</sup> of June 2024.

N6: Dr S. Manana Acted as Chief Executive from the 1<sup>st</sup> of July 2023 to 6<sup>th</sup> of March 2024.

N7: Mr T.S. Mkhwanazi Acted as Chief Executive from the 7<sup>th</sup> of March to 30<sup>th</sup> of June 2024 N8: Board Members were appointed on the 1<sup>st</sup> of October 2023.

N9: Richards Bay Region General Managers.

N10: Ms M. Moleko acted as Group Chief Shared Services from 1<sup>st</sup> of December 2023.

N11: Ms. C. Dlulane Acted as Chief Audit Executive from 1<sup>st</sup> of December 2023.

## Notes to the Consolidated Annual Financial Statements (continued)

for the year ended 30 June 2024

### 35. BUSINESS COMBINATION UNDER COMMON CONTROL NOTE

A business combination under common control occurs when two or more entities, all under the control of the same parent entity, combine their operations. This policy applies to all business combinations involving entities under common control, including acquisitions, mergers, or other forms of business combination where, the combining entities are ultimately controlled by the same parent entity both before and after the transaction. All water boards are under common control of the Department of Water and Sanitation.

Effective 01 July 2023; The Minister of Water and Sanitation gazetted the name change of Umgeni Water to uMngeni-uThukela Water (UUW). He further gazetted the disestablishment of Mhlathuze Water and the transfer of staff, assets and liabilities of the former Mhlathuze Water to UUW.

Mhlathuze Water was an active, going concern, a tenth of the size of Umgeni Water, with full functions of a Water Board as mandated in chapter VI of the Water Services Act. The Gazetted transfer effectively combined the two businesses; with UUW acquiring and obtaining control of all the operations of the former Mhlathuze Water as at the Minister gazetted acquisition date of 1 July 2023.

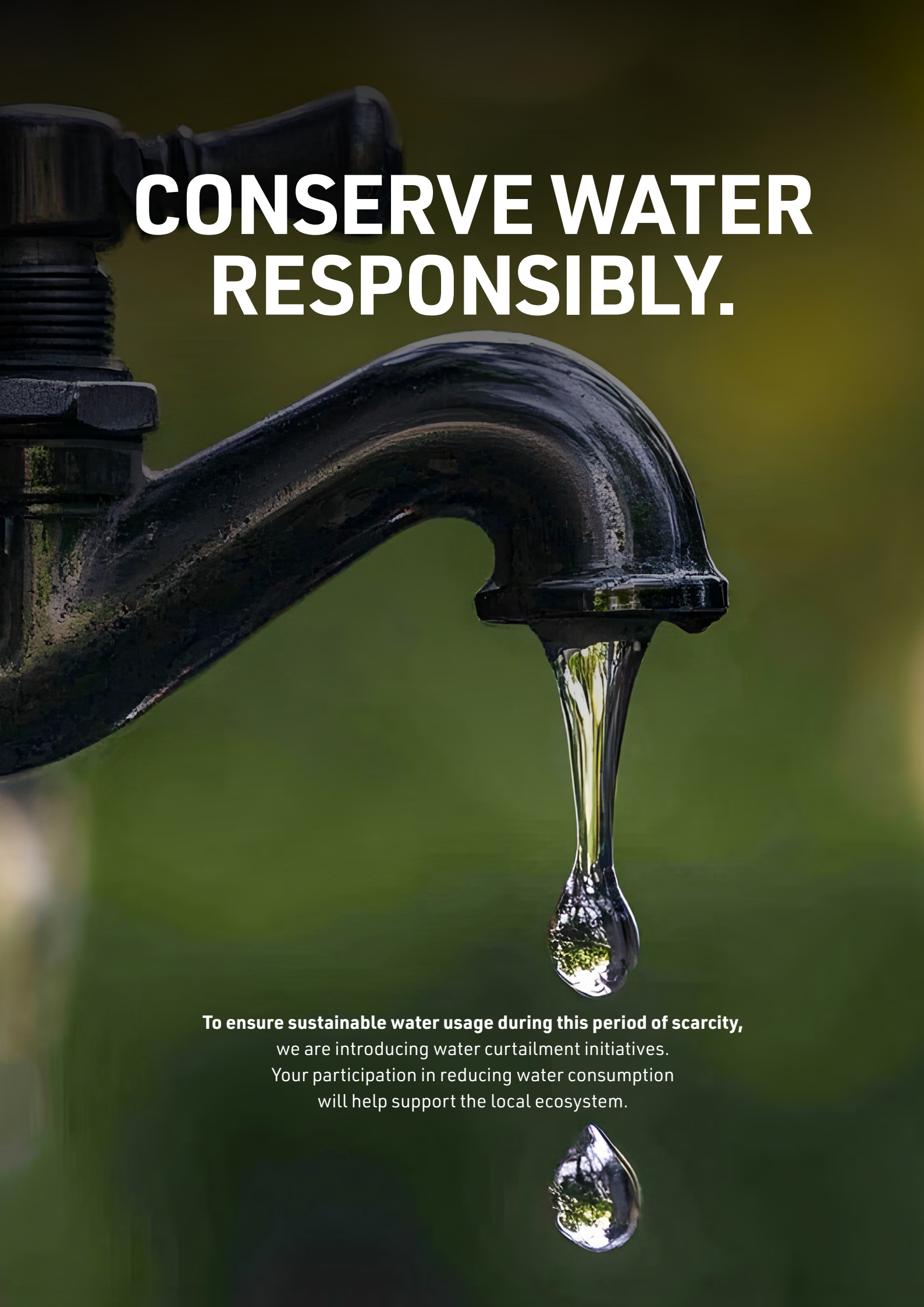
#### Initial measurement

The identifiable assets acquired and liabilities assumed at recognition were measured based on the carrying amounts transferred from Mhlathuze Water at the entity's closing date of 30 June 2023. No costs were incurred with regards to the transfer and no goodwill is recognized.

#### Subsequent measurement

The assets and liabilities recognised will subsequently be measured following uMngeni-uThukela Water's policies, accounting policies and IFRS standards, with annual reassessments where required.

|                                                              | R'000            |
|--------------------------------------------------------------|------------------|
| <b>ASSETS</b>                                                |                  |
| <b>Non-current assets</b>                                    | <b>1 219 991</b> |
| Property plant and equipment                                 | 1 219 229        |
| Intangible assets                                            | 762              |
| <b>Current assets</b>                                        | <b>835 559</b>   |
| Inventories                                                  | 35 661           |
| Trade and other receivables                                  | 162 835          |
| Prepayments                                                  | 3 008            |
| Bank and cash                                                | 634 055          |
| <b>Total assets</b>                                          | <b>2 055 550</b> |
| <b>Non-current liabilities</b>                               | <b>54 528</b>    |
| Interest-bearing borrowings - (Debt - financial liabilities) | 15 518           |
| Income received in advance (Contract liabilities)            | 33 867           |
| Lease liability                                              | 5 143            |
| <b>Current liabilities</b>                                   | <b>273 849</b>   |
| Interest-bearing borrowings - (Debt - financial liabilities) | 10 569           |
| Provisions                                                   | 4 704            |
| Trade and other payables                                     | 162 289          |
| Income received in advance (Contract liabilities)            | 76 165           |
| Lease liability                                              | 2 184            |
| VAT Payable                                                  | 3 960            |
| Employee benefit liability                                   | 13 978           |
| <b>Total Equity</b>                                          | <b>328 377</b>   |
| <b>Net asset recognised in equity</b>                        | <b>1 727 173</b> |



# CONSERVE WATER RESPONSIBLY.

**To ensure sustainable water usage during this period of scarcity,**  
we are introducing water curtailment initiatives.  
Your participation in reducing water consumption  
will help support the local ecosystem.





**HEAD OFFICE**

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