



MAGALIES WATER

ANNUAL REPORT 2024/25



Table of Contents



PART A

Statements, Corporate Governance and Strategic Overview	5
Foreword by the Minister of Water and Sanitation	6
Foreword by the Chairperson	12
Statement by the Chief Executive	18
Statement of Responsibility and Confirmation of the Annual Report Information Accuracy	26
Corporate Governance	28
Strategic Overview	66
Overview of the Public Entity	70



PART B

Business Model and Performance Information	83
Strategic Positioning	84
Governance	91
Organisational Capacity: Employment Report	92
Corporate Social Investment	93



Table of Contents

PART C

General Performance	94
General Performance and Assurance	95
Organisational Efficiency and Effectiveness	106
Human Resources Development	120
Contribution to the National Capacity-Building Programme/Skills Development	122
Information, Communication and Technology Department	124
Stakeholder and Customer Services Division	125
Corporate Social Investment Linkage to Strategy	130
Financial Performance Perspective: The Chief Financial Officer's Statement	135
Audit & Risk Committee Report	145
Internal Audit Opinion	149
Report of the Auditor-General to Parliament on Magalies Water	150
Report on the Audit of the Financial Statements	150
Report on the Audit of the Annual Performance Report	151
Report on the Audit of Compliance with Legislation	153
Other Information	154
Internal Control Deficiencies	154

PART D

Financial Performance Perspective	159
--	-----

List of Acronyms

AFS	Annual Financial Statements	EWP	Employee Wellness Programme
AGSA	Auditor-General of South Africa	EE	Employment Equity Act, 1998 (Act 55 of 1998)
ATR	Annual Training Report	ECSA	Engineering Council of South Africa
AS	Analytical Services	ESG	Environmental, Social and Governance
ASB	Accounting Standards Board	EWSETA	Energy and Water Sector Training Authority
BCM	Business Continuity Management	EXCO	Executive Committee
BBBEE	Broad-Based Black Economic Empowerment	GRAP	Generally Recognised Accounting Principles
BFI	Budget Facility for Infrastructure Fund	GTAC	Government Technical Advisory Centre
CAPEX	Capital Expenditure	IRR	Institutional Reform and Realignment
CC	Close Corporation	IoDSA	Institute of Directors South Africa
CoT	City of Tshwane	IA	Implementing Agent
CPI	Consumer Price Index	IT	Information Technology
CSI	Corporate Social Investment	ICT	Information Communication and Technology
CSR	Corporate Social Responsibility	ISO	International Organisation for Standardisation
CWTP	Cullinan Water Treatment Plant	KPI	Key Performance Indicator
DWS	Department of Water and Sanitation	KWTP	Klipdrift Water Treatment Plant
DBSA	Development Bank of Southern Africa		
DPSA	Department of Public Service and Administration		



List of Acronyms

LM	Local Municipality	SALGA	South African Local Government Association
ML/day	Megalitre per day	SANS	South African National Standards
MOU	Memorandum of Understanding	SAPS	South African Police Service
NDP 2030	National Development Plan 2030	SOP	Standard Operating Procedure
NQF	National Qualifications Framework	SOE	State-Owned Entity
NWA	National Water Act, 1998 (Act 36 of 1998)	SCM	Supply Chain Management
OPEX	Operating Expenditure	SLA	Service Level Agreement
O&M	Operations and Maintenance	SMME	Small, Medium and Micro Enterprise
P&ES	Project and Engineering Services Division	RD&PT	Research Development and Process Technology
PFMA	Public Finance Management Act , 1999 (Act 1 of 1999)	WTP	Water Treatment Plant
POPIA	Protection of Personal Information Act	WTW	Water Treatment Works
PSR	Public Service Regulations, 2016	WWTP	Wallmannsthal Water Treatment Plant
PBWSS	Pilanesberg Bulk Water Supply Scheme	WSP	Workplace Skills Plan
ROI	Return On Investment	WCDM	Water Conservation and Demand Management
SABS	South African Bureau of Standards	WSA	Water Services Act, 1997 (Act 108 of 1997)
SACPCMP	South African Council for the Project and Construction Management Professions		



PART A

Statements, Corporate
Governance and Strategic Overview



Foreword by the Honourable Minister of Water and Sanitation



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

As the Accounting Authority, it is with a deep sense of contentment that I present to you our valued stakeholder the Magalies Water Annual Report for the 2024/25 financial year which ended 30 June 2025. This report represents a period of great success after a difficult two-year period which was dominated by significant uncertainty as a result of the sectoral changes that Magalies Water at both a governance and operational level had not anticipated. The now expanded Water Board provides critical water services to many of the rural and remote areas of the North West Province, underdeveloped and moderately developed areas within the Waterberg District in Limpopo province, and the highly populated areas in City of Tshwane.

We are pleased to announce that the sectoral reforms which have been implemented within the sector have enabled Water Boards such as Magalies Water to ringfence their efforts by focusing primarily on three provinces to ensure better efficiencies and improved bulk water services. This has assisted Water Boards to pay particular attention to provinces where acute bulk water infrastructure shortages are evident, which the North West province is not an exception to, given the size of the province and number of rural municipalities. It is well documented that the larger parts of the province are without surface water sources, which further compounds the bulk water infrastructure shortages which are evident, and require advanced planning to mitigate future water security risks.

The Water Services Act, 1997 (Act 108 of 1997, as amended) is a Constitutionally derived mandate as reflected in Chapter 2 of the Constitution of the Republic of South Africa (1996), as outlined in Section 27(1)(b) which reads as follows with respect to basic human rights *“Everyone has the right to have access to— sufficient food and*



water". In addition to this, our founding act referred to hereabove which is strongly linked to the Constitutional objectives reads in part "To provide for the rights of access to basic water supply and basic sanitation; to provide for the setting of national standards and of norms and standards for tariffs; to provide for water services development plans; to provide a regulatory framework for water services institutions and water services intermediaries; to provide for the establishment and disestablishment of water boards and water services committees and their powers and duties; to provide for the monitoring of water services and intervention by the Minister or by the relevant Province".

It is against this founding act that we are working tirelessly in support of all entities reporting to the Department of Water and Sanitation, to ensure that we realise the objective of universal access to water and sanitation services. After all, water and sanitation services are intricately linked to any developmental agenda of any nation. With less than five years to the National Development Plan (NDP 2030) deadline, which is premised on the achievement of a number of national strategic objectives such as the increased access of water and sanitation services; South

Africa's National Water and Sanitation Master Plan (NW&SMP) addresses the NDP 2030 on water, and is a strategy designed to ensure water security by managing water resources, enhancing the quality and availability of water and sanitation services, and encouraging water use efficiency by 2030 and beyond.

Key activities include bridging the "water gap" through the Strategic Water Partners Network (SWPN), a public-private partnership, and establishing investments for sustainable water access that are consistent with the Sustainable Development Goals (SDGs) and the NDP's objectives. Within the areas of supply where Magalies Water has operations, Magalies Water has stepped up by ensuring that legacy projects which have been transferred to it, as a result of the assimilation with the erstwhile water board continue to be implemented, notwithstanding the challenges which predates Magalies Water's promulgation into Ngaka Modiri Molema and Dr. Ruth Segomotsi Mompati district municipalities. We remain encouraged by the work that the entity has undertaken in the year under review, including the laudable achievements that have been achieved. With the disestablishment and expansion of Magalies Water now as a distant memory, much of the work and



attention focuses on growing the entity's footprint with strategic intent of ensuring that access to potable water reaches all communities, within its areas of operation.

The situation relates to increased access to water services within the areas in which Magalies Water has operations has not fundamentally changed, as this space is regulated by local government. Having noted this reality, we have undertaken a number of engagements with leaders of local government in the areas where the need for potable water is growing, through stakeholder engagement sessions. These meetings have provided us with an opportunity to be taken into confidence about the work the entity is doing in responding directly to water access and water security, especially in previously advantaged areas, where the need for potable water is undeniably high. Through the leadership of the Board and executive we are pleased to note the substantial work which has been undertaken by Magalies Water, through the development of what will be a revised a Bulk Water and Sanitation Master Plan, which is a long term strategic document which will pivot Magalies Water's plans in so far as bulk supply of potable water to communities is concerned.

This is indeed a notable achievement, which will indicate the bulk water infrastructural needs, required budget for project implementation as well as available funding models. The implementation of the Bulk Water and Sanitation Master Plan will largely depend on the institutional arrangements between Magalies Water, municipalities and the provincial government in line with the principles of Intergovernmental Relations Framework (IGR). To this end, alongside the development of the Bulk Water and Sanitation Master Plan, Magalies Water has paid added attention to areas where high-impact projects where required and have been implemented. Magalies Water has a peculiar challenge as it relates catchments within its area of operation; for example the Crocodile West Catchment, which flows into the North West remains the most polluted waterbody in the country as a result of return-water flows compounded with high levels of untreated wastewater discharged the system. Their participation in the Crocodile West Remediation Project has enabled the organisation to identify potential transgressors of poorly treated wastewater into the catchment. We have started work earnestly to deal with the impact of pollution into water sources. Without this oversight, South Africa may be faced with an unprecedented situation of water



unavailability due to extremely highly levels of pollution, which will also affect Magalies Water's ability to produce the requisite water volumes, while having to spend more on chemicals for raw water treatment to potable standards.

We remain proud of the work that has been done by the entity's Scientific Services, which primarily sought to improve the raw water quality and significantly reduce the surface coverage of the invasive hyacinth plant. To date, host communities around Hartbeespoort Dam, have also had an opportunity to participate in this project which has stimulated the local economy by creating jobs and also benefitting the agricultural sector through the donation of the composed which has been converted from the hyacinth removed from the dam. While there can never be a permanent solution to the regrowth of the hyacinth, Magalies Water has done exceptionally well in terms of its performance and what it had committed to when it was first appointed as the Implementing Agent (IA) on behalf of the Department of Water and Sanitation.

While the challenges will always be part of any developmental process, Magalies Water is working at the necessary speed, to kick-start and accelerate

speed with which it will complete some of its major infrastructure projects, such as the Pilanesberg Bulk Water Supply Scheme Phase 2 (PSBWSS 2) which is currently at feasibility stage, on other project packages. The previous packages included the construction of a new pump station next to Mafenya reservoir, a newly constructed reservoir outside Rustenburg CBD as well as a 30-kilometer pipeline from Mafenya reservoir to Tlhabane, which will provide bulk water upon completion and commissioning to various villages within Royal Bafokeng Administration and other areas within Rustenburg local municipality. It is important to note that the overall work of the project will improve bulk water supply to Rustenburg, Moses Kotane and Thabazimbi local municipalities.

This futuristic approach to planning is evidence of the kind of leadership that Magalies Water has, which is not comfortable with the status quo but prepares adequately for the changing dynamics that are imminent within the water sector. The importance of universal access to drinking water in South Africa cannot be emphasised, as highlighted by the United Nations' Millennium Development Goal 6. The existence of collaborative efforts between government and private sector stakeholders is crucial



for achieving economic objectives and investing in bulk water infrastructure. This will not only provide services but also contribute to corporate citizenship. Failure to meet Goal 6 targets for water and sanitation may impede the realisation of Africa Water Vision 2025 and African Agenda 2063.

I wish to take this moment to congratulate Magalies Water, for delivering high-quality water for the people of Hammanskraal within the municipal jurisdiction of City of Tshwane, an area which has been plagued water severe water quality challenges in recent years. While the Hammanskraal Intervention Project was not a planned project, as is normally the case with projects of this magnitude, the Water Board has done exceptionally well, under very difficult circumstances, compounded by public pressure given the sensitivities of the legacy issues pertaining to water supply in that region.

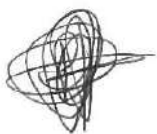
To date some of the key milestones achieved include:

- The construction of the package plant,
- Completion and commissioning of a 12.5 ML/d module, and
- The first phase started supplying 12.5 ML/d of clean water to Wards 49, 73, 74, and 75.

More notably in the period under review, Magalies Water's Chief Executive was appointed after a very lengthy and rigorous recruitment process, which sought to identify the most experienced and skilled candidate who will lead this evolving institution. We are very confident that the Accounting Officer will take Magalies Water to new levels of success with the support from his executive. This appointment is critical given the requisite stability that is needed to ensure that the entity's developmental and growth trajectorial forecast is well-managed and closely monitored to ensure that it aligns with the institution's mid-term to long-term goals. Having joined Magalies Water initially as General Manager – Engineering Services, later appointed to the position of Chief Operations Officer and now Chief Executive, I am confident that under his stewardship Magalies Water will continue to demonstrate stable growth, sustainability into the future as well as much needed profitability, as the entity is not funded through the national fiscus. We understand that that the water sector will always be laden with challenges as a result of interdependencies, be that as it may we are confident that with Ministerial support, cooperation and collaboration the entity can only grow stronger.



In conclusion, we wish to congratulate the Board and management collective, and staff of Magalies Water, who ensure that Magalies Water continues to perform satisfactorily, amid the challenges and evolving environment in which the entity operates. The success of this institution can be attributed to the sound relationship between the Board and the executive, which ensures that the workforce has full confidence in both the executive and governance structure to grow Magalies Water, to cushion it from challenges and to work tirelessly towards the main objectives of water provision, water security and institutional longevity.



MISS PEMMY C.P. MAJODINA, MP

MINISTER OF WATER AND SANITATION

DATE: 03 / 11 / 2025



Foreword by the Chairperson



Dr. Keneilwe Lydia Sebego
Chairperson of the Board

Dear valued stakeholders, without whom Magalies Water cannot put any claim to the success it has registered, it is with a deep sense of gratitude that on behalf of the Board of Magalies Water I present to you the performance information for the entity for the 2024/25 financial year for the period ended 30 June 2025. While Magalies Water has always been known to have cemented itself around the ninety-percentile performance target, dating as far back as the 2019/20 financial year, the performance of the institution in the recent past highlights a regression in the form of unqualified audit outcomes. These developments could not be avoided as a result of the sector-wide reforms that had its fair share of advantages and disadvantages. From an oversight perspective as the Board, ours was to absorb all the shocks to the entity and ensure that we reduce the impact of undesirable outcomes, while ceased with the leadership task at hand.

These audit opinions, are not synonymous with the entity's well documented historic performance which has always resulted in clean audit outcomes. These audit findings have set Magalies Water apart from its counterparts and demonstrated resilience against the known challenges within our area of operation. Notwithstanding this regression, we have learnt important lessons as the Board and have doubled our efforts insofar as our collective oversight responsibilities are concerned, in working more closely with the executive in trying to reclaim the audit outcomes we have always been known for.



As the highest decision-making body of the entity, the outstanding performance of Magalies Water is what predominantly preoccupies our focus as this is closely linked to the entity's sustainability and profitability. Given that our service area is largely rural, with municipalities and mining operations forming the large cohort of Magalies Water's customers, sustained and improved customer-centric approach to our service delivery model continues to ensure that services that are provided by the entity meet the required standard, which in-turn ensures continued existence and retention of much-needed stakeholders, in North West, Limpopo and Gauteng both in the public and private sectors.

With our attention now focused in the North West Province, we have started in earnest with the building of strengthened stakeholder relations across the province, with the intention of achieving the objectives of the National Development Plan (NDP 2030) on water and sanitation. Given the vastness of our now expanded area of service, with acute shortage of bulk water infrastructure, the entity has commenced a process that seeks to develop a strategic blueprint that will comprehensively respond to bulk water challenges in all of the four districts of the province. While we cannot absolve ourselves of

historical challenges, which have led to the current situation, it remains our resolve to ensure that universal access to water services is realised with the participation and cooperation of all stakeholders required in this process.

As reflected upon in my earlier remarks institutions such as Magalies Water exist as a result of the Water Services Act (Act No. 108 of 1997) and the recent sectoral reforms which were necessary seeks to ensure that institutions such as Magalies Water exists in order to live up to the obligations set out in the country's Constitution as it relates to the fulfilment of the basic right, which access to potable water is one of. We are obviously concerned with the prevailing circumstances within the sector, which without a doubt will put in a strain in efficiency and effectiveness of bulk water services in our service area, these include:

- Rapid population growth in urban and rural areas,
- Stress induced on bulk infrastructure as a result of growing water demand,
- Escalating debt book due to defaulting bulk customers for services provided (to municipalities) including failure to maintain debt repayment plans,
- Ageing infrastructure and requisite funding



mechanisms to keep infrastructure in working order, and

- Climate change and its impact on water security and sustainable supply.

South Africa's water demand continues to grow and poses a real threat to the developmental objectives of national government and can compromise the attainment of the milestone of the National Development Plan (NDP 2030), as well as Goal 6 of the 2030 Agenda for Sustainable Development (ASD), as proclaimed by the United Nations back in 2015. Added to this, frequent climatic conditions or climate change has affected Magalies Water adversely during the 2024/25 financial year, no longer a scientific and abstract phenomenon we experienced the impact of climate change in Bojanala Platinum District. Towards the end of the first half of the period under review, for a period spanning over a month-and-a-half, Magalies Water issued an advisory to customers in Bojanala Platinum and Waterberg districts, of unprecedented water supply interruptions in recent years.

Our biggest water treatment plant Vaalkop was forced to reduce its daily abstraction volumes by thirty percent. This as the Vaalkop dam, had reached critically low raw water levels and we can say with certainty that climate change effects have started to emerge as a real threat to water security and availability. To this end, the executives are leading

efforts to accommodate both scientific and engineering innovations which will ensure that bulk water supply to communities, and industries remains sustainable in order to positively contribute to the socio-economic developmental agenda of the entity. Credit must also be given to the management team, who, in the face of great adversity and challenges that merged, ensured that equitable bulk water supply continued unabated until the situation improved, the Board commends the team for its expertise and resilience in this regard.

The recent water sector reforms, that have been led by the Ministry of Water and Sanitation, have not reflected and/or focused solely on propagating changes relating to funding models of water boards which has been an issue that is well documented. Therefore, we will not relent in our quest to highlight the negative impact of unserviced debt to Magalies Water, which continues to impede on our ability to effectively implement strategic capital infrastructure projects, which also causes delays in our envisaged project implementation process plans and further compels us to go into the market to raise capital funds, which otherwise would be funds that Magalies Water has, had funds owed to the institution been paid. While we can access such capital resources, the entity continues to take the liability of all repayment, which further adds onto Magalies Water's financial obligations and subsequent financial constraints.



As a Board, we have a moral obligation to encourage our customers to continue paying for the services provided, as this ensures the continued existence of the water value-chain. Further to this, we cannot over emphasise that our status as a Schedule 3B entity means all stakeholders need to realise their crucial role into our continued sustainability because unlike other State-Owned Entities (SOE) Magalies Water's financial health is derived solely from water sales and it also does not have any guaranteed financial support, whether conditional or non-conditional from the national fiscus.

In reality the full implementation of the revised Bulk Water and Sanitation Master Plan, will materialise when all stakeholders play their part to ensure that the North West Province achieves water security. We cannot achieve it without the requisite financial resources necessary for development, implementation and ultimately infrastructure maintenance.

Organisational Performance

I am pleased to announce that the entity, has demonstrated a marked improvement in terms of its performance in comparative terms from the previous 85% during the 2023/24 financial year to the current 90% during the period under review. This is testament to the important lessons learned in the previous financial year and the extent to which we had

endeared ourselves to the task at hand at ensuring that Magalies Water returns to its former glory. This performance is encouraging, and it comes at a time when it seemed as if it would be impossible to succeed on areas which had previously proven to be quiet challenging for us as a Board. We have always had the belief that the management team, with a combination of skills, expertise and experience will do whatever is necessary to put back Magalies Water into a positive trajectorial reform.

We laude the Chief Executive and his team, for their unrelenting commitment at ensuring that Magalies Water becomes a worthy water sector role-player despite the many challenges that the institution faces. As previously expressed, when our performance took a five percent decline, I indicated that as a Board collective we have always had the full confidence in the management team's remedial actions, to correct the factors that would have led to negative performance. Now that we have recalibrated and have a better sense of our operating environment, we do not foresee any negative growth in the future except to maintain the 90 percent and above performance going forward as we implement some of the important lessons from the previous period.

Challenges and Opportunities

In the period under review the Board of Magalies Water has had to contend with heightened



stakeholder engagement as part of the oversight responsibilities to ensure that the entity receives all funds due to it for all services provided, to ensure that where contractual and/or legal disputes are apparent all are resolved and that all parties connected to a service level agreement deliver on their contractual obligations. More sadly, the entity still has a soaring debt book which has crossed over the two-billion-rand mark. It concerns us greatly, that despite our best efforts to invoke engagement through the Inter-Governmental Relations Framework (IGR), our efforts have not yielded the desired results.

The state of our balance sheet remains a serious concern, as it also affects our ability to effectively manage our debt to various service providers and creditors. As part of our continued commitment to strengthening stakeholder relationships, we have previously developed a debt relief management strategy that has assisted with our revenue collection efforts, however, there remains more room for improvement on the part of our debtors. While it may appear that progress in this regard is slow, we are engaging on a process that seeks to identify areas of weaknesses as well as how those areas can be improved in order to achieve improved outcomes on this score.

Despite these challenges, Magalies Water has made significant progress in so far as the implementation of key strategic capital infrastructure projects are

concerned. A case in point is the Moretele North Klipvoor Bulk Water Supply Scheme, which some of its work packages are already at construction stage. The project, at practical completion and commissioning will supply potable water to communities in the North West and Limpopo provinces, specifically targeting Moretele, Bela-Bela, Modimolle-Mookgophong, and Mogalakwena local municipalities.

We are very proud of how the executive team continues to implement complex mega infrastructure projects with stringent compliance to the provisions of the Public Finance Management Act (PFMA) which further gives the public and stakeholders much-needed confidence on Magalies Water's financial management skills. Currently the project implementation processes for the other work packages are still at early stages as Magalies Water is engaging national government departments on a number of key issues, including funding modalities, technical project scoping and envisaged costs associated with the project.

The Integrated Water Resources Management Plan commonly referred to as the Remediation Plan, which focuses on reversing the negative effects of pollution on the Crocodile West Catchment, which includes the picturesque Hartbeespoort Dam has made significant gains. While there can never be a total eradication of the hyacinth invasive plant, we are pleased with the



progress that has been achieved by the entity with special thanks to the Scientific Services laboratory at the helm of the project. While challenges remain, it can be confidently said that much of the ecological challenges which were prevalent prior to Magalies Water's appointment have been substantially reduced.

Business Model and Sustainability

Our challenges as a sector are well documented and many of them remain as part of our strategic risks. We wish to appreciate the leadership of this organisation led by the Chief Executive in making sure that despite the many challenges we continue to face, Magalies Water continues to operate as expected, and meets its financial obligations and sees itself as the organisation of the future. Added to this, the Board appreciates every effort that has been made to ensure that the entity recovers all funds owed to it, in order to continue with the task at hand.

We greatly appreciate the Minister of Water and Sanitation's efforts in encouraging Municipalities, through political leadership, to pay for the services rendered to them.

We remain hopeful that the proposed legislative regimes that have been led by the Ministry will bear fruit and to a large extent reduce the impact of our current challenges, especially as it relates to the roles

and responsibilities of bulk water services providers and water services authorities. To the real heroes and heroines of this organisation – the employees, the Board wishes to commend your loyalty, support and commitment to the leadership in its endeavor to make Magalies Water a high impact organisation across all areas in which it provides services.



Dr. Keneilwe Lydia Sebegu
Chairperson of the Board



Statement by the Chief Executive



Mr. Ofentse Nthutang
Chief Executive

As the Accounting Officer representing the Executive of Magalies Water, I am pleased to present the annual report for the 2024/25 reporting period. This report is intended for our stakeholders, strategic partners, and valued bulk customers. As the Chief Executive of this dynamic organisation, I can confidently assert that we have moved beyond our previous uncertainties. Our recent performance metrics underscore this progress and reflect our commitment to operational excellence and sustainable growth. Anticipating a downturn in performance, Magalies Water faced various strategic risks largely outside our control. Despite the overall decline in performance in the prior financial year, we have implemented enhanced controls and mitigation strategies, resulting in a notable recovery in our operational metrics.

Organisational change inherently introduces complex

dynamics that, if not effectively managed, can heighten employee anxiety and jeopardise organisational stability. The historical context surrounding the disestablishment of former Water Boards highlights critical issues such as job security and business sustainability, making the workforce's concerns and apprehensions both valid and understandable. It is essential that these transitions are navigated with an awareness of their potential impact on personnel and operational continuity. As a formerly smaller Water Board, Magalies Water has leveraged insights gained from the reconfiguration experiences of other entities to inform our approach. We entered this process with strategic foresight, prioritising business continuity and minimising disruptions. I am pleased to report that the organisation has now achieved stability levels consistent with our pre-disestablishment phase. Our



focus, as an Executive team and employees, remains steadfastly aligned with our mandate. This unwavering commitment ensures the uninterrupted provision of high-quality water to communities, industries, and smaller private consumers.

We have made considerable progress in addressing the escalating water demand in our predominantly rural service area, which presents significant challenges given its expanse and historical shortcomings in bulk water infrastructure planning. Our advancements are rooted in the previously established Magalies Water Bulk Water and Sanitation Master Plan, developed post-2010, which primarily concentrated on the northern regions of the North West province, specifically the Bojanala Platinum District Municipality. In alignment with our long-term strategic vision, we have identified a critical need for increased investment in infrastructure development in this part of the province. This proactive approach is essential given the region's growing population and the necessity to enhance infrastructure capacity to effectively meet water supply needs. Our goal is to ensure that demand does not significantly outstrip supply, thereby sustaining reliable water services for the community.

As of the 2023/24 financial year, we have made significant strides in reviewing and enhancing the revised Magalies Water Bulk Water and Sanitation Master Plan, which spans a 20-year planning framework. Building on groundwork initiated over a decade ago, the updated Master Plan now comprehensively encompasses the four district municipalities in the North West province, expanding its prior scope. This strategic, long-term blueprint is designed to elevate Magalies Water's operational trajectory by focusing on the provision of services to unserved and underserved regions throughout the North West province and the Waterberg District Municipality of the Limpopo Province. In light of the prevailing challenges in the water supply sector, entities such as Magalies Water, with extensive expertise and operational experience, are essential for formulating a strategic framework to achieve water security that aligns with national government objectives and established priorities. Our operations are strictly governed by the regulatory frameworks of the water sector, notably the principles set out in the Water Services Act (Act 108 of 1997). This legislation is directly informed by the constitutional provisions outlined in Chapter 2 of the Constitution of the Republic of South Africa (1996), which mandates the provision of adequate and reliable access to high-quality water for all South Africans.



Recognising the challenges posed by fluctuating water demands and the need to balance supply in areas with inconsistent patterns, the plan thoughtfully addresses the need for both primary and secondary alternative water sources. This approach aims to provide reliable supply options that can help alleviate the struggles of communities facing uncertain water availability, ultimately striving for water security across the province. Despite their commendable efforts to improve this situation, Magalies Water is grappling with significant obstacles that threaten its long-term sustainability. It's important to acknowledge the dedication of those involved and the hard work they put in to overcome these challenges for the betterment of all.

Magalies Water continues to battle a growing debt portfolio, emanating from exceptional services municipalities have received, and, regrettably, a considerable number of those municipalities fail to financially honour these critical services timeously. Outstanding debts can impede our short-, medium-, and long-term objectives, many of which align with the government's National Development Plan 2030, which aims to achieve universal access to water and dignified sanitation services. Consequently, Magalies Water must have comprehensive plans and strategies in place that remain unimplementable due to insufficient financial resources. Given that Magalies Water is a Schedule 3B entity, it depends solely on water sales to derive revenue, achieve its operational

obligations, and sustain itself into the future. It remains every stakeholder's responsibility to ensure that Magalies Water receives all debts due to it, in order to continue providing high-quality services, as mandated by the relevant legislation.

In light of the increasing challenges related to water security in South Africa, it is imperative to recognise that Magalies Water's service area is not exempt from these threats, particularly in the context of climate change and other contributing factors. Any additional pressure on the organisation's sustainability could undermine the scientific and engineering initiatives aimed at enhancing bulk water services from the current state into the foreseeable future. This encompasses comprehensive studies and investigations designed to support the conservative management of water resources amid the pressing challenges of declining raw water quality, insufficient rainfall impacting dam levels, and the escalating demand for water driven by population growth, rural-to-urban migration, and the broader context of urbanisation associated with the national government's developmental agenda.

While the issue pertaining to our financial liquidity is a reality we have had to become accustomed to, we continue to rely on the support, and collective wisdom of the Board to provide strategic direction and oversight in these matters of serious concern, to ensure that where necessary the Inter-Governmental



Relations (IGR) framework is invoked and more concretised actions are taken to unlock bottlenecks that we as the Executive have experienced. We remain committed to ensuring that our relationships with stakeholders remain intact. Each party tied to it through a service-level agreement has all its expectations met while adhering to the set obligations. Our history of project management and delivery continues to set us apart from our counterparts, including projects designated to us by the Department of Water and Sanitation as an Implementing Agent (IA). This demonstrates our value proposition and superior project execution. We provide tangible solutions to issues concerning the accessibility of sanitation services and the delivery of drinkable water.

We have learnt important lessons from implementing the Hammanskraal Intervention Project, which, by all accounts, has been Magalies Water's most complex and challenging mega infrastructure project in recent years, given the issues that affected its conceptualisation and implementation. The project, divided into four work packages, includes constructing a 50 megalitre per day water treatment plant, pre-sedimentation tanks, and mechanical works at Klipdrift Water Treatment Works, optimising Klipdrift Water Treatment Works, and developing conveyance systems to the Temba reservoir. With legitimate public pressure and increased media attention, to date, we have completed two of the four

modules, each producing 12.5 Ml of potable water. The second module's full commissioning and certification of water safety is expected before the end of 2025. This added supply targets various areas of Hammanskraal, which include Mandela Village, Marokolong, Ramotse, Kekana Gardens (Steve Bikoville), Kudube Unit 9, Babelegi Industrial, Bridgeview informal settlement, Majaneng (on the eastern side of Makapanstad road), Kudube Unit 1, 2, 3, 6, 10 and Unit D, Jubilee Tower, Jubilee Direct and Dominican Tower.

Magalies Water is committed to delivering services guaranteed by the Constitution and maintaining positive working relationships with various water services authorities. Our dedication to our stakeholders and customers is demonstrated by our commitment to service quality, which we view as a fundamental component of our operations. Some 80 kilometres north-west of Hammanskraal, Magalies Water's Scientific Laboratory Services has been leading efforts to remediate the Crocodile West Catchment, which includes the Hartbeespoort Dam nestled in the Magaliesburg mountain range. For over three years, we have been diligently working to reverse the effects of decades-long and continuous pollution on this vital water source, which is central to our operations in the Bojanala Platinum and Waterberg district municipalities.



By utilising a dynamic blend of mechanical, biological, and oxidative remediation techniques, we've made exciting strides despite the ongoing challenges of historical pollution and continuous nutrient loading in the catchment. Our commitment to addressing these issues fuels our optimism for continued progress and a healthier environment as we progress. By implementing these combined strategies, we've effectively slowed the spread of invasive species and contributed immensely to improved water quality in the Dam, allowing eco-tourism to flourish once again. This rejuvenation is vital for supporting the local tourism and hospitality sectors, which are essential to our community's vibrant economy.

Our Performance

During the year under review, we achieved a 90% performance, meeting 35 of the 39 key performance indicators. This performance is consistent with last year's, which was also 90%. The ninety-percentile performance is what Magalies Water is known for, and it pleases us that, despite the challenges we have faced, we continue to maintain this level of performance. In the last five-year period, some of the challenges which have contributed significantly to our fluctuations in performance between 90 and 95% include:

- Deteriorating raw water quality,
- Climate change, adversely impacting water

quantity,

- Ageing infrastructure,
- Financial challenges and impact on our sustainability, and
- Water demand, outstripping the current supply.

In addition, the entity's performance was further compounded by the impact of the reconfiguration process, which is still felt across the organisation at varying levels of operations. Special commendations are due to the organisation's workforce, our most valued asset!

It is without a doubt that this performance is as a result of the dedication and commitment of our people, who continue to demonstrate commitment and loyal service to Magalies Water even during the most turbulent of times.

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

- Water quality compliance,
- Management of average water losses,
- Reliability of supply,
- Financial sustainability,
- Efficiency of capital expenditure,
- Avoidance of reportable Safety, Health and Environmental incidents,
- Human Capital Management, ICT, BBBEE, Skills,
- Development, Job Creation, and



- Stakeholder Engagement.

We had made a commitment to reflect more intensely on the contributory factors that might have led to previously experienced negative growth and to systematically and operationally addressing these challenges. I am pleased to report that, with the support of the Executive, our efforts have resulted in a stable performance outlook, moving away from negative growth and indicating consistent improvement. While we had envisioned more improved performance closer to the 100-percentile mark, we are more than pleased with what we have achieved. This has ensured that we remain firmly rooted at the 90-percentile performance and have put in mitigation measures as we reflected in greater detail about how performance controls can be enhanced to achieve the desired outcomes into the future, which will inspire confidence while strengthening performance.

Our material operating conditions have not changed, thereby validating our initial business operating model as an organisation that adopted a Cost Leadership Strategy. This strategy embodies the utility of an organisation like ours, which, based on both internal and external factors, must achieve much more with minimal resources. From our vantage point, we are well on course to do better than we already have, in an attempt to reclaim the performance of yesteryears. The outcomes and

performance of past financial years can be achieved again, provided we remain focused and not distracted by factors outside our control in year-to-year performance.

Our 2025/26 - 2029/30 Corporate Plan remains relevant to many of our challenges, and it is for that reason upon its development, it was anchored on a nine-point plan which seeks to provide a holistic and strategic approach, to our short-to-medium term challenges and futuristic strategies, which will ensure that from the onset, Magalies Water employs a phased approach to some of our most pressing issues, which will be resolved over a period of time.

The corporate plan focuses on the following key aspects:

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



- Application for borrowing limit and sourcing funding for capital expansion.

While we may have expanded our service areas geographically, the regions not previously serviced by Magalies Water present complex business challenges, particularly due to Section 30 services that dominate in the Ngaka Modiri Molema and Dr Ruth Segomotsi Mompoti districts. The two regions of the North West are marked by stubbornly high water demand, while surface water availability remains constrained due to population growth and urbanisation, as part of provincial and local government programmes aimed at improving socio-economic conditions. The areas of Dr Ruth Segomotsi Mompoti and Ngaka Modiri Molema District Municipalities are vast and lack adequate bulk water infrastructure.

While Section 30 services, are unpredictable in nature as a result of the condition of appointment by Water Service Authorities, wherein Magalies Water assumes responsibility for operations and maintenance we have been relentless in our endeavor to ensure that history does not repeat itself, owing to lack of timely planning, interventions and implementation of strategic bulk water infrastructure in forecasting future water demand in the North West. This futuristic and proactive approach has resulted in Magalies Water's Bulk Water and Sanitation Master Plan, which now covers the entire North West, including areas

previously serviced by Magalies Water in the Bojanala Platinum and Waterberg District Municipalities. This strategic blueprint elevates the importance of strategic bulk water infrastructure development and implementation to ensure water security and provision for the residents of the North West, across various sectors of the economy.

As part of our long-standing commitment to this plan, we have already commenced the construction of several work packages. These form components of the Moretele North – Klipvoor Bulk Water Supply Scheme, which will include the construction of new reservoirs and a water treatment plant near the Klipvoor dam. In the long term, the cross-boundary supply scheme will benefit municipalities in the North West and Limpopo Provinces, including Moretele, Bela-Bela, Modimolle-Mookgophong, and Mogalakwena local municipalities. Upon practical completion and full commissioning, this mega infrastructure will ensure that thousands of households in the Bojanala Platinum and Waterberg districts have improved access to potable water. Given their remote location from the current bulk water infrastructure, the project will provide an estimated daily supply of 60 megalitres of potable water once completed.

Credit is due to the dedicated team of scientific professionals at Magalies Water, whose expertise has



played a crucial role in maintaining the overall quality compliance of the bulk water produced by the organisation. Despite external challenges affecting the quality of treated water—primarily stemming from suboptimal raw water quality sourced from diverse catchments—the water supplied to both bulk and minor customers, including that we manage under our Section 30 operations, consistently met the stringent standards established by SANS 241:2015. On average, our water quality complied with all five parameters of the standard, including the Health Risk Category (Acute-1, Acute-2 and Chronic), Operational, and Aesthetic metrics.

Let me end by thanking my colleagues on the Executive Committee for their enthusiasm, devotion, and commitment to service delivery. We value our long-standing commitment to one another, which ensures we meet the strategic goals of the national government, as well as to our stakeholders and customers. The Board of Magalies Water, chaired by Dr. Keneilwe Lydia Sebego, has my sincere gratitude for its leadership, support, and direction in propelling Magalies Water to unprecedented success.



Mr. Ofentse Nthutang

Chief Executive



Statement of Responsibility and Confirmation of the Annual Report information accuracy

In my capacity as the Accounting Officer in terms of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA) and as the Chief Executive of Magalies Water, it is my honour to accept responsibility for the maintenance and preparation of financial statements and non-financial performance information of Magalies Water for the 2024/25 financial year. The Magalies Water Annual Financial Statements have been prepared in accordance with, among others, the Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the requirements of the PFMA. I take full responsibility for the preparation, assessments, evaluations, and the outcomes presented in this Magalies Water Annual Report of the financial year ending 30 June 2025.

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

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

The two functions also continued to provide reasonable assurance against material misstatements or deficits and to check whether risk and opportunities were dealt with, whenever it was deemed necessary. This is our account of the acceptability of the true state of affairs of our entity's results from both operational and financial reporting for the year ended 30 June 2025.

It is premised on three critical factors:

1. Our reported information has been externally audited, and the Auditor-General of South Africa (AGSA) has expressed an independent opinion on the annual financial and all other predetermined non-financial objectives that had been contracted to the shareholder for the reporting period.
2. We provided unrestricted access to the AGSA for review of all the relevant records as legally required. Refer to the AGSA Report on pages 150 to 158.



3. The Board and Executive Authority have been privy to the Annual Report for 2024/25 in-line with the legislative requirements. The Annual Report has been prepared on a going concern basis and the Executive Authority approved it.



Corporate Governance

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

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

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

According to Chapter 2 - Bill of Rights of the Constitution, the State must respect, protect, promote and fulfil the rights of all people in our country and must affirm the democratic values of human dig-

nity, equality and freedom. Section 10 states that everyone has rights to human dignity and Section 11 speaks of everyone's right to life.

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

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

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



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

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

Corporate Governance Key Focus Areas

The intent is to ensure sustainability, enhance efficiency and productivity, which are ongoing concerns for Magalies Water. The implementation of Magalies Water's Corporate Plan programmes took into account the principles of King IV on Corporate Governance, which came into effect on 01 April 2017.

The Functions of the Magalies Water Company Secretary and Board

Company Secretary

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

'The Company Secretary has a key role to play in ensuring that Board procedures are both followed

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

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

The Board

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

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

- Lead ethically and effectively by cultivating the characteristics of integrity, competence, fairness, transparency, accountability and responsibility, and exhibit them in their conduct,



- Appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are inseparable elements of the value creation process, by steering and setting the direction for strategy, including considering, challenging and approving management's formulation of short, medium and long-term strategy,
- Act as the focal point and custodian of corporate governance in the organisation by steering the organisation and setting its strategic direction, approving policy and planning that give effect to that direction, overseeing and monitoring the implementation and execution by the management and ensure accountability for the organisation's performance through reporting and disclosures,
- Adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interest of the organisation over time, by setting the direction of how it should be approached and addressed in the organisation, and approving policy that articulates and gives effect to the set direction,
- Govern risk in a way that supports the organisation in setting and achieving its strategic objectives, by evaluating and agreeing with the nature and extent of risks that the organisation is willing to take in pursuit of its strategic objectives including governing technology and information in a way that supports the organisation in setting and achieving its strategic objectives,
- Approve annual tariffs and budget allocation in line with strategic objectives,
- Ensure that the organisation is financially viable, including condoning irregular expenditure provided that the transactions are not financially significant,
- Ensure that management is vigilant on local municipalities' liquidity and financial sustainability, while addressing the affordability of non-paying debtors, and
- Be responsive and guide mitigation of reputational impacts and approval processes for escalation of customers in arrears to the ministers, and/or engage the National Treasury on the municipalities' equitable share apportionment.
- Approve committee reports and activities, including:
 - Declaration of interest and confidentiality undertaking procedures,
- All committee terms of references in-line with the Board Charter,
- Setting and/or approval of policies of the organisation,
- Audited annual financial statements and the annual performance reports for each financial year,
- Approve quarterly and annual performance information reports,
- Approve annual salary increases and performance incentive bonuses for each year, and
- Set key performance indicators for borrowing limits, guarantees and grant funding. This was carried out during the development of the Corporate Plan for 2020/21 to 2024/25 and the Shareholder Compact (2020/21).



Additional Board duties include the following:

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

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

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

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



Board Members



Dr. Keneilwe Lydia Sebego
Chairperson

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



Ms. Yvonne Malebo Matolong
Deputy Chairperson

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

Board Members



**Mr. Itumeleng
Mosala**

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



**Ms. Magogodi Elizabeth
Tebogo Malaka**

****Board Membership Discontinued
on 18 August 2025**

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

Board Members



Ms. Yongama
Pamla-Dhludhlu CA(SA)

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



Dr. Mosidi
Makgae

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

Board Members



Mr. Muzuvukile
Wiseman Mkhize

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



Ms. Priscilla
Nomsa Mashaba

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

Board Members



Mr. Rudolph
Martin le Roux

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



Mr. Stanley
Ace Ngobeni

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

External Audit and Risk Committee Members

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



Ms. Zelda Tshabalala

Academic qualifications

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



Ms. Neo Shabalala

Academic qualifications

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



Mr. Viren Magan

Academic qualifications

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

Board Members

Table 1: Board Members

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



Board Composition by Race and Gender

Table 2: The Composition of the Board is shown below						
Gender	Race				Total	%
	African	Indian	Coloured	White		
Male	3	-	-	1	4	40%
Female	6	-	-	-	6	60%
Total	10	-	-	-	10	100%

Board Evaluation

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

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

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

Board Charter

The primary purpose of the Magalies Board Charter is to outline the roles and responsibilities of the board, composition, meeting procedures, delegation and authority and to effectively guide the board in the following:

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

Shareholder Compact

Magalies Water signed off the Shareholder Compact, effective for the period 01 July 2024 to 30 June 2025. It is hereby recorded that the agreed objectives, although subject to review annually, set out matters that are applicable beyond the period of a year. In the event that they are amended, the parties shall take into account initiatives already commenced on the basis of such objectives.

In terms of Regulation 29 of the Treasury Regulations issued in terms of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended) (PFMA), the accounting authority for a public entity listed in Schedule 3B, must, in consultation with its executive authority, annually conclude a shareholder compact. The required Magalies Water Shareholder Compact comprises the principles and the key performance objectives, measures and indicators agreed to by the parties.



Board Meetings

Members of the Board of Magalies Water made valuable contributions to the sustainability of the organisation through their inputs, participation and time devoted to attending all scheduled committee meetings. The tables that follow detail attendance of Board Committee meetings for the period ending June 2025.

Table 3: Attendance of Ordinary and Special Board meetings by Board Members		
Board member	Ordinary & Special Board meeting attendance	
	Ordinary	Special
Dr. K.L. Sebegu	4/4	1/2
Ms. Y.M. Matolong	3/4	2/2
Mr. S.A. Ngobeni	4/4	2/2
Ms. Y. Pamla-Dhludhlu CA(SA)	3/4	2/2
Ms. P.N. Mashaba	4/4	2/2
Dr. M. Makgae	4/4	2/2
Mr. M.W.B. Mkhize	4/4	2/2
Ms. M.E.T. Malaka	3/4	2/2
Mr. R.M. le Roux	3/4	2/2
Mr. I. Mosala	4/4	2/2
Total Overall Attendance of Board Members	36/40	19/20

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

Member	Attendance
Ms. N. Shabalala	1/1
Ms. Z. Tshabalala	0/1
Mr. V. Magan	1/1

Board Committees

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

Capital Investment and Stakeholder Engagement Committee

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

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



The Capital Investment and Stakeholder Engagement Committee held all the meetings set for the 2024/25 financial year.

Table 5: Capital Investment and Stakeholder Engagement Committee meeting attendance	
Member	Attendance
Mr. I. Mosala (Chairperson)	4/4
Ms. Y.M. Matolong	4/4
Ms. P.N. Mashaba	4/4
Dr. M. Makgae	4/4
Ms. M.E.T. Malaka	4/4
Mr. R.M. le Roux	2/4

Finance Committee

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

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

The Finance Committee held all the meetings set for the 2024/25 financial year.

Table 6: Finance Committee meeting attendance	
Member	Attendance
Ms. P.N. Mashaba (Chairperson)	7/7
Ms. Y.M. Matolong	7/7
Dr. M. Makgae	6/7
Mr. M.W.B. Mkhize	7/7
Mr. R.M. le Roux	7/7

Audit and Risk Committee

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

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

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



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

The Audit and Risk Committee held all the meetings set for the 2024/25 financial year.

Table 7: Audit and Risk Committee meeting attendance	
Member	Attendance
Mr. S.A. Ngobeni (Chairperson)	6/6
Ms. Y. Pamla-Dhludhlu CA(SA)	6/6
Ms. Z. Tshabalala	6/6
Ms. N. Shabalala	6/6
Mr. V. Magan	5/6

Table 8: Board Members who attended Audit & Risk Committee meetings by invitation	
Member	Attendance
Dr. K.L. Sebegu	2/2
Ms. Y.M. Matolong	2/2
Ms. P.N. Mashaba	2/2
Dr. M. Makgae	2/2
Ms. M.E.T. Malaka	2/2
Mr. M.W.B. Mkhize	2/2
Mr. I. Mosala	2/2
Mr. R.M. le Roux	2/2

Human Resource, Social and Ethics Committee

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

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

The Human Resource, Social and Ethics Committee held all the meetings set for the 2024/25 financial year.

Table 9: Human Resource, Social and Ethics Committee	
Member	Attendance
Ms. M.E.T. Malaka (Chairperson)	4/4
Mr. S.A. Ngobeni	4/4
Ms. Y. Pamla-Dhludhlu CA(SA)	3/4
Mr. M.W.B. Mkhize	4/4
Mr. I. Mosala	4/4



Chairpersons Coordinating Committee

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

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

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

The Chairpersons Coordinating Committee held all the meetings schedules for the 2024/25 financial year.

Table 10: Chairpersons Coordinating Committee meeting attendance

Member	Attendance
Dr. K.L. Sebegu (Chairperson)	4/4
Ms. Y.M. Matolong	3/4
Ms. S.A. Ngobeni	3/4
Ms. P.N. Mashaba	4/4
Ms. M.E.T. Malaka	4/4
Mr. I. Mosala	4/4

Table 11: Board Members who attended Chairpersons Coordinating Committee meetings by invitation

Member	Attendance
Ms. Y. Pamla-Dhludhlu CA(SA)	3/3
Mr. M.W.B. Mkhize	3/3
Mr. R.M. le Roux	2/3
Dr. M. Makgae	3/3

Code of Conduct and Promotion of Ethical Culture

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

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

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

The objectives of the Magalies Water Code of Conduct include:

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

- Enabling individuals always to be conscious of disclosure requirements as they acquire, practise or pursue personal financial interests, and
- Ensuring that employees execute the organisation's delegated duties and/or avoid improper influence/biased judgments etc. when acting on behalf of the organisation.

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

The 2024/25 annual report was subjected to continuous review throughout the reporting period. Magalies Water has a solid foundation that is premised on the strength of a permanent Chief Executive whose oversight of the six operating divisions is supported by five general managers, a Chief Operation Officer and a Chief Financial Officer, who constitute EXCO.



Executive Committee Members



Mr. Ofentse Nthutang

Chief Executive

**** Appointed 01 June 2025**

Academic qualifications

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



Ms. Matshidiso Tabane CA(SA)

Chief Financial Officer

Academic qualifications

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

Executive Committee Members



Mr. Sibongiseni Mbadamana

**** Appointed Acting Chief**

Operating Officer 01 July 2024

Academic qualifications

- National Diploma in Civil Engineering (Cape Peninsula University of Technology),
- BTech Civil in Urban Engineering (Cape Peninsula University of Technology),
- Postgraduate Diploma in Management (Regent Business School), and
- Master of Philosophy - Engineering Management (University of Johannesburg).



Ms. Kele Mogamisi

**General Manager: Communication
and Stakeholder Relations**

Academic qualifications

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

Executive Committee Members



Ms. Teleni Ntabeni
General Manager: Corporate
Services

Academic qualifications

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



Dr. Vhahangwele Akinwekomi
General Manager: Water Services

Academic qualifications

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

Executive Committee Members



Mr. Tshiamo Mpane

****Appointed Acting General
Manager - Project & Engineering
Services 01 July 2024**

Academic qualifications

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



Ms Deona Engelbrecht

Company Secretary

Academic qualifications

- LLB (University of South Africa).

King IV Principles Application - 2024

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

Table 12: King IV Principles Application	
King IV Principle Apply and Explain	
1. The governing body should lead ethically & effectively.	Magalies Water Board, alongside EXCO, through their endeavours to lead the organisation ethically and effectively ensured that any conflict of interest was accounted for during the period under review. The Board submits an Annual Declaration of Interest together with a Pledge and Declaration on the Code of Ethics. In addition to the Annual Declarations, an opportunity is provided, through the inclusion of a standing item at all Board and Board Committee Meetings and EXCO Meetings to declare any interest accordingly. Members, further, continuously equip themselves with the necessary working knowledge of the organisation, its area of operations, and any amendments to legislation, rules, and standards that may be applicable. After the appointment of the Board, an induction process was undertaken to ensure that the entire Board was educated on their roles and responsibilities and allow members to perform their fiduciary oversight duties.





Table 12: King IV Principles Application	
King IV Principle Apply and Explain	
2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	Commitment to ethical and professional conduct is expected from each Board Member and Magalies Water employee. Magalies Water's Board: • Approves the organisations codes of conduct and ethics policies, • Ensures the adherence to the organisation's ethical standards by employees and other stakeholders, and • Delegate implementation of Codes of Conduct and ethical policies to management and provide ongoing oversight of the management of ethics. Due to the fact that organisations of all kinds have an impact on the public, they must accept responsibility to society. Organisational procedures and attitudes oriented towards quality and the welfare of society will reduce harm to members of the public, enhance serving of public interest, and the fulfilling of social responsibility. All Magalies Water employees are expected to encourage social responsibilities and quality performance.
3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Corporate Governance Framework requires that the organisation uphold ethical standards in the way they conduct their business. The Board is required to ensure that the organisation's ethics are managed effectively. Magalies Water has taken further steps to include Corporate Social Investment (CSI) in its corporate plan under the strategic objective of being "a responsible and good corporate citizen. Magalies Water is, and is seen to be, a good corporate citizen, by: • Its promotion of equality, prevention of unfair discrimination, and reduction of corruption, • Its contribution to development of the communities in which its activities are predominantly conducted or within which its services are predominantly marketed, and • Its record of sponsorships, donations and charitable giving.

Table 12: King IV Principles Application	
King IV Principle Apply and Explain	
3. cont... The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	• Social responsibility is the measure of an organisation’s state of being mindful of the emerging social concerns and priorities of internal and external stakeholders, these being the communities around Magalies, employees, governmental and non-governmental organisations. To this end, Magalies Water: • Ensures compliance with government, health, hygiene, safety and environmental laws, • Ensures the betterment of communities surrounding Magalies Water, • Approve strategies in respect of good corporate citizenship, especially concerning the promotion of equality, prevention of unfair discrimination and reduction of fraud and corruption, • Report on the social responsibility initiatives implemented by the Human Resource Department i.e. external bursary programme, learnership programme and training programme, • Monitor sustainable and ethical corporate culture within the organisation, • Ensure respect for basic human rights, • Ensures that the organisation’s ethics are managed effectively, including: ▪ Leadership demonstrating support for ethics throughout Magalies Water, ▪ Strategies for managing ethics that is informed by the negative and positive risks of Magalies Water, ▪ Ethical standards are articulated in a Code of Ethics and supporting ethics policies, ▪ Structures, systems and processes are in place to ensure that the various Boards, employees and supply chains are familiar with and adhere to Magalies Water’s ethical standards, and ▪ Ethics is embedded in the corporate culture of Magalies Water. Clear articulated ethical standards (Code of Ethics) are determined, and Magalies Water takes measures to achieve adherence to these in all aspects of the business, thus facilitating a sustainable ethical corporate culture within the organisation.



Table 12: King IV Principles Application

King IV Principle Apply and Explain

4. The governing body should appreciate that the organisation’s core purpose, it’s risks and opportunities, strategy, business model, performance, and sustainable development are all inseparable elements of the value creation process.	The Board is accountable for Magalies Water’s overall governance of risk management and this is advocated by its responsibilities of setting an appropriate risk management tone, approving risk management policies and other strategies. This includes leveraging the applicable governance and assurance structures for combined assurance on the effectiveness of risk management within Magalies Water. Magalies Water has established and maintains an effective system of risk management in accordance with the provisions of the Public Finance Management Act, the King IV Report on Corporate Governance and risk management standards as applicable. The Board has approved Key Performance Indicators (KPIs) that are aligned to a risk-based strategy. These Key Performance Indicators are regularly monitored by the Board and its management structures to ensure that any underperforming areas are highlighted and mitigated where required. “Refer to Magalies Water’s Quarterly Performance Information Reports as well as Magalies Water’s Strategy”.
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.	Magalies Water ensures that the quality of its quarterly reports as well as the annual reports compiled are verified and quality audited before the submission thereof to stakeholders. These quality reports enable stakeholders to make informed decisions and aims to adhere to the disclosure requirements as required by JSE, King IV, Water Services Act, Act No. 108 of 1997 and any other relevant legislation and codes that Magalies Water abides by. Magalies Water’s IAR is prepared in-line with International Integrated Reporting Council’s Integrated Reporting Framework, Magalies Water’s annual financial statements complies with the International Financial Reporting Standards and is audited by the AGSA to ensure that the information represent the correct financial position of the organisation.



Table 12: King IV Principles Application	
King IV Principle Apply and Explain	
6. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board of Magalies Water is the overarching controlling structure of Magalies Water and this is in line with the legislated good governance requirements in terms of the South African laws. Magalies Water has developed a Board Charter that ensures the effective functioning of the Board in terms of its roles and responsibilities. The Board has further approved a Governance Structure with Board Committees, each of which has adopted its own formal Terms of Reference/Charter to guide its mandate and oversight responsibilities. The Board Committee Terms of Reference/Charter includes the responsibility of reviewing strategic institutional policies relevant to their respective mandate. The Board, both executive and non-executive, have statutory and fiduciary duties mainly in terms of the Companies Act, the Public Finance Management Act and King IV Report. Management reports every quarter to the Board, the status of the performance of the organisation. The Quarterly Performance Information Report is aligned to the Shareholder Compact entered into between Magalies Water and the Minister of Water and Sanitation in terms of the PFMA and relevant National Treasury Regulations.



Table 12: King IV Principles Application	
King IV Principle Apply and Explain	
7. The governing body should comprise of the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	The governing body should comprise of the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively. The composition of the Board more especially the percentage of women serving on the Board of Magalies Water is 60%, and 40% males. The Board members have vast skills 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, Business Process Re-Engineering, Marketing and Communication, Engineering, Infrastructure management, Water Management, Assets Management, and Environmental Management. Except for the Chief Executive, all members are non-executive members.
8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assistance with balance of power and the effective discharge of its duties.	The Board of Directors (Board) is the overarching controlling structure of Magalies Water and this is in line with the legislated good governance requirements in terms of the South African laws. The Board's responsibilities, and primary functions are as follows, but are not limited to: • Fiduciary duty and duties of skill and care towards Magalies Water, providing effective, ethical leadership, • Ensure that all decisions and actions are in the best interest of Magalies Water, • Define and approve the Delegation of Authority to Management, • Provide strategic direction and monitor the implementation of approved policies and strategies, • Responsibility for the governance of risk and effective internal controls, • Responsibility for IT Governance, • Oversight of Performance Management and Reporting,

Table 12: King IV Principles Application

King IV Principle Apply and Explain

8. *cont...*

The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement and assistance with balance of power and the effective discharge of its duties.

- Oversight of compliance with applicable laws, codes and standards, and
- Oversight of integrated reporting.

The Company Secretary, as a custodian, has been entrusted by the Board to ensure that a balance of power exists through a tiered layout that consists of the Chief Executive, Management, and various Board Committees.

In order to enhance the effectiveness of its fiduciary activities and to comply with the applicable legislation, the following Board Committees have been established:

- Chairpersons Coordinating Committee,
- Capital Investment & Stakeholder Engagement Committee,
- Finance Committee,
- Audit & Risk Committee, and
- Human Resource, Social & Ethics Committee.

9.

The governing body should ensure that the evaluation of its own performance and that of its committees, its chairs, and its individual members, support continued improvement in its performance and effectiveness.

An effective board evaluation exercise helps the Board, Board Committees and individual directors perform to their optimum capabilities by identifying areas that require improvement and measures to implement to achieve such.

The evaluation of the effectiveness of the Board and the individual Board Committees was conducted for the period under review and overall, the functioning of the Board and its Sub-Committees was rated positively, and all Committees were confirmed to be functioning effectively within their terms of reference and mandate.

The Board reports every quarter to the Department of Water and Sanitation, the status of the performance of the organisation which is directly linked to the status of performance of the Board. The Quarterly Performance Information Report is aligned with the Shareholder Compact entered into between Magalies Water and the Minister of Water and Sanitation.





Table 12: King IV Principles Application

King IV Principle Apply and Explain

10. The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.	The Delegation of Authority is an important element of effective Corporate Governance. It involves the process of the Board of Magalies Water conferring certain powers to other persons and sub-committees, to optimise role clarity and efficiency within the company. Magalies Water has a duly approved Delegation of Authority that provides clear guidelines in terms of the Delegated Powers of Authority applied to all activities in various levels of management. The Board, Board Committees, EXCO and Management are responsible for adherence to the Delegation of Authority. The Chief Executive serves as an intermediary between the Board, Management, and all employees of Magalies Water. By appointing the Chief Executive, and through the approved Delegation of Authority, the Board has ensured that clear separation of duties is recorded and that all relevant role players have been transferred or assigned powers, as authorised by the Board. The organisational structure of Magalies Water has made provision for professional and independent governance procedures through the maintenance and promotion of an optimal corporate governance structure to ensure adherence to legal duties conferred by relevant legislation, policies, and/or regulations.
11. The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.	Magalies Water has established and maintains an effective system of risk management in accordance with the provisions of the Public Finance Management Act, the King IV Report on Corporate Governance and risk management standards as applicable. Oversight over the governance and management of risk is carried out by the internal Risk Management Committee and Audit and Risk Committee which is a sub-committee of the Magalies Water Board. The Committees meet on a quarterly basis and operates in accordance with their approved terms of reference.

Table 12: King IV Principles Application	
King IV Principle Apply and Explain	
11. <i>cont...</i> The governing body should ensure that the appointment of, and delegation to, management contributes to role clarity and the effective exercise of authority and responsibilities.	An Annual Risk Management Implementation Plan has been approved by the Audit and Risk Committee, and the Board in the beginning of the financial year. The Risk Management Plan was approved by the Audit and Risk Committee to enable effective risk management implementation and embedding of a risk culture across the organisation. Magalies Water has a developed and approved a Strategic Risk Register that is updated in real-time by the various risk owners. This process allows for new emerging risks and strategic risks to be mitigated as and when they arise. On a quarterly basis, it is a precondition that all risk owners submit consolidated updates, which are in return then considered by numerous governance structures such as the: • Risk Management Committee, • Audit & Risk Committee, and • Ultimately the Board.
12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Public Service Corporate Governance of Information and Communication Technology Framework stipulates that COBIT 5 should be adapted and implemented as governance of Information and Communication Technology (ICT) Framework. COBIT 5 enables organisations to achieve their strategic goals by deriving optimal value from realisation of benefits, optimising resources and risk mitigation. King IV and The Open Group Architecture Framework (TOGAF) also provides governance laws relating to ICT. Information and Communication Technology (ICT) is an integral part of the business of Magalies Water and is fundamental to the achievement of the organisation's strategic objectives. Although ICT offers significant potential to positively influence our business processes and operations, ICT also presents significant risks.





Table 12: King IV Principles Application

King IV Principle Apply and Explain

12. *cont...*

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

ICT and its related risks and constraints should therefore be well directed and controlled. Magalies Water has therefore adopted governance approach to ensure that the ICT opportunities and risks are adequately managed to support the business objectives. King IV states that ICT Governance is a responsibility of the Board.

ICT Governance Framework is a set of principles, structures, processes (practices) and controls that establishes accountability and responsibility to ensure that ICT processes are directed, managed, monitored, measured and controlled in alignment with the business objectives. Furthermore, National Development Plan (NDP) 2030 supports that ICT is a critical enabler of the economic activity in an increasingly networked world. ICT enhance communication and information flows that improve productivity and efficiency within the organisation. Against this background, if Magalies Water seeks to be competitive, it must have effective ICT systems.

The ICT Governance Framework provides structure to align ICT strategy with business strategy, thereby, assisting Magalies Water to achieve its strategic objectives and goals. The framework also considers the staff needs and processes utilised to perform various business functions. Furthermore, the governance framework and policies are reviewed and updated every two years to take into account systems changes or governance changes.

Magalies Water revised the governance framework to ensure that the organisation's ICT infrastructure and investment supports and enables the achievement of corporate strategies and objectives.

Table 12: King IV Principles Application

King IV Principle Apply and Explain

12. cont...

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

ICT Governance Framework serves as the umbrella framework that integrates various ICT-related management systems and processes of Magalies Water. In addition to the adoption of the DPSA ICT Governance Framework to guide the ICT management-related governance and management practices, ICT has also adopted the following ICT-related standards and frameworks as described under the definition section:

- Information Technology Infrastructure Library (ITIL),
- ISO 27001: 2015 for Information Security Management,
- IT policies and procedures,
- IT compliance to relevant laws and regulations,
- Information security management practices,
- Business and Disaster Recovery,
- IT benefits Realisation processes,
- IT value and performance measurement processes,
- IT acquisition and disposal processes, and
- The Open Group Architecture Framework.

The ICT Governance Report is submitted to the Board on a quarterly basis to ensure accountability to the Board.



Table 12: King IV Principles Application

King IV Principle Apply and Explain

13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	Magalies Water will enhance compliance with legislation and regulations. These include compliance with the following: • Legislation including the Water Services Act and the PFMA, • Bulk supply agreements, notably for potable water quality compliance, reliability of supply within the current capacity, • Reportable safety, health and environmental incidents, • Implementation of Ministerial directives, • Employment equity and transformation, and • The spirit and rules of BBBEE and socio-economic development. Regulatory compliance describes the goal that organisations aspire to achieve in their efforts to ensure that they are aware of and take steps to comply with relevant laws, policies, and regulations. Compliance is a prevalent business concern, partly because of an ever-increasing number of regulations that require companies to be vigilant about maintaining a full understanding of their regulatory compliance requirements. A total number of 47 Acts and 160 Sections were discussed and confirmed with the process owners to be the applicable regulatory requirements applicable to Magalies Water. The Compliance Office continuously monitors the Regulatory Register on the implementation of the agreed actions to mitigate non-compliance that is reported to numerous governance structures such as the: • Risk Management Committee, • Audit & Risk Committee, and • Ultimately the Board.
--	--

Table 12: King IV Principles Application	
King IV Principle Apply and Explain	
14. The governing body should ensure that the organisation remunerates fairly, responsibly, and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	Magalies Water’s approach to remuneration is consistent with the organisation’s objectives, strategic value drivers, sustainability of the organisation and the need to attract, motivate and retain employees. Magalies Water believes in the recognition and rewarding of employees who have contributed to the successful attainment of the organisation’s strategic objectives subject to approval by the Board. Therefore the organisation’s remuneration policy assists Magalies Water in achieving the following: • Compete for talent in an increasingly competitive labour market influenced by demand for skills, • Retain competent employees who enhance organisational performance, • Motivate individual and team performance that create stakeholder and shareholder value for the organisation, • Manage the total cost of employment, • Achieve employee productivity, and • Enable Magalies Water to implement rewards and retention policies. Magalies Water has implemented a performance management system through which managers, supervisors and their direct reports shall conclude performance contracts that contain, Key Performance Areas (KPA), Key Performance Indicators (KPI), and performance targets for each performance contracting period. The purpose of the Performance Management and Bonus Policy is to drive organisational and employee performance and to recognise and reward performance above expectation towards achievement of Magalies Water’s strategic objectives.





Table 12: King IV Principles Application

King IV Principle Apply and Explain

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 Audit & Risk Committee performs its statutory function as set out in the Companies Act of 2008 and its roles and responsibilities as set out in the PFMA and Treasury Regulation 27.1.

The Committee is accountable to the Board and has played a critical independent oversight on corporate governance, integrated financial reporting, evaluation of the effectiveness of internal controls, enterprise-wide risk management systems, as well as internal and external audit functions. Some of the key activities and roles of the committee include the following:

- To oversee the Entity compliance with the legal and statutory provisions,
- To approve the risk areas of the entity to be covered in the scope of internal audit as per the risk assessment reports noted quarterly and annually,
- To review the audited annual financial statements and assess the adequacy, reliability and accuracy of financial information provided to end users,
- To review and recommend to the Board for approval, the management accounts, performance information report, debt management and contingent liability reports identified as a result of internal and external audit and on a quarterly basis,
- To approve the annual Internal Audit Operational Plan and the Internal Audit Charter,
- To review quarterly Internal Audit Progress Report,
- To note the approved risk management implementation plan,
- To review the internal and external audit findings tracking register on a quarterly basis, and
- To conduct annual self-assessment, amongst others.

In discharging its governance responsibilities relating to risk management, the Audit and Risk Committee:

- Reviews and recommend for the approval of the Board, the:
 - Risk Management Policy,
 - Risk Management Strategy,
 - Risk Management Implementation Plan, and
 - Organisation's risk appetite and the risk tolerance level.

Table 12: King IV Principles Application

King IV Principle Apply and Explain

15. *cont...*

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.

- Reviews the organisation’s risk identification and assessment methodologies,
- Develops goals, objectives and key performance indicators to measure the effectiveness of the risk management activity within the organisation,
- Evaluates the extent and effectiveness of integration of risk management within the organisation’s operations,
- Assesses the implementation of the Risk Management Policy and Strategy,
- Evaluates the effectiveness of the mitigating strategies implemented to address the material risks of the organisation,
- Reviews the material findings and recommendations by assurance providers on the system of risk management and monitor the implementation of such recommendations,
- Provides timely and useful reports to the Board on the state of risk management,
- Sets out the nature, role, responsibility and authority of the risk management function within the organisation, and
- Oversees the performance of the risk management function.

The Audit and Risk Committee:

- Ensure that risk assessments, risk reports and assurance on risks overseen by other Board committees are referred to those committees for their consideration,
- Review and monitor the implementation of the Fraud Prevention Policy, Strategy and Fraud Prevention Plan,
- Review the Business Continuity Management Strategy (including Business Continuity plans, Disaster Recovery plans, Crisis management plans) and their implementation,
- Review and provide guidance on the adequacy and effectiveness of Occupational Health and Safety Management, Security Management and Insurance Management, and
- Review and approve Strategic and Operational Risk Register.





Table 12: King IV Principles Application

King IV Principle Apply and Explain

16.

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder inclusive approach that balances the needs, interests, and expectations of material stakeholders in the best interests of the organisation over time.

Significant stakeholder engagements and positive customer experience are an integral imperative of Good Corporate Governance and Magalies Water appreciates that Stakeholder perception can affect its reputation and brand both negatively and positively, depending on the context. Positive Stakeholder perceptions anchored around consideration of stakeholder legitimacy, salience, urgency, power and interests should, at all times, be managed to enhance and protect the corporate identity, image and integrity of Magalies Water.

The approach of Magalies Water to Stakeholder Engagement includes the following:

- Annually review the Plan and engagements, which include all relevant Stakeholders and objectives for engagement purposes,
- Internal preparedness and alignment with Stakeholders,
- Engagements through a meaningful dialogue programme to facilitate development of critical relationships and build trust, and
- Analysis of feedback from engagement processes.

Stakeholders have been identified and grouped as follows:

- Stakeholder who have regulatory oversight over Magalies Water,
- Stakeholders that Magalies Water provides services to, and
- Stakeholders who provide services to Magalies Water.

A Stakeholder Engagement Plan is therefore implemented to address all the material issues and achieve the intended objectives of stakeholder engagement in accordance with the Stakeholder Value Proposition.



Strategic Overview

Vision

To be the leading provider of quality water and sanitation services in Southern Africa.

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

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

Mission

To provide sustainable, safe and reliable quality bulk water, sanitation and other related services to Water Services Authorities and other users in order to positively impact the quality of life and economic growth for communities in our area of operation.

Key considerations when determining the mission statement were the following:

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



Strategic Objectives

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

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



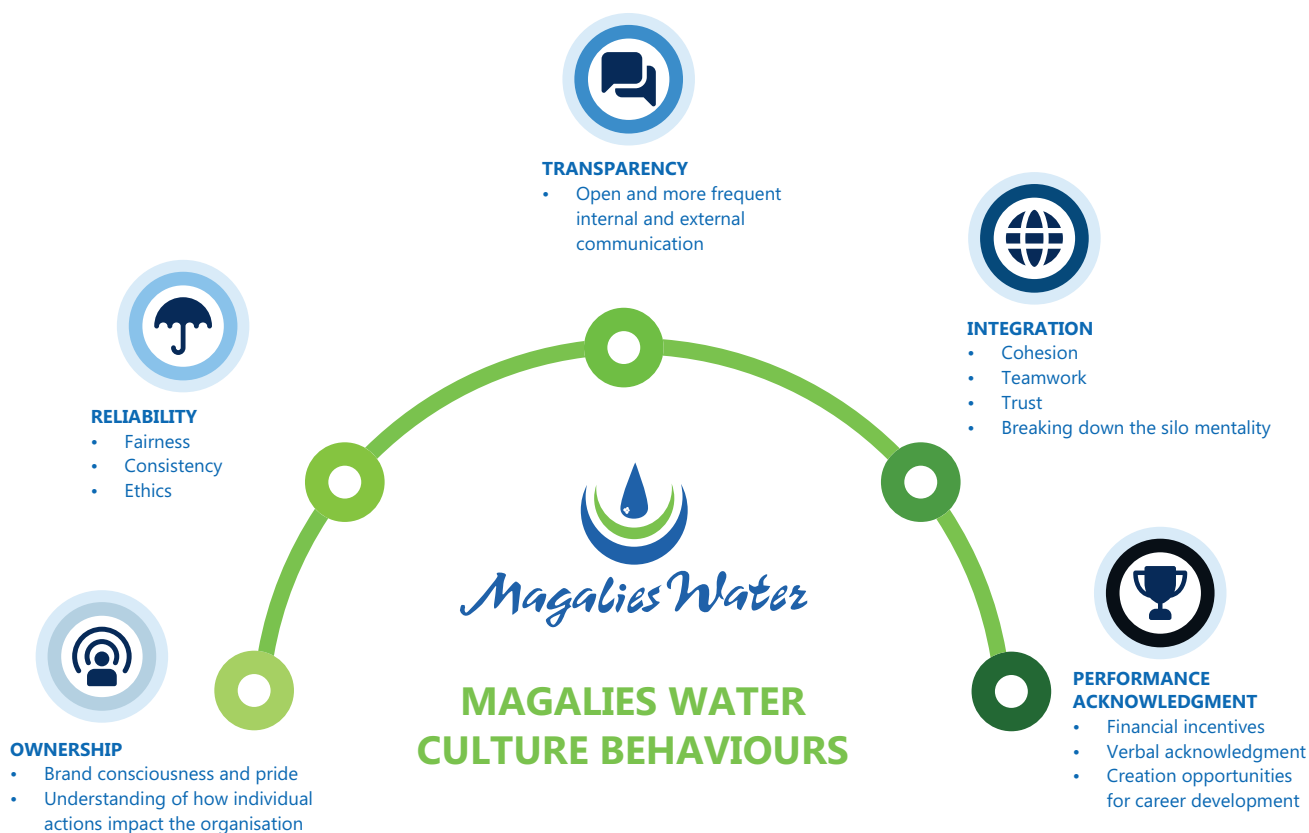
Thematic Core Values of Magalies Water

Figure 1: Values of Magalies Water



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

Figure 2: Summary of Cultural Behaviours at Magalies Water



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

Overview of the Public Entity

Purpose of the Public Entity

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

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

Operating Principles

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

Business Activities

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

Primary Activities (Section 29)

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

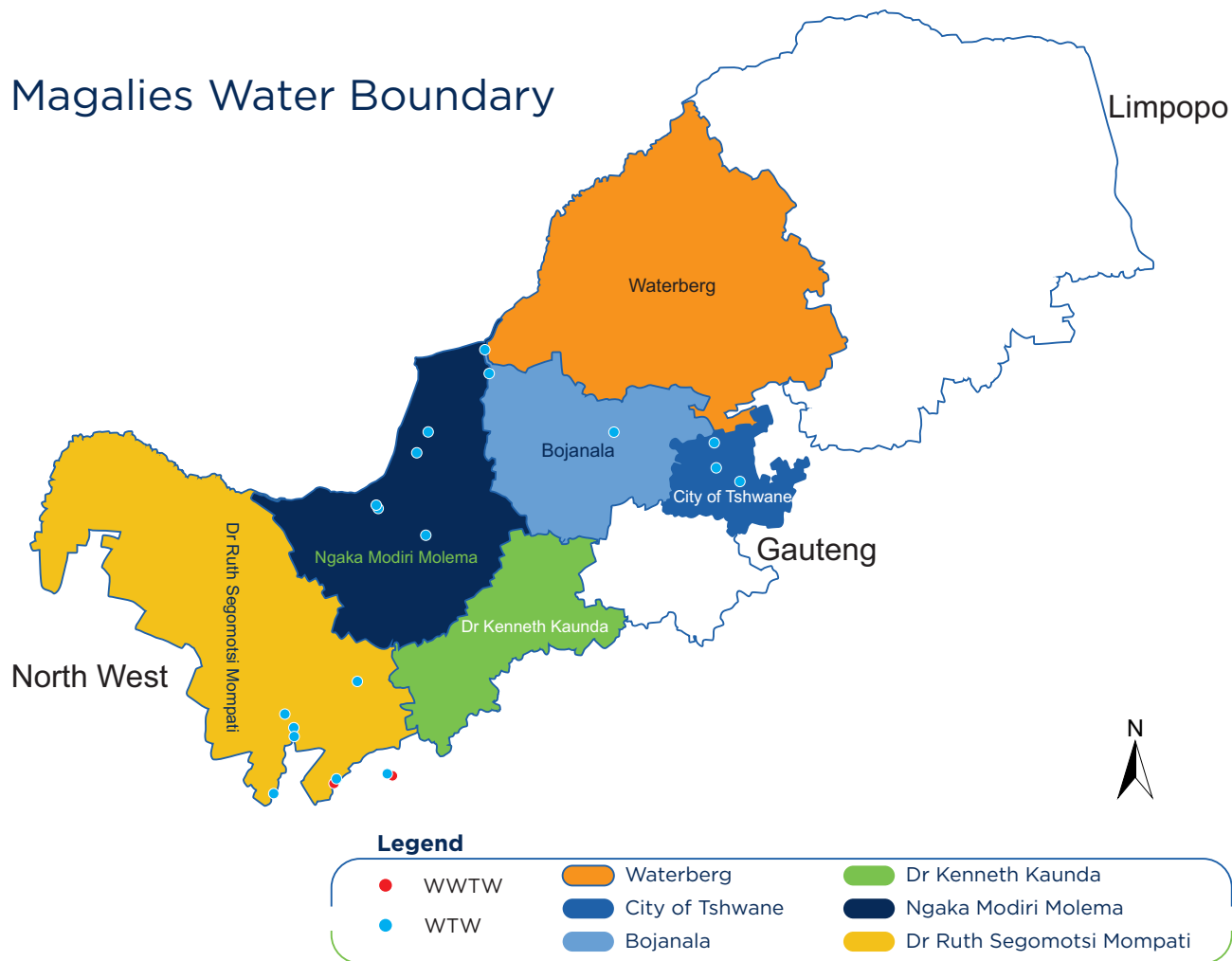
Section 29 states that the primary activity of a water board is to provide water services to other water services institutions within its service area. Magalies Water service area covers 42 000 km across the three provinces of North West, Limpopo and Gauteng.



Magalies Water Service Area

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

Figure 3: Magalies Water Service Area map



Magalies Water Treatment Plants

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



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



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



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



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

Scientific Services

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

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

Furthermore, Magalies Water also complies with SANS 241, the South African National Standard for Drinking Water that specifies the requirements for

potable water to be considered safe for human consumption.

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

Other Activities (Section 30)

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

1. Infrastructure refurbishment,
2. Potable water and wastewater treatment solutions ranging from consultancy services, treatment, monitoring, operation and maintenance of potable water and wastewater treatment plants,
3. Rapid response on critical interventions required on water and sanitation,
4. Water conservation and demand management,
5. Operations and Maintenance (O&M) of bulk water supply and bulk sanitation infrastructure, and



6. Scientific Services: the SANAS 17025 accredited laboratory offers services in chemical, environmental and microbiological analysis to the water industry.

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

Environmental Scan

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

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



External Environmental Analysis

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

Table 13: The Macro Operating Environment	
Aspect	Key Outcome
Political	Institutional reconfiguration and re-alignment of water boards - Impact of asset, people and customer transfer to/from other water boards presents an uncertainty to Magalies Water operation and exposes the organisation to further vulnerability given that the process of Sedibeng Water integration that is still ongoing, and - Impact of revenue loss as a result of customers such as City of Tshwane that will move to Rand Water. Section 25 of the Constitution of the Republic of South Africa - Land redistribution might affect various sectors including agriculture and mining, causing disruptions or expansion of areas serviced by Magalies Water, - Reallocation of water has not always even kept pace with the transfer of land, thus limiting the ability of recipients to be productive on the land, and - Potential clients benefiting from land redistribution might not be able to fulfil their financial obligations towards Magalies Water Board. Political instability within Municipalities - The municipal inefficiencies and dysfunctionality might result in Magalies Water assuming their responsibilities, thus negatively impacting on the existing operations. Geo-political Instability - War between Russia and Ukraine impacting on global supply chains, making sourcing of raw materials and spares more difficult as well as increasing logistics costs, and - Service delivery affected by extended lead times of imported spares and raw material shortages. Post-Section 100 intervention impact - Indirect impact from municipalities served by Magalies Water as a result of instability within those municipalities.



External Environmental Analysis

Table 13: The Macro Operating Environment	
Aspect	Key Outcome
Political cont...	Political • Political changes following ruling party elective conference and the upcoming national elections, • Policy uncertainty in light of sweeping reforms currently underway in the sector, • Continuity of initiatives such as the joint Steering Committee of the Province and Minister of Water and Sanitation to address water and sanitation challenges, and • Delays in implementation of key programs. Inter-Governmental Relations • General good standing relations at national government and provisional government level, • Political support at national and provincial level, and • Work to be done on district municipality and local municipality level. Political stability • Elections in 2024 and 2026 may give rise to a change in political leadership, and • Potential impact of electioneering of debt collection policy implementation.
Economic	Unemployment Rate • Unemployment rate is very high within the area where Magalies Water operates which poses a risk of a poor economic profile for the municipalities, and • Magalies water will face a huge receivables balance that is uncollectable due to the integration with Sedibeng Water. Slow GDP growth • South Africa’s GDP grew by 0.6% in 2024, indicating regression from 1.2% in 2023 against the backdrop of poor global growth, and • The current economic growth levels exceeded market expectation and averted a risk of a recession, however insufficient for economic activity stimulation. Post-COVID economic recovery • Increasing demand for water and sanitation services will have a positive impact on revenue but also place added pressure on service delivery requirements.



Table 13: The Macro Operating Environment

Aspect	Key Outcome
Economic <i>cont...</i>	US Recession - A US recession will have a negative impact on capital inflows into South Africa, which will place further strain on the economic growth and could lead to higher interest rates. Increase in Cost of Living - South African is facing an unprecedented cost of living crisis driven by rising inflation 7.4% (Aug '22) versus 5, 7% (Jan '22). Key amongst the drivers for the sharp inflation rate increase are high energy prices (fuel and electricity), high food prices and an aggressive interest-rate hiking cycle, and - The already depressed household's ability to pay for basic utilities will be diminished resulting in more pressure on municipal revenue. This in turn will result in worsening municipalities' ability to service Magalies Water obligations. High Labour Costs - The cost of labour is increasing the fixed cost of the production of water. Increase in Fuel Prices - The cost of water treatment and distribution operation is increasing emanating from the effects of war between Russia & Ukraine on fuel prices, and - Higher fuel prices place upward pressure on the cost of water treatment and distribution. Rising Electricity Tariffs - There has been an extraordinary increase in the price of power subsequently this will greatly increase production costs, - The water treatment and distribution process entirely depend heavily on electricity, - Load shedding is causing volatility on the ability to supply, and - Use of alternative sources of energy i.e. solar should be considered. Cost of Raw Untreated Water - The cost of raw untreated water is increasing.



Table 13: The Macro Operating Environment

Aspect	Key Outcome
Economic <i>cont...</i>	Exchange Rate Volatility • The volatility of the exchange rate has an impact on input costs such as chemicals used for water treatment. Municipalities' ability to pay for services • Inadequate financial management practices leading to municipalities defaulting on their payments, and • Non-payment for water services by municipalities puts pressure on Magalies Water liquidity, and the balance sheet will show a huge component of cash tied up in receivables.
Social	Indigent Customers • The high unemployment rate increases the size of the indigent register for local municipalities that are serviced by Magalies Water, • Municipalities have a constitutional obligation to provide free basic services, • Most municipalities do not have accurate and complete indigent registers which usually gives rise to high costs of provision of water as a free basic service and a skewed picture of revenue collection for Magalies Water, and • Increase in the pollution in urban centers increases indigent population that requires basic services in line with Municipal Indigent Policies. Infrastructure Vandalism • High unemployment rate provides a breeding ground for criminal activities, • Magalies Water faces vandalism and theft of property from criminal elements in the area, and • General decline in civil morality leading to increased incidence of damaging public infrastructure. Spatial Patterns • Changing spatial patterns, economic and population growth in the service areas provide Magalies Water with an opportunity to grow its business, and • Required infrastructure upgrade and expansion to address the demand and progressively reach areas that do not have access to water services may be limited by financial pressure emanating from the integration.



Table 13: The Macro Operating Environment	
Aspect	Key Outcome
Social <i>cont...</i>	Corporate Citizenship - The social profiling of Magalies Water should show a firm dedication to address social ills such as youth unemployment and poverty eradication, - Initiatives that show a positive corporate social responsibility will impact positively on the organisational reputation, and - Magalies Water can promote awareness on the efficient use of water and awareness of employment areas within the water sector. Population - Increasing population, - Migration of the population to urban areas, and - Encroachment of unplanned settlements on Magalies Water Infrastructure. Social Demands - Demand high for increase in level of service without corresponding ability to pay for services.
Technological	Water Processing and Smart Detection Technology - Magalies Water will benefit from technology advances to improve efficiency and optimise costs. Fourth Industrial Revolution (4IR) and Big Data - Improved predictive analytics, demand and supply planning leveraging on big data, and - Leveraging on IOT Solutions for efficient water management. Asset Maintenance - Magalies Water can benefit from real time monitoring technologies to improve the quality and cost of maintenance, - New technologies will also assist the water board with minimising water losses from the water network, and - Municipalities can also adopt these technologies to minimise water losses and to improve operational efficiency.





Table 13: The Macro Operating Environment	
Aspect	Key Outcome
Environmental	Climate Change - Climate change poses risks that emanate from drought or floods that might cause significant damage to infrastructure. These have a direct correlation to water quality and availability. Raw Water Quality - The water board has been facing water pollution which results in higher treatment costs, additional water treatment processes and higher demand for chemicals used to attain acceptable potable water quality, and - Inadequate implementation of the Department of Water and Sanitation (DWS) directives on water quality. Raw Water Tariff - The tariff for raw water is not cost reflective. Chemicals - The river water contamination levels mean that more chemicals are needed to produce potable water that complies with quality standards. Environmental, Social, and Governance (ESG) standards - There is rising pressure from investors for mandatory reporting on ESGs across multiple sectors, including water. Water utilities must develop plans to deal with challenges such as quality, pollution control and water access equity and water availability, - Water utilities, globally struggle with their ESG priorities despite mounting pressure from investors and advocacy groups for a mandatory reporting framework that allows meaningful evaluation and comparison of ESG practices and impact, and - In addition, customers in a range of industries are demanding that providers accelerate ESG compliance for them meet their own ESG targets and corporate sustainability. Green Drop requirements - Non-compliance of effluent at points of discharge.

Table 13: The Macro Operating Environment

Aspect	Key Outcome
Legal	Raw Water Allocation - The de-establishment of Sedibeng might warrant an increased raw water allocation from the Department of Water and Sanitation. Blue Drop Status - Inability to maintain the Blue Drop status will adversely affect the Magalies Water reputational profile. Water Services Act - The renewal process of the legislation means that the entity has to be acquainted with all the changes and how those changes warrant new compliance requirements. - Amendment to Water Services Act underway to: - Strengthen requirement for sustainable services, - Strengthen enforcement of compliance with the Water Services Act , - Improve WSA decision making about the management of WSP's, and - Improve governance of water boards. Water Sector Policies - Policy for the utilisation of Department of Water and Sanitation Infrastructure and Water Resources, for Renewable Energy Generation: To provide a policy position for Department of Water and Sanitation on the establishment and development of renewable energy on Department of Water and Sanitation owned infrastructure, which include dams, barrages, weirs, irrigation systems (canals & conduits) as well as run-off river schemes as part of the long-term interventions by the Department to support and contribute towards sustainable power supply in South Africa, and - Mine Water Management Policy: To provide integrated and coherent approaches across government, the private sector and civil society for sustainable management of mine water by building on existing legislative framework, addressing gaps or weaknesses and capitalising on the opportunities identified in relation to mine water management including AMD. Legal - Integrated Water Quality Management Policy: Seek to strengthen water quality challenges, to provide integration of water resources management by bringing together the management of water quality and quantity, recognising inter-linkages between pollution concentration and water utilisation.





Table 13: The Macro Operating Environment	
Aspect	Key Outcome
Legal cont...	- Draft water and sanitation services infrastructure grant management policy: The Department is currently drafting this policy to amalgamate the WSIG and RBIG grant programs, it will provide a holistic approach on the management of water services grants and the roles and responsibilities for all stakeholders within the sector including Water Boards, as Implementing Agents. The policy will be a supporting policy for DORA and seeks to address challenges associated with the management and allocation of WSIG and RBIG, and - Water and sanitation services on Privately Owned Land Policy (2023) - (POL): This policy provides a policy framework for water and sanitation services provision on privately owned land. To provide a framework for the development of strategies to improve water services provision on privately owned land. Section 10.14 of this policy identifies Water Boards as a stakeholder can support DWS initiatives in communicating this policy to any person or party contemplating to be or is involved in provision of water services. South African National Standards - Magalies Water must comply with the SANS Standards to avoid penalties. Legal disputes - Legal disputes will have a negative impact on Magalies Water’s reputation, operations and budget.

The environmental analysis revealed that economic and population growth in our service area presents Magalies Water with an opportunity to grow the business and infrastructure to address the increasing demand and progressively reach areas that do not have access to water and sanitation services. The following are strategic opportunities that the organisation will explore:

1. There is increasing availability of modern water services technologies globally and in South Africa,
2. There is an ongoing increase in opportunities to render Secondary services specifically in the newly acquired Far West and Southwest Areas, and
3. Policy positions by the Government present opportunities for Magalies Water to position itself to be relevant in achievement of Governments service delivery mandate.

PART B

Business Model and
Performance Information



Strategic Positioning

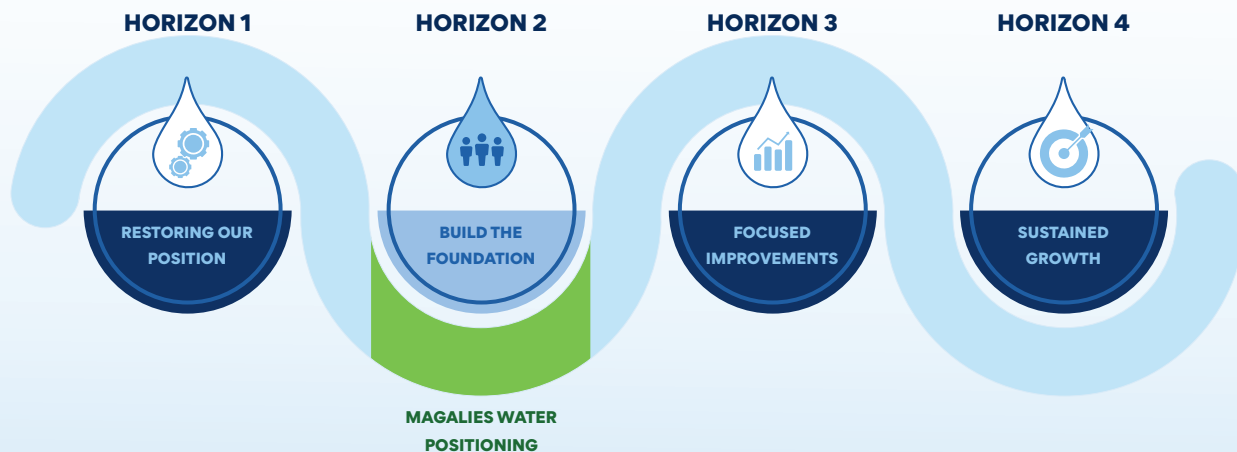
Magalies Water has opted for a cost leadership strategy which seeks to elevate the importance of cost drivers in organisational operations.

The following are the cost containment structures and initiatives that Magalies Water has adopted:

- Cost Containment Committee,
- Budget Reprioritisation,
- Smart Metering,
- Hybrid Working Conditions, and
- Identification of loss-making activities.

Over the past few years Magalies Water has embarked upon a process of re-establishing the foundations necessary for sustained growth. This process began with it having to restore its position as a functioning Water Board and subsequently building the foundations necessary for growth. Given the current circumstances, of having had to merge the organisation with parts of the former Sedibeng Water Board, the organisation has had to re-assess its position in terms of the four-horizon growth model. This has been assessed to rebuild of the foundation as depicted below.

Figure 4: Building the Foundations for Sustained Growth



Internal Environmental Analysis

Strengths	Weaknesses
• Distinctive skills in the treatment of both wastewater and bulk water, • Highly competent staff with an orientation towards innovation and knowledge management, • An effective governance board and decision support systems, • Capability to respond to changing spatial patterns, population growth, urbanisation, and rising service need as detected by the Growth Response Plan, • SANAS accredited laboratories, • Highly committed stakeholders (stable relations between employer and labour union), • Expanded capital infrastructure base due to merging with Sedibeng Water for both water treatment and distribution, and • Certified Environmental Management System (ISO 14001) for sound management practices.	• Inability to raise adequate funding for implementation of capital expansion projects, • Growing overdue debt emanating from inadequate collection, • Aging and unreliable critical infrastructure for water treatment and distribution, • Plant capacity constraints due to increased demand, • Non-cost reflective water pricing frameworks, • Lack of economic incentives for efficient water use and environmentally sustainable practices, • Long lead time to renew vehicle and ICT licenses, • Fit for purpose organisational structure not in place post integration, • Rapid growth of staff compliment, leading to a high ratio of staff cost to revenue, • Insufficient office space and parking at Head Office, • Change management processes not in place, • Inadequate implementation, configuration and integration of SAP system, • Manual input of financial information into monthly reporting, • Inadequate IT infrastructure - network availability and internal communication tools, particularly 4IR resources in the newly established Magalies Water area of supply, • Poor communication response to water service interruptions, • Data cleansing, salary discrepancy, • Under utilisation of human capital on the newly acquired Far West and South West operations, • Incomplete billing of customer accounts, • Poor ICT Infrastructure exposing the organisation to cyber threats and loss of critical information, and • Non-integration of performance management culture post-merger.



Internal Environmental Analysis

Opportunities	Threats
• Value chain augmentation through technology, artificial intelligence and big data approach (i.e., improvement of 4IR best practices & smart metering), • Increased catchment area due to Institutional Reforms and Realignment process (i.e. Expansion of boundaries of Magalies to include Sedibeng water), • Enhancement of overall cyber protection for Magalies Water, • Improvement of groundwater operations through inclusion of rural areas. – (salinity, operational costs for remote areas), • Increasing availability of water data for innovation, research & development activities, • To participate in municipal planning processes (IDP Formulation) and add value to water infrastructure management and resource coordination, • Expand the implementation of agent projects (i.e., water tanker services) and expansion to other service sectors such as mining, • Implement skill preservation strategies with the youth as drivers of organisational sustainability, • To promote sustainable water, use through full involvement of all stakeholders who can ensure decisions are made and actions taken at the lowest appropriate level, • Deployment of innovative technological systems in metering and billing, • Pipeline monitoring/drones for remote inspections, • Extension of services offering to neighboring countries, • Implementation of packaged plants in bulk water production to improve volumes, • Partnering for skills development and staff wellness, • Expansion of scope for SANAS and accreditation, • Strengthening of research and innovation, and • Management of Raw Water resources by Magalies Water contracted by the DWS.	• Over-reliance on ground water sources in the newly acquired service area with variable water quality and quantity, • High levels of pollution from water contamination leads to poor quality of raw water, • Reputational damage due to reliance on infrastructure owned by third parties in Section 30 operations, • Poor enforcement of regulations on the management of water resources, • High vulnerability to physical attacks, vandalism and theft, • Community interference in Supply Chain Management and Finance processes, • Rapid increase in demand, placing pressure on operations, • Water supply interruptions, • High water losses due to illegal water connections and unauthorised water usage, • Instability of electrical supply and loadshedding, • Potential loss of business due to poor service standards and non-adherence to Customer Charter, • Delays in concluding Bulk Water Supply Agreements, • Poor customer service turnaround due to dependencies outside the organisation's control, • Litigation emanating from unavailability of records (former Sedibeng), • Legacy issues emanating from Sedibeng Water integration / poorly funded post-merger transition, • NARSA and POPIA non-compliance, • Infrastructure Agency, • The emergence of the construction mafia, • Non implementation of tariff increases by local municipalities, and • Long turnaround times in the process of borrowing limit applications.

Magalies Water’s response to the outcomes of the internal environmental analysis is through the implementation of the following Key Action Plans:

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

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

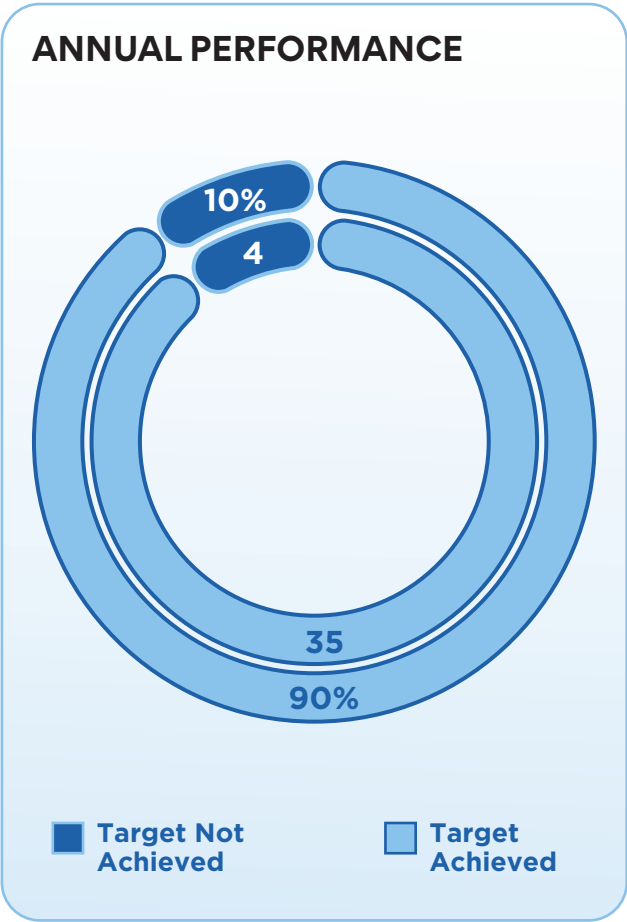
Key Performance Areas

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

- Water quality compliance,
- Management of average water losses,
- Reliability of supply,
- Financial sustainability,
- Efficiency of capital expenditure,
- Avoidance of reportable Safety, Health and Environmental incidents,
- Human Capital Management, ICT, BBBEE, Skills Development, Job Creation, and
- Stakeholder Management.

Overall performance on the Shareholder Compact

Graphic representation of Annual Performance 2024/25 is reflected below. The overall achieved performance is 90% (35 key performance indicators targets achieved vs 39 key performance indicators).



Organisational Efficiency and Effectiveness against Pre-Determined Objectives - Section 29 Operations

Strategic Objective	Key Performance Indicator	Annual Target	Annual Performance	Variance
To provide quality potable water	Acute health microbiological Compliance $\geq 99\%$	Acute health microbiological Compliance $\geq 99\%$	99.80% 	0.8%
	Acute health chemical Compliance $\geq 99\%$	Acute health chemical Compliance $\geq 99\%$	99.71% 	0.71%
	Chronic health chemical Compliance $\geq 97\%$	Chronic health chemical Compliance $\geq 95\%$	98.13% 	3.13%
	Operational Compliance $\geq 95\%$	Operational Compliance $\geq 95\%$	83.96% 	-11.04%
	Aesthetic Compliance $\geq 95\%$	Aesthetic Compliance $\geq 95\%$	99.22% 	4.22%
To provide reliable and sustainable water services to customers	Avoidable water lost as a percentage of water produced at Plants	Plants: $\leq 6\%$	4.65% 	1.35%
	Number of days of unplanned water interruption exceeding 48 hrs	≤ 8 days	0 	(8 days)
	Number of capital projects completed in the financial year	3	3 	0

Recovery Plans for Non-Achieved Section 29 KPIs (Organisational Efficiency and Effectiveness against Pre-Determined Objectives)			
Key Performance Indicator	Reasons for the non-achievement	Corrective measures already implemented	Planned corrective measures to be implemented
Operational risk ≥95%	Operational inefficiencies: turbidity non-conformances plant 2 Dissolved Air Flotation and Filtration (DAFF) units failures. Plate count and coliform non-conformances at Vaalkop plant due to defective chlorine dosing system. Turbidity non-conformances at Klipdrift due to poor raw water quality and non-operational ozone. Turbidity non-conformance at Wallmannsthal due to poor raw water and ineffective old sedimentation tank.	Plant 2 Dissolved Air Flotation and Filtration (DAFF) units have been repaired. The liquid chlorine dosing has been serviced, and the failures have been addressed. Ozone system was repaired by the end of May and is now operational. Plant was operated at the reduced flow to meet the water quality standard.	Plant 3 Counter-Current Dissolved Air Flotation and Filtration (COCODAFF) will be automated after installation of the new software. Maintenance plan is in place to deal with regular maintenance and service plan for the chlorine dosing system. The plant needs to be upgraded with effective and efficient Dissolved Air Flotation and Filtration (DAFF) units.

Stakeholder Engagement Performance Customer and Stakeholder Interaction Against Pre-Determined Objectives				
Strategic Objective	Key Performance Indicator	Annual Target	Annual Performance	Variance
To manage customer and Stakeholder Relations	Municipalities/other customers with Bulk Supply Agreements	85%	93.97% 	8.97%
	Signed contracts, MOUs, etc. NB: This pertains to the “Total number of identified municipalities supported” Outcome/Impact	2	2 	-
	Submission dates met	100%	100% 	-



Financial Performance

Financial Performance against Pre-Determined Objectives

Strategic Objective	Key Performance Indicator	Annual Target	Annual Performance	Variance
To ensure good corporate governance	Annual External Audit	Unqualified Audit	Unqualified Audit 	-
To achieve growth and sustainable financial returns	Current Ratio	1.8:1	1.6:1 	(0.2:1)
	Gross Profit Margin Percentage (Primary Activity)	≥ 30%	57% 	27%
	Net Profit Margin (Primary Activity)	≥ 3%	38% 	35%
	Debt/Equity	≤ 19%	0% 	-19%
	Return on Assets	≥ 1%	11% 	10%
	Average Debtors days	469 days	292 days 	(177 days)
	Repairs and maintenance as a percentage of Property, Plant & Equipment & Investment Property (Carrying Value)	≥ 3%	4.25% 	1.25%
	Staff remuneration as a percentage of Total Revenue	≤ 31%	31% 	-
To contribute towards transformation and developmental agenda	Spend	≥ 40%	61.97% 	21.97%
	New entrants (BBBEE)	80	129 	49
	Actual CAPEX spend on expansion related projects as percentage of total CAPEX budget	≥ 90%	63% 	-27%

Recovery Plans for Non-Achieved KPIs (Financial Performance)

Key Performance Indicator	Reasons for the non-achievement	Corrective measures already implemented	Planned corrective measures to be implemented
Actual CAPEX spend on expansion related projects as percentage of Total CAPEX budget related projects	Challenges with progress on Hammanskraal intervention project. The project newly revised completion date November 2025. Delays in application and approval of the funding from private lenders. Project on the Moretele BWSS WP 2, 3, 4, 5, 8 and Pilanesberg Component 2, 3, 4, 5 not proceeding due not securing sufficient funding for implementation.	Contractors are instructed to procure materials that have a long lead time. Increased Engagements with Infrastructure Fund Team and Transactional Advisors.	Contractors instructed to expedite the project by increasing number of shifts in the project. Infrastructure Fund to conduct soft market sounding to understand the preferred structuring of project from private lenders.

Recovery Plans for Non-Achieved KPIs (Financial Performance) <i>continued...</i>			
Key Performance Indicator	Reasons for the non-achievement	Corrective measures already implemented	Planned corrective measures to be implemented
Current Ratio	Current liabilities are 45% above budget with the main contributors being unspent government grants due to delays in the implementation of infrastructural projects. The root cause of these delays can be attributed to supply chain constraints, specifically the late finalisation of tender specifications, which in turn impeded the timely commencement of project implementation. The trade payables have also increased due to the current payment agreement with the Department of Water and Sanitation for raw/potable water purchases, where only a part payment was made until 30 June 2025. This approach was taken to manage and stabilise the organisation's financial position in the short term.	To address increase in trade payables, the entity has entered into payment arrangements with suppliers (DWS and Vaal Harts) and started paying for raw water purchases which will control the increase in current liabilities. The procurement plan has been reviewed to ensure alignment of the budget allocations and tender process.	Magalies Water will participate in the debt relief scheme approved by the department, which will reduce the creditor's balance over three years. The following measures will be implemented to address the delays in the supply chain processes: - Appointing senior managers in the Bid specification committee, - Arrange National Treasury and CIDB training to ensure that committee members are equipped with the latest developments, - Conduct internal SCM workshops, and - Develop an internal compliance checklist to guide all bid committees.

Governance				
General Perspective against Pre-Determined Objectives				
Strategic Objective	Key Performance Indicator	Annual Target	Annual Performance	Variance
To manage Customer and Stakeholder Relations	Board Member attendance of all Board/Committee Meetings	87%	93.81% 	6.81%
	Board and Committee meetings held	24	30 	6
	Decision Making: Percentage number of resolutions taken by the Board vs number of resolutions required	100%	100% 	-
To ensure good corporate governance	Number of repeat and unresolved internal audit findings	Repeat ≤ 20	59 	39
		Unresolved ≤ 30	24 	-6
	Breaches of Materiality and Significance Framework	0	0 	-
To manage Customer and Stakeholder Relations	Total percentage of compliance with the Stakeholder Engagement Plan	100%	147% 	47%



Recovery Plans for General Perspective against Pre-Determined Objectives

Key Performance Indicator	Reasons for the non-achievement	Corrective measures already implemented	Planned corrective measures to be implemented
Repeat ≤ 20	Delayed or non-implementation of agreed audit action plans is primarily due to the absence of clear ownership and accountability within responsible divisions and departments. Additionally, limited enforcement or follow-up mechanisms contribute to unresolved issues remaining unaddressed.	Escalation of unresolved findings to senior management and the Audit & Risk Committee. Conduct follow up audits to verify the implementation of Management corrective actions. Monitoring progress made by Management on the External/Internal Audit Tracking Register for findings raised throughout the financial year.	Introduction of follow-up audits with stricter timelines, including the development and rollout of a quarterly review process to assess the implementation status of management action plans once the agreed deadlines have passed. Internal Audit will monitor the inclusion and progress of this KPI in the performance contracts of General Managers and Line Managers during the financial year, within the limits of its mandate, to support oversight of efforts to address internal audit findings.

Organisational Capacity: Employment Report

Organisational Capacity Performance against Pre-Determined Objectives

Strategic Objective	Key Performance Indicator	Annual Target	Annual Performance	Variance
To create a high-performance organisation through effective talent management	Staff Turnover	≤ 5%	2.96% 	(2.05)%
To contribute towards transformation and developmental agenda	Learnerships	25	25 	0
	Internships	25	27 	2
	Number of external bursaries awarded (Annual Cycle)	10	16 	6
	Bursaries Employees	30	56 	26
	Graduate Programmes	5	7 	2
	Total Number (Indirect)	100	273 	173
	Total Number (Direct)	2	6 	4

Recovery Plans for Non-Achieved KPIs (Organisational Capacity Performance)			
Key Performance Indicator	Reasons for the non-achievement	Corrective measures already implemented	Planned corrective measures to be implemented
None			

Corporate Social Investment				
General Performance Perspective: Corporate Social Investment				
Strategic Objective	Key Performance Indicator	Annual Target	Year to date Actual Performance	Variance
To contribute towards transformation and developmental agenda	Number of initiatives undertaken	1	3	2
Recovery Plans for Non-Achieved KPIs (General Performance Perspective: Corporate Social Investment)				
Key Performance Indicator	Reasons for the non-achievement	Corrective measures already implemented	Planned corrective measures to be implemented	
None				



PART C

General Performance



General Performance and Assurance

The Office of the Chief Executive

The Magalies Water Office of the Chief Executive (CE) includes the Company Secretary, enterprise risk management, internal audit, strategy management unit, governance, compliance and monitoring. The office of the CE oversees and leads the implementation of organisational strategy.

Internal Audit

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

Fraud and Corruption

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

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

Enterprise Risk Management

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

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

The organisation's approach to risk management is based on established governance processes that rely on both individual responsibility and collective oversight, supported by comprehensive reporting. As



acknowledgement of the complex and changing risk environment, continuous risk assessments are conducted to identify emerging risks that could negatively affect reaching organisational goals.

Risk Management (including Treasury Risks)

Magalies Water has adopted an enterprise-wide approach to risk management. Risk assessment were continuously conducted during the 2024/25 financial year to identify and manage potential risks that may negatively impact the achievement of the strategic and operational objectives of the organisation. Table 14 depicts Magalies Water's strategic risks for the year ended 30 June 2025.

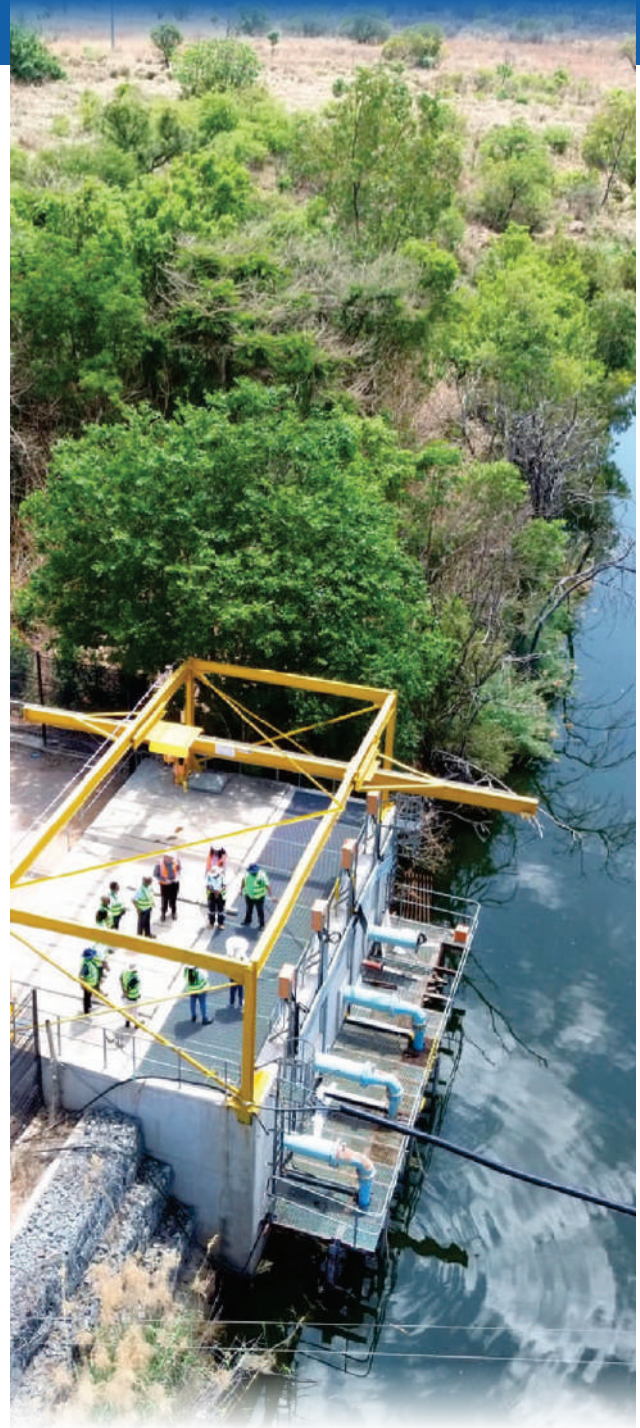


Table 14: Strategic Risks

	Strategic Objective	Description of Risk	Residual risk		
1	To achieve growth and sustainable financial returns	Escalating debt book	Likelihood	Impact	Exposure
			Certain	Major	Critical

Root Cause		Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1.	Customers not paying on time- (Default)	1. Enforce debt collection strategy and policy for customers (Section 30 and small customers)	1. Debt collection strategy has been implemented, and the following risk mitigations measures were implemented:
2.	Delays in payments by key customers (Bulk customers)	- Payment arrangement with defaulting customers.	- There are payment arrangements with customers whose accounts are not up to date (Bela-Bela, Modimolle, Thabazimbi, Ngaka Modiri Molema). Where customers have disputes (Dr RSM, Ngaka Modiri Molema District Municipality O&M Accounts), payment arrangement could not be concluded
3.	Delays in payments by Section 30 customers	- Restrict water services to defaulting customers	- Water Supply to small customers is restricted or disconnected when their accounts are overdue. Municipal customers were not disconnected due to payment arrangement or negotiations that were still taking place.
4.	Constraint in implementation of SLA (Consultation with multiple stakeholders prior to implementation of credit control measures)	2. Enforcement of bulk water supply agreements	- There are no debt collectors assisting Magalies Water with revenue collection
5.	Poor collection	3. Termination of services in-line with the SLA	
6.	Lack of credible billing and disputes by customers	4, 7, & 8. Hold quarterly engagements with the water authorities, Department of Water and Sanitation and Municipalities to address challenges and thus develop mechanisms to address those challenges that affect the provision of service in the eco-system	2. Small Consumers have been restricted during Quarter 4. Payment arrangement signed with those who could not pay the total outstanding balance. Demand letter issued to SANDF and the Airforce Hamaanskraal (Government department), Engagement has been held with the customer.
7.	Misaligned KPI on Service/Sales vs Revenue Collection		3. The agreement and service to Kgetleng Rivier Local Municipality were terminated in line with SLA due to non-payment or contract breach by the customers.
8.	Inadequate contract management-lack of enforcement of restrictions	5&6. Customer queries on billing to be resolved within the set timeframes as per the SLA, issues not resolved by the Billing and Collections Task Team, to be escalated to EXCO with reasons why they were not solved	4, 7 & 8.1 Client Consultation meetings with Water Service Authorities takes place every quarter and service delivery challenges are discuss as well as revenue collection.
		8.2 Develop an Excellency Framework for "Captains of Industries" rewarding and recognising municipalities that continue to be in good standing regarding their debt	5&6 Customer queries on billing not resolved within the set timeframes as per the SLA currently.
			9. Excellency framework not implemented, Communications and Stakeholder Relations will include the rewarding and recognising municipalities that continue to be in good standing regarding debts in the Captains of the Industry events for the organisation

Table 14: Strategic Risks *continued*

	Strategic Objective	Description of Risk	Residual risk		
			Likelihood	Impact	Exposure
2	To achieve growth and sustainable financial returns	Inability to sustain and grow the business	Likely	Major	Critical

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
- Inadequate debt collection - Realignment of the waterboards (possible loss of assets and customer base) - Lack of implementation of the Investment Strategy - Increasing operational costs - Delays in completion of capital projects - Insufficient financial resources - Delays in the development of the Bulk Water and Sanitation Master Plan - Delay in the implementation of the Bulk Water and Sanitation Master Plan - Dependency on key stakeholders (the minister, SALGA, Municipalities) for approval of tariffs - Inadequate "best practice" initiatives (e.g. partnerships) - Not exploring alternative viable revenue streams	- Implementation of the debt collection policy/strategy - Payment arrangements with defaulting customers - Restrict water services to defaulting customers - Use of debt collectors and monitor their performance - Conduct a due diligence and asset audit plus rebranding of asset identified - Review the current Investment strategy and identify areas of improvement - Cost Containment Committee to review and prioritise purchase requisitions - Review and update the financial models per project within the growth strategy prior or during the implementation - Implementation of Growth Strategy 7.&8. Develop Bulk Water and Sanitation Master Plan to include the extended area of operation 9&10. Conduct a benchmarking exercise with other organisations with regards to funding for Capital Projects - Mapping of alternative revenue streams (i.e. special projects) and establishing a task team to explore the streams and their potential viability. The viable streams to be documented accordingly with clear and detailed financial implications and proposed to the relevant structure for execution. A clear implementation plan to be developed for each approved stream and project managed and monitored by the task team. e.g. Laboratory services	- Debt collection strategy has been implemented, and the following risk mitigations measures were implemented: - There are payment arrangements with customers whose accounts are not up to date (Bela-Bela, Modimolle, Thabazimbi, Ngaka Modiri Molema). Where customers have disputes (Dr RSM, Ngaka Modiri Molema DM O&M Accounts), payment arrangement could not be concluded - Water Supply to small customers is restricted or disconnected when their accounts are overdue. Municipal customers were not disconnected due to payment arrangement or negotiations that were still taking place. - There are no debt collectors assisting Magalies Water with revenue collection - All former Sedibeng Water Assets (vehicles, buildings etc) were rebranded to Magalies Water - Investment strategy was developed, and it is undergoing approval processes by governance structures of the organisation before implementation - Cost containment committee was meeting weekly to prioritise purchase requisitions during the quarter under review. - Done. - The mitigation plan was not applicable as there was no project selected from growth strategy for implementation during this financial year. Financial Models are updated when projects need to be implemented - Growth Strategy requires the following projects to be implemented: - Rand Water Bospoort Pipeline Acquisition - No budget allocated and there is no engagement with current owner for Magalies Water to acquire the asset. Asset conditional assessment was conducted in the previous financial year. - Bethanie/Modikwe Pipeline Upgrade - project is in progress and implementation is done by Engineering and Projects Department - Klipvoor Bulk Water Supply Scheme - project is in progress and implementation is done by Engineering and Projects Department - Moretele South Pipeline - Project is in progress and implementation is done by Engineering and Projects Department - Uniform Tariff- Completed and Implemented. - Pilanesberg Bulk Water Supply- Phase 3, Project is in progress 7&8. Bulk Water and Sanitation Master Plan phase 1 has been completed, phase 2 is yet to be presented at Exco. The Bulk Water and Sanitation Master plan is at 50% complete 9&10. Benchmarking exercise was not implemented - The Revenue Enhancement Task Team was formed and has started the exercise to find alternative revenue streams and enhance current sources of revenue



Table 14: Strategic Risks *continued*

3	Strategic Objective	Description of Risk	Residual risk		
			Likelihood	Impact	Exposure
			Likely	Major	Critical

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1. Historic creditors received from Sedibeng which increases creditors book	1. Engagement with DWS regarding funding where there is a need	1. In quarter 1 of 2024/25 financial year, Magalies Water submitted a request to DWS requesting R860 million as financial assistance. The Department has been subsequently allocated funding to the amount of R27.8 million which was received by Magalies Water on the 11th of November 2024.- Done
2. Inability to collect revenue	2. Implementation of mitigation measures as at risk number 1	2. Refer to the status of implementation in risk number 1
3. Increase in operational cost	3. Cost Containment Committee to review and prioritise purchase requisitions	3. Cost containment committee has been working during the quarter to consider and recommend expenditure considering financial resources available. - Done
4. Insufficient cashflow to fund operations	4. Implement cost containment measures by ensuring that the Supply Chain Management (SCM) unit effectively applies a procurement framework whereby a panel of suppliers is appointed for service/goods that are procured more regularly. The SCM unit must consider economies of scale and the most cost-effective supplier that will provide quality service/good	4. The tenders for panels for service providers of maintenance and operations are currently under evaluation and should be awarded in quarter 1 on 2025/26
5. Changes in the market resulting in increases in exchange rate, inflation and interest rates	5. No mitigation measures	5. No Status report

4	Strategic Objective	Description of Risk	Residual risk		
			Likelihood	Impact	Exposure
			Likely	Major	Critical

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1. Climate change (Droughts and floods)	1. Conduct annual assessment of the impact of raw water quality (partner with external party for consultation with DWS)	1. Raw water quality was monitored weekly in accordance with the parameters outlined in SANS 241:2015. Catchment Monitoring in accordance to SANS 241:2015 was done in quarter 4
2. Water pollution from defuse point and point sources	2&4. Quarterly engagement with DWS on quality challenges affecting the raw water	2&4. Comprehensive raw water reports were generated and submitted to the Department of Water and Sanitation (DWS)
3. Poor catchment management by Catchment Management Agency and DWS	3. Monitoring of catchment and continuous engagement with DWS and Municipalities. Thereby ensuring effective catchment management	3. Quarterly catchment meetings were convened with stakeholders, particularly CMAs, to discuss findings on raw water quality and collaborative strategies for mitigation. (NW - Integrated Northwest Catchment Management Committee (INCMC) with an emphasis on the assistance from entities that can support catchment monitoring to ensure an available raw water data library for future referencing and intervention & Jukskei Catchment Management Forum with specific reference to operational efficiencies and support for malfunctioning WWTW). Magalies Water will actively participate in an integrated resource management committee for the Vaalkop catchment, headed by Deputy Minister, to address the Hyacinth coverage at the Vaalkop Dam.
4. Lack of maintenance and upkeep of dams by DWS		

Table 14: Strategic Risks *continued*

5	Strategic Objective	Description of Risk	Residual risk		
			Likelihood	Impact	Exposure
			Likely	Major	Critical

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1. Over reliance on old technology	1. Development of an ICT Infrastructure Plan and effective monitoring and implementation of the plan	1. Deferred to the new financial year due to delays in appointment of the ICT Infrastructure Specialist
2. Resistance to change	2.1 Development of an ICT Governance and related policies and review of existing policies	2.1 ICT policies and procedures has been reviewed and presented in various committees
3. Use of manual business processes	2.2 Establishment of an ICT Steering Committee and ensure that it operates effectively by meeting at least once quarterly	2.2 TOR for ICT Steering Committee approved by the Steering Committee and the appointments of committee members and interim chairperson was done. The first meeting was convened on the 4th July 2025
4. Poor and obsolete infrastructure	3. Develop a plan and strategy for 4IR and thus prioritising the automation and digitisation of systems and processes	3. All ICT innovations (AI, Big Data, IoT, ICT Digitisation) will be considered once the ICT operations is stabilised
5. Lack of necessary skills within ICT	4. Implementation of the MDR solution and improve	4. Reviewed the requirements of Security Operations Center (SOC) strategy with Security Information and Event Management (SIEM), due to budget constraints, only penetration test was conducted in quarter 4
6. No integration of systems	5. Embark on reskilling initiatives of ICT Staff	5. Continuous reskilling of ICT personnel through formal (certificates) and informal (seminars and workshops). ICT attended Microsoft Entra Suite for Microsoft security on Office 365 and Huawei Cloud Summit
	6. Introduction of advanced industry technology such as smart meters and drones etc., for enhancement of efficiencies	6. Engaged SAP support provider to assess the possibility of integration between SAP billing and the already installed smart meters

6	Strategic Objective	Description of Risk	Residual risk		
			Likelihood	Impact	Exposure
			Possible	Moderate	High

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1. Low Dam Levels	1. Adherence to Abstraction license limits	1. All Sec 29 WTP's comply to abstraction limits for quarter 4 & year-to-date
2. Augmentation system restriction or failure	2. Monitoring of the Canal Augmentation and the flow of the canal	2. The cleaning of the canal is still in progress by the DWS team and is nearly completed. The cleaning is scheduled to be completed by 18 July. The canal is not currently flowing due to the cleaning process taking place. The canal will be opened by DWS as soon as the cleaning has been completed
3. Climate change (e.g. droughts, floods, etc.,)	3. Monitor quality and quantity of raw water for all areas of operation	3. Raw water quality was monitored weekly in accordance with the parameters outlined in SANS 241:2015. Catchment Monitoring in accordance with SANS 241:2015 was done in quarter 4. For the quarter, there were no critical raw water failures requiring advanced interventions. An integrated approach will be followed to control the hyacinth, including biological control and mechanical removal, for which the department is sourcing funding
4. Water Pollution	4 & 5 Engage DWS for Magalies Water to take over operations, maintenance of canal and raw water resources	4&5 Engagements with DWS for Magalies Water to take over operations, maintenance of canal and raw water resources is In progress and has not yielded any results as yet
5. Inadequate maintenance of raw water infrastructure		

Table 14: Strategic Risks *continued*

7	Strategic Objective	Description of Risk	Residual risk		
	To ensure safe and healthy working environment for employees	Security breaches and incidents	Likelihood	Impact	Exposure
			Unlikely	Moderate	Low

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
- Inadequate security policy and procedures and enforcement thereof - Non-adherence to security procedures - Inadequate electronic security systems - Unauthorised access and inadequate perimeter protection at various sites - Financial constraints to implement security measures - Inadequate security personnel deployed on sites - Inadequate security management structure - Lack of control room operations - Defective electronic security system components - Poor performance of security service providers - Non-compliance of access control procedures by water service authorities' employees - Taking over of the Security functions by the Municipalities and inadequate allocation of resources for the function at the Section 30 O&M Projects - Community unrest on projects - Non-adherence to SLA's - Inadequate security measures to protect staff exposed to threats emanating from construction projects	- Implementation of the approved Security policy, access control and personnel security procedures 3, 4, 6, 7, 8 & 9. Develop Magalies Water Integrated Security Plan to address security challenges faced by the organisation including law enforcement agencies and security companies in-line, and with adherence, to stakeholder engagement plans - Motivate for funds allocation - Enforcement of the provisions of SLA - SLA with Water Services Authorities to be reviewed in order to include a clause to manage access control into the premises by Municipal officials (Mitigation of Municipal staff forcefully gaining access into the plant) 12 & 14. Inclusion of a clause in the SLA's that will hold the Municipality accountable for lapse of security at sites that Magalies Water's security responsibility has been removed in the contract - Collaboration with the State Law Enforcement Agencies by participating in the Government Security Structures wherein the organisation's security challenges can be escalated to and interventions sought - Inclusion of Close Protection Services into the security programme of Magalies Water	- The At-Risk Individuals Protection Procedure was implemented during quarter 4 and close protection services provided to one Executive following the recommendation of the Threat and Risk Assessment. Further Threat and Risk Assessment exercises were conducted on two members of the Board, and the provider is finalising the report to submit to Magalies Water for consideration - Eight physical security awareness sessions were conducted at 8 different sites at South-west and Far West regions during quarter 4 3, 4, 6, 7, 8 & 9. The Integrated Security Plan draft was updated with inputs from MANCO but could not be presented to EXCO during quarter 4. However, it will be tabled during the first quarter of 2025/26 financial year - Further motivation was done and funds of the servicing electronics security system on a three-year tender were allocated. The tender process will begin during quarter 1 of 2025/26 financial year. Currently the system is serviced and maintained by a service provider sourced on a six months RFQ - The provisions of the SLA are enforced through monitoring of the performance of the appointed service provider. Non-compliance instances are discussed during regular meetings and corrective actions taken. Meeting with all guarding security service providers were convened during quarter 4 11,12 & 14. Inputs were submitted to Legal and incorporated into the SLA draft. However, the signing by WSA is prolonged - ProvJoints meetings of 20 May and 19 June 2025 were attended at Potchefstroom and the Security Managers Forums Quarterly Meeting normally convened by the State Security Agency did not occur during the period under review. The purpose of the meeting is to foster collaboration with state law enforcement Agencies to assist Magalies Water to be to deal effectively with security issues as they arise - Policy review to include Close Protection Services as part of Magalies Water Security Programme was concluded in quarter 4 2024/25 and implementation of the programme commenced with the development of the At-Risk Individual Protection Procedure. The service provider appointed to conduct Individual Threat and Risk Assessment executed and produced the first report of an individual with recommendations which were implemented during quarter 4 following the approval by the Board



Table 14: Strategic Risks *continued*

8	Strategic Objective	Description of Risk	Residual risk		
	To Manage Customer and Stakeholder interactions	Erosion of reputation	Likelihood	Impact	Exposure
			Possible	Moderate	Moderate

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
- Poor service delivery (aging infrastructure, poor water quality and poor water supply) - Lack of enforcement of tri-partite agreements e.g. IA agreements - Inadequate Stakeholder Engagements - Unrealistic expectation and perceptions - Negative Media Reports - Work stoppages (e.g. Construction Mafias and Community uprise) - Poor project Management - Role and mandate of Magalies Water being misunderstood by Municipalities - Lack of political will from key stakeholders - Impact of loadshedding	- Refurbishment and Replacement of aged infrastructure - Bulk Water and Sanitation Supply Agreements 3, 4, 6, 8 & 9. Conduct quarterly Stakeholder engagements including law enforcement agencies and security companies in-line, and with adherence, to stakeholder engagement plans - Conduct Media Monitoring - Obtain approval of Magalies Water Project Management Framework 10.1 Explore alternative power solutions by procuring services of a reputable service provider to perform an assessment regarding power needs of the business and thus recommend a cost-effective and efficient proposal for alternative power source that will not be detrimental to the operations and ensure productivity and operations are not impacted by loadshedding 10.2 Request for Exemption where applicable and other alternative sources in areas where we can get exemption	- Refurbishment of aged infrastructure is ongoing. Minor CAPEX projects planned for 2024/25 are in implementation phase. Major CAPEX projects relating to replacement of aged pipelines are in planning phase - Currently WSAs & WSIs bulk water and sanitation supply agreements are fourteen (14), eleven (11) of the contracts are with water services authorities and three (3) are with Water Services Institutions, namely Rand Water, Vaal Central and Royal Bafokeng Administration. For Mines and National Departments: Seventeen (17) mines are in contract and Two (2) Bulk water and sanitation Supply Agreements had expired and still being negotiated: All expired contracts operating on extensions are currently being renegotiated for longer contract terms 3,4,8 & 9. 25 Vs a target of 20 stakeholder engagements were held in quarter 4, this in-line with mitigation measures - Media Monitoring and tracking was conducted and reported to EXCO, and the Board - Stakeholder engagements in partnerships with Projects and Engineering department. Responsiveness to stakeholder concerns 10.1,& 10.2 A Specification to procure services to perform an assessment regarding power needs of the business and efficient proposal for alternative power source is to be done in quarter 1 of 2025/26

Table 14: Strategic Risks *continued*

9	Strategic Objective	Description of Risk	Residual risk		
			Likelihood	Impact	Exposure
			Unlikely	Moderate	Low

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
- Ageing Infrastructure - Vandalism of infrastructure - Delays in implementation of bulk water and sanitation Master Plan - Dependency on infrastructure owned by external parties * Leaking dams - Unreliable electricity supply and increased level of loadshedding (backup generators not able to run the water treatment plants) - Inadequate assets management - Floods - Failure to implement the investment strategy - Depreciation costs not provided for future re-investment on the critical infrastructure (Invest 100% of depreciation on monthly basis) - Reprioritisation and cutting of costs which will have an impact on maintenance	- Conclude the borrowing process with the National Treasury - Review and update bulk water and sanitation Master Plan to cover all service areas - Conduct plants improvement and upgrades - The reviewed bulk water and sanitation Master Plan to prioritise key projects. The Key projects to be identified and mapped out on an action plan. The implementation of the action plan must be monitored and a progress report to be submitted - Infrastructure funding strategy to be developed.	- Magalies Water is working with Infrastructure Fund (DBSA) to package the application for borrowing limit. Technical, legal and financial advisors were appointed to provide advice on the projects - A draft financial model was completed - Draft Off-take agreements with customers are in progress - The bulk water and sanitation Master Plan phase 1 has been completed, phase 2 is yet to be presented at EXCO. The Bulk Master plan is at 50% complete - Optimisation projects are in planning phase, to be presented to BSC on quarter 1 2025/26 financial year by P&ES - The key projects to be identified and mapped out on an action plan of the master plan - Current BFI funding process is ongoing with the technical, Legal and financial due diligence, report coming to an end

10	Strategic Objective	Description of Risk	Residual risk		
			Likelihood	Impact	Exposure
			Possible	Moderate	Moderate

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
- Competition for skills - Inadequate of implementation of retention policy - Geographic Location of the Organisation - Permanent v/s contract employment at executive levels - Individual growth opportunities - Insufficient Financial resources	- Full implementation of the retention strategy - Implementation of succession plan across Magalies Water - Develop and implement flexible working arrangement policy - Implementation of performance management rewards - Training and development - Extend the skills audit to incorporate the integrated organisation	- Implementation of succession planning in progress - Flexible working arrangements rejected at Board level for further investigation - E-Performance has been fully implemented - Continuous implementation of training and development initiatives - Skills Audit close out report presented to the Board



Table 14: Strategic Risks *continued*

10

continued

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
7. Lack of implementation of change management	2. Conduct reviews of all HR policies	2. Nine HR Policies were reviewed and approved by the Board Workshops to be conducted in quarter 1
8. Uncertainties relating to the reconfigurations, declining revenue impacting the staff morale	3. Realignment of the organisational structure	3. Organisational Structure currently under review
9. Lack of implementation of the performance management system	4. Implementation of change management programme/plan on the institutional realignment	4. Implementation of change management is done
10. Salary disparities	5. Implement a recruitment strategy that enforces targeted recruitment strategies of ensuring that there is a diverse staff complement as a mechanism of dealing with employment equity.	5. Implementation of targeted recruitment in progress
11. Non-Compliance with employment equity legislation		
12. Non-registration with professional bodies		

11

Strategic Objective

To provide reliable and sustainable water services to customers

Description of Risk

Poor quality of potable water. (Non-compliance to SANS Standards)

Residual risk

Likelihood	Impact	Exposure
Possible	Moderate	Moderate

Root Cause	Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1. Climate change (e.g. droughts and floods.)	1. Monitor quality of raw water for all areas of operation	1&2. Water quality monitoring is conducted weekly in accordance with SANAS 241:2015 standards. The results of these assessments are continuously communicated to the production team for real-time adjustments to the process. The Operational Risk Index reflects non-compliance with the targeted SANS 241 standards, recording values of 92.16% for Section 29 and 92.80% for Section 30
2. Deteriorating quality of raw water	3&6. Review and updating of the bulk water and sanitation Infrastructure Master Plan	3&6. The bulk water and sanitation Master Plan phase 1 has been completed; phase 2 is yet to be presented at EXCO The Bulk Master plan is at 50% complete
3. Inadequate distribution system management	4. Adoption of appropriate or advanced technologies (Ozone, Chlorine, Dioxide, etc.) and thus additional unit processes	4. The ozone-infused nanobubble technology was piloted for the removal of Ammonia, Nitrite and Nitrate. The technology demonstrated effectiveness in mitigating algae and cyanobacteria; however, it was not effective against ammonia. The Scientific Services Department is evaluating Advanced Oxidation Processes (AOPs) using lime and oxygen to strip nutrients from the water, and the findings will be presented upon finalisation of laboratory and pilot studies. The study aims to employ nanobubbles for oxygen delivery due to their longer retention
4. Inappropriate and failure of plant treatment processes and technologies	5. Engage DWS for Magalies Water to take over operations, maintenance, of canal and raw water resources	5. Engagements with DWS for Magalies Water to take over operations, maintenance of the canal and raw water resources. In progress and has not yielded any results as yet
5. Inadequate maintenance of the Canal	7. Filling of vacancies' of Process Controllers in South and Far West regions,	7. Filling of Process Controllers for Far and South-West is in progress
6. Infrastructure failure		
7. High Vacancy rate of process controllers in Far and South West regions		
8. Limited suppliers (Few water treatment chemical manufactures)		
9. Stringent procurement laws and regulations delaying the procurement of chemicals.)		

Table 14: Strategic Risks *continued*

12	Strategic Objective	Description of Risk	Residual risk		
	To ensure good corporate governance	Inadequate Corporate Governance Practices	Likelihood	Impact	Exposure
			Possible	Moderate	Moderate

Root Cause		Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1. Ineffective combined assurance system (All lines of defence) 2. Lack of implementation/resolving of Audit/external audit findings 3. Ineffective implementation of committee resolutions 4. Inaccurate reporting 5. Unethical culture		1. Monitoring the combined assurance Plan and report quarterly to the relevant committees (Risk Management Committee, Audit & Risk Committee and the Board.)	1. Combined Assurance continues to be monitored on a quarterly basis
		2. Establish ethics forums and conduct awareness on organisational culture and ethical conduct	2. Ethics forum established

13	Strategic Objective	Description of Risk	Residual risk		
	To contribute towards Transformation and Developmental Agenda	Non-compliance to legislation, regulations, and best practices	Likelihood	Impact	Exposure
			Possible	Moderate	Moderate

Root Cause		Mitigation measures	Status of implementation as at end of the 2024/25 financial year
1. Inadequate implementation of transformational policies and procedures 2. Financial constraints 3. Non-compliance to BBBEE Spend and BBBEE new entrants awarded contracts 4. Inadequate implementation of CSI projects 5. Lack of local supplier developmental database 6. Retention of Records (National Archives) 7. Inadequate compliance management		1. Develop the outstanding transformational policies and procedures	1. HR implementation of transformation: - Number of people appointed on the internship programme - 27 - Number of people to be appointed on learnership programme - 25 - Number of people appointed on the graduate programme - 7 - Number of external bursaries awarded - 16
		2. Review SCM policy and assess if there are areas of non-compliance with BBBEE Act	2. SCM Policy reviewed and approved by Board in quarter 3
		3. Develop the local supplier developmental policy in accordance with Enterprise Supplier Development Strategy	3. Not Implemented, Supplier development policy will be reviewed and updated in quarter 1 of 2025/26 for presentation at MANCO



Organisational Efficiency and Effectiveness

Operations

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

Water Services

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

Production and Maintenance

Production and Maintenance Departments are responsible for reliable provisions of reliable water services, operations and maintenance of infrastructure. Sales volumes are the primary success factor that drive Magalies Water’s revenue. The figure below shows the accumulated total potable water sales volumes against set targets or budgeted sales for the five WTPs. In 2024/25, sales were 13.5% below budget for the period under review.

Figure 5: Magalies Water - Cumulative Actual Sales vs Budgeted Sales in kl

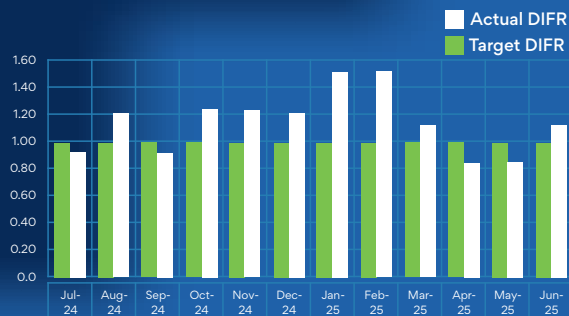


Safety and Health Management

The ISO 45001 (2018) management system was certified in the financial year 2024/25. An ISO 45001 (2018) management system surveillance audit was conducted in financial year 2024/25. All audit findings were cleared up within the required period of three months. Certification was retained. During 2024/25 financial year, there were four injuries on duty reported. The Disabling Injury Frequency Rate (DIFR) for the year was 1.13, as shown below.



**Figure 6:
Disabling Injury Frequency Rate (DIFR)**



Environmental Management

During the 2024/25 financial year, several Environmental Management Implementation Plan initiatives were rolled out including:

- ISO 14001:2015 management system certification. The ISO 14001:2015 Environmental Management System was certified in 2021/22, with a surveillance audit conducted by TÜV Rheinland in 2024/25 to ensure continued efficiency and effectiveness of the system. All non-conformances were cleared within the required three months and certification was retained,
- Magalies Water understands that landowners are legally responsible for the control of invasive alien plants on their properties in terms of the Conservation of Agricultural Resources Act, 1983 (Act 43 of 1983). As a result, during the 2024/25

financial year, an alien invasive plants survey was conducted only at Vaalkop WTP to identify any newly emerging invasive species. The purpose of the survey was to verify the presence of any new alien invasive plants in the area. This survey is a statutory requirement and must be conducted every two years.

Laboratory Services

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

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

Highly skilled scientists conduct more than 240 000 analyses annually to ensure that water quality complies with the national drinking water standards, SANS 241:2015.

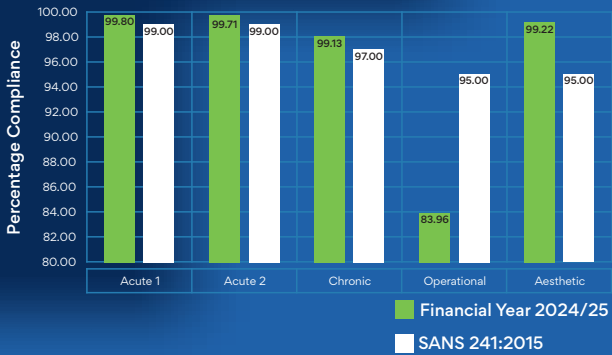
The sampling and monitoring programmes are compliant with the Blue and Green Drop as well as SANS 241:2015 requirements. In addition to potable water quality analysis, the laboratories also conduct analysis on environmental samples of both potable water and wastewater.



Water Quality Compliance

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

Figure 7: Financial Year 2024/25
Water Quality Compliance to SANS 241:2015



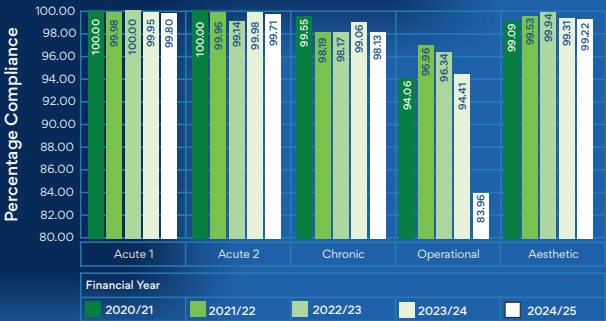
The four water quality determinants referred to above are as follows:

- Acute health (both 1 and 2) refers to determinants that pose immediate and unacceptable health risk if specified contamination limits are exceeded,
- Aesthetic refers to determinants that taint water’s taste, odour or colour but do not pose any unacceptable health risk even if specified contamination limits are exceeded,

- Chronic health refers to determinants that pose unacceptable health risk if ingested over an extended period, provided their presence exceeds specified SANS 241:2015 limits, and
- Operational health refers to determinants essential for the efficient operation of treatment systems and identification of risk to infrastructure.

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

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



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



Projects and Engineering Services

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

Key Projects

Bethanie-Modikwe Bulk Water Supply Upgrade (Phase 1 of the Makolokwe-Bethanie-Modikwe Bulk Water Supply & Reticulation Scheme)

Project Overview

In response to the growing water demand across several rural communities within the Rustenburg Local Municipality, Magalies Water successfully implemented Phase 1 of the Makolokwe-Bethanie-Modikwe Bulk Water Supply & Reticulation Scheme. This initial phase, known as the Bethanie-Modikwe Bulk Water Supply Upgrade, focused on enhancing water delivery capacity to the villages of Bethanie, Modikwe, and Berseba. The project involved the construction and

installation of a 23.4 km HDPE bulk potable water pipeline, consisting of a 560mm and 400mm diameter HDPE pipeline complete with associated valves, stretching from the Kortbegrip Reservoir to the Bethanie and Modikwe Reservoirs. Importantly, the source of the water supply is the Vaalkop Water Treatment Works, which continues to play a central role in delivering high-quality treated water to communities across its supply footprint.

The primary goal of the project was to Increase bulk water supply capacity to cater for the to the current and future demand of 7.05 ML/d and 12.60 ML/d respectively, from the previous bulk supply of between 2 ML/d to 3 ML/d, Enhance service delivery to underserved communities, Enable future water supply to the village of Makolokwe, where water access remains critically low. The project was commenced in May 2023 and the total construction value of R 100 million. Total of 104 local job opportunities created over the project duration, inclusive of all four wards and SMME's. The project planning process was also co-funded by Rhovan PSV Mine a division of Glencore.



Bulk Water excavation and laying from the Magalies Water Kortberp Reservoir



Moretele South Bulk Water Supply Scheme

Project Overview

The Moretele South Bulk Water Supply Scheme (BWSS) was developed in response to critical water shortages in the Moretele Local Municipality (MLM). Historically, the area relied on insufficient groundwater sources and limited bulk supply from the City of Tshwane's Temba Water Treatment Works (WTW). This led to frequent interruptions and compromised water quality.

To address this, Magalies Water initiated the scheme to supply potable water directly from the Klipdrift Water Treatment Works (WTW), which is undergoing expansion. The scheme includes the construction of new bulk pipelines, a 25M Moretele Command Reservoir, and associated infrastructure to supply

Carousel View, Bosplaas West, Mogogelo, and the Far Western systems of Moretele.

The primary objectives of the scheme are to, ensure reliable bulk water supply to settlements in Moretele South, where current groundwater resources are inadequate and over-exploited, reduce dependency on the City of Tshwane's Temba WTW, which is operating beyond its 60 M/d design capacity, provide infrastructure capable of meeting future demand projections up to 2040, estimated at 25.7M/d, support regional water security by integrating Moretele into Magalies Water's bulk supply system. The project commenced in September 2018 and built in three (3) Phases. Phase 1: Construction of the main pipeline to the West and East Bank systems. Phase 2: Construction of the 25M Command Reservoir. Phase 3: Construction of uPVC pipe to the Far West Villages. The total project cost is R193 645 295,61.



Surge Tanks complete with pipe installation, construction of reservoir in progress and the completed 25ML reservoir structure



Project Review: Vaalkop WTW Raw Water Upgrade Project (Pump Station Upgrade from 270MI/Day to 360MI/Day)

Project Overview

In response to the growing water demand across the North West Province, Magalies Water successfully implemented the Vaalkop Raw Water Upgrade to 345 MI/day together with a Centralised Inlet Works. This upgrade will allow Magalies Water to meet the growing water demand of all current clients connected to the Vaalkop Supply Scheme and is a forerunner for future plant upgrades as the demand from this pivotal plant increases, allowing Magalies Water to continue

to play a central role in delivering high-quality treated water to communities across its supply footprint. The primary goal of the project was to, increase Raw Water supply from 270MI/day to 360MI/day and connect all four (4) current plants to one Centralised Inlet Works and to enable future water treatment work upgrades, as demands increase on the Vaalkop Supply Scheme. The total project value was R195 million. As a strategic forerunner, the project also lays the groundwork for upgrading of the Water Treatment Works and in turn increase the potable water supply to the Vaalkop Supply Scheme.

Newly Installed Raw Water Pump Sets and Construction of the pipeline to centralise the plant



Newly Installed Raw Water Pump Sets and Construction of the pipeline to centralise the plant



Table 15: Projects are undertaken Under Section 29 of WSA			
Project Name	Description of Project	Impact	Expected Date of Completion
PBWSS: Construction of Tlhabane 30ML terminal reservoir	This project involves construction of a concrete 30ML reservoir with earthworks, access road, fencing	The completed project will benefit 36 047 households within Rustenburg Local Municipality	Complete in June 2025
PBWSS: Construction of Mafenya Pump Station pipeline to Phokeng/Tlhabane	This project involves civil, electrical and mechanical works. Civil works such as construction of a 28km steel pipeline in addition to earthworks and concrete works. Mechanical and electrical works will commence on the Mafenya Pump Station once civil works are complete.	The completed project will benefit 36 047 household within Rustenburg Local Municipality	May 2026

Table 15: Projects are undertaken Under Section 29 of WSA

Project Name	Description of Project	Impact	Expected Date of Completion
La Patrie to Moruleng Pipeline	Construction of a Bulk pipeline from La Patrie to Moruleng to satisfy demand in the area	Moses Kotane Local Municipality and 79 797 people	December 2027
Padda Junction to Thabazimbi Pipeline	Construction of a pipeline and pump-station between Padda Junction and Thabazimbi which will augment the current bulk water supply to the Thabazimbi Local Municipality	Moses Kotane Local Municipality and 51 989 people	June 2027
La Patrie to Sandfontein Pipeline	Construction of a new gravity pipeline from La Patrie to Sandfontein which will replace the current pipeline in order to meet existing and future water demands	Moses Kotane Local Municipality and 36 931 people	December 2027
Padda to Swartklip Pipeline	Construction of a new pipeline connecting the Padda Junction to the Swartklip area, where the two pipeline routes separate to replace the stressed and aged existing pipelines	Moses Kotane Local Municipality and 33 061 people	December 2026
Klipvoor Supply Scheme (Moretele North)	Construction of a new bulk regional scheme entailing the following; raw water abstraction, Water Treatment Works, reservoirs, bulk mains and pump station. Ground water optimisation also to be incorporated into the scheme. The scheme will supply water to Moretele North and Limpopo	Additional water supply to Modimolle, Mookgophong and new supply to Mogalakwena Local Municipalities	December 2031
Bodirelo Reservoir (10ML)	Design a new 1ML Steel Tank and reconfigure the pipeline from Lapatrie Reservoirs to the Bodirelo Reservoir	Provision adequate storage capacity and redundancy to ensure reliable and sustainable water supply to the Mogwase supply area	December 2026



Table 15: Projects are undertaken Under Section 29 of WSA			
Project Name	Description of Project	Impact	Expected Date of Completion
Mogwase Reservoir (30ML)	To improve the installation for control valves to assist with better efficiency on the Bodirelo Reticulation and to the link between the Magalies Water 3ML Reservoir and the 10ML Reservoir	Provision adequate storage capacity and redundancy to ensure reliable and sustainable water supply to the Mogwase supply area	June 2027

Table 16: Projects are undertaken under Section 30 of WSA			
Project Name	Description of Project	Impact	Expected Date of Completion
Motswedi Main Outfall Sewer Pipeline	Construction of the 4.7km Sewer Outfall pipeline from Motswedi Village to the newly constructed Motswedi Waste Water Treatment Plant. Laying of 200mm diameter and 315mm diameter outfall sewer pipeline	Households: 5 184 Population: 2 794	March 2026
Madibeng RBIG Project	Phase 1 of the 60ML/d Brits WTW upgrade with an extra 20 ML/d capacity into the Brits System	75 373 households Madibeng Local Municipality	January 2026



Table 16: Projects are undertaken under Section 30 of WSA

Project Name	Description of Project	Impact	Expected Date of Completion
Mafikeng South Bulk Water Supply	Scope: Phase 1A - Refurbishment and upgrading of Mmabatho WTW to 30ML/d: Civil & Structural Works entails the construction of new additional flocculent mixing channels, settling tanks, dissolved air flotation tanks, rapid gravity sand filters and introduction of Ozone dosing and Granular Activated Carbon filters Phase 1B - Refurbishment and upgrading of Mmabatho WTW from 20 to 30ML/d: Mechanical & Electrical. The project involves the design, supply, installation, and commissioning of all mechanical and electrical work	Increased Bulk water to supply the Mafikeng Bulk Water Scheme. Households; Mafikeng Local Municipality, Ngaka Modiri Molema District Municipality	March 2026
Ratlou Bulk Water Supply-Setlagole Bulk Water Supply Scheme	Construction of 5.5ML concrete reservoir and related works in Kutlwane under Ratlou Local Municipality. Construction of Low Voltage electrical reticulation for the 32 Boreholes and associated works in Setlagole Bulk Water Supply. Design, supply, installation and commissioning of 2.4ml chlorination system in Kutlwane. Construction of 35km of potable pipelines from the 32 Boreholes. Pressure testing of the pipes and installation of pipe markers. Completion of borehole pump houses, equipping of 32 boreholes and construction of Ion exchange building (civil works). Completion of evaporation ponds and fencing around pump houses and reservoir site as well as entrance road	Increased bulk water supply and storage facility for the Ratlou Bulk Water Supply scheme. Households; Ratlou Local Municipality, Ngaka Modiri Molema District Municipality	March 2026



Table 17: Ministerial Intervention Projects			
Project Name	Description of Project	Impact	Expected Date of Completion
Hammanskraal Intervention Project	To Increase the Klipdrift WTW by 50ML/Day and supply the City of Tshwane Hammanskraal Area	Households affected: 47 550 with a population of 180 679	December 2025
Dinokana Intervention Project	The scope of work includes drilling and refurbishment of boreholes, installation of storage tanks, extension of reticulation lines and installation of communal standpipes in Dinokana. The scope will also cover authorisation of unauthorised connections	The project will have impact to 36 098 people and 9 026 households.	November 2025



Corporate Services

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

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

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

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

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

Workforce Profile

Magalies Water complies with the applicable labour and employment prescripts. Plans relating to staffing are implemented in accordance with the Employment Equity Act, 1998 (Act 55 of 1998). Employment equity is realised through recruitment by ensuring that all designated groups are included and that previously disadvantaged persons (including people living with disabilities) are afforded equal and fair opportunities for employment at Magalies Water. The following table below reflects the workforce profile at the end of the year under review:



Table 18: Workforce Profile

Operational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top Management (Executive Committee)	2	0	0	0	4	0	0	0	0	0	6
Senior Management (4, 5)	14	1	2	0	6	0	0	1	0	0	24
Professional Qualified (6, 7)	25	0	0	3	15	0	0	2	1	0	46
Skilled technical and academically qualified workers, Junior management, Supervisors, Foremen and Superintended (8, 9, 10)	41	1	0	5	43	2	1	2	0	0	95
Semi-Skilled and Discretionary decision Making (11, 12, 13, 14)	126	1	0	1	79	0	0	1	0	0	208
Unskilled and Defined decisions Making (15, 16, 17, 18)	247	0	0	0	52	0	0	0	0	0	299
Total Permanent	455	3	2	9	199	2	1	6	1	0	678

Table 19: Filled Posts per Race and Gender

Race	Gender	Total	%	Male %	Female %
African	Male	456	67.30	69.37	30.63
	Female	199	29.31		
Indian	Male	2	0.29		
	Female	1	0.15		
Coloured	Male	3	0.44		
	Female	2	0.29		
White	Male	9	1.33		
	Female	6	0.88		
Total		678	100		



Staff Turnover Monitoring and Management

A staff turnover of 2.96% was recorded for the year under review. The gender distribution and reasons for types of terminations are provided in table below:

Table 20: Actual Performance Per Quarter					
Annual Target	Q1	Q2	Q3	Q4	Total
5%	1.02	0.74	1.05	0.15	2.96
**Only resignations are considered on the staff turnover calculations					

Organisational Capacity/Job Creation Management
Human Resources Development

The Human Resources Development Department implements skills development initiatives in compliance with the Skills Development Act, 1998 (Act 97 of 1998) and supports government skills development programmes for young South Africans. For the year under review, the organisation submitted the Workplace Skills Plan (WSP) and the Annual Training Report (ATR) to the Energy and Water Sector Education and Training Authority (EWSETA), detailing various programmes to be implemented during 2024/25 to build capacity and capabilities.

Skills Development Programmes

The Human Resources Development objectives are aligned to the strategic objectives to achieve a high-

performance culture by building internal skills and capacity and to positively engage stakeholders through the promotion and implementation of initiatives that have socio-economic development impact. The organisation prioritises capacity building initiatives that add value and improve business efficiencies and effectiveness.

Additional Alignment: Ministerial Outcomes, Department of Water and Sanitation - Strategic Goals and Water Objectives

Throughout 2024/25, Magalies Water continued to strive for its transformation and development agenda objectives in terms of Ministerial outcomes 5 and 12 focusing on an efficient, effective and development-oriented public service and empowered, fair and inclusive citizenship NDP 2030 and job creation, a skilled and capable workforce to support an inclusive growth path.

Internal Bursaries

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

Magalies Water awarded 56 bursaries to employees who wish to further their studies. The approved bursaries are in the following fields:



Figure 9: Approved Internal Bursaries by Field of Study



Contribution to the National Capacity-Building Programme/Skills Development

Magalies Water is committed to providing much-needed opportunities to unemployed graduates and to potential entrants to the labour market. During 2024/25, all the indicators for skills development initiatives were either met or exceeded. Candidates were able to apply their knowledge and skills, while gaining work experience.

Internships

The target of placing 27 interns in 2024/25 was exceeded by one. The graph below shows the details of the 26 interns and the business functional areas in which they were placed.

During the reporting period, a total of 25 internal employees were successfully enrolled in the Water Treatment and Process Control Learnership, aligned to the National Qualifications Framework (NQF) Level 3. This qualification equips learners with critical technical skills and practical knowledge required to pursue sustainable careers within the water sector.

This initiative not only supports organisational skills development objectives but also directly contributes to national transformation imperatives as outlined in the Skills Development Act. The Act encourages employers to offer structured learning opportunities to new entrants into the labour market and to create pathways to employment for individuals who experience barriers in accessing the job market.

The implementation of this learnership demonstrates a commitment to building internal capacity, improving workforce competencies, and enhancing employability — both within and beyond the organisation.

Figure 10: Number of Interns per Department & Gender

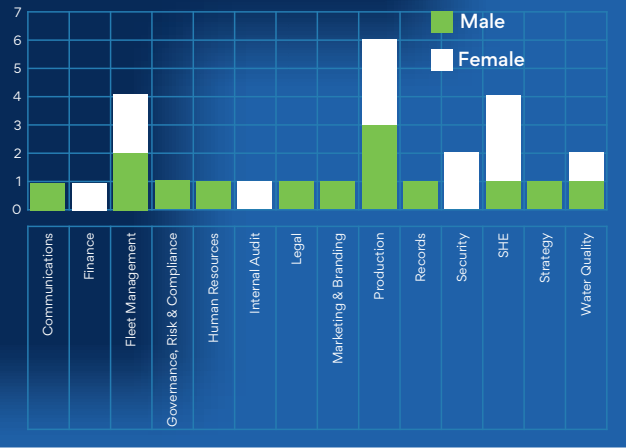
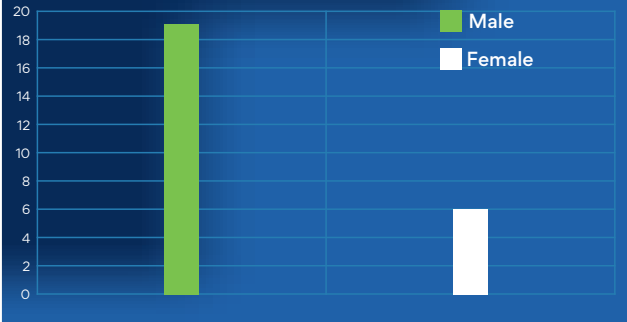
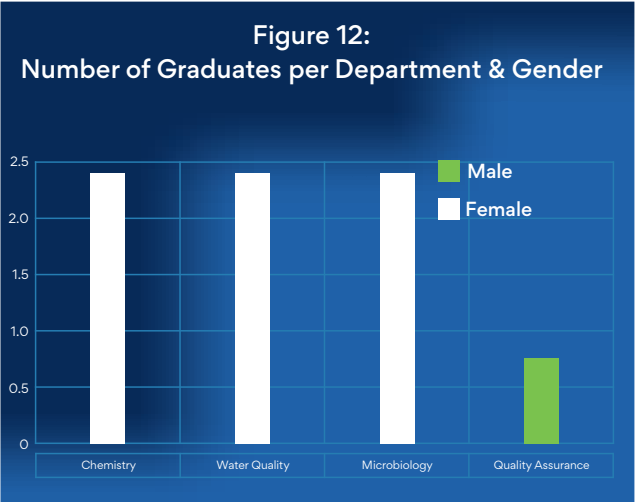


Figure 11: Number of Learners per Gender



Graduate Capacity-building Programme (Engineering)

During the 2024/25 financial year, seven graduates were appointed in accordance with the annual target aimed at exposing youth to practical engineering work experience and to address scarce and critical skills in the water sector. These graduates were recruited by and placed at different water treatments plants. A breakdown is provided in the figure below. The graduates are mentored by qualified and skilled professionals.



External Bursaries

Magalies Water has 16 external bursars studying through universities. External bursaries are awarded to individuals who want to pursue studies in line with

Magalies Water's core business. By awarding bursaries, the organisation aims to create a medium to long-term pipeline of qualified candidates from which the organisation can recruit scarce skills. The bursaries are in the following fields:

Table 21: External Bursaries

Field of Study	Number of Bursars	Male	Female
Accounting	2	0	2
Analytical Chemistry	2	0	2
Biological Science	1	0	1
Biotechnology	2	0	2
Civil Engineering	3	1	2
Electrical and Electronic Engineering	2	1	1
Mechanical Engineering	1	0	1
Water Science and Technology	2	0	2
Chemical Engineering	1	1	0

Employee Wellness Programme

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



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

The Employee Wellness Department consistently communicates the benefits of the programme to employees.

Information, Communication and Technology Introduction

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

Since its existence, new architectures, operating systems, database management systems, and telecommunications capabilities have increased the potential for delivering new and better solutions to customers. It is important to ensure that the technology investments for Magalies Water are effectively managed.

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

areas that will provide the highest value to Magalies Water.

Values

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

- (1) Governance** – the guiding strategies, principles and practices that guide the correct and effective delivery of ICT and provide a framework for ICT decision making. Maximise value for money from ICT investments by ensuring that all ICT investments are aligned to the business, monitored so that benefits are realised and value for money is obtained from existing as well as future investments,
- (2) Emerging Trends and Technologies** – the emerging trends and technologies providing challenges and opportunities for Magalies Water in managing ICT systems and resources, and delivery of future ICT services,
- (3) Business Systems and Applications** – the software systems and applications used by Magalies Water to communicate and work with customers and suppliers, manage the organisation, and to perform essential business operations, and
- (4) Infrastructure and Technology** – the hardware and network infrastructure used to deliver flexible, reliable and secured communication, create efficiencies and increase productivity.



Communications and Stakeholder Relations

Stakeholder Engagement

Stakeholder engagement is an integral part of corporate governance. Organs of state, in terms of decision making, are guided by stakeholder consultative based processes in which stakeholders are empowered to exert influences due to power over and interest in organisation's operations and outcomes. Stakeholder engagement is a key aspect to integrated reporting and is broadly recognised as being crucial to strategic business and reporting decisions taken by the board. The King IV Report on Corporate Governance requires that the governing body in its execution of governance roles and responsibilities adopt a stakeholder inclusive approach into corporate decision-making. The fundamental stakeholder engagement guiding principles for Magalies Water are inclusivity, openness, transparency and empowerment.

King IV further recommends that the governing bodies' leadership (the board), supported by the executive, should set the direction on how stakeholder relationships should be approached and conducted. Magalies Water stakeholders are categorised and mapped out within the various spheres of government, Chapter Nine institutions, traditional leaders, communities at large as well as key stakeholders associated with its Section 29 and Section 30 activities. Over the reporting period the following engagements were undertaken.

The performance for quarter 1 to quarter 4 is summarised as follows:

- Board Stakeholder Engagements sessions,
- Executive/Management Stakeholder/Customer sessions,
- Community/WSA Engagement sessions,
- Target: 100 Stakeholders sessions per quarter,
- Actual Achieved: 130 Stakeholder sessions, and
- Percentage achieved: 130%.

Strengthening relationships with all stakeholders is essential for addressing their diverse expectations. A multi-pronged approach is used, namely stakeholder management activities that the Executive Management Committee undertakes, and these include interactions with labor, the Department of Water and Sanitation, employees, bulk customers and service providers and other stakeholders.

Customer Service

Magalies Water acknowledges Customer Relationship Management as an integrated approach for managing customer relationships. Magalies Water customer services trajectory is guided by the Batho Pele principles.

Further, the functional customer-experience programme measures the results of customer care, operations, billing, payment and other organisational areas through the various touch points.



Customer engagement in the context of Magalies Water, refers to the level of interaction and involvement customers have with the organisation or brand. The engagement activities revolve around the rate at which customers meet with Magalies Water. Quarterly performance and monthly technical management meetings are held with key customers as per contractual agreements.

Customer engagement is modelled around the Service Charter.

The management of key customers is done through the service level agreement scorecard performance indicator.

Business Development and Growth

Magalies Water's main mandate is premised on Section 29 and Section 30 of the Water Services Act.

The market success requirement to achieve Section 29 & Section 30 business development goals is premised on building and/or acquiring areas of distinctive competencies.

Magalies Water embarked on a turnaround programme which among others required the realignment and repositioning of its revenue stream covering the short, medium and long term realisation plan.

Bulk Water Supply Agreements (BWSA)

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



**Table 22: Section 29 – Bulk Water Supply Agreements - Water Services Authority and Institutions**

#	Description	Agreement Signed	Agreement Expired	Status
1.	Bela-Bela Local Municipality	2019	2029	Active contract
2.	City of Tshwane Metropolitan Municipality	2023	2026	Active contract
3.	Modimolle Local Municipality	2023	2028	Active contract
4.	Moses Kotane Local Municipality	2023	2033	Active contract
5.	Rand Water – Vaalkop Southern Water Supply Scheme	1997	Open ended	Active contract. The contract is to be reviewed.
6.	Royal Bafokeng Administration (RBA)	2011	2021	Expired. The contract is with RBA's legal advisers. Currently operating on a month-to-month contract.
7.	Rustenburg Local Municipality	2023	2026	Active contract. However, the local municipality intends to review some of the clauses e.g. mine billing
8.	Thabazimbi Local Municipality	2020	2030	Active contract
9.	Ngaka Modiri Molema District	2022	2027	Active contract
10.	Moretele Local Municipality	2022	2025	Active contract
11.	Maquassi Hills Local Municipality	2023	2025	Active contract
WATER SERVICE INSTITUTIONS AND INTERMEDIARY				
1.	Rand Water	1997	Open ended	Active contract
2.	Vaal Central	2022	2032	Active contract
3.	Royal Bafokeng Nation	2011	Expired	Contract is on a month-to-month basis

Table 22 Continued: Section 29 – Bulk Water Supply Agreements - Water Services Authority and Institutions				
#	Description	Agreement Signed	Agreement Expired	Status
NATIONAL DEPARTMENT				
1.	National Departments Under Public Works: - SANDF: Walmansthall - Correctional Services: Baviaanspoort prison and Zonderwater prison - SAPS: Police Dog Unit: Roodeplaat	1990	Open ended	Active contract. Public works has delegated all the stated national department to negotiate separate service contract directly with Magalies Water and engagements are still ongoing. The draft BSA contract was submitted to respective departments and awaiting feedback.

Table 23: Section 30 Contracts				
#	Description	Agreement Signed	Agreement Expired	Status
1.	Moretele Local Municipality	2024	2025	Operating on a Month to Month
2.	Dr Ruth Segomotsi Mompati District Municipality	2023	2024	Contract is currently being negotiated
3.	TWASA Scheme	2022	Open ended	Active contract reviewed every 5 years

Table 24: Section 30 Contracts – Bulk Water Supply Agreements - Mines				
#	Description	Agreement Signed	Agreement Expired	Status
1.	Cullinan Diamond Mine	1998	2040	Active contract and is complying with the Act
2.	Impala Platinum Limited	2020	2040	Active contract and is complying with the Act
3.	Northam Platinum Limited – Northam	2020	2040	Active contract and is complying with the Act

Table 24 Continued: Section 30 Contracts – Bulk Water Supply Agreements - Mines

#	Description	Agreement Signed	Agreement Expired	Status
4.	Rustenburg Platinum Mines Limited – Amandelbult Section	2021	2040	Active contract and is complying with the Act
5.	Royal Bafokeng Resources (Rustenburg Platinum Mines Lt-Boshkoppe (RPM))	1998	Expired	Magalies Water Board has approved the consolidation of three mines and standard tariff. Mine is ready to sign a contract, however still addressing the issue of a standard tariff for three combined mines
6.	Langban Mine	2024	Open ended	The draft BWSA is pending signature from the mine
7.	PPC-Dwaalboom	2010	2042	The Addendum was signed and is complying with the Act
8.	Siyanda Bakgatla Platinum Mine	1993	Open ended	Contract is due for annual review to comply with Water Services Act
9.	Rhino Andalusite Resources	2020	2040	Active contract and is complying with the Act
10.	Pilanesberg Platinum Mine	2016	Open ended	Waiting for the signed Addendum to comply with Water Services Act
11.	Royal Bafokeng Resources (Bafokeng Rasimone Platinum Mine (BRPM))	1998	Expired	Mine is ready to sign a contract, however still addressing the issue of a standard tariff for three combined mines
12.	Glencore Smelter	2016	2026	Active contract and is complying with the Act
13.	Royal Bafokeng Resources (Maseve)	2012	Open ended	To be reviewed and a new contract developed separately or as part of the Royal Bafokeng Resources Group
14.	Bakubung Wesizwe	2021	2061	Active contract and is complying with the Act
15.	Limberg Mine	2018	2028	Active contract and is complying with the Act
16.	ARM Mine	2023	2043	Active contract and is complying with the Act



Offtake Agreements

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

Corporate Social Investment (CSI)

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

CSI Programme

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

- Basic water supply augmentation, and
- Basic sanitation.

Partnerships and Collaborations

In-line with the CSI policy guidelines and where feasible, Magalies Water considers partnerships with stakeholders in order to enhance the impact and achieve the desired outcomes. Magalies Water and IT partner donated some IT funding to schools in Moretele Local Municipality and Moses Kotane Local Municipality

Magalies Water Corporate Social Investment performance

Moses Kotane LM (MLM): Dwarsberg Borehole:

Scope: Drilling and equipping of a new borehole, installation of water storage tanks and installation of 20 community standpipes.

Project Impact: On finalisation of the project, the borehole will assist in alleviating water supply challenges in the Dwarsberg area.

Progress and Challenges: Combined progress of 100%. Project has reached completion. The Municipality will engage in the secondary phase of the project which will include energising the borehole (Currently powered by Magalies Water generator) and connection of the borehole to the village RDP reticulation system.



Bela Bela Local Municipality: Plant and Rapotokwane water quality water supply system monitoring

Scope: Investigation of the cause of deteriorating municipal water quality and assisting the Municipality with remedial action. Key scope areas revolved around Water quality monitoring and treatment equipment process replacement a Bela.

Project Impact: Persistent water quality issues have negatively affected community of Bela Bela in town and Rapotokwane village in the Municipality.

The project is assisting in redressing water quality issues and moving the Municipality towards achieving/improving its Blue drop status.

Progress and Challenges: Combined progress at 100%.



Marketing and Branding

The role of the Marketing and Branding is to:

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

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

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

The Department also manages the corporate identity and image of the organisation through the development of a Marketing & Branding Strategy, development of Policies/SOPs, sponsorship management (in-



wards & outwards), implementation plan inclusive of the marketing programmes, corporate events, exhibitions & conferences, marketing design (graphic) advertisements, marketing/promotional campaigns, reputation management, marketing partnerships brand positioning, awareness & visibility, research, brand representation/ambassadorship.

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

This is done through the following channels:

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

Brand Positioning

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

Brand Image

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

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

- Mandela Day Event – Clear River Campaign,
- Women's Day Celebration,
- Bela-Bela Councilor's Plant Tour – Klipdrift Water Treatment Plant,
- Launch of the Hartbeespoort Dam Rehabilitation Project and Cleanup Campaign,
- Mmabatho Nursing College Plant Tour – Mmabatho Water Treatment Plant,
- Dinokana Water Project Launch – Ministerial Event - Dinokana Tribal Office and Sports Ground,
- Central High School Plant Tour - Brits Laboratory,
- Conservation Kids – Pilanesberg – Manyane Game Lodge,
- Moses Kotane Local Municipality Ward Councilor's Awareness Campaign – Vaalkop Water Treatment Plant,
- Rebranding of Far West and South West regions,
- Hammanskraal Emergency Intervention Project launch - Ministerial Event – Hammanskraal,
- Haartebeespoort Dam Rehabilitation Project and Cleanup Campaign,
- WISA 2024 Conference and Exhibition - Durban,



- and
- Boys Leading Change Plant Tour - Vaalkop Water Treatment Plant.

Media Relations

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

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

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

archive material fostering on-going public awareness campaigns on water conservation and water demand management.

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

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

- Magalies Water's Chief Executive talks about the state of bulk water and sanitation services in South Africa – eNCA,
- Cholera, threatens water security in South Africa, amidst water sector challenges in modern day South Africa – SABC News,
- Department of Water and Sanitation, appoints Magalies Water as an implementing agent to address water quality issues in the crocodile west catchment area – You FM, Power FM, SABC News, current response to the water and sanitation challenges in the country – international publication,
- Magalies Water's response to the cholera outbreak in Hammanskraal – SABC News, Power FM, You FM, Moretele FM and Star FM, and



- Numerous radio interviews undertaken by the Chief Financial Officer, and Acting General Manager Planning & Engineering Services, to talk about infrastructure projects and the mandate of the entity, financial recovery plans as well as sustainability of the Magalies Water following the disestablishment of Sedibeng Water and expansion of its service area.

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

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







Radio Interview

Magalies Water's Communications and Media Relations Officer Mr. Trinity Bogosi will be on Bokone Bophirima FM to discuss water service provision, vandalism and illegal connections in Lehurutshe



Date: 11 November er 2024

Time: 11:00 - 11:15 am



Financial Performance Perspective: The CFO's Statement

Introduction

Magalies Water is required in terms of the Public Finance Management Act, 1999 (Act 1 of 1999) to prepare financial statements in accordance with the Generally Accepted Accounting Practice and must submit those financial statements within two months after the end of the financial year to the auditors of the public entity. The Statements for the Financial Year (FY) 2024/25 were prepared and presented as guided by the Public Finance Management Act (PFMA as amended), the Water Services Act, (WSA as amended), and other related prescripts.

During the year under review, Magalies Water reported an increase in the net surplus compared to the 2023/24 financial year. This positive performance was largely attributed to the increase in water tariffs, the financial grants received from the Department of Water and Sanitation to support the implementation of key infrastructure projects and a write off received from Vaal Central Water for the capital and interest on the historical account inherited as part of the merger with erstwhile Sedibeng Water.

The non-payment of debt by municipalities for bulk water sales remains a concern for entity. Despite this challenge, the Board reported a notable reduction in receivables during the current financial year compared to the 2023/24 financial year. This improvement is primarily attributed to the implementation of the Debt Collection Strategy, which was approved by

the Board, and the interventions by the Minister of Water and Sanitation to support the Water Boards. The impact of customers not paying on time has been considered in cash flow projections and assessment of the entity's ability to continue as a going concern. Management is satisfied with the controls implemented to address this risk and has concluded that the organisation is still a going concern. The entity's current assets exceed its current liabilities by R986.5 million and the surplus increase by R1,1 billion compared to the previous financial year.

The net surplus of R1,1 billion was realised for the current financial year increasing it from a restated net surplus of R463,1 million. We assume that sufficient funds will be available to finance future operational needs, and settlement of liabilities in the ordinary course of business. Although Magalies Water reported a surplus of R1,1 billion there is still a need for funds to implement capital projects with an estimate of over R12 billion. The entity's commitments for capital projects amount to R1,0 billion and a minor capital budget of R139,7 million required for the 2025/26 financial year, which should be funded from the entity's reserves and government grant allocations.

The accumulated surplus increased year on year as the organisation made profits for the last five years. The organisation remains solvent and total assets exceed total liabilities by R5,6 billion as at 30 June 2025.



The sections below provide a brief analysis of the financial performance and position of the organisation; detailed statements are provided in the Annual Financial Statements:

Financial Performance - Revenue

Revenue for the year increased from R2,3 billion to R2,9 billion. Revenue from the sale of water increased from R1,2 billion to R1,5 billion because of an increase in water sales tariffs and volumes. Revenue from government grants increased from R731,3 million to R1,0 billion due to funding received for implementation of capital projects. An operational bail out relief amounting to R27,8 million was also received as an immediate cash injection to assist in dealing with remaining issues pertaining to the erstwhile Sedibeng Water, a similar payment amounting to R2 million was received in the previous year as a cashflow bail out. Construction Revenue recognised in the current year amounted to R207,3 million from R178,2 million due to the adoption of GRAP 11 – Construction Contracts.

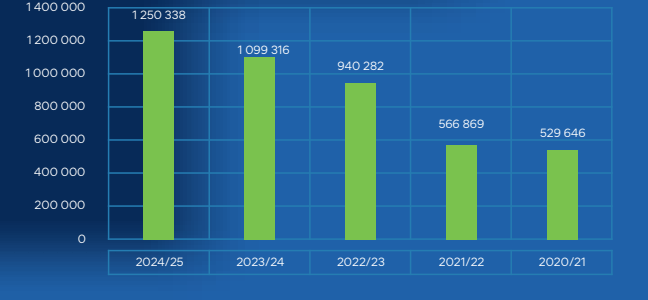
Figure 13:
Revenue for the year, in R'000



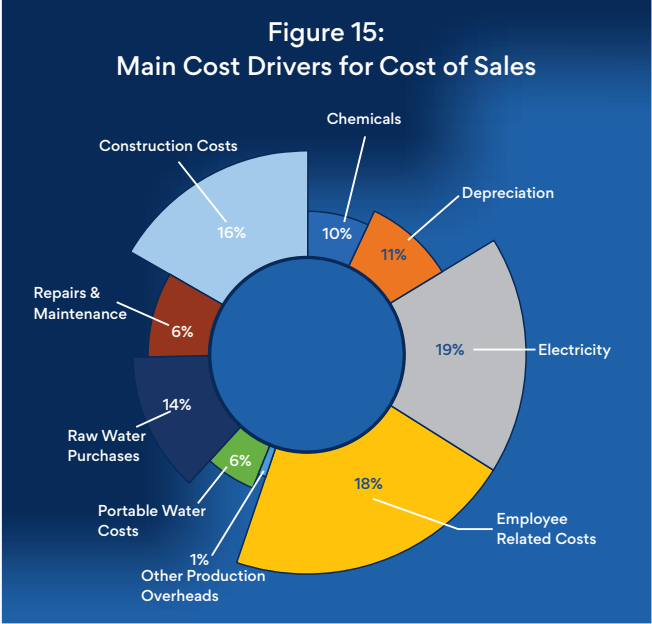
Cost of Sales

The cost of sales increased slightly by 14% during the year as production costs continued to increase in line with inflation and other cost adjustments. Chemical costs decreased by 23.5%, mainly due to the contracts secured with the suppliers. Electricity cost increased by 11% as a result of increases in electricity tariffs. Repairs and maintenance cost increased by 54% during the year when compared to the previous financial year because of Vaalkop plant maintenance due to the ageing of the plant.

Figure 14:
Cost of Sales, in R'000

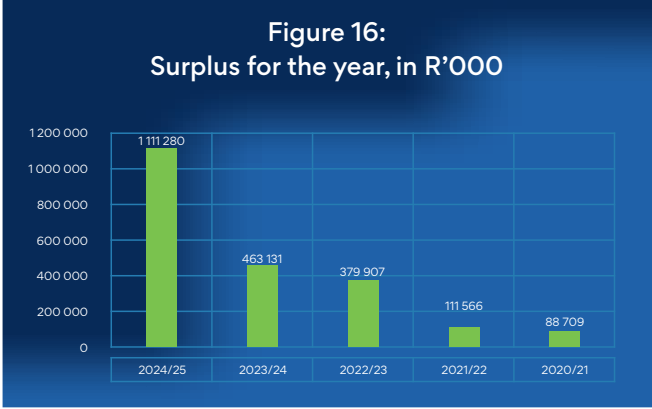


The main cost drivers for the cost of sales are raw water, chemicals labour, depreciation, and electricity, as depicted in the figure below.



Surplus for the year

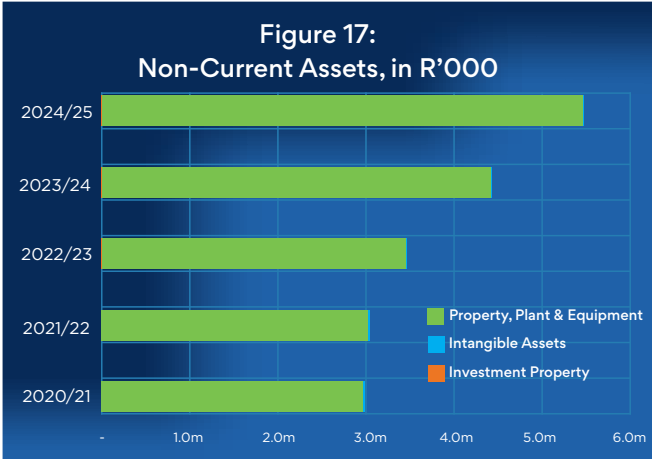
The organisation has achieved R1,1 billion net surplus during the year compared to R463,1 million achieved in the previous financial year. Over the last five-year period, net surplus was achieved, which will assist the organisation in funding both operational and capital expenditure programmes in the future.



Statement of financial position

Non-current assets

Non-current assets have increased significantly when compared with the previous year from R4,4 billion to R5,4 billion due to the regular investment made by the organisation to its infrastructure to the value of R1,1 billion during the financial year.



Current Assets

Inventory as at 30 June 2025 increased by R12,4 million representing 11% increase due to high stock purchases at the end of the financial year.

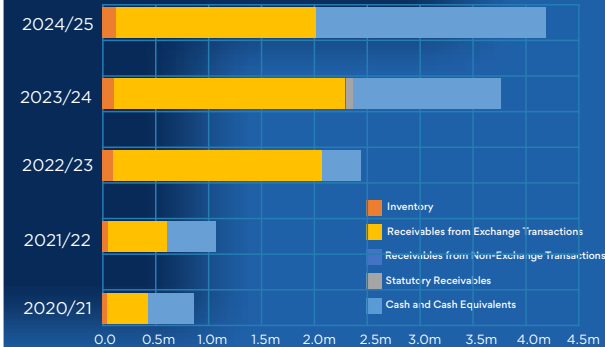
The net receivables from exchange transactions as at 30 June 2025 were R1,8 billion, which decreased by R302,9 million representing an 14% decrease compared to the previous year because of the significant write off amounting to R447 million that was approved and implemented in the current year. Plans are in place to improve debt collection including payment agreements made with the defaulting bulk water customers which are monitored monthly. Management continuously engages the customers and ensures that payment arrangements are signed and implemented to ensure that the cash flow is sufficient to meet the organisational needs.

Receivables from Non-Exchange Transactions was restated to R17,2 million in the previous year and decreased to R6,9 million due to receipts from DWS for projects.

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

Cash and cash equivalents increased by R762 million representing a 54% increase due to project funds that were disbursed to the entity by DWS for capital projects and increase in collection from receivables.

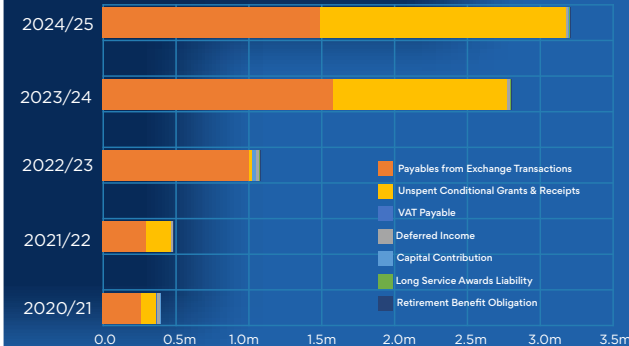
Figure 18:
Current Assets, in R'000



Current Liabilities

Current liabilities increased significantly by R 399,7 million representing 14% increase mainly due to accruals raised at year end. An increase in the Implementation of project directives occurred resulting to an increase in the unspent conditional grant and receipts amounting R 488 million.

Figure 19:
Current Liabilities, in R'000





Cash Flows

The cash and cash equivalents reported at 30 June 2025, R2,1 billion from R1,4 billion reported in the previous year. Liquidity is closely managed daily in line with available cash reserves to ensure that the entity has sufficient cash reserves to pay debts when they fall due in the ordinary course of business.

Capital Funding

Magalies Water developed a growth strategy which identifies numerous growth opportunities. However, the projects could not be implemented due to a lack of funding. The delays in implementing infrastructure projects negatively impact service delivery and on the organisation's ability to deliver on its mandate. Magalies Water engaged the Budget Facility for Infrastructure (BFI) to secure financial support for two major projects, the Moretele North-Klipvoor Bulk Water Scheme and the Pilanesberg Phase 2 Project.

The funding application submitted to the BFI was approved, and grant allocations were subsequently transferred to Magalies Water to finance the social component of these projects. The total approved funding amounts to R1,8 billion for the Pilanesberg Phase 2 Project and R1,9 billion for the Moretele North-Klipvoor Scheme. While this financial support represents a significant achievement for the projects, it is not sufficient to cover the total project costs. The BFI funding only covers the social components, whereas the economic components, which is essential to achieving the full project scope remain

unfunded. Magalies Water is currently preparing the projects for engagements with potential financiers for borrowing. The technical, legal and financial teams have been working collaboratively to ensure that all supporting documentation, demand forecasts, and financial models are in place to advance the projects to the next implementation phase. Engagements with off-takers are ongoing to finalise commercial agreements that will strengthen the financial viability.

Compliance with Laws and Regulations

During the 2024/25 financial year, Magalies Water incurred irregular expenditure amounting to R321 million and R339,9 million related to prior year was identified in the current year, contributing to an overall increase in the total irregular expenditure to R713,9 million.

Furthermore, fruitless and wasteful expenditure incurred during the year amounted to R3,4 million, bringing the closing balance to R84,2 million. In accordance with National Treasury Instruction Note No. 4 of 2022/23, a detailed reconciliation of both irregular expenditure and fruitless and wasteful expenditure is provided in the table below:

Irregular Expenditure

Reconciliation of Irregular Expenditure	2025	2024	2023
Opening Balance	392,860	52,947	38,955
Add: Irregular expenditure confirmed	321,084	339,913	13,992
Add: Irregular expenditure confirmed	-	-	-
Less: Irregular expenditure not condoned and removed	-	-	-
Less: Irregular expenditure recoverable	-	-	-
Less: Irregular expenditure not recovered and written off	-	-	-
Closing Balance	713,944	392,860	52,947

Details of Irregular Expenditure

2025 Financial Year-end

R240,8 million - Relates to non-compliance with the procurement legislation concerning quotations on the application of the 80/20 as prescribed in the PPPF Act.

R70,1 million - Relates to an ongoing contract for a transgression reported in the previous financial year, wherein a second highest scoring bidder was awarded a contract without adequate justification. The contract will be completed in 2025/26 financial year.

R9,3 million - related to an award done when there was an incorrect calculation of the points to award the tender.

R866 800 - Relates to procurement of services without following the SCM processes.

2024 Financial Year-end

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

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

R278,4 million - Relates to non-compliance with the procurement legislation concerning quotations on the application of the 80/20 as prescribed in the PPPF Act.

2023 Financial Year-end

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



Reconciling notes to the annual financial statement disclosure: Irregular expenditure

	2025	2024	2023
Description			
Irregular expenditure that was under assessment in 2022/23	-	-	-
Irregular expenditure that relates to 2023/24 and identified in 2024/25	-	277,170	-
Irregular expenditure for the current year	321,084	62,743	13,992
Total	321,084	339,913	13,992

Irregular Expenditure under assessment

	2025	2024	2023
Description			
Irregular expenditure that was under assessment in 2023/24	130,486	118,533	115,821
Irregular expenditure that related to 2022/2023 but was identified in the current year	-	-	2,702
Irregular expenditure that was under assessment in the current year	-	11,853	-
Irregular expenditure that was under assessment concluded in the current year	(130,486)	-	115,831
Total	0	130,486	118,533

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

There were no cases of irregular expenditure under assessment at year-end.

Fruitless and Wasteful Expenditure

	2025	2024	2023
Reconciliation of Fruitless and Wasteful Expenditure			
Opening Balance	80,863	78,491	-
Add: Fruitless and Wasteful expenditure confirmed	3,431	2,372	78,491
Less: Fruitless and Wasteful expenditure condoned	-	-	-
Less: Fruitless and Wasteful expenditure not condoned and removed	-	-	-
Less: Fruitless and Wasteful expenditure recoverable	-	-	-
Less: Fruitless and Wasteful expenditure not recovered and written off	-	-	-
Closing Balance	84,294	80,863	78,491



Details of Fruitless and Wasteful Expenditure

2025 - Financial Year-end

R3,4 million - Interest charges by suppliers on late payment, mainly relating to SARS late VAT payments.

2024 - Financial Year-end

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

2023 Financial Year-end

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

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

R0,2 million – relates to erroneous payments made to employees.

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

Description	2025	2024	2023
Fruitless and Wasteful that was under assessment in 2022/23	-	-	47,863
Fruitless and Wasteful that relates to 2022/23 and identified in 203/24	-	-	26,845
Fruitless and Wasteful for the current year	3,431	2,372	3,784
Total	3,431	2,372	78,491



Ms. M.C. Tabane
Chief Financial Officer
5 November 2025

Audit and Risk Committee Report

Audit and Risk Committee

The Audit & Risk Committee (the Committee) hereby presents its report for the year ended 30 June 2025. The Committee is an independent statutory body appointed by the Board in compliance with the Public Finance Management Act, 1999 (Act 1 of 1999 as amended) (PFMA) as well as the Treasury Regulations.

Responsibilities of the Audit and Risk Committee

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

The Committee is also accountable to the Board to which they report on their evaluation of Financial Statements and effectiveness of internal controls during the financial year, in order to ensure credibility of the audit outcomes that are incorporated in the Annual Report 2024/25.

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

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



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

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

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

Composition and Attendance of Meetings

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

Table 25: External Audit and Risk Committee members	
Member	Qualifications
Ms. N. Shabalala	Bscience (Hons), BCom (Information Technology), Dip Business Management & Administration, CISA, Corbit 4.1 and ITIL.
Ms. Z. Tshabalala	MBA, Post Grad Dip Business Management, BCom (Finance)
Mr. V. Magan	MBA, B(Comp) Hons, Certified Internal Auditor, and Chartered Accountant (SA).





Effectiveness of Internal Control

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

Evaluation of Financial and Performance Information

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

Evaluation of Annual Financial Statements

The Committee:

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

The Committee concurs with and accepts the Auditor-General's Report on the Annual Financial Statements and all other governance related internal controls applicable to the performance report for 2024/25.

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

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

Internal Audit

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

External Audit

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



Mr. S.A. Ngobeni

Chairperson of the Audit and Risk Committee



Internal Audit Opinion

The Internal Audit opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management, and internal control for the financial year 2024/25 is set out below. The Board can take Reasonable Assurance on the adequacy and effectiveness of Governance, Risk Management, and Internal Control within the areas reviewed. While key controls were generally operating effectively, Internal Audit identified areas requiring improvement in both control design and operational effectiveness. These weaknesses, if not addressed, pose a moderate residual risk and warrant management intervention. This opinion reflects that, although the overall control environment remains sound, specific opportunities for enhancement exist. Addressing these proactively will help prevent any potential escalation of risk exposure.



Ms. Mbali Mija (CIA)

Chief Audit Executive



Report of the auditor-general to Parliament on Magalies Water

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of Magalies Water set out on pages 163 to 265, 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 information and actual information for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of Magalies Water as at 30 June 2025 and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for Opinion

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

4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of matter

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

Impairment of receivables

7. As disclosed in note 4 to the financial statements, material impairment losses of R892 977 000 (2024: R795 142 000) were incurred as a result of the probable irrecoverable debt.





Responsibilities of the accounting authority for the financial statements

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

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

- 10. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in

aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- 11. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor’s report. This description, which is located on page 156, forms part of my auditor’s report.

Report on the audit of the annual performance report

- 12. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
- 13. I selected the following objectives presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected objectives that measure the public entity’s performance on its primary mandated functions and that are of significant national, community or public interest.

Objective	Page	Purpose
Objective 1	88	To provide quality potable water
Objective 2	88	To provide reliable and sustainable water services to customers

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

15. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated

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

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

- there is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets.

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

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

Other Matter

18. I draw attention to the matters below.

Achievement of planned targets

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



20. The table that follows provides information on the achievement of planned targets and lists a key service delivery indicator that was not achieved as reported in the annual performance report. The reasons for the underachievement of targets are included in the annual performance report on page 89.

To provide quality potable water

Targets achieved: 80%		
Key service delivery indicator not achieved	Planned target	Reported achievement
Operational Compliance	≥ 95%	83.96%

Report on compliance with legislation

21. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
22. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

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

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

Annual financial statements, performance and annual report

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

Expenditure management

26. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 44 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the irregular expenditure was caused by contravention of section 11 of the Preferential Procurement



Policy Framework Act (PPFA).

27. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 43 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. Most of the fruitless and wasteful expenditure was caused by incurring penalties and interests on late payments made.

Procurement and Contract management

28. Quotations were awarded to bidders based on preference points that were not allocated and calculated in accordance with the requirements of the PPFA and Preferential Procurement Regulation 2022. Similar non-compliance was also reported in the prior year.

Other information in the annual report

29. The accounting authority is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
30. My opinion on the financial statements 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.

31. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

32. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

33. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation, however, my objective was not to express any form of assurance on it.
34. Management did not adequately review the financial statements prior to submission for auditing, resulting in material errors identified and corrected.



35. Management did not correctly interpret and apply applicable legislation when procuring for goods and services.

36. Management did not implement adequate controls to prevent irregular and fruitless and wasteful expenditure.

Auditor - General

Pretoria

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 on the public entity's compliance with selected requirements in key legislation.

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control

- obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern



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

Communication with those charged with governance

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

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



Compliance Findings engagement: firm level compliance requirements for reporting - PFMA 2024-25

Type of auditee: Schedule 3B Public Entity:

Legislation	Sections or Regulations
Public Finance Management Act No. 1 of 1999 (PFMA)	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
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 112(2)(a); 129(7)
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)



PART D

Financial Performance
Perspective



INDEX

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

Board’s Responsibilities and Approval	161
Statement of Financial Position	163
Statement of Financial Performance	164
Statement of Changes in Net Assets	165
Cashflow Statement	166
Statement of Comparison of Budget and Actual Amounts	167
Accounting Policies	169
Notes to the Annual Financial Statements	196

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

Detailed Income Statement	267
---------------------------	-----

GENERAL INFORMATION

Country of incorporation and domicile	Nature of business and principal activities		
South Africa	The Provision of Bulk Potable Water and Water related services to municipalities, industries and other consumers within its area of operation, in accordance with the mandate set out in the Water Services Act No 108 of 1997.		
Accounting Authority			
Dr. K.L. Sebegu (Chairperson)	Mr. S.A. Ngobeni	Mr. R. Le Roux	Ms. N.P. Mashaba
Ms. M.Y. Matolong (Deputy Chairperson)	Ms. M.E.T. Malaka	Mr. M.W.B. Mkhize	Mr. I. Mosala
	Ms. Y. Pamla-Dhludhlu CA(SA)	Dr. M. Makgae	
Chief Executive Officer	Mr. O. Nthutang (appointed on 01 June 2025)		
Chief Financial Officer	Ms. M.C. Tabane		
Secretary	Ms. D.W. Engelbrecht		
Independent Audit and Risk Committee Members			
	Ms. N. Shabalala	Ms. Z. Tshabalala	
	Mr. V. Magan		
Business address	Controlling entity	Auditors	
38 Heystek street Rustenburg, 0300	Department of Water and Sanitation	Auditor General South Africa Registered Auditors	

BOARD'S RESPONSIBILITIES AND APPROVAL

The members are required by the Water Services Act No 108 of 1997 and Public Finance Management 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 and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent 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 or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The members have reviewed the entity's cash flow forecast for the year to June 30, 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 entity is wholly dependent on the entity for continued funding of operations. The annual financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

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

The annual financial statements set out on page 163 - 267, which have been prepared on the going concern basis, were approved by the board on October 31, 2025 and were signed on its behalf by:



Dr. K.L. Sebego
Chairperson of the Board



Mr. O. Nthutang
Chief Executive

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

Figures in Rand thousand

	Note(s)	2025	2024
Assets			<i>*Restated</i>
Current Assets			
Inventories	3	121,397	108,923
Payable From Exchange Transactions	4	1,872,822	2,175,803
Receivables From Non-Exchange Transactions	5	6,940	17,229
Statutory Receivables	6	24,402	56,277
Cash and Cash Equivalents	7	2,167,313	1,404,909
Total Current Assets		4,192,874	3,763,141
Non-Current Assets			
Investment Property	8	11,554	12,279
Property, Plant and Equipment	9	5,454,544	4,410,273
Intangible Assets	10	10,989	12,616
Total Non-Current Assets		5,477,087	4,435,168
Total Assets		9,669,961	8,198,309
Liabilities			
Current Liabilities			
Payables from Exchange Transactions	11	1,491,228	1,576,833
Unspent Conditional Grants and Receipts	12	1,688,316	1,200,182
Capital Contributions	13	5,177	5,177
Deferred Income	14	13,909	13,909
Long Service Awards Liability	15	4,079	6,373
Retirement Benefit Obligation	16	3,597	4,084
Total Current Liabilities		3,206,306	2,806,558
Non-Current Liabilities			
Capital Contributions	13	244,891	250,068
Deferred Income	14	374,928	387,418
Long Service Awards Liability	15	34,570	35,811
Retirement Benefit Obligation	16	133,844	156,187
Deposits Received	17	51,709	49,834
Total Non-Current Liabilities		839,942	879,318
Total Liabilities		4,046,248	3,685,876
Net Assets		5,623,713	4,512,433
Accumulated Surplus	18	5,623,713	4,512,433
Total Net Assets		5,623,713	4,512,433



STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand

	Note(s)	2025	2024
			<i>*Restated</i>
Revenue	19	2,904,278	2,390,092
Cost of Sales	20	(1,250,338)	(1,099,316)
Gross Surplus		1,653,940	1,290,776
Other Income	21	476,692	118,151
Operating Expenses	22	(1,052,006)	(938,599)
Operating Surplus		1,078,626	470,328
Finance Costs	23	(23,900)	(7,079)
Actuarial Gains (Loss)	24	56,554	(118)
Surplus For The Year		1,111,280	463,131



STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand thousand

	Accumulated Surplus	Total Net Assets
Opening Balance as previously reported	4,004,466	4,004,466
Adjustments		
Prior Year Adjustments	44,836	44,836
Refer to Note 45		
Balance at July 1, 2023 as restated*	4,049,302	4,049,302
Changes in Net Assets		
Surplus For The Year	463,131	463,131
Total Changes	463,131	463,131
Restated Balance at July 1, 2024	4,512,433	4,512,433
Changes in Net Assets		
Surplus For The Year	1,111,280	1,111,280
Total Changes	1,111,280	1,111,280
Balance at June 30, 2025	5,623,713	5,623,713
Refer to Note 18		



CASH FLOW STATEMENT

Figures in Rand thousand

	Note(s)	2025	2024
			<i>*Restated</i>
Cash Flows From Operating Activities			
Receipts			
Sale of Goods and Services		2,096,338	1,204,554
Grants		1,565,655	1,918,753
Interest Income		107,612	73,771
Other Receipts		800	912
Capital Contributions		-	22,769
Total Receipts		3,770,405	3,220,759
Payments			
Employee Costs		(511,724)	(472,227)
Suppliers		(1,320,879)	(601,742)
Total Payments		(1,832,603)	(1,073,969)
Net Cash Flows From Operating Activities	34	1,937,802	2,146,790
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment	9	(1,175,385)	(1,095,947)
Purchase of Intangible Assets	10	(14)	(968)
Net Cash Flows From Investing Activities		(1,175,399)	(1,096,915)
Net Increase in Cash and Cash Equivalents		762,404	1,049,875
Cash and Cash Equivalents at the Beginning of The Year		1,404,909	355,034
Cash and Cash Equivalents at the End of The Year	7	2,167,313	1,404,909



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET ON ACCRUAL BASIS

Figures in Rand thousand

	Approved Budget	Adjustments	Final Budget	Actual Amounts	Difference between Final Budget and Actual	Reference
Statement of Financial Performance						
Revenue						
Revenue From Exchange Transactions						
Sale of Water	1,702,241	-	1,702,241	1,478,743	(223,498)	46 a
Construction Contracts Revenue	-	-	-	207,372	207,372	46 b
Interest Charged on Outstanding Trade Receivables	24,000	-	24,000	33,030	9,030	46 c
Finance Income	40,900	-	40,900	107,612	66,712	46 d
Management Fees	23,321	-	23,321	20,051	(3,270)	46 e
Tender Fees	642	-	642	407	(235)	46 f
Rental Income	385	-	385	393	8	46 g
Cost Recovery Income	141,129	-	141,129	88,801	(52,328)	46 h
Sundries Income	401	-	401	335,391	334,990	46 i
Lab Analysis	6,000	-	6,000	13,975	7,975	46 j
Gain of Foreign Exchange Difference	-	-	-	7	7	46 k
Deferred Income Recognised	19,243	-	19,243	17,667	(1,576)	46 l
Total Revenue From Exchange Transactions	1,958,262	-	1,958,262	2,303,449	345,187	
Revenue From Non-Exchange Transactions						
Government Grants and Subsidies	400,000	-	400,000	1,049,721	649,721	46 m
Operational Grant Relief	-	-	-	27,800	27,800	46 n
Total Revenue From Non-Exchange Transactions	400,000	-	400,000	1,077,521	677,521	
Total Revenue	2,358,262	-	2,358,262	3,380,970	1,022,708	



STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

BUDGET ON ACCRUAL BASIS - continued

Figures in Rand thousand

	Approved Budget	Adjustments	Final Budget	Actual Amounts	Difference between Final Budget and Actual	Reference
Expenditure						
Employee Related Costs	(372,518)	-	(372,518)	(255,633)	116,885	46 o
Depreciation and Amortisation	(9,320)	-	(9,320)	(7,735)	1,585	46 p
Impairment of Assets	-	-	-	(3,297)	(3,297)	46 q
Loss on Disposal of Assets	750	-	750	(2,872)	(3,622)	46 r
Debt Impairment	(80,000)	-	(80,000)	(97,835)	(17,835)	46 s
Bad Debts Written Off	-	-	-	(447,819)	(447,819)	46 t
Cost of Sales	(1,219,048)	-	(1,219,048)	(1,250,338)	(31,290)	46 u
General Expenses	(216,232)	-	(216,232)	(236,815)	(20,583)	46 v
Total Expenditure	(1,896,368)	-	(1,896,368)	(2,302,344)	(405,976)	
Operating Surplus	461,894	-	461,894	1,078,626	616,732	
Finance Costs	-	-	-	(23,900)	(23,900)	46 w
Actuarial Gains (Loss)	-	-	-	56,554	56,554	46 x
	-	-	-	32,654	32,654	
Surplus For The Year	461,894	-	461,894	1,111,280	649,386	



ACCOUNTING POLICIES

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

1.1 Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Water Services Act No. 108 of 1997 and Section 191(1) of the Public Finance Management Act No. 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. The cash flow statement is presented on cash basis using direct method. The annual financial statements are presented in South African Rand, rounded to the nearest thousand, unless stated otherwise.

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

These accounting policies are consistent with the previous period.

1.2 Presentation Currency

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

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

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

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



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:

- Allowance for Impairment of Trade and Other Receivables
- Valuation of Inventory
- Impairment of Non-Financial Assets
- Contingencies
- Useful Lives and Residual Values of Depreciable Assets
- Long Service Awards Liability
- Post Retirement Benefit
- Effective Interest Rate
- Allowance for Statutory Receivables

Allowance for Impairment of Trade and Other Receivables

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

Valuation of Inventory

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

Impairment of Non-Financial Assets

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

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

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



ACCOUNTING POLICIES

These calculations require the use of estimates and assumptions which require significant judgement. It is reasonably possible that the estimates and assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of assets in future.

Contingencies

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

Management further relies on the input from the entity's lawyers in assessing the probability of items of a contingent nature. Contingencies are then recognised in the annual financial statements in the current year after obtaining estimates and listing of judgments from lawyers. The contingencies are only removed from the contingencies listing when there is substantive evidence about the completion of the judgments referencing to the relevant court information. Refer to Note 36.

Useful Lives and Residual Values of Depreciable Assets

The entity's management determines the estimated useful lives and related depreciation charges for the depreciable assets. The useful lives are estimated, by management, based on historic analysis and other available information including a consideration of industry norm for similar assets, the intended use of the asset as well as the frequency of the use of the asset. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives. The estimation of residual value of assets is also based on management's judgement that the assets will be sold and what its condition will be at the end of its useful life.

The useful lives of Property, Plant and Equipment as well as the useful lives of Intangible Assets are reviewed at each reporting date. Therefore, for management to determine the useful life of an asset, significant judgement is involved. Refer to Note 9 for Property, Plant and Equipment and Note 10 for Intangible Assets for entity's useful lives.

Long Service Awards Liability

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

The entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the long service awards liability. In determining the appropriate discount rate, the entity considers the interest rates as determined by the actuarial valuation.



ACCOUNTING POLICIES

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 15.

Post Retirement Benefits

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

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

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

Effective Interest Rate

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

Impairment of Statutory Receivables

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

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

An impairment loss recognised in prior periods for a statutory receivable are 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.

Additional information is disclosed in Note 6.



ACCOUNTING POLICIES

1.6 Inventories

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

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

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

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

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

1.7 Financial Instruments

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

Classification

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

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

Financial Asset Class

Receivables From Exchange Transactions
Receivables From Non-Exchange Transactions
Cash and Cash Equivalents

Category

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

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



ACCOUNTING POLICIES

Financial Liability Class

Payables from Exchange Transactions
Deposits Received

Category

Financial liability measured at amortised cost
Financial liability measured at cost

Initial Recognition

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

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

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

Initial Measurement of Financial Assets and Financial Liabilities

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

Subsequent Measurement of Financial Assets and Financial Liabilities

Financial assets are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses except for financial assets that are held at fair value and at cost.

Cash and Cash Equivalents are financial assets that are subsequently measured at amortised cost.

The entity subsequently measures financial liabilities at amortised cost, using the effective interest method except for financial liabilities that are held at cost.

Deposits Received are subsequently measured at cost.

Impairment and Uncollectibility of Financial Assets

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

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



ACCOUNTING POLICIES

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

Derecognition of Financial Assets

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

Derecognition of Financial Liabilities

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

1.8 Statutory Receivables

Identification

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

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

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

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

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

Recognition

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



ACCOUNTING POLICIES

Initial Measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent Measurement

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

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

Impairment Losses

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

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

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

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

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

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



ACCOUNTING POLICIES

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

Derecognition

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

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

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

1.9 Construction Contracts and Receivables

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

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

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Fixed price contract is a construction contract in which the contractor agrees to a fixed contract price, or a fixed rate per unit of output, which in some cases is subject to cost escalation clauses.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.



ACCOUNTING POLICIES

The entity assesses the terms and conditions of each contract concluded with customers to establish whether the contract is a construction contract or not. In assessing whether the contract is a construction contract, an entity considers whether it is a contractor.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.10 Investment Property

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

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

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

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

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

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

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



ACCOUNTING POLICIES

Cost Model

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

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

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

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

The entity separately discloses expenditure to repair and maintain investment property in the notes to the annual financial statements (See Note 8).

Derecognition

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

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

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

1.11 Property, Plant and Equipment

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

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

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



ACCOUNTING POLICIES

Property, Plant and Equipment is initially measured at cost.

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

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

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

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

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



ACCOUNTING POLICIES

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

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

*Laboratory Equipment is Included in Plant and Machinery.

*Office Equipment is included in Furniture and Fixtures and in IT Equipment and Accessories.

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

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



ACCOUNTING POLICIES

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

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

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

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

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (Refer to Note 29).

1.12 Intangible Assets

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

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



ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

Item	Amortisation Method	Average Useful Life
Computer Software	Straight-line	3 - 20 years
Servitudes	Not depreciated	Indefinite

Intangible Assets are derecognised:

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



ACCOUNTING POLICIES

1.13 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.

Vested employee benefits are employee benefits that are not conditional on future employment.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Short-term employee benefits 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.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

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.

Other long-term employee benefits are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits.



ACCOUNTING POLICIES

Classification of Plans

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Multi-employer plans are defined contribution plans (other than state plans) or defined benefit plans (other than state plans) that:

- (a) pool the assets contributed by various entities that are not under common control; and
- (b) use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees.

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.

The cost of short-term employee benefits, (those payable within twelve months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

Short-Term Paid Absences

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

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



ACCOUNTING POLICIES

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.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Bonus 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.

The expected cost of performance bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Post-Employment Benefits: 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 discounted using the discount rate as specified.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

The entity contributes towards Magalies Water Retirement Fund and the fund is registered and controlled in terms of the Pension Fund Act 24 of 1956. The entity is under no obligation to cover any unfunded benefits.



ACCOUNTING POLICIES

Post-Employment Benefits: Defined Benefit Plans

Recognition and Measurement

The entity determines the net defined benefit liability (asset) with sufficient regularity that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

Other Long-Term Employee Benefits

Recognition and Measurement

For other long-term employee benefits, the entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- (a) service cost,
- (b) net interest on the net defined benefit liability (asset), and
- (c) remeasurements of the net defined benefit liability (asset).

The entity pays its employees a long-service benefit after each five year of continuous service. The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency valuation are similar to those under the defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

Termination Benefits

Recognition

The entity recognises a liability and expense for termination benefits at the earlier of the following dates:

- (a) when the entity can no longer withdraw the offer of those benefits, and
- (b) when the entity recognises costs for a restructuring that is within the scope of GRAP 19 and involves the payment of termination benefits.

Measurement

The entity measures termination benefits on initial recognition, and measures and recognise subsequent changes, in accordance with the nature of the employee benefit, provided that if the termination benefits are an enhancement to post employment benefits, the entity applies the requirements for post-employment benefits. Otherwise:

- (a) If the termination benefits are expected to be settled wholly before twelve months after the end of the reporting period in which the termination benefit is recognised, the entity applies the requirements for short-term employee benefits.
- (b) If the termination benefits are not expected to be settled wholly before twelve months after the end of the reporting period, the entity applies the requirements for other long-term employee benefits.



ACCOUNTING POLICIES

1.14 Transfer of Assets from Customers

Transferred assets from customers are recognised and initially measured at fair value. The corresponding amount is recognised as deferred income. Deferred income is recognised as revenue on a systematic basis over the useful life of the asset.

The contributions are recognised as revenue on a systematic basis over the useful life of the assets when the assets are brought into use.

1.15 Capital Contributions

Capital contributions are monetary contributions by customers towards development of water infrastructure. Customers that provide capital contributions and derive benefits from provision of water as well as reduced tariff charges over the useful lives of assets constructed from the contributions.

The contributions are recognised as revenue on a systematic basis over the useful life of the assets when the assets are brought into use.

1.16 Accumulated Surplus

Accumulated Surplus is an equity instrument that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.17 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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



ACCOUNTING POLICIES

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (non contractual) arrangement (see the accounting policy on Statutory Receivables).

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 services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight-line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



ACCOUNTING POLICIES

Interest Charged on Outstanding Trade and Other Receivables

Interest is recognised, in surplus or deficit, using the effective interest rate method for financial instruments.

Finance Income

Finance Income is recognised on a time-proportion basis using the effective interest rate method.

1.18 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Receivables that arise from statutory (non-contractual) arrangements are initially measured in accordance with this accounting policy, as well as the accounting policy on Statutory Receivables. The entity applies the accounting policy on Statutory Receivables for the subsequent measurement, derecognition, presentation and disclosure of statutory receivables.



ACCOUNTING POLICIES

1.19 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 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 includes the cost of raw water, chemicals, electricity and all other direct operating costs associated with the production of water.

1.20 Expenditure

Expenditure is recognised when the entity is deemed to have been supplied or has control of the goods or services supplied.

1.21 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Translation of Foreign Currencies

Foreign Currency Transactions

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

At each reporting date:

- foreign currency monetary items are translated using the closing rate,
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction, and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

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



ACCOUNTING POLICIES

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

1.23 Contingencies

A contingent liability is a possible obligation that arises from past events and whose events will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within control of the entity.

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent assets and contingent liabilities are disclosed in Note 36.

1.24 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.

1.25 Leases

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

Operating Leases - Lessor

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



ACCOUNTING POLICIES

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

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

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating Leases - Lessee

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

1.26 Comparative Figures

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

1.27 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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

1.28 Irregular Expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation.



ACCOUNTING POLICIES

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.29 Offsetting

Financial assets and liabilities are offset and a net amount is reported in the statement of financial position when there is legally enforceable right to set off the recognised amounts and the entity intends either to settle on a net basis, or to realise the net asset and settle the liability.

1.30 Related Parties

Magalies Water is a state controlled entity and has related party relationships with all other entities within the sphere of government. Unless otherwise disclosed, all transactions with related parties are on arm's length basis at market related prices and in the ordinary course of the business.

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation.

1.31 Events After Reporting Date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date), and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.



ACCOUNTING POLICIES

1.32 Budget Information

The approved budget is prepared on a accrual basis and presented by functional classification.

The approved budget covers the fiscal period from 7/1/2024 to 6/30/2025.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 1 - Presentation of Financial Statements	To be determined by Minister of Finance	The impact will be material.
• iGRAP 22 - Foreign Currency Transactions and Advance Consideration	April 1, 2025	The impact will be material.
• GRAP 104 - Financial Instruments	April 1, 2025	The impact will not be material.
• GRAP 105 - Transfer of Function Between Entities Under Common Control	To be determined by Minister of Finance	The impact will not be material.
• GRAP 106 - Transfer of Function Between Entities Not - Under Common Control	To be determined by Minister of Finance	The impact will not be material.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the entity's accounting periods beginning on or after July 1, 2025 or later periods but are not relevant to its operations:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 - Mergers	To be determined by Minister of Finance	Unlikely there will be a material impact
• GRAP 103 - Heritage Assets	To be determined by Minister of Finance	Unlikely there will be a material impact



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

3. Inventories

	2025	2024
Chemicals	24,043	20,219
Spares and Consumables	92,187	85,282
Water Inventory	5,167	3,422
	121,397	108,923

The Inventory consists of the following:

30 June 2025

	Chemicals	Spares and Consumables	Water Inventory	Total
Raw Materials	-	-	5	5
Work In Progress	-	-	1,101	1,101
Finished Goods	24,043	92,187	4,061	120,291
	24,043	92,187	5,167	121,397

30 June 2024

	Chemicals	Spares and Consumables	Water Inventory	Total
Raw Materials	-	-	4	4
Work In Progress	-	-	895	895
Finished Goods	20,219	85,282	2,523	108,024
	20,219	85,282	3,422	108,923

Inventories recognised as an expense during the period	352,548	377,197
--	---------	---------

Inventory Pledged as Security

Inventory was not pledged as security.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

4. Receivables from Exchange Transactions

	2025	2024
Trade Receivables	2,707,629	2,912,345
Impairment of Trade and Other Receivables	(892,977)	(795,142)
Sundry Debtors	31,856	51,084
Deposits	26,314	4,999
Prepayments	-	2,517
	1,872,822	2,175,803

Prepayments

In the prior year, there was a prepayment relating to insurance premiums that were paid in advance.

Trade and Other Payables with Debit Balance

As of June 30, 2025, There were no Trade and Other Payables with debit balances (2024: R99,000) that were included in Trade and Other Receivables.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

Reconciliation of Impairment of Trade and Other Receivables

	2025	2024
Opening Balance	795,142	647,045
Debt Impairment	97,835	148,098
Prior Period Rounding Error	-	(1)
Closing Balance	892,977	795,142

Debt Impairment

Provision for impairment movement is presented in Note 33.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Trade and Other Receivables Assessed For Impairment

As of June 30, 2025, gross trade and other receivables to the value of R2,765,7 million (2024: R2,970,9 million) was assessed for impairment and provided for. The ageing of the gross amounts was as follows:

	2025	2024
Current	260,602	295,862
30 days past due	60,654	146,763
60 days past due	182,577	22,557
90 days past due	22,750	35,804
120 days past due	57,705	34,977
Over 120 days past due	2,181,511	2,434,982
	2,765,799	2,970,945

Trade and Other Receivables Impaired

As of June 30, 2025, total Impairment to the value of R892,9 million (2024: R795,1 million) was determined and the ageing of trade and other receivables that were impaired was determined as follows:

	2025	2024
Current	8,437	7,512
30 days past due	9,740	8,673
60 days past due	6,286	5,597
90 days past due	7,413	6,601
120 days past due	7,172	6,386
Over 120 days past due	853,929	760,373
	892,977	795,142



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Trade and Other Receivables Past Due But Not Impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired unless there is objective evidence indicating the existence of impairment. At June 30, 2025, R1,872,8 million (2024: R2,175,8 million) were past due but not impaired. The ageing of amounts past due but not impaired was as follows:

	2025	2024
Current	252,165	288,351
30 days past due	50,914	138,089
60 days past due	176,291	16,960
90 days past due	15,337	29,203
120 days past due	50,533	28,591
Over 120 days past due	1,327,582	1,674,609
	1,872,822	2,175,803

Trade and Other Receivables Pledged as Security

Trade and Other Receivables were not pledged as security.

5. Receivables from Non - Exchange Transactions

	2025	2024
Government Grants and Subsidies	6,940	17,229

Receivables from Non - Exchange Transactions Pledged as Security

There are no items of receivables from non-exchange transactions that were pledged as security.

Receivables from Non - Exchange Transactions Impaired

There is no impairment provision on receivables from non-exchange transactions.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

6. Statutory Receivables

	2025	2024
South African Revenue Services - VAT Receivable	24,402	56,277
Current Assets	24,402	56,277

Statutory Receivables General Information

Transactions Arising from Statute

The statutory receivable is as a result of VAT that is claimable from SARS as the VAT Input was greater than the VAT Output on the transactions that occurred.

Determination of Transaction Amount

The value of the transactions are determined through the VAT levied on invoices billed minus the VAT levied invoices received from suppliers on goods and services. All interest and penalties levied by SARS on the account is also included in the determination of the transaction amount.

Interest Receivable

Interest is calculated on VAT refunds in accordance with the rate determined by the Minister of Finance in terms of the Public Finance Management Act 108 of 1999. Any interest received is recognised as income in the statement of financial performance. No interest was charged by the entity on the statutory receivable.

Impairment of Statutory Receivable

No impairment provision has been recognised for the VAT receivable, as management expects full recovery from SARS.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

7. Cash and Cash Equivalents

	2025	2024
Cash on Hand	26	12
Bank Balances	1,524,591	879,261
Short-Term Deposits	642,696	525,636
	2,167,313	1,404,909

Short-Term deposits consist of investment held with financial institutions for growth for a period not exceeding 12 months.

Cash and Cash Equivalents Pledged as Collateral

	2025	2024
Bank Guarantee	512	512

A bank guarantee was issued by Magalies Water to cover payments of Eskom accounts in case of default in payment for the account by Magalies Water.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

8. Investment Property

	2025			2024		
	Cost	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Investment Property	13,730	(2,176)	11,554	13,730	(1,451)	12,279

Reconciliation of Investment Property as at 30 June 2025

	Opening Balance	Depreciation	Closing Balance
Investment Property	12,279	(725)	11,554

Reconciliation of Investment Property as at 30 June 2024

	Opening Balance	Depreciation	Closing Balance
Investment Property	13,004	(725)	12,279

Pledged as Security

There were no items of Investment Property that were pledged as security for any liabilities.

Repairs and Maintenance of Investment Property

There has been no maintenance of investment property expense that was incurred during the financial year.

Depreciation of Investment Property

Depreciation of Investment Property is presented in Note 30.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

9. Property, Plant and Equipment

	2025			2024		
	Cost	Accumulated Depreciation and Accumulated Impairment	Carrying Value	Cost	Accumulated Depreciation and Accumulated Impairment	Carrying Value
Land	5,314	-	5,314	5,314	-	5,314
Buildings and Other Infrastructure	336,920	(116,269)	220,651	335,588	(108,439)	227,149
Plant and Machinery	1,076,530	(437,825)	638,705	1,010,765	(386,904)	623,861
Furniture and Fixtures	28,052	(16,770)	11,282	25,853	(15,333)	10,520
Mobile Equipment and Motor Vehicles	72,360	(39,044)	33,316	51,142	(35,803)	15,339
IT Equipment and Accessories	37,772	(27,998)	9,774	34,632	(25,803)	8,829
Pipelines and Reservoirs	2,564,905	(767,075)	1,797,830	2,564,905	(708,032)	1,856,873
Capital Work In Progress	2,737,672	-	2,737,672	1,662,388	-	1,662,388
	6,859,525	(1,404,981)	5,454,544	5,690,587	(1,280,314)	4,410,273

Reconciliation of Property, Plant and Equipment as at 30 June 2025

	Opening Balance	Additions	Loss on Disposals of Assets	Transfers WIP	Depreciation (Package Plant)	Depreciation (Cost of Sales)	Depreciation (Operating Expense)	Impairment of Assets	Closing Balance
Land	5,314	-	-	-	-	-	-	-	5,314
Building and Other Infrastructure	227,149	1,332	-	-	-	(6,953)	(742)	(135)	220,651
Plant and Machinery	623,861	29,137	(2,845)	41,731	-	(49,304)	(735)	(3,140)	638,705
Furniture and Fixtures	10,520	2,291	(6)	-	-	(957)	(566)	-	11,282
Mobile Equipment and Motor Vehicles	15,339	21,417	(15)	-	-	(2,620)	(805)	-	33,316
IT Equipment and Accessories	8,829	4,193	(6)	-	-	(721)	(2,521)	-	9,774
Pipelines and Reservoirs	1,856,873	-	-	-	(4,848)	(54,173)	-	(22)	1,797,830
Capital Work in Progress	1,662,388	1,117,015	-	(41,731)	-	-	-	-	2,737,672
	4,410,273	1,175,385	(2,872)	-	(4,848)	(114,728)	(5,369)	(3,297)	5,454,544



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Reconciliation of Property, Plant and Equipment as at 30 June 2024

	Opening Balance	Additions	Loss on Disposals of Assets	Depreciation (Cost of Sales)	Depreciation (Operating Expense)	Closing Balance
Land	5,314	-	-	-	-	5,314
Buildings and Other Infrastructure	225,389	9,323	-	(6,786)	(777)	227,149
Plant and Machinery	637,531	37,874	-	(47,832)	(3,712)	623,861
Furniture and Fixtures	10,117	2,202	-	(1,028)	(771)	10,520
Mobile Equipment and Motor Vehicles	15,601	6,279	(100)	(3,169)	(3,272)	15,339
IT Equipment and Accessories	5,235	6,033	-	(691)	(1,748)	8,829
Pipelines and Reservoirs	1,916,119	-	-	(59,246)	-	1,856,873
Capital Work in Progress	628,152	1,034,236	-	-	-	1,662,388
	3,443,458	1,095,947	(100)	(118,752)	(10,280)	4,410,273

Property, Plant and Equipment Pledged as Security

There were no items of Property, Plant and Equipment that were pledged as security for any liabilities.

Laboratory Equipment

Included in Plant and Machinery is Laboratory Equipment.

Office Equipment

Office Equipment is included in Furniture and Fixtures and in IT Equipment and Accessories.

Capital Work In Progress

Included in Capital Work in progress is the cost incurred on capital projects that are still under construction and have not been brought into use.

Repairs and Maintenance of Property, Plant and Equipment

Repairs and Maintenance of Property, Plant and Equipment are presented in Note 29.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Depreciation of Property, Plant and Equipment

Depreciation of Property, Plant and Equipment is presented in Note 30.

Impairment of Assets

At the end of financial year, Property, Plant and Equipment was assessed for impairment as required by GRAP 21.

Impairment of Assets is presented in Note 31.

Loss on Disposal of Assets

Loss on Disposal of Assets is presented in Note 32.

Property, Plant and Equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment

Infrastructure

2025	2024
2,737,672	1,662,388

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

Pipelines and Reservoirs

Delays in the project were due to delays in electricity connection; procurement processes and community unrest.

2025	2024
1,806,671	1,207,952
1,806,671	1,207,952

10. Intangible Assets

	2025			2024		
	Cost	Accumulated Amortisation and Accumulated Impairment	Carrying Value	Cost	Accumulated Amortisation and Accumulated Impairment	Carrying Value
Computer Software	51,115	(41,724)	9,391	51,101	(40,083)	11,018
Servitudes	1,598	-	1,598	1,598	-	1,598
	52,713	(41,724)	10,989	52,699	(40,083)	12,616



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

	Opening Balance	Additions	Amortisation	Closing Balance
Reconciliation of Intangible Assets as at 30 June 2025				
Computer Software	11,018	14	(1,641)	9,391
Servitudes	1,598	-	-	1,598
	12,616	14	(1,641)	10,989

Reconciliation of Intangible Assets as at 30 June 2024				
Computer Software	11,624	968	(1,574)	11,018
Servitudes	1,598	-	-	1,598
	13,222	968	(1,574)	12,616

Intangible Assets Pledged as Security

There were no items of Intangible Assets that were pledged as security for any liabilities.

Amortisation of Intangible Assets

Amortisation of Intangible Assets is presented in Note 30.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

11. Payables From Exchange Transactions

	2025	2024
Accrual for Bonus	59,063	53,279
Accrual for Leave	43,885	45,175
Operations and Maintenance Advances	36,593	20,247
Other Payables	8,567	8,468
Retentions	109,945	71,222
Trade Payables	1,233,175	1,378,442
	1,491,228	1,576,833

Accrual for Bonus

Included in bonus accrual is provision for thirteenth cheque. Employees have an option to save for thirteenth cheque where a portion of their basic salary is saved on a monthly basis.

Included in bonus accrual is provision for performance bonus. Performance bonus is based on performance agreements signed with employees as well as remuneration and performance rewards policies of the entity. In the current and previous year no performance bonuses were paid to the employees.

Accrual for Leave

Accrual for leave relates to provision for annual leave accrued to employees at year end. The accrual is determined based on the annual leave days due to the employees but limited to 45 days.

Operations and Maintenance Advances

Operations and Maintenance Advances relates to funds received in advance or in excess of expenditure already incurred for operations and maintenance work where Magalies Water is performing services for other government institutions.

Other Payables

Other payables represent Unknown Deposits.

Retentions

Retentions refers to the unpaid portion of project amounts as per the agreement.

Trade and Other Payables

Trade and other payables are carried at amortised cost and the carrying amount approximates fair value. Trade Payables are normally settled within 30 days from the date of receipt of invoice.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Trade and Other Receivables with Credit Balances

As of June 30, 2025, Trade and Other Receivables with credit balances amounting to R1,0 million (2024: R1,0 million) were included in Trade and Other Payables.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

12. Unspent Conditional Grants and Receipts

	2025	2024
Pilanesburg Phase II	713,968	265,502
Moretele North - Klipvoor	688,242	558,040
Moretele South	6,035	14,982
Hammanskraal Intervention	280,071	361,658
	1,688,316	1,200,182

Movement During The Year

	2025	2024
Balance At The Beginning Of The Year	1,200,182	14,739
Grant Receipts During The Year	1,537,855	1,916,753
Conditions Met and Income Recognised During The Year	(1,049,721)	(731,310)
	1,688,316	1,200,182



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

The breakdown per project was as follows:

Reconciliation of Unspent Grants and Receipts as at 30 June 2025

	Pilanesburg Phase II	Moretele North - Klipvoor	Moretele South	Hammanskraal Intervention	Total
Balance At The Beginning Of The Year	265,502	558,040	14,982	361,658	1,200,182
Grant Receipts During The Year	547,194	605,000	107,661	278,000	1,537,855
Conditions Met and Income Recognised During The Year	(98,728)	(474,798)	(116,608)	(359,587)	(1,049,721)
Closing Balance	713,968	688,242	6,035	280,071	1,688,316

Reconciliation of Unspent Grants and Receipts as at 30 June 2024

	Pilanesburg Phase II	Moretele North - Klipvoor	Moretele South	Hammanskraal Intervention	Total
Balance At The Beginning Of The Year	14,739	-	-	-	14,739
Grant Receipts During The Year	608,000	692,000	136,753	480,000	1,916,753
Conditions Met and Income Recognised During The Year	(357,237)	(133,960)	(121,771)	(118,342)	(731,310)
Closing Balance	265,502	558,040	14,982	361,658	1,200,182

Unspent Conditional Grants and Receipts relate to transfers received from Department of Water and Sanitation. Funds received will be used for capital infrastructure investments. Grant will be transferred to revenue from non-exchange transactions as the conditions attached to the grant are satisfied. The revenue recognised is presented in Note 19.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

13. Capital Contributions

	2025	2024
Current Liability	5,177	5,177
Non-Current Liability	244,891	250,068
	250,068	255,245

Capital contributions consists primarily of contributions received from Royal Bafokeng Platinum Mine (Maseve Investments) of R82,8 million (2024: R85,0 million), Bakubung Minerals of R98,6 million (2024: R101,5 million) and Impala Platinum of R68,5 million (2024: R68,7 million).

These contributions are recognised as revenue when the assets are brought into use over the useful life of the assets as per the agreement.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

14. Deferred Income

	2025	2024
Current Liability	13,909	13,909
Non-current Liability	374,928	387,418
	388,837	401,327

Deferred income consists of assets transferred by the mines to Magalies Water. These assets consist of pipelines and reservoir contributed by the Platinum Mine in line with the off take agreement that was signed in 2008 for R123,4 million and R457,3 million received from Barrick, Maseve and Wesizwe mines in the 2016/17 financial year.

Transferred assets from customers are measured on initial recognition at fair value. The corresponding amount is recognised as deferred income. Revenue is recognised on a systematic basis over the useful life of the assets.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

15. Long Service Awards Liability

	2025	2024
Current Liability	4,079	6,373
Non-Current Liability	34,570	35,811
	38,649	42,184

The amounts recognised in the Statement of Financial Position are as follows:

Reconciliation of Present Value of Long Service Awards Liability:

	2025	2024
Opening Balance	42,184	11,741
Net Expense Recognised For The Year	6,472	28,249
Actuarial Loss	(10,007)	2,194
Closing Balance	38,649	42,184

Net Expense Recognised in the Statement of Financial Performance:

	2025	2024
Current Service Costs	3,627	1,102
Interest Costs	4,351	1,137
Contributions to Employer	(1,506)	(2,374)
Past Service Costs	-	28,384
	6,472	28,249

Calculation of Actuarial Gain (Loss) is as follows:

	2025	2024
Carrying Value of Long Service Awards Liability	48,656	39,990
Fair Value of Long Service Awards Liability	(38,649)	(42,184)
	10,007	(2,194)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Basis of Valuation

The long service awards which comprise of a cash payment and additional long service leave days are payable to employees of Magalies Water in accordance to the approved policy.

The long-service leave award is granted on a once-off basis to employees after every five years of service. The additional cash payment and leave days granted every five years are shown in the table below.

Long Service Award	Cash Payment Limit	Long Service Leave Days
5 years	R 6,208	Leave Days up to 5 days
10 years	R 9,311	Leave Days up to 10 days
15 years	R 12,415	Leave Days up to 15 days
20 years	R 15,519	Leave Days up to 20 days
25 years	R 18,623	Leave Days up to 25 days
30 years	R 21,727	Leave Days up to 30 days
35 years	R 24,831	Leave Days up to 35 days
40 years	R 27,934	Leave Days up to 40 days

The normal retirement age ('NRA') for the entity's employees is 65 years and the average retirement age is 63 years. It has been assumed that employees will retire at age 63 on average, which then implicitly allows for expected rates of ill-health and early retirement. Employees who have passed the assumed average retirement age, have been assumed to retire at their next birthday.

The liability was based in respect of the long-service leave award on an employee's current salary and job level, allowing for salary inflation in each future year.

Valuation Assumption and Methodology

The long service awards were valued using the Project Unit Credit discounted cashflow method. This method was used to determine the past-service liabilities at the valuation date and projected annual expense in the following the valuation date.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Key Assumptions Used

Assumptions used at the reporting date:

Consumer Price Index (CPI)	3.55 %	5.28 %
Salary Inflation	4.55 %	6.28 %
Net Discount Rate	4.42 %	4.57 %
Discount Rate	9.18 %	11.13 %

For the purpose of this valuation the real discount rate is either the discount rate (9.18% per annum) or the discount rate net of salary inflation (4.42% per annum), depending on the type of award. These two variables have the greatest effect on the liability as even relatively small changes to these assumptions have a relatively large impact on the liabilities.

The market values of the bond yields are available via subscription.

The mortality assumptions as well as the assumed resignation and retirement rates used for the purpose of this valuation are shown in the tables below. As employees are entitled to an award at retirement, we have allowed for the possibility of early retirement in calculating the liability.

Mortality	SA85-90
-----------	---------

Sensitivity Analysis for Obligating Liability

The effect of a 1% increase and decrease in the discount rate and salary rate assumption on the past-service obligating liability and the annual expense is shown in the table below:

Salary Rate

One percentage point increase	One percentage point decrease	Variations
+5.01%	-4.52%	Effect on Employer's Accrued Liability
+5.77%	-5.16%	Effect on Service Cost
+5.27%	-4.76%	Effect on Net Interest Expense



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

The impact of the liability is:

Impact on Long Service Awards Liability

	1% decrease	1% increase
Employer's Accrued Liability	36,900	40,585
Service Cost	3,036	3,386
Net Interest Expense	3,199	3,536

Discount Rate

One percentage point increase	One percentage point decrease	Variations
-5.81%	+6.51%	Effect on Employer's Accrued Liability
-6.48%	+7.34%	Effect on Service Cost
+4.12%	-4.79%	Effect on Net Interest Expense

The impact of the liability is:

Impact on Long Service Awards Liability

	1% decrease	1% increase
Employer's Accrued Liability	41,165	36,405
Service Cost	3,436	2,994
Net Interest Expense	3,198	3,498

16. Retirement Benefit Obligation

Defined Benefit Obligation

The entity contributes towards Magalies Water Retirement Fund which is controlled in terms of the Pensions Fund Act 24 of 1956.

The entity is under no obligation to cover any unfunded benefits.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Post - Retirement Benefit Obligation

The Board has made a provision for pension and provident schemes relating to retirement benefit obligations covering all employees substantially. The funds are governed by the Pension Funds Act, 1956 (Act No 24 of 1956).

	2025	2024
Current Liability	3,597	4,084
Non-Current Liability	133,844	156,187
	137,441	160,271

Employees and continuation and widowers ('CAWMs') of entity participate in the Community Medical Aid Scheme ('Commed'), Discovery Health Medical Scheme ('Discovery') or Hosmed Medical Scheme ('Hosmed').

Reconciliation of Present Value of Retirement Benefit Obligation Liability:

	2025	2024
Opening Balance	160,271	50,774
Net Expense Recognised For The Year	23,717	111,573
Actuarial Gain	(46,547)	(2,076)
Closing Balance	137,441	160,271

Net Expense Recognised in the Statement of Financial Performance:

	2025	2024
Current Service Costs	7,703	949
Interest Costs	19,549	5,942
Contributions to Employer	(3,535)	(1,825)
Policy Amendments	-	106,507
	23,717	111,573

Calculation of Actuarial Gain is as follows:

	2025	2024
Carrying Value of Retirement Benefit Obligation Liability	183,988	162,347
Fair Value of Retirement Benefit Obligation Liability	(137,441)	(160,271)
	46,547	2,076



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Key Assumptions Used

Assumptions used at the reporting date:

	2025	2024
Discount rates used	12.48%	12.35%
CPI Inflation rate	6.46%	6.31%
Medical cost trend rates	7.96%	7.81%
Net discount rates	4.19%	4.21%

Mortality Assumption

The longevity members in retirement is an important assumption, dictating the expected length of time over which benefits are paid.

The effect of using heavier or lighter mortality assumptions post-employment is shown below:

One percentage point increase	One percentage point decrease	Variations
-2.7%	-2.7%	Effect on the aggregate of the service cost and interest cost
+2.7%	+2.7%	Effect on defined benefit obligation

They have assumed that the income bands will increase annually with CPI and that an employee's salary will increase by the salary inflation assumption. The employee's salary at retirement will be used to determine the income band in retirement. Pensioners will remain in the same income band going forward.

Sensitivity Analysis for Health Care Cost Inflation

The effect of a 1% increase and decrease in the health care cost inflation assumption on the past-service contractual liability and the annual expense is shown in the table below.

One percentage point increase	One percentage point decrease	Variations
+16.01%	-13.13%	Effect on Employer's Accrued Liability
+21.09%	-16.78%	Effect on Service Cost
+16.44%	-13.07%	Effect on Net Interest Expense



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

The impact of 1% change in the liability is:

Impact on Retirement Benefit Obligation	1% decrease	1% increase
Employer's Accrued Liability	119,397	159,443
Service Cost	5,631	8,193
Net Interest Expense	14,713	19,708

The valuation results are sensitive to changes in the underlying assumptions. The effects of varying these assumptions are illustrated below.

Discount Rate

One percentage point increase	One percentage point decrease	Variations
-12.44%	+15.31%	Effect on Employer's Accrued Liability
-15.28%	+19.24%	Effect on Service Cost
-5.25%	+6.57%	Effect on Net Interest Expense

The impact of 1% change in the liability is:

Impact on Retirement Benefit Obligation	1% decrease	1% increase
Employer's Accrued Liability	158,483	120,344
Service Cost	8,068	5,732
Net Interest Expense	18,038	16,037



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

17. Deposits Received

	2025	2024
Deposits Received	51,709	49,834

Reconciliation of Deposits Received as at 30 June 2025:

	2025	2024
Opening Balance	49,834	63,686
Deposits Received (Refunded) during the year	1,875	(13,852)
Closing Balance	51,709	49,834

Deposits received relate to security deposits held by the organisation for active customers. Security deposit is refundable to customers on termination of service if the customer does not have debt due to the organisation.

18. Accumulated Surplus

	2025	2024
Accumulated Surplus	5,623,713	4,512,433

Reconciliation of Accumulated Surplus as at 30 June 2025:

	2025	2024
Opening Balance	4,512,433	4,004,466
Prior Year Adjustments	-	44,836
Surplus For The Year	1,111,280	463,131
Closing Balance	5,623,713	4,512,433

Prior Period Adjustments

The details of prior year adjustments have been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

19. Revenue

	2025	2024
Sale of Water	1,478,743	1,175,829
Operations and Maintenance Recovery	-	204,443
Interest Charged on Outstanding Trade Receivables	33,030	30,686
Finance Income	107,612	67,549
Construction Contract Revenue	207,372	178,275
Government Grants and Subsidies	1,049,721	731,310
Operational Grant Relief	27,800	2,000
	2,904,278	2,390,092

Revenue From Exchange Transactions includes:

	2025	2024
Sale of Water	1,478,743	1,175,829
Operations and Maintenance Recovery	-	204,443
Interest Charged on Outstanding Trade Receivables	33,030	30,686
Finance Income	107,612	67,549
Construction Contract Revenue	207,372	178,275
Total Revenue From Exchange Transactions	1,826,757	1,656,782

Revenue From Non-Exchange Transactions includes:

	2025	2024
Government Grants and Subsidies	1,049,721	731,310
Operational Grant Relief	27,800	2,000
Total Revenue From Non-Exchange Transactions	1,077,521	733,310



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Revenue comprise of the following items:

- Sale of Water refers to the water that was sold and billed based on the approved tariff's and the volume consumed by its customers within a billing financial year.
- Operations and Maintenance Recovery refers to the cost recovered on the maintenance services that were carried out in the ordinary course of business.
- Interest charged on outstanding trade and other receivables refers to the interest the entity charges on outstanding debtors that are above 60 days. The gross balance that is due and payable to the entity is presented in Note 4.
- Finance Income refers to interest received from short-term investments and bank accounts. The cash and cash equivalents are presented in Note 7.
- Construction Contract Revenue refers to revenue recognised on stage of completion of the project.
- Government Grants and Subsidies refers to the unwinding of the Unspent Conditional Grants and Receipts as presented in Note 12.
- Operational Grant Relief refers to the temporary cashflow relief received from DWS during the period.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

20. Cost of Sales

	2025	2024
Chemicals	88,882	116,159
Depreciation	114,728	118,752
Electricity	219,437	198,444
Employee Related Cost	266,876	182,197
Other Production Overheads	11,792	8,071
Potable Water Cost	70,507	69,816
Raw Water Purchases	161,504	156,700
Repairs and Maintenance	109,240	70,902
Construction Contract Expenditure	207,372	178,275
	1,250,338	1,099,316

Cost of Sales are the cost directly attributable to the production of water for the supply. These costs are both fixed and variable in nature.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Cost of Sales comprise of the following costs:

- Chemicals are the direct variable costs purchased for the cleansing and purification of the raw water.
- Depreciation is a fixed cost based on the accounting policy for realising the economic useful benefit of the assets used in the water production process.
- Electricity is the direct variable costs for the portion that is used in the production and distribution of water supply.
- Employee Costs are fixed direct costs that relate to the costs element of the employees that work directly in the production of the water supply.
- Other Production Overheads include diesel, fuel and other incidental costs that are incurred as a direct cost on the process of production.
- Potable Water refers to water that has been purchased that is already suitable for human consumption.
- Raw Water purchases are variable direct costs that relates to the raw water purchases.
- Repairs and Maintenance refers to the costs incurred to repair and maintenance the assets used in the production of water supply to ensure that these assets are working optimally.
- Construction Contract Expenditure refers to expenditure incurred in projects based on the stage of completion of the project.

Prior Year Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

21. Other Income

Other Operating Income
Gain on Foreign Exchange Difference

2025	2024
476,685	118,084
7	67
476,692	118,151

Other Income comprise of:

- Other Operating Income as presented in Note 25, and
- Gain on Foreign Exchange Difference as presented in Note 26.

Prior Year Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

22. Operating Expenses

	2025	2024
Employee Related Costs	255,633	437,541
General Expenses	681,191	256,013
Repairs and Maintenance	3,443	84,268
Depreciation and Amortisation	7,735	12,579
Impairment of Assets	3,297	-
Loss on Disposal of Assets	2,872	100
Debt Impairment	97,835	148,098
	1,052,006	938,599

Operating Expenses comprise of the following costs:

- Employee Related Costs as presented in Note 27.
- General Expenses as presented in Note 28.
- Repairs and Maintenance as presented in Note 29.
- Depreciation and Amortisation as presented in Note 30.
- Impairment of Assets as presented in Note 31.
- Loss on Disposal of Assets as presented in Note 32.
- Debt Impairment as presented in Note 33.

Prior Year Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

23. Finance Costs

	2025	2024
Interest Cost	23,900	7,079

Total interest expense, calculated using the effective interest rate on the remeasurement of retirement benefit obligation and long service awards liability through surplus or deficit amounted to R23,9 million (2024: R7,0 million).

The finance costs breakdown was as follows:

Reconciliation of Finance Costs:

	2025	2024
Long Service Award Liability	4,351	1,137
Retirement Benefit Obligation	19,549	5,942
	23,900	7,079

Refer to Note 15 for Long Service Awards Liability and Note 16 for Retirement Benefit Obligation.

24. Actuarial (Gain) Loss

	2025	2024
Actuarial (Gain) Loss	(56,554)	118

Reconciliation of Actuarial (Gain) Loss:

	2025	2024
Actuarial (Gain) Loss on Long Service Awards Liability	(10,007)	2,194
Actuarial (Gain) on Retirement Benefit Obligation	(46,547)	(2,076)
	(56,554)	118

Refer to Note 15 for Long Service Awards Liability and Note 16 for Retirement Benefit Obligation.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

25. Other Operating Income

	2025	2024
Cost Recovery Income	88,801	41,599
Deferred Income Recognised	17,667	40,159
Lab Analysis	13,975	14,775
Management Fees	20,051	18,176
Rental Income	393	385
Sundry Income	335,391	2,463
Tender Fees	407	527
	476,685	118,084

Other Operating Income comprise of the following:

- Cost Recovery Income refers to income received from customers when the entity incurred costs and recovered them from these customers.
- Deferred Income refers to recognition of the capital contributions where the services were rendered during the year.
- Lab Analysis income refers to the income received for the use of the scientific lab for the testing of samples.
- Management Fees refer to the income received by the entity from the service rendered when the entity was appointed as an implementing agent for projects.
- Rental Income refers to the rental income received from the tenants that are occupying the entity's property on a fixed term lease contract.
- Sundry income comprise water connections fees, administration fees and other sundry income.
- Tender Fees refers to the income generated from the selling of tender documents to interested bidders in the process of the implementation of the entity's procurement processes.

Prior Year Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

26. Gain on Foreign Exchange Difference

	2025	2024
Water Utilities Corporation (WUC)	7	67

The loss of foreign exchange difference relates to the exchange differences between the Botswana Pula and South African Rand on the outstanding amount that is due at year end on the Water Utilities Corporation account.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

27. Employee Related Costs

	2025	2024
Acting Allowances	1,331	1,399
Basic Salary	152,423	158,460
Bonus	16,287	32,158
Camping Allowance	421	476
Car Allowance	1,164	1,441
Car Allowance - Senior Management	324	521
Cellphone Allowance	1,163	1,221
Company Contributions	44,702	49,841
Housing Benefits and Allowances	9,808	13,244
Medical Aid - Company Contributions	3,407	3,028
Other Salary Expenses	4,167	156,767
Overtime Payments	6,671	13,276
Settlement Allowance	667	248
Standby Allowance	6,808	7,609
Termination Benefits	6,290	(2,148)
	255,633	437,541

Employee Related Costs are costs incurred in the ordinary course of carrying the its operational activities. These are the total costs of employing it's work force and include the fixed and variable component of the costs.

Termination Benefits includes the movement in GRAP 25 obligations such as current service costs and contribution.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Total Employee Related Costs

Employee Related Costs have been included in the following components:

	2025	2024
Cost of Sales	266,876	182,197
Operating Expenses	255,633	437,541
	522,509	619,738

Refer to Note 20 for Cost of Sales and Note 22 for Operating Expenses.

Prior Year Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

28. General Expenses

	2025	2024
Admin Overheads	2,264	1,647
Advertising	764	623
Auditors Remuneration	6,336	6,844
Bad Debts	447,819	20
Bank Charges	356	379
Catering	663	1,031
Cleaning	660	1,061
Computer Expenses	1,530	1,512
Consulting and Professional Fees	12,163	13,324
Consumables	22,702	27,028
Corporate Social Responsibility	2,385	3,595
Donations	-	12
Electricity	18,691	25,257
Fines, Penalties and Interest	2,418	47,009
Fuel and Oil	9,224	8,003
Insurance	7,846	7,620
Lease Rentals on Operating Lease	2,626	4,166
Legal Expense	28,652	5,992
Licence Fees	9,836	6,133
Membership Fees	852	318
Safety, Health and Environment	11,762	12,358
Promotions Publications	7,091	8,261
Recruitment Costs	910	975
Security	53,544	43,878
Telephone and Fax	5,921	5,127
Training and Conferences	12,319	11,701
Travel and Accommodation	11,857	12,139
	681,191	256,013



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

General Expenses are operating expenses incurred by the entity as part of its ordinary course of business. These include outsourced services such as Security, Legal Fees and Consulting and Professional Fees.

Bad Debt written off in the current year was for a customer that was transferred from the erstwhile Sedibeng Water that had balances that could not be verified.

Legal Fees in the current year are inclusive of Contingent Liability cases that were concluded and thus converted into Trade Payables.

29. Repairs and Maintenance

	2025	2024
Buildings	1	745
Plant and Machinery	64,938	104,508
Motor Vehicles	16,884	8,915
Pipelines and Reservoirs	30,860	41,002
	112,683	155,170

Total Repairs and Maintenance Costs:

Repairs and Maintenance has been included in the following components:

	2025	2024
Cost of Sales	109,240	70,902
Operating Expenses	3,443	84,268
	112,683	155,170

Refer to Note 20 for Cost of Sales and Note 22 for Operating Expenses.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

30. Depreciation and Amortisation

	2025	2024
Investment Property	725	725
Property, Plant and Equipment	5,369	10,280
Intangible Assets	1,641	1,574
	7,735	12,579

Depreciation on Investment Property

The analysis of Depreciation on Investment Property was as follows:

	2025	2024
Depreciation on Investment Property	725	725

Depreciation of Investment Property is the realisation of the economic benefit of the entity's assets based on the estimated useful life of those assets. Refer to Note 8 for Investment Property.

Depreciation on Property, Plant and Equipment

The analysis of Depreciation on Property, Plant and Equipment was as follows:

	2025	2024
Depreciation on Buildings and Other Infrastructure	742	777
Depreciation on Plant and Machinery	735	3,712
Depreciation on Furniture and Fixtures	566	771
Depreciation on Mobile Equipment and Motor Vehicles	805	3,272
Depreciation on IT Equipment Accessories	2,521	1,748
	5,369	10,280

Depreciation of Property, Plant and Equipment is the realisation of the economic benefit of the entity's assets based on the estimated useful life of those assets. Refer to Note 9 for Property, Plant Equipment.

Amortisation of Intangible Assets

The analysis of Amortisation of Intangible Assets was as follows:

	2025	2024
Amortisation of Computer Software	1,641	1,574
Amortisation of Servitudes	-	-
	1,641	1,574

Amortisation of Intangible Assets is the realisation of the economic benefit of the entity's assets based on the estimated useful life of those assets. Refer to Note 10 for Intangible Assets.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Total Depreciation and Amortisation:

Depreciation and Amortisation has been included in the following components:

	2025	2024
Cost of Sales	114,728	118,752
Operating Expenses	7,735	12,579
	122,463	131,331

Refer to Note 20 for Cost of Sales and Note 22 for Operating Expenses.

31. Impairment of Assets

	2025	2024
Property, Plant and Equipment	3,297	-

The impairment of assets represent classes of Property, Plant and Equipment whose economic value is less than the recoverable amount. Refer to Note 9 for Property, Plant Equipment.

Impairment of Assets

The analysis of Impairment of Assets was as follows:

	2025	2024
Buildings and Other Infrastructure	135	-
Plant and Machinery	3,140	-
Pipelines and Reservoirs	22	-
	3,297	-

32. Loss on Disposal of Assets

	2025	2024
Property, Plant and Equipment	2,872	100

Loss on disposal of assets refers to selling of assets less than carrying value. Refer to Note 9 for classes of assets which where disposed.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Loss on Disposal of Assets

The analysis of Loss on Disposal of Assets was as follows:

	2025	2024
Plant and Machinery	2,845	-
Furniture and Fixtures	6	-
Mobile Equipment and Motor Vehicles	15	100
IT Equipment Accessories	6	-
	2,872	100

33. Debt Impairment

Debt Impairment

2025	2024
97,835	148,098

Debt Impairment refers to the movement in the provision of impairment of trade receivable based on the entity's expectations on the recoverability of revenue. Refer to Note 4 for the gross debtors balances that have been considered for impairment.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

34. Cash Generated From Operations

	2025	2024
Surplus	1,111,280	463,131
Adjustments for:		
Depreciation and Amortisation	122,463	131,331
Loss on Disposal of Assets	2,872	100
Gain on Foreign Exchange Difference	(7)	(67)
Actuarial (Gain) Loss	(56,554)	118
Capitalisation of Package Plant	4,848	-
Interest on Trade Receivables	(33,030)	(30,686)
Impairment of Assets	3,297	-
Debt Impairment	97,835	148,098
Bad Debts Written Off	447,819	20
Movements in Retirement Benefit Obligation	23,717	32,519
Movements in Long Service Awards Liability	6,473	107,303
Government Grants and Subsidies	(1,049,721)	(731,310)
Deferred Income Recognised	(17,667)	(40,159)
Write off of Interest and Capital	(309,663)	-
Prescription of Creditors	(24,392)	-
Accrual for Leave and Bonus Movement	4,495	14,767
Inventory Write Offs	-	3,850
Other Non-Cash Items - Prior Period Errors	-	7,431
Changes in Working Capital:		
Inventories	(12,474)	(25,238)
Receivables From Exchange Transactions	237,173	(313,006)
Receivables from Non - Exchange Transactions	10,289	(17,229)
Statutory Receivables	31,875	(56,277)
Payables From Exchange Transactions	(202,856)	558,275
Vat Payable	-	(31,852)
Unspent Conditional Grants and Receipts	1,537,855	1,916,753
Deferred Income	(12,489)	4,723
Capital Contributions	12,489	18,047
Deposits Received	1,875	(13,852)
	1,937,802	2,146,790



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

35. Commitments

Authorised Capital Expenditure

Already contracted for but not provided for

- Property, Plant and Equipment

Total Capital Commitments

Already contracted for but not provided for

2025	2024
1,006,378	1,733,590
1,006,378	1,733,590

Authorised Operational Expenditure

Already contracted for but not provided for

- Operational Commitments

Total Operational Commitments

Already contracted for but not provided for

2025	2024
672,041	848,457
672,041	848,457

Total Commitments

Total Commitments

Authorised Capital Expenditure

Authorised Operational Expenditure

2025	2024
1,006,378	1,733,590
672,041	848,457
1,678,419	2,582,047

Other commitments not disclosed in the disclosure balance relates to contractual agreements determined on the hours spent on a project and/or rate of items or services procured. The total contractual obligation could not be determined.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Operating Lease Commitments

Minimum Lease Payments Due

- within one year
- in second to fifth year inclusive

2025	2024
47	46
33	96
80	142

Operating Lease Payments represent rentals payable by the entity for land. Leases are negotiated for an average term of five years. The rental periods are in accordance with the contracts per service provider.

36. Contingencies

Contingent Liabilities

Supplier Claims

2025	2024
72,366	75,489

Ya-Rena Civils (Pty) Ltd vs Magalies Water

In the prior year, a supplier was claiming R3,2 million from Magalies Water for services alleged to have been provided to the organisation by the supplier. This matter was concluded during the year and as such the court ordered for Magalies Water to compensate R6,1 million to the supplier. The contingency ceased to exist.

Leekwa Teemane Local Municipality vs Magalies Water (Former SW)

This claim amounting to R61,6 million by a local municipality claiming to have provided electricity to the disestablished Sedibeng Water when the entity was operating and maintaining infrastructure on behalf of a district municipality in the area. Sedibeng Water did not have infrastructure and did not open electricity account with the local municipality but operated the infrastructure as instructed by the district municipality. The matter is currently before the court and the account is under review.

Praysa vs Magalies Water

Plaintiff is suing Magalies Water for recovery of legal fees amounting to R152,000. The matter is before court and Magalies Water is defending the matter.

Bothlale Security and Quick Bopha Security vs Magalies Water

Magalies Water received summons from both Retshwanetse Trading and Projects CC and Bothlale Risk Protection CC after cancelling the contracts with notice on the 29th of September 2022. Retshwanetse is claiming for R9,1 million while Bothlale Risk is claiming for R1,5 million. The matter is before court and Magalies Water is defending the matter.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Contingent Assets

	2025	2024
Legal Claims	26,935	26,935
Overpayment of Suppliers	46,560	73,405
Acquired Assets Under Investigation	23,590	28,369
Recovery of Legal Costs	303	1,211
	97,388	129,920

Legal Claims

Umso JV vs Magalies Water

A court interdict was initiated by one of the unsuccessful bidders against Magalies Water to stop the appointed service provider from performing work. The unsuccessful bidder claimed that the procurement process followed for the appointed service provider was not fair, however the court ruled in favour of Magalies Water. Magalies Water made a claim against Umso for losses incurred amounting to R26,9 million because of Court Interdict made by Ya-Rena stopping Magalies Water from implementing the project. The previous claim relating to the same matter had an obligation that was settled inline with the court judgement.

Recovery of Overpayments to Suppliers

Mogolola Mokoka & Associates (PSP) vs Magalies Water

Magalies Water instituted a counterclaim against the Engineer of R26,8 million over payment relating to contract administration, and damages suffered as a result poor project management by a professional service provider to the organisation. The case was concluded in the current year and Magalies Water was ordered to pay R15,1 million to the supplier. The supplier generates invoices to the value of the court judgement.

Axton Matrix - Contractor vs Magalies Water

Magalies Water undertook a valuation and verification of work performed by a contractor and the valuation of investigation indicated that there charges by the contract did not agree to the value of work performed. Magalies Water have taken legal action against the contract to recover R39,7 million overpayment.

Kaone Construction vs Magalies Water (Former SW)

Magalies Water is claiming an amount of R6,7 million against the contractor for over payment.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Acquired Assets Under Investigation

Rental Debtors

Rental debtors were regarded as a material irregularity due to non-collection of revenue. The value transferred was R4,7 million. The tenants signed lease agreements with Magalies Water and have agreed to pay the municipal rates retrospectively, however the acquired contingent debt from erstwhile Sedibeng Water was not acknowledged as such not contingent and collectable. No substantiated records were obtained by Magalies Water to pursue this further as a result, it ceases.

Capital Project - Buisfontein

Capital project for construction works in the Buisfontein projects was transferred to Magalies Water to the value of R23,5 million. The last payment to the project was made outside the period of three years. Magalies Water is investigating the validity of this project and thus has been transferred with a contingency.

Recovery of Legal Costs

Magalies Water will institute a recovery of legal costs for matters that were completed. The matters and the expected costs to be recovered amount from Kalesego Maintenance Services vs Magalies Water to the value of R303,000.

The following cases that were disclosed in the prior year were concluded in the current year:

- * Kgetlengrivier Concerned Citizens vs Magalies Water - R502,000
- * Modimolle Local Municipality vs Magalies Water - R315,000
- * Interdict Oupa Phiri vs Magalies Water - R89,000



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

38. Related Parties

Relationships

Ultimate Controlling Entity	National Government
Controlling Entity	Department of Water and Sanitation

Related Party Balances

	2025	2024
Amounts included in Trade and Other Receivables		
Rand Water	24,137	34,617
Department of Water and Sanitation	94,257	146,480

Prior Period Error Adjustments : Amounts included in Trade and Other Receivables

Rand Water

The balance for Rand Water was understated by R573,000. The error was corrected by updating the amount disclosed resulting to a restatement of the balance from R34,0 million to R34,6 million in 2024. The correction is disclosed in Note 45.

Department of Water and Sanitation

The balance for Department of Water and Sanitation was understated by R9,9 million. The error was corrected by updating the amount disclosed resulting to a restatement of the balance from R136,4 million to R146,4 million in 2024. The correction is disclosed in Note 45.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Amounts included in Impairment of Receivables

	2025	2024
Rand Water	(573)	(573)
Department of Water and Sanitation	(55,688)	(30,855)

Prior Period Error Adjustments : Amounts included in Impairment of Receivables

Rand Water

The balance for Rand Water was understated by R573,000. The error was corrected by updating the amount disclosed resulting to a restatement of the balance from RNIL to R573,000 in 2024. The correction is disclosed in Note 45.

Department of Water and Sanitation

The balance for Department of Water and Sanitation was understated by R30,8 million. The error was corrected by updating the amount disclosed resulting to a restatement of the balance from RNIL to R30,8 million in 2024. The correction is disclosed in Note 45.

Amounts included in Payables from Exchange Transactions

Department of Water and Sanitation	(508,023)	(347,135)
Vaal Central Water	(126,543)	(404,753)

Amounts included in Unspent Conditional Grants

Department of Water and Sanitation	(1,688,316)	(1,200,182)
------------------------------------	-------------	-------------

Related Party Transactions

Amounts Included in Revenue

Department of Water and Sanitation (Grants and Subsidies)	1,077,521	733,310
Rand Water	157,753	141,299
Department of Water and Sanitation (Construction Contract Revenue)	206,430	178,275

Prior Period Adjustments : Department of Water and Sanitation (Construction Contract Revenue)

Amounts included in Revenue in the prior year for Department of Water and Sanitation (Construction Contract Revenue) was overstated by R1,2 million. The error was corrected as disclosed in Note 45. The amount disclosed on this note was then restated from R179,4 million to R178,2 million.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Amounts included in Cost of Sales

	2025	2024
Department of Water and Sanitation (Raw Water)	(103,111)	(98,040)
Vaal Central Water (Potable Water)	(53,338)	(56,263)
Department of Water and Sanitation (Construction Expense)	(206,430)	(178,275)

Amounts included in Other Income

Department of Water and Sanitation (Management Fees)	10,322	10,157
--	--------	--------

Amounts included in Operating Expenses

Department of Water and Sanitation	(55,394)	(58,646)
Rand Water (Debt Impairment)	-	-
Department of Water and Sanitation (Debt Impairment)	(24,833)	(20,520)
Vaal Central Water (Interest Expense)	(75)	(44,544)

Prior Period Adjustments

Rand Water (Debt Impairment)

Amounts included in Operating Expenses in the prior year was the Rand Water Tankering Project amount of R573,000 that was included in the Debt Impairment but was not disclosed in 30 June 2023 movement of the impairment. The amount is still included in the debt impairment as such there has been no movement that has been recognised in the statement of financial performance hence the RNIL impact for 2024 and 2025. The correction of this error has been disclosed in Note 45.

Department of Water and Sanitation (Debt Impairment)

Amounts included in Operating Expenses in the prior year was the Department of Water and Sanitation amount of R20,5 million that was included in the Debt Impairment movement but was not disclosed in the Related Party Note. The correction of this error has been disclosed in Note 45.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Compensation to Board Members and Key Management Personnel

	2025	2024
Board Members	8,759	6,701
Executive Management	22,290	26,819
Independent Members of Audit and Risk Committee	311	254
	31,360	33,774

Prior Period Adjustments : Compensation to Board Members

Board Members

The total amount that was paid to Board Members in the prior year was understated by R5,000. The correction of this error has been disclosed in Note 45 and has resulted to a restatement of the balance from R6,6 million to R6,7 million.

Remuneration of Key Management Personnel

Board Members

Emoluments: Board Members as at 30 June 2025

Name	Stipend	Board and Committee Fees	Other Fees^	Expenses^^	Total
Dr. K.L. Sebego (Chairperson of Board)	268	925	24	101	1,318
Ms. M.Y. Matolong (Deputy Chairperson)	227	706	20	57	1,010
Mr. I. Mosala	205	736	20	54	1,015
Ms. N.P. Mashaba	205	732	20	154	1,111
Ms. M.E.T Malaka	205	372	20	9	606
Mr. R. Le Roux	205	327	20	11	563
Mr. M.W.B. Mkhize	205	509	20	34	768
Dr. M. Makgae	205	549	20	26	800
Ms. Y. Pamla-Dhludhlu CA(SA)	205	412	20	45	682
Mr. S.A. Ngobeni	205	620	20	41	886
	2,135	5,888	204	532	8,759

^Other fees consist of cellphone allowance paid to the Board members.

^^Expenses comprise of travel and accommodation and general refunds.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Emoluments: Board Members as at 30 June 2024

Name	Stipend	Board and Committee Fees	Other Fees^	Expenses^^	Salary Benchmarking	Total
Dr. K.L. Sebegu (Chairperson of Board)	152	645	24	74	146	1,041
Ms. M.Y. Matolong (Deputy Chairperson)	152	243	20	215	112	742
Mr. I. Mosala	152	269	20	198	129	768
Ms. N.P. Mashaba	152	289	20	290	130	881
Ms. M.E.T Malaka	152	95	20	161	87	515
Mr. R. Le Roux	152	34	20	158	53	417
Mr. M.W.B. Mkhize	152	135	20	183	101	591
Dr. M. Makgae	152	150	20	171	115	608
Ms. Y. Pamla-Dhludhlu CA(SA)	152	76	20	182	86	516
Mr. S.A. Ngobeni	152	178	20	175	97	622
	1,520	2,114	204	1,807	1,056	6,701

^Other fees consist of cellphone allowance paid to the Board members.

^^Expenses comprise of travel and accommodation and general refunds.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Management Class: Executive Management

Emoluments: Executive Members as at 30 June 2025

Name	Salary	Acting Allowance	Expenses [^]	Other Expenses ^{^^}	Total
Mr. S.P. Mkhize (Chief Executive Officer #1)	87	-	-	410	497
Mr. O. Nthutang (Acting Chief Executive Officer #2)	2,564	278	88	662	3,592
Ms. M.C. Tabane (Chief Financial Officer)	2,541	-	65	649	3,255
Mr. S. Mbadamana (Acting Chief Operations Officer #3)	2,663	298	189	467	3,617
Mr. T. Mpane (Acting General Manager : Projects and Engineering #4)	1,177	133	109	332	1,751
Mr. T. Ntabeni (General Manager : Corporate Services)	2,383	-	100	590	3,073
Dr. V. Akinwekomi (General Manager : Water Services)	2,640	-	80	669	3,389
Ms. K. Mogamisi (General Manager : Stakeholder and Customer Services)	2,404	-	152	560	3,116
	16,459	709	783	4,339	22,290

[^] Expenses comprise of cellphone allowance, travel & accommodation, refunds and settlements.

^{^^} Other expenses comprise of leave pay-out and company contribution.

#1 Mr. S.P. Mkhize resigned from Chief Executive Officer effectively on 30 June 2024, but payments for leave and other accruals to the employee were made after that date.

#2 Mr. O. Nthutang was the Acting Chief Executive Officer from 01 July 2024 until 31 May 2025. From 01 June 2025 was appointed as the Chief Executive officer.

#3 Mr. S. Mbadamana was the Acting Chief Operations Officer from 01 July 2024 until 30 June 2025.

#4 Mr. T. Mpane was Acting General Manager : Projects and Engineering from 01 July 2024 until 31 March 2025.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Emoluments: Executive Members as at 30 June 2024

Name	Salary	Acting Allowance	Salary Benchmarking	Expenses [^]	Other Expenses ^{^^}	Total
Mr. S.P. Mkhize (Chief Executive Officer #1)	2,426	-	400	387	662	3,875
Mr. T. Shezi (Acting Chief Financial Officer #2)	1,105	22	186	138	286	1,737
Ms. M.C. Tabane (Chief Financial Officer #3)	1,577	-	259	226	452	2,514
Mr. O. Nthutang (Chief Operations Officer #4)	1,857	32	328	358	550	3,125
Mr. S. Ngcobo (Acting General Manager : Water Services #5)	1,692	34	116	226	597	2,665
Dr. V. Akinwekomi (General Manager : Water Services #6)	1,555	-	276	249	455	2,535
Mr. T. Molobyse (General Manager : Corporate Services #7)	1,861	279	-	325	562	3,027
Ms. T. Ntabeni (General Manager : Corporate Services #8)	1,061	-	187	233	347	1,828
Mr. S. Mbadamana (Acting General Manager : Projects and Engineering #9)	1,693	151	274	358	370	2,846
Ms. K. Mogamisi (General Manager : Stakeholder and Customer Services)	1,672	-	305	288	402	2,667
	16,499	518	2,331	2,788	4,683	26,819

[^] Expenses comprise of cellphone allowance, travel & accommodation, refunds and settlements.

^{^^} Other expenses comprise of leave pay-out and company contribution.

#1 Mr. S.P. Mkhize resigned from Chief Executive Officer effectively on 30 June 2024.

#2 Mr. T. Shezi was the Acting Chief Financial Officer from 01 July 2023 to 17 September 2023.

#3 Ms. M.C. Tabane was appointed as Chief Financial Officer on 18 September 2023.

#4 Mr. O. Nthutang was Acting Chief Operations Officer from 01 July 2023 to 31 August 2023 and was appointed in the position on 01 September 2023.

#5 Mr. S. Ngcobo was Acting General Manager : Water Services from 01 July 2023 to 30 September 2023.

#6 Dr. V. Akinwekomi was appointed General Manager : Water Services on 18 September 2023.

#7 Mr. T. Molobyse was Acting General Manager : Corporate Services from 01 July 2023 to 30 November 2023.

*All the acting that accrued to this employee was paid in the current year and was accounted for in the current year as based on our assessment, the restatement was not material.

#8 Ms. T. Ntabeni was appointed as General Manager : Corporate Services on 01 December 2023.

#9 Mr. S. Mbadamana was Acting General Manager: Project Management Unit from 01 July 2023 to 31 March 2024 and was appointed in the position on 01 April 2024.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Independent Audit and Risk Committee Members

Emoluments: Independent Audit and Risk Committee Members as at 30 June 2025

Name	**Committee Fees	^^Expenses	Total
Ms. N.F. Shabalala	115	-	115
Mr. Z.N. Tshabalala	90	-	90
Mr. V. Magan	104	2	106
	309	2	311

**Committee Fees consist of all fees paid for attendance of audit committee meetings.

^^Expenses comprise of travel and accommodation and general refunds.

Emoluments: Independent Audit and Risk Committee Members as at 30 June 2024

Name	**Committee Fees	^Other Fees	^^Expenses	Salary Benchmarking	Total
Ms. N.F. Shabalala #1	91	-	-	16	107
Mr. Z.N. Tshabalala #2	59	-	1	13	73
Mr. V. Magan #3	56	1	-	17	74
	206	1	1	46	254

**Committee Fees consist of all fees paid for attendance of audit committee meetings.

^Other Fees comprise of induction meeting and other non-committee meetings.

^^Expenses comprise of travel and accommodation costs.

#1 Ms. N.F. Shabalala was re-appointed as a member of this committee from 01 April 2024 after the last term ended on 28 February 2024.

#2 Ms. Z.N. Tshabalala was re-appointed as a member of this committee from 01 April 2024 after the last term ended on 28 February 2024.

#3 Mr. V. Magan is a new additional member of the committee and was appointed from 01 April 2024.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

38. Change in Estimate

Property, Plant and Equipment

The useful life of certain items of property, plant and machinery were revised during the year. The change in estimate of useful lives of items of property, plant and machinery resulted in decrease in depreciation for the year by R5,8 million as estimated useful lives of assets were extended. This change is material and will be applied prospectively in the determination of future depreciation.

Intangible Assets

The useful life of certain items of intangible assets were revised during the year. The change in estimate of useful lives of items of intangible assets resulted in decrease in the amortisation for the year by R112,000 as estimated useful lives of intangible assets were extended. This change will be applied prospectively in the determination of future amortisation.

39. Financial Instruments Disclosure

Categories of Financial Instruments

30 June 2025

Financial Assets

	At Amortised Cost	Total
Receivables From Exchange Transactions	1,872,822	1,872,822
Receivables From Non-Exchange Transactions	6,940	6,940
Cash and Cash Equivalents	2,167,313	2,167,313
	4,047,075	4,047,075

Financial Liabilities

	At Amortised Cost	At Cost	Total
Payables From Exchange Transactions *	1,388,280	-	1,388,280
Deposits Received	-	51,709	51,709
	1,388,280	51,709	1,439,989

*Payables From Exchange Transactions excludes accrual for bonus and leave as these are not financial instruments as defined.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

30 June 2024

Financial Assets

	At Amortised Cost	Total
Receivables From Exchange Transactions	2,175,803	2,175,803
Receivables From Non-Exchange Transactions	17,229	17,229
Cash and Cash Equivalents	1,404,909	1,404,909
	3,597,941	3,597,941

Financial Liabilities

	At Amortised Cost	At Cost	Total
Payables From Exchange Transactions *	1,478,379	-	1,478,379
Deposits Received	-	49,834	49,834
	1,478,379	49,834	1,528,213

^Payables From Exchange Transactions excludes accrual for bonus and leave as these are not financial instruments as defined.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

40. Risk Management

Financial Risk Management

The principal financial risks to which Magalies Water is exposed as a result of its financial instruments are:

- Liquidity Risk
- Credit Risk
- Market Risk which consist of:
 - Interest Rate Risk
 - Foreign Exchange Risk

The entity's overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the entity's financial performance. Risk management is carried out by the entity's investment advisors under policies approved by the Board. The investment policy provides guide for overall risk management, as well as investment of excess liquidity.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Liquidity Risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and cashflow projections.

Liquidity Risk is the risk that the entity will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Magalies Water's approach to managing liquidity risk is to ensure that the entity will always have sufficient liquidity to meet its liabilities when they fall due.

Magalies Water monitors its risk to shortage of funds using projected cash flows from operations and has provision for cash buffer investment. The entity also manages liquidity risk through as ongoing review of future commitments. Cash flow forecasts are prepared.

The table below reflects Magalies Water's maximum exposure to liquidity risk, which equals the carrying value of trade and other payables at reporting date:

30 June 2025

	0 to 30 days	30 to 90 days	30 to 120 days	Over 120 days	Total
Payables From Exchange Transactions	69,822	380,960	36,140	1,004,306	1,491,228
Deposits Received	1,858	37	-	49,814	51,709
	71,680	380,997	36,140	1,054,120	1,542,937

30 June 2024

	0 to 30 days	30 to 90 days	30 to 120 days	Over 120 days	Total
Payables From Exchange Transactions	427,606	371,784	35,734	741,709	1,576,833
Deposits Received	25	-	-	49,809	49,834
	427,631	371,784	35,734	791,518	1,626,667

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Credit Risk

Credit Risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity deposits cash with major banks and has contracted services of external reputable service providers other than major banks to mediate the process of short term investments quality credit standing and limits exposure to any one counter-party.

Magalies Water minimise loss due to defaulting customers through implementation of policies and procedures for revenue collection. All known risks are disclosed to the Board. Interest is charged at prime rate over 30 days from the date of the invoice.

Financial Assets exposed to credit risk at period end were as follows:

Financial Instrument

	2025	2024
Receivables From Exchange Transactions	1,872,822	2,175,803
Receivables From Non - Exchange Transactions	6,940	17,229
Cash and Cash Equivalents	2,167,313	1,404,909
	4,047,075	3,597,941

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

Market Risk Management

Market Risk is the potential for financial loss due to adverse movements in market prices, affecting the overall performance of investments and financial markets. It encompasses various factors like interest rate changes, fluctuations in stock prices, commodity prices, and exchange rates.

Interest Rate Risk

As the entity has no significant interest-bearing assets, the entity's income and operating cash flows are substantially independent of changes in market interest rates.

Magalies Water is exposed to interest rate as a result of investments held with various institutions. The entity has variable interest rate facilities which are reset on changes in prime interest rate, and therefore exposed to cash flow interest risk.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

A sensitivity analysis to a change in interest rate has been performed based on the exposure to interest rates on investments at reporting date. A 1% increase or decrease has been used and represent management's assessment of the reasonable possible change in interest rates. The sensitivity analysis has been performed on the same basis as the previous year.

1% decrease in Interest Rates

Decrease in Financial Assets
Decrease Surplus

2025	2024
(6,427)	(5,256)
(6,427)	(5,256)
(12,854)	(10,512)

1% increase in Interest Rates

Increase in Financial Assets
Increase Surplus

6,427	5,256
6,427	5,256
12,854	10,512

Foreign Exchange Risk

The entity does not hedge foreign exchange fluctuations.

The entity has a debt in foreign operations, whose current value is exposed to foreign currency translation risk. Currency exposure arising from the net assets of the entity's foreign operations will be managed primarily through invoicing the customers that are billed through the service obtained from the foreign operations.

Surplus is more sensitive to movement in Rand/Botswana Pula exchange rates in 2025 than the total debt amount because of the increased amount of Botswana Pula-denominated payables.

Foreign Currency Exposure at Statement of Financial Position Date

Liabilities

W.U.C
(BWP2,328,999.61 payable at 30 June 2025)
(BWP1,836,702.60 payable at 30 June 2024)

2025	2024
3,107	1,866
0.7496	0.7470

Exchange Rates Used for Conversion of foreign items were:

BWP



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

The entity reviews its foreign currency exposure, including commitments on an ongoing basis. The entity expects its foreign exchange contracts to hedge foreign exchange exposure.

41. Going Concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The going concern assessment was undertaken, taking into consideration the cash flow, budget projections, key financial performance indicators, risks and mitigating controls.

The non-payment of debt by municipalities for bulk water sales remain a concern for entity, resulting in significant increase in receivables from exchange transactions. The impact of customers not paying on time has been considered in cash flow projections used in the assessment of going concern. Management is satisfied with controls implemented to address this risk and has concluded that the organisation is still a going concern.

The disestablishment of Sedibeng Water Board and incorporation of Sedibeng Water's operations in North West province to Magalies Water effective from 1 July 2022 poses certain risks. The increase in operations requires an increase in funding available to the entity. This risk will be managed and controls will be put in place to ensure financial viability of Magalies Water is not threatened and the organisation is able to continue as a going concern.

We draw attention to the fact that at June 30, 2025, the entity had an accumulated surplus of R5,624 million and that the entity's current assets exceed its current liabilities by R987 million and a net surplus of R1,111 million was realised for the current financial year.

The basis assumes that sufficient funds will be available to finance future operational needs that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

42. Events After The Reporting Date

The following events occurred after reporting period:

Adjusting Event

a) Change in Prime Rate

On 01 August 2025, the prime lending rate reduced by 25 basis points from 10.75% to 10.50%. Magalies Water uses this rate to determine the interest charged to customers as well as to determined the recoverable revenue in the allowance for impairment computation. As result of this change, the impairment for receivables was determined using 10.50%.

Non - Adjusting Event

There were no non-adjusting events identified after reporting period.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

43. Fruitless and Wasteful Expenditure

	2025	2024
Fruitless and Wasteful Expenditure Incurred	3,431	2,372

Expenditure identified in the current year include those listed below:

	Disciplinary steps taken/criminal proceedings
Penalties	The investigation is under way
Interest Charged	The investigation is under way

Amount Recovered

There has been no recoveries of fruitless and wasteful expenditure in the current year as these incidents are still under investigation.

Possible Fruitless and Wasteful Expenditure

	2025	2024
Fruitless and Wasteful Expenditure Incurred	-	44,726

	Disciplinary steps taken/criminal proceedings	
Stipend Overpayment	The investigation is under way	- 138
Interest on Vaal Central Account	The investigation is under way	- 44,544
Overpayment of Overtime	The investigation is under way	- 44
		- 44,726

Amount Written Off

There has been no amounts of fruitless and wasteful expenditure that were written off in the current year as these incidents are still under investigation.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

44. Irregular Expenditure

	2025	2024
Irregular Expenditure Confirmed	80,276	61,435
Irregular Expenditure Under Investigation - Current Year	240,808	278,478
	321,084	339,913

Irregular expenditure is presented inclusive of VAT

Irregular expenditure incurred in the current year amounting to R240,8 million (2024: R278,4 million) is still under investigation in order to implement disciplinary action where necessary and condone the irregular expenditure if necessary.

Prior Period Adjustments

There were adjustments that were made to the prior year previously disclosed amounts. The detail of those adjustments have been disclosed in Note 45.

Possible Irregular Expenditure Under Investigation

	2025	2024
Possible Non-Compliance with laws and regulations in extensions or variations of contracts with suppliers	-	118,113
Project Delays	-	420
	-	118,533



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

45. Prior Period Error

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

The following errors and reclassifications occurred in the prior year and were corrected in the current year:

A: Overstatement of Revenue - Construction Contract Revenue (GRAP 11 Mismatch)

A finding was raised in the 2023/2024 financial year where Construction Contract Income and Construction Contract Expenses were not balancing for the 2023/2024 financial year after GRAP 11 adoption. On examination of the entries processed, it was found that the R1,2 million that was an overstatement in Construction Revenue was due to the COGHSTA revenue that was received in 2023 and was recognised in 2023/2024. A journal was done in the 2022/2023 to recognise the income, and another journal was done in 2023/2024 to derecognise the income. The value of the correction was R1,2 million.

B : Understatement of Statutory Receivables (VAT Payable)

Upon the transfer of the erstwhile Sedibeng Water VAT balance to Magalies Water, The VAT Statements that were included in the migration were understated by interest, penalties and assessments for the 2018/2019 and 2021/2022 financial years. The correction of the understatement in 2023 amounting to R202,000 and R93,000 in 2024 was done to ensure that the amounts are not understated.

C : Overstatement of Trade Payables - Allocation of Receipts - Retail Water

Receipts received from the while Sedibeng Water bank account for the period July to November 2022 and in Magalies Water up till June 2025 for the Military Village were only identified in the 2024/2025 financial year. Journals to recognise the income in the correct years was prepared and allocated to retail water sales. The value of the correction was R38,000 in 2023 and R120,000 in 2024.

D : Overstatement of Interest on Debtors

An assessment of interest was done and it was established that interest to the value of R6,9 million was overstated in the accounts of the debtors. This overstated the receivables balances as well as the interest income that was realised. The error was corrected by reversing the interest that was overstated in 2023 amounting to R703,000 and in 2024 amounting to R6,2 million.

E : Understatement of Medical Aid - Retired Employees

The payments that were made by Magalies Water for medical aid that was paid on behalf of retired employees as per the policy were not recognised as an expense in the prior year and thus understated the medical aid expense. This error was corrected by recording the expense in 2023 amounting to R1,0 million and in 2024 amounting to R1,9 million.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

F : Overstatement of Deferred Income

The deferred income calculation for the income to be recognised was incorrect resulting to an overstatement of the deferred income liability and understatement of the amounts recognised as income in the financial year 2023 and 2024. This error was corrected by restating the prior year in 2023 amounting to R46,3 million and in 2024 amounting to R10,6 million.

G : Reclassifications

Trade Receivables

Payments amounting to R3,9 million were reclassified from Trade Payables to Trade Receivables.

Cost of Sales

Cost of Sales reclassification as a result of the prior year corrections was done to the value R16,3 million.

H : Computation of Cashflow Statement

The interest that was charged on outstanding debtors amounting to R30,6 million was incorrectly included in interest income when instead of sale of goods and services. This error was corrected by recomputing the cashflow statement in the prior year and allocating the amount to the correct line item.

I : Reclassification of Receivables from Non-Exchange Transactions

Receivables amounting to R 17.2 million was incorrectly included under Receivables from Exchange Transactions in the prior year. This error was corrected by moving the balances to the correct line item.

J: Vat on Capital Contribution

The capital contribution in the prior year was considered without VAT amounting to R3,4 million. This error was corrected by allocating the VAT correctly.

The impact of the adjustments in the statements are as follows:



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Statement of Financial Position

30 June 2023

	As Previously Reported	Prior Period Adjustment	Restated
Receivables From Exchange Transactions	1,988,057	507	1,988,564
Payables from Exchange Transactions	(1,003,778)	(982)	(1,004,760)
VAT Payable	(30,768)	(1,084)	(31,852)
Deferred Income	(469,251)	46,398	(422,853)
Accumulated Surplus - Transfer of Assets	(844,752)	882	(843,870)
Effect on Accumulated Surplus	(360,492)	45,721	(314,771)

30 June 2024

	As Previously Reported	Prior Period Adjustment	Restated
Receivables From Exchange Transactions	2,203,913	(28,109)	2,175,804
Receivables From Non-Exchange Transactions	-	17,229	17,229
Statutory Receivables	60,869	(4,592)	56,277
Payables from Exchange Transactions	(1,578,011)	1,178	(1,576,833)
Capital Contribution	(253,483)	3,415	(250,068)
Deferred Income	(444,419)	57,001	(387,418)
Accumulated Surplus - Transfer of Assets	(844,752)	882	(843,870)
Effect on Accumulated Surplus	(855,883)	47,004	(808,879)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Statement of Financial Performance

30 June 2024

	As Previously Reported	Prior Period Adjustment	Restated
Revenue	2,397,404	(7,312)	2,390,092
Cost of Sales	(1,115,689)	16,373	(1,099,316)
Other Income	107,547	10,604	118,151
Other Expenses	(920,219)	(18,380)	(938,599)
Effect on Surplus For The Year	469,043	1,285	470,328

Cash Flow Statement

30 June 2024

	As Previously Reported	Prior Period Adjustment	Restated
Cash Flow from Operating Activities			
Sale of Goods and Services	1,166,285	38,269	1,204,554
Interest Income	104,456	(30,685)	73,771
Capital Contribution	26,185	(3,416)	22,769
Employees	(470,312)	(1,915)	(472,227)
Suppliers	(599,489)	(2,253)	(601,742)
Effect on Cash Generated from Operations	227,125	-	227,125



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

B : Prior Period Adjustments - Disclosure Notes

The following prior period errors adjustments occurred:

B1.1 Transfers

Intangible Assets

Computer Software

Amount Disclosed in Prior Year
Additional Balances - Adjustment
Restated Disclosed Amount

2024	2023
11,633	12,239
(615)	(615)
11,018	11,624

Servitudes

Amount Disclosed in Prior Year
Additional Balances - Adjustment
Restated Disclosed Amount

2024	2023
983	983
615	615
1,598	1,598

Servitudes amounting to R615,000 were incorrectly included under Computer Software within Intangible Assets. Therefore Servitudes were understated and Computer Software was overstated by the same amount. The error was corrected by transferring the amount to Servitudes from Computer Software in 2023.

B1.2 Reassessment of Amounts Previously Disclosed

Related Parties

The following errors occurred on the Related Parties disclosure in the prior year but were corrected:

Amounts included in Trade and Other Receivables

Rand Water

Amount Disclosed in Prior Year (Gross)
Additional Balances - Adjustment
Restated Disclosed Amount

2024	2023
34,044	93,654
573	573
34,617	94,227

The balance for Rand Water was understated by R 573,000. The error was corrected by updating the amount disclosed in Related Parties Note 37 resulting to restatement of the balance in 2023 from R93,6 million to R94,2 million and in 2024 from R34,0 million to R34,6 million.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Department of Water and Sanitation

	2024	2023
Amount Disclosed in Prior Year (Gross)	136,495	81,847
Additional Balances - Adjustment	9,985	196
Restated Disclosed Amount	146,480	82,043

The balance for Department of Water and Sanitation was understated by R196,000 in 2023 and by R9,9 million in 2024. The error was corrected by updating the amount disclosed in Related Parties in Note 37 resulting to a restatement of the balance in 2023, from R81,8 million to R82,0 million and in 2024 from R136,4 million to R146,4 million.

Amounts included in Impairment of Receivables

Rand Water

	2024	2023
Amount Disclosed in Prior Year (Gross)	-	-
Impairment of Receivables - Opening Balance	(573)	-
Adjustment to Movement in Impairment of Receivables	-	(573)
Restated Disclosed Amount	(573)	(573)

The determination of impairment for 2023 made a provision for the amount of R 573,000. This amount was not considered in the Related Parties. The error was corrected by updating the amount in the Related Parties in Note 37.

Department of Water and Sanitation

	2024	2023
Amount Disclosed in Prior Year (Gross)	-	-
Impairment of Receivables - Opening Balance	(10,335)	(13,015)
Adjustment to Movement in Impairment of Receivables	(20,520)	2,680
Restated Disclosed Amount	(30,855)	(10,335)

The determination of impairment for 2023 made a provision for the amount of R 10,3 million and R 30,8 million in 2024. This amount was not considered in the Related Parties. The error was corrected by updating the amount in the Related Parties in Note 37.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Amounts included in Trade and Other Payables

Department of Water and Sanitation

	2024	2023
Amount Disclosed in Prior Year	(367,199)	(181,433)
Impairment of Payables - Prescription	19,884	-
Restated Disclosed Amount	(347,315)	(181,433)

In 2023, an amount of R19.8 million was included in Payables. This amount was not claimed by DWS and this has prescribed. The amount was then reversed and resulted to a restatement from R367,1 million to R347,3 million. The error was corrected by updating the amount in the Related Parties in Note 37.

Amounts included in Trade and Other Payables

Amounts Included in Revenue

	2024	2023
Opening Balance	179,484	198,690
Adjustments made	(1,209)	1,209
Restated Disclosed Amount	178,275	199,899

Amounts included in Revenue in the prior year for Department of Water and Sanitation (Construction Contract Revenue) was overstated by R1,2 million. The amount disclosed in Related Parties in Note 37 was then "restated" in 2023, from R198,6 million to R199,8 million and in 2024, from R179,4 million to R178,2 million.

Rand Water (Debt Impairment)

	2024	2023
Amount Disclosed in Prior Year	-	-
Adjustments made	-	(573)
Restated Disclosed Amount	-	(573)

Amounts included in Operating Expenses in the prior year was the Rand Water Tankering Project amount of R573,000 that was included in the Debt Impairment but was not disclosed in 30 June 2023 in the avengement of the impairment. The amount is still included in the debt impairment as such there has been no movement that has been recognised in the statement of financial performance hence the RNIL impact for 2024 and 2025. The amount is disclosed in Related Parties Note 37.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Department of Water and Sanitation (Debt Impairment)

	2024	2023
Amount Disclosed in Prior Year	-	-
Adjustments made	(20,520)	2,680
Restated Disclosed Amount	(20,520)	2,680

Amounts included in Operating Expenses in the prior year was the Department of Water and Sanitation amount of R2,6 million in 2023 and (R20,5 million) in 2024 that was included in the Debt Impairment movement but was not disclosed in Related Parties. The amount is disclosed in Related Parties Note 37.

Board Member Emoluments

	2024	2023
Amount Disclosed in Prior Year	6,696	5,990
Adjustments made - Dr K.L. Sebego	5	-
Adjustments made - Mr S.A. Ngobeni	-	47
Restated Disclosed Amount	6,701	6,037

The Board Member payments were understated in 2023 by R47,000 and in 2024 by R5,000. This was corrected by updating the balances and disclosed in Note 37.

Commitments

Capital Commitments

	2024	2023
Amount Disclosed in Prior Year	1,651,437	-
Adjustments Made	82,153	-
Restated Disclosed Amount	1,733,590	-

Operational Commitment

	2024	2023
Amount Disclosed in Prior Year	223,748	-
Adjustments Made	624,709	-
Restated Disclosed Amount	848,457	-

The capital and operational commitments that were disclosed in the previous year were understated by S30 contracts and incorrect balances for the commitments amounting to an aggregated R82,1 million for capital commitments and R624,7 million for operational commitments. This was corrected by updating the balances and disclosed in Note 35.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

Financial Instruments

Receivables From Exchange Transactions

Receivables from Exchange Transactions were updated by R28,1 million as a result of the errors that were identified.

Receivables From Non-Exchange Transactions

Receivables from Non-Exchange Transactions were adjusted due to incorrect classification of government grants and subsidies receivables amounting to R17,2 million in the prior year.

The financial instrument note was then updated with the balances and disclosed in Note 39.

Risk Management

Liquidity Risk

Liquidity Risk was updated as a result of the R1.1 million that was updated on Payables from Exchange Transactions. This affected the ageing of the payables from exchange transactions and was thus updated.

Credit Risk

Credit Risk was updated as a result of the receivables from exchange transactions adjustments amounting to R28.1 million and receivables from non-exchange transactions amounting to R17.2 million.

The risk management note was then updated with the balances and disclosed in Note 40.

Irregular Expenditure

Amount Disclosed in Prior Year

Adjustments Made

Restated Disclosed Amount

	2025	2024
Amount Disclosed in Prior Year	1,308	-
Adjustments Made	277,170	-
Restated Disclosed Amount	278,478	-

The irregular expenditure was understated by the R277,1 million due to non-compliance to laws and regulations pertaining to application of the 80/20 principle. This was corrected by updating the balances previously reported and disclosed in Note 44.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

46. Budget Differences

Material differences between budget and actual amounts

A budget variance of above 5% are considered to be material and above the normal acceptable range. The reason for these variances are included below:

- (a) **Sale of Water** were lower than budgeted sales due to lower sales volumes. There were regular electricity outages at the Vaalkop, Wallmannsthal and Cullinan Water Treatment Works and there were also infrastructure breakdowns where operations of the plant were affected due to repairs that needed to be done and water production and sales was then negatively affected. Vaalkop water treatment works also experienced drought in the period where in Dam level was low and water quality levels significantly decreased, and production was reduced.

The entity started supplying water to Dr Ruth during 2024/25 financial year and when the operations started, there were challenges as infrastructure was not ready where in some areas did not have meter which negatively affect sales volumes, then in some areas the Water Treatment Plants were not producing volumes that were budgeted for.

- (b) **Construction Contract Revenue** is an accounting entry that is in-line with GRAP 11 which was not budgeted for as it has a RNIL impact on the overall surplus for the year. During the period June to August 2024, Magalies Water was in the process of addressing the findings by Auditor General relating to 2022/23 financial year. The accounting treatment for projects implemented for DWS were previously treated as agency agreements and revenue was only recognised for management fees/commission earned and expenditure and recovery of revenue was not accounted for as Magalies Water was previously considered as an agent on the transaction. During June to Audit period, budgets for the years ending 30 June 2024 and June 2025 had already been approved without an allocation for revenue if the contract with DWS is considered as construction contract. Therefore, construction revenue was not budgeted for but revenue had to be accounted for in compliance with GRAP 11 even though there was no budget.
- (c) **Interest Charged on Outstanding Trade Receivables** was higher than budget as more debtors did not pay their accounts on time resulting in more interest being charged to them.
- (d) **Finance Income** was significantly more than budget due to funds received from DWS that were invested in the short-term deposits.
- (e) **Management Fees** were lower than the budgeted amounts because of slow progress made in completion of projects.
- (f) **Tender Fees Income** is based on the number of tenders advertised as well as the number of suppliers buying tender documents. Tenders advertised were lower than planned as slow progress in the implementation of the procurement plan.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

- (g) **Rental Income** related to rent charged to employees using staff accommodation or houses owned by Magalies Water. Rental income earned is in line with the budget with no material variance between budget and actual.
- (h) **Cost Recovery Income** is dependent on the amount of work required by clients where services are provided on cost recovery basis. Magalies Water budgeted for cost recovery for services that were going to be provided to Ngaka Modiri Molema District. The municipality did not finalise the agreement which result in a shortfall in cost recovery income by R10 million budgeted for Ngaka Modiri Molema District.

The actual expenses for Dr Ruth is a R 62 million below the budget. Included in the budget is expenses for Hartswater office that was re-classified as Bulk expenses.

- (i) **Sundry Income** includes water re-connections fees, administration fees and other sundry income. Other income exceed budget due to more services being offered that resulted in income, recognition of income from write off of capital amount and interest from Vaal Central and income recognised from prescription of creditors as per legislation.
- (j) **Lab Analysis Income** is dependent on customer requests for services that pertains to the use of the lab in samples. More samples were tested this year and the increase was not anticipated in the budget.
- (k) **Gain on Foreign Exchange Difference** was not budgeted for as it relates to the foreign exchange translation to functional currency.
- (l) **Deferred Income** was less than budget due to non-recovery of revenue due less sales volumes to the mines
- (m) **Government Grants and Subsidies** income was higher as the Department of Water and Sanitation provided grants that had not been budgeted for resulting in a positive variance.
- (n) **Operational Grant Relief** income was not budgeted for as this income was received from the Department of Water and Sanitation as a temporary cashflow relief thereby resulting in a positive variance.
- (o) **Employee Related Cost** was more than budget due to the following:
 - * Long outstanding vacancies
 - * Year end movement on retirement obligation and long service awards which were not in the budget.
 - * Performance bonus provision for 2024/2025 was only adjusted with movement due to non-payment.
- (p) **Depreciation and Amortisation** budget is a non-cash item that seeks to estimate purchase of assets, spending on the CAPEX budget and completion of projects. If the entity did not buy more assets as anticipated, there was no spending on the minor capex budget then it means the actual depreciation would be less than the budget.
- (q) **Impairment of Assets** was not budgeted for as it was because of the year end assessment that was not anticipated during the budget period.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand thousand

- (r) **Loss on Disposal of Assets** relates to items of property, plant and equipment disposed off. The actual was significantly more than the budget due to the volume of assets that were disposed of as a result of the year end processes that were undertaken.
- (s) **Bad Debt Written Off** was not budgeted for as this was as a result of the debtors engagements that occurred in the current year.
- (t) **Debt Impairment** was more than the budget due to the non-payment of the accounts by customers.
- (u) **Cost of Sales** was inline with budget after removing the distribution losses.
- (v) **General Expenses** were mainly managed below budget, however the entity lost court cases and the legal fees budget was exceeded and this contributed to the over expenditure on the budget. When the entity lost court cases, the entity was instructed to make payments that were not budgeted for and these payments were not avoidable.
- (w) **Finance Costs** was not budgeted for as this was because of GRAP 25 liabilities that were re-measured during the year.
- (x) **Actuarial Gain (Loss)** was not budgeted for as this was because of GRAP 25 actuarial year end valuations.



DETAILED INCOME STATEMENT

Figures in Rand thousand

Note(s)	2025	2024
		<i>*Restated</i>
Revenue		
Sale of Water	1,478,743	1,175,829
Operations and Maintenance Recovery	-	204,443
Construction Contracts	207,372	178,275
Interest Charged on Outstanding Trade Receivables	33,030	30,686
Finance Income	107,612	67,549
Government Grants and Subsidies	1,049,721	731,310
Operational Grant Relief	27,800	2,000
	2,904,278	2,390,092
Cost of Sales		
Cost of Water Sold	(1,250,338)	(1,099,316)
Gross Surplus	1,653,940	1,290,776
Other Income		
Management Fees	20,051	18,176
Tender Fees	407	527
Rental Income	393	385
Cost Recovery Income	88,801	41,599
Sundry Income	335,391	2,463
Lab Analysis	13,975	14,775
Deferred Income Recognised	17,667	40,159
Gain on Foreign Exchange Differences	7	67
Actuarial Gain	56,554	-
	533,246	118,151
Expenses (Refer to page 267)	(1,052,006)	(938,599)
Operating Surplus	1,135,180	470,328
Finance Costs	(23,900)	(7,079)
Actuarial loss	-	(118)
	(23,900)	(7,197)
Surplus For The Year	1,111,280	463,131



DETAILED INCOME STATEMENT

Figures in Rand thousand

Note(s)	2025	2024
Operating Expenses		<i>*Restated</i>
Administration Overheads	(2,264)	(1,647)
Advertising	(764)	(623)
Auditors Remuneration	(6,336)	(6,844)
Debt Impairment	(97,835)	(148,098)
Bad Debts Written Off	(447,819)	(20)
Bank Charges	(356)	(379)
Cleaning	(660)	(1,061)
Lease Rentals on Operating Lease	(2,626)	(4,166)
Computer Expenses	(1,530)	(1,512)
Consulting and Professional Fees	(12,163)	(13,324)
Consumables	(22,702)	(27,028)
Depreciation, Amortisation and Impairments	(11,032)	(12,579)
Donations	-	(12)
Employee Costs	(255,633)	(437,541)
Recruitment Cost	(910)	(975)
Corporate Social Responsibility	(2,385)	(3,595)
Safety, Health and Environment	(11,762)	(12,358)
Licence Fees	(9,836)	(6,133)
Legal Expenses	(28,652)	(5,992)
Fines and Penalties	(2,418)	(47,009)
Flowers	(663)	(1,031)
Insurance	(7,846)	(7,620)
Loss on Disposal of Assets	(2,872)	(100)
Petrol and Oil	(9,224)	(8,003)
Promotions	(7,091)	(8,261)
Repairs and Maintenance	(3,443)	(84,268)
Security	(53,544)	(43,878)
Membership Fees	(852)	(318)
Telephone and Fax	(5,921)	(5,127)
Training and Conferences	(12,319)	(11,701)
Travel and Accommodation	(11,857)	(12,139)
Electricity	(18,691)	(25,257)
Surplus for The Year	(1,052,006)	(938,599)

