Celebrating 65 years

JOURNEY OF BULK WATER SERVICES

LEPELLE NORTHERN WATER

Water is our passion

ANNUAL REPORT 2024/25

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Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

ACRONYMS

ACRONYM	DEFINITION
ABC	Amanzi Bargaining Council
AGSA	Auditor-General South Africa
ARC	Audit and Risk Committee
BBBEE	Broad-Based Black Economic Empowerment
CIDB	Construction Industry Development Board
CMF	Catchment Management Forum
COS	Centre of Specialisation
COSO	Committee of Sponsoring Organisations (COSO)framework
CSI	Corporate Social Investment
DWS	Department of Water and Sanitation
EEP	Employment Equity Plan
ERM	Enterprise Risk Management
ESG	Environment, Social and Governance
Eskom	Electricity Supply Commission
GIAS	Global Internal Audit Standards
GLM	Greater Letaba Municipality
GRAP	Generally Recognised Accounting Practice
ICT	Information and Communications Technology
IESBA	International Ethics Standards Board for Accountants
ISA	International Standardson Auditing
LNW	Lepelle Northern Water
NDP	National Development Plan
OHSA	Occupational Health and Safety Act
OPEX	Operating Expenditure
PFMA	Public Finance Management Act
QAIP	Quality Assurance and Improvement Program
SANAS	South African National Accreditation System
SANS241	South African National Standards for Drinking Water
SCM	Supply Chain Management
SDG	Sustainable Development Goals
SDM	Sekhukhune District Municipality
SMME	Small, Medium and Micro Enterprises
VDM	Vhembe District Municipality
WSA	Water Services Act
WSAs	Water Services Authorities
WTW	Water Treatment Works
WUL	Water Use License

Celebrating 65 years JOURNEY OF BULK WATER SERVICES

ABOUT THIS INTEGRATED ANNUAL REPORT

OUR AUDIENCE

Our primary audience is comprised of key stakeholders such as statutory bodies, municipalities, investors as well as the public at large.

REPORTING FRAMEWORKS

The Generally Recognised Accounting Practice (GRAP), the report on Corporate Governance for South Africa and the King IV Report on Corporate Governance for South Africa are among the frameworks that the entity has used to prepare the integrated annual report.

REPORT SCOPE AND BOUNDARY

Since its establishment LNW has prepared annual reports on a yearly basis as required by the Public Finance Management Act (PFMA).

This specific report covers the period from 1 July 2024 to 30 June 2025. It reflects on progress made with the predetermined strategic objectives and key performance indicators as per LNW's approved Corporate Plan, which has undergone the Auditor-General's (AG) audit process for the year under review.

The entity's financial statements are prepared in accordance with GRAP, unless otherwise stated.

DISCLOSURE

LNW endeavours to achieve the highest standard of disclosure by providing meaningful, accurate and balanced information to all its stakeholders.

ASSURANCE

The financial information in this report has been prepared according to GRAP and, together with material non-financial indicators, is independently assured by our external auditors. As a public entity LNW has been audited by the AG on both the financial and non-financial information.

LNW has developed processes for identifying, collecting, collating, validating and storing information used in its performance management system, however, these will require continuous improvement based on the AG's audit outcome and/or recommendations.

The scope covered by the external auditors has been provided in the Corporate Governance section of the annual report. The report has been designed to provide appropriate information about LNW's performance and ongoing progress to a myriad of stakeholders.

PERFORMANCE HIGHLIGHTS

OPERATIONAL PERFORMANCE

Avoidable water losses
Target: 5%
Actual: 4,97%

Unplanned interruptions exceeding 24 hours
Target: 3 days
Actual: 0,09 days

Repairs and maintenance as a % of PPE
Target: 1,00%
Actual: 2.23%

Water quality compliance with SANS 241
Target: 95%
Actual: 98,6%

Average % Completion of Ministerial Directives per approved project execution plan
Target: 65%
Actual: 65%

Average % Completion of LNW infrastructure projects per approved project execution plan
Target: 85%
Actual: 82%

Board Member Attendance
Target: 95%
Actual: 96%

Staff turnover
Target: 2%
Actual: 1,27%

Stakeholder satisfaction
Target: 80%
Actual: 86%

CSI initiatives undertaken
Target: 4
Actual: 5

Number of temporary jobs created
Target: 120
Actual: 202

BBBEE expenditure
Target: 90%
Actual: 92,5% (R194m)

FINANCIAL PERFORMANCE

Total revenue:
R2.04 billion (2023/24)
R1.67 billion (2024/25)

Water sales:
R0,98 billion (2023/24)
R1.04 billion (2024/25)

Operating Surplus:
R765 million (2023/24)
R368 million (2024/25)

Year-end Surplus:
R849 million (2023/24)
R441 million (2024/25)

Gross Profit Margin
Target: 46%
Actual: 46.9%

Net Profit Margin
Target: 33%
Actual: 34%

% income from secondary activities on turnover
Target: 5%
Actual: 34%

Gross Profit Margin
(Secondary activities)
Target: 5%
Actual: 52,0%

Current ratio
Target: 1
Actual: 3.03

Return on assets
Target: 1%
Actual: 6,0%

THE INTEGRATED ANNUAL REPORTING

The 2024/25 Integrated Annual Report is based on the guiding principles and requirements from International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC) which set out how the organisation's strategy, governance, performance, and future plans lead to the creation of value at Lepelle Northern Water. King IV Report was used as a guide on Corporate Governance (King IV) Reporting requirements and guidelines that support good governance within the organisation as the benefits of ethical leadership and well-run organisations. LNW also considered other regulatory requirements such as Generally Recognised Accounting Practice (GRAP), and Public Finance Management Act (PFMA), Act No. 1 of 1999 as amended.

Our Integrated Annual Report reflects on both its financial and non-financial performance for the period 1 July 2024 to 30 June 2025. The report is structured using Six (6) Capitals, being Financial Capital (financial performance), Manufactured Capital, Human Capital, Natural Capital, Social and Relationship Capital and Intellectual Capital. The report is composed of the information in the quarterly performance reports approved by the Board and submitted to the Department of Water and Sanitation (DWS) in line with the Shareholder's Compact signed between the Executive Authority (Minister) and the Accounting Authority (chairperson of the Board) and the Corporate Plan. This is the report that is shared with all the stakeholders.

All figures presented in this report are derived from approved Annual Performance Information (sometimes referred as non-financial performance), and the annual financial statements, audited by Auditor-General of South Africa (AGSA), and prepared in accordance with Generally Recognised Accounting Practice (GRAP). Information contained in this report is also reviewed by the Executive Committee (EXCO), Audit and Risk Committee (ARC), and the Board, which presumes the ultimate accountability for the correctness, completeness, quality, and reliability of the contents in this report.

COMBINED ASSURANCE

Lepelle Northern Water (LNW) has established the Audit and Risk Committee to assist the Board in overseeing, among others, the following:

- The quality and integrity of LNW's integrated reporting, annual performance information and the annual financial statements.
- The expediency of LNW's assurance functions and services, especially on combined assurance model, that is, the board, management, risk and other internal assurance providers, and independent assurance (internal/external auditors).
- The independence of the external auditors, the audit scope and assessment of the efficacy of the

external audit function; and the effectiveness of the LNW's internal controls and internal audit function.

- Compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements; and
- Condonation of fruitless and wasteful expenditure and irregular expenditure.

LNW has adopted a Four-Lines of Defence combined assurance model to strengthen the internal control environment and enhance the assurance obtained from management, and internal and external assurance providers.

A combined assurance framework is in place to support the instituting of combined assurance across LNW, the outcomes of which are submitted to the Audit and Risk Committee for consideration. LNW's combined assurance responds to risks effected through the four lines of defence model.

The responsibility for combined assurance is delegated to the Risk Management, which facilitates and coordinates the execution of combined assurance activities. The progress on the status of combined assurance activities over governance, risk management, compliance is reported to the Audit and Risk Committee on a quarterly basis.

GOVERNANCE RISK

The Audit and Risk Committee is responsible for overseeing the implementation policy and the implementation plans. It is also responsible for overseeing the financial risk to ensure that all the related controls are effective.

Internal Audit

In terms of section 51(1)(ii) of the PFMA, LNW has and maintained a system of internal audit under the direction and control of its Audit & Risk Committee, complying with and operating in accordance with the regulations and instructions prescribed in terms of section 76 and 77.

The Internal Audit Unit of LNW provided an independent, objective assurance and consulting services that adds value and improves the organisation's operations. Internal Audit helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The purpose of Internal Audit is to strengthen the LNW's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal Audit has developed the Internal Audit Strategy and reviewed the Quality Assurance and Improvement Program (QAIP), Internal Audit Charter and Internal Audit Policy to ensure alignment with the Global Internal Audit Standards (GIAS) that came into effect in January 2025.

For the period under review, the Internal Audit Unit:

- Developed a flexible Internal Audit Plan using the risk-based methodology, including any risks or control concerns identified by management and submitted the plan to the Audit & Risk Committee for review and approval. The plan included Internal Audit Three-Year Rolling Risk-Based Plan, Internal Audit Annual Risk-Based Plan, Resource Plan and Annual Budget.
- Had all the changes to the Internal Audit Annual Plan approved by the Audit & Risk Committee.
- Implemented the Internal Audit Annual Plan as approved, including conducting investigations and special tasks/projects requested by management and the Audit & Risk Committee.
- Reported on the implementation progress of the Internal Audit Annual Plan to the Audit & Risk Committee on a quarterly basis.
- Conducted the investigations of significant suspected fraudulent activities within the organisation and notified management and the Audit & Risk Committee of the results.
- Reported administratively to the Chief Executive Officer and functionally to Audit & Risk Committee of the Board; and
- Kept the chairperson of the Audit & Risk Committee informed of all the line function developments within LNW to ensure that the independence and integrity of the Internal Audit Unit is maintained.

During the year under review, the Internal Audit Unit played an important role in strengthening the organisation's systems and promoting sound governance through the provision of reasonable assurance. A key highlight was the execution of probity audits on material tenders with a combined budgeted value of R136.5 million. These probity audits focused on ensuring that procurement processes were conducted in a fair, equitable, transparent, competitive, and cost-effective manner. As a result, the organisation successfully prevented potential irregular appointments amounting to R112.5 million (82%). These efforts significantly enhanced internal controls, improved compliance, and reinforced accountability in procurement-related decision-making.

Furthermore, the Internal Audit Unit collaborated closely with management to drive improvements under Strategic Objective 1 (SO1): Water Quality. Through continuous reviews and follow-ups, the team assisted in addressing control weaknesses and promoting stronger compliance practices. These collective efforts led to a notable reduction in audit findings related to water quality, demonstrating steady progress toward achieving cleaner, more reliable water and overall performance improvement. This progress is particularly important, as water quality had previously been a key contributor to material findings raised by external auditors on reported performance information, which had resulted in qualified audit opinion on Strategic Objective 1 (SO1): Water Quality.

Effectiveness of Internal Controls

During the period under review there was no material breakdown in the risk management and control environment in general. However, in the various internal audit and investigation reports, several areas were highlighted that required immediate control improvements. Management undertook to implement the audit recommendations and action plans to mitigate against the control weaknesses identified and thus improving the effectiveness of governance, controls, and risk management.

The organisation closed off the year with a total of 207 internal audit findings of which 52% (107) were still in the process of being addressed by management. This shows a slight improvement as compared to 213 internal audit findings reported for the period ending 30 June 2024 where 49% were still in the process of being addressed by management. There were 13 unresolved findings and no repeat findings for the duration of the 2024/25 financial year.

External Auditors

The Audit and Risk Committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues. The Committee concurs with and accept the External Auditors' report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the External Auditors.

APPROVAL BY THE BOARD

Lepelle Northern Water Board is overall responsible for ensuring the integrity of this Integrated Annual Report, assisted by the Audit and Risk Committee, and further supported by the Executive Committee. The report is prepared by dedicated team, with the relevant skills and experience to undertake the reporting and assurance process. All involved parties have dedicated considerable efforts and thoughts of how best to report on the performance of Lepelle Northern Water, and how the entity created value through its six (6) Capitals. The Board concluded that the report is fairly presented in accordance with the applicable frameworks and requirements. This report was approved by the Board on 31 October 2025.

Dr C Ruiters
Chief Executive

Mr. IA Vally
Chairperson: Audit & Risk Committee

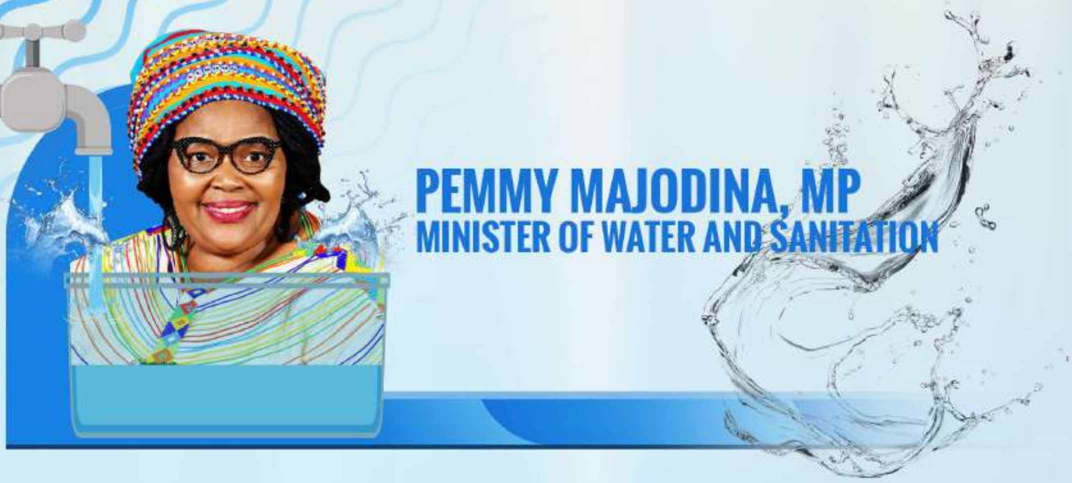
Dr NF Mphephu
Chairperson of the Board

APPRAISAL BY LEADERSHIP

2025 marks the 28th anniversary of the amalgamation of three Limpopo-based water boards to form Lepelle Northern Water. LNW commemorates a cumulative 65 years of providing bulk water services in the province of Limpopo, We pause with humility to reflect on the journey travelled thus far.

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

FOREWORD BY THE MINISTER



As the Minister of Water and Sanitation Department, I am pleased to present this Annual Report for Lepelle Northern Water (LNW) which is one of the water utilities operating in Limpopo Province endured the rural setup conditions that are characterised by poor revenue base.

LNW continues to play critical role in the implementation of strategic projects, such as the Giyani Water Services, and Olifantspoort and Ebenezer Upgrade projects. LNW's evolution is well encapsulated as an exemplary of hard work and commitment by the Board, Management and all its employees. The National Development Plan advocates key drivers of change as people, with the requisite qualifications, experience, or competence, and the LNW Board and Management have been equal to the task.

South Africa's economy experienced a gradual, yet unsteady, recovery between July 2024 and June 2025. Growth was primarily supported by improved stability in the electricity sector and moderate inflation, allowing for interest rate cuts. Limpopo's water sector was characterised by slow but critical progress on major infrastructure projects, offset by severe and persistent water supply and quality challenges at the local municipal level. While National and Provincial governments made funding and oversight commitments, many communities continued to struggle with water scarcity and service failures.

I have been intentional in ensuring that water boards, including LNW are solvent. The financial viability and sustainability of LNW is threatened by the persistent non-payment for water services by Municipalities and/or Water Services Authorities (WSAs). I have also engaged the provincial leadership and the affected municipalities to reduce all the monies owed to LNW into payment agreements so that the entity can continue to be sustainable. I am encouraged, however, by the proactive steps taken by other WSAs, without my intervention, to find amicable payment arrangements to resolve the persistent non-payment, as it impedes the effective delivery of services to communities.

Encouragingly, through its successful turnaround strategy, under the leadership of Dr. NF Mphephu and with the support of a committed Board and Management, LNW has repositioned itself as a credible and resilient water utility. The organisation has demonstrated that it is now ready to undertake large-scale projects that will transform lives of Limpopo communities, while contributing meaningfully to the national developmental agenda.

More than eighteen months ago, LNW broke the ground on the Olifantspoort-Ebenezer Project, a flagship initiative aimed at restoring the original design capacity by replacing the ageing infrastructure within the Ebenezer and Olifantspoort Water Supply Schemes. I am pleased to report that, as at the end of the reporting period, the practical completion on the pipeline portion of the project was reached. Equally significant, works are well underway on the refurbished, state-of-the-art pumping stations. These new pumps will correct long-standing operational deficiencies, enhancing the reliability, resilience, and sustainability of water supply from both schemes (Olifantspoort and Ebenezer). This milestone represents only the beginning of a broader programme to strengthen water security around service.

I am also pleased to report that the Giyani Water Services Project is making considerable progress toward its long-awaited completion. Pressure testing is currently being finalised across the various pipelines, and the project remains on track to achieve completion as planned. It is pleasing to report that during the reporting period, water was able to reach twenty-four out of fifty-five villages in Giyani.

It is important to acknowledge and appreciate Lepelle Northern Water Board, Management, and employees in general for their efforts and commitment in ensuring that the set targets and objectives are achieved. As the Board completes its 4-year term of office, it is worth noting that extensive and diligent work was done to restore and improve the image of the organisation. Governance, effectiveness, stakeholder relations, and financial viability have significantly improved, and this can only be credited to the work and leadership of the Board.

I would also like to thank Parliament's Portfolio Committee on Water and Sanitation for their oversight, guidance, and support in ensuring that LNW delivers on the mandate. I remain fully committed to making significant progress in improving the provision of clean water and sustainable sanitation services for the benefit of our people.

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PEMMY MAJODINA, MP
MINISTER OF WATER AND SANITATION

CHAIRPERSON'S OVERVIEW REPORT

It gives me great pleasure, on behalf of the Board, to present Lepelle Northern Water's 2024/25 Integrated Annual Report to all the stakeholders, believing that it will provide the necessary information for the purpose of understanding Lepelle Northern Water's performance during the period under review.

Section 44 of Water Services Act No 108 of 1997, (WSA) read together with sections 40 and 55 of the Public Finance Management Act No 1 of 1999 (the PFMA), as amended, requires all Water Boards to prepare, within four months after the end of each financial year, a comprehensive annual report detailing the activities conducted during that particular financial year.

LNW has successfully completed the Nandoni–Nsami Pipeline Project, which included the installation of raw water pumps and the establishment of an inter-basin transfer between the Nandoni and Nsami Dams. This achievement represents a significant milestone in the security of water supply systems and interconnectivity within Mopani District Municipality.

It is also pleasing to report progress made in the Giyani Water Services Intervention Project which has reached 90% completion, a significant improvement from 73% in the previous reporting period. Some parts of the Giyani service area are now receiving reliable water supply.

LNW continues to actively participate in the multi-stakeholder task team forum, a platform established to monitor progress in relation to projects, address concerns raised by stakeholders, and manage expectations and future operational challenges.

Significant strides were also recorded in Phase 1A of the Olifantspoort and Ebenezer Upgrade Project, which focuses on the refurbishment, upgrading, and optimisation of the treatment plants at both schemes. A critical highlight was the completion of the final 7km of the Specon pipeline, a vital link which will ensure consistent water supply to the City of Polokwane and the Lepelle-Nkumpi Local Municipalities.

In response to the urgent water shortages and during the period under review, a War Room chaired by the Premier of Limpopo Province, Dr Phophi Ramathuba was established, with the purpose of providing immediate interventions and collaboration among key stakeholders. As a result of this collaborative effort, reservoir levels have consistently reached up to 85%, a clear demonstration of the positive outcomes that can be achieved when entities entrusted with water provision unite towards a common purpose.

In partnership with the provincial government and law enforcement agencies, the Board intensified efforts to combat illegal connections in identified high-risk areas. Public awareness campaigns have also been strengthened, educating communities about the dangers and consequences of illegal connections, theft, and vandalism of water infrastructure.

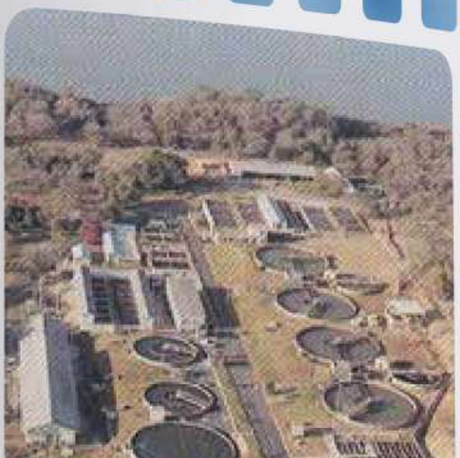
LNW is advancing its digital transformation initiative by introducing a cloud-based operations management platform at the Flag Boshielo Scheme. This system enables real-time monitoring and optimisation of operational performance, providing critical data to support informed decision-making, enhance asset reliability, and improve overall operational efficiency. In dealing with outstanding debt owed by Water Services Authorities, LNW has successfully concluded repayment agreements on historical debts with some WSAs.

As we reflect on these achievements, the Board remains deeply appreciative of the dedication and collaboration demonstrated by all stakeholders. Together, we are not only building infrastructure but also restoring confidence in sustainable service delivery for the communities we serve. Appreciation is extended to all the executive management and employees of LNW for their commitment and working tirelessly to accomplish the entity's mandate.

On behalf of the Board, I wish to extend our sincere gratitude to the Ministry of Water and Sanitation, under the leadership of Ms. Pemmy Majodina, for the unwavering support during this period of rapid transition. Their leadership, passion and commitment are inspiring and well placed within the water sector at this critical watershed moment.

DR NF MPHEPHU
CHAIRPERSON OF THE BOARD

LEPELLE NORTHERN WATER PROFILE



Lepelle Northern Water (LNW) commemorates a cumulative 65 years of providing bulk water services in the province of Limpopo - originally under the former water boards of Phalaborwa (established in 1960), Northern Transvaal (established in 1990) and Bosveld (established in 1993). In 1997, with the proclamation of the Water Services Act, Act No. 108 of 1997, water boards were established and streamlined with the mandate to supply bulk water to water service authorities (WSAs) and industries in the various designated areas.

Celebrating 65 years JOURNEY OF BULK WATER SERVICES

1 OUR MANDATE

Lepelle Northern Water was established and governed in terms of Chapter 6 of the Water Services Act, Act No. 108 of 1997. Lepelle Northern Water is listed as a National Government Business Enterprise in Schedule 3b of the Public Finance Management Act No.1 of 1999. The Government of the Republic of South Africa, through the Department of Water and Sanitation, duly represented by the Minister of Water and Sanitation, is the sole Shareholder of Lepelle Northern Water. Lepelle Northern Water has been playing an integral role in the development and growth of Limpopo Province since 1960.

LNW's mandate is to provide bulk potable water to approximately 70% (i.e. 4 220 119) of the population for over 65 years. The growth of the province especially its economic hub i.e. City of Polokwane has prompted Lepelle Northern Water expand its infrastructure to meet the demands of the growing city. However, with the local economic development, the small towns within the province have grown and continue to expand urging Lepelle Northern Water to exhaust all the water sources available to meet the growing water demands in the province. Lepelle Northern Water continues to fulfil its mandate of water and sanitation service provision within its area of operation.

Lepelle Northern Water customers are all the districts of the Limpopo Province apart from Waterberg because it is not a water services authority. LNW is only servicing one water service authority (Mogalakwena LM) within Waterberg District Municipality. The Entity has consistently met national Standards and international guidelines on water quality.

2 OUR STRATEGY

MISSION
Provision of quality and sustainable water services to our customers.

VISION
Changing lives through the provision of sustainable bulk water services

VALUES
Excellence | Integrity | Accountability
Agility | Innovation

STRATEGIC OUTCOMES

1. Provision of equitable and sustainable bulk water services.
2. Bulk water services infrastructure planning and development.
3. Effective financial viability and sustainability.
4. Effective and efficient organisational development processes and practices.
5. Good governance and clean administration.

3 OUR CUSTOMERS

LNW's customers are comprised of municipalities, mines, industries and direct consumers in Limpopo Province. LNW has bulk water supply contracts with 6 municipalities, 3 mines, and direct consumers along the route of the bulk lines. LNW supply potable water to the municipalities and semi-treated water to the industries. The distribution area of supply is divided into manageable regions which are aligned to the district municipality. Each region is comprised of the full complement of production team that is headed by a Regional Manager supported by the Scheme Managers who are accountable to the Regional Manager.

- **Capricorn Region**: Lepelle-Nkumpi and Mogalakwena Local Municipalities.
- **Mopani Region**: Ba-Phalaborwa, Tzaneen, Greater Letaba Local Municipalities and including the portion of Vhembe District Municipality.
- **Sekhukhune Region**: Ephraim Mogale, Fetakgomo-Tubatse, Makhuduthamaga and Elias Motsoaledi Local Municipalities.

4 ALIGNMENT WITH DEVELOPMENTAL PLANS

4.1 NATIONAL DEVELOPMENT PLAN

National Development Plan (NDP) in chapter four (4) highlights the need for the development of the sustainable economic infrastructure in which amongst others includes water infrastructure as the economic catalyst. LNW has continuously implemented its own capital programme and on behalf of other institutions such as DWS and Water Services Authorities.

Furthermore, the NDP 2030 mandated the DWS to establish the Regional Water Utilities to provide water and sanitation services effectively and efficiently in an equitable manner. To this effect LNW has geared itself to assume the responsibility and functions of the regional water utility within its area of operation.

4.2 SUSTAINABLE DEVELOPMENT GOALS

The Sustainable Development Goals (SDGs) are a global call to action to end poverty, protect the earth's environment and climate, and ensure that people everywhere can enjoy peace and prosperity. Lepelle Northern Water has been contributing to the SDGs below in line with the strategic outcomes that have been approved by the board as a contribution to South Africa and the United Nations at large.

Figure 4:1: Progress made on the Sustainable Development Goals

South Africa is an active participant in the attainment of SDGs. Lepelle Northern Water has taken up the challenge, and this is demonstrated through its active participation in community-based projects and capacity building as part of realising the goals outlined above.

5 ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORT

Lepelle Northern Water has just established the Board Committee responsible for among others Environmental, Social and Governance (ESG) in line with sustainability reporting requirements. The entity has since consolidated the work that was undertaken to start reporting on these sustainability issues. The information below highlights all the activities that were undertaken.

5.1 ENVIRONMENT ASPECTS

5.1.1 Compliance to OHSA 85 of 1993

Lepelle Northern Water is committed to maintaining a Safe, healthy and environmentally responsible workplace for all employees, visitors, contractors and communities within its jurisdiction.

5.1.1.1 OHSE Policy Statement

- Lepelle Northern Water is committed to preventing occupational injuries, illnesses and environmental pollution through proactive management of its operational activities.
- Setting objectives, measurable targets, and corresponding programs for the constant improvement of Occupational Health, Safety and Environmental Performance (OHS/E).
- Consult and train stakeholders regarding OHS hazards, and individual obligations to OHS/E together with environmental impact and aspects.
- Establish competence and awareness regarding OHS/E to all employees and contractors through training and communication. Provide resources for Occupational Health, Safety, and Environmental Management systems
- Display and communicate this policy to all employees and contractors and avail the OHS/E policy to the public.
- Periodically review this policy to ensure that it remains relevant and appropriate.
- Continuously comply with regulatory requirements and standards to improve SHE performance.

5.1.1.2 Contractor Management

- OHS plays a vital role in ensuring that the appointed contractors comply with OHS legislative requirements and regulations:
- Specify OHS compliance requirements by the Contractor and sub-contractors.
- Evaluate and recommend approval for OHS Plan and associated documentation (Safety file)
- Conduct site-specific induction and orientation
- Monitor and evaluate Contractor's performance and compliance through regular inspections and audits.
- Attend site progress meetings

Below are the Incidents reported over 12 months period July 2024 to June 2025.

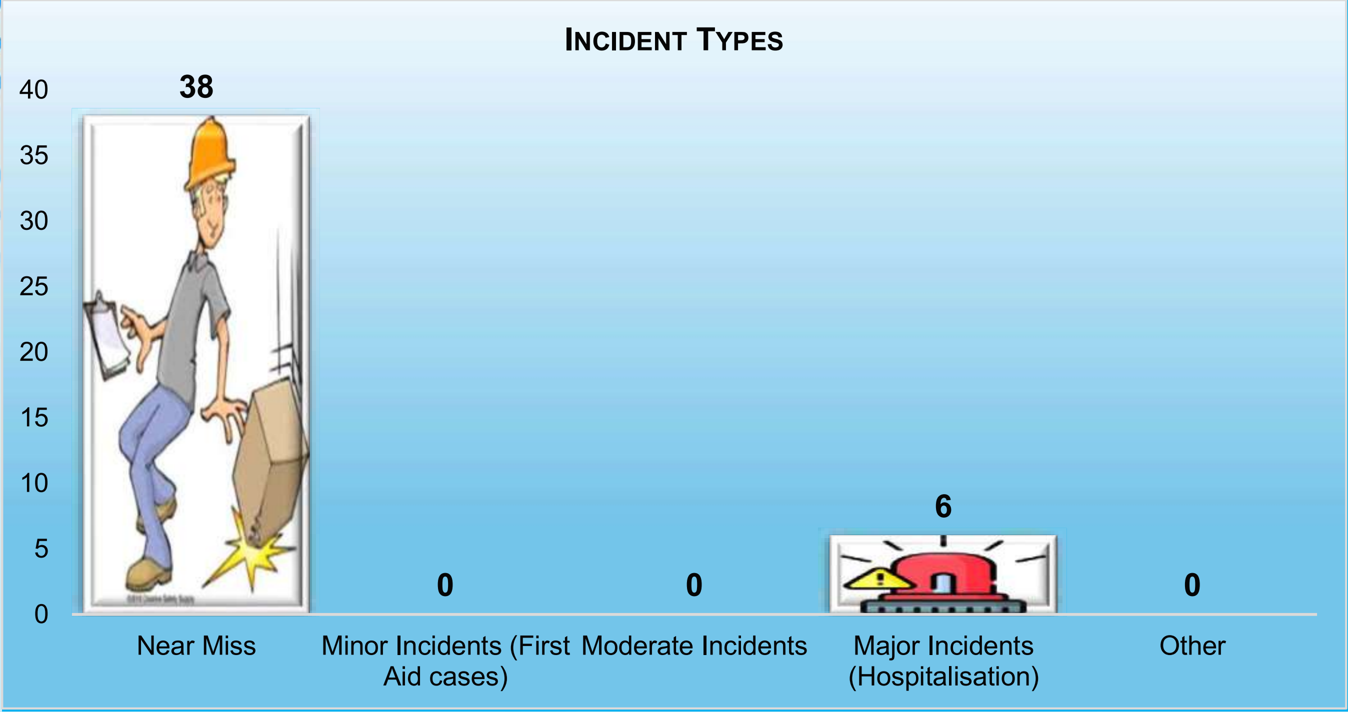


Figure 5:1: Reported incidents in 2024/25 financial year

Figure 5-1 shows that the entity had six (6) major incidents that led to hospitalisation and 38 near misses while the rest registered zero. Lepelle Northern Water's goal remains zero-harm to employees. We continue to strive for zero-harm, prioritising employee safety and well-being by implementing additional safety measures to prevent recurrences.

5.1.1.3 Fire brakes

Fire prevention during high temperatures, strong winds, and dry vegetation in the summer months contribute to the high risk of fires. All the aspects of fire prevention are therefore practiced minimising the risk of assets being burnt. Fire breaks of 7 km are prepared and maintained annually. Uncontrolled fires are not allowed at LNW between the 1st of June to the 31st of August annually however due to climate change, the date moved to 30 October 2024. LNW is also registered with the fire control forum around the scheme to assist with the control of fire during an incident. Under the period under there were no fire incidents registered at LNW premises.

5.1.1.4 Alien Vegetation

Eucalyptus globulus (Blue gum)

Invasive alien plants are known for excessive water consumption due to their high transpiration rates. This poses a significant threat to water security and the provision of services to LNW. LNW appointed a service provider to do a follow-up for the eradication of alien plants at Ebenezer for an area of one (1) hectare next to the river and four (4) hectares from the dam wall to the pump station. The following alien plants were removed which are bug weed, Bramble, Black Wrattle Pine, and blue gum. The chemical method of alien plants involves the use of herbicides (plant poison) to kill the targeted plant, and the poison will slowly kill the plants Dye on the plant is often mixed with herbicides to ensure a clear visual indication of which plants have been treated, and which have not.

Solanum Mauritanum (Bug weed)

In terms of the Alien and Invasive Species Regulations (AIS), National Environmental Management: Biodiversity Act (Act No 10 of 2004), bugweed has been declared a category 1b species, which necessitates its control, or removal and destruction and LNW treated it with recommended herbicides.

5.1.1.5 Water Security

Lepelle Northern Water managed to supply 105 277 Mℓ/annum in 2024/25 and achieved a non-revenue water of 4.97%. Part of our solutions to reduce the water losses more is to work with municipalities in engaging the communities around our bulk lines to stop illegally connections. We are already working with municipalities on water demand management issues to enhance cost recovery. We supplied water that meets the SANS 241 at 98,6% against the target of 95%.

5.2 Social Aspects

Small, medium, and micro enterprises (SMMEs) are a vital part of South Africa's economy. LNW has under the reporting period appointed the SMMEs on projects worth R194 million which represents 92,5% of the total capital projects. Furthermore, 139 new entrants have been appointed by the entity to the tune of R120 million on the projects to continue to boost the economy of Limpopo province.

The entity also carried out 5 corporate investment initiatives that span across our area of operation as part of the upliftment of the quality of life. One such remarkable CSI initiative was the donation of a borehole system to a mother with sight disability at N'wamankena village.

5.2.1 Human Capital

ITEMS	PROGRESS
% Staff turnover	Staff turnover was 1.27% at the end of the year against the target of 2%.
Number of Permanent Jobs	The entity appointed 28 permanent employees
Number of job opportunities created	202 job opportunities were created in 2024/25 financial year.
% Staff with disabilities	The entity has 0.3% of employees with disabilities.
Employee wellness	The entity has implemented the wellness programme. This involved releasing employees for various sporting games in preparation for our annual water boards heritage games which took place in Vaal Central water board.
% Female employees	The entity has 46% female employees which is 1% above the target of 45% but 4% lower than the national target of 50%.
Discrimination and Human Rights incidents	There were no incidents reported in the infringements of the employees' human rights.
Training and Development	LNW trained 38 interns within various functional areas to gain practical training through Work Integrated Learning and 52 graduates who were deployed in various categories as part of practical skills development
Employee diversity	The majority of the LNW staff are Africans (95.78%), 3.96% whites and 0.26% coloured, no foreigners.

5.3 GOVERNANCE ASPECTS

5.3.1 Board Independence

The board is composed of 12 members, 11 non-executive members and 1 executive member who is the Chief Executive. The board is dominated by the independent board members at 92% level.

5.3.2 Gender, race, age group Configuration

Out of 12 Board members, 11 are Black and one (1) is Coloured. There is a 50/50 split between males and females, this includes the executive board member (Chief Executive). There are eight board members in the age group of 35 – 50 years, one (1) in the age group of 51 – 60 years and two (2) in the age group older than 60 years.

5.3.3 Skills, competencies, and experience

The board members have expertise and experience in the fields of Governance & Compliance, Law, Accountancy and Finance, Audit and Risk Management, Strategic Management, Business Management and Administration, Project Management, Public Finance Management and Administration, Human Capital Management, Stakeholder Engagement, Marketing and Communication, Engineering, Infrastructure management, Water management, Assets Management, and Environmental management

5.3.4 Remuneration policies for Board members and Employees

The remuneration of the board members is guided by the remuneration policy developed by the Executive Authority which is reviewed from time to time based on the development around the governance issues. As for the employees, the board has developed and approved the remuneration policy that guide the remuneration of the staff in line with the performance of the organisation.

5.3.5 Ethical Leadership

The board has developed and approved the Code of Ethics Policy, Fraud and Investigations Policy and Fraud Prevention plan which they follow to conduct the business of Lepelle Northern Water. Ethics Committee has been established and meets on a quarterly basis to review all the reported issues and pass on resolutions on them. LNW has also established a hotline number for anonymously reporting fraud or any anomaly that any person may observe.

5.3.6 Compliance to ESG related matters

The ISO 14001:2015 standard specifies the requirements for an environmental management system to enable the organisation to develop and implement a policy and objectives that consider legal and other requirements to which LNW subscribes. LNW has maintained the ISO 14001: 2015 standard whereby four (4) schemes were audited namely: Nandoni, Ebenezer, Politsi, Malekana, and Head Office

Regarding ISO 45000: 2018 requirements the entity is at entry stage whereby only the gap assessment report has been developed but working towards a full certification in the next financial years.

Key components of related to ESG.

(a) Occupational Health and Safety Policies and procedures

OHS policy which has been integrated with the Environmental policy, has been approved by the board and communicated as per the requirements of OHSE regulations, the OHSE policy and procedures outline an organization's commitments to identify emerging risks and protecting employee's health and safety.

(b) Workplace hazards and controls

Baseline risk assessments have been reviewed and updated to verify that the risk assessments remain relevant to the current work environment and operations, identifying of new hazards impacting risk levels, and update controls to mitigate risks. Wild animals at Phalaborwa: existing electric fence is being monitored regularly. Proposed additional control: building of a wall to keep the animals away in the new financial year 2025/26.

6 VALUE CREATION MODEL

VALUE CREATION MODEL

INPUTS

Financial Capital
- R80 million spent on raw water
- Spent R18,6 million on Chemicals
- Spent R274,6 million on energy

Manufactured Capital
- Spent R57,08 million on repairs and maintenance.

Natural Capital
- R80 million spent on raw water
- Spent R189 042 on ISO 14001:2015
- R103 331 was spent on ISO 45000:2018

Human Capital
- R3,88 million was spent on training
- Spent R236 408 on professionalising employees.

Intellectual Capital
- Trial of anti-vandal equipment
- Early warning system by Zambezi Analytics
- Partnerships with Academic and Research Institutions

Social & Relationship Capital
- Participated in quarterly meetings with our customers
- Spent R411 023 on the CSI
- Arranged meetings with stakeholders

OUR STRATEGY

VISION

Changing lives through the provision of sustainable bulk water services.

MISSION

Provision of quality and sustainable water services to our customers

STRATEGIC OUTCOMES

- Provision of equitable and sustainable bulk water services.
- Bulk water services infrastructure planning and development.
- Financial viability and sustainability.
- Effective and efficient organisational development processes and practices.
- Good governance and clean administration

OUR BUSINESS MODEL

Supply bulk water to the following customers:
- 6 Water Services Authorities
- 3 Mines

Population Served ≈ 4 220 119 (70% of Limpopo province)
Pipeline network = 680 km

OUTPUTS

Financial Capital
- Achieved revenue of R1.67bn
- 5,69% Growth in water sales
- Surplus of R 441 million

Manufactured Capital
- 4,97% of 5% non-revenue water achieved.
- 0.09 days of interruptions achieved against target 3 days

Natural Capital
- 105 277 Mℓ/annum sold to customers
- 12 Certificates maintained on ISO 14001:2015
- ISO 45001 Gap assessment report audited

Human Capital
- Trained 38 trainees contributing to water sector
- Trained 52 interns across our schemes
- 23 employees registered with professional bodies

Intellectual Capital
- Signed MOU with 3 universities & CSIR
- Trial of early warning system with Olifantspoort
- Anti-vandal done in Seshego reservoir & Nandoni/Makumeke offtake.

Social & Relationship Capital
- Donated a borehole system to Nonhlala Mdaka, a virtually impaired mother of 3 children at N'wamankena village.
- 86% Customer satisfaction

7 OUR STAKEHOLDERS

Lepelle Northern Water (LNW) recognises that it exists within a universe of diverse groups and interests. The entity operates within a social, economic, and political context and is subject to regulatory and institutional conventions. The entity is therefore expected to do more than simply react to social, economic, environmental, and political dynamics occurring around it.

A proactive stakeholder relationship management policy gives LNW a framework for the consistently applied understanding of mutual interests and influences, as well as the execution of interventions that improve alignment and mutual value-adding relationships with its stakeholders. It enables the entity to build trust; manage expectations, alert stakeholders to periodic fluctuations within the water sector; and align with government developmental priorities.

LNW realised that proactive and meaningful stakeholder engagement also reduce potential conflicts and allow multiple parties to achieve long-lasting outcomes and results.

8 MATERIAL MATTERS

8.1 DETERMINATION OF THE MATERIALITY

Matters that have the potential interrupt the smooth running of Lepelle Northern Water's production processes is considered material. Misstatements, including omissions, are material if they, individually or in aggregate, can reasonably be expected to influence relevant decisions of users taken based on the financial statements. The financial statements of Lepelle Northern Water are used for decisions making other than economic ones. The financial statements of Lepelle Northern Water also represent a key element of accountability to the public. Materiality relates to both positive and negative events that can affect the organisation. Financial materiality is determined on an annual basis utilising the prescripts of the PFMA and National Treasury Instruction and Practice Notes. The embodied document governing this is the Materiality and Significance Framework, which describes both quantitative and qualitative materiality levels for the organisation for reporting to the Executive Authority and Shareholder.

8.2 DEBT OWED BY THE MUNICIPALITIES

There are certain municipalities who still owe the entity although debt recovery efforts were highly successful, with significant recoveries noted from key clients who honoured historical payment agreements. These efforts led to a reversal of prior impairments and an overall improvement in the entity's receivables. We have observed with concern, increased debt book from R916 million to R1.17 billion in 2025. We will continue to engage the municipalities so that they do not regress from the observation made in 2023/24 financial year.

The credit quality of cash and bank and short-term deposits can be assessed by reference to external credit ratings. LNW short term deposits are held at South African banks that have good credit ratings and no history of default in their dealings with the entity.

8.3 WATER DEMANDS THAT EXCEED THE AVAILABLE SOURCES

While LNW acknowledges that there is inadequate funding to eradicate both water and sanitation backlogs, it is also critical that the water sector deal with the root cause. It is public knowledge that municipalities have high non-revenue water as much as 40 – 60%. Unless the basic technical work is implemented at the municipal level, no amount of rain can be able to fill an open hole. Similarly, pumping money to the municipalities without a practical technical solution will not assist with anything. In most of the municipalities we are operating, we are pumping more than volumes agreed in the bulk contract and yet there is still a shortage. This is exacerbated by the interception of the bulk distribution pipelines supplying water to the reservoirs and then water fails to reach a number of communities.

8.4 Encroachment Servitudes where Pipelines are located

Many communities have built their properties on top of our pipelines which makes it difficult to do maintenance when there are breakdowns. Worst is hostility from the encroachers when approached. LNW is currently consolidating all its servitudes so that legal approaches can be taken where there is resistance. The other challenge is that the communities illegally connect on the bulk lines once they are aware that the pipeline is passing closer to them and creating high non-revenue water and affects the system pressure.

9 RISK MANAGEMENT

LNW complies with sections 38(1)(a)(i) and 51(1)(a)(i) of the PFMA which require the Accounting Officers/Authority to ensure that their institutions have and maintain effective, efficient, and transparent systems of risk management. Effective risk management is fundamental to the business activities of the organisation. While we remain committed to increasing shareholder value by developing and growing our business within our board-determined risk appetite, we are mindful of achieving this objective in line with the interests of all stakeholders.

LNW adopted an Enterprise Risk Management (ERM) approach which seeks to identify, evaluate, monitor and report all actual and potential risks within the shortest possible time in all major processes and activities. This exercise remained inherent throughout the organisation via the risk assessments periodically conducted within the organisation as well as monitoring of the risk mitigation measures as outlined in the risk register. The organisation has an approved risk management framework for implementing ERM which is aligned to the Committee of Sponsoring Organisations (COSO) framework and ISO 31 000.

LNW has put measures in place to:

- identify and prioritise key risks and opportunities.
- determine appropriate levels of risk tolerance and risk appetite.
- implement a risk management strategy in accordance with the risk management policy; and
- measure, report, monitor and refine risks as needed.

Responsibility and accountability for risk management reside at all levels within the organisation, from the Board down to management and employees.

Risk tolerance levels were established for each of the organisation’s strategic outcomes and were considered for decision-making within the organisation. The Board of LNW contributed significantly to the process of risk management by consistently overseeing its implementation and monitoring and the integration into the daily activities of the organisation.

From the beginning of the financial year the organisation had identified six (6) key strategic risks, of which five (5) were rated moderate in terms of the risk residual level and one risk was rated high. Management continuously implements internal controls and mitigation measures against the accepted risks. These risks were monitored by the oversight committees respectively on a quarterly basis.

Below is the progress made on the key strategic risks as per the risk management implementation plan:

Table 9:1: Progress made on the Key Strategic Risks

Risk Ref	Risk description	RR	Mitigating measure	Progress report
SR1	Negative effects and Consequences of Climate Change	**10**	• Continue with the implementation of climate change policy. • Align the climate management policy with internal controls	• Specification for appointing the service provider for the review of the climate change policy was approved and SCM will be issuing a tender and anticipating appointing by second quarter of 2025/2026 and the existing policy was implemented in the quarter under review
SR2	Ageing infrastructure	10	• Procurement for repairing the motors and pumps • Enforcement of implementation of the maintenance plan • Operational standards for each scheme	• Progress onsite is at 76% for upgrading of Ebenezer/Olifantspoort WTW. Continuous repairing and replacement of motors and pumps is done. • The maintenance plan is implemented and adhered to with the monitoring through the planning office. The asset maintenance policy is approved • Implementation of operational standards are done on daily basis
SR3	Inadequate supply of power/electricity	16	• Approval and monitoring of the maintenance plans and the time frame on • Ministerial task team is appointed to engage ESKOM	• Most of the schemes are exempted from load shedding • The LNW task team (CEO, Acting EM Engineering Services and Regional Manager: Capricorn) held the meeting with ESKOM Limpopo to address the challenges for electricity supply and the request to prioritise other LNW schemes was made
SR4	Water demands that exceed available raw water allocation (over abstraction)	13	• Continue to apply for WUL with DWS • Continue to participate in the Catchment Management Agencies established in the province and water sector forums (Olifants and Middle Letaba)	• Phalaborwa Scheme raw water allocation is 175 Mℓ/day with the current design capacity of 148 Mℓ/day. The Nandoni WUL has been upgraded to 120 Mℓ/day. The Politsi WUL has been increased to 9.5 Mℓ/day pending the dispute

Risk Ref	Risk description	RR	Mitigating measure	Progress report
			• Procurement for additional water abstraction applications for all LNW plants	lodged by the Tzaneen Irrigation Board through the Water Tribunal Process, Burgersfort Water Use License (WUL) has been lodged with DWS • Quarterly attendance of the Catchment Management Forum (CMF) meetings
SR5	Non-payment by WSAs for bulk water services	13	• The risk is accepted, and current controls will be continuously implemented	• Implemented our Credit control policy to all defaulting municipalities, Intention of restriction was issued to (VDM, Greater Letaba Municipality (GLM), Sekhukhune District Municipality (SDM) and Mogalakwena Local Municipality (MLM), while the request for withholding grants to the municipality is under consideration by National Treasury (NT). • Engagements were held with NT, DWS, GLM and Mopani District Municipality (MDM) on the status of request of Withholding of grants on the 27 of June 2025
SR6	Cyberattacks	9	• Development of cyber security procedure manual • Upgrading of network connectivity at the scheme	• Manual developed and adopted for implementation • Connectivity to the schemes upgraded

LNW regularly reviews its internal and external environment with a view to identify emerging risks, which are monitored by the organisation's risk management oversight committees. The overall strategic risk rating is displayed in Figure 8-1 and furthermore, the entity has determined its overall risk appetite, which was then compared to the actual appetite level of the previous financial year in figure 8-2 below:

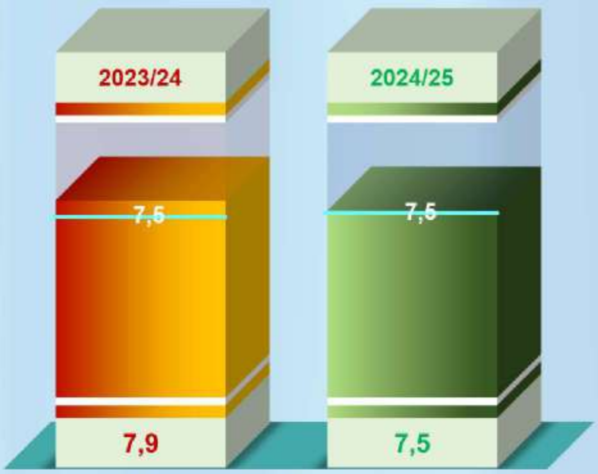


Figure 9:1: Comparison of risk appetite

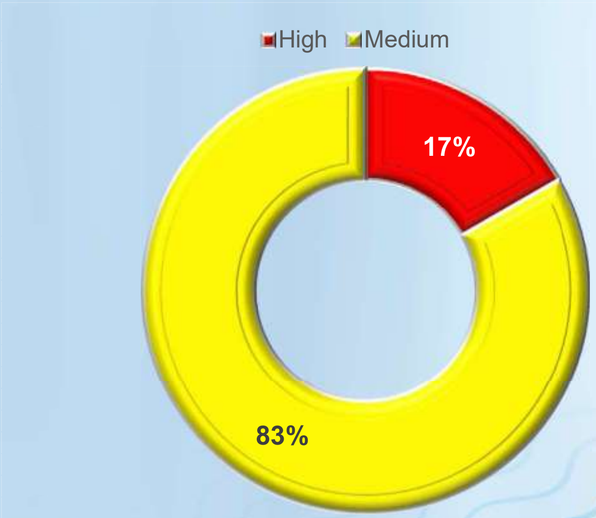


Figure 9:2: Risk Rating

Figure 9-1 highlights that the risk appetite level that was set by the Board has improved compared to the previous year (2023/24) risk management performance of 7,5. The organisation has realised an improvement for risk management by 0,4.

Figure 9-2 depicts 83% of the strategic risks remaining high while medium risks are at 17% and no risk level is acceptable at strategic level. A focused approach will be required in the next financial year to reduce the high risks to an acceptable residual risk level

9.1 Risk Management Committee (RMC)

The Risk Management Committee of Lepelle Northern Water was established in accordance with the Public Finance Management Act (PFMA) and National Treasury regulations. The primary objective of the Committee is to assist the Chief Executive Officer /Accounting Authority in discharging their accountability for risk management. This is achieved by reviewing the effectiveness of the organization's risk management systems, practices, and procedures, and by providing recommendations for improvement.

The members, collectively, possess a blend of skills, expertise, and knowledge to contribute meaningfully to the advancement of risk management within the organization. The members include an independent external Chairperson, various Executive Managers, the Chief Financial Officer, and other key personnel. The Chief Risk Officer and Chief Audit Executive are standing invitees to the Committee meetings. The Committee met four times during the financial year, fulfilling its charter requirement to meet at least quarterly. The meetings were convened to review and monitor the organization's risk management activities, with a quorum being met at each meeting, ensuring that 50% plus one of the members were in attendance either in person or by proxy.

The Risk Management Committee has effectively discharged its responsibilities as outlined in its charter, providing independent oversight and guidance on the organization's risk management framework. Continuous monitoring and enhancement are required to respond to the dynamic risk landscape. The Committee continued to work with management and assurance providers to strengthen the organisation's resilience and achieve its mandate.

9.2 Prevention of Fraud and Corruption

The organisation maintains a zero-tolerance policy towards all forms of fraud and corruption. Our strategic approach is designed to prevent, detect, and respond to such activities, thereby safeguarding the organization's assets and reputation. The framework is built on a foundation of proactive measures, robust internal controls, and continuous monitoring, with oversight from the Human Capital, Environmental, Social and Governance and Audit and Risk Management Committees.

Comprehensive training sessions on fraud and corruption prevention were conducted for employees, management, and Board members. The training focused on understanding key risks, recognising red flags, and adhering to reporting procedures. To mitigate the risk of undue influence, a formal gifts declaration process is in place. All gifts received by employees and Management are declared and registered, with any gifts exceeding a specified monetary value requiring specific approval.

To ensure transparency and avoid potential conflicts, all employees, management, and Board members are required to formally declare their financial interests annually. This process helps to identify and manage potential conflicts of interest proactively. A standing agenda item in all meetings requires participants to declare any actual or perceived conflicts of interest. These declarations are formally recorded, and where possible the affected individual is recused from discussions where a conflict exists, thereby preserving the integrity of decision-making processes.

The organisation's commitment to fighting fraud and corruption is demonstrated by the implementation of a robust framework of preventative measures, ongoing risk assessments, and a strong culture of ethical conduct. These initiatives ensure transparency, accountability, and the safeguarding of organizational assets. The organisation will continue to strengthen controls and adapt our strategy to address emerging risks, ensuring the highest standards of integrity.

Fraud and corruption risk assessments are conducted on an ongoing basis to identify new and emerging threats. This dynamic process ensures that our controls and mitigation strategies remain relevant and effective against a constantly evolving risk landscape. The outcomes of these assessments inform the prioritisation of resources and the development of targeted action plans. The organisation has recorded a total of 5 tip-off cases for 2024/2025 financial year compared to 6 reported in the previous financial year.

9.3 Compliance Management

LNW continues to ensure that we comply with all relevant laws and regulations. The entity had developed its Compliance Regulatory Universe, and the areas of non-compliance were reported on quarterly basis to the relevant committees and are receiving the necessary attention.

9.4 ETHICS MANAGEMENT COMMITTEE

The LNW Board, as the accounting authority, is deeply committed to upholding the highest standards of ethics and integrity across all levels of the organization. This commitment is the foundation of our culture and is central to our reputation and long-term sustainability. The Board provides the necessary leadership and oversight to ensure that an effective Code of Ethics is in place, serving as a guiding framework for all Board members and employees.

To actively manage potential risks, the Board mandates that all members and employees annually complete a declaration of financial interests. This process is crucial for the continuous identification and mitigation of any conflicts of interest that could negatively impact the organization's integrity and decision-making. Effective ethics management is overseen by the Ethics Management Committee. This committee is governed by its formal charter, which clearly defines its mandate, responsibilities, and authority. The committee met as planned, holding all four quarterly meetings during the reporting period to ensure the effective management of ethics throughout the organization.

This structured approach to governance and oversight assures our stakeholders that ethics is not merely a policy but an embedded practice, consistently monitored and managed at the highest level of the organization. Our proactive management of ethical risks protects our value and reinforces trust with all our stakeholders.

10 GOVERNANCE OVERVIEW

Board Highlights

- **92%** Non-Executive board members
- **45%/55%** Male/Female percentage Non-Executive Board Members
- **100%** Decision making: % number of resolutions taken
- **96%** Board Meeting Attendance
- **Tenure** 4 years 9 Board Members
- Variety of skills and experienced board members from both public and private sector

11 GOVERANCE FRAMEWORK

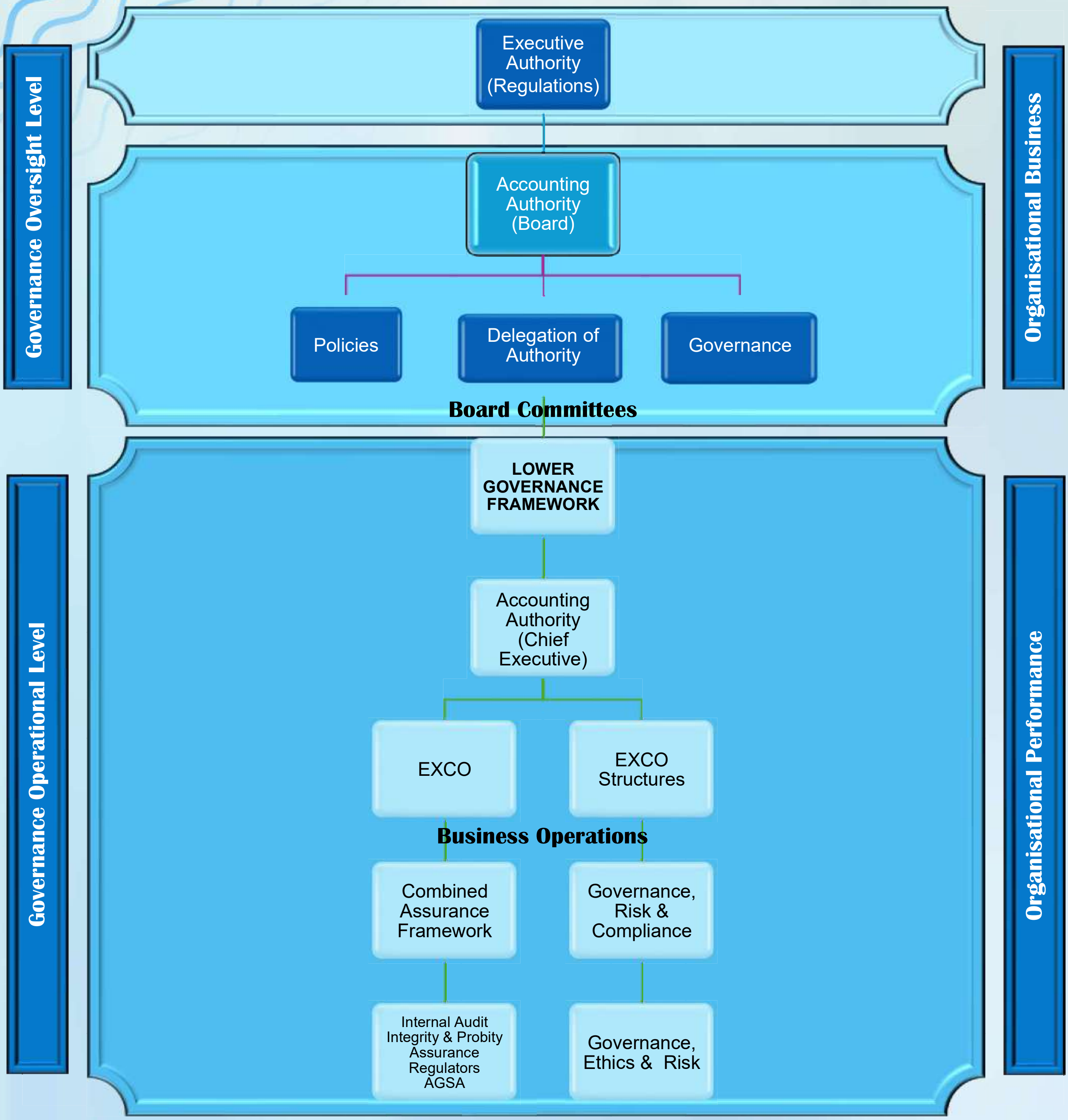


Figure 11:1: Governance framework

The Board follows a combined assurance model. Assurance is affected on three levels i.e. management, internal and external assurance providers.

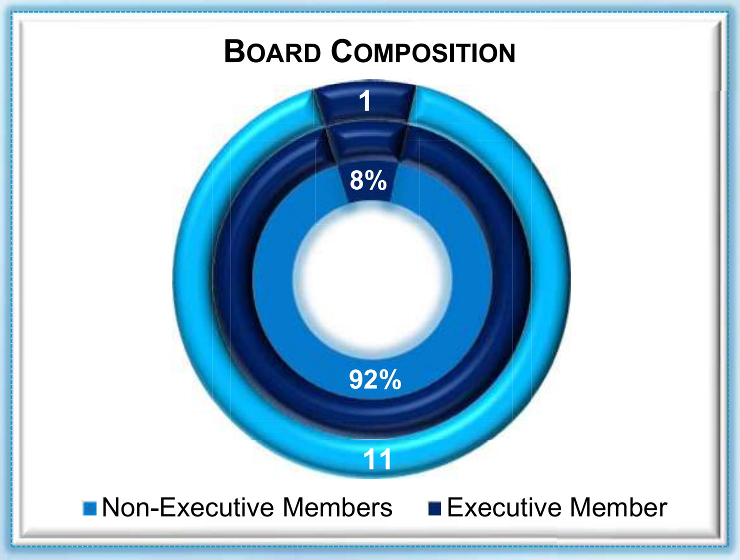
Management assurance level is obtained through self-assessment and quality control with a reporting line commencing in Operations Committee to the Management Committee to the Executive Committee.

The internal assurance level is achieved through risk management, compliance with operational processes that include but not limited to health, safety and the environment.

The third assurance level is achieved through internal and external audit assurance, regulators, certification bodies and insurance assessors, with a reporting line to the Board via the Audit & Risk Committee, Infrastructure & Finance Committee, Operations & Maintenance Committee and the Human Capital ESG Committee.

The Board

The Board has satisfied itself that the entity, during the period under review has complied in all material respects with applicable legislation and King IV framework.



The board is comprised of eleven non-executive members and the Chief Executive as ex-officio member in terms of Schedule 1 of the WSA No 108 of 1997, until termination by the Minister. The board has been appointed for a period of four years that started on 1 August 2021 and ending 31 July 2025.

The responsibility for the functioning of the Board and the executive responsibility for managing the business are separated and the Chairperson is not involved in the day-to-day operations. The Board is responsible for setting the strategic direction of the entity, ensuring that adequate oversight and control of corporate governance structures are adhered to.

The Board’s objective is to ensure responsible business leadership in a manner that balances the needs and rebuilds the trust of all stakeholders. The Board aims to retain full and effective control of the entity and to give strategic direction to management.

The detailed responsibilities of the Board are set out in a formal charter, which is updated from time to time to align it with applicable legislation and governance best practice. The entity has adopted a written Board Code of Conduct, with which all Board members are required to comply, as well as written Declarations of Interest.

The Board adheres to the principles of the King IV and continues to create value by approving policies that support and strengthens the entity, oversees the corporate governance, regulatory and compliance frameworks and control environment as well as maintaining sound corporate governance practices within the entity.

12 BOARD CHARTER

The Board has adopted the Board Charter, to control its affairs, and satisfied that it has discharged its responsibilities contained therein. The members understand their roles and responsibilities, as charted in the Board Charter and the Water Services Act, Act No. 108 of 1997. The Board Charter is reviewed as and when required based on the legislative, policy, and regulatory developments.

12.1 RESPONSIBILITIES OF THE BOARD

The Board has absolute responsibility for the performance of LNW and is fully accountable to the Minister. The Board retains full and effective control of LNW and closely monitors implementation of board plans and strategies. In so doing, the board, collectively or individual members shall:

- Devote time to properly carry out their duties and responsibilities and always act in the best interest of LNW.
- Ensure that LNW is aware of and complies with applicable laws, regulations, government policies and codes of business practice and communicates with the Minister and relevant stakeholders openly and promptly.
- Appoints the Chief Executive Officer (CEO) in consultation with the Minster (as it pertains to the salary) and other members of management as per the Delegations of Authority, including acting appointments, and ensure that an effective succession plan for senior staff is in place and adhered to.
- Formulate, monitor implementation and review of corporate strategy, structures, processes, major plans of action, risk management policy, annual budgets and decide on any subsequent material changes in strategic direction or material deviation in the business etc.
- Determine the scope of delegation to:
  - Ensure that delegated authority is in writing and reviewed on a regular basis.
  - Ensure that LNW's business procedures and systems are in place to assist members in making informed decisions and accept the responsibility thereof.
  - Approve and submit a policy statement and business plan to the Minister, the relevant Province, and all water services institutions within the LNW's service area.
  - Ensure that annual financial statements which fairly presents the affairs of LNW, are timeously prepared and submitted to the Minister, the National Treasury, the Auditor General, or any other regulatory bodies.

- Ensure the provision of sustainable and equitable water and sanitation services to the target market.
- Keep abreast of the financial, social, and political environment in which LNW operates.
- Exercise utmost good faith and perform their duties with honesty, care and diligence.
- Monitor and manage potential conflicts of duties and interests of management and board members.
- Disclose any potential conflict(s) of interests as early as reasonably possible.
- Appraise its collective performance, that of the Chairperson, Committee Chairpersons and members at both board and committee levels on an annual basis.
- Ensure that there are appropriate and effective induction, education and training programmes offered to new and existing board members.
- Always maintain the highest standard of integrity, responsibility, and accountability.
- The Board shall give strategic direction to LNW.
- The Board should ensure that there is an appropriate balance of power and authority on the Board such that individual or group can dominate the Board's decision making.
- All board members should ensure that they have unrestricted access, at all reasonable times, to accurate, relevant, and timely information of LNW through the CEO and the Company Secretary (CS).
- Discussions and records at the board and all its committee meetings shall remain confidential unless with specific direction or court order to the contrary. Members of the board are expected to strictly observe the restrictions to the use and confidentiality of company information.

12.2 Board Diversity

The performance of the Board is regularly assessed to maintain high performance levels in conducting the fiduciary duties in an effective and efficient manner. The board members are individually subjected to a process of performance evaluation on an annual basis. The process is conducted in accordance with the policy regarding Board Practices and the Remuneration of Board members of Entities Reporting to the Minister of Water and Sanitation and includes the assessment of performance of the governance structures. For the financial year under review, the Board Chairperson has not conducted the performance evaluation sessions and has been earmarked for the next financial year.

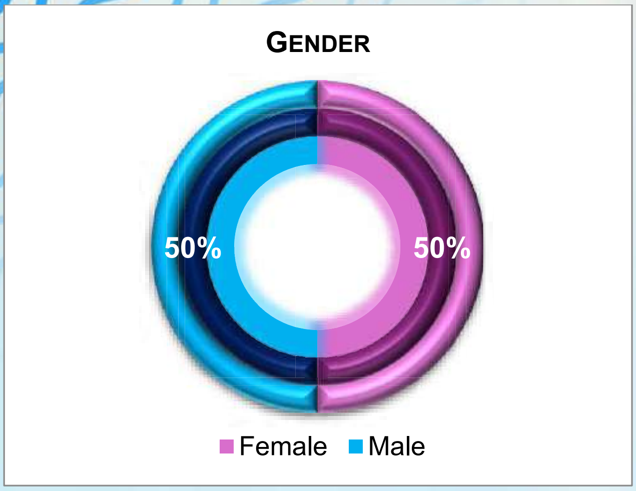


Figure 12:1: Board male/female status

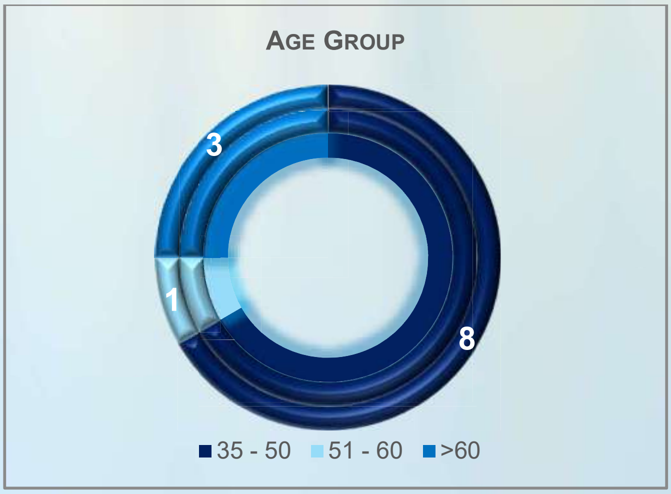


Figure 12:2: Board Age group

12.3 Board Committees

The Board has established four committees to assist in discharging its responsibilities without in any way reducing its accountability. The Board formally delegates responsibilities as illustrated on the figure below:

Figure 12:3: Board Committees

The Board approved charters that define terms of reference, reporting procedures and scope of authority for each Board committee. The committees and the Board review and update the charters annually to stay abreast of developments in legislation and governance best practice. The Board has also appointed two independent members to enhance objectivity of decisions taken in the Audit & Risk Committee, one of them is the Chairperson.

Table 12:1: Board Committees and their roles

HUMAN CAPITAL & ESG COMMITTEE	INFRASTRUCTURE & FINANCE COMMITTEE	OPERATIONS & MAINTENANCE COMMITTEE	AUDIT & RISK COMMITTEE
Members Adv. M Makgopa-Madisa Dr F Munyai Mr. J Mathebula Ms. B Mahlutshana **Invitees** Chief Executive Officer EM: Corporate Services Chief Financial Officer Chief Risk Officer Manager: Strategy and Planning EM: Operations and Maintenance	**Members** Mr. M Magoele Dr. M Soni Ms. B Mahlutshana **Invitees** Chief Executive Officer Chief Financial Officer EM: Engineering Services Chief Risk Officer	**Members** Dr. P Molokwane Ms. S Chiloane-Nwabueze Ms. F Mudau **Invitees** Chief Executive Officer EM: Operations & Maintenance Chief Financial Officer Chief Risk Officer	**Members** Mr. I Vally (Ext) Ms. F Mudau Adv. T Ramashia Mr. S Ngobeni (Ext) **Invitees** Chief Executive Officer Chief Financial Officer Chief Risk Officer Chief Audit Executive Manager: Strategy & Planning Manager: ICT Manager: Legal Services
Role To review and recommend for approval to the Board, amongst other matters relating to recruitment, remuneration, human resource policies, succession planning, employee benefits, labour related issues etc. Recommend the structure, process to follow on executive appointments and Committee members. Overseeing and reporting on LNW's ethical behaviour, Social and Ethics issues in terms of King VI reports, promotion of equal treatments and prevention of unfair discrimination, monitor and implement measures to reduce corruption, monitor records of sponsorship, donations, and charitable giving. Oversee issues of environment, health and safety, to promote and monitor ethical behaviour.	**Role** To evaluate and monitor the effectiveness, efficiency and transparency of LNW's financial management system, evaluate investment levels, oversee the development of the Annual Financial Statements, ensure compliance with the PFMA and Treasury Regulations. Review and evaluate LNW's budget and capital projects implementation plan, acquisition of infrastructure, development, and maintenance of LNW infrastructure.	**Role** To review and oversee the overall operations and maintenance within LNW; oversee the development and implementation of LNW maintenance plan; monitoring and ensuring optimal performance of LNW plants.	**Role** To ensure adequacy and effectiveness of system of internal control, accounting practices information systems and auditing process applied in the day-to-day management of LNW, review the Annual Financial Statements, Organisational Performance, review Annual Report, Monitoring compliance with the relevant Acts, and that financial information and practices comply with GAAP.

Celebrating 65 years JOURNEY OF BULK WATER SERVICES

Table 12:2: Attendance at Board and Committee Meetings for 2024/25

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS						
		BOARD	**ARC**	**INFRACO**	**HC&ESG**	**OPSM**
Board Members	**Chairperson**					
NF Mphephu	BOARD	13 / 13				
S Chiloane-Nwabueze		13 / 13				3 / 3
B Mahlutshana		12 / 13		5 / 5	9 / 10	
MM Makgopa-Madisha		11 / 13			10 / 10	
TJ Mathebula	HC ESG	10 / 13			9 / 10	
MM Magoele	INFRACO	13 / 13		5 / 5		
P Molokwane	OPSM	13 / 13				3 / 3
F Mudau		13 / 13	10 / 10			2 / 3
FR Munyai		13 / 13			10 / 10	
RT Ramashia		13 / 13	9 / 10			
MSM Soni		13 / 13		5 / 5		
Independent Members						
SA Ngobeni			10 / 10			
Y Pamla (resigned 31/07/2024)						
I Vally	ARC	13 / 13	10 / 10			
Executive Members						
C Ruiters		13 / 13	10 / 10	5 / 5	10 / 10	3 / 3

13 PERFORMANCE EVALUATION OF THE BOARD

The Board is subjected to a process of performance evaluation on an annual basis for the purpose of ensuring continuous improvement in the Board's performance and effectiveness. The process is conducted in accordance with the Board Charter and the Policy regarding Board Practices and the Remuneration of Board Members of Entities Reporting to the Minister of Water and Sanitation and includes the assessment of performance of the governance structures.

13.1 Governance Key Performance Indicators

Indicator	Target	Actual
% Board members' attendance of all board and committee meetings	95%	96%
Decision making: % number of resolutions taken by the board versus number of resolutions required	100%	100%
Number of breaches of materiality and significance framework	0	0
% Statutory reports submitted on time	100%	100%
Tolerable organisational residual risk	7.5	7.5
% Stakeholder satisfaction	80%	86%
Maximum number of repeat internal audit findings	0	0
Number of CSI initiatives undertaken	4	5
Maximum number of unresolved Internal audit findings	10	14

BOARD MEMBERS

DR NF MPHEPHU
CHAIRPERSON

QUALIFICATIONS

- Doctor of Philosophy (PhD) in Environmental Science
- Master of Business Administration (MBA)

MEMBERSHIP & PROFESSIONAL BODIES

- South African Council for Natural Scientific Professions (SACNASP) as Professional Natural Scientist (Pr.Sci. Nat).
- Environmental Assessment Practitioner (Reg. EAP) with Environmental Assessment Practitioners Association of South Africa.
- Member of the Institute of Directors Experience

Dr Mphephu brings to the board technical and business experience in environmental, social and governance (ESG), Sustainability, research & development, stakeholder management, strategy, and business management. He has served extensively in the capacity as executive member of various institutions.

DR PE MOLOKWANE
BOARD MEMBER

QUALIFICATIONS

- PhD degree from Environmental Engineering's Water Utilisation (Chemical Engineering)
- M.Sc. Applied Radiation Sciences and Technology (ARST)
- Post-Graduate Diploma in Applied Radiation Sciences and Technology
- B.Sc. (Physics and Chemistry).

MEMBERSHIP & PROFESSIONAL BODIES

- South African Council for Natural Scientific Professions (SACNASP) as Professional Natural Scientist (Pr.Sci.Nat. Nat)
- Member of the Institute of Directors Experience

She serves on the advisory body to the President of South Africa, the National Planning Commission (NPC) as a Commissioner and Chair of Active Citizenry Capable State and Leadership Workstream. She is the commissioner responsible for Science and Technology and Chairperson of the Water Task Team. She served/s on the boards of South African Forestry Company SOC Limited (SAFCOL), the Inkomati-Usuthu Catchment Management Agency (IUCMA), Sedibeng Water Board, the Nuclear Energy Corporation of South Africa (NECSA) and ESKOM SOC Limited, South African National Biodiversity Institute (SANBI), National Forestry Advisory Council (NAFC) as Deputy-Chairperson, Public Investment Corporation (PIC), Nominee Director to Siyanda Resources, Sublime Technologies and steering committees and panels within the Science and Innovation and Water departments.

DR MSM SONI
BOARD MEMBER

QUALIFICATIONS

- Doctor of Philosophy (PhD) in Construction Management.,
- Master of Science (MSc) in the Built Environment specializing in Project Management,
- Master of Business Administration (MBA)

MEMBERSHIP & PROFESSIONAL BODIES

- South African Council for Project, Construction Management Professions (SACPCMP), as Professional Construction Manager (Pr. CM), and Professional Construction Project Manager (Pr. CPM)
- Project Management Institute (PMI) as Programme Management Professional (PgMP)
- Axelos Global Best Practice as PRINCE2
- Chartered Institute of Building (CIOB) as Chartered Construction Manager (FCIOB)
- The Royal Institute of Chartered Surveyors (RICS) United Kingdom (UK) as Chartered Project Management Surveyor (FRICS)
- Member of the Institute of Directors

Dr Soni has experience in the construction sector where he has occupied various senior positions in both the private and the public sector for more than 25 years. Dr Soni has worked for organisations of the likes of Group Five, Total Facilities Management Company, Murray & Roberts, the National Department of Public Works, the Gauteng Department of Infrastructure Development, the City of Johannesburg Metropolitan Municipality and the Johannesburg Development Agency in construction management, construction project management, project management, facilities management, infrastructure development and management, property development and management, business administration and management, corporate governance and general management-related positions.

BOARD MEMBERS

DR FR MUNYAI
BOARD MEMBER

QUALIFICATIONS

- PhD (Agriculture)
- Master in Business Administration (MBA)

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of the Institute of Directors.

Dr Munyai is a seasoned professional researcher and strategist in business operations in both the public and private sectors and has spent more than 30 years of her career contributing to several senior management roles in Government and worked for various institutions, including a public entity, a university, and a college. She serves as a Councillor of the SAVC and nominated to serve as the Chairperson of the Heritage and Transformation, and of the Professions Committee and Education Committee and member of the Food and Safety Committee as well as Standards Committee. She was appointed as an expert panel member by the North West Premier to advise the Province on the Provincial Growth Development Strategy.

Dr Munyai has the following certificates: Course on Finance for Non-financial Managers in Public Sector offered by Business School at University of Pretoria; Advanced Management Development Programme offered by SAMDI and SMS Pre Entry offered by NSG.

BOARD MEMBERS

ADV. MM MAKGOPA-MADISA
BOARD MEMBER

QUALIFICATIONS

- Master of Laws (LLM) in Corporate Law
- Bachelor of Laws Degree (LLB)
- Medical Negligence and Health Sector Mediation Training

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- The Legal Practice Council
- Mediation in Motion (MiM)
- Member of the Institute of Directors.

Advocate Makgopa-Madisa has vast experience in drafting and interpretation of legislation, regulatory compliance and enforcement, employment law, medical negligence disputes, litigation, contract law as well as contract management. She also has experience in ethics management and corporate governance in public entities. She holds a Bachelor of Laws degree (LLB); a Master of Laws (LLM) in Corporate Law and Certificates in Public Finance for Non-Financial Managers, Legal Writing, Advanced Management Development, Drafting and Implementation of Commercial Contracts and Medical Negligence Mediation Training.

ADV. RT RAMASHIA
BOARD MEMBER

QUALIFICATIONS

- Master of Laws (LLM) in Corporate Law
- Bachelor of Laws degree (LLB)

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- The Legal Practice Council
- Member of the Institute of Directors.

Advocate Ramashia is an admitted advocate of the High Court of South Africa, since 2017. He is a member of and holds a chamber with the Limpopo Society of Advocates. Adv Ramashia has vast experience in legal drafting, corporate law, civil and criminal litigation. Prior to his admission to the Bar, Adv Ramashia served in public service in different capacities, including serving as a Legal Advisor to the Capricorn District Municipality and later as Researcher and Speech Writer for the Premier of Limpopo Province.

Adv Ramashia is currently also serving as a Board Member of the Road Agency Limpopo (RAL), a member of the Audit Committee of the Capricorn District Municipality, Chairperson of the Limpopo Consumer Affairs Court, a board member of the Polokwane Housing Association and a Member of the Audit and Risk Committee for Road Agency Limpopo.

Advocate Ramashia is also a Special Adviser to the Minister of Justice and Constitutional Development.

BOARD MEMBERS

MR TJ MATHEBULA
BOARD MEMBER

QUALIFICATIONS

- Bachelor of Business Administration
- Post Graduate Diploma in Business Administration

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of the Institute of Directors.

As a seasoned Trade and Investment promotion specialist, Mr Mathebula brings to the board experience in business administration, development planning and management. He also serves as Executive Director of Manaka Property Investments (Pty)Ltd and Vibrant Veterans Mineral Resources (Pty) Ltd. He has experience in business, politics, mining and property development. He has further served as President of The Black Management Forum Limpopo and the Polokwane Golf Club. He is holding directorships in both the business and public sectors.

MR MM MAGOELE
BOARD MEMBER

QUALIFICATIONS

- CA (SA)

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of South African Institute of Chartered Accountants (SAICA)
- Member of the Institute of Directors.

Mr. Magoele has experience in financial management, technical IFRS, Annual Financial Statements, cash flow, and audit coordination. He has also completed technical programmes in Enterprise Risk Management with the National Treasury, and Outcome-Based Monitoring and Evaluation with the University of Pretoria. His experience as a non-executive Council Member and Chairperson of the Finance Committee as well as Director: Revenue and Treasury Management, Director: Financial Governance and Compliance, and as an Audit Manager makes him a valuable addition to the Board.

BOARD MEMBERS

MS FJ MUDAU
BOARD MEMBER

QUALIFICATIONS

- Master Degree of Business Leadership (MBL)
- Bachelor of Commerce Degree (Bcom)

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of South African Institute of Public Accountants (SAIPA)
- Member of the Institute of Directors

Ms. Mudau has more than 10 years' experience and a wealth of knowledge in public finance, auditing, risk management, public sector procurement and compliance with various prescripts. She has also served in the Limpopo Government shared service cluster (the Department of Treasury, Social Service and Education) as a member of the Audit Committee. She is serving as an independent Member of Amatola Water Audit and Risk Committee and previously as Chairperson of the Shared Audit and Performance Committee of Nkangala District Municipality.

DR S CHILOANE-NWABUEZE
BOARD MEMBER

QUALIFICATIONS

- Doctor of Philosophy in Civil Engineering (PhD)
- Master of Business Administration (MBA)
- BSc Honours
- BSc in Water and Sanitation

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of the Institute of Directors
- Certified Director (IoDSA)
- Professional Water Resource Scientist (SACNASP)
- Associate Member of the South African Institute of Civil Engineering (SAICE)

Dr Salome Chiloane-Nwabueze's experience stems from various local and national government departments as well as Rand Water. Her area of expertise is in water, sanitation, civil engineering, project management, monitoring and evaluation, research, corporate governance, as well as strategy formulation and implementation.

Dr. Salome Chiloane-Nwabueze has over 15 years of experience within the water sector, and she also serves on various public and private sector Boards.

BOARD MEMBERS

MS B MAHLUTSHANA
BOARD MEMBER

QUALIFICATIONS

- MPhil in Development Finance,
- Bachelor of Commerce Honours in Financial Management
- Bachelor of Commerce in Business Management
- Post graduate Diploma in Municipal Governance

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of the Institute of Directors
- Certified Director

Ms Mahlutshana has held various leadership and executive positions, having been involved in development finance, private equity and public transport sectors. She has experience in financial management and administration for municipalities and has played an advisory role on debt restructuring and overall financial assessment and viability. Bukeka's expertise encompasses a broad spectrum of executive functions, including corporate governance, risk management, business turnaround, and capital raising. She has successfully led complex, high-impact projects and initiatives. She is currently a Non-Executive Director of the Cross Border Road Transport Agency, and a sub-committee member for the road passenger chamber of the Transport Education Training Authority.

MS ZC NGWENYA
Company Secretary (16 April to date)

QUALIFICATIONS

- Bachelor of Laws Degree (LLB)
- Postgraduate Qualification as Company Secretary (FCG)

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- The Legal Practice Council
- Chartered Governance Institute of Southern Africa

Ms Ngwenya boasts over 15 years of invaluable knowledge, skills and experience in boards and executive management level of various sectors. Her vast knowledge spans through JSE Listed entities, private entities and entities with international footprints. Her working knowledge of legislative requirements in relation to Company Administration, understanding of the Public Financial Management Act, knowledge of corporate governance principals and risk management framework make her an asset to the Board and the entity at large.

EXECUTIVE MANAGEMENT

DR C RUITERS
Chief Executive Officer

QUALIFICATIONS

- PhD in Life and Applied Science
- PhD in Engineering
- Masters in Business Administration
- Programme in Project Management

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Registered Professional Engineer (Pr. Eng.) with ECSA
- Registered professional Scientist (Pr. Sci. Nat.) with SACNASP
- Member of the Water Institute of South Africa (WISA)
- Member of the South African Institute of Civil Engineering (SAICE)
- Member of the Institute of Directors (IoD)

Dr Ruiters boasts extensive experience and expertise in the water sector through the application of his engineering and science knowledge. He has extensive experience in environment and water resources and supply services engineering and management. His vocational work experience includes water resources infrastructure, water supply management, water distribution infrastructure, operations, and maintenance, water, and wastewater treatment as well as solid waste management. He is a registered Professional Civil Engineer and Natural Scientist. He belongs to several professional bodies in engineering and science.

MR. MS RAMALATSO
Chief Financial Officer

QUALIFICATIONS

- CA (SA)
- Bachelor of Commerce Degree Honours
- Postgraduate Diploma in Applied Accounting Sciences/CTA
- Postgraduate Diploma in Risk Management

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- South African Institute of Chartered Accountants (SAICA) as a qualified chartered accountant and SARS as a tax practitioner.
- Independent Regulatory Board for Auditors (IRBA) as a registered auditor
- Member of the Institute of Directors

He brings extensive experience and skills to the financial environment gained in both private and public sector as an auditor and Accountant.
During his career, he has acquired extensive experience and knowledge on strategic leadership and management, financial reporting, risk assessment processes, regulatory environment including PFMA and treasury regulations..

EXECUTIVE MANAGEMENT

MR. ES MOENG

EM: Corporate Services

QUALIFICATIONS

- Master's Degree in Public Management,
- Master of Laws (LLM), Criminal Law & Procedure
- Bachelor of Law (LLB)
- B-Tech degree in Human Resources Management.

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of the South African Board for People Practices (SABPP)
- The professional body for HR Practitioners in South Africa
- The quality assurance body for HR learning provision
- Member of the Institute of Directors

He brings extensive experience in human capital, change management and employee relations gained in the National and Provincial Government and at parastatals.
During his successive career, he has acquired extensive experience in strategic leadership capabilities and regulatory framework.

MR ARCHIBALD MALULEKE

EM: Engineering Services

(Resigned in December 2024)

QUALIFICATIONS

- Masters in Mechanical Engineering (M.Sc. Eng)

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Member of the Institute of Directors

His project implementation and asset life cycle performance optimisation experience cover various industries, including petrochemical (Sasol Technology - Sastech), WorleyParsons-TWP Consulting's green/brown-field platinum mining projects for clients such as Anglo American, ARM and Lonmin, the Pebble Bed Modular Reactor (PBMR) Nuclear project and bulk raw water infrastructure projects (TCTA). He is a member of the South African Institute of Mechanical Engineers.

EXECUTIVE MANAGEMENT

MR PA MOSHOANE

EM: Operations & Maintenance (Acting)

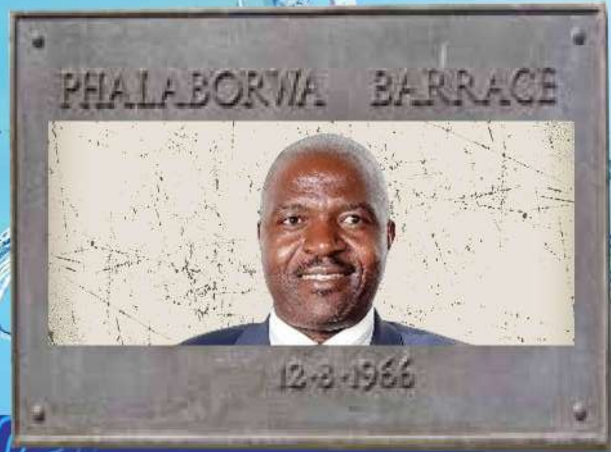
QUALIFICATIONS

- MTECH in Chemical Engineering

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- Water Institute of Southern Africa (WISA)
- Member of the Institute of Directors

r Moshoane brings experience in research and development has significantly contributed to the growth of the organisation. Being in the field for more than 22 years has afforded him immense experience in the optimisation, operation and maintenance of water treatment works, Acid Mine Drainage (AMD) and wastewater infrastructure, treatment processes units and distribution systems, water quality management, implementation and management, project planning and engineering management. He is a member of the Water Institute of Southern Africa (WISA) and South African Institute of Chemical Engineers (SAICHE).



MR T C MATHIVHA

EM: Engineering Service Department (Acting)

QUALIFICATIONS

- B-Tech Civil Engineering

MEMBERSHIP / PROFESSIONAL BODIES / DESIGNATIONS

- South African Institute of Civil Engineering (SAICE)

Mr Mathivha has twenty-three (23 years') extensive experience in the technical project planning, evaluation of Urban and rural infrastructure projects in water and sanitation water projects. I have gained extensive experience in the corporate environment particularly during my involvement with departments in partnership with both national and local governments, municipalities.

16 APPLICATION OF KING IV PRINCIPLES

As indicated earlier that Lepelle Northern Water subscribes to the principles of King IV, the Board encourages the entity to maintain the governance principles and recommended practices included therein and to align its practices, policies, and procedures. The entity has during the period under review applied the principles of King IV as highlighted below:

(1) The governing body should lead ethically and effectively

First and foremost, the Board was inducted on all the existing policies and strategies of the entity. The Board and Management have established all the necessary instruments to handle any conflict of interests. All the members of the Board and Management declared their interest on all the items to be discussed.

(2) Govern the ethics of the organisation in a way that supports the establishment of an ethical culture

The Board has developed and approved the code of conduct and ethics policies as well as ensured that all employees are made aware. The Board has delegated the implementation of codes of conduct and ethics policies to management and has been providing oversight quarterly on matters as recruitment, employee remuneration, supplier selection, breach management, whistleblowing and independent assessments.

(3) Ensure that the organisation is and is seen to be a responsible corporate citizen

The Board has ensured that it complies with the Constitution, relevant laws, standards and its own policies and procedures, in line with the entity's business strategy and conduct. The Board oversaw and monitored the organisational performance, ensuring that good corporate citizen is observed in areas such as economic behaviours and results, societal and environmental impacts

(4) The governing body 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 has on an annual basis had strategic planning session to set and steer the direction, purpose and the business strategy of the entity. The Board has after its strategic planning session, delegated to management the formulation of the business strategy with clear timelines, risks and opportunities, resources and relationships, legitimate expectations of stakeholders, changes in the six capitals and the inter-connectedness and interdependencies of all these factors and approved it thereafter.

Approved managements policies and corporate plan that includes key performance measures and targets. Delegated to management the implementation of the policies and the related plans. Oversaw implementation of the business strategy and plans by management against the agreed performance measures and targets.

Oversaw that there are ongoing assessment and response to any negative consequences for the economy, society and environment by the entity using its 6 capitals. The Board was always alert to the entity's viability, reliance and effect on its capitals, solvency and liquidity and its going concern status.

(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 has approved the reporting frameworks to be used as well as overseeing that various reports are compliant with legal reporting requirements and meet the legislative needs of the shareholder and the other relevant departments like National Treasury.

The Board has ensured that an annual integrated report is approved and distributed to all the relevant departments timeously. The Board has also approved the bases for determining materiality in line with the National Treasury Regulations.

The Board oversaw the publication and access by stakeholders the integrated report, financial statements and other external reports on its website and social media platforms.

(6) The governing body should serve as the focal point and custodian of the corporate governance in the organisation

The Board has developed and approved its charter and those of its committees where the charters outline all the activities that will be carried by the Board and its committees and how they are going to interact with management.

(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 Board is appointed by the Department of Water and Sanitation as and when required. The Board has first decided on the types of Board committees they need and after looking at the skills and knowledge of the Board members, allocated them to each committee accordingly to ensure maximum benefit for the entity. The Board is composed of eleven (11) non-executive directors and one executive member, i.e. Chief Executive Officer.

The Board has a diverse membership i.e., expertise in Audit and Risk Management, Finance, Engineering, Human Capital, Legal, Project Management, Environmental Management, Science and has set targets for race and gender representation in its composition. The Board regularly arrange for periodic and staggered rotation of its membership as part of bringing new perspective in the committees but also for the board members to understand the operation for the entire organisation for maximum contribution.

The Board has also appointed three (3) independent members. Two independent members are in the Audit and Risk Committee and one of them is the chairperson of the Committee while the other independent member is in the Finance Committee.

(8) 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

The Board has set clear governance structures that indicate the role players and their responsibilities. The Company Secretary has been tasked by the Board to ensure that a balance of power exists through a hierarchical layout that consists of the CE, Management, and various Committees. The Board has delegated roles and responsibilities to the following committees:

a. Audit and Risk Committee

b. Finance Committee

c. Human Resources, Ethics and Social Committee

d. Infrastructure, Operations and Stakeholder Management

(9) 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

The Board and reviewed the Delegation of Authority to ensure a smooth operation of the entity. The Board has planned to reconfigure its board committees to ensure that maximum outcomes are realised in all the activities of the entity.

(10) The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and effective exercise of authority and responsibilities

The Board has appointed the CEO, who is responsible for leading the business strategy implementation, report to the governing body on a quarterly basis. The Board has after the review of the Delegation of Authority delegated to the Chief Executive Officer to implement and they monitor the implementation on a quarterly basis and take resolutions.

(11) The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

The Board and management have initiated a process that allows for the identification of risks and the continuous mitigation of strategic and emerging risks. The approach is that all the identified risks are allocated to the risk owners for implementation. After the risk owners have updated the progress based on the action plans developed, they submit to the Enterprise Risk Management Unit for consolidation and reporting to the Audit and Risk Committee on a quarterly basis. The risks are aligned to all the strategic objectives.

(12) The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives

Information, Communication and Technology (ICT) is an integral part of Lepelle Northern Water business strategy as a result it is reported in the Audit and Risk Committee as it is a governance issue as well. Various committees such as ICT Steering Committee have been formed which in turn reports to the Executive Committee that then present at the Audit and Risk Committee for recommendations to the board for approval of all the key deliverables.

(13) **The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that it supports the organisation being ethical and a good corporate citizen.**

The core legislative instruments that govern Lepelle Northern Water are the PFMA and the Water Services Act. These Acts have norms and standards as well as regulations to comply with. The entity as a good citizen ensures that it complies with all the relevant sections as required.

The Board has tasked the Enterprise Risk Management Unit to consolidate sections that the entity should comply with and distribute to line managers for updating the progress in relation to the applicable sections and then present to the Audit and Risk Committee on a quarterly basis.

(14) The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in short, medium and long term

The Board takes the accountability for the governance of remuneration by developing the remuneration policy that indicates how remuneration should be implemented in the organisation. LNW remuneration is hinged around the following principles:

- Internal Equity: Remuneration differentiation between different positions will be driven by approved job grading systems that are used by the organisation to establish the internal hierarchy of positions.
- External Equity: LNW is committed to paying remuneration packages that are competitive relative to the labour market.
- Employee Equity: LNW remunerates employees for the contribution they make towards the successful achievement of the organisational business strategy.
- Salary Structure: LNW maintains a formal salary structure based on the following factors:
  - Market stance (supply and demand).
  - Outcomes of the negotiations with organised labour and
  - Affordability.

The Board has also ensured that there is a criterion for rewarding performance of the employees guided by the performance management system.

(15) 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.

The Board has established the Audit and Risk Committee to among others oversee the following:

- The effectiveness of the entities' assurance functions and services, with particular focus on combined assurance arrangements, including assurance service providers, internal audit, and the finance function; and
- Integrity of annual financial statements and performance information; and
- Risk governance

The committee will review the financial reporting processes, the system of internal control and management of financial risks, fraud and malpractices, the audit process, and the company's process for the monitoring compliance with laws and regulations.

In performing its duties, the committee will maintain effective working relationships with the Board, Management, and the internal and external auditors. To perform its role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the entity's business, operations, and risks.

The committee does not relieve the Board of any of their responsibilities but assists it in fulfilling such responsibilities. The committee is an advisory and have an objective independent role, operating as overseer and a maker of recommendations to the Board for its approval or final decision.

The Board also have the Combined Assurance Framework in which it implements as part of ensuring that the entity is compliant to all the guiding instruments.

(16) 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.

The Board has approved the Stakeholder Management Policy to ensure that all the stakeholders listed on page 29 are involved throughout the implementation of its business strategy. The Chairperson of the Board has on a need basis engaged with the political heads of various institutions to layout the strategic direction of the entity. Furthermore, the stakeholders are invited to make presentations of their plans that has a direct impact on the plans of the entity. The Board has further signed MoUs with the Universities and research institutions to ensure that together we enhance the life of the communities within our area of operation.

VALUE CREATION

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

17 VALUE CREATION

CHIEF EXECUTIVE'S REPORT

Our mandate is to provide bulk water services to other water management institutions and users, i.e. water services authorities (municipalities), mines and industries, in its gazetted areas of supply

The structure of the Department of Engineering Services was reviewed to include the project technicians who regularly monitor the progress of all the projects on the ground while the project engineers focus on the high-level engineering processes. The Executive Manager was also appointed towards the end of the financial year and started in September 2025 of the next financial year (2025/26).

The Department of Operations and Maintenance is stable with its professional technical expertise involved in managing the raw water abstraction, alien vegetation control, dam management, treatment and the distribution of potable bulk water, the collection and treatment of wastewater (on behalf of Water Services Authorities), potable water and wastewater quality monitoring, asset management, and water demand and conservation management.

The support functions such as Finance, Information and Communication Technology (ICT), and Corporate Services lay a solid foundation that enables the organisation to respond to a rapidly changing environment in all spheres of government, for LNW to continue to play a pivotal role in solving the water services related challenges in the Limpopo Province. The training programmes, development programmes, internal promotions, appointments, competitive remuneration and succession planning measures have ensured that we retain the best skills and contain a staff turnover rate at a low level of 1.27%, a little higher than 0.4% of the previous financial year but below the annual target of 2%.

The review of the corporate business plan was undertaken during the period under review, during which strategic outcomes of the organisation were agreed to with clear priorities to be achieved over the five-year (5-year) period as highlighted below:

(a) Provision of equitable and sustainable bulk water services.
(b) Bulk water services infrastructure planning and development.
(c) Effective financial viability and sustainability.
(d) Effective and efficient organisational development processes and practices; and
(e) Good governance and clean administration.

These strategic objectives continued to serve as a base from which performance agreements were entered into between the Chief Executive, senior executive management and cascaded down to all staff members of the organisation.

LNW has undertaken several major capital and refurbishment projects for the financial year under review. Apart from upgrading and extending its own water infrastructure, some of the work is done in its capacity as a project implementing agent of the Department of Water and Sanitation (DWS). The SIP (Strategic Integrated Project) -19 Olifantspoort/Ebenezer refurbishment water project achieved an important milestone with completion of the specon pipeline which was susceptible to frequent breakages and/or bursts. Furthermore, the project feasibility report has been updated and finalised for the Olifantspoort and Ebenezer Water supply schemes. The partners, viz. Department of water and Sanitation, Lepelle Northern water, City of Polokwane, Capricorn District Municipality, Infrastructure South Africa and Development Bank of Southern Africa, are currently finalising the processes for the initial phase of fund raising which requires R 4,95 billion for the Phase 1A portion of the project after being partially funded by the National Treasury Budget Facility for Infrastructure (BFI) at R 1,4 billion which has been used for the refurbishment works within the phase 1A.

The balance of the phase 1A portion aims to augment supply from the current 114 Mℓ/day to 144 Mℓ/day by 2029, phase 1B aims to increase supply from 144 Mℓ/day to 180 Mℓ/day at a cost of R 4 billion by 2032, while phase 2 estimated at R 14,2 billion is aimed at increasing supply to 270 Mℓ/day by 2035 for a demand projected for 2046.

Production-related water infrastructural management have seen an overall achievement of water losses to 4,97% a slight regression from 4,26% in the 2023/24 financial year against a target of 5%. This came because of illegal connections on our bulk lines by communities who were not provided reticulation by the relevant water services authorities which negatively affect our efforts of optimal maintenance of water infrastructure throughout its entire life cycle that is carried out to achieve optimum return on production assets. Plant availability remained unchanged at 96% compared to the previous financial year against a target of 95%.

LNW has maintained the ISO 14001: 2015 standard whereby four (4) schemes were audited, viz. Nandoni, Ebenezer, Politsi and Head Office. The ISO 14001:2015 standard specifies the requirements for an environmental management system to enable us to develop and implement a policy and objectives that consider legal requirements and other requirements to which we subscribe.

LNW is using ISO 14001:2015 standard as a tool to enhance its environmental performance, ensure regulatory compliance and achieve environmental objectives, specifies the requirements for an environmental management system to enable us to develop and implement a policy and objectives that consider legal requirements and other requirements to which it subscribe. LNW has maintained the ISO 14001: 2015 standard since 2012, we were scheduled for re-certification assessment in July 2025. The following plants will be sampled for the re-certification assessment Marble Hall WTW, Burgersfort WTW and Doorndraai WTW. The laboratory has further added six (6) new methods which were also accredited by SANAS in the financial year under review.

LNW has a total permanent staff complement of 372 and the entity's priority in managing human capital is based on attracting competent incumbents with the required skills to ensure continuous engagement, talent management and compensate market-related remuneration to enhance and capacitate our human capital for uninterrupted supply of bulk water services. LNW adopted a human capital strategy that enhances business stability and maximum performance to address the critical skills shortage within the water and energy sector which has a negative impact on effective and efficient business performance.

Financial sustainability is one of our highest priorities for the organisation. We have therefore put in measures that assist us to collect the revenue due to us. High debtors' days remains a high priority and is a major concern. However, we have seen an improvement within the reporting period after implementing strict credit control management processes. The entity managed to make revenue of R1.67 billion and a surplus of R441 million.

We continue to optimise our Supply Chain Management (SCM) systems to achieve all the procurement plans. There have been improvements in the acquisition of goods and services with fair, equitable, transparent, competitive, and cost-effective principles, although still dealing with legacy contracts from the past. LNW always strives to procure goods and services locally and from Broad- based Black Economic Empowerment (BBBEE) service providers. The entity awarded R194 million worth of multi-year projects (92,5%) on BBBEE procurement, one hundred and thirty-nine (139) new entrants (R120 million worth of projects) and utilised most of locally based companies.

I wish to further extend appreciation to the executive management team, staff, all LNW customers, service providers and suppliers through ensuring that the task of bulk water supply services delivery is progressively achieved. Lastly, our utmost gratitude also goes to our Board members for the oversight and guidance.

DR C RUITERS
CHIEF EXECUTIVE OFFICER

Celebrating 65 years JOURNEY OF BULK WATER SERVICES

17.1 Value Proposition

Lepelle Northern Water has adopted the six categories of capitals that we used to create value as identified by the International Integrated Reporting Council (IIRC), i.e., financial, manufactured, intellectual, human, natural and social and relationship as highlighted in the next section.

Capitals	Explanation
Natural Capital	The way the entity interrelates with the water sources and their related environments
Manufactured	The infrastructure used for water treatment, and distribution of water to the customers
Human Capital	The skills and experiences of employees
Intellectual Capital	The way the entity creates, manages and protects its properties to create value
Social & Relationship Capital	The relationship with stakeholders, both contracted, non-contracted and the shareholder
Financial Capital	Cash gererated from operations and net profit reserves.

FINANCIAL CAPITAL

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CHIEF FINANCIAL OFFICER'S REPORT

18.1 Overview

The 2024/25 financial year was marked by continued operational resilience and strategic financial management, despite a challenging macroeconomic environment and sector-specific constraints. Lepelle Northern Water (LNW) maintained its commitment to financial sustainability, service delivery, and infrastructure investment, while navigating revenue pressures and cost escalations.

18.2 Financial Performance

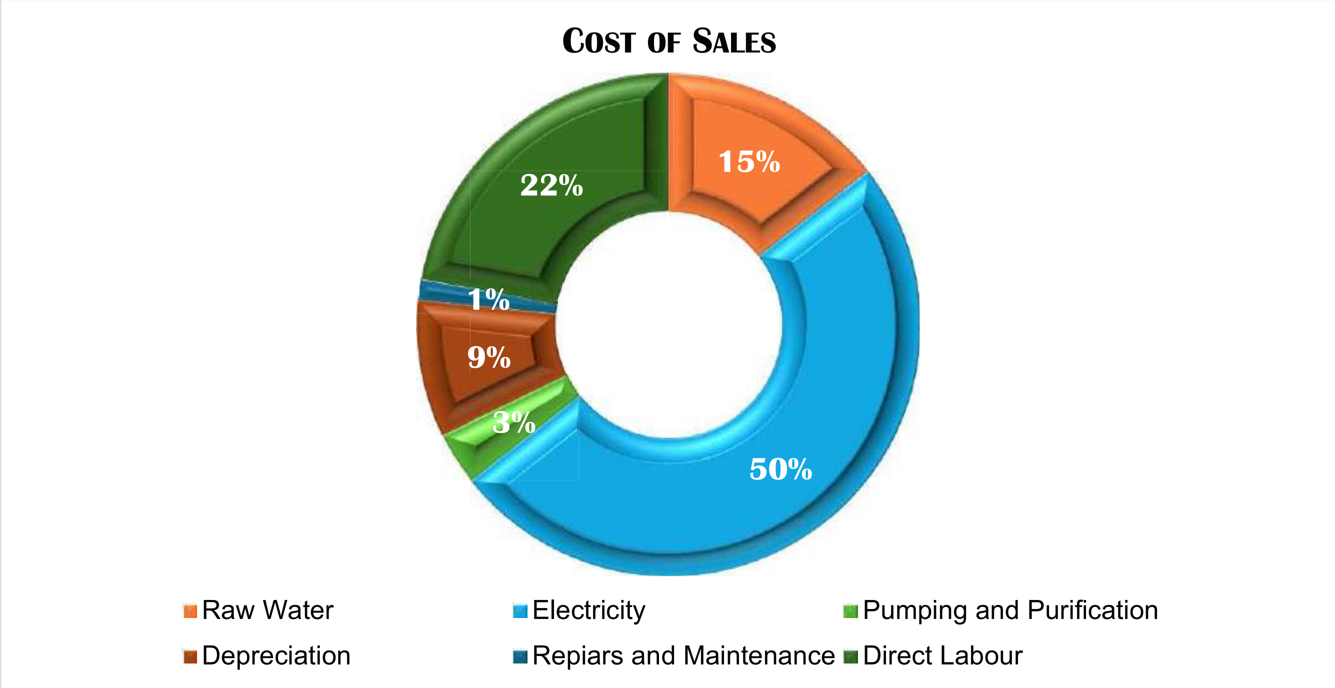
LNW recorded a surplus of R441.3 million for the year (2024: R848.8 million), reflecting a decrease of 48% year-on-year. The decline is primarily attributable to lower grant income and reduced construction contract revenue.

Profitability Ratios Comparison		
Ratio	**2024**	**2025**
Operating Margin	37.5%	22.0%
Net Margin	41.6%	26.4%
Return on Assets	14.5%	7.0%

Total revenue decreased to R1.67 billion (2024: R2.04 billion), driven by a reduction in government grants from R633 million to R317 million and lower construction contract revenue (R318 million vs R424 million). Operating expenses decreased slightly to R871.5 million (2024: R917.2 million), reflecting cost containment efforts. Investment income increased to R104.6 million (2024: R86.9 million), due to delayed utilisation of grant funds.

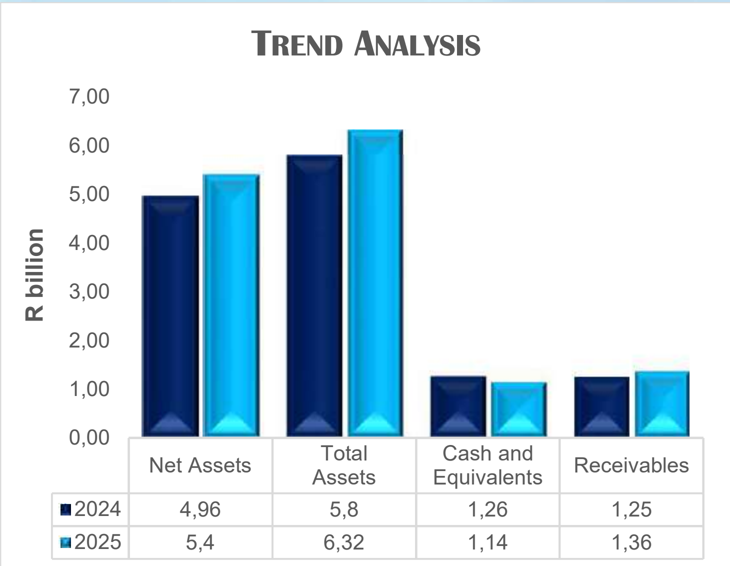
18.3 Cost Containment

The organisation successfully managed operational expenses. Cost of sales increased to R551 million (2024: R501 million), driven by higher electricity and labour costs. The largest components were electricity (R274.6 million), direct labour (R121.9 million), and depreciation (R48.9 million). This upward trend in cost of sales highlights the impact of inflationary pressures and operational demands on water production.



18.4 Financial Position

LNW's financial position remains strong, with net assets increasing to R5.4 billion (2024: R4.96 billion). Total assets grew to R6.32 billion (2024: R5.86 billion), driven by capital investment in infrastructure. Cash and cash equivalents decreased to R1.14 billion (2024: R1.26 billion), mainly due to increased capital expenditure and lower grant receipts. Receivables from exchange transactions increased to R1.36 billion, with impairment provisions of R304.9 million.



Solvency Ratios Comparison		
Ratio	**2024**	**2025**
Debt to Assets	15.4%	14.5%
Debt to Equity	0.18	0.17

18.5 Cash Flow

Liquidity Ratios Comparison		
Ratio	2024	2025
Current Ratio	3.09	3.03
Quick Ratio	3.08	3.02

Net cash generated from operations was R492.2 million (2024: R837.5 million), reflecting lower receipts from grants and construction contracts. Capital expenditure amounted to R441.6 million, primarily for infrastructure development.

18.6 Capital Investment

LNW invested R460 million in property, plant, and equipment, with major allocations to waterworks and machinery. Assets under construction increased to R650 million, supporting long-term service delivery goals.

18.7 Budget Performance

The entity achieved a positive variance of R135.8 million against the final budgeted surplus, mainly due to higher-than-expected interest income, lower-than-budgeted expenditure on chemicals, repairs, and employee costs, and delays in grant-funded project implementation.

18.8 Five-Year Financial Trend Analysis

Over the past five years, Lepelle Northern Water has experienced fluctuating revenue levels, peaking in 2024 at R2.04 billion before declining to R1.67 billion in 2025 due to reduced grant income and construction revenue. Cost of Sales steadily increased from R410 million in 2021 to R551 million in 2025, reflecting inflationary pressures and higher operational inputs. Operating Surplus peaked in 2024 at R848 million, but dropped to R441 million in 2025, highlighting the impact of reduced income and rising costs. This trend underscores the need for enhanced cost control and diversified revenue streams.

18.9 Credit Risk Management

Credit risk remains elevated due to municipal debtors; the entity has navigated significant challenges due to non-payment of account by municipal customers. However, we are optimistic about changing the situation through strategic partnership with Provincial Treasury, National Treasury, and the Department of Water and Sanitation (DWS).

Although the entity provided for debtors' impairment allowance of R305 million during the period, our credit management efforts are yielding positive results with collection of R1,037 billion (2024: 936 million) from our customers. We concluded repayment agreement with key customer with outstanding debt.

18.10 Overview on Key Performance Indicators

Indicator	Target	Actual
BBBEE expenditure	90%	92,5%
% income from secondary activities on turnover	5%	34%
Gross profit margin (primary activity)	46%	46.9%
Net profit margin (primary activity)	33%	34%
Return on assets	1%	6%
Audit opinion	Clean audit	Unqualified
Staff remuneration as % of total operating expenditure	35%	22%
Debt equity	25%	17%
Number of new entrants awarded with contracts in the financial year	5	139
Repairs and maintenance as a % of Property Plant and Equipment	1,0%	2.23%
Gross profit margin (secondary activity)	5%	52%
Net profit Margin (secondary activity)	5%	12,1%
% Variance of actual Capital Expenditure versus Capital budget	10%	- 90%
3.5.1. % Variance of actual operational Expenditure (fixed costs) versus operational budget	10%	1,0%
Current ratio	1	3.03
Debtor's days	300	443

18.11 Looking Forward

To improves current performance and strengthen financial sustainability, Lepelle Northern Water is investing in digital transformation initiatives that will improve predictive maintenance and smart water management systems. This automation will improve operational reliability and reduce downtime. Furthermore, we will implement strict cost control measures, focusing on energy efficiency to reduce electricity costs, optimizing procurement processes, and minimizing water losses through advanced monitoring systems.

To address the high debtors, we will strengthen debtor management by enforcing payment agreements with municipalities, introducing automated billing systems, and applying stricter credit controls to reduce impairment provisions.

MOTSIRI STANLEY RAMALATSO
CHIEF FINANCIAL OFFICER

19 PFMA COMPLIANCE

Lepelle Northern Water take cognisance of the compliance reporting requirements to be followed when it comes to disclosure of the irregular, fruitless and wasteful expenditures in line with the National Treasury Instruction No. 4 of 2022/23: PFMA Compliance and Reporting Framework issued and effective from 03 January 2023. Tables 4-1 and 4-2 display both irregular and fruitless expenditures as per the PFMA (as amended):

19.1 Disclosure on Fruitless and Wasteful Expenditure

Table 19:1: Fruitless and Wasteful Expenditure

Fruitless and Wasteful Expenditure	2025 R'000	2024 R'000
Opening balance	**15 654**	**15 654**
Prior period errors		
As restated	**15 654**	**15 654**
Confirmed		
Identified during and for the current year	-	
Previously identified and confirmed during the current year 2024/25 fruitless and wasteful expenditure identified in 2023/24		
As reported in the financial statements (note 31)		7
Less: Condoned	-	-
Less: Not condoned but removed	-	-
Less: Irrecoverable	-	-
Less amounts not recovered and written off	-	-
Closing balance	**15 661**	**15 661**
Details of current and previous year fruitless and wasteful expenditure		
Under assessment	-	-
Under determination	-	-
Under investigation	-	
Total	**-**	
Details of current and previous year fruitless and wasteful expenditure condoned fruitless and wasteful expenditure condoned		
	-	-
Total	-	-
Details of current and previous year fruitless and wasteful expenditure removed - (not condoned) fruitless and wasteful expenditure NOT condoned and removed		
	-	-
Total	-	-
Details of current and previous year fruitless and wasteful expenditure recovered fruitless and wasteful expenditure recovered.		
	-	-
Total	-	-

Fruitless and Wasteful Expenditure	2025 R'000	2024 R'000
Details of current and previous year fruitless and wasteful expenditure written off (irrecoverable) fruitless and wasteful expenditure written off		
	-	-
Total	-	-
Details of current and previous year disciplinary steps taken as a result of fruitless and wasteful expenditure		
Not applicable		
Total	-	-

19.2 Disclosure on Irregular Expenditure

Table 19:2: Disclosure on Irregular Expenditure

IRREGULAR EXPENDITURE	2025 R'000	2024 R'000
Opening balance	**5 227**	**5227**
Add: Irregular expenditure confirmed	-	-
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned but removed	-	-
Less: Irregular expenditure recoverable	-	-
Less Irregular expenditure not recovered and written off	-	-
Closing balance	**5 227**	**5 227**
Irregular expenditure that was under assessment	-	-
Irregular expenditure that relates to 2024 and identified in 2025	-	-
Irregular expenditure incurred	-	-
Total	-	-
Details of current and previous year irregular expenditure (Under assessment, determination, and investigation)		
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
Total	**-**	**-**
Details of current and previous year irregular expenditure condoned		
Irregular expenditure condoned	-	-
Total	**-**	**-**
Details of current and previous year irregular expenditure removed - (not condoned)		
Irregular expenditure Not condoned and removed	-	-
Total	**-**	**-**
Details of current and previous year irregular expenditure recovered		
Irregular expenditure recovered	-	-
Total	**-**	**-**
Details of current and previous year irregular expenditure written off (irrecoverable)		

IRREGULAR EXPENDITURE	2025 R'000	2024 R'000
Irregular expenditure written off	-	-
Total	-	-
Additional disclosure relating to inter-institutional arrangements		
Details of non-compliance cases where the institution is involved in an inter-institutional arrangement (where the institution is not responsible for the non-compliance)		
Not applicable	-	-
Total	-	-
Details of non-compliance cases where the institution is involved in an inter-institutional arrangement (where the institution is responsible for the non-compliance)		
The appointment of Isiphethu was irregular and all expenditure incurred on the contract were classified as irregular. Irregular Expenditure incurred from April 2020 to June 2022 amounted to R38 633 461.57	2 279	32 775
Total	2 279	32 775
Details of current and previous year disciplinary steps taken as a result of irregular expenditure		
A service was procured to defend an urgent application lodged against the Minister of DWS & the Interim Board. Disciplinary process was undertaken, the recovery of costs is in progress	2 789	2 789
Total	2 789	2 789

20 SUPPLY CHAIN MANAGEMENT

20.1 Deviations from Normal Procurement Processes

Lepelle Northern Water complies with the Compliance and Reporting Framework for 2022/23, Appendix E, where it states that institutions are required to annually disclose information on supply chain management payment in the Annual Report of their respective institutions. Table 5-1 below outlines the information on the procurement made through deviations under the reporting period:

Table 20:1: Deviations from the normal procurement processes

Types of Deviation	No. of Deviations	Total Amount
Single source	7	Rates based
Emergency	2	R3 688 256,09
Total	**9**	**R3 688 256,09**

20.2 Variations above the Threshold

Table 20-2 below highlights the expansions and variations that exceeded 20% or R20 million (whichever is less) for construction related goods or services that exceeded 15% or R15 million (whichever is less) for all other goods or services, of the contract value.

Table 20:2: Variations above the threshold for both construction and goods or services

VARIATIONS	NO. OF VARIATIONS	TOTAL AMOUNT
Services related projects	1	R214 500
TOTAL	**1**	**R214 500**

MANUFACTURED CAPITAL

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21 MANUFACTURED CAPITAL

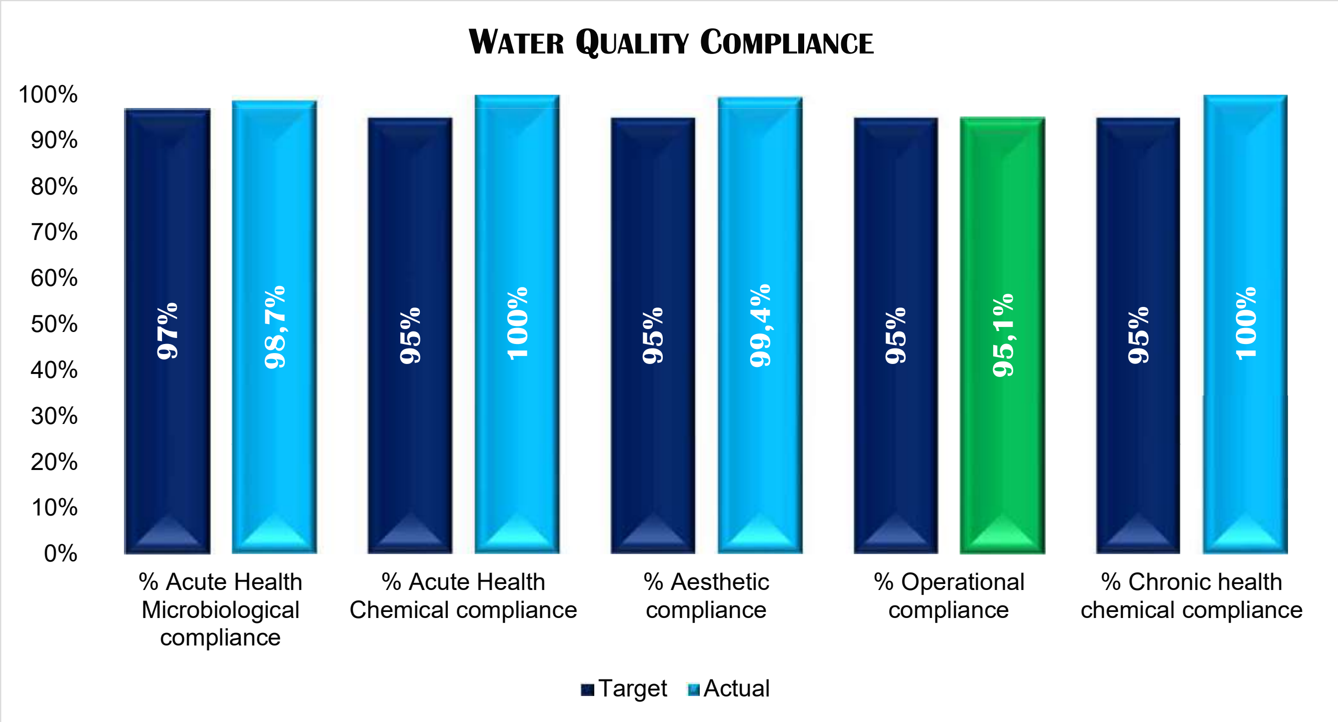
Manufactured capital is a collection of physical assets, infrastructure, and technology that Lepelle Northern Water owns, or controls to provide services to our customers with the area of operation. The entity owns five (5) schemes and operate the approximately six (6) more schemes and several boreholes and package plants on behalf of the Water Services Authorities.

21.1 Overview on Key Performance Indicators

Indicator	Target	Actual
Number of days of unplanned interruptions to bulk supply exceeding 24 hours	3	0.09
Avoidable water lost as a percentage of water abstracted	5%	4.97%
% Acute Health Microbiological compliance	97%	98.7%
% Acute Health Chemical compliance	95%	100%
% Aesthetic compliance	95%	99.4%
% Operational compliance	95%	95.1%
% Chronic health chemical compliance	95%	100%

21.2 Water Quality Performance

As a bulk water service provider LNW is mandated to supply potable water that complies to SANS 241 drinking water standards. The minimum requirement for microbiological compliance is 97%. The set target for Acute-Health, Aesthetic, Chronic Health and Operational compliance is 95%. The entity has met the quality compliance targets in four (4) categories of water quality requirements as per SANS 241 drinking water standard. Figure 20-1 below highlights the water quality compliance achieved.



>97%	>95 <97%	>90 <95%	<90
Excellent	Good	Acceptable	Alert

Figure 21:1: Water Quality Compliance

The SANS 241 standard specifies the minimum requirements for safe drinking water supplied to consumers. The potable water quality standards (SANS 241) requires both microbiological (97%) while aesthetic and chemical components to meet the minimum compliance standard of 95%.

Table 21:1: below depicts the results achieved on various categories of water quality compliance.

PLANT	LIMIT	MICROBIOLOGY	LIMIT	ACUTE HEALTH CHEMICAL	AESTHETIC	OPERATIONAL	CHRONIC HEALTH
Olifantspoort	**97%**	96.1%	**95%**	100.0%	99.7%	91.2%	100.0%
Olifantspoort-Capricorn District	**97%**	97.2%	**95%**		99.3%	94.4%	100.0%
Olifantspoort-Chuene Maja	**97%**	99.2%	**95%**		100.0%	93.5%	100.0%
Olifantspoort-Fetakgomo	**97%**	95.7%	**95%**		99.1%	93.3%	100.0%
Olifantspoort-Seshego	**97%**	100.0%	**95%**		100.0%	96.9%	100.0%
Olifantspoort-Polokwane City	**97%**	100.0%	**95%**		100.0%	95.0%	100.0%
Ebenezer	**97%**	100.0%	**95%**	100.0%	100.0%	100.0%	100.0%
Ebenezer -Haenertsburg	**97%**	100.0%	**95%**	*	100.0%	98.9%	100.0%
Ebenezer - Mankweng	**97%**	100.0%	**95%**	*	100.0%	99.3%	100.0%
Ebenezer – Molepo	**97%**	100.0%	**95%**	*	100.0%	99.4%	100.0%
Ebenezer - Polokwane City	**97%**	100.0%	**95%**	*	100.0%	99.0%	100.0%
Doorndraai	**97%**	97.7%	**95%**	100.0%	96.9%	79.6%	99.8%
Nandoni	**97%**	99.3%	**95%**	100.0%	100.0%	98.4%	100.0%
Politsi	**97%**	100.0%	**95%**	100.0%	100.0%	99.4%	100.0%
Phalaborwa	**97%**	98.8%	**95%**	100.0%	99.9%	99.4%	100.0%
Flag Boshielo	**97%**	100.0%	**95%**	100.0%	100.0%	95.3%	100.0%
Marble Hall	**97%**	99.2%	**95%**	100.0%	99.8%	98.8%	100.0%

Plant	Limit	Microbiology	Limit	Acute Health Chemical	Aesthetic	Operational	Chronic Health
Burgersfort	**97%**	98.7%	**95%**	100.0%	100.0%	97.7%	100.0%
Hlogotlou	**97%**	100.0%	**95%**	100.0%	100.0%	94.0%	100.0%
Nkadimeng	**97%**	99.4%	**95%**	100.0%	99.7%	99.9%	99.8%
Steelpoort Borehole	**97%**	100.0%	**95%**		100.0%	97.8%	100.0%
Steelpoort	**97%**	100.0%	**95%**	100.0%	100.0%	98.9%	100.0%
Kutullo	**97%**	100.0%	**95%**	100.0%	89.3%	77.7%	100.0%
Ohrigstad	**97%**	100.0%	**95%**	100.0%	100.0%	98.4%	100.0%
Mapodile	**97%**	97.9%	**95%**	100.0%	98.8%	88.8%	100.0%
Malekana	**97%**	100.0%	**95%**	100.0%	100.0%	99.0%	100.0%
Mooihoek	**97%**	95.8%	**95%**	100.0%	100.0%	98.0%	100.0%
Tsakane	**97%**	100.0%	**95%**	100.0%	98.9%	85.4%	100.0%
Doting	**97%**	88.6%	**95%**	100.0%	100.0%	90.3%	100.0%
LNW	**97%**	98.7%	**95%**	100.0%	99.4%	95.1%	100.0%

*Acute health chemical is analysed at plant final not in supply systems

The table above highlights the following compliance aspects.

Acute Health Microbiological Compliance

On average the microbiological compliance for the organisation is 98,7%, which is within the set target. This marks a 1,1% improvement from the previous reporting period. The water is safe for human consumption.

Chronic Health Compliance

The overall chronic health compliance of water provided is in an excellent state and no challenges were experienced and well above the set target of 95%.

Aesthetic Compliance

Overall aesthetic compliance of water provided by LNW is 99,4% an excellent state to the set target of 95%.

Operational Compliance

Achieved operational compliance is 95,1. There are challenges in achieving the operational compliance, special reference to Olifantspoort, Doorndraai, Kutullo, Tsakane, Mapodile and Doting systems, which failed to meet the target of 95%. Non achievement of the operational compliance does not render the water unsafe to drink, however it serves as an alert level to the organisation and WSA that some processes within the water treatment works require optimisation or refurbishment. The next section of the report outlines LNW plans to remedy operational challenges.

Challenges and plans towards full operational compliance

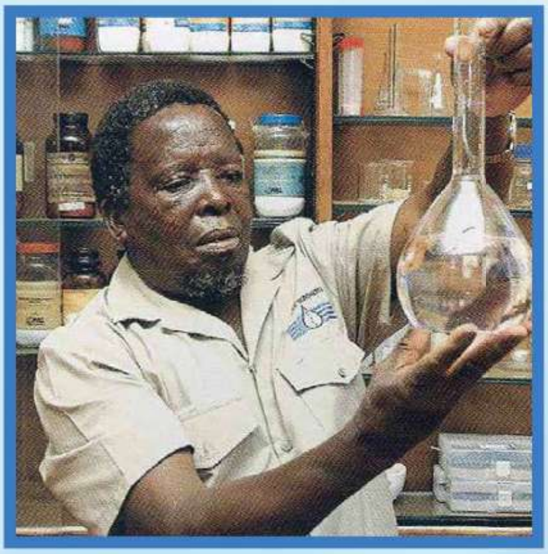
For the package plants in Sekhukhune District municipal area (i.e., Doting, Kutullo, Mapodile and Tsakane) upgrades are required, WSA to avail CAPEX budget.

Process optimisation for the package plants at Doorndraai was intensified to improve operational compliance and already the improvements are noticed.

Acute Health Chemical Compliance

Excellent quality status in terms of the acute health compliance, all schemes exceeded the target of 95%.

21.2.1 Accreditation: ISO 17025



Scientific Service Central laboratory has obtained and maintained SANAS accreditation status for 13 consecutive years. This gives our customers assurance of quality of the results produced at the laboratory. The laboratory is well resourced to handle 6000 or more analysis.

South African National Accreditation System (SANAS)

Assessments are conducted by SANAS every 18-month cycle and re-assessments are conducted every after a 5-year cycle. The last assessment conducted was in March 2025.

Laboratory's Schedule of Accreditation and SANAS Assessments

After the assessment conducted in March 2025, the Laboratory received its latest Schedule of Accreditation (Issue No. 14) in October 2025. There were no changes made to the laboratory number (T0516) or the Nominated Representative (NR). The updated schedule includes six additional test methods and two new Technical Signatories (TS). This schedule accurately reflects the methods for which the laboratory is accredited, and its expiry date is set for January 2027.

Analyses of customer satisfaction

The laboratory actively seeks both positive and negative feedback from its internal and external customers. To address the specific needs of each customer group, questionnaires are customized accordingly. This feedback is used to improve the quality management system, testing processes, and customer service.

Client satisfaction surveys are conducted annually. The laboratory aims to achieve an average satisfaction rate of 85% from both internal and external clients. During the period under review (2024/25), the laboratory achieved a score of 90.13%, an increase from 90.0% in the 2023/24 financial year. This improvement indicates a high level of customer satisfaction, exceeding our goal of 85% or higher. The score of 90.13% demonstrates that our internal and external customers are satisfied with the services provided.

Improvements/Achievements

The laboratory committed to a continual improvement strategy to enhance the effectiveness of its quality management system, ensuring that outputs meet established requirements. During the review period, the laboratory made significant advancements in its quality management system by achieving the following:

- Maintaining accreditation in accordance with ISO/IEC 17025:2017,
- Achieving an accuracy rate of 98.75% in chemistry and 98.6% in microbiology,
- Improving performance on chemistry Proficiency Testing Service (PTS) outliers,
- Enhancing customer satisfaction; and
- Reducing the number of non-conformances from 12 to 9 during the SANAS audit.

These accomplishments reflect the laboratory's commitment to continual improvement and quality management.

DWS Regulatory Assessments

Blue Drop Performance Assessments Tool (BD PAT) were conducted in 2025, these are desktop assessments conducted by DWS to monitor progress following the 2023 Blue Drop results.

Green drop Assessment

The Green Drop full assessments are conducted by DWS- as a regulator, the purpose is to evaluate individual wastewater systems based on criteria like process control, maintenance, effluent quality monitoring, sampling and compliance. These assessments took place from March 2025 to April 2025. Confirmation sessions were also conducted between June 2025 and July 2025. Awaiting the release final report.

21.3 INFRASTRUCTURE STABILITY

21.3.1 Impact of theft and vandalism on service delivery

LNW is experiencing a continuous increase in theft and vandalism of infrastructure associated with the supply and delivery of water services. The theft of copper cables is at the top of this list. Nine sites within LNW's operating area have been declared as Critical Infrastructure, formerly known as National key Points. LNW has expanded its network to monitor infrastructure via CCTV systems as well as upgrading other security measures.

21.3.2 Surety of supply

LNW has identified projects that will ensure reliable water supply to WSAs, and industries contracted to us.

21.3.3 Olifantspoort/Ebenezer Scheme Upgrades

The project viability and detailed design for the upgrade of Olifantspoort and Ebenezer Schemes are at advanced stages. The project plan is to increase surety of supply to Sekhukhune District Municipality, the City of Polokwane and Capricorn District Municipality, thus circumventing the severe water shortages within these areas. The first phase of the project is aimed at increasing supply from Olifantspoort Scheme by 40 Mℓ/day and refurbishing the existing infrastructure for assurance of supply by both Olifantspoort and Ebenezer Water Supply Schemes at a cost of R4,5 billion.

21.3.4 Politsi Scheme

Similar plans are in place for Politsi Scheme located in Mopani District, but the availability of sufficient raw water remains a major challenge to execute this project. Further engagements with interested and affected parties are ongoing with the assistance of the Department of Water and Sanitation.

21.3.5 Flag Boshielo Scheme

The project to increase the capacity of Flag Boshielo Scheme from 8 to 16 Mℓ/day is completed. LNW is currently exploring methods to fund the bulk distribution system to optimise supply of water within the scheme.

21.3.6 Phalaborwa Scheme

Major refurbishments are underway at Phalaborwa Scheme to improve surety of supply to the Phalaborwa Industrial Complex as well as to consumers of potable water.

21.4 PLANT AVAILABILITY OF PRODUCTION-RELATED INFRASTRUCTURE

LNW views maintenance management as a proactive way of avoiding interruptions in the supply of service by developing plans that define the methods to be used to repair and maintain physical assets through their entire life cycle. Maintaining infrastructure through its entire lifespan is significant for optimising return on investment spent on assets. This has led to the achievement of 96% of plant availability when compared to the target of 95% as illustrated in figure 21-2 below:

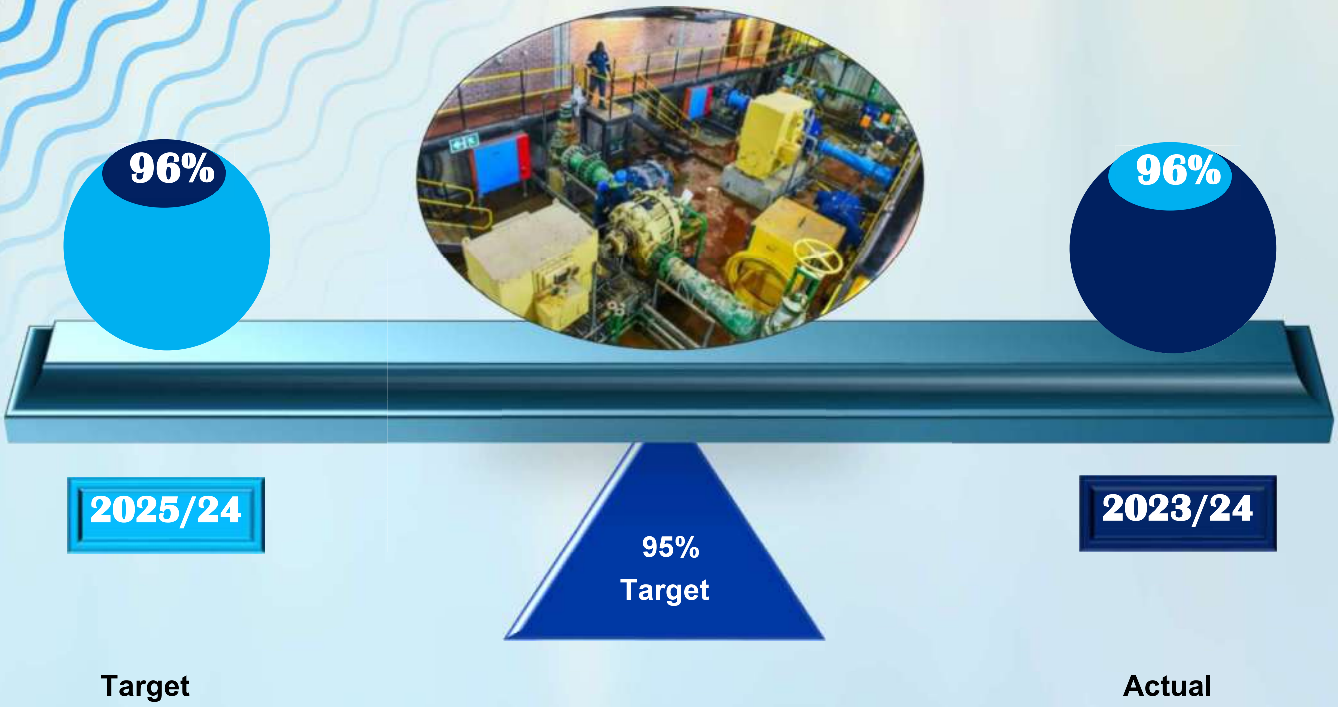


Figure 21:2: Plant availability of production-related infrastructure

Figure 21-2 shows that for the period 2024/25 the organisation managed to achieve an average of 96% plant availability of production-related infrastructure against the set annual target of 95%.

21.5 Capital and Refurbishment Programme

21.5.1 Overview of the Key Performance Indicators

Indicator	Target	Actual
Average % Completion of LNW infrastructure projects per approved project execution plan	85%	82%
Actual capex spent on LNW expansion related projects as % of budget	85%	93%
Average % Completion of Ministerial Directives per approved project execution plan	65%	65%
Actual capex spent on expansion related projects as % of budget (initiative by the Minister)	65%	149%
Overall % project completion dates within targets	30%	46%

During the period LNW undertook several major capital and refurbishment projects. Apart from upgrading and extending its own infrastructure it also acted as a project implementing agent for DWS and WSAs

The table below depicts the list of projects which LNW implemented during the period under review, including both those of DWS and WSAs.

Table 21:2: LNW Major capital projects

PROGRAMME NAME	PROJECT NAME	PROJECT NUMBER	TARGET AS PER EXECUTION PLAN	% COMPLETION AT YEAR END
Olifantspoort And Ebenezer Refurbishment Phase 1A	GTAC 003-2023-24: Olifantspoort and Ebenezer Refurbishment Phase 1A: Electromechanical Refurbishment of Olifantspoort Pump Stations (PS1, PS2 & PS3) and Ebenezer Water Treatment Works and Pump Station and Refurbishment of Water Treatment Works.	GTAC 003-2023-24	41,7%	80%
	GTAC 004-2023-24 - Olifantspoort and Ebenezer Refurbishment Phase 1A: Replacement of Pipelines and Refurbishment of Olifantspoort Water Treatment Works	GTAC 003-2023-24	57,8%	95%
	Servitudes Registration - Ebenezer and Olifantspoort Water Supply Scheme	RFQ 44445 & RFQ 44444	100%	50%
Phalaborwa Radial Gates	Professional Engineering Services for Phalaborwa Radial Gates Refurbishment *(Planning Phase only)*	LNW10/22/33	13,6%	75%
LNW SUPPORTING ENGINEERS	Electrical Engineering Consultant on a Temporary Basus to Support various LNW Projects	RFQ 43297	100%	100%
	OVERALL PROGRESS ACHIEVED AGAINST EXECUTION PLAN - 82%			

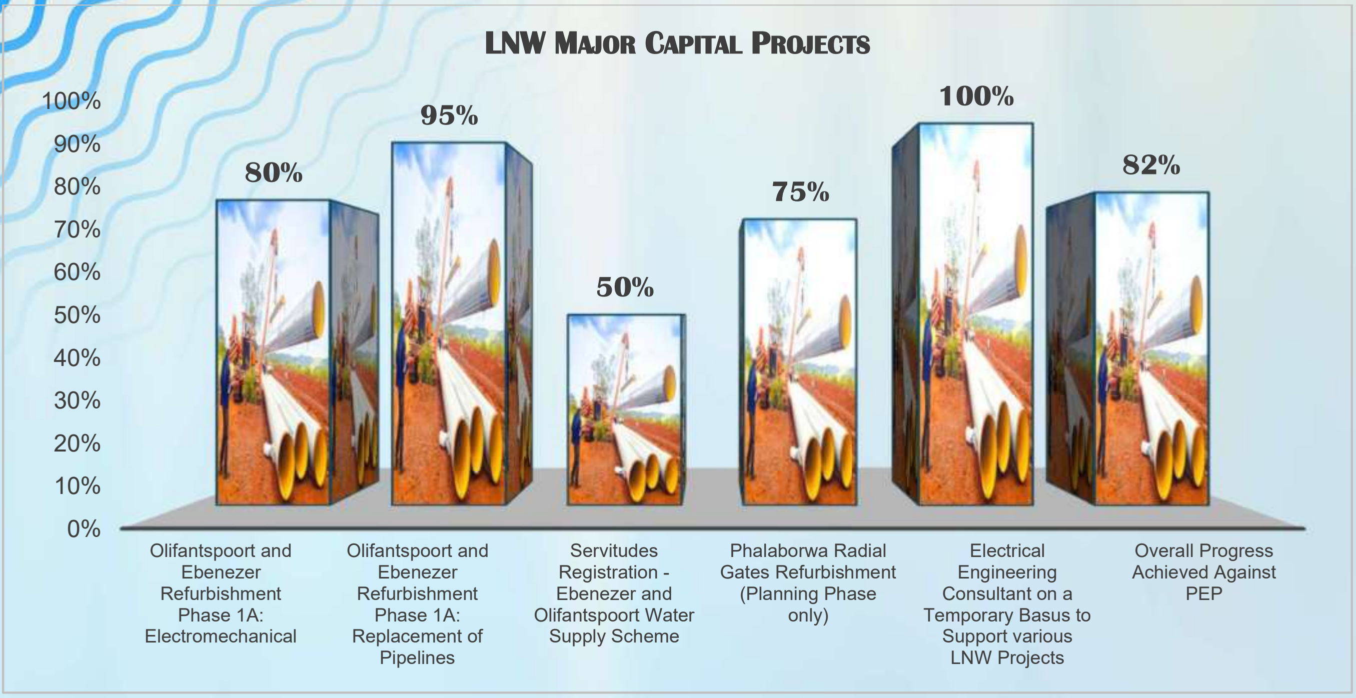


Figure 21:3: LNW capital projects progress as at end June 2025

As shown in Figure 21-3 and details in Table 21-2, With regards to LNW projects, the progress achieved in in the financial year, from a roll-over of the previous financial year, shows an achievement of 82% against a target of 85%.

The (Strategic Integrated Project) SIP-19 Olifantspoort Ebenezer Refurbishment project achieved an important milestone with commencement of construction works for the Phase 1A refurbishment work packages aimed at restoring the original design capacity of the pump stations and the specon pipeline which is susceptible to frequent bursts, the restricted Witkos suction pipeline to PS 3 in Olifantspoort was duplicated for better suction pressure and the rehabilitation of the Mankweng River crossings were completed in May 2025. Pump Station replacement is currently ongoing with all the pumps, VSD units and long lead items fully delivered on site.

21.6 Ministerial Directives

LNW received ministerial directives from DWS to assist with adaptive planning, feasibility studies, design and implementation of several projects. There are two (2) intervention projects being implemented for the financial year of 2024/25 in the Mopani District Municipality. The projects are a carry-over from the previous financial years whereby an average completion of 96.4% was reported at the end of June 2025.

The Nandoni-Nsami project has reached completion in quarter three and delivering water into the canal using permanent pumps. The Babanana/Nkambako projects has progressed significantly while Giyani project is performing below the expected targets due to procurement limitations experienced by the DWS-

CN. Lepelle Northern Water has finalised the appointment of framework contractor and service providers for procuring of materials to enable DWS-CN to progress on the works. The state of progress of projects is summarised below:

Figure 21:4: Ministerial projects

21.6.1 Mopani District Water and Sanitation Revitalisation Programme

The Mopani District was declared a disaster area due to the acute shortage of water and sanitation services in the area. Giyani Local Municipality, which is one of the five local municipalities in Mopani District, was hardest hit. In collaboration with the Provincial and National Government, MDM undertook a string of measures to address the crisis.

The directive received from the then Minister of Human Settlements, Water and Sanitation pays special attention to regularising water and sanitation crises in the Mopani District with the focus on 55 villages. The implementation of the projects guided by the business plan were categorised and prioritised as follows:

- Short-term project milestones,
- Medium-term project milestones; and
- Other project milestones.

Medium–term project milestones (commonly referred to as Phase 1)

The Giyani Water Services Project R08 covers 325km of bulk potable water pipeline network covering 55 villages within Giyani Local municipality. The average completion is now at 90,23% and the scope is categorized into various pipelines named pipeline A, B, C1, C2, D, D2, F1, F2 and Makosha offtake.

Pipelines A, B, C2, D2, and F1 are already delivering water to the community and Makosha pipeline is undergoing hydraulic tests.

Table 21:3: Physical progress report

Programme name	Project name	Overall %
Giyani Water Services	Giyani Water Services Project - completion of 324km of bulk potable water pipeline network covering 55 villages within the Giyani area	90.23%

21.6.2 Babanana/Nkambako Bulk Water Project

The principal objective of the Babanana/Nkambako Water Scheme is to improve water supply to all villages which form part of the Ritavi 1 Water Scheme (the overall Nkambako N'wamitwa area). The project will provide more sustainable water supply systems to villages and complement the existing supply system.

The Babanana Pipeline project RS 135 includes the refurbishment of Nkambako Water Treatment Works, pump stations and various pipelines within the Greater Tzaneen Municipality under Mopani District. The project was initiated by the then Minister of Water and Environmental Affairs on the 14 July 2012 due to water shortages in the area. The overall project's average completion is now at 99% for phase one of the works.

Table 21:4: Scope for the project

ITEM	DESCRIPTION	STATUS
Refurbishment works	The refurbishment of approximately 37km-long existing pipelines north of Xihoko, raw water pump station, flocculation channels, sand filters, balancing dam and chemical dosing plant at Nkambako WTW	Complete
Improvement works	The construction of pump station, 3Mℓ clear water tank, raw water inlet works, and sludge dams at Nkambako WTW	Complete

ITEM	DESCRIPTION	STATUS
Xihoko Distribution System	The construction of approximately 45 km uPVC pipelines north of Xihoko, construction of five reservoirs and construction of two booster pump stations	In progress
Babanana pipeline	Construction of 13 km steel pipeline	This scope forms part of the phase 2 of the programme commencing in second quarter of the current financial year.

Table 21:5: Physical progress

Programme name	Project name	Overall %
Babanana/ Nkambako	Bambanana/Nkambako Regional Bulk Infrastructure Project: Upgrade of Nkambako WTW and refurbishment of Bambanana bulk water pipeline	99%

Other project milestones (commonly known as Phase 2)

The planning designs and tender documents for the Phase 2 project milestones have been completed. The procurement process is planned to commence in the second quarter of the current financial year, pending an instruction to proceed from the funder (DWS). .

21.6.3 Polokwane Intervention Project

Background

The upgrade of the Olifantspoort and Ebenezer Water Schemes Project involves the refurbishment and upgrade of the bulk water supply infrastructure of the two schemes to reduce water services backlogs and meet the current and future water needs of the areas supplied by the two schemes until 2036.

The supply areas for the two schemes include Polokwane Local Municipality, Lepelle-Nkumpi Local Municipality in Capricorn District, the north-western part of Fetakgomo, Greater-Tubatse Local Municipality in Sekhukhune District and Haenertsburg settlement and farming communities around Ebenezer Dam in the western part of Greater-Tzaneen Municipal area in Mopani District.

Project planning started in 2015 when LNW had appointed a principal consultant and thereafter appointed a service provider for the detail design and implementation for the first implementation phase of the project. The full spectrum of required upgrades to meet the 2036 water needs for the two schemes has been identified.

To alleviate the ongoing water crisis in the supply areas serviced by Olifantspoort and Ebenezer Water Schemes at the earliest opportunity and in view of the magnitude of the proposed upgrades, LNW has adopted a phased approach for the implementation of the required upgrades and refurbishments. A first phase has been planned, which will utilise available funds to maximise the increase in water supply within the shortest possible time and will provide an infrastructure backbone for subsequent upgrades going forward.

Priority work packages have been identified as an interim stopgap measure to be implemented as Implementation Phase 1, and to increase water supply to the Polokwane urban cluster by approximately 55 Mℓ/day within the shortest possible time. The priority work packages are particularly focused on enabling the City of Polokwane to lift the moratorium on new developments which was imposed in May 2013 due to water supply constraints. The moratorium has had a very negative impact on the quality of life in and economic growth of the city. Implementation of the identified priority work packages will be completed within a period of three (3) years and will bring much needed relief to Polokwane before the rest of the required upgrades are completed. It must, however, be stressed that the priority work packages will not fully address the current water shortages within the project area but will lessen the critical water shortages experienced. The current and projected future water needs of the project area will only be fully addressed by the full implementation of all the required refurbishments and upgrades that have been identified.

The current estimated capital cost for all the proposed upgrades of Olifantspoort and Ebenezer Water Schemes was estimated at R18,5 billion in March 2018, including professional fees and VAT, but excluding the acquisition of land, compensation for servitudes or the upgrading of bulk power supply by Eskom. Due to the envisaged phased implementation of the project, the capital cost is expected to escalate to R18,5 billion by the time of project completion. The duration of the implementation of all the required upgrades will depend on the availability of funding. The project will be implemented over a period of five (5) to nine (9) years.

The total capital cost for the priority work packages is estimated at R4,54 billion, including professional fees, escalation and VAT but excluding the acquisition of land and compensation for servitudes. The estimated escalation costs are based on a 3-year implementation.

Benefits of the project

Water demands and moratorium on new developments.

One of the main priorities is to supply water to Polokwane Local Municipality. The municipality is experiencing a water supply crisis, which is preventing the municipality from meeting its socio-economic goals. The proposed first phase of the refurbishment and upgrade of the Ebenezer WSS and Olifantspoort WSS Project is particularly focussed on enabling the City of Polokwane to lift the moratorium on new developments and expansion of commercial development.

Revenue enhancement to LNW

Polokwane Local Municipality is one of the key consumers of LNW. The municipality is consistently servicing its current water account. The upgrade of Olifantspoort and Ebenezer Schemes will not only be beneficial to Polokwane Local Municipality by providing additional water for new developments and fulfil the current and future water demands but will provide additional revenue to the municipality and LNW.

Progress

The status to date is for priority work packages that have been identified as an interim stopgap measure to be implemented as Implementation Phase 1 of the overall project, to increase water supply and bring some relief to the Polokwane urban cluster within the shortest possible time. Completion of these priority work packages will deliver an additional 40Mℓ/day to the Polokwane urban cluster (40Mℓ/day from Olifantspoort Scheme and 15Mℓ/day from Ebenezer Scheme). LNW will upgrade Ebenezer Scheme to be able to accommodate extra 15Mℓ/day supply such that when there is a breakdown in Olifantspoort Scheme, Ebenezer Scheme is able to augment and close the gap until Olifantspoort Scheme is brought back to normal operation. This will ensure that the City of Polokwane achieves its anticipated metro status in future. The total capital cost for Implementation Phase 1A is estimated at R4,54 billion, including professional fees, escalation and VAT but excluding the acquisition of land and compensation for servitudes.

Progress on Phase 1A is currently at 98% of the detailed designs. The feasibility, preliminary design reports and implementation readiness study (IRS) reports are being updated as per the comments from the Department of Water and Sanitation Planning Directorate. Social funding on the project has been made available in the form of Budget Facility for Infrastructure (BFI) of National Treasury to an amount of R1,407 billion. Upon approval of the IRS, DWS will be able to make available a budget of R1,197 billion for the project. The total social funding contribution by Government will amount to R2,604 billion before a borrowing limit condition is met for approval by the Minister of Finance to take a commercial loan from the market amounting to R1,959 billion. This overall project plan requires a total of R4,5 billion for Phase 1A to increase supply to the City of Polokwane and Capricorn District Municipality with an additional 40 Mℓ/day from Olifantspoort Scheme and refurbishment of Ebenezer Scheme.

A project steering committee was established by DWS, LNW, Infrastructure Fund (DBSA) and Polokwane Local and Capricorn District Municipalities for project governance and steering the project towards successful completion.

21.7 Information And Communications Technology (ICT)

21.7.1 Information and Communications Technology Governance

Information and Communication Technology (ICT) is playing an ever-increasing role as a strategic enabler of public service delivery. To enable Political and Strategic leadership to embrace ICT as an enabler of business, the DPSA developed the Corporate Governance of ICT Policy Framework to guide the governance of ICT. The DPSA mandates departments and state entities to implement the Corporate Governance of ICT Policy Framework (CGICTPF) as an integral part of its corporate governance arrangements. The Framework prescribes a phased approach with three (03) phases:

21.7.1.1 Phase 1: Establish the Corporate Governance of and Governance of ICT

For the 2024/25 financial year Lepelle Northern Water implemented the following ICT policies and procedures:

a) Backup Procedure
b) Patch Management Procedure
c) Firewall Management Procedure
d) IT Helpdesk Procedure
e) Incident Management
f) Active Directory Administration Procedure
g) Logical Access Procedure
h) Physical and Environment Procedure
i) Disaster Recovery Plan
j) Cybersecurity Procedure
k) Corporate Governance of ICT Policy Framework
l) ICT Policy Manual

21.7.1.2 Phase 2: Strategic alignment: Implementation of business and ICT alignment

a) A Digital Transformation Strategy was drafted and adopted for implementation during the 2022/23 Financial and an Operational Plan aligned to the Strategy for the year under review was adopted and implementation.

The ICT Steering Committee Terms of Reference were reviewed and adopted for implementation during the period under review. The Committee held three (03) meetings during the financial year.

21.7.1.3 Phase 3: Continuous improvement of governance and strategic alignment arrangements

ICT continues to improve through the review of significant documents and strategic alignment arrangements to optimise ICT enablement of service delivery.

ICT continued to deliver value through a reliable and secure platform for business enablement, an effective and efficient service, a well-governed environment and exploiting best-fit digital technology innovation.

21.7.2 Network Availability

Network availability is very important in the day-to-day running of business of any organisation, especially with ICT having become crucial to any business. In line with the Fourth Industrial Revolution (4IR), the entity has ensured that there is reliable network available for all its employees to conduct their work through upgrading of the network speed to meet business requirements. The graphs below depict how the organisation has fared in relation to network availability.

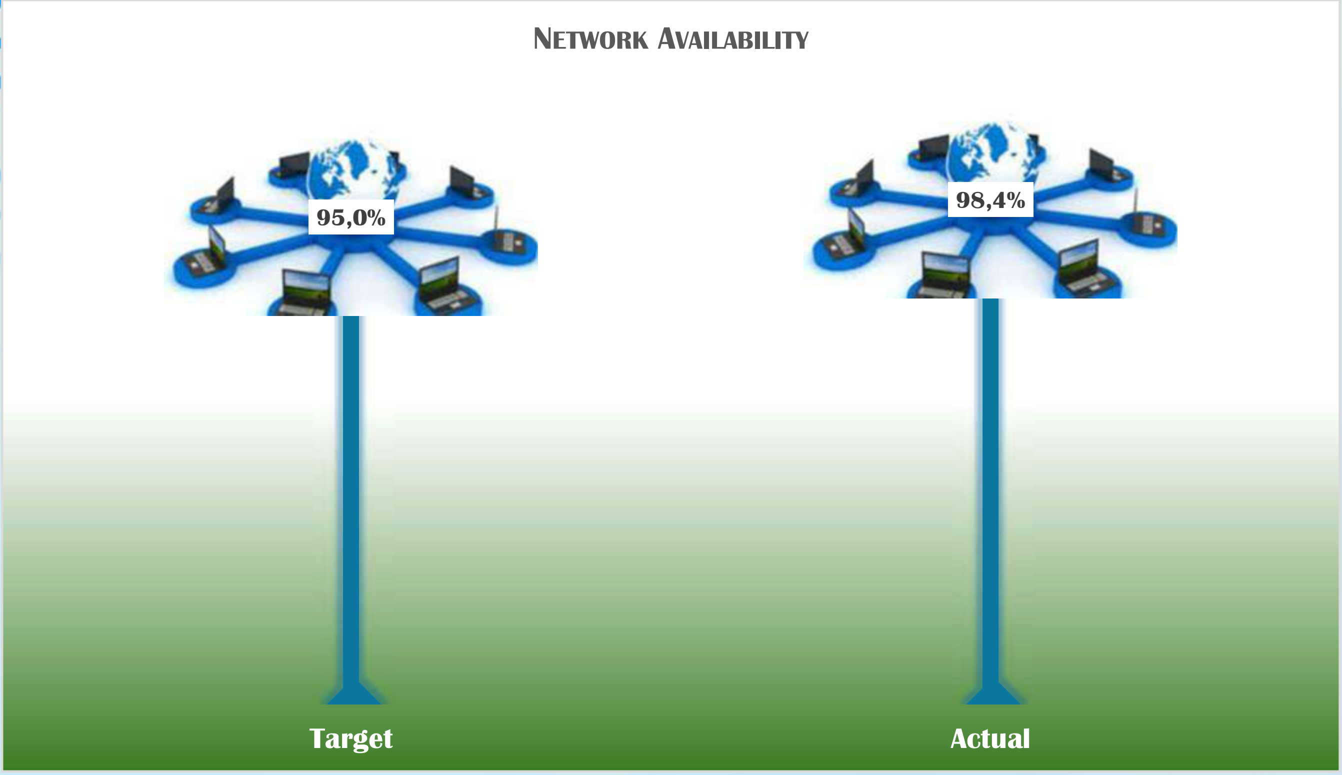


Figure 21:5: Network availability comparison

Figure 21-5 above shows that the network availability has been maintained at 98,4% which is an achievement against the target of 95%.

21.7.3 System Availability

In addition to Network Availability, another critical element of ICT is Systems Availability. Systems Availability was one of the Key Performance Indicator for ICT. The graph below highlights how the systems have on average been available for use.

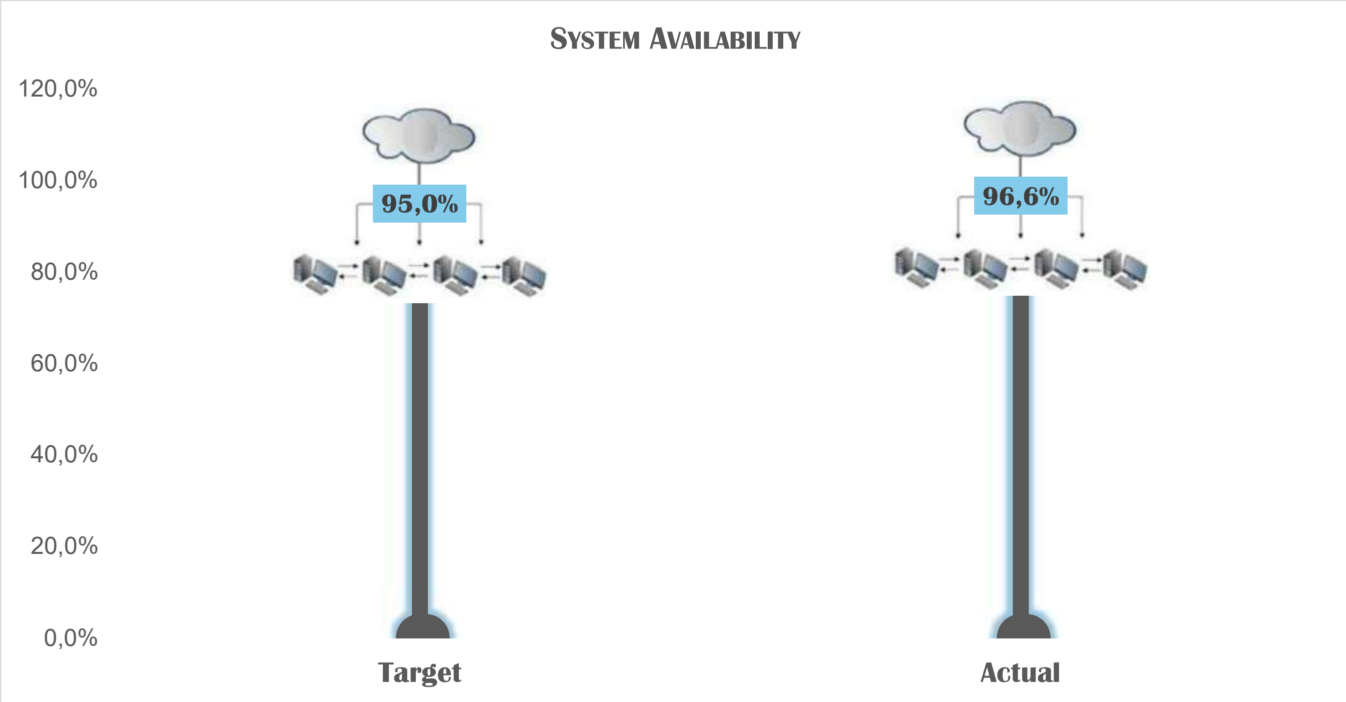


Figure 21:6: System availability

Figure 21-6 above shows that a secure and reliable systems applications infrastructure with an average availability of 96.6% was provided, against a target of 95%.

ICT realised the benefits of significant strides taken and the collective efforts made in building new partnerships, fostering innovation and improving its support services by adopting trends in the industry to ensure the organisation remains aligned to the technology evolution.

Cyber threats continue to be an ever-increasing challenge that any institution is prone to, however, in the year under review LNW was never impacted by such. This is because the organization adopted a cybersecurity procedure that prescribes activities to be performed regularly to mitigate risks that may result in cyberattacks.

Continuous ICT Steering Committee and Board oversight of ICT matters ensured the deployment of secure, reliable, and adequate ICT solutions throughout the period under review.

NATURAL CAPITAL

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

22 NATURAL CAPITAL

Natural capital provides essential goods and services that support the economy and society. LNW uses these resources such as raw water to purify and distribute to its customers while ensuring that the environment is not harmed.

22.1 Overview on the Key Performance Indicators

KPI	Target	Actual
Comply with ISO 14001 certification (Valid Certificate)	12	12
Comply with ISO 45001 certification (Legal Compliance Report)	Gap Assessment Report	Gap Assessment Report

22.2 Environmental Sustainability

22.2.1 ISO 14001 Certification

LNW is using ISO 14001:2015 standard as a tool to enhance their environmental performance, ensure regulatory compliance and achieve environmental objectives. LNW has maintained the ISO 14001: 2015 standard since 2012, we are scheduled for re-certification assessment in July 2025. The following plants will be sampled for the re-certification assessment Marble Hall WTW, Burgersfort WTW and Doorndraai WTW.

22.2.2 Climate change

Climate change and global warming are an accepted threat to the sustainability of water supplies as highlighted by the Inter-Governmental Panel on Climate Change's technical report. However, what is uncertain is the quantification of the impact and this complicates the planning required to ensure sufficient future water supplies.

During the reporting period LNW embarked on determination of baseline for organisation carbon footprint, the Carbon Footprint report reflects on LNW ongoing commitment to understanding, measuring, and mitigating our greenhouse gas emissions. By analysing our energy consumption, operational efficiencies, and supply chain impact, we can make informed decisions that align with our sustainability goals

22.2.3 River Monitoring

River monitoring for 2024/25 was conducted in October 2024. EcoStatus models such as FRAI and MIRAI (SASS5), were used for this biomonitoring assessment.

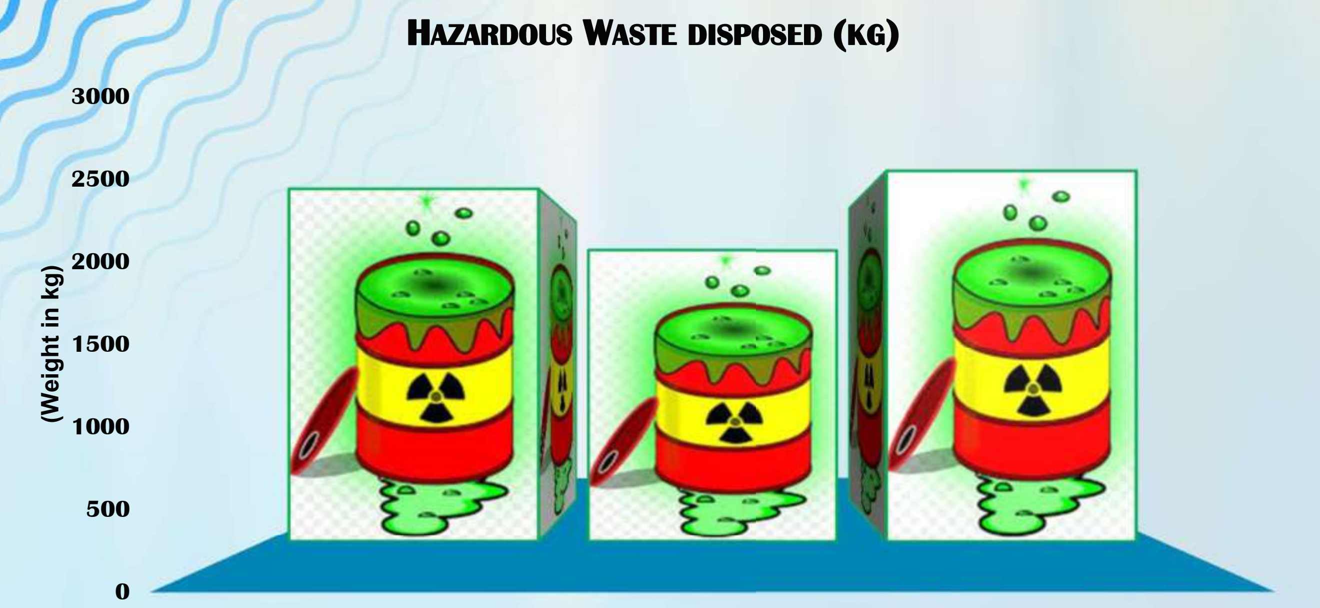
The outcomes of the biomonitoring report are used to update the risk profile of each water schemes, for rivers where we abstract for potable water the findings are used to update the water safety plans while for effluent discharge we update the risk profile of the wastewater abatement plan. This allows LNW to avail resources to mitigate risks that will affect water supply.

One major finding that is common in all LNW sites is Electrical conductivity (EC) which was found to be the variable of concern at all the sites sampled during the assessment. The higher level of EC in the river was attributed to different anthropogenic activities within the catchment area. These activities include:

- Forestry plantation which increases sedimentation to the river
- Wastewater treatment works effluent which has the potential to increase nutrients to the river.
- Run-offs from nearby townships and agricultural activities which increases the presence of nutrients in the river.

22.2.4 Waste management

LNW produces different types of waste because of activities that take place in its operations including head office. The types of waste identified at LNW are hazardous waste, biological and chemical waste and general waste. A sorting-at-source system into different bins is practiced, ensuring that disposal of waste is segregated. The local municipality where LNW operates currently does not have a segregation centre. Below are the quantities of the hazardous waste that has been collected.



	2022/23	2023/24	2024/25
Hazardous Waste disposed (kg)	2672	2209	2810

Figure 22:1: Hazardous waste materials collected.

There is an increase in the collected and disposed hazardous waste due to asbestos pipes that were replaced at Marble Hall Scheme.

Sludge management

The management of Water Treatment Residues (WTRs) and wastewater sludge forms an integral component of the core business of Lepelle Northern Water. Current sludge management practices include on and off-site disposal of river discharges and agricultural manure. In wastewater treatment works such as Burgersfort, sludge is sampled and classified to determine the correct procedure of disposal. The classification results indicate if the sludge should be disposed of at the landfill or can be used as manure. The farmer uses the sludge as manure and signs an indemnity form to protect LNW from any unforeseen issue that may arise from the manure used by the farmers. The Phalaborwa sludge lagoon project was delayed and there is a need to appoint a new contractor to complete the project.

Eradication of alien plants

Alien plants eradication was done at Ebenezer Scheme for an area of one (1) hectare next to the river and four (4) hectares from the dam wall to the pump station. The following alien plants were removed which are bug weed, Bramble weed, Black Wrattle Pine, and blue gum. The mechanical method of control is used to eradicate the alien plants to prevent pollution, and the chemical control method is used only for the plants further from the dam.

22.2.5 Environmental Authorisation

Emergency incidents

Section 30 of the National Emergency Management Act (NEMA) of 107 of 1998 provides for the control of emergency incidents. This is a measure to protect the environment so that the rights enshrined in the act are protected. LNW has developed a Preparedness Emergency Plan which assists during incidents and non-conformance form (LNW-FRM-0001) for reporting purposes. The entity has not experienced any reportable environmental incident.

22.2.6 Water Use License

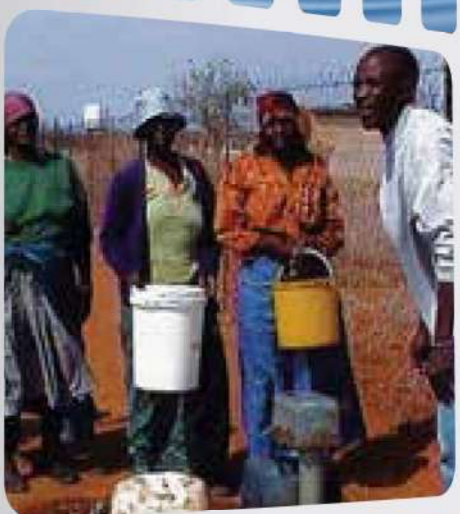
LNW is complying with the National Water Act 36 of 1998. Below is the list of water use licenses and allocations:

- Ebenezer Scheme – 44 Mℓ/day
- Olifantspoort Scheme – 120 Mℓ/day
- Politsi Scheme – 5Mℓ/day
- Malekana Scheme - 12 Mℓ/day
- Doorndraai WTW - 12 Mℓ/day
- Flag Boshielo WTW - 30 Mℓ/day (waiting for validation and verification process from DWS); 8Mℓ /day allocation in place.
- Phalaborwa – 98 Mℓ/day from Olifants River
- Nkadimeng Scheme – 2,5 Mℓ/day from Nkadimeng Dam
- Hlogotlou Scheme – 2,0 Mℓ/day from Mahlangu Dam
- Marble Hall WWTW to discharge 5 Mℓ/day into the Crocodile River
- Burgersfort WWTW to discharge 10Mℓ/day into the Olifants River
- Burgersfort WTW - 5 Mℓ/day.
- Nandoni WTW - 120Mℓ/day authorisation from Nandoni Dam approved
- Sekhiming sand water extraction 1 Ml/day from Molototsi River approved

22.2.7 Occupational Health and Safety

To ensure that LNW continues to comply to the provisions of the Occupational Health and Safety Act 85 of 1993 and its applicable regulations, a legal compliance management system is implemented and maintained. Legal compliance audits were conducted to determine the level of legal compliance and to ensure that all non- conformance raised during the audit is closed.

HUMAN CAPITAL



Celebrating 65 years

JOURNEY OF BULK WATER SERVICES

23 HUMAN CAPITAL

Human capital is the collection of skills, knowledge, and potential that people possess that contribute to economic activity. LNW has trained and professionalised its employees to ensure that the entity is aligned to the latest developments or trends.

23.1 Overview on the Key performance indicators

Indicator	Target	Actual
% Staff Turnover	2%	1,27%
Number of Learnership (Beneficiaries)	30	38
Number of bursary employees enrolled for development	50	61
Number of employees on graduate programme	50	52
Number of registered employees with professional bodies.	20	23
Number of permanent and fixed term jobs created	5	28
Number of temporary jobs created	120	202
% Network Availability of IT infrastructure	95%	98,4%
% System Availability of IT infrastructure	95%	96,6%

23.2 Human Capital Management

LNW has a total staff complement of 372. The entity's priority in managing human capital is based on attracting competent incumbents with the required skills to ensure continuous engagement, talent management and compensate market-related remuneration to enhance the uninterrupted supply of bulk water services.

A critical skills shortage within the water and energy sector has a negative impact on ensuring effective and efficient business performance. LNW adopted a human capital strategy that enhances business stability and maximum performance.

23.3 Performance Management System

LNW will continuously implement this invaluable system to measure, align and enable sustainable individual and team performance to achieve the strategic intent of the entity. The entity recognises performance management system as a tool that creates the culture of accountability and ownership to adhere to our strategic objectives and values.

The organisational performance management system is addressed through the employees' development, mentorship, coaching and reward management system to inculcate a high-performance culture.

23.4 Employment Equity

The Department of Labour acknowledged our Employment Equity Report of 2022, including a three-year 2022/23 – 2024/25 Employment Equity Plan (EEP) aimed at attracting designated groups, especially from top to skilled levels focusing on Females, Indians, Coloureds and Whites without overlooking the current workforce. The target of 57/43 was exceeded from the Female side during the year under review. The male/female ratio was 54%/46% as at 30 June 2025. The Board has reviewed its three (3) year numerical target of male/female to 50/50 for the advancement of its transformation agenda.

Workforce Profile

Table 23:1: Employment Equity Plan 2024

Occupational levels	Male					Female					Total
	African	Coloured	Indian	White	Total Male	African	Coloured	Indian	White	Total Female	
Top management	0	1	0	0	1	0	0	0	0	0	1
Senior managers	2	0	0	0	2	0	0	0	0	0	2
Professionals/ middle management	19	0	0	1	20	12	0	0	0	12	32
Skilled/ qualified technicians	79	0	0	10	89	87	0	0	2	89	178
Semi-skilled	82	0	0	1	83	68	0	0	1	69	152
Unskilled	7	0	0	0	7	0	0	0	0	0	7
Total permanent	**189**	**1**	**0**	**12**	**202**	**167**	**0**	**0**	**3**	**170**	**372**

The table above indicates the total workforce within occupational levels and a plan to address under-representation of race and gender guided by the approved three-year Employment Equity Plan.

The below indicates the total workforce percentages per occupational level.

Table 23:2: Total workforce in percentages

Occupational Levels	Males					Females					Totals
	African	Coloured	Indian	White	Males	African	Coloured	Indian	White	Females	
Top Management	0.00%	0.27%	0.0%	0.00%	0.27%	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%
Senior Management	0.54%	0.00%	0.0%	0.00%	0.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.54%
Middle management, Prof. qualified & experienced	5.11%	0.00%	0.0%	0.27%	5.38%	3.23%	0.00%	0.00%	0.00%	3.23%	8.60%
Skilled tech. & academically	21.24%	0.00%	0.0%	2.69%	23.92%	23.39%	0.00%	0.00%	0.54%	23.92%	47.85%
Semi-skilled & discretionary	22.04%	0.00%	0.0%	0.27%	22.31%	18.28%	0.00%	0.00%	0.27%	18.55%	40.86%
Unskilled & defined	1.88%	0.00%	0.0%	0.00%	1.88%	0.00%	0.00%	0.00%	0.00%	0.00%	1.88%
Total Permanent	**50.81%**	**0.27%**	**0.0%**	**3.23%**	**54.30%**	**44.89%**	**0.00%**	**0.00%**	**0.81%**	**45.70%**	**100%**

23.4.1 Employee wellness management

Lepelle Northern Water (LNW) remains committed to promoting and managing employee wellness as a strategic priority, aimed at nurturing employees while minimising human capital risks. During the 2024/2025 financial year, the organisation implemented a range of integrated wellness initiatives designed to strengthen staff well-being, improve morale, and sustain commitment to organizational goals. Our holistic wellness framework addresses six key pillars: **physical, emotional, motivational, nutritional, social, and financial wellness**. This approach ensures that employee support is comprehensive, accessible, and responsive to evolving needs.

Key highlights of the 2024/2025 Employee Wellness Program include:

- **Wellness Roadshows** conducted across all plant sites, creating awareness and offering on-site support services.
- **Executive Coaching sessions** facilitated to enhance leadership resilience and performance.
- **Mental Health and Wellness interventions**, including counselling, training, and awareness campaigns.

- **Health screenings and lifestyle promotion programmes**, aimed at encouraging healthier habits and early risk detection.
- **Financial and social wellness initiatives**, providing employees with tools and resources to manage personal and professional challenges effectively.

These programs not only enhanced overall wellness levels but also fostered higher employee engagement, reduced absenteeism, and strengthened organisational culture. LNW remains committed to continuously improving the scope and impact of wellness management to ensure that employees thrive both personally and professionally.

23.5 Training and Capacity Development

There's a need for the development of key individual technical and behavioural competencies to meet the organisational needs in delivering excellently in line with our mandate. To develop key competencies, LNW is taking a strategic view of the employee skills requirements in the future to enable the entity to deliver on its mandate. In addition, LNW recognises the need to have employees who are proactively engaged in continuous improvement, innovation, and learning. This is achieved by instilling a development and learning culture within the organisation.

Internship/Work Integrated Learning Programme

LNW continued to develop and train fifty-two **(52)** interns who benefited across LNW schemes and various departments to gain practical training through Internship/Work Integrated Learning.

Apprenticeship: Lepelle Northern Water & Mopani TVET: Centre of Specialisation (COS)

LNW continued to develop and train thirty-eight (38) trainees to contribute to the water sector.

23.6 Labour relations

The salary agreement for bargaining employees for the 2024/25 financial year was reached between the South African Association of Water Utilities (SAAWU), the employer party and the South African Municipal Workers Union (SAMWU) and the National Education Health and Allied Workers Union (NEHAWU) at the Amanzi Bargaining Council (ABC).

Precautionary suspensions

One (1) employee was placed on precautionary suspension in the financial year under review, pending finalisation of the disciplinary case and the suspension was completed, resulting in the employee being found guilty and dismissed.

Remedial Services, Grievances and Labour Disputes

One (1) employee was charged with misconduct for allegedly violating the Disciplinary Code of Conduct of LNW. There were Seven (7) CCMA referrals, Three (3) Labour Court matters and Nil (0) grievances. All the cases above are still ongoing.

Non-occupational health and safety

The entity has identified non-occupational health and safety cases by means of conducting pre-periodic and post-medical examinations and addressed them accordingly.

INTELLECTUAL CAPITAL

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

24 INTELLECTUAL CAPITAL

24.1 RESEARCH AND DEVELOPMENT

24.1.1 Innovation and technology

LNW recognises the critical role of research, development and innovation to improve services, efficiencies and increase effectiveness. The organisation is active in various research platforms and cooperates with stakeholders such as state entity research institutions, institutions of higher learning or academia and other government departments. In a quest to improve our operations, the following innovatives were conducted.

24.1.1.1 Trial of anti-vandal equipment by Rasmatech

Trial conducted for free trial in 2 sites in LNW (Nandoni- Makumeke off take manhole and Seshego Reservoir). Antivandal manhole covers are engineered to prevent unauthorised access, theft, and vandalism, ensuring the security and integrity of the manholes. Key design features include:

- **Locking Mechanisms**: Incorporating robust locks deters unauthorized removal and access. The key is patented.
- **Material Selection**: Using durable materials like ductile iron enhances resistance to tampering and environmental wear. Ductile iron is favoured for its strength and durability.
- **Anti-Tamper Bolts**: Specialized bolts that require unique tools for removal add an extra layer of security, preventing easy access by unauthorized individuals.

24.1.1.2 Early warning system by Zambezi Analytics

The trial of this system is still ongoing at Olifantspoort WTW. Where, probes are installed upstream from the Olifantspoort abstraction point for measurement of determinands (pH and Conductivity) the readings are extrapolated to other water quality indicators.

24.1.2 Water supply augmentation/water availability

The entity was issued with an additional water use licence of 60 Mℓ/day for Olifantspoort Water Scheme, doubling the capacity of Olifantspoort Plant to 120Ml/day. This will meet the water demand for Capricorn, Sekhukhune Districts and Polokwane Local Municipality. However, the entity continues to explore the groundwater for augmenting the limited surface water.

24.1.3 Partnerships with Academic and Research Institutions

Lepelle Northern Water has entered into partnership with various institutions (i.e. Universities and research institution) in its quest to explore or research on models that can bring efficiencies within the operations of the entity. This has led us to sign memorandum of understanding with the following institutions:

24.1.3.1 Council for Scientific and Industrial Research (CSIR)

The main purpose of entering partnership with CSIR hinges around the programmes that will support Lepelle Northern Water following areas:

(a) Master Information Systems and Security Technology Plan

A Master Information Systems and Security Technology Plan (MISSTP) in relation to the needs of Lepelle Northern Water, technology lifecycle and the application portfolio Management towards the effective and efficient governance, management and execution of Lepelle Northern Water business. Aligning the Lepelle Northern Water business and its operations with IT, and bridging the gap between the department's current state, and its desired future state.

(b) Infrastructure and Physical Security Related Technologies

This programme focuses supporting the entity towards improving the effectiveness of the systems relating to infrastructure security and protection. This programme will for focus on the following activities and other security related activities:

- Biometric Systems including but not limited to fingerprint, facial recognition, voice, IRIS, etc.
- Physical Access and management control
- Information sensing and surveillance.
- Data management.
- Operational command and control systems and infrastructure (operations room)
- Cyber security.
- Asset tracking
- ICT systems architecture and evaluation.
- Analysis and optimization of ICT effectiveness, including networks, applications and platforms.
- Development of a Customised Security Technology Enhancement Standard and Plan.

(c) Integration and Interoperability Support

This programme focuses on supporting Lepelle Northern Watern through performing integration of complicated systems and the associated interoperability evaluations required to support the operational roll-out of systems and products. Activities in this regard includes amongst others:

- Interoperability assessments and integration of existing equipment and systems.
- Interoperability design and evaluation of new systems and products.
- Development of interoperability standards for Lepelle Northern Water
- Development of systems, standards, processes and procedures to enhance interoperability within Lepelle Northern Water and with their stakeholders

(d) Strategic and Operational Decision Support

This programme will focus on the activities and actions required to provide the Lepelle Northern Water with scientific decision support for operational and strategic needs, such as:

- Creating an Evaluation and Research Institute.
- Strategic technology forecasting in support of strategic planning
- Knowledge and information management
- Statistical analysis and modelling
- Spatial and facility planning
- Acquisition/tender support, including but not limited to -
    - drafting of specifications according to user requirements by the Lepelle Northern Water.
    - evaluate specifications relating to systems procurement.
    - independent evaluation service on products/services to ensure open market participation and development, as well as to reduce implementation and operational costs.
    - Research and development on equipment and systems to ensure operational efficiency.

24.1.3.2 Universities of Free State and Limpopo

The main purpose for the collaborations with the universities is to enhance technical capabilities, workforce training, long-term strategic planning. LNW has collaborated with 3 Universities i.e. University of Limpopo, University of Venda and University of Free State. These collaborations are strategic partnerships that foster innovation and solve real-world challenges through coordinated research and shared resources.

24.2 PROFESSIONALISATION OF THE INSTITUTION

Professionalisation of institutions is a South African government- led initiative aimed at creating a more capable, ethical and effective public services by focusing on improved performance management and professional culture.

Lepelle Northern Water has the purpose of ensuring that its employees are up-to-date with the latest trends in their field, saw it necessary to encourage to personnel register with the professional bodies or associations. In response to this initiative, the entity has for past financial year managed to register over 23 employees with different professional bodies according to their respective fields. The plan to is ensure that all the employees of Lepelle Northern Water are registered with the professional bodies in the next three years.

SOCIAL AND RELATIONSHIP CAPITAL

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

25 SOCIAL AND RELATIONSHIP CAPITAL

Social and relationship capital is a business's reputation and trust, which is based on intangibles such as shared values, commitments, and knowledge. LNW values its employees and relationships that we have and maintain with our customers and all our stakeholders.

25.1 STAKEHOLDER RELATIONS

Due to the nature of LNW's operations it is granted that the organisation will have a myriad of stakeholders, all of whom are key. Below is a summarised representation of their composition.

Figure 25:1: LNW Stakeholders

25.2 CUSTOMER SATISFACTION

The customer satisfaction questionnaire has been developed for the purpose of measuring the satisfactory state of service to LNW's customers. The questionnaire is therefore circulated to the main clients of LNW to complete bi-annually. The response is subsequently captured on a five-point Likert scale. The average of all the questionnaires that were returned resulted in a score of 86% against the target of 80% as depicted in Figure 25-2 below:

2024/25 **2023/24**

Figure 25:2: Comparison of overall customer satisfaction

Figure 25-2 depicts that customer satisfaction has performed at 86% in 2024/25 which is 3% higher when compared to 83% of the previous year, 2023/24. LNW responds to the needs of its bulk customers through engagements on a quarterly basis or as required. Of these many vital engagements, few are highlighted below:

25.2.1 Meetings with WSAs

Quarterly and monthly technical performance review meetings were held with the WSAs in line with the bulk water services contracts during the period under review. The importance of such meetings, among others, to assess operational performance with the objective of timeously and most efficiently delivering water services and addressing identified gaps and concerns. At high level the accounting officers get information that assist them to take decisions that enhance service delivery.

25.2.2 Communications and Marketing

Part of the role of LNW's Communications and Marketing Department is to ensure that there is continued stakeholder relations management and positive profiling and marketing through proactive internal and external communication, media engagements as well as online and social media presence. The initiatives seek to advance the LNW brand to the extreme level of visibility and providing accessibility, engagement, and accountability to the public by communicating water-related messages via a variety of channels.

Effective communication is essential for internal and external stakeholder relations. LNW utilises multiple channels such as the website, intranet, email distribution, online and social media platforms and an electronic outdoor screen at its head office to convey corporate water-related and awareness messages. Additionally, electronic monthly newsletters are distributed to keep stakeholders informed about organisational affairs. By prioritising media engagements and utilising various communication channels, LNW consistently communicates planned or unplanned service disruptions in a timely manner in collaboration with the Operations and Maintenance Department and municipalities. This is preceded by prior correspondence to LNW clients.

Interaction with the community and LNW stakeholders through the official organisational online and social media platforms remains key. Communication and updates on several issues are continuously published on LNW official pages on Facebook, Twitter, Instagram and LinkedIn, including on the organisational website.

25.3 Corporate Social Investment (CSI)

LNW's area of operation is predominantly rural and from time to time, during execution of its mandate, the organisation encounters devastating living conditions which members of communities are subjected to. Through CSI initiatives LNW attempts to provide relief in such circumstances to complement the work of its various municipal customers or stakeholders.

25.3.1 Paledi Disability centre, Mankweng area, Ephraim Mogale Local Municipality area

To commemorate Nelson Mandela International Day, LNW team spent 67 minutes painting a three-roomed Paledi Disability centre, donated 25 blankets, 30 sleeping mats and 45 educational charts for the centre embracing the spirit of "it is in your hands".

25.3.2 World Toilet Day, Solomondale Primary School, Capricorn District Municipality

To observe World Toilet Day, Lepelle Northern Water (LNW) in partnership with the Department of Water and Sanitation Limpopo region, joined forces with the Stanley-Candice Foundation, Chillers on Wheels, Old Mutual, and the University of Limpopo's Department of Water and Sanitation visit to Solomondale Primary School and donated sanitary towels, 10 mounted soap dispensers, handwashing soaps, toilet rolls, and sanitizers, while also conducting a tree-planting ceremony to reduce soil erosion caused by climate change. Through this collaborative effort, the goal is to nurture a sense of self-care and environmental responsibility in learners, paving a way for a healthier and more sustainable future.

25.3.3 Global Handwashing Day, Leboeng Primary school, Sekhukhune District

In celebration of Global Handwashing Day, Lepelle Northern Water (LNW) partnered with the Department of Water and Sanitation Limpopo region and generously donated handwashing soaps, wet wipes, toilet rolls, dignitary packs, and plants to Leboeng Primary School at Fetakgomo-Tubatse local municipality in Sekhukhune District Municipality.

25.3.4 Borehole Donation, N’wamankena, Mopani District Municipality.

LNW donated a borehole, grocery supply and walking stick to Nonhlanhla Mdaka, a virtually impaired mother of 3 children at N’wamankena village in Greater Giyani Municipality, Mopani District. LNW’s area of operation is predominantly rural and from time to time, during execution of its mandate, the organisation encounters devastating living conditions which members of communities are subjected to. Through this initiative, LNW provided relief to the beneficiary to complement the work of its various municipal customers or stakeholders.

25.3.5 Dzwerani Old Crocks, Thohoyandou, Vhembe District Municipality

LNW donated 53 Soccer kit, 53 soccer boots, 5 soccer balls and whistles to Dzwerani Old Crocks FC at Dzwerani Village, in Thohoyandou, under Vhembe District Municipality. An elderly women soccer team committed to promoting active ageing and lifestyle. An initiative aimed at promoting sustainable community development and make a meaningful impact on the social fabric and overall well-being of communities.

GOVERNANCE REPORTS

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

26 STATEMENT OF RESPONSIBILITY BY THE BOARD

The members are required by the Companies Act and Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year 30 June 2025 and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board, and the requirements of the Public Finance Management Act (Act 1 of 1999).

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

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

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

Statement of Responsibility

The members have reviewed the entity's cash flow forecast for the year to 30 June 2026 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The audited annual financial statements set out on pages 156 to 230, which have been prepared on the going concern basis, were approved by the board on the 31 October 2025, and were signed on its behalf by:

Dr NF Mphephu
Chairperson of the Board

27 AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 30 June 2025.

Audit & Risk Committee members and attendance

The Audit & Risk Committee consists of the members listed hereunder and should meet a minimum of 4 times per annum as per its approved terms of reference. During the current year 10 meetings were held as highlighted in table 27-1 below:

Table 27:1: Attendance of the Audit & Risk Committee

	NUMBER OF SCHEDULED MEETINGS PER ANNUM	NUMBER OF MEETINGS ATTENDED (INCL. SPECIAL)
I Vally	10	10
S Ngobeni	10	10
F Mudau	10	10
RT Ramashia	10	9

Matters of delegations of Audit and Risk Committee includes recommending the investigation reports to the Board for approval. During the financial year under review the organisation has received several allegations reported through the Tip-Off Anonymous system. This has led to the Committee to hold ten (10) meetings (including special meetings) to deal with and resolve the allegations reported through Tip-Off System.

Audit & Risk Committee responsibility

The Audit & Risk Committee reports that it has complied with its responsibilities arising from section 38(10)(1) of the PFMA and Treasury Regulation 3.1.

The Audit & Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit & Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Effectiveness of the internal controls

The system of internal controls applied by the entity over financial and risk management is effective, efficient, and transparent. In line with the PFMA and the King IV Report on Corporate Governance requirements, Internal Audit provides the Audit & Risk Committee and management with assurance on whether the internal controls are appropriate and effective. This is achieved by means of the risk-based audit process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the annual financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom.

Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The Audit & Risk Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the board of the entity during the year under review.

Evaluation of annual financial statements

The Audit & Risk Committee has:

- reviewed and discussed the audited annual financial statements to be included in the annual report, with the Auditor-General and the board,
- reviewed the Auditor-General of South Africa's management report and management’s response thereto,
- reviewed the entities compliance with legal and regulatory provisions,
- reviewed significant adjustments resulting from the audit.
- reviewed the Annual Financial Statements and recommended that they be adopted.

Internal audit

The Audit & Risk Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the entity in its audits.

The Committee reviewed:

- The risk areas of the entity’s operations covered in the scope of internal and external audits.
- The internal audit reports concerning the adequacy and effectiveness of the internal control systems; detailing concerns arising out of audits and ensured there are appropriate responses from management, which will result in the concerns being addressed.
- The internal audit function and its effectiveness.

- The activities of internal audit, including its annual plan, co-ordination with the external auditors, the reports of significant investigations and the responses of management to specific recommendations.

Risk Management

The committee reviewed:

- Disclosure on matters of risk and risk management in the annual report.
- The adequacy and effectiveness of risk management in the Institution, including recommendations for improvement.
- Internal and external audit plans and ensured that they are aligned to the risk profile of the Institution.
- The following areas:
    - Financial reporting risks, including the risks of fraud.
    - IT risks as they relate to financial reporting and ensured that they were appropriately addressed.
    - Ethical risks.
- Critiqued the risk appetite and risk tolerance and recommended this for approval by the Board.

Fraud prevention

The Committee reviewed:

- The mechanisms used to report fraud and corruption related activities and ensured that all allegations reported were dealt with appropriately.

Information and Communications Technology Governance

The committee monitored the Information and Communication Technology (ICT) with the DPSA Corporate Governance of ICT Policy Framework that guide the governance of ICT. The Framework requires departments and state entities to implement the corporate governance of ICT (CGICT) as an integral part of its corporate governance arrangements.

Auditor-General of South Africa

The audit committee has met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

We concur with and accept the External Auditors' report on the annual financial statements and are of the opinion that the audited annual financial statements should be accepted and read together with the report of the External Auditors.

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CHAIRPERSON: AUDIT & RISK COMMITTEE

MR. IMTIAZ AHMED VALLY

DATE: 31 OCTOBER 2025

INDEPENDENT AUDITOR'S REPORT

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

Report of the auditor-general to Parliament on Lepelle Northern Water

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Lepelle Northern Water set out on pages 157 to 231, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Lepelle Northern Water as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with Standards of Generally Recognised Accounting Practice (Standards of GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matters

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

Receivables from exchange transactions

7. As disclosed in note 4 to the financial statements, a provision for impairment of receivables from exchange transactions of R304 877 000 was made due to defaulting customers on water accounts and other secondary services.

Water losses

8. As disclosed in note 19 to the financial statements, material water losses of R45 431 000 were incurred. The losses were due to illegal connections and vandalism of meters.

Contingencies

9. As disclosed in note 27 to the financial statements, the public entity is the defendant in various lawsuits. The public entity is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liability that may result was made in the financial statements.

Restatement of corresponding figures

10. As disclosed in note 29 to the financial statements, some corresponding figures for 30 June 2024 were restated as a result of errors in the financial statements of the public entity at, and for the year ended, 30 June 2025.

Other matter

11. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited supplementary schedules

12. The supplementary schedules set out on pages 139 to 143 does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Responsibilities of the accounting authority for the financial statements

13. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP, the requirements of the PFMA and DoRA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

14. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

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

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

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 7, forms part of my auditor's report.

Report on the audit of the annual performance report

17. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

18. I selected the following objectives presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

OBJECTIVE	PAGE NUMBERS	PURPOSE
Strategic objective 1: Provision of equitable and sustainable bulk water services.	145 - 146	Focuses on improving infrastructure efficiency and effectiveness, management of water losses within schemes, provision of quality drinking water that is SANS 241 compliant, improving environmental performance and compliance and provision of a safe working environment for employees.
Strategic objective 2: Bulk water services infrastructure planning and development.	146	Expansion and renewal of water infrastructure.

19. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and objectives.

20. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives.

- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included.

- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements.

- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated.

- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents.

- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.

- there is adequate supporting evidence for the achievements reported.

21. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.

22. I did not identify any material findings on the reported performance information for the selected objectives.

Other matter

23. I draw attention to the matter below.

Achievement of planned targets

24. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements.

25. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 145 to 146.

Strategic objective 2 - Provision of equitable and sustainable bulk water services

Overall targets achieved:80%		
Key service delivery Indicator not achieved	**Planned target**	**Reported achievement**
2.1.1 - Average % completion of LNW infrastructure projects per approved project execution plan	85%	82%

Material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for SO2 - Bulk water services infrastructure planning and development. Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

27. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.

28. 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.

29. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

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

Annual financial Statements, performance and annual report

31. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA.

32. Material misstatements of disclosures, payables, property, plant and equipment and revenue identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Other information in the annual report

33. The accounting authority is responsible for the other information included in the annual report including the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.

34. My opinion on the financial statements and my reports on the audit of the annual performance report and 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 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 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 the financial statements and the annual performance report that were subsequently corrected and the material findings on compliance with legislation included in this report.

39. Internal control systems for the preparation and review of the financial statements and the annual performance report did not operate optimally as they were unable to detect and correct or prevent material misstatements in the financial statements and the annual performance report submitted for audit.

Other reports

40. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.

41. Investigations into Lepelle Northern Water are still in progress by various service providers including the Special Investigation Unit (SIU). During the year under review, the SIU issued disciplinary referral letters to the entity to institute disciplinary procedures against certain employees of the entity for contravention of procurement legislation emanating from an investigation performed in terms of proclamation R82 of 2022 as published in Government Gazette No. 47197 on 05 August 2022.

Auditor General

Polokwane

31 October 2025

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- obtain an understanding of internal control relevant to the audit 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 public entity's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

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

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Compliance with legislation-selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections orregulations or paragraph
Public Finance Management Act 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 54(2)(c);54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.1.2(c); 31.2.5;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)
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
Second Amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
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; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6;7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

29 BOARD REPORT

29.1 Introduction

Lepelle Northern Water Board has the pleasure of presenting the unqualified audit opinion of its annual financial statements for the financial year ended 30 June 2025. As stated in the Auditor General South Africa, the statements fairly represent the financial position, financial performance, statement of changes in net assets and cash flows for the financial year ended 30 June 2025 in accordance with the Generally Recognised Accounting Practice (GRAP) as adopted by the entity.

29.2 Our Establishment

Lepelle Northern Water has been established in terms of Chapter Six (6) of the Water Services Act, No 108 of 1997. The Minister of Water and Sanitation as the Executive Authority appoints the Board, which is the Accounting Authority. The Accounting Authority is responsible for guiding Lepelle Northern Water through various policies and business strategies approved by the board. It is a schedule 3B entity according to the Public Finance Management Act of 1999 as amended. Schedule 3B entities do not receive allocation from the fiscus but generate their own revenue from water sales.

29.3 Compliance to Legislations

The Board ensured compliance with all applicable legislations throughout the financial year. The Board has developed a database of all the applicable legislations that it must comply with. The report on the database is monitored on a quarterly basis to ensure that none of the statues are violated. Where it is found that there is a violation, reasons for that are consolidated and reported to the relevant authority and the related remedies. The major legislations that are guiding the entity are the Water Services Act, Public Finance Management Act, Municipal Finance Management Act and all the procurement related legislations and regulations from National Treasury to list a few. The Board has also adopted and operate within the King IV report that provides guidance on how to conduct the fiduciary responsibilities.

29.4 Tariff Determination

All the water boards including Lepelle Northern Water tariffs are determined in line with the guidelines set in Section 34 of the WSA. They include the recovery of refurbishment of the existing infrastructure and all operational expenditure including the abstraction, purification, pumping and distribution costs. Figure 29-1 below shows the seven-year review of the average tariff increase.

Figure 29:1: Seven-year review of the average tariff increase

On average R11.92 per kilolitre has been used by Lepelle Northern Water which is 8,42% tariff increase for the financial year 2024/25. This was because of the need to refurbish and replace the aging infrastructure that is affecting the reliability of water supply to our customers. The tariff setting and approval follows the following annual cycle:

Items	Applicable Date
1. Department of Water and Sanitation (DWS) raw water tariff consultations	30 Sep
2. Approval of potable water tariffs	07 Oct
3. Customer consultations, notifications and feedback	Oct to Jan
4. Submission to DWS for Parliamentary approval of potable water tariffs	25 Jan
5. Parliamentary approval	15 Mar
6. Tariff implementation	01 Jul

29.5 Financial Performance

	2025	2024	2023	2022	2021	2020	2019
Water Sales (in megalitres)	105 277	109 669	98 029	91 873	88 505	84 148	89 526
Potable water	84 225	91 625	85 858	77 536	72 576	71 168	78 195
Industrial water	21 052	18 044	12 170	14 337	15 929	12 980	11 331
FINANCIAL PERFORMANCE	**R`000**	**R`000**	**R`000**	**R`000**	**R`000**	**R`000**	**R'000**
Turnover	**1 673 011**	**2 039 334**	**2 365 401**	**689 655**	**598 616**	**599 579**	**561 140**
Potable water sales	937 183	862 430	709 124	614 244	531 867	542 719	510 928
Industrial water sales	100 576	119 451	71 683	75 411	66 749	56 860	50 212
Government grants & subsidies	317 000	633 000	422 000	-	-	-	-
Revenue-Construction contracts	318 252	424 453	451 610				
Transfer of assets to LNW			710 984	-	-	-	-
Sundry income	11 787	9 996	16 337	450	123 244	159 341	153 488
Total Revenue	**1 684 798**	**2 049 330**	**2 381 738**	**690 105**	**721 860**	**758 920**	**714 628**

The organisation has experienced some minor declined on both water sales and the revenue. The reduction in water sales is due to illegal connections that have spread all over the bulk distribution pipelines. This is because the municipalities did not install the reticulation system within these communities where the bulk distribution line is passing through. Despite all this negative impact, the entity has continued to supply water to the consumers while continuously engaging the relevant municipalities.

Total water sales have slightly decreased from 109 669 megalitres in 2023/24 to 105 277 megalitres in 2024/25. The increase in industrial water sales, which have grown from 18044 megalitres in 2023/24 to 21052 in 2024/25, also highlights the organisation's responsiveness to industrial demand, helping to further boost overall revenue.

29.6 Operational Efficiency

	2025	2024	2023	2022	2021	2020	2019
Personnel costs (Rands)	313 857	290 835	352 369	251 069	269 702	269 940	257 254
Number of employees	493	412	451	452	393	403	384
Turnover per employee (Rands)	3 394	4 950	5 245	1 526	1 523	1 488	1 461
Salaries as % of turnover	19%	14%	15%	36%	45%	45%	46%
Total costs as % of turnover	59%	49%	42%	55%	67%	92%	71%
Interest paid as % of turnover	1%	1%	1%	2%	2%	2%	1%

The organisation strives to strike a balance between cost control and building up reserves. An increase in turnover per employee, especially from 2022 onwards, indicates enhanced productivity, due to efficiencies in operational processes or the adoption of technology that has improved employee output.

29.7 Business Performance

	2025	2024	2023	2022	2021	2020	2019
Gross margin %	108%	157%	14%	53%	31%	50%	50%
Current ratio	3,0	3,1	2,2	1,8	1,6	1,7	2,0
Acid test ratio (Liquidity ratio)	2,8	2,9	2,0	1,6	1,5	0,1	0,1
Asset turnover	22%	35%	48%	17%	15%	16%	15%
Debt-equity ratio	17%	18%	21%	27%	26%	24%	19%
Gearing ratio	2%	2%	2%	2%	2%	2%	2%
Net profit margin	26,38%	41,62%	35,52%	13,60%	-7%	-15%	11%
Debtors' days	686	583	587	909	993	508	633
Interest cover (times)	25,87	57,40	62,16	8,89	-2,74	0,00	0,00
Return on assets	5,84%	14,48%	16,95%	2,32%	-1%	-1%	1%
EBITA	548 729	953 422	942 617	183 029	66 842	20 351	160 096

The organisation maintained a strong liquidity position for the past seven years, with a reported current ratio of 3.0 in the current year. We reported an improved debts-equity ratio which creates space for additional borrowing needed for Ebenezer/Olifantspoort projects that need to be funded through borrowings.

29.8 Financial Position

The organisation has seen a notable growth in total assets signalling a positive trend in the overall financial health. This growth could be attributed to an increased investment, assets acquisitions, and slight performance in cash and cash equivalents. However, alongside this positive development, there is a concern about the increase in investments in accounts receivable as it poses a potential risk.

	2025	2024	2023	2022	2021	2020	2019
	R`000	R`000	R`000	R`000	R`000	R`000	R'000
Capital and reserves	5 401 14	4 959 85	4 111 42	3 178 81	3 084 05	3 097 61	3 171 24
Long-term liabilities	109 63	98 68	95 44	97 67	87 43	73 79	80 40
short-term liabilities	806 03	802 94	749 12	771 60	728 28	673 19	536 45
Equity and liabilities	**6 316 80**	**5 861 48**	**4 955 98**	**4 048 09**	**3 899 76**	**3 844 60**	**3 788 11**
Property, plant and equipment	3 580 08	3 296 63	3 225 40	2 603 43	2 641 16	2 596 99	2 618 68
Intangible assets	78	78	83	1 01	1 20	1 68	2 34
Investments	176 85			63 79	61 78	86 24	84 31
Non-current receivables	116 93	80 84	116 90		57 06		
Current assets	2 442 15	2 483 22	1 612 83	1 379 84	1 138 54	1 159 69	1 082 76
Current Receivables	1 239 31	1 171 43	916 02	989 14	820 06	974 96	
Total assets	**7 556 12**	**5 861 48**	**4 955 98**	**4 048 09**	**3 899 76**	**3 844 60**	**3 788 11**

29.9 Cash Flow

	2025	2024	2023	2022	2021	2020	2019
	R`000	R`000	R`000	R`000	R`000	R`000	R'000
Cash flow from operations	492 199	837 461	27 926	140 304	155 068	122 171	108 244
Net cash flow from investing	(611 205)	(203 850)	(65 927)	(85 235)	(112 890)	(86 194)	(92 713)
Net cash flow from financing	(1 025)	(916)	420 399	(146)	(225)	(207)	573
Net cash and cash equivalent	(120 031)	632 695	382 398	54 923	41 953	35 770	16 104
Cash at beginning of year	**1 264 458**	**631 763**	**184 876**	**129 953**	**88 000**	**52 230**	**35 115**
Cash retained for the year	**1 144 427**	**1 264 458**	**631 763**	**184 876**	**129 953**	**88 000**	**51 219**

There is a slight reduction observed in cash and cash equivalents which has been affected by the reduced cashflow from operations. The management of cash flow is commended considering the widespread illegal connections in various pockets of the municipalities within our operating areas.

29.10 GOING CONCERN

The annual financial statements have been prepared on the going concern basis. The Board is pleased to report that Lepelle Northern Water is financially viable in terms of the Water Services Act section 34 (2)(a)-(e) and is of the view that it has adequate resources to maintain its liquidity, debt, operational and investment needs for the next twelve months.

29.11 Performance Review of Predetermined Objectives

The Board of Lepelle Northern Water conduct its strategic planning session annually to determine the direction of the entity. In this strategic planning session, the Board reviews its strategic intent to assess if it is still going in the right direction. The vision, mission, values and strategic outcomes are reviewed according to the latest direction dictated by the National, Provincial and Local Government. This planning process by the Board gives management time to review the key performance indicators and the predetermined targets based on the baselines or statutory requirements like those of the SANS 241 when it comes to water quality as an example. In the year 2024/25 financial year the Board manage to improve the performance compared to the previous financial year as depicted in Figure 29-2 below:

Figure 29:2: Comparison of organisational performance between 2024/25 and 2023/24

Figure 29-2 above depicts that there is 11% improvement in 2024/25 as the organisation achieved 90% on the predetermined objective when compared to 79% of the previous financial year (2023/24). Table 29-1 below highlights the organisational performance in detail.

Table 29:1: Detailed performance on the predetermined objectives with reasons for non-achievement and their related remedial actions.

1. Provision of Equitable and Sustainable Bulk Water Services.

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved / Not Achieved	Reasons for non-achievement	Remedial Action
Operational excellence	Enhanced operational efficiency	1.1. Improve Infrastructure Efficiency and Effectiveness	1.1.1. Number of days of unplanned interruptions to bulk supply exceeding 24 hours	3	0.09	☺		
	Enhanced operational efficiency	1.2. Manage water losses within water distribution systems	1.2.1. Avoidable water lost as a percentage of water abstracted	5%	4.97%	☺		
Water quality compliance	Provision of drinking water with excellent quality	1.3. Comply with SANS 241 for drinking water quality (Bulk)	1.3.1. % Acute Health Microbiological compliance	97%	98.70%	☺		
			1.3.2. % Acute Health Chemical compliance	95%	100%	☺		
			1.3.3. % Aesthetic compliance	95%	99.4%	☺		
			1.3.4. % Operational compliance	95%	95.1%	☺		
			1.3.5. % Chronic health chemical compliance	95%	100%	☺		
ISO Compliance	Improve environmental performance and compliance	1.4. Comply with ISO 14001 certification	1.4.1. Valid certificate	12	12	☺		

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved / Not Achieved	Reasons for non-achievement	Remedial Action
	Provide a safe working environment for employees	1.5. Comply with ISO 45001 certification	1.5.1. Valid Certificate	Gap Assessment Report	Gap Assessment Report	☺		

2. Bulk Water Services Infrastructure Planning and Development.

Strategic Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved/ Not Achieved	Reasons for non-achievement	Remedial Action
Infrastructure development	Reliable water services provision	2.1. Expand and renew water infrastructure	2.1.1. Average % Completion of LNW infrastructure projects per approved project execution plan	85%	82%	☹	Delays in registrations of servitudes at Olifantspoort and Ebenezer Schemes. The legal process for finalizing the servitudes was beyond the control of LNW.	Intervention at executive and political levels.
			2.1.2. Actual capex spent on LNW expansion related projects as % of budget	85%	93%	☺		
			2.1.3. Average % Completion of Ministerial Directives per approved project execution plan	65%	65%	☺		
			2.1.4. Actual capex spent on expansion related projects as % of budget (initiative by the Minister)	65%	149%	☺		
			2.1.5. Overall % project completion dates within targets	30%	46%	☺		

3. Effective Financial Viability and Sustainability

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved / Not Achieved	Reasons for non-achievement	Remedial Action
Sound Financial Management	Effective SCM Process	3.1. Local economic development (Job creation)	3.1.1. % BBBEE expenditure	90%	92.5%	☺		
			3.1.2. Number of new entrants awarded with contracts in the financial year	5	139	☺		
	Financial Growth	3.2. Increased Revenue	3.2.1. % income from secondary activities on turnover	5%	34%	☺		
			3.2.2. Repairs and maintenance as a % of Property Plant and Equipment	1.0%	2.23%	☺		
		3.3. Profitability Analysis	3.3.1. Gross profit margin (primary activity)	46%	46.9%	☺		
			3.3.2. Gross profit margin (secondary activity)	5%	52,0%	☺		
			3.3.3. Net profit margin (primary activity)	33%	34%	☺		
			3.3.4. Net profit Margin (secondary activity)	5%	12,1%	☺		
			3.3.5. Return on assets	1%	6,0%	☺		
			3.3.6. % Variance of actual Capital Expenditure versus Capital budget	10%	-90%	☹	Delay in planning and implementation.	Sourcing of Panels to speed up planning and implementation
	Improved Audit Outcome	3.4. Enhanced control environment	3.4.1. Audit opinion	Clean audit	Unqualified Audit	😐	Few material findings	Ensure that they are cleared in the next financial year.

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved / Not Achieved	Reasons for non-achievement	Remedial Action
	Improved Cash management	3.5. Cost containment	3.5.1. % Variance of actual operational Expenditure (fixed costs) versus operational budget	10%	1.0%	☺		
			3.5.2. Staff remuneration as % of total operating expenditure	35%	22.0%	☺		
		3.6. Improved collection rate	3.6.1. Current ratio	1	3.03	☺		
		3.7. Working Capital Management	3.7.1. Debt equity	25%	17.0%	☺		
			3.7.2. Debtor's days	300	443	☹	Higher average due to the historic outstanding account.	To conclude repayment agreement with one major customers.

4. Effective and Efficient Organisational Development Processes and Practices.

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved/ Not Achieved	Reasons for non-achievement	Remedial Action
Staff Levels	Workforce Plan to address the current and future Human Resources needs.	4.1. Hiring and retaining people with the required skills, knowledge, and experience.	4.1.1. % Staff Turnover	2%	**1.27%**	☺		
Training and Skills Development	Grow the talent and skills	4.2. Increase the supply of talent through skills	4.2.1. Number of Learnership (Beneficiaries)	30	**38**	☺		

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved/ Not Achieved	Reasons for non-achievement	Remedial Action
		inventories and succession pools.	4.2.2. Number of bursary employees enrolled for development	50	**61**	☺		
			4.2.3. Number of employees on graduate programme	50	**52**	☺		
			4.2.4. Number of registered employees with professional bodies	20	**23**	☺		
Job Created	**Build a talent pipeline**	4.3. Increase the supply of talent through talent acquisition practices and succession pools.	4.3.1. Number of permanent and fixed term jobs created	5	**28**	☺		
			4.3.2. Number of temporary jobs created	120	**202**	☺		
Information Technology Infrastructure Utilisation	ICT Operation Model	4.4. Build best practice principles to deliver a robust, secure and effective ICT service.	4.4.1. % Network Availability of IT infrastructure	95%	**98.4%**	☺		
			4.4.2. % System Availability of IT infrastructure	95%	**96.6%**	☺		

5. Good Governance and Clean Administration.

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved / Not Achieved	Reasons for non-achievement	Remedial Action
Compliance	Comply with relevant regulatory and statutory reporting frameworks	5.1. Reduce violations of relevant regulatory and statutory reporting frameworks	5.1.1. Number of breaches of materiality and significance framework	0	**0**	☺		
			5.1.2. % Statutory reports submitted on time	100%	**100%**	☺		

Strategic Key Focus Area	Strategic Goals	Strategic Objectives	Key Performance Indicator	Target 2024/25	Actual	Achieved / Not Achieved	Reasons for non-achievement	Remedial Action
Governance	Effective Internal Controls and Risk Management	5.2. Reduce internal audit findings and organisational risks	5.2.1. Maximum number of repeat internal audit findings	0	**0**	☺		
			5.2.2. Maximum number of unresolved Internal audit findings	10	**14**	☹	Non-implementation of the audit action plans.	Ensure that audit action plans are implemented and fully Completed.
			5.2.3. Tolerable organisational residual risk	7,5	**7.50**	☺		
Corporate Brand identity and Image	Positive perceptions held by external clients	5.3. Accentuate the corporate brand and image	5.3.1. Number of municipalities supported on rural development programmes.	N/A	**N/A**	N/A	N/A	N/A
			5.3.2. % Stakeholder satisfaction	80%	**86%**	☺		
			5.3.3. Number of municipalities or other customers with bulk supply agreements	0	**0**	N/A	N/A	N/A
			5.3.4. Number of CSI initiatives undertaken	4	**5**	☺		
Board Effectivenes s	Strategic leadership	5.4. Provide effective leadership	5.4.1. % Board members' attendance of all board and committee meetings	95%	**96%**	☺		
			5.4.2. Decision making: % number of resolutions taken by the board versus number of resolutions required	100%	**100%**	☺		

29.12 Company Secretary and Registered Address

The Company Secretary is Ms ZC Ngwenya. Below are the registered business and postal addresses of Lepelle Northern Water:

Business Address:
1 Landdros Mare Street
Polokwane
0699

Postal Address:
Private Bag x9522
Polokwane
0700

29.13 External Auditors

The Auditor General of South Africa (AGSA) remains the external auditors of Lepelle Northern Water in terms of Section 4(3)(a) of the Public Audit Act, No. 25 of 2004. It is anticipated that the AGSA will continue in office for the next financial year.

29.14 Acknowledgement and appreciation

Lepelle Northern Water Board conveys its gratefulness to the Shareholder, customers, suppliers, bankers, and all other stakeholders for their constant and continuous support.

The Board further convey its gratitude to the executive management and the entire staff for their tireless focus on the goals set by the entity for the betterment of Limpopo Province. The 86% customer satisfaction achieved by the end of this financial year was because of their commitment to their roles and responsibilities.

30 REMUNERATION REPORT

30.1 Remuneration Board Members

The Executive Authority of the Department of Water and Sanitation has developed and approved the remuneration policy that all its water entities should use as a guide to remunerate the board members. On an annual basis, the Department of Water and Sanitation reviews the hourly rates based on the class of each water board.

30.2 Remuneration of Employees

The board has approved the remuneration policy that ensure that employees able to carry out their responsibilities in line with the market related salary packages. LNW believes that fair, equitable and competitive remuneration will attract and retain critical and scarce skills. There are few guiding principles that ensures that fairness is achieved as highlighted in the sections below:

30.2.1 Internal Equity

Remuneration differentiation between different positions will be driven by approved job grading systems that are used by the organisation to establish the internal hierarchy of positions.

30.2.2 External Equity

LNW is committed to paying remuneration packages that are competitive relative to the labour market.

30.2.3 Employee Equity

LNW remunerates employees for the contribution they make towards the successful achievement of the organisational business strategy.

30.2.4 Salary Structure

LNW maintains a formal salary structure based on the following factors:

(a) Market stance (supply and demand).
(b) Outcomes of the negotiations with organised labour and
(c) Affordability.

The salary structure is reviewed annually to provide for a minimum up to maximum of the salary scale per job grade.

30.3 Employee Categories

30.3.1 Bargaining Employees

This category of employees (A – C Band according to Patterson Grading System) negotiates their annual increases through the Amanzi Bargaining Council and agreed to at the sector level between all Water Boards and the recognised labour unions. They are paid on a basic-plus-benefits dispensation.

30.3.2 Non-Bargaining Employees

This category of employees (D – F Band according to Patterson Grading System), including the executives and the Chief Executive Officer. This category is remunerated on a Total Cost to Company that allows the employees to structure their packages. The salary increase of this category is determined by the Board. The only difference is that the salary increase of the Chief Executive is approved in line with the guidance from the Executive Authority.

Management class: Board members

2025

Name	Board fees	Board Members' Claims	Subsistence and Travel	Total
MM Magoele	415	120	33	568
PE Molokwane	415	123	30	568
NF Mphephu	627	392	661	1 080
TJ Mathebula	415	82	9	506
MM Makgopa-Madisa	415	139	21	575
B Mahlutshana	415	54	1	470
FR Munyai	415	114	14	543
MSM Soni	415	119	28	562
RT Ramashia	415	86	5	506
S Chiloane-Nwabueze	415	117	20	552
FJ Mudau	415	113	8	536
	4 777	**1,459**	**230**	**6,466**

Independent members	Membership fees	Totals
IAS Vally	422	422
SA Ngobeni	105	105
	527	**527**

2024

Name	Board fees	Board Members' Claims	Subsistence and Travel	Total
MM Magoele	415	165	41	621
PE Molokwane	415	93	18	526
NF Mphephu	627	410	87	1,124
TJ Mathebula	415	80	7	502
MM Makgopa-Madisa	415	155	29	599
B Mahlutshana	415	60	3	478

Name	Board fees	Board Members' Claims	Subsistence and Travel	Total
FR Munyai	415	129	23	567
MSM Soni	415	40	5	460
RT Ramashia	208	140	13	568
S Chiloane-Nwabuze	415	138	13	566
FJ Mudau	415	123	7	545
	4 570	**1,533**	**246**	**6,556**

Independent members	Membership fees	Totals
IAS Vally	471	471
SA Ngobeni	94	94
Y Pamla	89	89
	654	**654**

Management class: Executive Management

2025

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Total
Dr C Ruiters	1,188	508	917	228	2,841
MS Ramalatso	974	358	1,048	187	2,567
AM Maluleke (Resigned Dec 2024)	407	212	493	73	1,185
PA Moshoane **	-	-	167	-	167
ES Moeng	1,077	231	563	206	2,077
ZC Ngwenya	886	-	765	157	1,808
TC Mathivha **(Appointed, 21 Jan 2025)	-	-	69	-	69
	4,532	**1,309**	**4,022**	**851**	**10,714**

2024

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Paid out leave	Total
Dr C Ruiters	1 102	515	763	319	-	2 699
MS Ramalatso	935	380	735	344	-	2 394
AM Maluleke	771	165	653	163	-	1 752
RM Sebela (Resigned April 2024)	400	163	326	183	-	1 072
PA Moshoane	-	-	177	-	-	177
AE Netshidaulu (Terminated December 2023)	579	-	298	162	311	1 350
ES Moeng	900	380	544	210	-	2 034
ZC Ngwenya (appointed April 2024	178	-	138	47	-	363
	4 865	**1 603**	**3 634**	**1 428**	**311**	**11 841**

ANNUAL FINANCIAL STATEMENTS

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

Statement of Financial Position as at 30 June 2025

Figures in Rand thousand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	7,349	7,510
Receivables from exchange transactions	4	1,239,317	1,171,433
VAT receivable	5	51,063	39,826
Cash and cash equivalents	6	1,144,427	1,264,458
		2,442,156	**2,483,227**
Non-Current Assets			
Property, plant and equipment	7	3,580,080	**3,296,633**
Intangible assets	8	781	**782**
Other financial assets	9	176,859	**-**
Receivables from exchange transactions	4	116,933	**80,845**
		3,874,653	**3,378,260**
Total Assets		**6,316,809**	**5,861,487**
Liabilities			
Current Liabilities			
Finance lease obligation	10	-	**1,025**
Payables from exchange transactions	11	754,243	**752,822**
Short-term employee benefits	12	51,788	**49,102**
		806,031	**802,949**
Non-Current Liabilities			
Employee benefit obligation	13	109,635	**98,681**
Total Liabilities		**915,666**	**901,630**
Net Assets		**5,401,143**	**4,959,857**
Accumulated surplus		5,401,143	**4,959,857**
Total Net Assets		**5,401,143**	**4,959,857**

* See Note 34 & 29

Statement of Financial Performance as at 30 June 2025

Figures in Rand thousand	Note(s)	2025	2024 Restated*
Revenue	16	1,673,011	2,039,334
Cost of sales	17	(551,060)	(501,269)
Gross surplus		**1,121,951**	**1,538,065**
Other income	18	117,653	144,619
Operating expenses	19&20	(871,486)	(917,209)
Operating surplus		**368,118**	**765,475**
Investment revenue	21	104,609	86,854
Fair value adjustments	22	7,292	-
Actuarial gains/losses	13	4,495	9,996
Gain/(loss) on sale of assets	7	(29,692)	-
Finance costs	23	(13,535)	(13,510)
Surplus for the year		**441,287**	**848,815**

* See Note 34 & 29

Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Accumulated surplus / deficit	Total net assets
Opening balance as previously reported		4,111,422	4,111,422
Adjustments			
Correction of errors	29	(380)	(380)
Balance at 1 July 2023 as restated*		**4,111,042**	**4,111,042**
Changes in net assets			
Surplus for the year		848,815	848,815
Total changes		848,815	848,815
Restated* Balance at 1 July 2024		**4,959,856**	**4,959,856**
Changes in net assets			
Surplus for the year		441,287	441,287
Total changes		441,287	441,287
Balance at 30 June 2025		**5,401,143**	**5,401,143**

* See Note 34 and 29

Cash Flow Statement

Figures in Rand thousand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,036,530	935,686
Construction contract related revenue		207,407	295,065
Interest income		104,609	86,854
Other cash item (BFI Receipts)		317,000	633,000
		1,665,546	**1,950,605**
Payments			
Employee costs		(315,894)	(312,128)
Suppliers		(666,586)	(519,694)
Finance costs		(80)	(237)
Construction contract expenses		(190,787)	(281,085)
		(1,173,347)	(1,113,144)
Net cash flows from operating activities	25	**492,199**	**837,461**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(441,638)	(203,850)
Purchase of financial assets		(169,567)	-
Net cash flows from investing activities		**(611,205)**	**(203,850)**
Cash flows from financing activities			
Finance lease payments		(1,025)	(916)
Net increase/decrease) in cash and cash equivalents		**(120,031)**	**632,695**
Cash and cash equivalents at the beginning of the year		1,264,458	631,763
Cash and cash equivalents at the end of the year	6	**1,144,427**	**1,264,458**

* See Note 34 & 29

Celebrating 65 years
JOURNEY OF BULK WATER SERVICES

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance Revenue						
Revenue from exchange transactions						
Sale of goods	1,153,649	-	**1,153,649**	1,037,759	**(115,890)**	33
Construction contracts	-	303,945	**303,945**	318,252	**14,307**	33
Administration and management fees received	16,026	-	**16,026**	4,705	**(11,321)**	33
Operations and maintenance services	35,098	-	**35,098**	31,367	**(3,731)**	33
Rental income	,304	-	**1,304**	1,353	**49**	33
Sundry income	21,853	-	**21,853**	67,196	**45,343**	33
Finance income	22,166	-	**22,166**	104,609	**82,443**	33
Total revenue from exchange transactions	**1,250,096**	**303,945**	**1,554,041**	**1,565,241**	**11,200**	
Revenue from non-exchange transactions						
Government grants & subsidies	352,000	-	**352,000**	317,000	**(35,000)**	33
Total revenue	**1,602,096**	**303,945**	**1,906,041**	**1,882,241**	**(23,800)**	
Expenditure						
Personnel (related to cost of sale)	(128,016)	-	**(128,016)**	(121,868)	**6,148**	33
Raw water purchased	(138,197)	-	**(138,197)**	(80,092)	**58,105**	33
Chemicals	(24,273)	(150)	**(24,423)**	(18,688)	**5,735**	33
Energy	(281,216)	(8,148)	**(289,364)**	(274,638)	**14,726**	33
Repairs and maintenance (related to cost of sale)	(4,221)	-	**(4,221)**	(6,919)	**(2,698)**	33
Repairs and maintenance (general expense)	(84,724)	-	**(84,724)**	(58,483)	**26,241**	33
Employee salaries (general expense)	(216,126)	-	**(216,126)**	(191,989)	**24,137**	33
Finance costs	(11,993)	-	**(11,993)**	(13,535)	**(1,542)**	33
Depreciation (related to cost of sale)	(47,859)	-	**(47,859)**	(48,857)	**(998)**	33
Depreciation, Amortisation & Impairment	(99,021)	-	**(99,021)**	(93,907)	**5,114**	33
Construction contract expense	-	(303,945)	**(303,945)**	(301,632)	**2,313**	33
Operating Expenses	(182,743)	(23,857)	**(206,600)**	(184,300)	**22,300**	33
Total expenditure	**(1,218,389)**	**(336,100)**	**(1,554,489)**	**(1,394,908)**	**159,581**	
Surplus before taxation	**383,707**	**(32,155)**	**351,552**	**487,333**	**135,781**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**383,707**	**(32,155)**	**351,552**	**487,333**	**135,781**	

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Reconciliation						
Format and classification differences						
Fair value adjustment				7,292		33
Actuarial gains/losses				4,495		33
Recoveries				12,805		33
Debt impairment and write-off				(40,946)		33
Gain/loss on disposal of assets				(29,692)		33
Actual Amount in the Statement of Financial Performance				**441,287**		

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	256,445	-	**256,445**	7,349	**(249,096)**	33
Receivables from exchange transactions	1,088,378	258,509	**1,346,887**	1,239,317	**(107,570)**	33
VAT receivable	63,791	-	**63,791**	51,063	**(12,728)**	33
Cash and cash equivalents	1,802,394	45,591	**1,847,985**	1,144,427	**(703,558)**	33
	3,211,008	**304,100**	**3,515,108**	**2,442,156**	**(1,072,952)**	
Non-Current Assets						
Property, plant and equipment	3,258,812	-	**3,258,812**	3,580,080	**321,268**	33
Intangible assets	1,424	-	**1,424**	781	**(643)**	33
Other financial assets	-	-	**-**	176,859	**176,859**	33
Receivables from exchange transactions	-	-	**-**	116,933	**116,933**	33
	3,260,236	-	**3,260,236**	3,874,653	**614,417**	
Total Assets	**6,471,244**	**304,100**	**6,775,344**	**6,316,809**	**(458,535)**	
Liabilities						
Current Liabilities						
Finance lease obligation	1,205	-	**1,205**	-	**(1,205)**	33
Payables from exchange transactions	758,730	336,100	**1,094,830**	733,727	**(361,103)**	33
Short-term employee benefits	53,861	-	**53,861**	51,788	**(2,073)**	33
	813,796	336,100	**1,149,896**	785,515	**(364,381)**	
Non-Current Liabilities						
Employee benefit obligation	105,200	-	**105,200**	109,635	**4,435**	33
Total Liabilities	**918,996**	**336,100**	**1,255,096**	**895,150**	**(359,946)**	
Net Assets	**5,552,248**	**(32,000)**	**5,520,248**	**5,421,659**	**(98,589)**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Reserves						
Accumulated surplus*	5,552,248	(32,000)	**5,520,248**	5,401,143	**(119,105)**	

*Accumulated surplus difference pertains to a discrepancy that remains unreconciled due to manual computation error on the corporate plan

Accounting Policies

1. Significant accounting polices

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

1.1. Basis of preparation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

These accounting policies are consistent with the previous period.

1.2. Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. The figures are rounded to the nearest thousand Rand (R'000), except where otherwise indicated.

1.3. Going concern assumption

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

1.4. Materiality

These annual financial statements have been prepared and presented by applying the concept of materiality in the recognition, measurement, presentation and disclosure of information.

Accounting Policies

1.5. Significant judgements and sources of estimation uncertainty

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

Inventory

Inventory is measured at lower of cost or net realisable value. Net realisable value assessment requires management to make estimates about future inventory replacement cost and future use of inventory in order to determine net realisable value. Refer to note 3 for the carrying amount of inventory at year end.

LNW considers water to be inventory from the point of extraction of the raw water for processing from the natural sources that are licensed to the Water Board

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the entity is the current bid price.

Fair value is principally used in accounting for the entity's other financial assets disclosed in note 9.

Impairment testing

The recoverable amounts of assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

Accounting Policies

1.5. Significant judgements and sources of estimation uncertainty (continued)

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in tangible assets are inherently uncertain and could materially change over time. Refer to note 7 for impairment estimated amounts.

Short-term employee benefits

Short-term employee benefits were raised, and management determined an estimate based on the information available. The entity's short-term employee benefits are related to 13th Cheque, leave and performance bonus liabilities as detailed in accounting policy note 1.15. Additional disclosure of these estimates of provisions is included in note 12 - Short-term employee benefits.

Contingencies

Contingencies disclosed in the current year required estimates of possible financial exposure and management relies on the opinions of its lawyers, refer to note 27 for disclosed contingencies.

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the wastewater and water networks. This estimate is based on industry norm. Management will adjust the depreciation charge where useful lives are different from previously estimated useful lives. Refer to note 1.6 for the assessed useful lives and to note 7 for estimated depreciation amounts.

Post-retirement benefits

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

1.5. Significant judgements and sources of estimation uncertainty (continued)

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

Other key assumptions for defined contribution plan are based on current market conditions. Additional information is disclosed in Note 13.

Effective interest rate

The entity used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition. Refer to note 4 for the estimated impairment allowance.

Recognition and Derecognition of Land

In some instances, the entity is not the legal owner or the custodian of land appointed in terms of legislation but assessed that it controls such land. Key judgments made and assumptions applied to conclude that it controls such land, are as follows:

The entity has the right to direct access to and restrict access of others to the land.

The entity can make improvements to the land without a prior approval by the third party.

Accounting Policies

1.6. Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost and is subsequently carried at cost less accumulated depreciation and any impairment losses.

The depreciation method and useful lives of items of property, plant and equipment are as follows:

Item	Depreciation method	Average useful life
Land	Not depreciated	Indefinite
Buildings	Straight-line	9 - 50 years
Machinery and Equipment	Straight-line	3 - 15 years
Furniture and fixtures	Straight-line	3 - 10 years
Motor vehicles	Straight-line	2 - 15 years
Computer Hardware	Straight-line	3 - 8 years
Waterworks	Straight-line	3 - 52 years
Telemetry	Straight-line	3 - 15 years

The depreciation method, residual value and the useful life of property, plant and equipment are reviewed at least at each reporting date and changes are accounted for as a change in an accounting estimate.

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

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

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

Accounting Policies

1.7. Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost and are subsequently carried at cost less any accumulated amortisation and any impairment losses.

The amortisation method and useful lives of intangible assets are as follows:

Item	Amortisation method	Average useful life
Computer software	Straight-line	3 - 10 years
Servitudes	Not aromatised	Indefinite

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

The amortisation period and the amortisation method for intangible assets are reviewed at least at each reporting date and changes are accounted for as a change in an accounting estimate.

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

Intangible assets are derecognised:

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

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

Accounting Policies

1.8. Financial instruments

Initial recognition and measurement of financial assets and financial liabilities

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value are recognised immediately in surplus or deficit.

Subsequent measurement of financial assets and financial liabilities

Financial assets and financial liabilities are subsequently measured at amortised cost or fair value, depending on their classification.

Impairment of financial assets.

All financial assets measured at amortised cost are subject to an impairment review. If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

The amount of the loss is recognised in surplus or deficit.

Accounting Policies

1.8. Financial instruments (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition of financial assets and financial liabilities

A financial asset is derecognised only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or.
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

A financial liability is derecognised when, and only when, it is extinguished (i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived).

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised.

Classification

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

Accounting Policies

1.8. Financial instruments (continued)

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at amortised cost
Other financial asset	Financial asset measured at fair value

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

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

1.9. VAT receivables Identification

Identification

The entity is a registered VAT vendor in terms of the VAT Act (Act No. 89 of 1991) and is on a payment (cash) basis. The entity declares output tax and input tax monthly to the extent to which payment of the consideration is received or made in that tax period. This is a statutory arrangement giving rise to VAT balances of the following nature:

(a) VAT Statutory receivable from or payable to SARS, calculated as the net amount of output VAT collected and input VAT paid. This is the VAT already declared to SARS as it is associated with transactions for which payment was received or made. The entity nets the output and input as the amounts relate to the same counterpart (SARS) and settlement is done on a net basis.

(b) VAT accrual balance representing VAT associated with transactions that are yet to be settled. This balance is not yet declared to SARS because it does not represent amounts due from/ to SARS. It represents VAT accruals/provisions/ deferrals because despite the amounts being known, the timing is uncertain and is dependent on the settlement of the underlying transactions that gave rise to the VAT balances.

Accounting Policies

1.9. VAT receivables Identification (continued)

The VAT statutory balances in (a) above and the VAT accruals/ provisions in (b) above are reported on a net basis in the statement of financial position. Management considered the fact that despite (a) being an existing claim from/ by SARS while (b) isn't until payment is received or made for the underlying transactions from different counterparties, namely customers and suppliers respectively, they are all in substance VAT related and arose from a statutory arrangement. This was considered to be more relevant to the users of the financial statements than splitting the VAT balance merely based on the legal form.

Recognition

The entity recognises the VAT receivable when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures VAT receivables at their transaction amount. The transaction amount is the VAT rate as provided in the VAT Act and supporting regulations. The current rate is 15% of the value of supply made by the entity or to the entity.

Subsequent measurement

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

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

Accounting Policies

1.9. VAT receivables Identification (continued)

Other charges

SARS can levy penalties for late submission of VAT returns in terms of the Tax Administration Act (Act 28 of 2011)

Impairment losses

The entity assesses at each reporting date whether the VAT balance may be impaired.

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

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

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

Derecognition

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

- the rights to the cash flows from the receivable are forfeited, expire or are waived.
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or

Accounting Policies

1.9. VAT receivables Identification (continued)

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

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

1.10. Leases

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

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Accounting Policies

1.10. Leases (continued)

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases – lessee

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

1.11. Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

Accounting Policies

1.11. Inventories (continued)

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs

1.12. Construction contracts and receivables

The entity recognises revenue from construction contracts based on the stage of completion method, in compliance with GRAP 11. Revenue and associated construction contract cost are recognized based on submitted claims to customers, which represent progress billings for work performed to date.

Lepelle Northern Water enters into contracts with the Department of Water and Sanitation for management of water projects in Limpopo that involve overseeing the construction, management, and procurement of materials, contractors, and consultants, in return for management fees of 5% of the value of certified work. This arrangement is now accounted for as a construction contract in accordance with GRAP 11, "Construction Contracts." Under this standard, the total amounts claimed for the construction costs and management fees have been recognised as construction revenue

1.13. Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

Accounting Policies

1.13. Impairment of cash-generating assets (continued)

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Designation

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash- generating asset or non-cash-generating asset based on whether the entity expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the entity designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy

Identification

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Accounting Policies

1.13. Impairment of cash-generating assets (continued)

Recognition and measurement

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Accounting Policies

1.14. Impairment of non-cash-generating assets

Identification

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable service amount of that asset.

Accounting Policies

1.14. Impairment of non-cash-generating assets (continued)

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

1.15. Employee benefits

Identification

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees or for the termination of employment.
Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service.

Post-employment benefits are employee benefits (other than termination benefits and short-term employee benefits) that are payable after the completion of employment.

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either: (a) an entity's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept an offer of benefits in exchange for the termination of employment.

Accounting Policies

1.15. Employee benefits (continued)

Short-term employee benefits

Recognition and measurement

All short-term employee benefits

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

(a) As a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund.

(b) As an expense, unless another Standard of GRAP requires or permits the inclusion of the benefits in the cost of an asset.

Short-term paid absences

The entity recognises the expected cost of short-term employee benefits in the form of paid absences as follows:

- in the case of accumulating paid absences, when the employees render service that increases their entitlement to future paid absences; and
- in the case of non-accumulating paid absences, when the absences occur.

The entity measures the expected cost of accumulating paid absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the end of the reporting period.

Accounting Policies

1.15. Employee benefits (continued)

Bonus, incentive and performance related payments

The entity recognises the expected cost of bonus, incentive and performance related payments when, and only when:

(a) the entity has a present legal or constructive obligation to make such payments as a result of past events; and
(b) a reliable estimate of the obligation can be made. A present obligation exists when, and only when, the entity has no realistic alternative but to make the payments.

Post-employment benefits: Defined contribution plans

Recognition and measurement

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

(a) as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the end of the reporting period, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and

(b) as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset. When contributions to a defined contribution plan are not expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related service, they are be discounted using the discount rate as specified.

Accounting Policies

1.15. Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Recognition and measurement

The entity has elected not to secure the post-retirement medical aid obligation through investments or insurance contracts. Consequently, no plan assets are recognised, and the full present value of the obligation is disclosed as a liability.

1.16. Contingencies

Contingent assets and contingent liabilities are not recognised. Contingent liabilities are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. Contingent assets are disclosed where an inflow of economic benefits or service potential is probable. Contingencies are disclosed in note 27.

1.17. Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

Accounting Policies

1.18. Revenue from exchange transactions Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

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

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably.
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Accounting Policies

1.18. Revenue from exchange transactions Measurement (continued)

Interest

Revenue arising from the use by others of entity assets yielding interest is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables

1.19. Revenue from non-exchange transactions Government grants and subsidies

Government grants and subsidies

Recognition

Government grants are recognised when there is reasonable assurance that the grants will be received. The entity's grants received have restrictions rather than conditions. Consequently, the grants are recognised in revenue in full when they are received or when they become receivable, and thereafter any unutilised funds are held as restricted use funds until they are used.

Measurement

Revenue from a government grant is measured at the amount of the increase in net assets recognised by the entity.

Interest

Interest is recognised using the effective interest rate method for financial instruments, and using the nominal interest rate method for statutory receivables

Accounting Policies

1.20. Other income

Other income that is not already covered by another accounting policy relates to other entity income other than operating revenue. Other incomes are recognised as income when the right to receive has been established.

1.21. Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all surplus (deficit) of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write- down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

Cost of sales comprise of costs of raw water, electricity, pumping and purification, direct labour, depreciation and repairs and maintenance associated with water production.

1.22. Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23. Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.24. Expenses

Expenses are recognised in the statement of financial performance upon receiving of the goods or services (i.e. as incurred)

Accounting Policies

1.25. Fruitless and wasteful expenditure

The entity determines that fruitless and wasteful expenditure has been incurred when the following are present:

(a) expenditure must be made in vain; and
(b) would have been avoided had reasonable care been exercised.

Fruitless and wasteful expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of fruitless and wasteful expenditure incurred and confirmed in the current financial year unless it is impractical to determine, in which case reasons are provided in the annual report. This relates to fruitless and wasteful expenditure incurred in the current financial year, with a one previous financial year comparative analysis.

Fruitless and wasteful expenditure for the previous financial year (comparative amounts) is disclosed in the period in which they occurred as follows:

(a) fruitless and wasteful expenditure incurred and confirmed in the previous financial year;
(b) fruitless and wasteful expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
(c) fruitless and wasteful expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as income in the statement of financial performance.

Accounting Policies

1.26. Irregular expenditure

The entity determines that irregular expenditure has occurred when the following are present:

(a) expenditure was incurred in contravention of, or not in accordance with legislation; and
(b) expenditure must have been recognised in the statement of financial performance or liability recognised in the statement of financial position (where expenditure is not reflected in the statement of financial performance). The earlier of an invoice or payment will trigger irregular expenditure for these transactions.

Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of irregular expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons are provided in the annual report. This relates to irregular expenditure incurred in the current financial year, with a one financial year comparative analysis.

Irregular expenditure for the previous financial year (comparative amounts) is disclosed in the period in which they occurred as follows:

(a) irregular expenditure incurred and confirmed in the previous financial year,
(b) irregular expenditure that was under assessment in the previous financial year and confirmed in the current financial year; and
(c) irregular expenditure that was not discovered in the previous financial year and identified and confirmed in the current financial year.
(d) irregular expenditure payments relating to multi-year contracts that was not condoned or removed.

Additional information relating to irregular expenditure under assessment, determination, investigation, narratives, and the process of dealing with the irregular expenditure is recorded in the annual report of the entity as provided for in Chapter 8 of Annexure A to National Treasury Instruction Note 4 of 2022/23.

Accounting Policies

1.27. Segment information Measurement

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity).
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available

Measurement

The segmented amounts are measured on the same measurement principles as those used in measuring the corresponding amounts in the entity's financial statements.

When management regularly reviews segment information for decision making purposes, all types of income that is allocated to a segment is reviewed as revenue without a need for a distinction between income that is revenue and that which is other

1.28. Budget information

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget is for the Water Board and covers the fiscal period from 1/7/2024 to 30/6/2025.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts as determined by the National Treasury.

Management considered quantitative factor variances exceeding 10% of the corresponding budget line item. Refer to note 33.

Accounting Policies

1.29. Related parties

The entity's related parties comprise of the following categories:

(i) An entity with the ability to exercise control over the Water Board. The Department of Water and Sanitation exercises control over the entity.

(ii) Members of key management. Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. The entity's Board and Executive Management constitutes key.

2. New standards and interpretations

2.1. Standards and interpretations issued but not yet effective.

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after July 1, 2025 or later periods:

GRAP 1 (amended): Presentation of Financial Statements (Going Concern)

The Board (Accounting Standard Board) undertook a project in 2021 to consider the guidance and disclosure requirements on going concern in the relevant Standards of GRAP. As an outcome of this project, the Board agreed to include additional guidance and disclosures on going concern in this Standard. Consequential amendments are also made to the Standard of GRAP on Events After the Reporting Date.

Applicability of going concern in the public sector

An entity prepares its financial statements on a going concern basis unless there is an intention to liquidate the entity, to cease operating, or if there is no realistic alternative but to do so. A liquidation or cessation of an entity's operations will result in the termination of all its functions.

In South Africa, specific legislative requirements need to be followed before a decision is taken to liquidate a public sector entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities. The "intention" to liquidate an entity, to cease or scale back its operations, to transfer some or all of its functions to another entity, or to merge one or more entities needs to be established. This intention can be reflected in a number of ways and may encompass legislation passed in Parliament or a provincial legislature, cabinet decision, ministerial order, a decision made by a municipal council, board, council or equivalent, a regulation or a notice, or other official means.

Notes the Annual Financial Statements

2. New standards and interpretations (continued)

The liquidation or cessation of a public sector entity's operations is rare, and only in the case of dissolution without any continuation of the entity's operations will the going concern basis cease to apply. When all, or some of the functions of an entity are transferred to another entity, or when a decision is taken to merge one or more entities, the application of the going concern basis remains appropriate. This is because the entity's functions will continue to be provided in a modified form, even though they are executed by another entity.

The Board (Accounting Standard Board) agreed to include explanatory guidance in this Standard on the application of the going concern assumption by public sector entities.

Where some of an entity's functions are transferred in a transfer of functions, and the remaining functions are discontinued, there are two separate transactions. The Board concluded that management should assess these transactions separately based on the functions transferred, those to be discontinued (if any), and those that may be retained and continued (if any), to determine if preparing the entity's financial statements on a going concern basis remains appropriate.

Disclosure on going concern

The Board's (Accounting Standard Board) project highlighted a need for specific disclosures on going concern, material uncertainties relating to going concern, and actions taken by management to mitigate these uncertainties. Consideration was also given to the practices, guidance and requirements in other countries and/or from other standard-setting bodies on these matters.

To address the diversity in the information disclosed on going concern, the Board (Accounting Standard Board) agreed to expand the disclosure requirements in this Standard to ensure that consistent disclosures are provided.

The effective date of these revisions has not yet been set.

It is unlikely that the standard will have a material impact on the entity's annual financial statements

Notes the Annual Financial Statements

2. New standards and interpretations (continued)

Following the global financial crisis, a number of concerns were raised about the accounting for financial instruments. This included that (a) information on credit losses and defaults on financial assets was received too late to enable proper decision-making, (b) using fair value in certain instances was inappropriate, and (c) some of the existing accounting requirements were seen as too rules based. As a result, the International Accounting Standards Board® amended its existing Standards to deal with these issues. The IASB issued IFRS® Standard on Financial Instruments (IFRS 9) in 2009 to address many of the concerns raised. Revisions were also made to IAS® on Financial Instruments: Presentation and the IFRS Standard® on Financial Instruments: Disclosures. The IPSASB issued revised International Public Sector Accounting Standards in June 2018 so as to align them with the equivalent IFRS Standards.

The revisions better align the Standards of GRAP with recent international developments. The amendments result in better information available to make decisions about financial assets and their recoverability, and more transparent information on financial liabilities.

The most significant changes to the Standard effect:

- Financial guarantee contracts issued
- Loan commitments issued
- Classification of financial assets
- Amortised cost of financial assets
- Impairment of financial assets
- Disclosures

The effective date of the revisions is 01 April 2025.

The entity expects to adopt the revisions for the first time on the effective date.

The adoption of this standard is not expected to impact on the results of the entity but may result in more disclosure than is currently provided in the annual financial statements.

Notes the Annual Financial Statements

Figures in Rand thousand	2025	2024

3. Inventories

Chemicals	1,159	2,027
Water inventory: Work in progress	504	446
Assurance inventory	1,365	1,365
Maintenance inventory	3,083	2,254
Water inventory: Clean water	1,238	1,418
	7,349	**7,510**

Cost of sales represent the inventories recognised as an expense during the year and have been disclosed under note 17.

4. Receivables from exchange transactions

Trade debtors	697,539	606,851
Employee loans	6,316	4,811
Trade debtors - long term	193,936	181,120
Sundry debtors	14,185	17,231
DWS Projects	345,300	350,355
Plant claims	403,851	408,979
Provision for impairment	(304,877)	(317,069)
	1,356,250	**1,252,278**
Non-current assets	116,933	80,845
Current assets	1,239,317	1,171,433
	1,356,250	**1,252,278**
Other non-financial asset receivables included in receivables from exchange transactions above are as follows:		
Prepayments	7,966	11,259
Financial asset receivables included in receivables from exchange transactions above	**1,348,284**	**1,241,019**
Total receivables from exchange transactions	1,356,250	1,252,278

Trade and other receivables impaired

As of 30 June 2025, trade and other receivables measured at amortised cost, with a gross carrying amount of R1 661 million (2024: R1 579 million), were assessed for impairment. An impairment allowance of R304 million (2024: R317 million) was recognised against these receivables.

Below is an analysis of financial instruments that were individually assessed for impairment as at the end of the reporting period. The amount of the impairment loss is included in the total impairment provision. In determining that these individual receivables are impaired, the entity considered the following factors:

Notes the Annual Financial Statements

Figures in Rand thousand	2025	2024

4. Receivables from exchange transactions (continued)

(i) evidence of customer liquidation/sequestration
(ii) history of customer handover to debt collectors
(iii) evidence of formal arrangements for arrear debt
(iv) customer payment history

Class of Receivables assessed individually for impairment,

Trade debtors	783,724	674,474
Plant claims	300,649	408,851
DWS Projects	343,527	347,473

Included in trade debtors is a long term debtor that was individually assessed for impairment at year end.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	317,069	375,289
Provision for impairment	28,764	(45,738)
Amounts written off as uncollectible	(40,956)	(12,482)
	304,877	**317,069**

The non-current portion of trade and other receivables comprise of the carrying amount of a trade debtor that has a payment arrangement to settle their long outstanding debt for a period that extends beyond twelve months. The entity does not expect to realise this carrying amount within twelve months after the reporting date because of these renegotiated payment terms with the debtor. The amount represents financial assets that would otherwise be past due whose terms have been renegotiated.

The entity does not have trade and other receivables that are past due but not impaired.

The entity does not hold any collateral as security and did not pledge the receivables as collateral for any liability or contingent liability.

Notes the Annual Financial Statements

Figures in Rand thousand	2025	2024

5. VAT receivables

VAT	51,063	39,826

Details relating to how the VAT Statutory transactions arise, the determination of transactions amounts, and other interest charged have been provided in the accounting policy note 1.9.

6. Cash and cash equivalents

Cash and cash equivalents consist of:		
Cash on hand	839	830
Bank balances	17,218	22,669
Short-term deposits	1,126,370	1,240,959
	1,144,427	**1,264,458**

Included in cash and cash equivalents are restricted Regional Bulk Infrastructure Project funds (refer to note 14). These funds are restricted for the purpose of implementing the Regional Bulk Infrastructure projects as per the related funding agreements.

Credit quality of cash at bank and short-term deposits, excluding cash on hand

The credit quality of cash at bank and short-term deposits can be assessed by reference to external credit ratings when available or historical information about counterparty default rates. The balances are held at South African banks that have good credit ratings and no history of default in their dealings with the entity. There is no objective evidence that cash and cash equivalents are impaired at the reporting date.

Notes the Annual Financial Statements

Figures in Rand thousand	2025	2024

7. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost /Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	27,661	-	27,661	27,661	-	27,661
Buildings	290,909	(185,733)	105,176	289,583	(174,945)	114,638
Machinery and equipment	807,799	(501,988)	305,811	782,892	(457,031)	325,861
Furniture and fixtures	14,886	(11,459)	3,427	13,169	(10,922)	2,247
Motor vehicles	57,056	(41,243)	15,813	56,648	(36,780)	19,868
Computer Hardware	9,728	(6,573)	3,155	8,923	(5,864)	3,059
Assets Under Construction	650,056	-	650,056	408,362	-	408,362
Telemetry	10,358	(7,222)	3,136	10,358	(6,579)	3,779
Finance lease	2,517	(2,517)	-	2,517	(1,699)	818
Water network	3,807,594	(1,341,749)	2,465,845	3,653,548	(1,263,208)	2,390,340
Total	**5,678,564**	**(2,098,484)**	**3,580,080**	**5,253,661**	**(1,957,028)**	**3,296,633**

Notes the Annual Financial Statements

Figures in Rand thousand	2025	2024

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	27,661	-	-	-	-	-	27,661
Buildings	114,638	671	-	654	(10,219)	(568)	105,176
Machinery and Equipment	325,861	11,696	(1,161)	15,325	(43,981)	(1,929)	305,811
Furniture and fittings	2,247	1,725	(1)	-	(544)	-	3,427
Motor vehicles	19,868	409	-	-	(4,464)	-	15,813
Computer Hardware	3,059	847	(26)	-	(725)	-	3,155
Assets under construction	408,362	444,655	-	(202,961)	-	-	650,056
Telemetry	3,779	-	-	-	(643)	-	3,136
Finance lease	818	-	-	-	(818)	-	-
Water network	2,390,340	-	(28,529)	186,982	(81,732)	(1,216)	2,465,845
	3,296,633	**460,003**	**(29,717)**	**-**	**(143,126)**	**(3,713)**	**3,580,080**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	27,661		-	-	-	27 661
Buildings	118,252	61	8,543	(9,626)	(2,592)	114,638
Machinery and equipment	345,815	7,242	16,872	(42,932)	(1,136)	325,861
Furniture and fittings	2,019	639	17	(428)	-	2,247
Motor vehicles	7,832	14,809	-	(2,773)	-	19,868
Computer Hardware	1,874	1,684	-	(499)	-	3,059
Assets Under Construction	319,963	190,563	(102,164)	-	-	408,362
Telemetry	4,334	151	-	(647)	(59)	3,779
Finance lease	1,706	-	-	(888)	-	818
Water network	2,396,011	-	76,732	(81,243)	(1,160)	2,390,340
	3,225,467	**215,149**	**-**	**(139,036)**	**(4,947)**	**3,296,633**

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Figures in Rand thousand	2025	2024

7. Property, plant and equipment (continued)

The carrying value of assets under investigation is R0.5 million (2024: R2.9 million) and is broken down as follows:

Furniture and fittings	23	45
Computer Hardware	16	27
Machinery and Equipment	370	2,695
Motor vehicles	1	2
Telemetry	89	105
Water network	18	20

Other information

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Sludge lagoon: Phalaborwa Poor performance by the contractor	25 222	25 222
	25 222	**124 535**

Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

LNW 45/12/13 Upgrade of Politsi water treatment There is a dispute on water use licence between LNW and Tzaneen Irrigation Board	12 800	12 800
LNW 33/15/16 Politsi main pipeline installation Pipes were delivered on site. There is a dispute on the water use licence between LNW and Tzaneen Irrigation Board No impairment losses have been recognised in relation to the	5 407	5 407
project LNW 33/15/16 Supply and delivery of pipes for Politsi Pipes were delivered on site. There is a dispute on water use licence between LNW and Tzaneen Irrigation Board No impairment losses have been recognised in relation to the	8 787	8 787
project LNW 04/15/16 Tzaneen Irrigation Board Pipes were delivered on site. There is a dispute on water use licence between LNW and Tzaneen Irrigation Board] No impairment losses have been recognised in relation to the project	459	459
	27 453	**27 453**

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Assets Under Construction 2025

	Buildings	Water works	Machinery and equipment	Land	Total
Opening balance	289	309,352	98,722	-	408,363
Additions/capital expenditure	365	141,656	302,207	426	444,654
Transferred to completed items	(654)	(200,635)	(1,672)	-	(202,961)
	-	**250,373**	**399,257**	**426**	**650,056**

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Figures in Rand thousand	2025	2024

7. Property, plant and equipment (continued)

Assets Under Construction 2024

	Buildings	Water works	Machinery and equipment	Total
Opening balance	262	271,227	48,474	319,963
Additions/capital expenditure	886	89,344	100,332	190,562
Transferred to completed items	(859)	(51,219)	(50,085)	(102,163)
	289	**309,352**	**98,721**	**408,362**

Expenditure incurred to repair and maintain property, plant and equipment

	2025	2024
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Repairs and Maintenance	57,077	61 733

8. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Software	8,499	(8,499)	-	8,499	(8,498)	1
Servitudes	781	-	781	781	-	781
Total	**9,280**	**(8,499)**	**781**	**9,280**	**(8,498)**	**782**

Reconciliation of intangible assets - 2025

	Opening balance	Amortisation	Total
Software	1	(1)	-
Servitudes	781	-	781
Total	**782**	**(1)**	**781**

Reconciliation of intangible assets - 2024

	Opening balance	Amortisation	Total
Software	57	(56)	1
Servitudes	781	-	781
Total	**838**	**(56)**	**782**

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Figures in Rand thousand	2025	2024

8. Intangible assets (continued)

Other information

Intangible assets with indefinite lives:

Servitudes	781	781

In determining the useful life of servitudes as indefinite, the entity considered the fact that there is no foreseeable limit to the period over which the rights represent service potential given that the primary activity of the entity is the provision of bulk water services, a basic service which is expected to continue in perpetuity.

9. Other financial assets

Non-current assets		
Designated at fair value	176 859	-

10. Finance lease obligation

Minimum lease payments due		
- within one year	-	1 105
less: future finance charges	-	(80)
Present value of minimum lease payments	-	**1 025**
Present value of minimum lease payments due		
- within one year	-	1 025

As disclosed under note above the entity leased printing machinery on a finance lease agreement

The average lease term is 3 to 5 years at an effective borrowing rate of 17%. The current finance lease will end on the 31 May 2025.

Interest rates are linked to prime at the contract date. All leases have fixed repayments and including the contingent rent of R0.6 million (2024: R0.2 million), included in operating expenses, refer to note 19.The entity's obligations under finance leases are secured by the lessor's charge over the leased assets.

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Figures in Rand thousand	2025	2024

11. Payables from exchange transactions

Trade payables	570,570	553,641
Payments received in advanced - contract in process	403	403
Other payables	1,226	5,125
Retention	162,592	174,204
Customer - Deposits received	296	293
Receivables with credit balances	19,156	19,156
	754,243	**752,822**
Other non-financial liabilities included in payables from exchange transactions above are as follows:		
SARS - Employee tax liabilities (PAYE, UIF, SDL)	16	4,930
	754,227	**747,892**

12. Short-term employee benefits

13th Cheque	5,109	4,894
Leave	27,722	26,491
Performance bonus	18,957	17,717
	51,788	**49,102**

13. Post retirement employee benefits

Defined Contribution Plan

Post retirement medical aid plan

The Entity offers in-service and retired members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover. Upon retirement, an employee may continue membership of the medical scheme. In-service members will receive a post-retirement subsidy of 70% of the contribution’s payable should they be a member of a medical scheme at retirement. All continuation members and their eligible dependants receive a 70% subsidy of the contributions payable. Upon a member’s death-in-service or death-after-service the surviving dependants will continue to receive the same subsidy.

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Figures in Rand thousand	2025	2024

13. Post retirement employee benefits (continued)

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(109,635)	(98,681)

Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	98,681	94,517
Benefits paid	(2,728)	(2,689)
Net expense recognised in the statement of financial performance	13,682	6,853
	109,635	**98,681**

The contributions (benefits) expected to be paid during the annual period beginning after the reporting date amounts to R3.21 million (2024: R3.06 million).

Net expense recognised in the statement of financial performance are as follows:		
Service cost	4,723	3,576
Interest costs	13,454	13,273
Actuarial (gains) losses - Obligation	(4,495)	(9,996)
	13,682	**6,853**

The above net expense recognised in the statement of financial performance consists of current service cost included under the employee cost line, interest cost included under the finance cost line and actuarial gains included under the actuarial gains/ losses line in the statement of financial performance.

Calculation of actuarial gains and losses

Actuarial (gains) losses arising from changes in assumptions	405	(1,286)
Actuarial (gains) losses arising from experience adjustments	(4,900)	(8,710)
	(4,495)	**(9,996)**

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	12.87%	13.82%
Medical cost trend rates	8.80%	9.69%
Expected increase in healthcare costs	7.30%	8.19%
Other material actuarial assumptions (real rate gap)	3.74%	3.77%

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Figures in Rand thousand	2025	2024

13. Post retirement employee benefits (continued)

The basis on which the discount rate has been determined is by taking the average yields from zero-coupon SA Government bond curve over a 15 to 20-year term which is consistent with the duration considered. The recommended discount rate as at 30 June 2025 is 12.87%. The source is the Johannesburg Stock Exchange through IReSS data service. The previous valuation had a discount rate of 13.82%

The future inflation assumption was estimated by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of between 15 and 20 years. The implied inflation assumption is therefore 7.30% per annum. The source is the Johannesburg Stock Exchange through Inet BFA data service. The inflation assumption used for the previous valuation was 8.19%.

Defined Contribution Plans

It is the policy of the entity to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose. The entity is under no obligation to cover any unfunded benefits.

The amount recognised as an expense for defined contribution plans is	18,177	16,848

14. Grant reconciliation

Ring-fenced funds within Cash and cash equivalents - 2025

	Restricted-use government grant fund	Total
Opening balance	656,519	656,519
Transfers received during the year	317,000	317,000
Capital grants spending on ring-fenced projects in the current	(510,101)	(510,101)
	463,418	**463,418**

Ring-fenced funds within Cash and cash equivalents - 2024

	Restricted-use government grant fund	Total
Transfers received during the year	234,087	234,087
Applied to recoup prior year own spending on ring-fenced projects	633,000	633,000
Capital grants spending on ring-fenced projects in the current	(210,568)	(210,568)
	656,519	**656,519**

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Figures in Rand thousand	2025	2024

15. Construction contracts and receivables

There are no advances received in excess of work completed which are included in trade and other payables. LNW is on a cost-plus contract, management fees do not result into a surplus as there are additional cost incurred relating to contract execution which does not result into a deficit.

Aggregate amount of costs incurred and recognised surpluses (less recognised deficit) to date	2,157,246	1,855,614
Retention of contracts in progress	55,990	60,440
	-	-

16. Revenue

Water sales - Potable	937,183	862,430
Water sales - Industrial	100,576	119,451
Construction contracts related revenue	318,252	424,453
Government grants & subsidies	317,000	633,000
	1,673,011	**2,039,334**

The amount included in revenue arising from exchanges of goods or services are as follows:

Water sales - Potable	937,183	862,430
Construction contracts related revenue	100,576	119,451
Water sales - Industrial	318,252	424,453
	1,356,011	**1,406,334**

The amount included in revenue arising from non-exchange transactions is as follows:

Government grants & subsidies	317,000	633,000

17. Cost of sales

Sale of goods		
Raw water	80,092	84,521
Electricity	274,638	236,105
Pumping and purification	18,688	13,869
Depreciation	48,855	50,271
Repairs and maintenance	6,919	5,852
Direct labour	121,868	110,651
	551,060	**501,269**

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Figures in Rand thousand	2025	2024

18. Other income

Administration and management fees received	4,705	3,834
Operations and maintenance services	31,367	25,525
Rental income	1,353	1,248
Debt impairment reversal	10,602	50,627
Reversal of provision	2,203	3,433
Interest received - water sales	66,036	59,445
Sundry income	1,387	507
	117,653	**144,619**

19. Operating expenses

Auditors' remuneration	6,077	4,233
Bank charges	380	305
Consulting and professional fees	31,327	37,750
Insurance	6,107	4,758
IT expenses	13,722	18,873
Board members remuneration	7,742	7,959
Fuel and oil	7,555	10,192
Water losses	45,431	28,187
Protective clothing	3,694	3,274
Repairs and maintenance	58,483	63,843
Safety and Security	20,340	19,370
Staff welfare	895	508
Telephone and fax	624	872
Training	3,879	7,122
Travel and subsistence, accommodation	12,576	10,761
Other operating expense	23,394	13,429
Debt impairment & write-offs	40,946	9,952
Lease rentals on operating lease	786	632
Depreciation, amortisation and impairments	93,907	91,097
Construction contract expense	301,632	403,908
	679,497	**737,025**

20. Employment related costs

Basic	93,345	85,251
Bonus	18,957	17,717
Medical aid - company contributions	14,493	13,472
UIF	509	743
Other payroll levies	45	56
Leave pay provision charge	5,269	5,262
Allowances	16,420	16,446
Defined contribution plans	15,804	14,659
Overtime payments	5,766	4,136

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Figures in Rand thousand	2025	2024

20. Employment related costs (continued)

13th Cheques	2,894	5,866
Car allowance	13,689	12,868
Long-term benefits - incentive scheme	4,798	3,708
	191,989	**180,184**

21. Investment revenue

Short-term deposits	104,609	86,854

A total of R41.5 million (2024: R31.09 million) came from exchange transactions, and R63 million (2024: R55.7 million) came from grant capital.

22. Fair value adjustments

Other financial assets		
Other financial assets (Designated as at FV through P&L)	7,292	-

23. Finance costs

Retirement benefit interest	13,454	13,273
Trade and other payables	1	-
Finance leases	80	237
	13,535	**13,510**

24. Impairment loss

Impairments		
Property, plant and equipment	3,713	4 947

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Figures in Rand thousand	2025	2024

25. Cash generated from operations

	2025	2024
Surplus	441,287	848,815
Adjustments for:		
Depreciation and amortisation	142,762	141,368
Gain (Loss) on sale of property, plant and equipment	29,692	-
Fair value adjustments	(7,292)	-
Debt impairment	40,946	9,952
Impairment reversal	(10,602)	(50,627)
Movements in retirement benefit assets and liabilities	15,449	14,160
Movements in short term employees	2,686	(17,717)
Provision reversal	(2,203)	(3,433)
Changes in working capital:		
Inventories	4,262	1,702
Receivables from exchange transactions	(136,019)	(159,147)
Payables from exchange transactions	(15,942)	39,947
VAT	(12,827)	12,441
	492,199	**837,461**

26. Commitments

	2025	2024
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	174,042	616,846
Total capital commitments		
Already contracted for but not provided for	174,042	616,846

In addition to the above commitments, the entity also has rate-based contracted consultants on ongoing capital projects. This committed expenditure relates to plant and equipment.

Operating leases - as lessee (expense)

	2025	2024
Minimum lease payments due		
- within one year	1,473	1,942
- in second to fifth year inclusive	-	1 298
	1,473	**3,240**

Operating lease payments represent rentals payable by the entity for certain of its office equipment and properties. Leases are negotiated for an average term of five years and rentals are fixed for an average of three years. No contingent rent is payable.

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Figures in Rand thousand	2025	2024

27. Contingencies

Contingent liabilities

The board has identified legal matters that may result in the outflow of resources embodying economic benefits or service potential. These matters arise from various legal proceedings in which the entity is the defendant or respondent.

The legal cases have been categorised and aggregated according to the nature of the claim as follows

Nature of cases		
Third-Party Civil Claims		
Consists of claims for damages allegedly caused by the entity operations, the claim is defended and the outcome remains uncertain.	10,000	10,000
Labour Related Matters		
Includes multiple cases before the CCMA and Labour Court relating to unfair dismissals and benefit disputes. Outcomes are uncertain and amounts are based on management's best estimates where possible	13,014	12,892
Contractual Disputes		
Relates to various disputes with suppliers and contractors over performance obligations and payment terms. Cases are at different stages of arbitration and court proceedings.	223,697	101,406
	246,711	**124,298**

The amounts disclosed represent management's best estimate, based on information available at 30 June 2025 of the potential financial exposure relating to these matters. These contingent liabilities have not been recognised in the Statement of Financial Position as the existence of a present obligation has not yet been confirmed and the outcome depends on the resolution of legal processes which are not wholly within the control of the entity.

The possibility of an outflow of resources is considered probable but not certain at the reporting date

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Figures in Rand thousand	2025	2024

27. Contingencies (continued)

Contingent Assets

The board has identified legal matters that, if successfully concluded, may result in the inflow of economic benefits to Lepelle Northern Water. These matters arise from various legal proceedings in which the entity is the claimant.

The legal cases have been categorised and aggregated according to the nature of the claim as follows:

Nature of Cases		
Contractual Disputes		
Various matters relating to counterclaims, breach of contractual agreements, and contempt of court where service providers failed to submit required documents. Legal proceedings ongoing; management considers inflow probable but timing uncertain	104,181	104,181
Labour Related Matters		
Claims against former employees for recovery of fruitless, wasteful, and other irregular expenditure, Management has initiated recovery processes; inflow considered probable but dependent on legal outcomes.	12,212	745
Legal claims		
Claims arising from service providers irregularly appointed against prescripts, pending litigation. The inflow of economic benefits is considered probable but dependent on legal outcomes.	868	868
	117,261	**105,794**

The outcome of these matters depends on the resolution of legal proceedings, which are subject to uncertainties and are not wholly within the control of Lepelle Northern Water. The entity will recognise the related assets when the inflow of economic benefits becomes virtually certain.

Management continues to monitor the progress of these cases in consultation with legal advisors and will update the disclosure in subsequent reporting periods as more information becomes available.

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Figures in Rand thousand	2025	2024

28. Related parties

Relationships	
Ultimate controlling entity	National Government of South Africa
Controlling entity	Department of Water and Sanitation
Members of key management	Board members and Executive Management

Department of Water and Sanitation provide abstraction point for raw water and service is provided at market related cost, transactions balances are included under trade payables. The entity is also an implementation agent on various department project, these services are provided on a commission basis, the balance related to the transaction is included under receivables from exchange transaction. Construction contracts related revenue and expenditure are recognised on the statement of financial performance

Remuneration of management

Management class: Board members

2025

Name	Board fees	Board Members' Claims	Subsistence and Travel	Total
MM Magoele	415	120	33	568
PE Molokwane	415	123	30	568
NF Mphephu	627	392	61	1,080
TJ Mathebula	415	82	9	506
MM Makgopa-Madisa	415	139	21	575
B Mahlutshana	415	54	1	470
FR Munyai	415	114	14	543
MSM Soni	415	119	28	562
RT Ramashia	415	86	5	506
S Chiloane-Nwabuze	415	117	20	552
FJ Mudau	415	113	8	536
	4,777	**1,459**	**230**	**6,466**

Independent members	Membership fees	Totals
IAS Vally	422	422
SA Ngobeni	105	105
	527	**527**

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Figures in Rand thousand	2025	2024

28. Related parties (continued)

2024

Name	Board fees	Board Members' Claims	Subsistence and Travel	Total
MM Magoele	415	165	41	621
PE Molokwane	415	93	18	526
NF Mphephu	627	410	87	1 124
TJ Mathebula	415	80	7	502
MM Makgopa-Madisa	415	155	29	599
B Mahlutshana	415	60	3	478
FR Munyai	415	129	23	567
MSM Soni	415	40	5	460
RT Ramashia	415	140	13	568
S Chiloane-Nwabuze	415	138	13	566
FJ Mudau	415	123	7	545
	4 777	**1 533**	**246**	**6 556**

Independent members	Membership fees	Totals
IAS Vally	471	471
SA Ngobeni	94	94
Y Pamla	89	89
	654	**654**

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Figures in Rand thousand	2025	2024

28. Related parties (continued)

Management class: Executive Management

2025

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Total
Dr C Ruiters	1,188	508	917	228	2,841
MS Ramalatso	974	358	1,048	187	2,567
AM Maluleke (resigned Dec 2024)	407	212	493	73	1,185
PA Moshoane	-	-	167	-	167
ES Moeng	886	-	765	157	1,808
ZC Ngwenya	-	-	69	-	69
Calvin Mathivha (Appointed 21 Jan 2025)	**4,532**	**1,309**	**4,022**	**851**	**10,714**

2024

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Paid out leave	Total
Dr C Ruiters	1 102	515	763	319	-	2 699
MS Ramalatso	935	380	735	344	-	2 394
AM Maluleke	771	165	653	163	-	1 752
RM Sebela (Resigned April 2024)	400	163	326	183	-	1 072
PA Moshoane	-	-	177	-	-	177
AE Netshidaulu (Terminated December 2023)	579	-	298	162	311	1 350
ES Moeng	900	380	544	210	-	2 034
ZC Ngwenya (appointed April 2024	178	-	138	47	-	363
	4 865	**1 603**	**3 634**	**1 428**	**311**	**11 841**

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Figures in Rand thousand	2025	2024

28. Related parties (continued)

Remuneration of key management excludes any consideration provided solely as reimbursement for expenditure incurred by those persons for the benefit of the entity, such as the reimbursement of accommodation costs associated with work-related travel.

**During the period, the following individuals served in acting executive capacities:

- Mr PA Moshoane served as Acting Executive Manager: Operations and Maintenance for the full period under review.
- Mr TC Mathivha served as Acting Executive Manager: Engineering, starting from 21 January 2025 to 30 June 2025.

29. Prior-period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year error:

Statement of financial position

2023

	Note	As previously reported	Correction of error	Restated
Accumulated surplus		(4,111,421)	380	(4,111,041)

2024

	Note	As previously reported	Correction of error	Restated
Receivables from exchange transactions	4	1,170,325	1,108	1,171,433
VAT receivable	5	39,471	355	39,826
Property, plant, and equipment	7	3,297,283	(650)	3,296,633
Finance lease obligation	10	(929)	(96)	(1,025)
Payables from exchange transactions	11	(748,252)	(4,570)	(752,822)
		3,757,898	**(3,853)**	**3,754,045**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Revenue		2,046,184	(6,850)	-	2,039,334
Cost of sales	17	(501,265)	(4)	-	(501,269)
Other income	18	134,667	-	9,952	144,619
Operating expense	19	(723,109)	3,381	(17,297)	(737,025)
Employee-related costs	20	(187,529)	-	7,345	(180,184)
Surplus for the year		**768,948**	**(3,473)**	**-**	**765,475**

Notes the Annual Financial Statements

29. Prior-period errors (continued)

Errors

The comparative figures have been restated to correct the follwoing errors.

Operating expenses, Payables from exchange transactions, and VAT

During the current period, a prior period error was identified relating to the accounting for a project completion certificate issued. The certificate was recorded without applying the standard retention terms. This resulted in an understatement of liabilities and an understatement of trade receivables by R1 million in the prior year.

Management identified that certain supplier invoices received after the year-end 30 June 2024, relating to goods and services received on or before the prior year date, were not recognised as liabilities in the correct accounting period. This resulted in an understatement of operating expenses and an overstatement of operating surplus by R3.1 million for the prior year. Correspondingly, trade payables and VAT payables were understated by R3 million and R0.4 million, respectively.

Operating expenses and Property, plant and equipment

An impairment loss recognised in prior periods has been reversed. The impairment was based on an incorrect conditional assessment, which was subsequently revised in the current year. Consequently, this resulted in an understatement of Property, plant, and equipment and an overstatement of Operating expenses by R1.8 million.

The carrying amount of the assets has been reinstated, and they will be depreciated over their estimated useful lives. Comparative figures have been restated accordingly.

Costs incurred in the construction of property, plant, and equipment items were erroneously accounted for, resulting in an overstatement of work in progress and an understatement of expenditure by R1.29 million.

29. Prior-period errors (continued)

Property, plant, and equipment items relating to finance lease assets were incorrectly classified as machinery and were depreciated over an economic useful life longer than the lease term, which led to an adjustment of R0.25 million within the property, plant, and equipment classes.

Finance lease obligation:
The finance lease liability was reduced to reflect the late delivery of leased assets in terms of the lease period, which resulted in R0.09 million reduction of the lease obligation.

Construction contracts revenue and expenditure:

During the current financial year, management identified that construction contract–related revenue and expenditure had been overstated in the prior period. The overstatement arose due to payment certificates that were certified and recognised in an incorrect accounting period, resulting in construction revenue and related costs being overstated by R6.8 million.

Disclosures

The following prior period adjustments occurred

Disclosure correction – Property, plant, and equipment

During the current financial year, it was identified that the opening balances for Property, plant, and equipment's work-in- progress disclosure note were incorrectly classified. The reclassification resulted in the following movements within the classes:

Buildings overstatement, from R16.8 million to R0.02 million,

Waterworks understatement, from R37 million to R271 million, and

Machinery and equipment overstatement, from R267 million to R48 million.

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29. Prior-period errors (continued)

Disclosure correction – Other non-financial liabilities included in payables from exchange transactions

In the prior year, the amount disclosed for under payables from exchange transactions, being non-financial liabilities, was misstated. The amount was presented as R4.7 million instead of the correct amount of R4.9 million. This adjustment affected the note disclosure only and had no impact on the figures reported in the primary statements.

Disclosure correction – Defined contribution plan expense

In the prior year, the amount disclosed for defined contribution plans within post-retirement employee benefits was misstated. The amount was presented as R14.7 million instead of the correct amount of R16.8 million. This adjustment affected the note disclosure only and had no impact on the figures reported in the primary statements.

Disclosure correction – Grant reconciliation and Commitment

In the prior financial period, certain capital expenditure was incorrectly recorded inclusive of Value Added Tax (VAT), when it should have been recorded net of VAT. The error also affected the related disclosure of grant expenditure, as the overstated capital expenditure led to an incorrect presentation of grant reconciliation. This adjustment affected the note disclosure only and had no impact on the figures reported in the primary statements.

The misstatement resulted in the following corrections:

Capital Commitments: Overstated by R4.1 million due to the inclusion of VAT.

Grant Reconciliation: Overstated by R 4.8 million, as the related capital expenditure was incorrectly captured.

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29. Prior-period errors (continued)

Disclosure correction – Segments Information

In the prior year, there was a discrepancy between the amount reported as Segment labour cost and the Employee related costs, whereby an amount related to Sundry benefits of R1.3 million was incorrectly classified contrary to the primary statements.

Reclassification

Reclassification – Other income

During the current year, management identified a prior year adjustment where an interest write-off of R9.9 million was incorrectly debited to Other Income. This resulted in an understatement of both Operating Expenses and Other Income. The amount has been reclassified from Other Income to Operating Expenses. This correction increases both line items by R9.9 million but has no impact on the net loss or total expenses reported in the primary statements.

Reclassification – Travel reimbursement costs

During the current year, management determined that travel reimbursement costs for employees on a car allowance scheme do not meet the definition of remuneration. These costs, amounting to R7.3 million in the prior year, were reclassified from Employee-related costs to Operating expenses for comparability purposes. This reclassification had no impact on total expenses reported in the primary statements

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Figures in Rand thousand	2025	2024

30. Financial instruments disclosure

Categories of financial instruments

2025

Financial assets

		At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	4	-	1,356,250	1,356,250
Cash and cash equivalents	6	-	1,144,427	1,144,427
Other financial assets	9	176,859	-	176,859
		176,859	**2,500,677**	**2,677,536**

Financial liabilities

		At amortised cost	Total
Trade and other payables from exchange transactions	11	754,227	754,227

2024

Financial assets

		At amortised cost	Total
Trade and other receivables from exchange transactions	4	1,252,278	1,252,278
Cash and cash equivalents	6	1,264,458	1,264,458
		2,516,736	**2,516,736**

Financial liabilities

		At amortised cost	Total
Trade and other receivables from exchange transactions	11	752,822	752,822

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31. Risk management

Financial risk management

The entity's activities expose it to various financial risks: market risk, credit risk and liquidity risk.

The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. The Risk and Audit Committee oversees risk management under policies approved by the board. The entity identifies and evaluates financial risks in close co-operation with the entity's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, interest rate risk, credit risk, and investment of excess liquidity.

There are no changes from the previous financial year in respect of the objectives, policies, and processes for managing risk.

Liquidity risk

The Board defines liquidity risk as the risk of failure to meet all financial obligations on a timely basis when due. The Board's approach to managing liquidity risk is to ensure it will always have sufficient committed facilities to meet its liabilities when they fall due, under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Board's reputation. The Board's liquidity comprises of money markets instruments such as call deposits and fixed call deposits. To mitigate liquidity risk exposure. The Board has committed facilities with various financial institutions.

The board's liquidity requirements are reviewed on a regular basis to ensure the organisation funding requirements are met timeously. This is monitored using cash flow forecasts (weekly, monthly, quarterly, and yearly forecasts) and maturity gap analysis to assess and monitor its liquidity requirements and risk level.

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31. Risk management (continued)

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Maturity analysis 2025	**Less than 1 year**	**Between 1 and 5 years**	**Total**
Payables from exchange transaction	754,227	-	754,227

Maturity analysis 2024	**Less than 1 year**	**Between 1 and 5 years**	**Total**
Payables from exchange transaction	752,822	-	752,822
Finance lease obligation	1 025	-	1,025
	753 847	**-**	**753 847**

Credit risk

As a bulk water provider, being a basic commodity, it is not possible for the Water Board to select customers to whom sales are made and to determine their credit worthiness before sales are made. This increases the risk of customer defaulting in water accounts.

Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, considering its financial position, experience, and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

Financial assets exposed to credit risk at year end were as follows::

Financial instrument	**2025**	**2024**
Receivables from exchange transactions	1,356,250	1,252,278
Cash and cash equivalent	1,144,427	1,264,458
Other financial assets	176,859	-

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Figures in Rand thousand	2025	2024

31. Risk management (continued)

Credit risk is mainly concentrated in the receivables from exchange transactions which is further concentrated in the water board's municipal customers. Some of these customers are part of the receivables individually assessed for impairment as disclosed in note 4.

Market risk

Interest rate risk

The Board assesses its strategy for managing interest rate exposure to safeguard its funding plans and Assets and Liability Management (ALM) strategies from negative impacts caused by fluctuations in market interest rates. To achieve this objective, it is the policy of the board to measure and manage its interest rate exposure both over the short and long term to protect and ensure continued financial sustainability. Where possible, the board manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate investments.

The Water Board is exposed to the risk that its financial position could be adversely affected by fluctuations in market interest rates. This interest rate risk impacts cash and cash equivalents (see Note 6), which include variable-rate call accounts and fixed deposits, as well as other financial assets (see Note 9). The entity's balance exposed to interest rate risk is as follows:

Short-term deposit	1,126,370	1,240,959
Other financial assets	176,859	-
	1,303,229	**1,240,959**

Notes the Annual Financial Statements

Figures in Rand thousand	2025	2024

32. Segment information

General information

Identification of segments

The Board identifies all schemes operated by Lepelle Northern Water as reportable segments. The organisation operates throughout Limpopo Province in four regions. The segments were organised around the type of services delivered, the target market, and the method used to provide the services. Management uses the same segments for determining strategic objectives. Segments were aggregated for reporting purposes due to the similarity of their economic characteristics Sale of bulk water services (Sale of portable and Industrial water) and Section 30 services.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes

Segment surplus or deficit

2025

Revenue	**Sale of bulk water services**	**Section 30 services**	**Total**
Revenue from non-exchange transactions	1,037,759	-	1,037,759
Revenue from exchange transactions	317,000	-	317,000
Section 30 income	-	354,324	354,324
Other segment income	93,369	-	93,369
Interest income - Non exchange transactions	63,163	-	63,163
Interest income - Exchange transactions	41,446	-	41,446
Total segment revenue	**1,552,737**	**354,324**	**1,907,061**
Entity's revenue			**1,907,061**
Expenditure			
Cost of sales	551,060	-	551,060
Labour costs	172,099	19,889	191,988
Other expenses	306,542	308,740	615,282
Depreciation & amortisation	93,893	16	93,909
Interest expense	13,535	-	13,535
Total segment expenditure	**1,137,129**	**328,645**	**1,465,774**
Total segmental surplus/(deficit)	**415,608**	**25,679**	**441,287**

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Figures in Rand thousand	2025	2024

32. Segment information (continued)

2024

Revenue	Sale of bulk water services	Section 30 services	Total
Revenue from non-exchange transactions	633,000	-	633,000
Revenue from exchange transactions	981,881	-	981,881
Section 30 income	-	453,812	453,812
Other segment income	125,258	-	125,258
Interest income - exchange transactions	31,094	-	31,094
Interest income - non-exchange transactions	55,760	-	55,760
Total segment revenue	**1,826,993**	**453,812**	**2,280,805**
Entity's revenue			**2,280,805**
Expenditure			
Cost of sales	501,268	-	501,268
Other expenses	236,664	409,174	645,838
Interest expense	13,603	-	13,603
Segment labour cost	162,265	17,920	180,185
Depreciation & amortisation	91,067	29	91,096
Total segment expenditure	**1,004,867**	**427,123**	**1,431,990**
Total segmental surplus/(deficit)	**822,126**	**26,689**	**848,815**

Management regularly reviews information on segment surplus and deficit only and does not receive and review the segment assets and liabilities.

There has been no changes in the composition of reportable segments from prior year, and there are no transactions between the segments.

33. Budget differences

Material differences between budget and actual amounts

Material differences are material if they have could individually or collectively influence the decisions that users make on the basis of the financial statement. Management considered variances exceeding 10% of the corresponding budget.

33. Budget differences (continued)

33.1. Sale of goods

Frequent power failures have been experienced at Pump Station 3 of the Olifantspoort scheme, along with issues of illegal connections on the Phalaborwa and Ebenezer pipeline.

33.2. Operations and maintenance services.

The budget underruns on repairs and maintenance, and pumping and purification needs were lower than anticipated at the cost recovery model schemes

33.3. Administration and management fees

Reclassification of DWS projects Management Fee to Construction contacts related revenue.

33.4. Sundry income

Interest on overdue accounts high due to low collection rate as compared to the planned one.

33.5. Finance income

The increase in interest income is due to delays in the implementation of grant-funded projects, resulting from approved time extensions, which deferred the utilisation of funds

33.6. Government grants & subsidies

Final appropriations were less than the original budget due to adjustments made, resulting in lower allocated funding than initially approved

33.7. Raw water purchased (related to cost of sales)

Lower than the budget as a result of a delay in the transfer of a raw water account and water use license for Nandoni dam.

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33. Budget differences (continued)

33.8. Chemicals (related to cost of sales)

Lower-than-budgeted chemical costs resulted from reduced abstraction volumes and improved utilisation of certain chemicals, attributable to lower-than-anticipated rainfall

33.9. Repairs and maintenance

Lower-than-budgeted repair and maintenance costs were due to procurement backlogs, both internally and with external suppliers.

33.10. Employee salaries (related to admin)

Lower-than-budgeted employee-related costs resulted from unfilled vacancies in funded positions during the period.

33.11. General expenses

Lower general expenses arose from procurement delays and global supply chain pressures affecting pricing and availability.

33.12. Finance Cost

Changes in discount rate and health-care inflation rate assumptions.

33.13. Property, plant and equipment

The variance is due to the inclusion of grant-funded projects. The related budget is ring-fenced and was excluded from the entity's own budget-funded projects.

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Figures in Rand thousand	2025	2024

33. Budget differences (continued)

33.14. Intangible assets

Lower than budgeted intangible assets as a result of delays in the finalisation of planned projects

33.15. Other financial assets

Amounts relate to long-term investments specifically earmarked for infrastructure refurbishment projects.

33.16. Receivables from exchange transaction and other receivables

The increase in long-term receivables is attributable to revised repayment arrangements negotiated with key customers. VAT receivable is lower than anticipated due to overall expenditure being below budget, resulting in reduced input VAT.

33.17. Inventories

The variance relates to changes in the valuation of water inventory and the calculation of closing water balances.

33.18. Cash and cash equivalents

Cash balances were lower than budgeted, primarily due to an increase in outstanding debtors and collections below target as customers did not adhere to agreed payment terms.

33.19. Payables from exchange transactions

The lower than anticipated trade payables balance is attributable to the entity's renewed commitment to settling key creditor accounts.

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Figures in Rand thousand	2025	2024

33. Budget differences (continued)

33.20. Fair value adjustments

The variance is due to fair-value gains arising from favourable increases in market unit prices.

33.21. Actuarial Surplus

The variance is attributable to an actuarial gain recognised on the post-employment medical aid benefit, mainly due to changes in actuarial assumptions such as discount rates and expected healthcare cost trends.

33.22. Recoveries

The variance is due to impairment reversal arising from previously written-off amounts and performance bonus provision.

33.23. Gain / Loss on disposal of assets

The variance is due to the derecognition of old pipelines and associated assets that were replaced as part of Olifants- Ebenezer refurbishment project.

33.24. Debt impairment & write-offs

The variance relates to write-offs in line with repayment agreements concluded with certain customers

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33. Budget differences (continued)

Differences between budget and actual amounts basis of preparation and presentation

While the annual financial statements and the budget share the same underlying accounting bases, their presentation differs due to classification. The budget utilises a classification by the nature of expense. To enable meaningful comparison within the Statement of Comparison of Budget and Actual Amounts, the actual amounts derived from the annual financial statements have been reclassified from their functional presentation to align with the budget's nature-of-expense classification.

Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations and changes in the overall budget parameters due to unforeseen increased operational costs and to incorporation of the construction contract transactions

34. Change in estimates

The useful lives of property, plant, and equipment were assessed during the financial year to ensure a more reliable and relevant presentation. The revision of useful lives was accounted for prospectively. The effect of this revision has decreased the depreciation charges for the current and future periods by R1.8 million as detailed per asset class as follows:

Asset class	
Buildings	64
Waterworks	462
Computer hardware	8
Furniture and fixtures	53
Machinery and equipment	943
Motor vehicles	324
Telemetry	8
	1,862

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35. Events after the reporting date

Subsequent to the year-end 30 June 2025, and before the authorisation of these financial statements the following events occurred:

Adjusting events:

Lepelle Northern Water entered into an agreement with a debtor that stipulates revised, extended repayment terms, providing evidence of the receivable's recoverable amount at the reporting date. Consequently, the financial statements have been adjusted to reclassify part of the receivable to non-current assets.

Non-adjusting events:

The term of office of the Board of Directors (Accounting Authority – section 49 of the PFMA) was due to end on 31 July 2025. Prior to authorisation of these AFS, the Minister approved an extension of the Board’s term to 31 October 2025

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