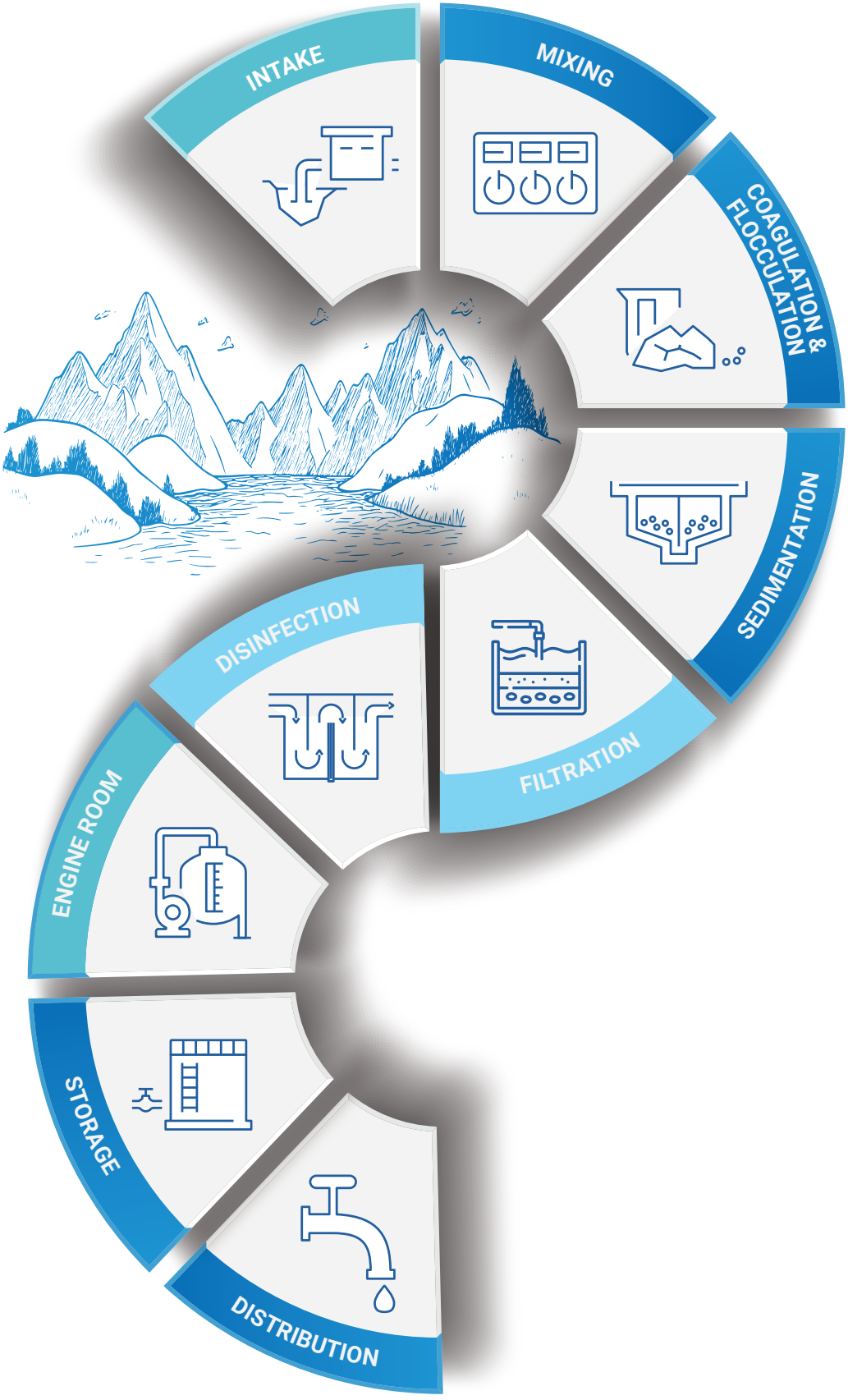
RAND WATER



INTEGRATED ANNUAL REPORT 2025

RAND WATER VALUE CHAIN



THEME OF OUR 2025 INTEGRATED REPORT

EXPANDING THE POSSIBILITIES IN SUSTAINABLE WATER SUPPLY



Rand Water, Africa's largest water utility, supplies potable bulk water to more than 18 million people across Gauteng, parts of Mpumalanga, Free State, and the North West. Through operational excellence, advanced infrastructure and sustainable practices, the organisation continues to ensure the reliable delivery of safe, high-quality water to its municipal, mining, industrial and agricultural customers.

The utility sources its water primarily from the Vaal Dam, supported by advanced hydrological monitoring systems that track water levels and quality to ensure long-term water security. At the core of its operations are the Zuikerbosch and Vereeniging purification plants, which employ a multi-stage treatment process monitored in real time to maintain compliance with SANS 241 drinking water standards. Once treated, water is conveyed through a 3,500 km pipeline and pumping network to 60 strategically placed reservoirs. These reservoirs balance demand during peak usage periods and are integrated into a centralised SCADA system, which enables data-driven decision-making for water flow, pressure management and emergency responses. Predictive technologies such as pipeline inspection gauges and pressure management systems further enhance efficiency by detecting leaks, reducing bursts and minimising non-revenue water.

As population growth and climate change intensify the demand for water, Rand Water remains committed to building resilient infrastructure that safeguards future supply. This commitment is evident in the development of new assets such as the *210 megalitre Vlakfontein Reservoir* in Ekurhuleni and the *Station 5 Water Treatment Plant* within Zuikerbosch. At the same time, the organisation's five-year maintenance programme ensures reliability through the regular inspection, cleaning and upgrading of infrastructure, which prevents corrosion, reduces bursts and sustains water quality.

During 2024/25 financial year, several large-scale maintenance initiatives were successfully executed. In June and July 2024 respectively, pipeline replacements, reservoir cleaning and key pump station upgrades were undertaken with minimal service disruption. In December 2024, a critical 86-hour maintenance programme reinforced reservoirs, realigned pipelines and introduced alternative supply arrangements in collaboration with customers. Between May and July 2025, multiple projects were completed to increase capacity, plant availability and operational efficiency, including the tie-in of the *B16 pipeline* between Zuikerbosch and Station 5, which was delivered ahead of schedule.

While such projects may cause temporary supply interruptions, the long-term benefits far outweigh the short-term inconvenience. By continuing to invest in infrastructure maintenance and development, Rand Water demonstrates its commitment to operational excellence, sustainability and resilience, thereby expanding the possibilities in sustainable water supply for the benefit of communities, industries and future generations.

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2025 NOTABLE PERFORMANCE ACHIEVEMENTS

Station 5A Inaugurated

President Cyril Ramaphosa inaugurated Station 5A at our Zuikerbosch Plant, the largest water purification facility in Africa.

Uninterrupted supply of potable water

We take pride in consistently fulfilling our mandate to provide an uninterrupted supply of potable water, despite the challenges faced.

Free from material criminal conduct

No instances of material criminal conduct and corruption were identified in the current year.

3 572 people were employed

A total of 3 572 people were employed across the Group, with 378 new permanent positions created during this reporting period.

5.07% increase in revenue

Rand Water recorded a 5.07% increase in revenue, reaching R22.9 billion.

R3.2 billion unsecured bonds

As of 30 June 2025, the Group has issued unsecured bonds totalling 3.2 billion under the registered R10 billion Domestic Medium-Term Note (DMTN) Programme.

R30.6 million on Social Responsibility

Spent R30.6 million on Rand Water Foundation activities, an entity of Rand Water that exists to carry out our social responsibility role.

Best Annual Rand Show Exhibition Stand

Rand Water honored with the "Best Annual Rand Show Exhibition Stand" award, our 6th win to date.



South African National Standard (SANS) 241 for drinking water quality

Rand Water adhered to SANS 241 standard, demonstrating its dedication to providing safe drinking water to its consumers.

Water demand and supply

We supplied an average of 4,574 Mℓ/d and peak day demand of 5,161Mℓ/d.



CIPS Corporate Ethics

Rand Water achieved CIPS Corporate Ethics, our 4th consecutive achievement.



Water saving

To promote water saving and conservation, we connected with a diverse range of stakeholders across multiple platforms, reaching a total of 11,403 participants.



Successfully completed 5 planned maintenance

We have successfully completed 5 planned maintenance projects aimed at improving pump availability, enhancing standby capacity and increasing plant flexibility.

INTRODUCING OUR INTEGRATED REPORT

We are delighted to present Rand Water's Integrated Annual Report for the financial year ended 30 June 2025. This report reflects our performance and progress across both financial and non-financial dimensions for the period 1 July 2024 to 30 June 2025. The content of the report is organised around the Six (6) Capitals that shape our value creation journey: Financial Capital (financial results), Manufactured Capital (infrastructure investments and performance), Human Capital (workforce), Social and Relationship Capital (engagement with stakeholders and communities), Natural Capital (interaction with the environment), and Intellectual Capital (knowledge, expertise, and innovation). In addition to these focus areas, the report highlights other significant events that occurred during the reporting period, as well as our sustainability disclosures, which illustrate how we address Environmental, Social and Governance (ESG) matters. Much of the information is drawn from quarterly performance reports endorsed by the Board and submitted to the Department of Water and Sanitation (DWS). Our Shareholder's Compact and Corporate Business Plan remain the cornerstone of the performance reported.

This report has been prepared in alignment with the International Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC). It is intended to demonstrate how Rand Water's strategy, governance, and performance contribute to long-term value creation. The content is further informed by the principles of the King IV Report on Corporate Governance (King IV), which promotes sound governance, ethical leadership, and organisational sustainability. In compiling this report, we have also considered other regulatory requirements, including International Financial Reporting Standards (IFRS), the Johannesburg Stock Exchange (JSE) Debt Listings Requirements, and the Public Finance Management Act (PFMA), No. 1 of 1999 (as amended).

All financial information contained herein is derived from Rand Water's Annual Financial Statements, which are approved by the Board, audited by the Auditor-General of South Africa (AGSA), and prepared in accordance with IFRS. To ensure accuracy and integrity, the content of this report undergoes review by subject matter experts, practitioners, the Executive Committee (EXCO), the Group Audit and Risk Committee (GARC), and the Board, which carries overall accountability for the quality, reliability, and completeness of the report. The Annual Financial Statements are published alongside this Integrated Annual Report.

ASSURANCE APPROACH

The Board of Rand Water resolved to form a Group Audit and Risk Committee (GARC), combining the Audit and Risk Committee of the subsidiaries, Rand Water Foundation and Rand Water Services, with that of Rand Water. GARC has been established primarily to assist the Board in overseeing, *inter alia,* the following:

- The quality and integrity of Rand Water's integrated reporting, the consolidated Rand Water Group (the Group) financial statements, sustainability reporting, and public announcements in respect of the financial results.
- The effectiveness of Rand Water's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, the internal audit, and the finance function.
- The independence of the external auditors for the Rand Water Group, the audit scope and assessment of the effectiveness of the external audit function; and the effectiveness of the Group's internal controls and internal audit function.
- Compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements.
- Condonation of fruitless and wasteful expenditure and irregular expenditure.
- The implementation of an appropriate enterprise-wide risk management strategy which is supported by an effective enterprise-wide risk management framework (ERMF).
- The quality and effectiveness of Rand Water's risk management systems, processes and procedures including the strategies and policies for the management of risks across the organisation.

COMBINED ASSURANCE

Rand Water has formally adopted a Combined Assurance Model to strengthen governance, reinforce the internal control environment, and optimise the assurance obtained from both management and independent assurance providers.

A clearly defined Combined Assurance Framework has been institutionalised to support structured implementation across the Group. The framework is operationalised through the Combined Assurance Forum, comprising representatives from key assurance and oversight functions; including Integrity and Probity Assurance, Risk Advisory Services, Group Legal Services, Group Regulatory Compliance Services, Group Internal Audit (GIA), and the Auditor-General of South Africa (AGSA). This structure enables a systematic and coordinated response to strategic and operational risks, aligned with the Five (5) Lines of the Assurance model.

The coordination and facilitation of combined assurance activities is delegated to GIA, as mandated in the Internal Audit Charter. Throughout the reporting period, the GARC received quarterly updates on the effectiveness and adequacy of combined assurance efforts, including internal controls relating to strategic risks. As part of the combined assurance model, there were structured engagements between GIA and the AGSA during the year. These engagements covered shared planning intelligence (including the approved GIA three-year rolling plan and annual plan), completed audit reports and working papers, and collaborative assurance where reliance and direct assistance were agreed upon.

Internal Controls

Rand Water's system of internal controls is designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, safeguarding of assets, prudent management of liabilities and working capital and compliance with laws and regulations.

Key components of internal controls architecture include:

- A comprehensive and integrated system of financial planning, budgeting, and reporting that enables ongoing monitoring of financial performance.
- An approved framework for assessing materiality and significance.
- Clearly defined delegations of authority.
- A robust and sustainable funding strategy.
- Institutionalised policies and procedures across all areas of the business.

These controls are monitored throughout the organisation by management and employees, with the necessary delegation of authority and segregation of duties. The GARC is satisfied that the financial and performance reports submitted during the year were of an acceptable quality and allowed for informed oversight and decision-making.

For the current financial year, through review of the various reports of the internal auditors, the GARC noted that there were no material weaknesses in the systems of internal controls. The internal controls were generally adequate and effective, except in the areas of procurement of goods and services and Digital Technology and Information Management (DTIM) where significant findings were raised indicating control deficiencies requiring urgent management attention. These significant findings in the Supply Chain Management (SCM) area were related to contract variations, delays in bid evaluations, non-adherence to evaluation criteria in Request for Quotation (RFQ) evaluations and incomplete records. In the DTIM space the significant findings were related to weaknesses in the management of third-party Service Level Agreement (SLA), capacity planning deficiencies and backup and recovery risks. Management has committed to addressing these deficiencies and provided an action plan. The Committee maintains close oversight and continues to track management's effort to remediate these weaknesses.

Internal Audit

The Group Internal Audit (GIA) function continues to be a cornerstone of the governance framework, operating in accordance with the PFMA, King IV principles, and the newly adopted Global Internal Audit Standards issued by the Institute of Internal Auditors (IIA).

The GARC maintained direct oversight of GIA, including approval of the Internal Audit Charter, the rolling three-year strategic internal audit plan, and the annual risk-based audit plan. GARC is satisfied that the GIA provided assurance on governance, risk management and control processes as per the approved internal audit plan. GIA delivered its approved plan for the period under review and submitted quarterly progress reports to the Committee, which included audit outcomes and management's progress on remediation of audit findings.

The internal audit unit completed 89% of the planned audits for the financial year 2024/25 (77% in 2023/24). The completed reviews covered the following areas:

- Quarterly Performance Information for the Group and Subsidiaries
- Draft Consolidated Annual Financial Statements
- Internal Financial Controls
- Supply Chain Management
- Human Resources and Performance Management
- The Environmental, Social and Governance (ESG) Report
- Digital Technology and Information Management including General Controls and Security Processes
- Project Management and SAP system
- Asset Maintenance and Maximo System
- Enterprise-Wide Risk Management processes
- Natural Environmental Management
- Water Quality and Water Purification Integrated Audits
- Meter Reading and Revenue Management Review
- Water Balance and Non-Revenue Water Integrated Audits
- Process Technology Integrated Audits
- Physical Security and National Key Point Review
- Physical Patrol and Leaks Identification
- Recoverable projects
- Asset Management Review (including assessment of critical assets)
- Knowledge Management and Records Review
- Safety, Health, Environment and Quality (SHEQ) Audits
- Follow up of internal and AGSA findings

The Group Audit Executive has unrestricted access to both the GARC and its Chairperson, thereby reinforcing the independence and stature of the function. The GIA remained effective and demonstrated professional competence in delivering its mandate, underpinned by its adherence to the IIA Code of Ethics and the Standards for the Professional Practice of Internal Auditing.

GIA continues to meet its quality assurance obligations. In line with the best international practices, GIA undergoes an External Quality Assurance Review (EQAR) at least once every five (5) years, although Rand Water's internal audit function has opted for a three-year review cycle. The most recent EQAR, completed in March 2024, resulted in a rating of 'Generally Conforms', the highest rating attainable, affirming material compliance with IIA standards and ethical expectations.

During the current reporting cycle, GIA proactively commenced alignment of its audit methodologies with the new Global Internal Audit Standards to ensure sustained conformance and readiness for the next EQAR, scheduled for 2027.

APPROVAL BY THE BOARD

The Board of Rand Water is ultimately responsible for ensuring the integrity of this 2025 Integrated Annual Report, assisted by the Group Audit and Risk Committee, and further supported by EXCO. The report is produced by a devoted team of subject matter experts from Rand Water, with the relevant skills and experience to undertake the reporting and assurance process. All involved parties have devoted substantial effort and thought into how best to report on the performance of Rand Water. The Board concluded that the report is materially presented in accordance with the applicable frameworks and requirements. This report was approved by the Board of Rand Water on 31 October 2025.



Board Chairperson



Chairperson: Group Audit and Risk Committee



Group Chief Executive

FOREWORD BY THE MINISTER OF WATER AND SANITATION



> *The past financial year has reinforced the reality that secure, reliable access to water and sanitation is not only a constitutional right but also a prerequisite for economic resilience, human dignity, and sustainable development.*

Ms. Pemmy Majodina, MP
Minister of Water and Sanitation

I am honoured to present the Rand Water's Integrated Annual Report for the period 1 July 2024 to 30 June 2025. As South Africa's largest bulk water utility, Rand Water continues to play a pivotal role in ensuring water security and supporting sustainable development across Gauteng and neighbouring provinces. The past financial year has reinforced the reality that secure, reliable access to water and sanitation is not only a constitutional right but also a prerequisite for economic resilience, human dignity, and sustainable development.

In his 2025 State of the Nation Address, His Excellency President Cyril Ramaphosa unequivocally identified water as a strategic national priority and declared the prevailing water crisis as an urgent area requiring immediate government intervention. In response to this national directive, the Department of Water and Sanitation has undertaken significant efforts to implement structural reforms, enhance governance frameworks, and accelerate infrastructure investments aimed at stabilising and revitalising the water sector.

The Sector's Challenges and Strategic Response

The South African water and sanitation sector remains under pressure due to a combination of ageing infrastructure, limited municipal capacity, and financial instability across many Water Services Authorities. I'm pleased to announce that Rand Water remains a shining example of world class water and sanitation delivery to the economic hub of South Africa.

However, The latest Blue, Green and No Drop reports reveal a concerning decline in municipal water quality, sanitation performance, and non-revenue water. Municipalities are struggling to meet their constitutional obligations in water and sanitation service delivery.

Rand Water's Role in Ensuring Water Security in its mandated area of supply

In this demanding context, Rand Water has remained a cornerstone of water security in Gauteng, Mpumalanga, parts of Free State and North West. As the largest water utility on the continent, Rand Water continues to deliver bulk potable water of world-class quality to municipalities and industries, maintaining full compliance with SANS 241 requirements across microbiological, chemical, operational, and aesthetic standards.

There have been several impressive initiatives, for example, The establishment of the Platform for a Water Secure Gauteng (PWSG) which is a multi-stakeholder initiative led by the Department of Water and Sanitation has enabled more coordinated technical planning, improved crisis

response, and enhanced public awareness around demand management and leak reduction.

Formal Approval of the Rand Water — Emfuleni SPV

A key milestone this financial year has been the formal approval of the Special Purpose Vehicle (SPV) between Rand Water and Emfuleni Local Municipality (RW-ELM SPV). This long-term partnership will transform Emfuleni's water and sanitation service landscape by professionalising service delivery, improving revenue collection, and restoring infrastructure maintenance and investment capacity.

The RW-ELM SPV has the Department's full support and represents a bold step forward in implementing the broader reform agenda envisioned in Operation Vulindlela. It offers a replicable model of how municipalities and water boards can collaborate to deliver on constitutional mandates where capacity constraints exist.

The Department will work closely with Rand Water and all relevant partners to ensure the successful operationalisation of this entity. Its success will be vital not only for Emfuleni's residents, but also for national confidence in the viability of such public-public partnerships.

As of the 2024/25 financial year, outstanding municipal debt to water boards exceeds R28 billion. This SPV intends to improve revenue collection and reduce water losses thus improving the ability of municipalities to pay their water bill to water boards.

Investing in Infrastructure for Resilience

To ensure long-term water security, the Department has advanced a portfolio of catalytic infrastructure projects. These include the Lesotho Highlands Water Project Phase 2, which will augment the Integrated Vaal River System supplying Rand Water's mandated area of supply. It is scheduled for completion in October 2028.

Conclusion

The 2024/25 financial year tested the Water and Sanitation sector, but it also demonstrated the importance of leadership, collaboration, and public accountability. Rand Water has risen to this challenge, ensuring continuity of bulk water supply, upholding quality standards, and aligning with the national reform trajectory. An example is the recent launch of Station 5A. His excellency President Cyril Ramaphosa officiated the launch of the Station 5A Water Purification Plant at the Rand Water Zuikerbosch Plant in Vereeniging, Gauteng. The launch also aligns with the commitment made by the President in his 2025 State of the Nation Address that government will take decisive steps to resolve water challenges in the country.

I extend my sincere appreciation to the Rand Water Board, Group Chief Executive, executive management, and all employees for their unwavering commitment and professionalism. The Department of Water and Sanitation looks forward to deepening this partnership as we work towards a secure, equitable, and sustainable water future.

Let us continue to move forward with urgency, unity, and purpose because water is life, and sanitation is dignity.



Ms. Pemmy Majodina, MP

Minister of Water and Sanitation

Date: 03/11/2025

RAND WATER

ABOUT RAND WATER

OUR MANDATE

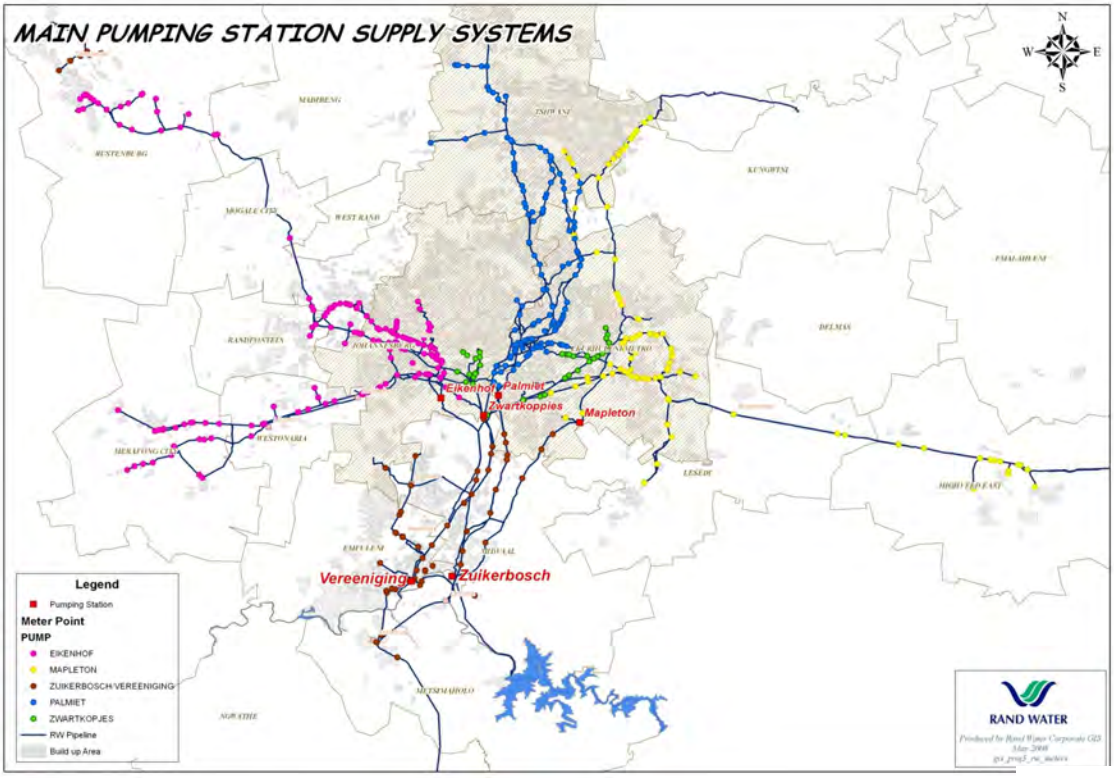
Rand Water is a water board that was established and is governed in terms of Chapter 6 of the Water Services Act, No. 108 of 1997. Rand Water is listed as a National Government Business Enterprise in Schedule 3b of the Public Finance Management Act, No.1 of 1999. The Government of the Republic of South Africa, through the Department of Water and Sanitation ("the Executive Authority"), duly represented by the Minister of Water and Sanitation, is the sole Shareholder of Rand Water. Since 1903, Rand Water has been playing an integral role in the development and growth of Gauteng, its cities, and its surrounding regions by providing water to people and industries.

Our mandate, as the largest bulk water utility in Africa and one of the largest in the world, is to provide bulk potable water to mainly municipalities who then supply water to more than 18 million people in Gauteng, parts of Mpumalanga, Free State and North West provinces – an area that stretches over 18,000 km². For over 122 years, Rand Water has supplied bulk potable water to Gauteng and its surrounding areas. Rand Water's success is based on sharing in the pioneering spirit that led to the growth of the City of Johannesburg. It is the same spirit that has driven Rand Water's growth in terms of infrastructure and water quality, creating a reputation for supplying world-class quality water that is of international standards. During the year under review, Rand Water continued with its mandate of water and sanitation services provision in its area of operations.

Most of Rand Water's core value chain involves purchasing and distributing potable water from the Integrated Vaal River System (IVRS). Rand Water obtains raw water from the DWS. For decades, the DWS has been developing and implementing various water transfer schemes, sourcing raw water from other countries, provinces and catchments with more abundant resources and delivering it into the IVRS. The latest DWS development project is the Lesotho Highlands Phase 2, which should be commissioned by 2028.

The customer base served by Rand Water includes metropolitan municipalities, local municipalities, mines, and industries. We have a global reputation for providing water of high quality that ranks among the best in the world. We have consistently met and exceeded national and international standards on water quality

Rand Water Area of Supply



OUR STRATEGY

OUR VISION

Be a provider of sustainable, universally competitive water and sanitation solutions for Africa

OUR MISSION

To consistently meet the expectations of Rand Water customers, partners, and the Government by strengthening the capacity to:

- Attract, develop, and retain leading edge skills in water services;
- Sustain a robust financial performance;
- Develop and sustain globally-competitive capabilities in core areas;
- Enter into and sustain productive partnerships, and
- Develop, test, and deploy cost-effective technologies.

STRATEGIC OBJECTIVES

To attain its vision, Rand Water set the following strategic objectives which focus and direct the business activities of the organisation:

- Achieve operational integrity and use best fit technology;
- Achieve a high-performance culture;
- Positively engage stakeholder base;
- Achieve growth, and
- Maintain financial health and sustainability.

RAND WATER FIVE YEARS' STRATEGIC GOALS

The Rand Water operating environment is evolving, and it demands solutions that will lead to efficient and cost-effective processes of supplying water. In this regard, the Board of Rand Water approved the new strategic goals in 2023 to support the achievement of our mission and objectives to centre on Four (4) focus areas. The vision of the organisation will be attained through these strategic goals aimed at achieving sustainable growth for Rand Water. These strategic goals also serve as a performance contract between the Group Chief Executive and the Board of Rand Water.

Over the five years from 2023 to 2027, the vision of the organisation will be attained through the strategic goals detailed below:

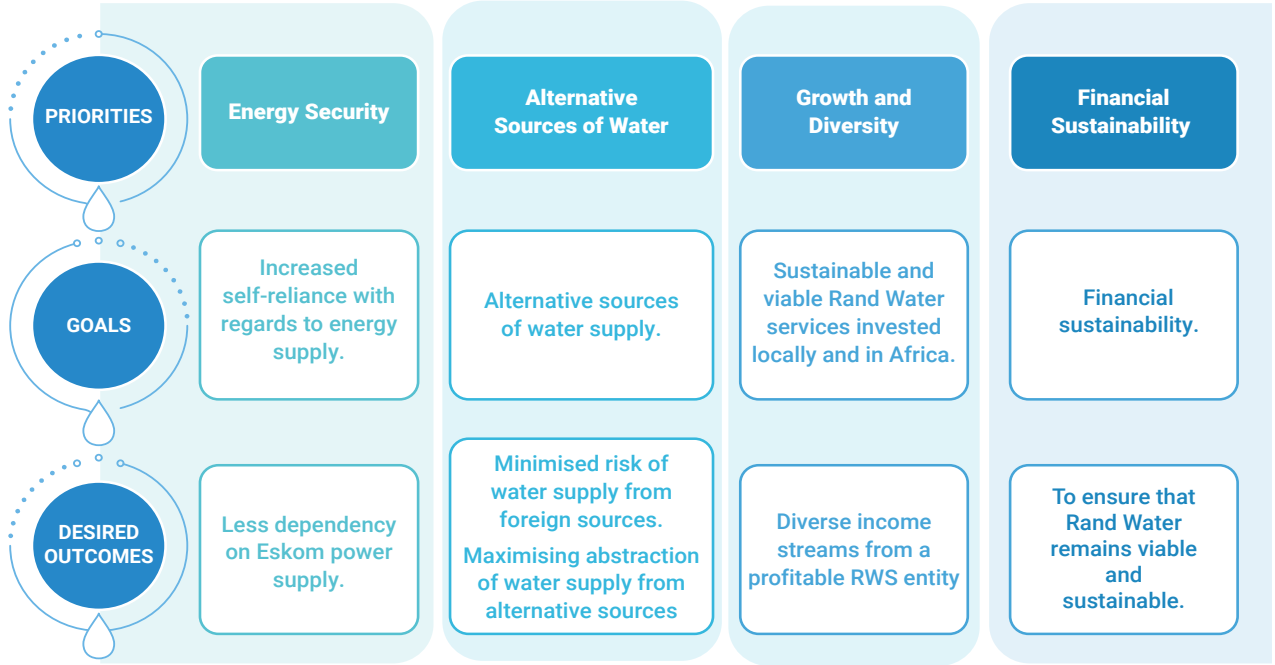


Figure 1: Strategic Goals 2023 to 2027

OUR MAIN CUSTOMERS AND SUPPLIES

Our main customers are comprised of municipalities across Gauteng, parts of Mpumalanga, Free State and North West provinces, mines, industries and direct consumers. We have 17 municipalities, 27 mines, and 952 industries and direct consumers as customers. Our capacity to supply bulk water is primarily to municipalities, underpinned by a distribution network of over 3,500 km of large diameter pipeline, feeding 60 strategically located service reservoirs. We supply an average of 4 574Mℓ/d and peak day demand of 5 161Mℓ/d.

The distribution area of supply is divided into three (3) regions (West, South and North) which are further subdivided into 13 districts located strategically throughout the areas of supply. These regions and districts are as follows:

- **North Region:** Forest Hill, Germiston, Benoni and Esselen Park.
- **South Region:** Amanzimtoti, Meyerton, Barrage, Bloemendal and Brakpan.
- **West Region:** Zuurbekom, Libanon, Krugersdorp, Waterval and Rustenburg.

ALIGNMENT TO DEVELOPMENTAL PLANS

The Rand Water mandate aligns to governmental mandates, and our commitment to contributing to national and global development priorities, such as South Africa's National Development Plan (NDP) and the United Nations Sustainable Development Goals (SDGs). This alignment informs our long-term commitment and developmental impact on the communities and the customers we serve.

RESPONDING TO SUSTAINABLE DEVELOPMENT GOALS

The global indicator framework for the SDGs consists of 17 Goals with 232 Performance Indicators each with corresponding targets to support the 2030 Agenda, with the aim to eradicate poverty, safeguard the environment, and promote peace and prosperity by 2030. All SDGs and indicators hold global significance, but not all are directly material to Rand Water's reporting requirements. As the provider of bulk potable water and sanitation services, we directly support Goal 6 which aims to ensure available and sustainable management of water and sanitation for all and we are also indirectly supporting Goals 1, 4, 5, 8, 10, 12, 13 and 15.

APPLICABLE UN SDG	RAND WATER'S CONTRIBUTION
 **GOAL 6: CLEAN WATER AND SANITATION**	Achieve universal and equitable access to safe and affordable drinking water. • Expanding water supply infrastructure to underserved communities, including rural and informal settlements. Launched Station 5A Water Treatment Plant to increase capacity. • Improving water quality monitoring and treatment to ensure compliance with SANS 241. Met and, in some instances, exceeded the requirements for each of the five (5) Water Quality indicators • Implementing pro-poor water tariffs and subsidies to make water services affordable.
	Achieve access to adequate and equitable sanitation and hygiene. • Extending sewerage networks and sanitation services. • Supporting decentralised or community-based sanitation solutions in unserved areas. • Promoting hygiene education and public awareness campaigns, often in partnership with health departments and NGOs.
	Improve water quality by reducing pollution, dumping and minimise release of hazardous chemicals and materials and increase safe reuse. • Upgrading wastewater treatment plants to reduce discharge of untreated or partially treated effluent. • Implementing pollution control measures to protect water sources from industrial, agricultural, and domestic waste. Compliance with the cradle-to-grave principle of environmental waste management and legislation. **38 drying beds** completed as short-medium term solution to promote adequate storage of Water Treatment Residue and business continuity. • Promoting water reuse for agriculture, landscaping, or industrial purposes.
	Increase water-use efficiency and ensure sustainable withdrawals. • Reducing non-revenue water through leak detection, pressure management, and metering. Avoidable water losses reduced to **4.37%** • Promoting water conservation among consumers (e.g., awareness campaigns, tiered tariffs). More than **11,000 individuals** reached. • Adopting smart technologies (SCADA, IoT sensors) for real-time water monitoring and management.
	Implement integrated water resources management at all levels. • Collaborating with other stakeholders (e.g. agriculture, environment, municipalities) for coordinated water planning. Abstract water in line with the abstraction license authorised volume of **18000 Mℓ**. • Protecting catchments and watersheds to ensure long-term water availability. • Implement extensive raw water monitoring programme, which includes **200** sampling sites, assess and analyse the quality of raw water sources to ensures adequate purification process. • Participating in basin-level or regional water management initiatives.

	Protect and restore water-related ecosystems.
	• Managing wetlands, rivers, and aquifers to maintain ecological balance.
	• Our rehabilitation efforts aim to ensure we leave little to no negative impact on the biodiversity. **17** rehabilitation and soil erosion projects implemented.
	• Addressing encroachment and pollution of natural water sources. Engage communities through various avenues to impart understanding to the public about the hazards and legal implications of encroachment on water infrastructure.
	  ◦ Broadcast on **7 local radio stations**
	  ◦ Published in **15 local newspapers**
	  ◦ Published **9 articles** - print and online

	Support capacity-building and community participation. • Providing technical support and training to local water communities or municipalities. • Encouraging community involvement in water planning, governance, and monitoring. • Securing funding from national or international sources for infrastructure development and innovation.

APPLICABLE UN SDG	RAND WATER'S CONTRIBUTION
GOAL 1: NO POVERTY	• Implementation of Socio-Economic Development projects to address key societal challenges. Supporting job creation **(2,898)** and local enterprises (SMEs) (**36**).
GOAL 4: QUALITY EDUCATION	• Implementation of Skills Development Programmes. **102 Learnerships, 41 bursaries** (external) and **182 graduates** • Accredited Energy and Water Sector Education Training Authority (EWSETA). Skills training for the water sector. • Rand Water Academy attained ECSA Accreditation. • Formalised MoU with the Project Management Institute.
GOAL 5: GENDER EQUALITY	• Overall female representation is at **43.09%** of overall staff compliment. • Female representation in Management and Supervisory (decision making levels) is at **55.11%**.
GOAL 8: DECENT WORK AND ECONOMIC GROWTH	• Creating employment opportunities through infrastructure projects and water service delivery. • Procurement opportunities for SMMEs and historically disadvantaged. Spending on B-BBEE compliant entities (**135% of budget spend**). • Improve livelihoods in rural and peri-urban areas by linking water access to economic activities.
GOAL 10: REDUCED INEQUALITIES	• Addressing past injustices by promoting diversity and inclusion in the workforce. **72%** of new appointments in Supervisory to Senior Management were female. • Representation of people with disabilities is at **2.97%.**
GOAL 12: RESPONSIBLE CONSUMPTION AND PRODUCTION	• Responsible and sustainable raw water abstraction • Education programmes through Water Wise to encourage consumer on water conservation principle for sustainability.
GOAL 13: CLIMATE ACTION	• Climate change is identified as one of the top strategic risks in our ability to provide sustainable, uninterrupted water supply. An approved Climate Change Policy and Strategy has been developed in response. • Support the goal of South Africa to reach net zero carbon emissions by 2050. • The total carbon footprint from vehicles is at **1,658.55** metric tons. • Total electricity usage: **kWh: 2,363,203,658**. • The total carbon footprint from electricity is at **2,126,882.84** metric tons
GOAL 15: LIFE ON LAND	• Rehabilitation and invasive-plant removal efforts contribute directly to restoring and conserving inland water-terrestrial ecosystems.

OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) CONSIDERATIONS

Rand Water's operational activities impact the environment, people, and broader society. We, therefore, have a responsibility to reduce our negative impacts, increase our positive impacts, and create sustainable benefits for our internal and external stakeholders. The extent of performance in these areas demonstrates our commitment to promoting sustainable development and growth through our commitment to ensuring provision of clean water and sanitation for the people of South Africa.

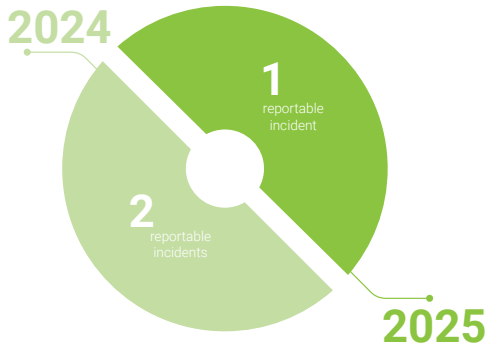
ENVIRONMENT

Protecting Natural Resource

Rehabilitation, Erosion Control and Restoration

2024	2025
• Total area maintained: 828.32 hectares • Total area backfilled and seeded: 37 048 m² • Reno-mattresses/ gabions: 843.20 m³ • Brick paving installed: 4 600 m² • Grass blocks installed: 1 282 m² • Dump rocks delivered: 421 m³ (and 120 tonnes)	• Total area maintained: 39 hectares • Total area backfilled and seeded: 87,600 m² • Reno-mattresses/ gabions: 1,271 m³ • Brick paving installed: 4,337 m² • Grass blocks installed: 6,210 m² • Dump rocks delivered: 770 m³

Environmental Incidents Management



Water Treatment Residue Management

2024	2025
Sludge transferred to sacrificial beds and additional storage space created The beneficiation project under investigation as a long-term solution	38 drying beds completed as short-medium term solution to storage capacity challenges. Initiatives under the beneficiation project piloted successfully and being explored for full-scale implementation

Alien and Invasive Species Management

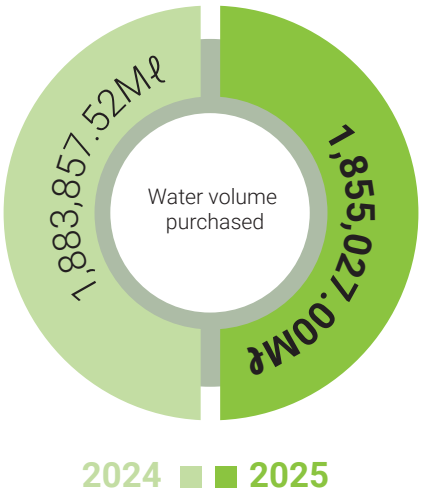
2024	2025
Addressed the growth of water lettuce and hyacinth on the Vaal River Barrage	**186 hectares** of alien invaders removed, **36 Indigenous trees** planted, and **76,5 hectares** retreated for regrowth

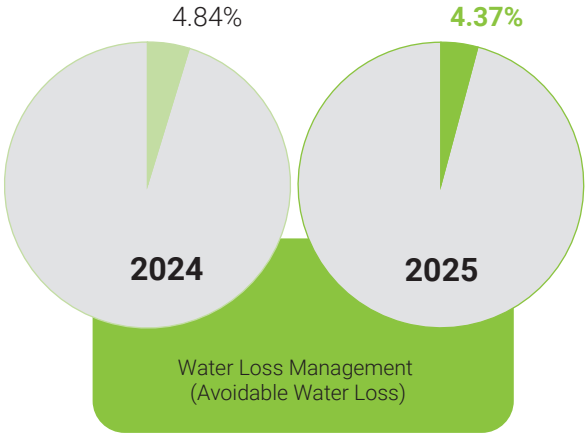
Encroachment

2024	2025
To minimise the encroachment incidents: • Strategic partnership with the media. • Billboards to publish encroachment messages • Training programme initiated for local authority political leaders • Partnership programme with communities.	Launched targeted educational campaigns to promote awareness and positive profiling: • Broadcast on 7 local radio stations • Published in 15 local newspapers • Published 9 articles - print and online

ENVIRONMENT

Water Security





Water Conservation Education



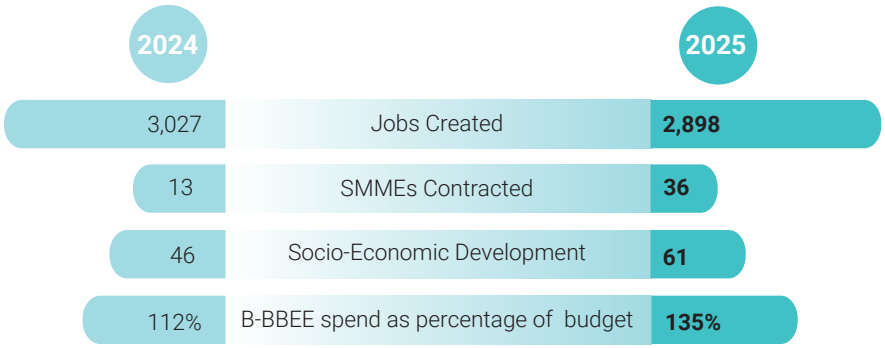
Water Quality:	2024	2025
- Acute health microbiological compliance	99.96%	**99.89%**
- Acute health chemical compliance	100%	**100%**
- Chronic health chemical compliance	99.99%	**99.89%**
- Operational compliance	99.09%	**97.60%**
- Aesthetic compliance	99.96%	**99.96%**

Climate Change

Carbon Emissions:	2024	2025
- Fleet emissions	1,403.87	**1,658.55**
- Electricity emissions	2,132,913.40	**2,126,882.84**

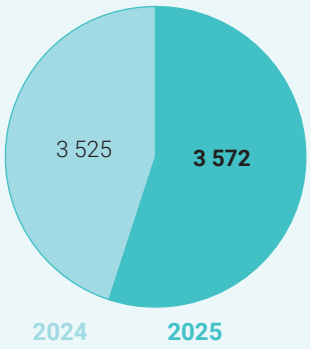
SOCIAL

Social Responsibility

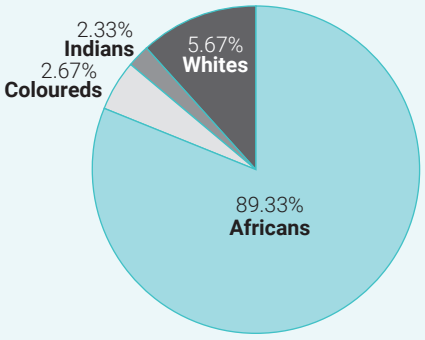


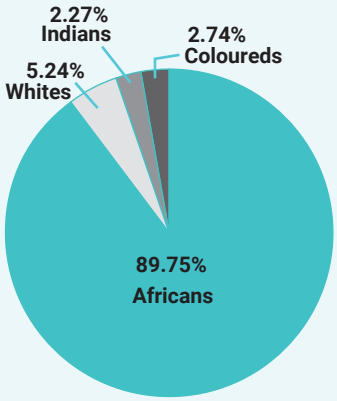
Human Capital and Labour Management

Total employees



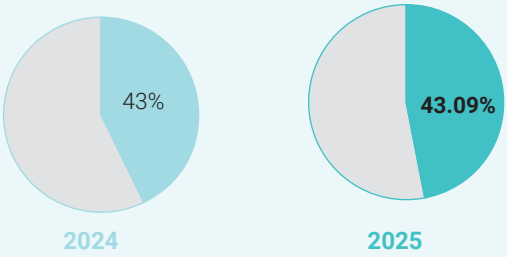
Employee Race Diversity



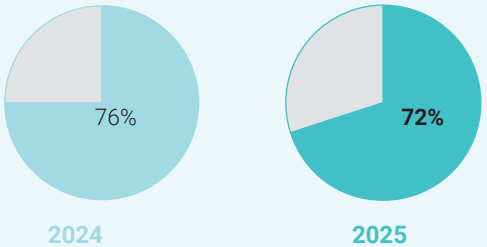


2024 2025

Percentage of Female Employees



Female Recruitment in Supervisory to Senior Management



Percentage of Employees with Disabilities



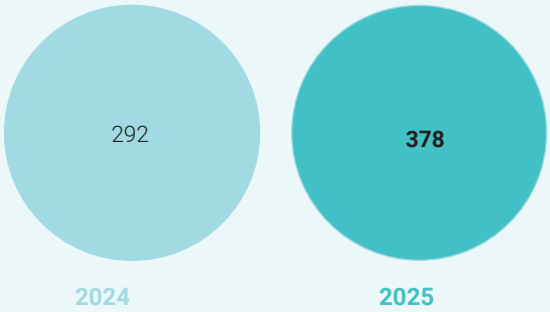
Female Representation in Supervisory to Senior Management



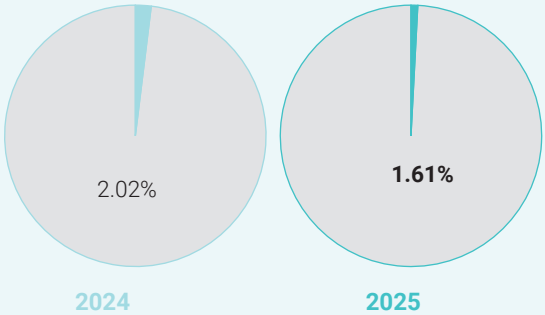
SOCIAL

Human Capital and Labour Management

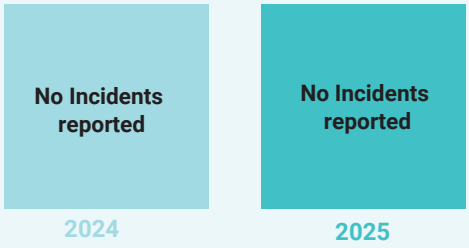
New Employees (Permanent and Contract)



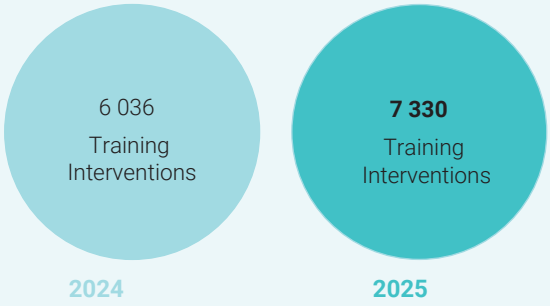
Employee Turnover



Discrimination and Human Rights Incidents



Human Capacity Development

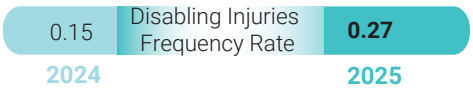


Skills Development Programmes

	2024	2025
Graduates	154	182
Learnerships	89	102
External bursaries	40	41

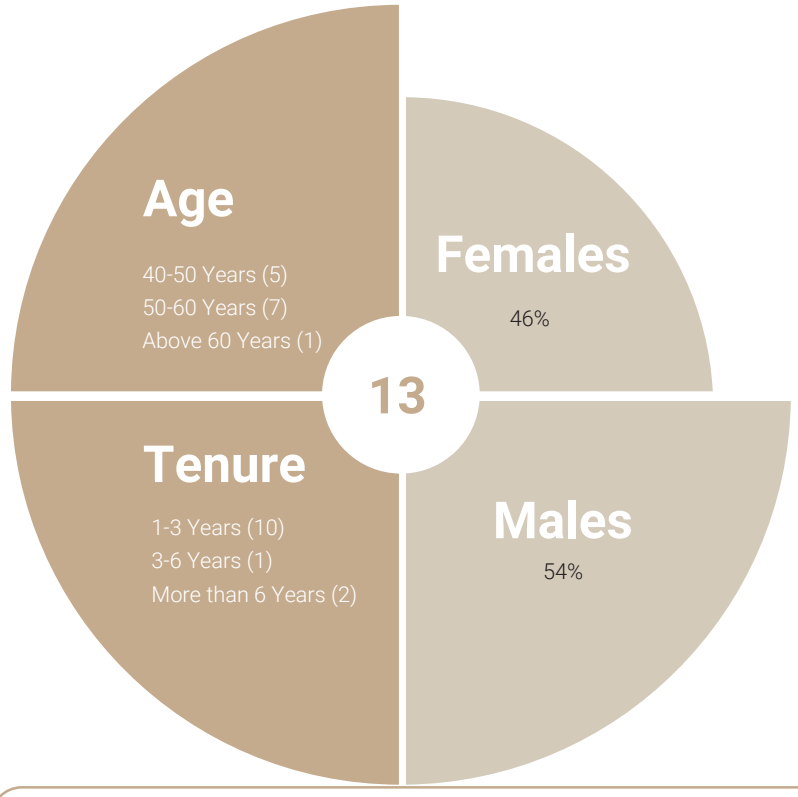
Employee Health and Safety

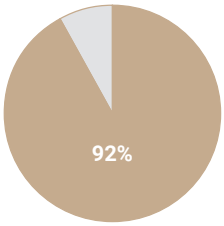
Work-related Injuries and Fatalities



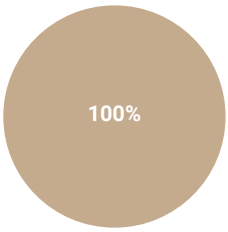
GOVERNANCE

Board Composition

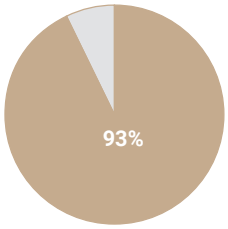




Board Independence



Resolutions taken



Board meeting attendance

Ethical Behaviour

Ethics, Fraud and Anti-corruption policies and procedures in place.

- Code of Ethics Policy.
- Fraud and Investigations Policy.
- Fraud Prevention Plans.
- Prominent Influential Persons (PIP) Policy.

Ongoing training and awareness on fraud, ethics, and anti-corruption policies for all Board members and employees.

Internal and External Grievance Mechanisms

A Grievance Policy is in place and is part of the Group Disciplinary Code and Procedure.

- Hotline to report suspicious activities.
- Ethics line and email address that can be contacted for any ethics related concerns.

Corruption Incidents	No incidents reported

Note: The Group Audit and Risk Committee Report, included in this Integrated Annual Report, outlines the assurance work performed by Group Internal Audit, including reviews of ESG information.








SPONSORED BY
RAND WATER
FOUNDATION

HOW WE CREATE VALUE

RAND WATER VALUE CREATION MODEL

BUSINESS MODEL

INPUTS

Finance Capital serves as a strategic catalyst to facilitate value creation across Rand Water's processes generating value in: Natural Capital, Manufactured Capital, Human Capital, Intellectual Capital, and Social and Relationship Capital.

RAND WATER SIX (6) CAPITALS

1. Finance Capital
- Potable water tariff increase of **4.9%**
- A strong balance sheet to support business continuity and growth
- Working Capital Management

2. Manufactured Capital
- **R1.22bn** spent on augmentation of Infrastructure
- **R0.74bn** spent on renewal of infrastructure

3. Natural Capital
- **R7.6bn** spent on Water Resource

4. Human Capital
- **R3.9 bn** spent on employees
- **R155m** spent in Training costs

5. Intellectual Capital
- **R39.5m** spent in running Rand Water Institute which is mandated to conduct innovation, research and development, and knowledge management amongst others.
- Expertise in Human capital, information capital, brand awareness, and instructional/ organisational processes

6. Social and Relationships Capital
- **R88.3m** spent in Stakeholder engagements, Roadshows, Communications, Advertising
- **R85.2m** spent on Rand Water Foundation Activities
- **R88.8m** spent on Socio-Economic Development (SED)
- **R4.8m** spent for Enterprise Development

OUR STRATEGY

VISION

Be a provider of sustainable, universally competitive water and sanitation

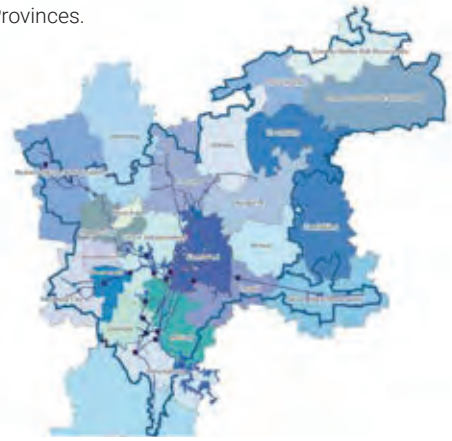
MISSION

To consistently meet the expectations of Rand Water customers, partners, and the government by strengthening the capacity to:
- Attract, develop and retain leading edge skills in the water services
- Sustain a robust financial performance
- Develop and sustain globally competitive capabilities in core areas
- Enter into and sustain productive partnerships
- Develop, test and deploy cost effective technologies

STRATEGIC OBJECTIVES
- Achieve Operational Integrity and Use Best Fit Technology
- Achieve a High-Performance Culture
- Positively Engage Stakeholder Base
- Achieve Growth
- Maintain Financial Health & Sustainability

SUPPLY

We supply water to Gauteng, parts of Mpumalanga, North West and Free State Provinces.



CAPACITY TO SUPPLY
- Largest water utility in Africa existing for **122 years**
- Bulk Water supplier mainly to municipalities
- Distribution network over **3 660 km** of large diameter pipeline
- Feeding **60** strategically located service reservoirs
- Supplied an average of **4 574 Mℓ/d**,
- Average Annual Peak sales of **5161 Mℓ/d** with Highest capacity peak daily demand of **5199Mℓ/d**

SUPPLIES TO MAIN CUSTOMERS

17 Municipalities • 27 Mines • 2 Railways

952 Industries and direct consumers

RAND WATER TOP TEN RISKS

1. Deteriorating availability, reliability, and quality of electricity
2. Encroachment over pipeline, servitudes and properties
3. Increasing credit risk exposure resulting from non-paying customers
4. Delays in infrastructure project implementation and completion
5. The unsustainability of the supply of potable water
6. Cyberattacks
7. Unpredictable weather patterns and extreme events
8. White Collar Crime
9. Threat to critical Rand Water assets
10. Employee health and wellness

RAND WATER VALUE CREATION MODEL

BUSINESS MODEL

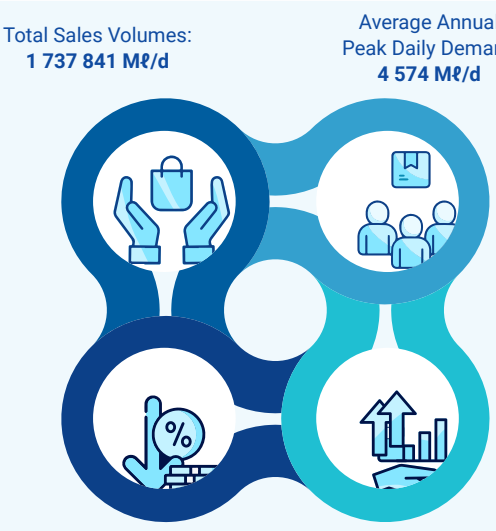
OUTPUTS



Uninterrupted Supply

Rand Water remains a prominent exemplar of a state-owned entity that consistently delivered water every day of the year.





OUTCOMES

Value was created within each of Rand Water's 6 Capitals:

1. Finance Capital

- Access to Funding and cost-effective debt funding
- **R6.4 bn** Net Cash Generated from Operations.
- Revenue increased by 5.07% to **R22.9bn (2024:R21.8bn)**
- **9%** Return on Average Assets
- EBITDA **R3.86bn (2024:R3.95 bn)**

2. Manufactured Capital

- The total value of property, plant, and equipment assets now amounts to **R32.6 bn (2024: R30.8bn)**
- Our commitment to the CAPEX renewal programme has led to enhanced operational integrity of our bulk water infrastructure.
- We are making significant strides in the execution of our planned Additional Water Supply (AWS) scheme, which aims to augment capacity by an impressive 600 million litres per day.

3. Natural Capital

- **24/7 Water Supply**
- SANS 241 Quality treated water
- Achieved Zero days interrupted supply

4. Human Capital

- Employer of choice to attract and retain staff.
- Permanent staff compliment of **3 572**
- Functional legislative training and conference instances: **7 330**
- Bursaries awarded to employees: **195**
- Staff Turnover; **achieved: 1.61% Target: 5%**
- Unemployed youth: Learnerships **102**, Bursaries **41**, Graduate development programmes **182**

5. Intellectual Capital

- Rand Water Institute: Established a fully functional Innovation department responsible for driving the innovation risk-based strategy.
- There has been significant knowledge generated for Rand Water which has culminated in new knowledge; new skills; and smarter ways of doing things
- Rand Water nominated as one of the Top 4 Utilities for the Public Agency of the Year Award 2024 (Global) in recognition for innovation-leading cutting-edge projects through the Rand Water Institute.

6. Social and Relationships Capital

- Continuous customer engagements resulting in improvements to water efficiency management and positive response to Debt collection
- Successful communication of shutdown plans to customers
- Rand Water Foundation implements dedicated Corporate Social Investment projects to support our communities.
- Water Wise continued work in schools and communities, resulting in water savings.
- Socio-Economic Development resulted in smooth facilitation of CAPEX implementation.

OUR STAKEHOLDERS AND STRATEGIC PARTNERS

Proactive stakeholder engagement is a critical element of the Rand Water business operation, which creates sustainable value. During the period under review, we have continued to ensure extensive communication with our key stakeholder groups.

STAKEHOLDERS	REASONS FOR ENGAGEMENT	Value Created
 Our Shareholder	• Strategic alignment between Rand Water and the Department of Water and Sanitation. • To support and participate in Shareholder-led events and activities within the water sector. • Interaction with shareholders on matters referred by the Board.	Rand Water is the largest water board in Africa. Rand Water buys raw water from DWS and converts this water to clean drinkable water, and some raw water is sold untreated to Non-Potable Customers. The total water purchases in 2024/25 financial year amounted to R7.9 billion from DWS. The organisation also retained good Return on Assets of 9%. Despite the challenges presented by the external environment, Rand Water was able to generate strong gross, net income margins and asset turnover. This translated into positive returns' ratios for shareholders.
 Our Board	• We report regularly to our Board and welcome their guidance on our progress with the execution of our stakeholder relations strategy.	In line with the Remuneration Committee policy, Board members were compensated in accordance with the policy and numbers of hours claimed.
 Our Employees	• To understand the needs of our employees, thus enabling Rand Water to remain an employer of choice by providing a safe, equitable and motivating working environment. • To ensure that employees receive proper direction and communication related to the strategy and activities of the company.	Rand Water has achieved an impressive 1.61% employee turnover ratio. Underscores strong personnel controls that the organisation has implemented over the year to retain key resources. Our employees continued to benefit from competitive remuneration and non-guaranteed Short-Term Incentives which are performance based. Rand Water salary bill for the year amounts to R3.9 billion and R155 million was spent on training.
 Our Customers	• We regularly engage with our municipal, industrial and mining customers directly and through our established customer forums with respect to our joint obligations. • The South African Local Government Association (SALGA) is a crucial partner whose meetings and formal sessions enable us to engage with the political leadership of our municipalities. • We serve on several forums and advocacy initiatives with our customers, notably during the period under review, those that focused on water conservation and awareness of the dangers of human encroachment on Rand Water pipeline servitudes.	Rand Water fulfilled this value proposition by supplying 1 737 841 Mℓ/ for year 2025, with average daily demand of 4 574 Mℓ/d, uninterrupted water supply and meeting all compliance requirements of highest drinkable water standards such as SANS 241.

STAKEHOLDERS	REASONS FOR ENGAGEMENT	Value Created
Provincial and National Government Departments	• Effective engagement with Government stakeholders is critical for the future success of Rand Water and its sustainability to stay abreast of, contribute to, and comply with actual and planned Government policies that impact and regulate the industry, in all provinces where we operate. • Rand Water engages with the two (2) tiers (National and Provincial) of Government departments and their appropriate portfolio committees on our organisational performance.	Rand Water ensured uninterrupted potable water supply in its area of supply spanning in 4 provinces namely, Gauteng, Free State, Mpumalanga and North West under the leadership of National and Provincial Government.
The Media	• We have a commitment as espoused in our Media Relations Policy to cooperate with all local, national and international media. • In the interests of transparency, we diligently respond promptly and professionally to every media enquiry.	Rand Water prioritised transparent and effective communication by strengthening stakeholder confidence and fostering greater public understanding of our operational activities and strategic importance within the water supply value chain. The organisation ensured the dissemination of accurate, timely, and relevant information to diverse audiences across the country.
The Public	• We fully understand the importance of keeping the consumers informed, and the public in general, of our operational performance. • Our social media platforms, and public service announcements in the media are utilised to keep consumers and the public informed.	R91 million spent in enhancing the lives of communities where we operate. Through strategic partnerships, we provide clean drinking water and dignified sanitation, promote water use efficiency awareness, support education, and generate jobs through land care initiatives.
Sector Partners	• We are aware of the leading role we play in the water sector, as well as the technical and scientific experience that we have acquired, and we collaborate in workshops and other symposia with our national and international water sector partners.	Rand Water's strategic partnerships within the water sector and beyond have been instrumental in driving innovation, enhancing operational efficiency, and expanding service reach. Through collaborative initiatives with government entities, municipalities, regulatory bodies, and industry stakeholders, the organisation has strengthened water security by aligning infrastructure development and resource planning; enhanced technical capacity through knowledge exchange, and shared expertise; improved service delivery by coordinating efforts to address supply challenges and infrastructure maintenance, and fostered stakeholder trust through transparent engagement and shared accountability.
Financial Stakeholder Base	• Rand Water regularly engages with domestic and international institutional stakeholders, funds and asset managers and analysts through a comprehensive Investor Relations Plan. • The plan includes meetings with executive management, investor roadshows, and presentations to the investor community, amongst other initiatives that are deemed necessary to keep investors abreast of developments at Rand Water.	Rand Water was able to compensate all providers of Finance with returns. Rand Water maintains long-term interest-bearing debt instruments such as Bond holders. The company paid R368 million interest expense during the period under review.

HOW WE MANAGE OUR RISKS

Risk Management remains a cornerstone of good governance and operational resilience within Rand Water. In alignment with our mandate to ensure the sustainable provision of good quality potable water, we continue to embed a robust risk management culture across all levels of the organisation. Our risk management practice is aligned with the International Organisation for Standardisation 31000 (ISO 31000) as amended, which provides best practices and guides the identification, assessment, mitigation, and monitoring of risks that could impact our strategic objectives.

The Board has committed Rand Water to a process of Risk Management that is aligned to the principles of good corporate governance, as supported by the PFMA, National Treasury Regulations, King IV Report and International Organisation for Standardisation 31000 (ISO 31000) as amended.

HOW RAND WATER IDENTIFIES RISKS AND OPPORTUNITIES

Rand Water has established processes and structures directed towards the effective management of potential opportunities and adverse effects within Rand Water's environment. Rand Water's mission and vision are an expression of an organisation that seeks future opportunities whilst managing environmental risks to ensure a sustainable supply of water.

Effective risk management necessitates being actively aware that the business environment is constantly changing and undertaking an environmental scan of risks important to the organisation. On an annual basis, Risk Advisory Services facilitates a Corporate Risk Assessment Workshop with the aim of reviewing existing strategic risks, identifying new and emerging strategic risks benchmarked against external sources (such as the Institute of Risk Management South Africa Risk Report and the World Economic Forum Risk Reports). The participants of the above-mentioned workshop are Rand Water's Corporate Risk Committee (CRC) members, who are subject matter experts and a representative sample of the organisation's various disciplines.

The CRC members play a crucial role in the risk identification process because they provide insight into the risks that are being faced by the organisation and assist in defining new and emerging risks. As much as the organisation can identify adverse effects that may impede its ability to achieve its strategic objectives, it also recognises that there is always opportunity for improvement in the form of further mitigation actions that will assist in intensifying existing risk mitigation strategies. All identified risks are required to have detailed controls in place. Further mitigating actions provide an opportunity for the business to enhance its mitigation strategies.

The annual State of the Nation Address and Minister of Finance's Annual Budget Speech are also source documents that are used as part of the environmental scan to identify new and emerging risks.

ENTERPRISE RISK MANAGEMENT

The nature, size, and complexities of the organisation's operations necessitate a solid and effective Enterprise-Wide Risk Management (EWRM) approach that ensures proactive risk management as a means of building and maintaining the organisation's resilience.

A holistic approach of EWRM is embedded within Rand Water. The Risk Advisory Services department develops and manages the organisation's risk management framework, policies, and processes to enable the consolidation, monitoring, and reporting of risks and mitigation measures throughout the business that affect objectives. This means ensuring that there is continuous monitoring and reviewing of the risks as well as continuous communication and consulting by consolidating quarterly risk mitigation strategy updates and tabling them at CRC, Top Management Committee (TMC), EXCO, GARC, and the Board of Rand Water that ultimately approves and adopts the Strategic Risk Register.

EWRM is a continuous process that allows for coordinated and effective risk management across the organisation. The tools used to manage and mitigate risk include policies, procedures, risk reports and a defined risk management governance structure.

RISK APPETITE

Rand Water remains committed to proactive and adaptive risk management practices that safeguard our assets, stakeholders, and mandate. As we navigate an increasingly uncertain operating environment, our risk management approach will continue to evolve to anticipate new threats, build organisational resilience, and support sustainable, potable water provision for all our customers.

THE RAND WATER TOP 10 STRATEGIC RISKS

During the 2024/25 financial year, the organisation undertook a comprehensive strategic risk assessment process to identify key strategic and emerging risks threatening its long-term sustainability and service delivery obligations. Through this process, the Top 10 Strategic Risks captured in Figure 2 below, were identified and approved by the Board. These risks were ranked based on their residual risk rating.

These risks reflect the complexity of our operating environment, which is influenced by infrastructure pressures, financial constraints, environmental variability, and emerging threats such as cybercrime. Despite the complexities surrounding these risks, notable effort was made to manage the risks during the financial year.

Each of the identified strategic risks was assigned to a dedicated risk owner who is a member of the EXCO. The Executives are accountable for leading the development and implementation of documented risk mitigation strategies tailored to their specific risk areas. These strategies are designed to reduce the organisation's exposure and enhance resilience in both the short- and long-term.

The risk mitigation progress, emerging challenges, and key developments were regularly reviewed on a quarterly basis within the organisation's internal risk governance structures, including the CRC, TMC, EXCO and the Board through its GARC. Risk matters were escalated to and deliberated at Board level, ensuring full oversight, strategic alignment, and resource support where required.

Risk		Description
	**1. Deteriorating availability, reliability, and quality of electricity**	Eskom is our main supplier of electricity, and this risk speaks to its ability to supply Rand Water with reliable and quality electrical supply as and when we require it.
	**2. Encroachment over pipeline, servitudes and properties**	The risk refers to the illegal encroachments on Rand Water pipelines, servitudes and properties which expose the encroachers to potential water pipe bursts that may ultimately lead to possible loss of life.
	**3. Increasing credit risk exposure resulting from non-paying customers**	The risk refers to the debt challenges that Rand Water is faced with. Emphasis is on an anticipated increase in our debtors defaulting due to the social economic conditions within the country.
	**4. Delays in infrastructure project implementation and completion**	The risk refers to the organisation's ability to plan, implement and complete projects that will meet the desired quality and integrity.
	**5. The unsustainability of the supply of potable water**	The risk refers to the sustainability and security of the water resources to be able to provide potable water to all our customers.
	**6. Cyberattacks**	This risk refers to the impact of potential and actual cyberattacks.
	**7. Unpredictable weather patterns and extreme events**	The risk refers to the impact of climate change on the future sustainability of the organisation.
	**8. White Collar Crime**	This risk refers to non-violent and financially motivated crimes.
	**9. Threat to critical Rand Water assets**	The risk refers to the threat to the safety and security of critical Rand Water Assets such as our water purification plants (sites), pipelines and reservoirs.
	**10. Employee health and wellness**	This risk refers to the potential negative impact on the organisation due to issues related to the physical, mental or emotional wellbeing of employees.

Figure 2: Top 10 Strategic Risks



RAND WATER

HOW RAND WATER IS GOVERNED

REPORT FROM THE CHAIRPERSON OF THE BOARD



> *Guided by our long-term vision and the principles of integrated thinking, we have strengthened our governance frameworks, enhanced operational efficiencies, and deepened our stakeholder engagement.*

Mr. Ramateu Monyokolo
Chairperson of the Board

As Chairperson of the Board, I am privileged to lead an institution that continues to play a pivotal role in the socio-economic development of South Africa through the provision of safe, reliable, and sustainable bulk water services.

The past year has been marked by both challenges and opportunities. In the face of growing environmental pressures, infrastructure demands, and socio-economic challenges, Rand Water has remained steadfast in its mission to deliver water with integrity, efficiency, and foresight. Our ability to anticipate change, adapt to emerging trends, and invest in future-ready systems has been central to our success. Efforts to climate-proof Rand Water's assets, such as reinforcing pump stations against flood risks and installing energy-efficient equipment, ensure that the organisation is not only meeting current demand but is also prepared for future uncertainties.

This reporting period has been marked by significant progress in our strategic transformation journey. Guided by our long-term vision and the principles of integrated thinking, we have strengthened our governance frameworks, enhanced operational efficiencies, and deepened our stakeholder engagement. Our foresight-driven approach has enabled us to anticipate emerging risks, harness opportunities, and align our efforts with national development priorities, including the Sustainable Development Goals (SDGs) and the National Development Plan (NDP).

The Board has delineated four Strategic Goals to mitigate inherent risks in the water sector and grow the organisation. These goals encompass the development of alternative water and energy sources, ensuring Rand Water's sustainability, and operationalising Rand Water Services to facilitate projects beyond Rand Water's primary mandate. During the period under review, Rand Water secured approval for a Special Purpose Vehicle — a public-to-public partnership between Rand Water Services and the Emfuleni Local Municipality — from both the Minister of Water and Sanitation and the Minister of Finance. This initiative is set to culminate in the establishment of a jointly owned enterprise.

Furthermore, ZAWA, a state-owned water authority in Zanzibar, awarded Rand Water a contract to manage, operate, and maintain its water infrastructure. This accomplishment highlights Rand Water's strategic emphasis on sustainability and regional expansion. Currently, initiatives are underway to investigate alternative water and energy sources to achieve the Board's strategic goals in the coming years.

The Board remains committed to ensuring that Rand Water continues to operate with the highest standards

of accountability, transparency, and ethical leadership. We have placed a strong emphasis on environmental stewardship, digital innovation, and inclusive growth, recognising that water is not only a fundamental human right but also a strategic enabler of economic resilience and social equity.

The Board exercised oversight over significant infrastructure initiatives, particularly the Station 5A Water Treatment Plant, which endeavours to enhance water supply capacity and resilience. We diligently monitored operational disruptions resulting from intermittent electricity supply, including incidents at the Mapleton and Eikenhof Booster Pumping Station, and assisted in the formulation of contingency plans to mitigate these risks and ensure the uninterrupted service provision.

Rand Water's primary mandate is to guarantee the continuous supply of bulk potable water to municipalities, industries, and communities. This obligation has necessitated meticulous planning and implementation of maintenance activities. Throughout the reporting period, substantial advancements were achieved in the rehabilitation and maintenance of essential bulk pipelines, pumping stations, and storage reservoirs across Gauteng and adjacent provinces. Preventative maintenance schedules were meticulously followed and even surpassed expectations, demonstrating a proactive approach to infrastructure management.

The success of maintenance initiatives is underpinned by strategic partnerships with municipalities, national and provincial governments, and the private sector. Rand Water has prioritised direct engagement with municipal technical teams to coordinate shutdowns, expedite repair timelines, and facilitate the transfer of operational knowledge. This collaborative approach reflects the nationally endorsed "adopt-a-municipality" ethos and has significantly improved both the efficiency and quality of maintenance operations.

As Chairperson, I represented Rand Water in high-level engagements with the Minister of Water and Sanitation, Parliament's Portfolio Committee on Water and Sanitation, Premiers, Members of the Executive Councils (MECs) of Cooperative Governance and Traditional Affairs (COGTA), and municipal leadership to address water challenges in Gauteng, Mpumalanga, and the Free State. I have participated in various Intergovernmental Relations (IGR) forums. The Board advocated for intergovernmental collaboration to tackle illegal water connections, infrastructure vandalism, and municipal debt, which reached R7.8 billion during the reporting period. These efforts were critical in fostering partnerships and ensuring the sustainability of water services.

Municipal debt to water boards has now surpassed R28 billion, posing a significant threat to infrastructure sustainability and eroding public trust. Service interruptions and deferred maintenance are often symptomatic of broader governance challenges at the municipal level, issues that remain of concern to the sector under the leadership of the Association of Water and Sanitation Institutions of South Africa (AWSISA), which I am honoured to lead. Legislative clarity and independent regulatory oversight are essential to reversing this trend and ensuring that maintenance budgets are allocated effectively.

I participated in both international and national deliberations regarding water security and sustainability, including forums organised by AWSISA. I articulated Rand Water's stance as a self-funded public entity dedicated to service excellence and innovation, thereby enhancing our reputation as a leader within the water industry both locally and internationally.

The Board expresses its gratitude for the strategic leadership, unwavering support and ongoing engagement extended by the Honourable Minister of Water and Sanitation. Her valuable insights continue to provide strategic guidance and direction to the organisation.

I wish to express my sincere appreciation to my fellow Board members, our executive management team led by the Group Chief Executive, employees, government partners, and communities for their dedication and collaboration. Your contributions have been instrumental in advancing our mandate and reinforcing Rand Water's position as a trusted and future-fit institution.

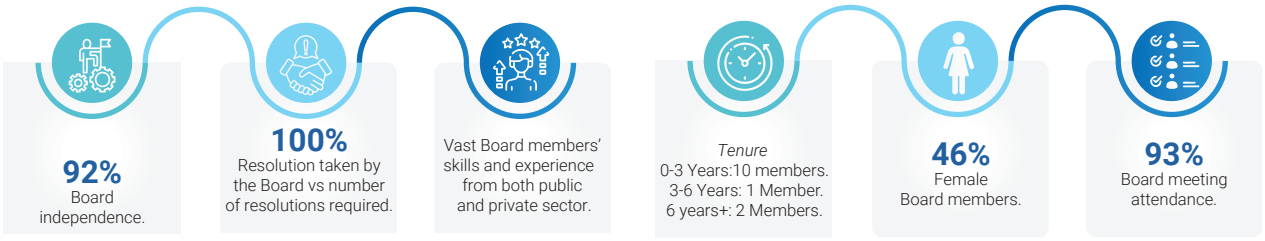
As we look ahead, we do so with confidence and clarity. The future demands bold leadership, adaptive strategies, and a shared commitment to sustainability. Rand Water is ready to meet this moment, and the Board stands united in its resolve to guide the organisation toward a future where every drop of water contributes to a thriving society and equitable access to water. The Board recognises the need to collaborate with the Executives, led by the Group Chief Executive, as well as with internal and external stakeholders to achieve its strategic objectives.



Mr. Ramateu Monyokolo
Chairperson of the Board

OUR GOVERNANCE AT A GLANCE

The Board views good governance as a vital component in operating a successful and sustainable business, as well as providing assurance to all stakeholders



2025 BOARD FOCUS AREAS AND RESOLUTIONS

- Quarterly Group Performance reports were submitted to the Executive Authority as per the requirement of the PFMA and relevant National Treasury Regulations.
- The mandate for the annual stakeholder consultation on the proposed Bulk Water Tariff Increment for the financial year 2025/26.
- The Proposed Bulk Water Tariff Increment for the financial year 2025/26.
- The Consolidated Interim Financial Statements (CIFS) for the period ended 31 December 2024 were submitted to the Johannesburg Stock Exchange in compliance with the JSE Debt Listings Requirements.
- The Annual Shareholder's Compact to be entered between Rand Water and the Minister of Water and Sanitation for the financial year 2025/26.
- The Annual Shareholder's Compact to be entered into between Rand Water and the Rand Water Foundation for the financial year 2025/26.
- The revised Group Strategic Risk Register and identifying new and emerging risks.
- Statutory reports to be submitted to the National Treasury and/or the Executive Authority, i.e., Annual Budget, 5-year Business Plan, 5-Year Borrowing Plan, Infrastructure Development Plan, Capital Expenditure Plan and Budget, etc., as required in terms of the National Treasury Regulations.
- Short Term Incentive (STI) payment to employees for 2023/24 financial year.
- The revised Terms of Reference for the re-configured Board Committees.
- The annual Board Training and Development Plan for the 2025 calendar year.
- Appointment of new transactional bankers for the Group.
- The Audited Group Consolidated Annual Financial Statements (CAFS) for the period ended 30 June 2025 are to be submitted to the relevant statutory authorities.
- The Integrated Annual Report for 2023/24 financial year.
- Strategic Policies: Prominent Influential Person Policy, Revised Leave Policy, Safety, Health Environment and Quality (SHEQ) Policy, Climate Change Policy, Conferencing and Travel Policy, Group Secondment Policy, Accounting Policy, and Group Risk Management Policy.

Future Focus Areas

- Ensuring that the strategic goals set by the Board register traction. These are Alternative Power Sources, Alternative Water Sources, Rand Water Sustainability and Effectiveness of Rand Water Services.
- Strengthening the relationship with the Ministry of Water and Sanitation in the seventh Administration

- Strengthening the relationship with Provincial Governments, Metros and Local Municipalities.
- Operationalisation of Rand Water Services Special Purpose Vehicles (SPV) with Emfuleni and other Local Municipalities.
- The formal launch of the Association of Water and Sanitation Institutions in South Africa (AWSISA) and hosting of the First Africa Water and Sanitation Conference by AWSISA.
- Expanding Rand Water Services offerings within the African region.
- Environment, Social and Governance (ESG) & Appropriate Corporate Social Responsibility Delivery Model for the Group.
- Community awareness and advocacy campaigns to raise awareness of water conservation.
- Consolidating Group Board Performance processes.

OUR GOVERNANCE STRUCTURE AND FRAMEWORK

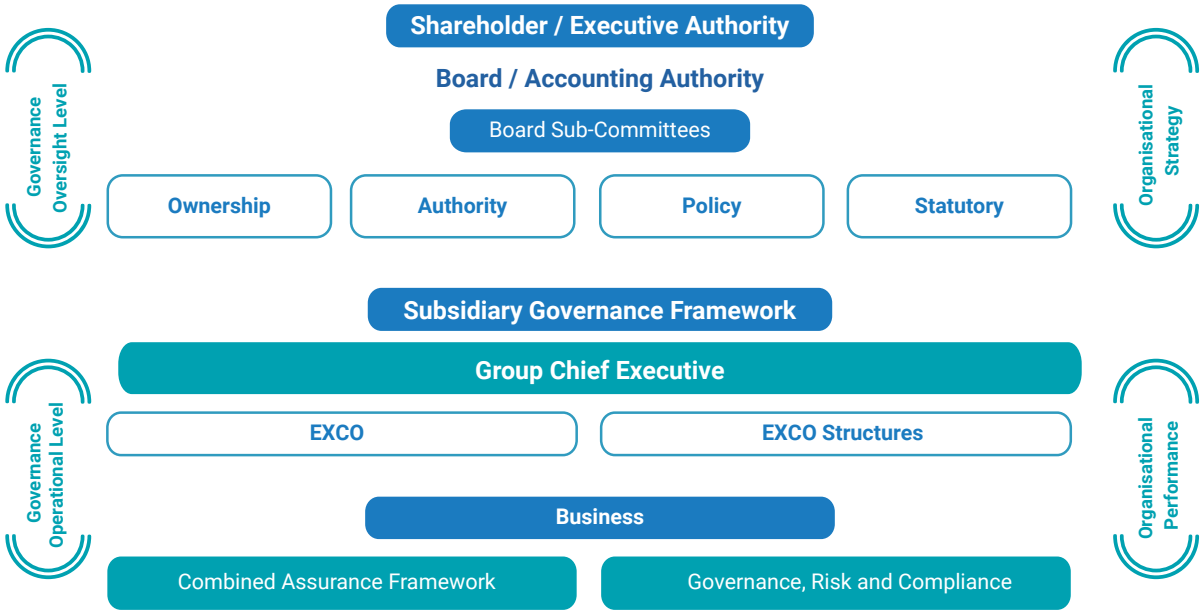


Figure 3: Corporate Governance Framework

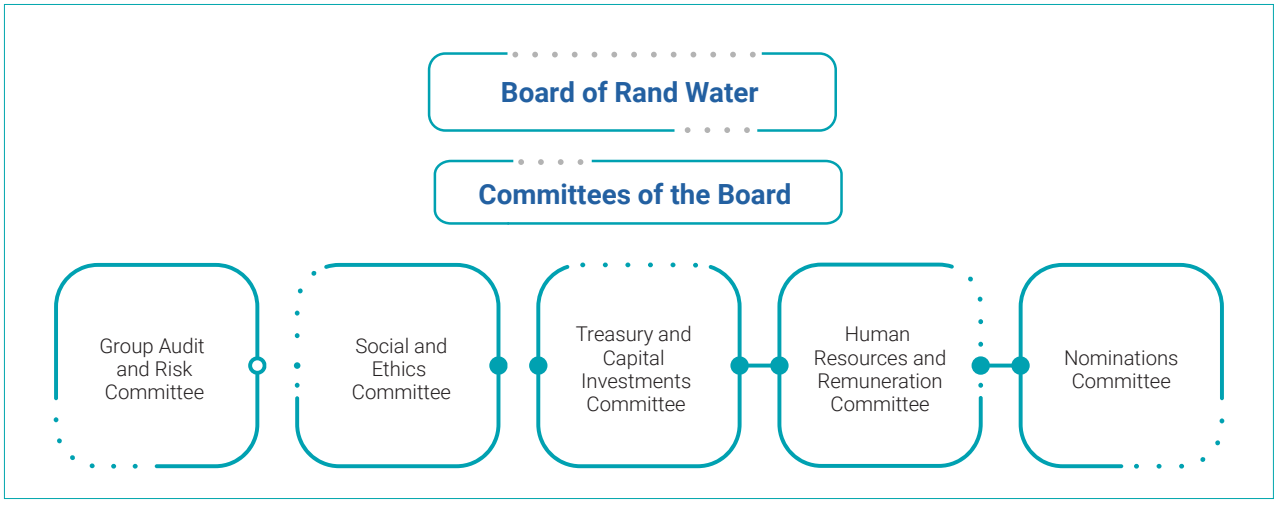


Figure 4: Governance Structure

RAND WATER BOARD CHARTER

The Board has adopted an appropriate Board Charter, has regulated its affairs in compliance with this charter and is satisfied that it has discharged its responsibilities contained therein. The members collectively understand their roles and responsibilities, as outlined in the Board Charter and the Water Services Act, No. 108 of 1997. The Board Charter is reviewed every two (2) years, or as and when legislative, policy and regulatory developments dictate.

RAND WATER BOARD COMPOSITION

The current Board of Directors of Rand Water comprises 12 Non-Executive Members, including the Chairperson and Deputy Chairperson, and one (1) Executive Member, being the Group Chief Executive.

The current Board Term became effective as of 21 September 2022. However, not all Board Members were appointed at the same time. In terms of Schedule 1 of the Water Services Act, members will serve a term not exceeding four (4) years. The Board is serving the third year of the current four-year term.

For the financial year under review, the Board appointed an independent Non-Executive Member of the Group Audit and Risk Committee (GARC). The Board further reviewed its governance committees and made the following rotations:

- Mr. Anthony Mhlongo retired as a TCIC Member w.e.f. 29 November 2024 and was appointed as an HR&REMCO Member w.e.f. 29 November 2024 to 21 September 2026.
- Mr. Luvuyo Ntoyi retired as a HR&REMCO Member w.e.f. 29 November 2024 and was appointed as a Board Member of Rand Water Foundation representing Rand Water, w.e.f. 29 November 2024 to 21 September 2026.
- Ms. Moleboge Lekwane appointed as a HR&REMCO Member representing the Rand Water Foundation, w.e.f. 29 November 2024 to 31 July 2025.
- Ms. Vuyokazi Menye appointed independent member with ICT expertise on 01 September 2024.
- Ms. Phindile Mbanjwa appointed as the representative of the Rand Water Foundation effective 29 October 2024 – 21 September 2026.
- Ms. Lusanda Netshitenzhe, Rand Water Foundation Board Chairperson, retired as the Rand Water Foundation representative effective 29 October 2024.
- Mr. Linda Mngomezulu appointed by the Rand Water Board in line with section 35 of the Water Services Act No. 108 of 1997, effective 01 August 2024 to 31 July 2028.

These rotations aim to enhance the effectiveness of our governance framework and uphold our commitment to transparency and accountability.

HOW BOARD MEMBERS ARE APPOINTED

Section 28 (1) of the Water Services Act empowers the Minister to establish a Water Board and to appoint members of the Water Board. Schedule 1 of the Water Services Act regulates the terms of office of Board Members, the procedure for the recommendation of persons for appointment as Chairperson or Board Members and the termination of office of Board Members.

Schedule 1 of the Water Services Act stipulates that:

- "A Member of a Water Board is appointed for a period of office determined by the Minister, which may not exceed four (4) years. A Member of a Water Board may be reappointed. Reappointment is limited to three (3) consecutive terms of office".
- The Minister may request a Water Board to constitute a selection panel to recommend persons for appointment as Members of a Water Board. If the Minister has done so, the Chief Executive of the Water Board must publish a notice calling for nominations in two (2) media of his or her choice, generally accessed within the Water Board's service area.
- A Water Board must timeously constitute a selection panel, having regard to race and gender, to make recommendations from nominations received, to the Minister for appointment.

The selection panel must consist of:

a. The Chief Executive of the Water Board or his or her representative;

b. A person representing a relevant Province, to be nominated by the Province concerned;

c. A person representing the Minister, to be nominated by the Minister; and

d. A person of good repute and good standing, residing within the service area, to be nominated by the Water Board.

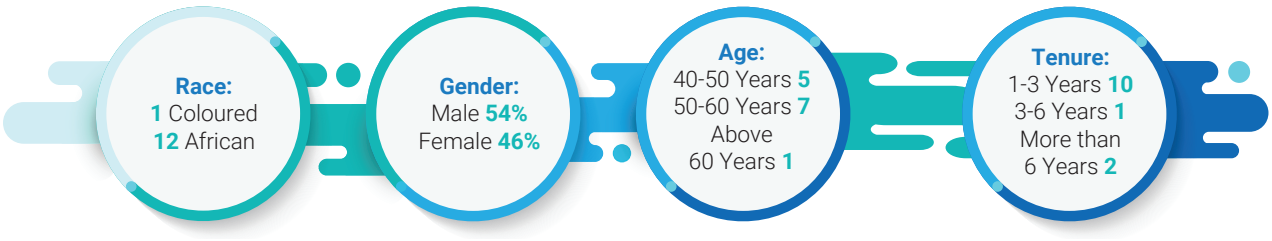
BOARD TERM AND RESPONSIBILITIES

The term of office of the current Board of Rand Water is set to expire on 20 September 2026.

The Board is accountable for, *inter alia:*

- Fulfilling the role of a Water Board as set out in the Water Services Act;
- Ensuring that Rand Water, when exercising its powers and carrying out its duties achieves a balance between striving to provide efficient, reliable and sustainable water services; optimally using available resources as well as taking reasonable measures to promote water conservation and water demand management, including promoting public awareness of these matters;
- The appointment of the Group Chief Executive (GCE), the Chief Financial Officer (CFO) and the Company Secretary (CoSec), including determining the duties and conditions of service, remuneration, performance appraisal and termination of employment of the GCE, CFO and CoSec; and
- Providing effective oversight to the Rand Water business by, inter alia:
  - » Ensuring that the Delegation of Authority Framework is reviewed regularly to assist effective decision-making throughout Rand Water and monitoring the exercise of delegated powers by Management;
  - » Defining the required levels of materiality and significance, reserving specific powers to itself and formally delegating other matters, with the necessary written authority, to Management and/or specific Committees of the Board;
  - » Monitoring and evaluating the implementation of strategies, policies, management performance criteria and the business plans having regard to its own reporting and performance responsibilities to the Executive Authority;
  - » Continually reviewing the key performance areas (KPAs) and key performance indicators (KPIs) of Rand Water and monitoring reporting against these. Exercising objective judgment on the business affairs of Rand Water, independent from Management, but with sufficient management information to enable a proper and objective assessment to be made;
  - » Safeguarding a comprehensive system of policies and procedures and appropriate governance structures at Management level to ensure the effective implementation of Board decisions;
  - » Instituting a system of employee and executive remuneration that is equitable, responsible, and motivating and that recognises and rewards excellent performance;
  - » Overseeing that succession planning in respect of senior executive positions within Rand Water is in place;
  - » Monitoring the implementation of the required strategies and plans to ensure business continuity, effective disaster management and disaster recovery across the Group;
  - » Establishing the necessary structures to independently verify and safeguard the integrity of both financial and non-financial reporting; and
  - » Safeguarding compliance with all relevant policies, laws and regulations, audit and accounting principles and the Rand Water's Code of Ethics.

BOARD DIVERSITY



PERFORMANCE EVALUATION OF THE BOARD

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

DELEGATION OF AUTHORITY

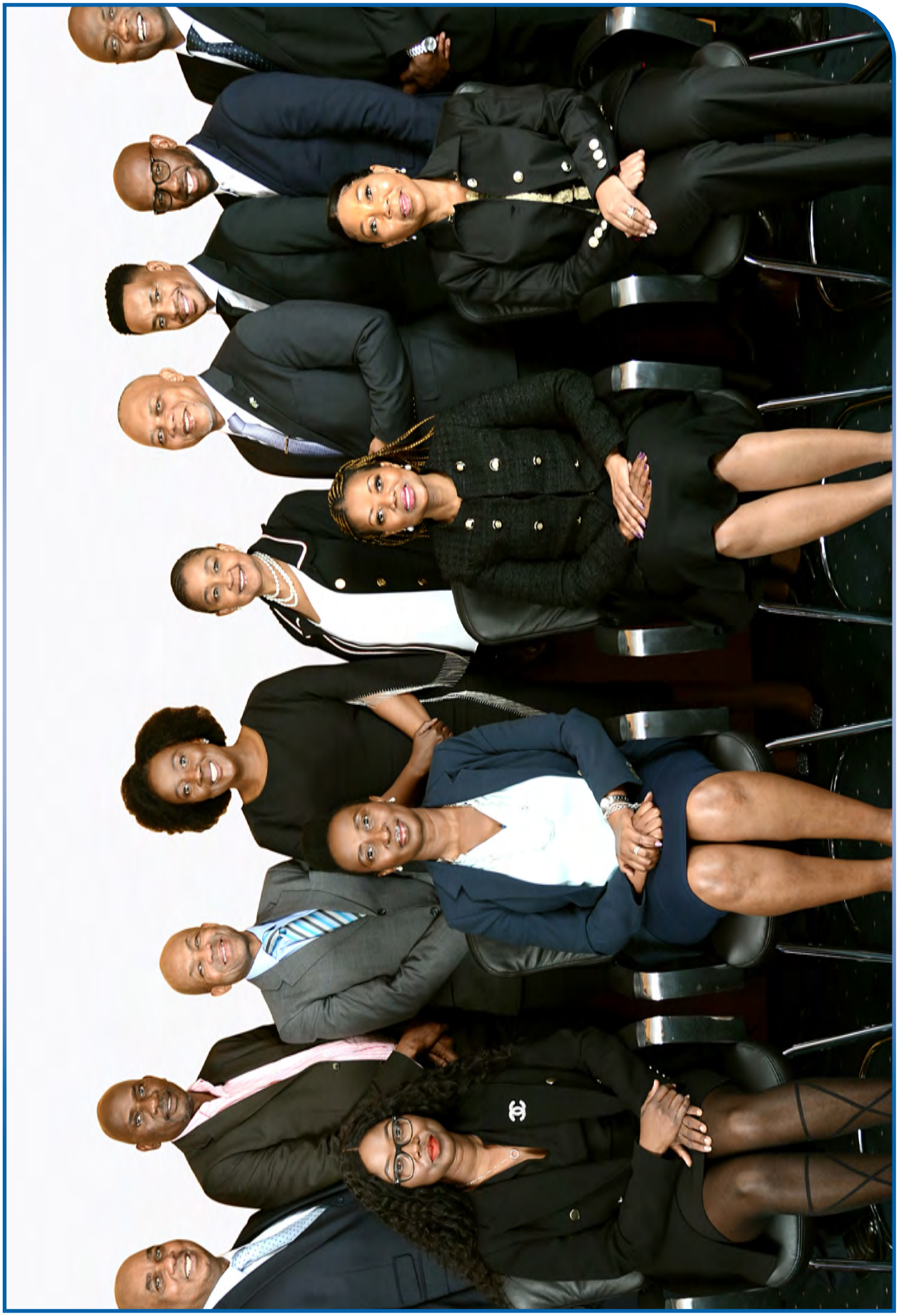
The Board recognises the importance of implementing the Delegation of Authority (DoA) Framework within the Rand Water governance structures to promote independent judgment and assist with balance of power and effective discharge of its duties.

The Rand Water's DoA Framework outlines the levels of materiality in relation to the business and has reserved specific powers for its decision-making and delegated certain powers to its sub-committees and the Group Chief Executive. The Group Chief Executive has also been granted the authority to sub-delegate further to management and throughout the organisation. The DoA Framework does not in any way divest the Board of its responsibilities, authority and duties.

BOARD TRAINING AND DEVELOPMENT

Rand Water continually provides information to Board Members on the Rand Water business and changes in the business landscape to keep them abreast of the ever-changing and evolving business and corporate governance requirements. To ensure access to appropriate balance of knowledge, skills, experience, and independence, Members are given opportunities to attend training to better understand their fiduciary duties and responsibilities as Directors and to keep abreast of legislative and regulatory changes and best practice. The Board also makes use of external expertise on matters outside their knowledge, skills and experience.

Furthermore, Members are accorded an opportunity to visit Rand Water's project implementation sites as part of exercising their oversight role. Board Members are briefed on legal developments and changes in the risk and general business environment on an ongoing basis.



BOARD OF DIRECTORS



Mr. Ramateu Monyokolo (61)

Non-Executive Member (Chairperson)

Mr. Monyokolo was initially appointed to the Board of Rand Water on 17 February 2016, and he was subsequently reappointed for a second term on 20 September 2018. He is currently serving his third consecutive term following reappointment on 21 September 2022. He holds the position of Chairperson of the Board as well as the Nominations Committee. Previously, he served as a Member of the Human Resource and Remuneration Committee, the Group Risk Committee, and the Capital Investment Committee. Mr. Monyokolo also acted as the employer trustee for the Rand Water Provident Fund (RWPF), occupying roles such as Chairperson, Deputy Chairperson, Deputy Chairperson of the Investment Committee, and Member of the Audit and Risk Committee. Additionally, he represented the RWPF on the Black Business Growth Fund II (BBGFII) Investment Advisory Committee.

Other Governance Leadership Roles

Mr. Monyokolo serves as the Chairperson of the recently established Association of Water and Sanitation Institutions of South Africa (AWSISA) Non-Profit Company (NPC), an organisation that advocates for the interests of Water Boards, Catchment Management Agencies (CMAs), the Water Research Commission, and the Trans-Caledon Tunnel Authority and other organisations.

He serves as an Independent Trustee for the Liberty Lifestyle Retirement Annuity Fund, Lifestyle Retirement Preserver Pension Fund, and Lifestyle Retirement Preserver Provident Fund. Additionally, he is the Chairperson of the Legal Committees and a Member of the Audit and Risk Committees.

He holds the position of Chairperson at Africa Beyond Fourth Industrial Revolution (AB4IR) NPC, a hub dedicated to digital innovation and incubation.

Mr. Monyokolo Holds the following qualifications:

- Master of Business Administration (MBA)
- Executive Development Programme (EDP)
- Management Advanced Programme (MAP)
- Certificates in:
  - » Occupational Certificate: Professional Principal Executive Officer
  - » Retirement Funds Trustee Toolkit
  - » Enhanced Coaching Practice Facilitating Sustainable Learning and Change
  - » Community Leadership Development Programme
  - » Managing Telecommunications Environment, Policy, and Regulation
  - » Telecommunication Proficiency

Executive Leadership and Expertise

Mr. Monyokolo is the Executive Director of Mamoeti and Associates Proprietary Limited, and leads a management consulting firm specialising in driving business optimisation to foster organisational efficiency, effectiveness, and competitiveness. His extensive expertise includes Business Process Optimisation, Executive Coaching and Mentoring, Change Management, Project Management, Industrial Relations, Stakeholder Management, Multiparty Negotiations, Risk Management, Marketing, Retail Management, and Community Development. Appointed as a Member of the Eminent Person Group (EPG), he provided oversight for drafting the White Paper and Telecommunications Act of 1996. He has initiated, managed, and led impactful projects, including the Municipal Infrastructure Performance Management Information System (MIPMIS), the Intelligent Number Plate and New Number Plate Combination System, Telecentres, an Early Warning System for Service Delivery Unrests, and Driver Licence Testing Centres Data Cleanup for audit compliance. Additionally, he has actively steered B-BBEE (Broad-Based Black Economic Empowerment) consortia and secured substantial capital to acquire shares in private- and public-sector entities. Furthermore, his background includes significant leadership roles within trade unions and civil society.

BOARD OF DIRECTORS



Ms. Malande Tonjeni (46)

Non-Executive Member (Deputy Chairperson)

Ms. Tonjeni holds the following qualifications:

- Chartered Accountant CA(SA)
- Certified Director (IOD SA)
- Bachelor of Commerce (Hons)
- Bachelor of Commerce (B. Com)
- Retirement Fund Trustee Qualification (BATSETA)

Ms. Tonjeni is a qualified Chartered Accountant, Certified Director, and Professional Retirement Fund Trustee. She is a seasoned Finance Executive and General Manager in mining, engineering, advisory services, auditing, and financial services industries. She currently works as an independent director in private and public entities, as well as an independent trustee on pension funds, employee share trusts and community development agencies.



Mr. Solomon Mngomezulu (58)

Non-Executive Member

Mr. Mngomezulu holds the following qualifications:

- Master of Business Administration (MBA)
- Bachelor of Arts in Law (BA (Law)
- Bachelor of Laws (LLB)
- Post Graduate Diploma in Company Direction and Alternative Dispute Resolution

Mr. Mngomezulu is a seasoned legal and corporate governance professional with extensive experience in various sectors, including energy, government, consulting, aviation, and petroleum refining.

Mr. Mngomezulu has held several key positions throughout his career, including Company Secretary/ Legal Advisor at the South African National Energy Development Institute (SANEDI), Specialist Governance Advisor/ Secretary to the Presidential State-Owned Enterprise Council (PSEC) at the Department of Public Enterprise (DPE), and Director at Sowiso Consultants (Pty) Ltd. His roles have encompassed managing legal, governance, risk, and compliance functions, providing technical advisory services, overseeing corporate governance frameworks, and serving in governing bodies as a Non-Executive Director.

He has also served as Legal Counsel/Company Secretary at the Air Traffic & Navigation Service Company, Commercial Contract Specialist at National Petroleum Refiners SA (Natref), and Legal Affairs Manager – Disputes at the Education Labour Relations Council. His expertise includes drafting and vetting contracts, managing compliance programmes, providing legal advice, and conducting governance assurance projects.

Mr. Mngomezulu has undertaken various specialised courses in legal training, corporate governance, and labour dispute resolution. He is known for his strong leadership skills, attention to detail, and commitment to maintaining high standards of corporate governance and compliance.



Ms. Clarinda Simpson (51)

Non-Executive Member

Ms. Simpson holds the following qualifications:

- Post-graduate Diploma in Auditing
- Certificate Theory Accounting (CTA)
- Chartered Accountant CA(SA)
- Bachelor of Accounting Science
- Bachelor of Accounting Science (Hons)

Ms. Simpson is a qualified Chartered Accountant and Chief Financial Officer. Her track record highlights her active participation in various Governance Committees and at a Board level. Currently, Ms Simpson holds significant roles in various spheres. She contributes as a Board Member at various state-owned entities and as an Independent Non-Executive Chairperson of the Board of a state-owned company. Her expertise extends across Finance, Project Finance, Investments, Revenue, Procurement, Information Technology, and Risk Management, as demonstrated through her diverse roles as Chief Financial Officer.



Ms. Lethabo Mashamaite (48)

Non-Executive Member

Ms. Mashamaite holds the following qualifications:

- Master of Business Administration (MBA) in Marketing and Finance
- Bachelor of Technology Degree in Marketing
- National Diploma in Marketing
- Certificate in Project Management
- FSCA RE1 and RE5 Certificates
- Occupational Certificate: Professional Principal Executive Officer (Retirement Fund Trustees)

Ms. Mashamaite is an entrepreneur with professional experience that spans over 29 years in corporate South Africa and across the African continent. She has corporate governance, business strategy, group shared services, operations, research, marketing, and IT experience. Her experience spans sectors that include FMCG, IT, media, financial services and mining.

She has 15 years Board experience, serving as Non-Executive Director, Chairperson of Remuneration/ Corporate Support, Chairperson of Social and Ethics Committee, and Member of Audit, Risk, and IT Committees. She has served in both public and private sector entities; on the Board of Joshco for three (3) years and the JRA for six (6) years. She is currently on the Board of Thales South Africa Systems, as NED and Chairperson of Social Ethics Committee and Deputy chairperson of the Rand Water Provident Fund.

BOARD OF DIRECTORS



Mr. Anthony Mhlongo (59)

Non-Executive Member

Mr. Mhlongo holds the following qualifications:

- Chartered Accountant: CA (SA)
- Chartered Management Accountant: ACMA
- Chartered Global Management Accountant: CGMA
- Bachelor of Commerce (Hons)
- Bachelor of Commerce
- Advanced Taxation Certificate: ATC

Mr. Mhlongo served at CFO/ Financial Director level for number of companies for approximately 10 years and he was also exposed to the following industries (amongst others): transport, manufacturing, retail, property, back-office services, water sector, nuclear medicine and financial services and health over the past 30 years.

Mr. Mhlongo has approximately 30 years cumulative work experience which ranges from Financial Management, Auditing, Enterprise-Wide Risk Management, Business Process Re-Engineering (BPR), Corporate Taxation, Investments, Project and Corporate Finance, Assets Management, Entrepreneurship, Management of Shared Services Centres, Property Development, General Management, Farming, Human Capital, systems Implementations/ Conversations, Development of Business Cases, Strategy Development and Corporative Governance.



Mr. Gcinumzi Qotywa (49)

Non-Executive Member

Mr. Qotywa holds the following qualifications:

- Master of Business Administration (MBA)
- Master of Arts in Environment & Society (MA)
- Bachelor of Arts (Hons) in Environmental Studies
- Bachelor of Arts (Education)
- Programme for Leadership Development (PLD)
- International Programme for Development Evaluation Training (IPDET)
- Certificates in:
  - » Changing the Game: Negotiation and Competitive Decision-Making
  - » Strategy: Building and Sustaining Competitive Advantage
  - » JSE ALTX Directors Induction Programme
  - » Climate Risk Oversight for Directors

Mr. Qotywa is a Certified Director (Cert. Dir) of the Institute of Directors South Africa (IoDSA) and a Certified Emotional Intelligence Practitioner (EQ-i$^{2.0}$ Certified) of the Mutli-Health Systems Inc. He is a Leadership, Strategy and Governance Practitioner, and serves as the Chief Executive Officer of Nondzaba Consulting (Pty) Ltd, a Leadership and Strategy Consultancy. He also serves as the Chairperson of the Board of Joe Gqabi Economic Development Agency (JoGEDA) SOC Ltd and a member of the Board of Directors for Cornwall Hill College, NPC.

He has extensive experience in the areas of Project Management, Environmental Management, Infrastructure Development, Leadership and Management, Governance, Strategy Formulation and Execution, Monitoring and Evaluation, Organisational Performance Management, Change Management and Organisational Turnaround, to name but a few. He previously served in senior and executive management roles in the public sector including the positions of Chief Director, Chief Operating Officer (COO), Business Development Advisor and Chief Executive Officer (CEO), amongst others. He has also served on various Boards of entities including the Eastern Cape Rural Development Agency (ECRDA), King Sabata Dalindyebo TVET College, Mayibuye Transport Corporation (MTC) and Chris Hani Development Agency (CHDA).



Mr. Simphiwe Khondlo (58)

Non-Executive Member

Mr. Khondlo holds the following qualifications:

- Master of Engineering Management
- Bachelor of Science in Agricultural Engineering
- National Diploma in Civil Engineering

Mr. Khondlo served as a Non-Executive Director for about two (2) decades in a number of entities like TCTA, Johannesburg Water, Mvula Trust, Border Cricket, and Aspire. He also served as a Deputy Chairman of the council of Walter Sisulu University. He was admitted as a Chartered Director (SA) by the CD (SA) Governing Body and Institute of Directors in Southern African in October 2018.

He is the Chairman of Mzimvubu-Tsitsikama CMA and the Vice President of the Border Kie Chamber of Business.



Ms. Zanele Monnakgotla (53)

Non-Executive Member

Ms. Monnakgotla holds the following qualifications:

- Master of Finance
- Master of Law (Tax)
- Bachelor of Commerce

Ms. Monnakgotla serve as a Non-Executive Director for Ecobank Transnational Incorporated IT Social and Reputation Committee, Sasol South Africa Limited Governance Committee, Sasol Khanyisa Group and Public Social and Ethics Committee and Adowa Properties Audit and Risk Committee

BOARD OF DIRECTORS



Ms. Phindile Mbanjwa (48)

Non-Executive Member

Ms. Mbanjwa holds the following qualifications:

- Master of Philosophy in Urban Infrastructure Design and Management.
- Postgraduate Diploma in Business Administration
- Postgraduate Diploma in Public Policy and Development Administration
- Bachelor of Social Science in Public Affairs and Administration

Ms. Mbanjwa is a senior public sector executive and governance specialist with extensive experience in leadership roles across human settlements, economic development, and infrastructure. She is recognised for institutional turnaround, performance improvement, and policy implementation at a strategic level. She has led provincial departments at the highest level of public sector administration, driving complex reform agendas and delivering measurable impact across economic development, infrastructure, and human settlements. Her leadership has transformed institutional performance and strengthened service delivery. She possesses extensive expertise in governance, strategic oversight, and programme execution. Her ability to build capable institutions, unlock developmental value, and align multi-stakeholder efforts around ambitious, results oriented mandates is recognised.

Ms. Mbanjwa chairs the Board of Constitution Hill and serves as a Non-Executive Director at Rand Water, Rand Water Foundation, and the Gauteng Growth and Development Agency (GGDA). She contributes to strategic direction and oversight through Committee roles, including membership on the Social and Ethics Committee and the Treasury and Capital Investment Committee at Rand Water, and the Audit and Risk Committee at GGDA. Her Board experience spans multiple sectors, where she has provided leadership on governance, audit, risk, performance, and institutional development

.



Ms. Gwendolyn Mahuma – Madida (53)

Non-Executive Member

Ms. Mahuma – Madida holds the following qualifications:

- Bachelor of Commerce (Hons)
- Bachelor of Commerce
- Executive Development Programme

Ms. Mahuma – Madida has been involved with private companies from 2004 to date, where she gained ample experience in the fields of strategy formulation, fund raising and business development for the various companies she has been involved with, be in regard to manufacturing, business development or Board participation specifically in the infrastructure space.

She is currently the Managing Director of Mahuma Investments Holdings (Pty) Ltd, a company with investments in the infrastructure sector. She is a founder and shareholder of the largest women owned steel merchant in South Africa, which led her, and her co-founder, being named amongst the Leading Women Owned businesses at the Premier Business awards in 2018 (sponsored by the Department of Trade and Industry). Her other involvements include manufacturing of precast concrete products as well as custom-made steel products.



Mr. Luvuyo Ntoyi (Pr. CPM) (46)

Non-Executive Member

Mr. Ntoyi holds the following qualifications:

- Master of Business Administration (MBA)
- Bachelor of Technology (B-Tech) in Civil Engineering
- National Diploma in Civil Engineering
- National Diploma in Public Finance Management and Administration
- National Certificate in Local Economic Development
- Certificate in Municipal Finance Management Programme (MFMP)

Mr. Ntoyi is a registered Professional Construction Project Manager, accredited by the South African Council for the Project and Construction Management Professions (SACPCMP). He currently serves as Chief Executive of Vaal Central Water. Mr. Ntoyi brings extensive experience in local government, having previously held senior management positions including Technical Manager at Letsemeng Local Municipality, Strategic Executive Director of Technical Services at Motheo District Municipality, Executive Director of Infrastructural Services at Mangaung Local Municipality, and Head of Directorate Engineering Services at Mangaung Metropolitan Municipality.

He has also contributed his expertise as a Board Member for Pelonomi Regional Hospital and served as Chairperson of the Universitas Academic Hospital Board from April 2020 to May 2022. He has been reappointed as Chairperson for a second consecutive term from September 1, 2022, to December 2025. Mr. Ntoyi is a former Member of the Board at Bloem Water, where he chaired the Capital Project and Fixed Assets Committee. He is registered with the Institute of Directors in Southern Africa (IDOSA).

A seasoned engineering professional, Mr. Ntoyi possesses in-depth experience across land development, construction, civil engineering projects, water and sanitation initiatives, bulk water supply including reservoirs and treatment plants sanitation infrastructure such as pump stations and wastewater treatment facilities, roads and stormwater projects, structural building works, traffic engineering, project management, municipal services, private property developments, human resources, business administration, and governance at executive and Board levels.

As Chief Executive at Vaal Central Water Board, Mr. Ntoyi has demonstrated significant leadership, overseeing the organisation's strategic direction, operational performance, and long-term sustainability. Under his stewardship, the Board has addressed complex challenges within the water sector, implemented key infrastructure projects, and reinforced its commitment to delivering reliable water services to communities. Mr. Ntoyi's visionary leadership is a testament to his dedication to public service and expertise in utility management.

BOARD OF DIRECTORS



Mr. Sipho Mosai (52)

Executive Member

Mr. Mosai holds the following qualifications:

- Master of Science
- Master of Business Administration
- Post Graduate Diploma in Management
- Bachelor of Science (Hons)
- Bachelor of Science

Mr. Mosai is the current Group Chief Executive of Rand Water, a position he occupied since 2019. Prior to this appointment, he was the Chief Operations Officer of Rand Water for 10 years.

Mr. Mosai, a scientist by training turned strategist and business leader in the water sector, boasts over 20 years' executive management and technical experience in bulk water distribution operations; water infrastructure planning, maintenance, refurbishment and upgrade, project management, scientific services, strategic asset management; sector growth and development.

He has served as a Non-Executive and Board Member in various institutions. This includes serving at the Board of the Construction Industry Development Board (CIDB) where he Chaired the Human Resources sub-committee of the Board in his first term, and the Chairperson of the Audit and Risk Committee in his second term. He currently serves at the Rand Water Foundation and Rand Water Services as a Non-Executive Director.

COMPANY SECRETARY



Ms. Bessie Sindile Bulunga (52)

Company Secretary

Appointment date: 12 August 2019

Ms. Bulunga holds the following qualifications:

- Baccalaureus Procurationis (B.Proc)
- Bachelor of Laws (LLB)
- Certificate Programme in Management Development (CPMD)
- Certificate in Practical Legal Training

RAND WATER BOARD MEETING ATTENDANCE

Our Board members attended the following Board and committee meetings during the year.

Table 1: Board Meetings Attendance

Members	Board	Board Committees				
		Nominations	Treasury and Capital Investments	Group Audit and Risk	Human Resources and Remuneration	Social and Ethics
Non-Executive Directors						
Mr. Ramateu Monyokolo (Chairperson)	9/10	3/3				
Ms. Malande Tonjeni (Deputy Chairperson)	9/10	2/3		6/8		5/5
Mr. Simphiwe Khondlo	10/10		4/4		6/6	5/5
Mr. Luvuyo Ntoyi	10/10		4/4	8/8	4/4	
Mr. Anthony Mhlongo	9/10		1/2	7/8	2/2	
Ms. Lethabo Mashamaite	10/10				6/6	5/5
Ms. Gwendolyn Mahuma-Madida	9/10			5/8	6/6	
Mr. Solomon Mngomezulu	10/10				6/6	4/5
Mr. Gcinumzi Qotywa	8/10		3/4	8/8	6/6	
Ms. Zanele Monnakgotla	9/10	3/3		8/8		
Ms. Phindile Mbanjwa	10/10		4/4			4/5
Ms. Clarinda Simpson	10/10		3/4			5/5
Executive Director						
Mr. Sipho Mosai (Group Chief Executive)	8/10	3/3				
The following Members are representing Rand Water Foundation in various sub-committees of the Rand Water Board, and some are Independent Members.						
Ms. Moleboge Lekwane (RWF Board Member)					2/2	
Ms. Lusanda Netshitenzhe (RWF Board Chairperson)			2/4			0/1
Mr. Linda Mngomezulu (Independent Member)						5/5
Ms. Ayanda Mafuleka (RWF Board Member)				6/8		
Ms. Vuyokazi Menye (Independent member)				5/8		

**Mr. Anthony Mhlongo (Retired as a TCIC Member w.e.f. 29 November 2024). (Appointed as a HR&REMCO Member w.e.f. 29 November 2024 to 21 September 2026).*

**Ms. Moleboge Lekwane (Appointed on HRREMCO w.e.f. 29 October 2024). (Retired w.e.f. 31 July 2025).*

**Ms. Lusanda Netshitenzhe (Appointed to TCIC 29 w.e.f. November 2024).*

**Mr. Linda Mngomezulu (Independent Member). (Independent member of SEC). (Retired w.e.f. 31 July 2024. Appointed to SEC w.e.f. 1 August 2024).*

**Ms. Ayanda Mafuleka (RWF) (Member of GARC representing RWF).*

**Ms. Vuyokazi Menye (Independent member of GARC).*

RAND WATER BOARD COMMITTEES

GROUP AUDIT AND RISK COMMITTEE	
MEMBERS	
1. Ms. Zanele Monnakgotla (Chairperson)	
2. Ms. Gwendolyn Mahuma-Madida	
3. Ms. Malande Tonjeni	
4. Mr. Luvuyo Ntoyi	
5. Mr. Gcinumzi Qotywa	
6. Mr. Anthony Mhlongo	
7. Ms. Ayanda Mafuleka	
8. Ms. Vuyokazi Menye	
Meetings	8
Attendance	84%

Mandate, Roles and Responsibilities

The Committee has been established primarily to assist the Board in overseeing, inter alia, the following:

- The effectiveness of Rand Water's assurance functions and services, with particular focus on combined assurance arrangements, including external assurance service providers, the internal audit function and the finance function;
- The implementation of an appropriate enterprise-wide risk management strategy which is supported by an effective enterprise-wide risk management framework (ERMF);
- The quality and effectiveness of Rand Water's risk management systems processes and procedures including the strategies and policies for the management of risks across the organisation;
- The quality and integrity of Rand Water's integrated reporting, the consolidated Rand Water Group (the Group) financial statements), sustainability reporting, and public announcements in respect of the financial results;
- The independence of the external auditors for the Rand Water Group and its subsidiaries and the audit scope and assessment of the effectiveness of the external audit function;
- The effectiveness of the Group's internal controls and internal audit function; and
- Compliance with legal and regulatory requirements to the extent that it might have an impact on the financial statements.

Key Activities undertaken during the 2024/25 Financial Year

During the 2024/25 financial year, the Committee's work was structured around quarterly and special meetings, with a particular focus on financial integrity, risk mitigation, audit compliance, and performance assurance. The following highlights the key activities undertaken:

Oversight of Financial and Performance Reporting:

- The Committee maintained a consolidated view of assurance and performance across the Group, including the Rand Water Foundation (RWF), and Rand Water Services (RWS). This included the review and consideration of the Group's:
  - » Management Accounts and Quarterly Performance Reports.
  - » GIA Assurance Reports on performance information across the Group to ensure accuracy and reliability of reported data.
  - » Financial Monitoring Template to the Department of Water and Sanitation (DWS).
  - » RWF and RWS Unaudited CAFS for the year ended 30 June 2024
  - » GIA Assurance Report on the unaudited financials.
  - » Auditor-General of South Africa (AGSA) audit report.
  - » Consolidated Annual Financial Statements (CAFS).
  - » Integrated Annual Report for the year ended 30 June 2024.
  - » Consolidated Interim Financial Statements (CIFS) and Nexia SAB&T Interim Review Report for the period ended 31 December 2024.
  - » JSE Proactive Monitoring Report.

Risk Management, Governance and Assurance:

- The Committee reviewed and considered quarterly updates on Strategic Risk Registers for the Rand Water Group and the Treasury Financial Risk Report.
- To ensure adequate levels of internal and external assurance across the Group, the Committee considered the GIA Quarterly Report, Combined Assurance Report; DTIM Governance Report; Litigation Status Report, Integrity, Probity and Assurance Report; Consequence Management Report, and Fruitless, Wasteful and Irregular Expenditure Report.
- The Committee approved the following key governance and assurance instruments: Internal Audit Charter; Annual Internal Audit Plan and 3-Year Rolling Plan; Combined Assurance Framework and Plan for FY 2024/25 and Integrity, Probity and Assurance (IPA) Annual Plan for FY 2024/25.
- In reaffirming the Group's commitment to safety, health, environment, and quality compliance, the Committee considered and recommended for approval the SHEQ Policy and Corporate Security Policy, aimed at enhancing the organisation's security governance framework and ensuring alignment with risk management protocols.
- The Committee further considered and recommended for approval the following policies and frameworks: Revised Delegation of Authority Framework; Internal Audit Charter and Manual; Prominent Influential Persons Policy; Accounting Policy, and Risk Management Policy.
- In addition, the Committee considered the Group Internal Audit Charter 2025/26 financial year; Group Internal Audit Strategy 2026-2028, and Group Internal Audit 3-Year Rolling Plan to ensure the effectiveness and efficiency of the Internal Audit function.

Budgeting and Financial Planning:

- The Committee considered and recommended for approval the Group Budget, Capital Expenditure (Capex) Budget, and Five-Year Plan for 2025/26 financial year, Preliminary Budget and the Materiality and Significance Framework, and Capitalisation of Rand Water Services and its associated materiality framework.

Regulatory and Statutory Compliance:

- The Committee recommended for approval the Corporate Business Plan for financial years 2026-2030, Rand Water Annual Shareholders' Compact for 2025/26 financial year, and Strategic Risk Register for 2025/26 financial year.

Outlook and Future Focus Areas

- Digital Resilience and Cybersecurity: Ongoing evaluation of the DTIM Governance Framework and Information Security policies to strengthen defences against cyber threats.
- Sustainability and ESG Risk Integration: Enhanced oversight over ESG risks and sustainability reporting within the broader integrated reporting framework.
- Strengthening Risk Management and Control Frameworks: Continued refinement of the Group's internal control environment and risk mitigation plans.
- Regulatory and Policy Alignment: Ensuring responsiveness to ministerial directives, PFMA amendments, and evolving governance expectations.
- Clean Audit Outcomes: Monitoring the implementation of audit action plans and the Clean Audit Road Map to secure improved audit outcomes.

SOCIAL AND ETHICS COMMITTEE

MEMBERS

1. Ms. Malande Tonjeni (Chairperson)
2. Ms. Clarinda Simpson
3. Mr. Simphiwe Khondlo
4. Ms. Lethabo Mashamaite
5. Mr. Solomon Mngomezulu
6. Ms. Phindile Mbanjwa
7. Ms. Lusanda Netshitenzhe
8. Mr. Linda Mngomezulu

The following were appointed as permanent invitees to the meetings of the SEC, to represent the subsidiary Boards within the Group:

- Mr. Maubane Mahlare, the Managing Director: Rand Water Services (Pty) Ltd (RWS) representing RWS.
- Ms. Mohlatleho Sekoaila, the General Manager: Rand Water Foundation (NPC), representing the RWF.

Meetings	4 (and 1 strategic briefing workshop)
Attendance	92%

Mandate, Roles and Responsibilities

The Committee has been established by the Board to oversee, monitor and report on behalf of the Board, on Rand Water's ethics, the impact of Rand Water's corporate social responsibility activities, sustainable development, transformation initiatives and management of stakeholder relations with due regard to relevant legislative requirements and prevailing codes of best practice.

Key Activities Undertaken during the 2024/25 Financial Year

The Committee reviewed and recommended the following reports:

- Report of the Group's Performance Against the Key Performance Indicators (KPIs) and Strategic Goals for the 2023/24 financial year.
- Quarterly Environmental, Social and Governance (ESG) Reports.
- Group Internal Audit (GIA) Assurance Reports on the ESG Report.
- RWF Corporate Social Investment Responsibility (CSR) Projects Report.
- Broad-Based Black Economic Empowerment (B-BBEE) Reports.
- Stakeholder Engagements and Encroachments Reports and Update re: Perception Survey.
- Ethics Management Reports.
- Safety, Health and Environment (SHE) Report.
- Revised ESG Reporting Framework for the Group.
- Proposed 2025 Annual Corporate Calendar.
- Proposed 2024/25 financial year SEC Annual Workplan.
- Revised Safety, Health, Environment and Quality (SHEQ) Policy.
- Climate Change Policy.
- Briefing on the Ethics Risk Assessment (ERA) Approach.
- Proposed 2025 SEC Training Schedule.
- Group's Disaster Management Strategy and Plan.
- Annual ESG Report for the 2023/24 Financial Year.
- Proposed 2025/26 financial year Draft Annual Shareholders' Compact.
- Rand Water's Climate Change Strategy and Plan.
- Global Reporting Standards - Human Capital Management Component of the ESG Report.
- Report on the Panfontein Water Treatment Residue Management Plant.

Outlook and Future Focus Areas
As the organisation continues to navigate a complex operational and regulatory environment, the SEC's focus in 2026 and beyond will include: • Integrated ESG Oversight: Deepening integration of ESG into the organisation's strategy and operations. • Enhanced Stakeholder Engagement: Developing robust stakeholder engagement frameworks. • Sustainability and Climate Resilience: Strengthening oversight of environmental sustainability and resilience to climate risks. • Water Resource and Biodiversity Management: Promoting sustainable water use and ecosystem protection. • Community Engagement and Education: Increasing community outreach on water conservation and responsible use.

TREASURY AND CAPITAL INVESTMENTS COMMITTEE	
MEMBERS	
1. Mr. Simphiwe Khondlo (Chairperson)	
2. Mr. Luvuyo Ntoyi	
3. Mr. Gcinumzi Qotywa	
4. Ms. Clarinda Simpson	
5. Ms. Phindile Mbanjwa	
6. Ms. Lusanda Netshitenzhe	
7. Mr. Anthony Mhlongo	
Meetings	6
Attendance	92%
Mandate, Roles and Responsibilities	
The Committees' role and responsibilities include: • To approve authorised votes above R50 million for expenditure of a capital nature including bulk infrastructure and above R50 million for Information Technology (IT). • To consider and recommend to the Board for approval, Rand Water's Infrastructure Development Plan (IDP) as part of the budget process as required. • To annually review the borrowing limits and upon expiry of any current borrowing limits in place at the time, to ensure alignment with Rand Water's five-year business plan for the objective of obtaining the approved medium term borrowing limits from the Shareholder (DWS) and the Minister of Finance. The approval is formalised through the publishing of such approval in the Gazette. • To oversee the development and review of the required Treasury and Capital Investments related policies within the entity and to assess the relevance thereof in relation to the overall strategic objectives of Rand Water. • In consultation with the Group Audit and Risk Committee, to review and make recommendations to the Board for the approval of the CAPEX budget and five-year CAPEX Plan as recommended by the Chief Executive.	

Key Activities Undertaken during the 2024/25 Financial Year
The Capital Investment Committee considered the following, and where required, approved. and/or recommended matters for approval or noting by the Board: • Authorised Vote P.05529: Planning, Design. Procurement, Construction, Commissioning and Handover of Various Infrastructure Projects at Station 5 and Zuikerbosch Pumping Station. (Integrated Execution Programme (IEP), Package 2) - Request for an Authorised Vote. • Authorised Vote Package 3 - Zuikerbosch System Integrated Execution Programme, Subpackages - Request For An Authorised Vote. • Request for Authorised Vote: P. 05549: Solar PhotoVoltaics (PV) Projects at Various Rand Water Sites. • Request for Authorized Vote -Package 6: Palmiet System Integrated Execution Programme, Sub-Packages (2,3,4,8 & 9). • Request for an Increase in Authorised Vote: Zuikerbosch Pumping Station Package 3 (subpackage 1) • Request for Authorised Vote: Palmiet system Package 6 (various subpackages).
• Reviewed the TCIC Delegations as per the Revised Delegation of Authority (DOA) Framework - Revision 9 of 2024. • Quarterly Capital Expenditure (CAPEX) Reports. • Quarterly Cash Management Reports. • Quarterly Treasury Quarterly Performance Reports. • Quarterly Financial Risk Reports. • Proposed 2025 Annual Corporate Calendar 2025. • National Credit Regulator: Requirements of Board Membership Update. • Zanzibar Water Management, Operate and Investment Contract. • 2025 TCIC Annual Training and Development Plan. • Report on Group's Performance for the 3rd Quarter Ended 31 March 2024 Against the Corporate Key Performance Indicators (KPI) Set and Strategic Goals in the Annual Shareholder Compact for the financial year 2023/24. - *For recommendation to the Board.* • Annual Shareholder Compact for the Financial Year 2024/25.- *For recommendation* to the Board. • Annual 2025/26 Infrastructure Development Plan (IDP). *For recommendation to the Board.* • Annual Capital Expenditure (CAPEX) Budget FY 2025/26 and 5-Year CAPEX Business Plan (2026 - 30). *For recommendation to the Board.* • 5-Year Borrowing Plan/Funding Plan 2026 - 2030. *For recommendation to the Board.* • Presentation on the Infrastructure Development Plan (IDP) FY 2025/26.

HUMAN RESOURCES AND REMUNERATION COMMITTEE	
MEMBERS	
1. Ms. Gwendolyn Mahuma-Madida (Chairperson)	
2. Ms. Lethabo Mashamaite	
3. Mr. Gcinumzi Qotywa	
4. Mr. Simphiwe Khondlo	
5. Mr. Solomon Mngomezulu	
6. Mr. Luvuyo Ntoyi	
7. Mr. Anthony Mhlongo	
8. Ms. Moleboge Lekwane	
Meetings	6
Attendance	100%

Mandate, Roles and Responsibilities

The Committee has been established primarily to assist the Board in overseeing, *inter alia*, the following:

- Overseeing strategic human capital management matters, including reviewing the required strategic human resources policies and applicable frameworks;
- Overseeing the governance and implementation of the Rand Water Remuneration Philosophy and associated strategies;
- Overseeing the governance of remuneration matters relating to employees with a particular focus on ensuring that Rand Water remunerates its employees in line with the policy provisions of internal equity, external competitiveness fairness, and
- Ensuring that the disclosure of officers' and directors' remuneration in the integrated annual report is accurate and transparent as required by applicable laws and governance guidelines.

Key Activities Undertaken during the 2024/25 Financial Year

- Reviewed the Rand Water Group's Quarterly Performance against Corporate Key Performance Indicators (KPI) Set in the Annual Shareholders' Compact for the financial year 2023/24, relevant to the mandate of the Committee.
- Reviewed the Progress Report on implementation of the Strategic Goals for the 2024/25 financial year.
- Reviewed the Assurance Reports on the Performance Information against the Group's Strategic Goals and KPI Set.
- Noted the Status on the 2024/25 financial year Salary Negotiations at Central Bargaining Level.
- Reviewed the Employment Equity Quarterly Reports.
- Reviewed the Skills Development Quarterly Reports.
- Reviewed the Employee Wellness and Occupational Health and Safety Act (OHSA) Quarterly Reports.
- Noted the Status Update on the Project for Automation of the Group's Performance Management Process.
- Recommended the Revised Rand Water Group Leave Policy to the Board for approval.
- Recommended the Revised Rand Water Group Capacity-Building Policy to the Board for approval.
- Recommended the Revised Rand Water Group Delegation of Authority Framework (DoA) to the Board for approval.
- Recommended the Remuneration Report to the Integrated Annual Report (IAR) for the financial year 2023/24 to the Board for approval.
- Recommended the 2024/25 Annual Cost of Living Adjustment – Management (O to Q bands) to the Board for approval.
- Reviewed of the Scope for the Independent Assurance on the Agreed Upon Procedures for the Short-Term Incentive Scheme.
- Recommended the Recruitment and Selection Policy to the Board for approval.
- Recommended the Revised Safety, Health, Environmental and Quality Policy (SHEQ) Policy to the Board for approval.
- Proposed Rand Water's Long-Term Incentive (LTI) Scheme Policy.

- Adopted the Annual HR&REMCO Training and Development Plan for the Calendar Year 2025.
- Review of the 2023/24 financial year Performance Management and STI Calculations – Post STI Payment.
- Noted the Status Update of the Rand Water University Initiative.
- Recommended Secondment Policy.
- Recommended Proposed Annual Shareholders' Compact for the 2025/26.

Outlook and Future Focus Areas

- The introduction of the Long-Term Incentive (LTI) Scheme aims to provide a framework that supports the organisation's long-term vision and strategy, ensuring remuneration is aligned with agreed-upon principles while generating value for both the organisation and participants. HR&REMCO was requested by the Board to conduct a benchmarking exercise for the implementation of the LTI Scheme, which was conducted by an external service provider.

NOMINATIONS COMMITTEE

MEMBERS

1. Mr. Ramateu Monyokolo (Chairperson)
2. Mr. Sipho Mosai
3. Ms. Malande Tonjeni
4. Ms. Zanele Monnakgotla

Meetings	3
Attendance	92%

Mandate, Roles and Responsibilities

- The Committee has been established by the Board of Rand Water to identify, consider and recommend to the Board the nomination of members for appointments to the Board Committees, Boards of subsidiaries including the Independent Medical Aid Scheme and Provident Funds of Rand Water.
- The Committee consists of four (4) members, made up of a majority of Non-Executive Members of the Board and one (1) Executive Member, who is the Group Chief Executive. The Group Chief Executive's appointment to the Committee is informed by his/her involvement in the recruitment and selection of Board Members of Rand Water. The Committee is chaired by the Chairperson of the Board.

Key Activities Undertaken during the 2024/25 Financial Year

a. Board and Committee Appointments

- Recommended the allocation of a new Rand Water Board Member to appropriate Board Committees.
- Oversaw the appointment of Employer Representatives to the Rand Water Medical Aid Scheme Board of Trustees, ensuring alignment with scheme rules and regulatory compliance.
- Recommended the appointment of an interim Chairperson to the RWF Board following the expiry of the term of office of the previous RWF Board Chairperson.
- Recommended the appointment of two (2) non-executive directors to the Board of the RWF following two vacancies on the Board between 01 August 2024 and 18 November 2024.
- Recommended the allocation of members of the RWF to Committees at the Group level to ensure representation of Board members of subsidiary companies in governance structures at the Group level.
- Initiated a call for nominations to fill three (3) upcoming vacancies on the RWF Board, effective 31 July 2025, due to expiring terms of office.

b. Nomination of an Independent Member to the Group Audit and Risk Committee (GARC) with ICT Expertise

- Under Section 31 (4) (b) of the Water Services Act, which authorises the Board to appoint independent members to any of its committees, the Nominations Committee managed the process for nominating candidates for the role of Independent GARC Member with Information Technology and Communications (ICT) expertise. This was in response to the increasing risk environment, particularly concerning digital transformation and cybersecurity risks, to ensure that members with appropriate skills were appointed to the GARC to support effective IT governance and oversight.

c. Governance and Oversight

- Initiated and managed the Impact Assessment Analysis of the RWF since its inception to evaluate the effect that the RWF projects have had within communities, thereby positioning the RWF as Rand Water's corporate social responsibility vehicle.
- Recommended extending the terms of office for serving RWF Board Members to ensure governance stability and continuity during the Assessment Analysis period.

Outlook and Future Focus Areas

The Committee will persist in ensuring the alignment of Rand Water's governance structures with emerging regulatory requirements and sector-specific mandates through the following:

- Finalising the selection process for new RWF Members and recommend their appointment to the Board.
- Maintaining readiness to advise on internal/ Shareholder level consultations relating to Board vacancies, appointments, and disqualifications.
- Facilitating proactive succession planning across strategic governance positions.
- Contributing towards the enhancement of the Group's diversity profile at the leadership level and driving transformation and inclusion in terms of appointments to the governance structures within the Group


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EXECUTIVE COMMITTEE

Executive Committee (EXCO) consists of five (5) members who represent all areas of the business and contribute diverse skills and experience. EXCO implements the strategy as approved by the Board and manages the day-to-day operations of the business, organised as Business Units. These Business Units are led by Business Unit Heads who are all Executive Committee members.



Mr. Sipho Mosai (52)

Group Chief Executive

Appointment Date: 1 April 2019.

Mr. Mosai holds the following qualifications:

- Master of Business Administration (MBA)
- Master of Science in Microbiology
- Bachelor of Science in Microbiology (Hons)
- Bachelor of Science in Microbiology and Biochemistry



Ms. Matshidiso Nyembe (52)

Group Chief Financial Officer

Appointment Date: 1 May 2009.

Ms. Nyembe holds the following qualifications:

- Master of Business Administration (MBA)
- Chartered Accountant CA(SA)
- Certificate Theory in Accounting (CTA)
- Chartered Principal Executive Officer (CPEO)
- Bachelor of Commerce (Hons)
- Bachelor of Accounting Science (BCompt)

Area of Responsibilities:

- Finance Programme Management Office
- Finance Shared Services
- Financial Planning
- Financial Compliance and Reporting
- Group Treasury
- Rand Water Medical Scheme
- Rand Water Provident Fund



Mr. Vusi Kubheka (55)

Chief Strategy Officer

Appointment Date: 1 July 2012.

Mr. Kubheka holds the following qualifications:

- Master of Business Administration (MBA)
- Post-graduate Diploma in Management Practice
- National Diploma in Environmental Health

Area of Responsibilities:

- Corporate Planning
- Financial and Economic Planning
- Organisational Research and Development
- Policy Development Management
- Monitoring and Evaluation
- Business Optimisation
- Strategic Goals Delivery



Mr. Mahlomola Mehlo (43)

Chief Operating Officer

Appointment Date: 1 October 2020.

Mr. Mehlo holds the following qualifications:

- Master of Science in Project Management
- Master of Technology in Civil Engineering
- Master of Business Administration (MBA)
- Bachelor of Technology Degree in Project Management
- Strategy Executive Programme for Africa (SEPA)

Area of Responsibilities:

- Operations
- Scientific Services
- Strategic Asset Management
- Capital Execution



Mr. Mbuyiswa Makhubela (51)

Acting Chief Shared Services Officer

Date of Appointment: 6 January 2025.

Mr. Makhubela holds the following qualifications:

- Bachelor of Science in Microbiology (Hons)
- Diploma in Security Management
- Advanced Security Management Programme
- Certificate in Facilities Management
- General Management Programme
- Business Management Certificate

Area of Responsibilities:

- Digital Technology and Information Management
- Corporate Services
- Communication and Stakeholder Management
- Legal and Risk Advisory Services
- Strategic Human Capital
- Supply Chain Management

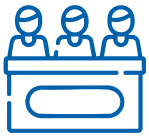
KING IV PRINCIPLES APPLICATION 2025

Rand 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, Rand Water has applied the principles of King IV and the table below provides details.

Table 2: King IV Principles Application

No.	King IV Principles	Apply and Explain
LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP		
1.	**Leadership**	
	The governing body should lead ethically and effectively.	The Board leads ethically and effectively by upholding values such as integrity, competence, responsibility, accountability, fairness, and transparency. It sets the ethical tone and governs based on relevant laws and policies. The Board is committed to discharging its fiduciary responsibilities in terms of common law and in line with relevant legislative, policy and regulatory prescripts.
2.	**Organisational Ethics**	
	The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board governs ethics through approved policies, an external whistle-blowing facility, managed by an external independent entity and staff members are trained continuously in the effective operation of this facility. An external ethics assessment was conducted by The Ethics Institute to guide improvements. Quarterly reports are submitted to the Social and Ethics as well as the Group Audit and Risk Committees on progress made against the approved mitigation plans to reduce white collar crime and ethics-related breaches.
3.	**Responsible corporate citizenship**	
	The governing body should ensure that the organisation is, and is seen to be, a responsible corporate citizen.	The Board ensures compliance with the Constitution and laws, monitors impact in the workplace, economy, society, and environment. It oversees Board diversity and separation of roles between the Chairperson and Group Chief Executive. The ESG Quarterly reports are submitted to the Social and Ethics Committee on progress made against the approved ESG Reporting Framework.
STRATEGY, PERFORMANCE AND REPORTING		
4.	**Strategy and Performance**	
	The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Board of Rand Water sets and approves the overall strategic direction and ensures that the organisation operates sustainably in a unified manner. This is achieved through the implementation of various plans developed at different levels of the organisation.

No.	King IV Principles	Apply and Explain
5.	**Reporting**	
	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.	Rand Water ensures that the quality of reports produced (quarterly and annually) enables stakeholders to make informed decisions. It aims to adhere to the disclosure requirements as required by the JSE, King IV, Water Services Act and all relevant legislation and codes that Rand Water abides by. Rand Water's IAR is prepared in line with International Integrated Reporting Council's Integrated Reporting Framework (IIR). Rand Water's AFS complies with the International Financial Reporting Standards (IFRS). It is audited by the AGSA to ensure that they represent the correct financial position of the organisation.
GOVERNING STRUCTURES AND DELEGATION		
6.	**Primary roles and responsibilities**	
	The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The Board is the focal point of governance, overseeing strategic implementation and compliance, and holding regular/ statutory meetings for effective oversight. To that end, the Board continues to adhere to the principles of the King IV Report which was adopted in the 2016/17 financial year, Board Charter and the Committee's Terms of Reference. The Board reviews the organisational performance on a regular basis through the quarterly and annual reports that are submitted to the Shareholder (DWS).
7.	**Composition of the governing body**	
	The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity, and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board comprises a diverse and independent mix of members, including 12 Non-Executive Directors and one (1) Executive Director (GCE), 46% of which constitutes females. Appointments are based on skills, diversity, and leadership qualities.
8.	**Committees of the governing body**	
	The governing body should ensure that its arrangements for the delegation within its own structures promote independent judgement and assist with balance of power and the effective discharge of its duties.	Board Committees are structured to ensure independence, role clarity, and balanced decision-making. Key Committees include: • Group Audit and Risk Committee (GARC), • Human Resources and Remuneration Committee (HR&REMCO), • Social and Ethics Committee (SEC), • Treasury and Capital Investment Committee (TCIC), and • Nominations Committee (NOMCO)

No.	King IV Principles	Apply and Explain
9.	**Evaluations of the performance of the governing body**	
	The governing body should ensure that the evaluation of its own performance and that of its committees, its chair, and its individual members support continued improvement in its performance and effectiveness.	An annual performance evaluation is conducted by an external service provider which includes the assessment of the Board as a whole, individual Committees, the Chairperson, Committee Chairpersons, the Group Chief Executive and the Company Secretary. A formal report on the outcome of the individual and independent assessments conducted to review the performance of Board members and/or the Board and its Sub-Committees is submitted to the Minister before 31 August of each year.
10.	**Appointment and delegation to management**	
	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 GCE is appointed by the Board in consultation with the Minister, with authority to delegate operational responsibilities via the Delegation of Authority Framework. The GCE is responsible for providing ethical leadership and ensuring that the operations are aligned with the overall organisational strategy. The approved Group DoA further gives the GCE the authority to sub-delegate further to management and throughout the organisation. The DoA Framework is reviewed regularly in line with the Group's Policy Review and Governance Framework.
GOVERNANCE FUNCTIONAL AREAS		
11.	**Risk governance**	
	The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The Board of Rand Water has adopted and implemented a Risk Management Policy and Procedure that establishes the entity's risk governance structure, defines roles and responsibilities, and integrates risk into strategy, planning, and operations. The Board exercises oversight through the Group Audit and Risk Committee, which reviews risk registers, risk appetite statements, and mitigation plans on a quarterly basis. Strategic and emerging risks are reviewed during Board Strategy Sessions to ensure alignment with the Organisation's strategic objectives. Risk assessments are embedded into business planning and project approval processes, with escalation protocols for material risks. Assurance is provided through internal audit reviews and quarterly risk reporting to the Board.
12.	**Technology and information governance**	
	The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.	The Board has approved the Data Governance Framework. Digital Technology and Information Committee (DTIC) is responsible for ensuring that the enterprise-wide digital technology and information governance, risk, compliance and internal controls are defined, implemented and operated effectively across Rand Water. Governance Report that incorporates risk, audit action log and cybersecurity is submitted to the Board on a quarterly basis to ensure accountability to the Board.

No.	King IV Principles	Apply and Explain
13.	**Compliance governance**	
	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.	Rand Water Group has a dedicated Group Regulatory and Compliance function that assists the Board, relevant Board Committee, Top management, Management and appropriate staff members in discharging their responsibility to comply with applicable compliance obligations through the provision of compliance risk management services. Compliance is implemented through a risk-based approach using a decentralised model that has been adopted by the Board. This denotes that compliance risk management accountability is assumed by each business unit, and regular engagements that are undertaken through regulatory and compliance services ensure compliance throughout the organisation. Compliance systems and processes are in place and are continuously improved to mitigate the risk of non-compliance with the regulatory requirements.
14.	**Remuneration governance**	
	The governing body should ensure that the organisation remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.	The Board has approved the Remuneration Policy which outlines principles of: • Fair remuneration, • Attracts and retains human capital by having remuneration policies that are competitive in the market, and • Motivates and rewards human capital by making provision for incentives and performance bonuses.
15.	**Assurance**	
	The governing body should ensure that assurance services and functions enable effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The organisation has adopted a combined assurance model that integrates and aligns risk management and assurance processes across all lines of defence. This ensures that significant risks are adequately identified and mitigated, and that assurance is provided in a coordinated manner to support the integrity of financial and performance reporting. Internal Audit, reporting functionally to the Group Audit and Risk Committee, plays a key role in evaluating the adequacy and effectiveness of controls and provides independent assurance. The function provides objective, risk-based assurance on the effectiveness of governance, risk management, and internal control. The governing body receives quarterly combined assurance reports, highlighting: • Key risks and how they are being managed, • Assurance coverage from all lines of defence, and • Emerging issues and areas requiring attention.

No.	King IV Principles	Apply and Explain
STAKEHOLDER RELATIONSHIPS		
16.	**Stakeholders**	
	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.	The Board is cognisant of the fact that the organisation cannot act in isolation of others and the environment within which it operates. Accordingly, and for purposes of being sustainable, the Board has initiated a Stakeholder Engagement Strategy that aims to assist the organisation in further developing its relations with various stakeholders.





RAND WATER

HOW WE CREATE VALUE

GROUP CHIEF EXECUTIVE'S REVIEW



The organisation has delivered exceptional performance, a testament to the dedication of our employees and their ability to navigate an increasingly complex operating environment.

Mr. Sipho Mosai
Group Chief Executive

The financial year 2024/25 has once again underscored the resilience, agility, and unwavering commitment of Rand Water in fulfilling its mandate. The organisation has delivered exceptional performance, a testament to the dedication of our employees and their ability to navigate an increasingly complex operating environment.

Rand Water's financial performance continues to reinforce its strategic foundation. The gross profit margin on primary activities reached 31.70%, surpassing the target of 29.0%, while the net profit margin stood at 22.70%, exceeding the target of 19.0%. Return on assets closed at 10.2%, outperforming the target of 8.8%. Secondary activities also exceeded expectations. These results affirm Rand Water's financial sustainability and its capacity to fund critical infrastructure investments while meeting the water needs of millions of South Africans within its area of supply.

Operational excellence remains central to Rand Water's mandate. The quality of bulk potable water consistently exceeded all SANS 241 standards, reaffirming our reputation for world-class water quality. Despite increasing demand and pressure on licensed abstraction volumes, Rand Water maintained zero water supply disruptions across all possible supply days, a remarkable achievement given the sector's growing challenge. Capital expenditure reached 130% of the budget percentage exceeding the target of 95%, while repairs and maintenance as a percentage of budget stood at 124.8%, reflecting our commitment to infrastructure reliability.

During the reporting period, Rand Water undertook extensive preventative and rehabilitative maintenance across its infrastructure, including pipelines, pump stations, and reservoirs. Maintenance activities were strategically expanded, informed by comprehensive condition assessments and asset lifecycle analyses. This operational discipline has enhanced the reliability of Rand Water's infrastructure, reduced unplanned outages, and mitigated water losses. Key interventions including high-capacity pump refurbishments and targeted valve replacements have extended the lifespan of essential assets and minimised operational risks.

All maintenance works were executed in strict compliance with national water sector standards and aligned with the Department of Water and Sanitation's broader infrastructure recovery objectives. The maintenance programme for 2024/25 has also adopted a forward-looking approach, embracing innovative and cost-effective solutions to extend water supply to underserved areas while alleviating pressure on existing infrastructure. Notably:

- Groundwater initiatives in informal settlements have reduced dependence on long-distance reticulation systems, facilitating quicker access to potable water.
- Operation Vulindlela Phase II, endorsed at the national level, has emerged as a catalyst for structural reform. Its emphasis on a utility-based delivery model aligns with Association of Water and Sanitation Institute of South Africa (AWSISA)'s vision for professionalised,

accountable water services supported by climate-resilient infrastructure.

The organisation also demonstrated strong performance in legislative compliance, transformation, and human capital development. All tenders were awarded to B-BBEE-compliant entities, with B-BBEE spend reaching 105.6% of total expenditure against a target of 85%. Rand Water's investment in skills development remains a cornerstone of its strategy, supporting 102 learnerships, 41 bursaries, and 182 graduates through structured programmes. Notably, 71.9% of new hires in management and technical roles were women, reinforcing our leadership in gender transformation. Rand Water continues to be an employer of choice, with a staff turnover rate of 1.61% against a target of 5%, and increased its staff complement by 378 permanent and contract employees, exceeding the target of 145.

Stakeholder engagement remains a strategic priority. The Customer Satisfaction Survey yielded a score of 86.8%, surpassing the target of 82.5%, and affirming stakeholder confidence in Rand Water's ability to deliver high-quality potable water.

As a responsible corporate citizen, Rand Water's Corporate Social Investment arm, the Rand Water Foundation (RWF), implemented 61 initiatives well above the target of 25. These included 32 water supply projects, 19 sanitation projects, and domestic leak repairs benefiting 4,241 households. A total of 2,898 temporary jobs were created through project implementation, further contributing to community upliftment.

Nonetheless, challenges persist. Debtor days increased to 125, reflecting financial distress at the municipal level. The growing municipal debt burden necessitates ongoing engagement, structured recovery strategies, and, where necessary, legal recourse. Municipal physical water losses remain a concern, particularly during high-demand summer months. Rand Water continues to collaborate with municipalities to implement non-revenue water reduction, conservation, and demand management strategies.

In line with our ongoing commitment to ensuring Rand Water's adherence to applicable legislative and regulatory requirements, we continuously monitor and report any identified irregularities. In this context, irregular expenditure was initially disclosed as being under assessment during the 2023/24 financial year. This matter was subsequently assessed in the 2024/25 financial year, resulting in a conclusion that differed from that of the AGSA. In accordance with the PFMA Compliance and Reporting Framework, the matter has been referred to the National Treasury for dispute resolution.

The organisation did not meet its target for project completion due to administrative delays by contractors, which impacted timelines and deliverables. Additionally, a repeat audit finding was recorded during the year within the supply chain management environment. However, Rand Water is actively working to enhance processes in that area.

Rand Water continues to implement the Vaal River System intervention and the Section 63 intervention under the Water Services Act No. 108 of 1997, for which it previously received Cabinet commendation. These projects are being executed in alignment with expectations of the Department of Water and Sanitation.

In line with Rand Water's strategic theme of a Risk-Based, Innovation-Driven Strategy, the organisation is evolving beyond its traditional role as a water utility. Through the Rand Water Institute, we are driving innovation and research to develop new products, services, and sustainable solutions for the sector. The approval of the Rand Water–Emfuleni Local Municipality Special Purpose Vehicle (SPV) marks a strategic milestone, enhancing service delivery at the municipal level and expanding our developmental impact. This initiative, alongside the growth of Rand Water Services, positions the organisation to broaden its secondary activities, support municipalities, implement ministerial directives, and explore opportunities across the continent.

The operating environment remains challenging, prompting the development of innovative solutions, which includes strategic goals such as energy self-reliance. Rand Water has developed a comprehensive energy package supported by the installation of solar photovoltaic panels. Recognising South Africa's water scarcity and the repeated postponement of the Lesotho Highlands Water Project Phase II, now scheduled for completion in October 2028, Rand Water has proactively explored alternative water sources, including groundwater, wastewater treatment, and purification of acid mine drainage.

As we reflect on another successful year, Rand Water remains acutely aware of the challenges ahead. The demand for water continues to outpace supply, and the prevailing economic climate affects both our customers and the organisation. However, these challenges present opportunities to innovate, strengthen partnerships, and embed resilience across all operations.

I extend my sincere appreciation to the Board of Rand Water for their guidance, to our stakeholders for their trust, and to every Rand Water employee for their professionalism, diligence, and passion. Together, we will continue to safeguard South Africa's water future and uphold Rand Water's legacy of excellence and sustainability.



Mr. Sipho Mosai
Group Chief Executive





B16 Construction of 2100mm diameter pipeline

CREATING VALUE THROUGH OUR SIX CAPITALS

SIX CAPITAL



FINANCIAL CAPITAL
Capital and reserves, debt through bond issuance, cash generated from operations, and net income.



MANUFACTURED CAPITAL
The infrastructure, tools, technology, and fixed assets used for purification treatment, and distribution of bulk potable water to customers.



HUMAN CAPITAL
The skills and experiences of our diverse employees.



SOCIAL AND RELATIONSHIP CAPITAL
The relations with our stakeholders and social contribution to the communities.



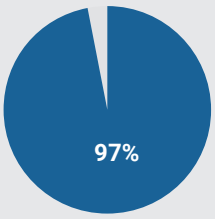
NATURAL CAPITAL
Interaction with the environment.



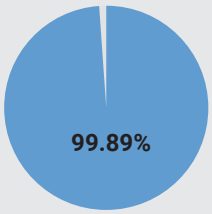
INTELLECTUAL CAPITAL
Creating, managing, and protecting intellectual property to create value.

CORPORATE KPIs PERFORMANCE ALIGNED TO OUR CAPITALS

STRATEGIC OBJECTIVE ALIGNMENT	ACHIEVE OPERATIONAL INTEGRITY AND USE BEST FIT TECHNOLOGY
Key performance indicators	**Acute health microbiological compliance**
What happened in the year	The set target was achieved as Rand Water complied with all SANS 241 requirements because of Rand Water's commitment to maintaining world-class operations.



Target



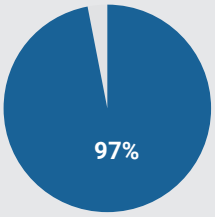
Actual



Natural Capital

Capital impacted

Key performance indicators	Acute health chemical compliance
What happened in the year	The set target was achieved as Rand Water complied with all SANS 241 requirements because of Rand Water's commitment to maintaining world-class operations.



Target



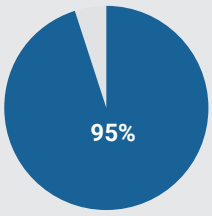
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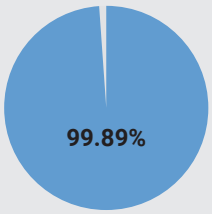
Natural Capital

Capital impacted

Key performance indicators	Chronic health chemical compliance
What happened in the year	The set target was achieved as Rand Water complied with all SANS 241 requirements because of Rand Water's commitment to maintaining world-class operations.



Target



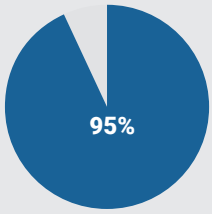
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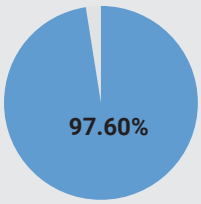
Natural Capital

Capital impacted

Key performance indicators	Operational compliance	
What happened in the year	The set target was achieved as Rand Water complied with all SANS 241 requirements because of Rand Water's commitment to maintaining world-class operations.	



Target



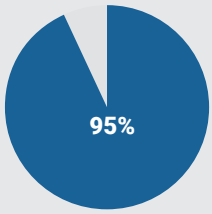
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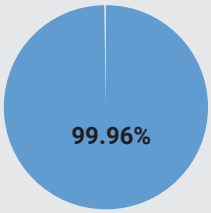
Natural Capital

Capital impacted

Key performance indicators	Aesthetic compliance	
What happened in the year	The set target was achieved as Rand Water complied with all SANS 241 requirements because of Rand Water's commitment to maintaining world-class operations.	



Target



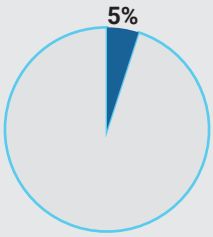
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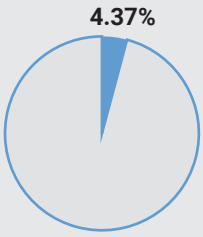
Natural Capital

Capital impacted

Key performance indicators	Avoidable water lost as a percentage of water produced	
What happened in the year	The set target was achieved as Rand Water continued to undertake its extensive maintenance programmes including timeous detection; and solving identified leaks.	



Target



Actual



Natural Capital

Capital impacted

Key performance indicators	Number of days of unplanned supply interrupted	
What happened in the year	The set target was achieved as Rand Water continued to execute its capital expenditure programme and extensive maintenance programmes.	



Target



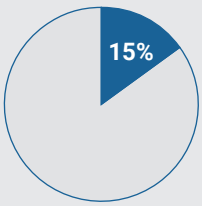
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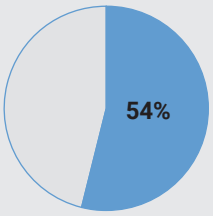
Natural Capital

Capital impacted

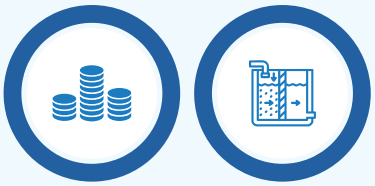
Key performance indicators	Actual CAPEX spend on expansion related projects as a percentage of budget	
What happened in the year	The set target was met, largely due to overcoming regulatory alignment challenges and maintaining a strong commitment to executing the Integrated Project Implementation Plan.	



Target



Actual

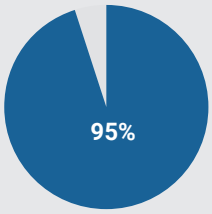


Financial Capital

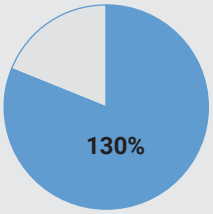
Manufactured Capital

Capital impacted

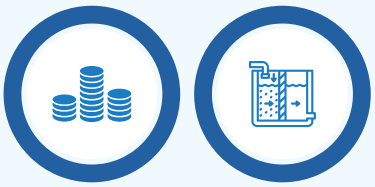
Key performance indicators	Overall projects expenditure within R target	
What happened in the year	The target was achieved due to the acceleration in the execution of infrastructure projects.	



Target



Actual

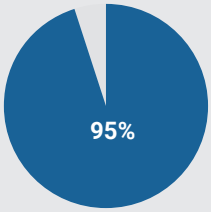


Financial Capital

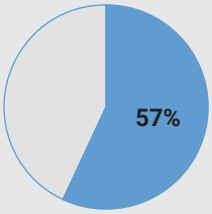
Manufactured Capital

Capital impacted

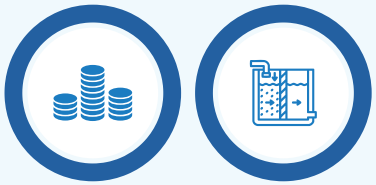
Key performance indicators	Overall project completion dates within targets	
What happened in the year	The set target was not met. The challenges relate to resource management by service providers. Rand Water assisted the contractors by concluding cession agreements for subcontractors. The corrective action also entailed close monitoring of contractors.	



Target



Actual



Financial Capital | **Manufactured Capital**

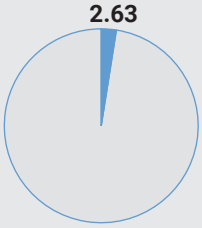
Capital impacted

STRATEGIC OBJECTIVE ALIGNMENT	MAINTAIN FINANCIAL HEALTH AND SUSTAINABILITY	

Key performance indicators	Current ratio	
What happened in the year	Target met. Current liabilities increased at a higher rate than current assets. Longer-dated term deposit investments aided the increase of Cash and cash equivalents. Current liabilities increased as result of Trade payables due to DWS as per the Debt Relief Programme. The other increase is attributable to interest bearing borrowings, which have been reclassified to current liabilities, as Rand Water draws closer to the RWL26 bond redemption due in less than 12 months.	



Target



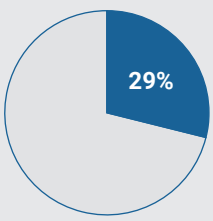
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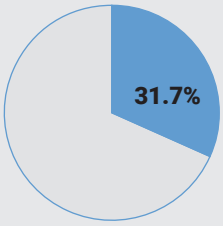
Financial Capital

Capital impacted

Key performance indicators	Gross profit margin (primary activities)	
What happened in the year	The set target was exceeded. Revenue outperformed its set target. Revenue that previously could not be recognised in line with IFRS 15, has now been recognised as Rand Water managed to conclude debt settlement agreements.	



Target



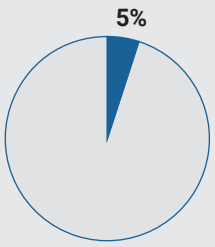
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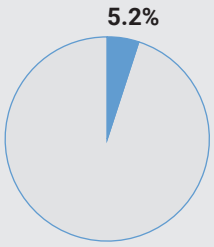
Financial Capital

Capital impacted

Key performance indicators	Gross profit margin (secondary activities)	
What happened in the year	The set target was met due to some projects yielding a margin higher than their costing structure.	



Target



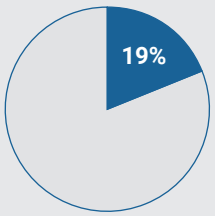
Actual



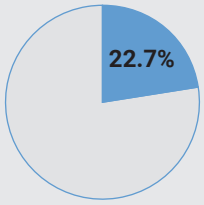
Financial Capital

Capital impacted

Key performance indicators	Net profit margin (primary activities)	
What happened in the year	The set target was exceeded. This is attributable to a solid gross profit performance and is further supported by higher net finance income generated from strategic investments.	



Target



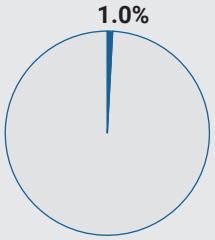
Actual



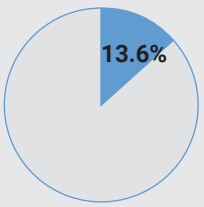
Financial Capital

Capital impacted

Key performance indicators	Net profit margin (secondary activities)	
What happened in the year	The set target was exceeded. The improved net income is as a result of long outstanding debt which has been settled with DWS.	



Target



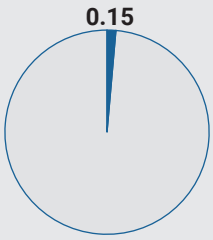
Actual



Financial Capital

Capital impacted

Key performance indicators	Debt equity	
What happened in the year	The set target was achieved. The net income reported increased equity.	



Target



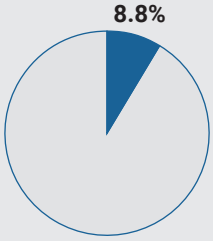
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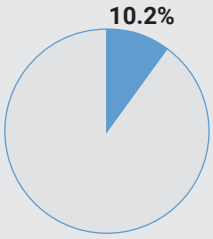
Financial Capital

Capital impacted

Key performance indicators	Return on assets	
What happened in the year	The set target was achieved. This is attributable to higher earnings at the back of efficient utilisation of the asset base. The financial assets have also contributed significantly to the achievement.	



Target



Actual



Financial Capital

Capital impacted

Key performance indicators	Debtors' days	
What happened in the year	Target not achieved. This is as a result of delayed payments from customers. Debt relief measures have been put in place to assist and support customers including debt settlement agreement. Legal processes have also been initiated in some instances and has wielded results with recovery of amounts owed to Rand Water.	



Target



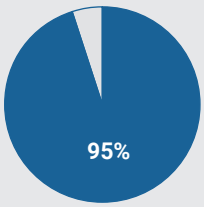
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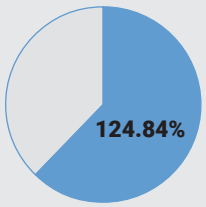
Financial Capital

Capital impacted

Key performance indicators	Repairs and maintenance as a percentage of budget	
What happened in the year	The set target was achieved due to intensified maintenance activities aimed at safeguarding infrastructure reliability.	



Target



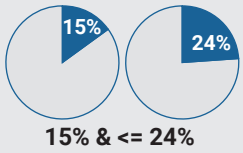
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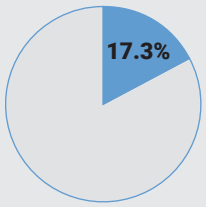
Manufactured Capital

Capital impacted

Key performance indicators	Staff remuneration as a percentage of total operating expenditure	
What happened in the year	The set target was achieved, and staff remuneration remains within set parameters. Rand Water continues to monitor and operate within set parameters.	



Target



Actual

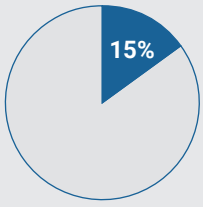


Human Capital

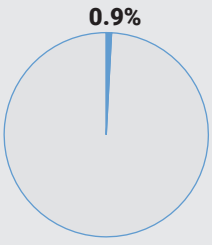
Financial Capital

Capital impacted

Key performance indicators	Actual expenditure compared with budgeted expenditure	
What happened in the year	The set target was achieved with strict measures to control controllable expenditure, with reprioritisation for critical activities during the year.	



Target



Actual



Financial Capital

Capital impacted

Key performance indicators	Annual external audit	
What happened in the year	Rand Water obtained an unqualified audit opinion.	



Unqualified Audit Report

Target



Actual

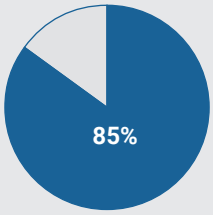


Social and Relationship Capital

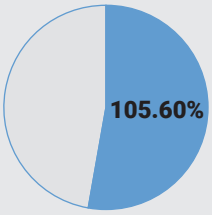
Capital impacted

STRATEGIC OBJECTIVE ALIGNMENT	POSITIVELY ENGAGE STAKEHOLDER BASE	

Key performance indicators	B-BBEE Spend as a percentage of total expenditure	
What happened in the year	Spend increased and increased new entrants awarded contracts in the financial year. Rand Water exceeded its set target in line with continuing efforts.	



Target



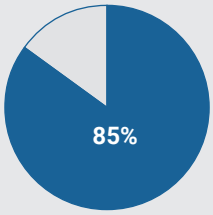
Actual



Social and Relationship Capital

Capital impacted

Key performance indicators	Award of work to B-BBEE compliant entities through the tender systems	
What happened in the year	The set target was exceeded due to close monitoring, demonstrating the entity's extensive effort over an extended period.	



Target



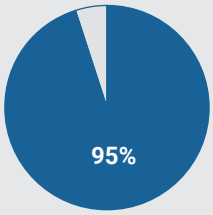
Actual



Social and Relationship Capital

Capital impacted

Key performance indicators	Progress against implementation plan (New Ministerial directives)	
What happened in the year	Rand Water achieved the set target through continuous monitoring and regular feedback to the Department of Water and Sanitation to ensure full alignment with its requirements.	



Target



Actual



Social and Relationship Capital

Capital impacted

Key performance indicators	Municipalities/ other customers with bulk supply agreement	
What happened in the year	The set target was achieved. The organisation has long-standing contracts with customers.	



Target



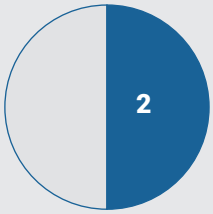
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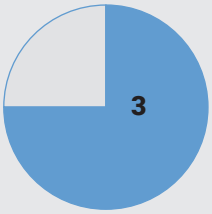
Social and Relationship Capital

Capital impacted

Key performance indicators	Number of identified Municipalities supported (signed MoUs)	
What happened in the year	The set target was achieved. Each agreement has specific deliverables and timelines, which determine the attainment of the agreement.	



Target



Actual



Social and Relationship Capital

Capital impacted

Key performance indicators	All statutory reports submitted on time	
What happened in the year	Rand Water met the set target of submitting all statutory reports to the department on time.	



Target



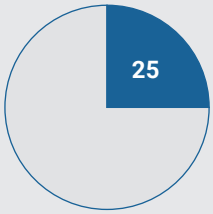
Actual



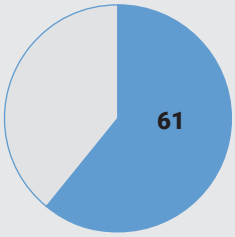
Social and Relationship Capital

Capital impacted

Key performance indicators	Number of corporate social initiatives	
What happened in the year	Projects were executed as planned leading to the attainment of the set target.	



Target



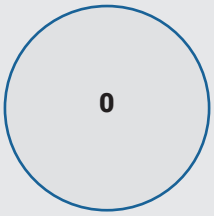
Actual



Social and Relationship Capital

Capital impacted

Key performance indicators	Internal audit reports	
What happened in the year	There was one repeat finding during the financial year under review; therefore, the set target was not met. Rand Water is working extensively to improve processes within the supply chain environment.	



Target



Actual



Social and Relationship Capital

Capital impacted

Key performance indicators	Breaches of materiality and significance framework	
What happened in the year	There were no breaches of the materiality and significance framework leading to Rand Water attaining its set target.	

Target	Actual	Social and Relationship Capital	Capital impacted
0	0		

STRATEGIC OBJECTIVE ALIGNMENT	ACHIEVE A HIGH PERFORMANCE CULTURE	

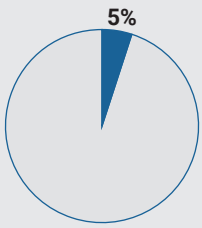
Key performance indicators	Board member attendance of all Board or Committee meetings	
What happened in the year	The set target was exceeded. Secretariat was notified of all apologies by board members who could not attend.	

Target	Actual	Social and Relationship Capital	Capital impacted
80%	93.93%		

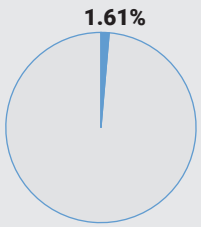
Key performance indicators	Decision making: percentage number of resolutions taken by the Board vs. number of resolutions required	
What happened in the year	This measures the number of resolutions that are passed/ taken by Board as a percentage of the total number of resolutions. The set target was met.	

Target	Actual	Social and Relationship Capital	Capital impacted
95%	100%		

Key performance indicators	Staff turnover	
What happened in the year	Rand Water exceeded its set target as the entity continues in its efforts of cementing a high performance culture.	



Target



Actual



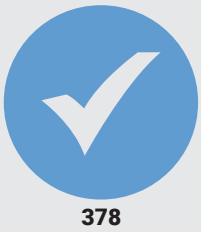
Human Capital

Capital impacted

Key performance indicators	Number of permanent and contract staff employed (direct)	
What happened in the year	Rand Water exceeded its set target due to organisational growth and the need to strengthen operational capacity.	



Target



Actual



Human Capital

Capital impacted

Key performance indicators	Total number of temporary jobs created (indirect)	
What happened in the year	Rand Water exceeded its set target due to the extensive work undertaken by the Rand Water Foundation with communities.	



Target



Actual



Human Capital

Capital impacted

Key performance indicators	Learnerships	
What happened in the year	All the training targets (learnerships, graduate programmes and bursaries) were attained where Rand Water is required to develop and train employees annually through training planned in the workforce skills plan.	



60

Target



102

Actual



Human Capital

Capital impacted

Key performance indicators	Bursaries	
What happened in the year	All the training targets (learnerships, graduate programmes and bursaries) were attained where Rand Water is required to develop and train employees annually through training planned in the workforce skills plan.	



20

Target



41

Actual



Human Capital

Capital impacted

Key performance indicators	Graduate programmes	
What happened in the year	All the training targets (learnerships, graduate programmes and bursaries) were attained where Rand Water is required to develop and train employees annually through training planned in the workforce skills plan.	



105

Target



182

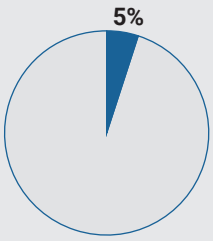
Actual



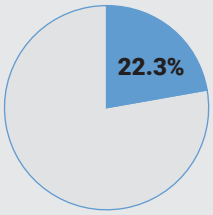
Human Capital

Capital impacted

STRATEGIC OBJECTIVE ALIGNMENT	ACHIEVE GROWTH	
Key performance indicators	**Percentage of total turnover (Growth from secondary activities)**	
What happened in the year	Rand Water exceeded the target for the engagement in secondary activities.	



Target



Actual

Capital impacted



Social and Relationship Capital



Manufactured Capital



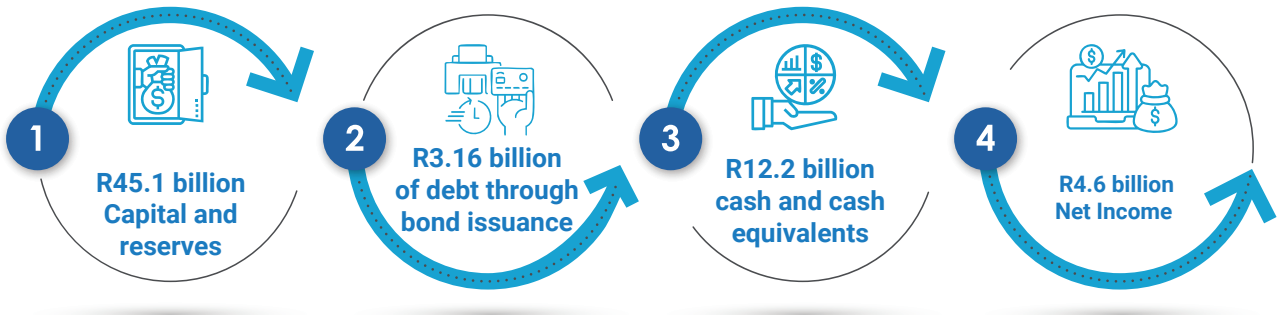
Vlakfontein Reservoir



Construction of filter house at Station 5

FINANCIAL CAPITAL

“Rand Water’s Financial Capital consists of equity, working capital, and debt funding sourced from investors.”



CREATING VALUE THROUGH FINANCIAL CAPITAL

Rand Water delivers value to investors and stakeholders by effectively managing financial capital, comprising equity, trading, working capital, and debt. Our growing asset base is funded by reserves and borrowings. Tariffs are set to support operations, maintenance, and renewal, while infrastructure upgrades are financed through bond issuances. This enables reliable delivery of high-quality water via our **3,660 km pipeline network**.

EQUITY CAPITAL

We strengthen financial resilience by reinvesting surpluses, growing retained earnings to R45.1 billion (2024: R40.3), and increasing net income to R4.64 billion (2024: R4.56)

TRADING CAPITAL

Short-term resources ensure daily operations run smoothly. Revenue rose by 5% to R22.9 billion (2024: R21.8), mainly due to a 4.9% tariff increase, while sales volume growth remained limited by maintenance, operational constraints, and demand management.

WORKING CAPITAL

Trade receivables have grown due to delayed municipal payments, but proactive revenue collection and stakeholder engagement help manage this exposure and ensure service continuity.

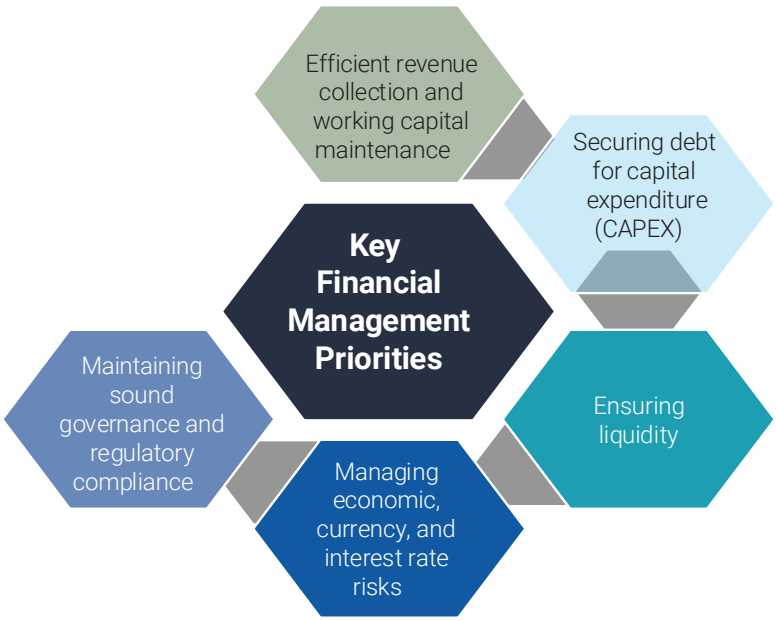
DEBT CAPITAL

Our funding position remains robust, with the gearing ratio improving to 6.9% (June 2024: 7.7%) and borrowings slightly reduced to R3,161 million (June 2024: R3,163)—well below the 50% Treasury threshold. Debt is managed prudently to balance infrastructure investment with financial sustainability.

HOW WE MANAGE OUR FINANCIAL CAPITAL

Rand Water's financial capital management is guided by a strategy focused on long-term financial health and sustainability.

Our approach emphasises productivity, balance sheet optimisation, growth reinvestment, robust funding strategies, and strong risk and control management.





Funding Acquisition

Our comprehensive funding framework is anchored by a ZAR10 billion Domestic Medium-Term Note (DMTN) Programme, with R6.8 billion in available headroom as of June 30, 2025. We complement this with long-term loans from development finance institutions and commercial banks, ensuring we can finance capital projects and sustain operations despite economic challenges



Ensuring Adequate Working Capital

In 2025, enhanced credit management and collaboration with government bodies improved debt recovery and collections. Debt Settlement Agreements (DSAs) and the use of Section 216 (Constitution) strengthened cash inflows. Relief measures from the Department of Water and Sanitation further eased pressures from delayed municipal payments. With a committed facility headroom of R1.5 billion and strong cash reserves, we remain well-positioned to support operational and strategic needs.



Capital Management Program

Our capital management program prioritizes critical infrastructure, including key reservoir and pipeline projects, and initiatives to reduce water losses and automate demand controls. We have exceeded our CAPEX targets, reinforcing operational efficiency and infrastructure integrity, and securing long-term stakeholder value.



Governance and Internal Controls

Rand Water upholds a strong governance and control environment, ensuring compliance with all legislative and regulatory requirements. Our Group Audit and Risk Committee oversees financial decisions and reporting, reflecting our commitment to transparency and compliance.



Funding and Treasury Risk Management

We actively manage interest rate, currency, and liquidity risks within robust governance frameworks. Our risk management includes stress testing against economic scenarios, balancing fixed and floating-rate instruments, and monitoring foreign currency exposures to mitigate financial volatility.

VALUE CREATED FOR STAKEHOLDERS THROUGH FINANCIAL CAPITAL

Rand Water is committed to creating and sustaining value for all its stakeholders by leveraging financial capital responsibly and delivering on our mandate as Africa's largest water utility. Our integrated approach ensures that financial value translates into meaningful impact for our shareholder, customers, employees, governing bodies, government, finance providers, and the communities we serve.

Shareholder (Department of Water and Sanitation)

As a state-owned entity, our shareholder is the Department of Water and Sanitation (DWS), which oversees sustainable water management. In 2025, Rand Water purchased R7.9 billion in raw water from DWS, highlighting our operational scale. Despite challenges, we achieved a 9% Return on Assets, supported by strong income margins and efficient asset use, ensuring continued financial sustainability and compliance with the PFMA Act.

Board

The Board, as our accounting authority under the PFMA Act, provides strategic oversight and governance. Members are remunerated per policy, ensuring we attract and retain skilled leadership for sustainable oversight.

Customers

We serve a diverse base, including municipalities, mining, and railways, delivering 1,737,841 megalitres of water in 2025 (average 4,761 Ml/day). We maintained uninterrupted, high-quality supply, meeting all regulatory standards (SANS 241), thus supporting economic and social development.

Employees

Our employees are central to our success. With a low turnover rate of 1.61%, we demonstrate strong staff retention. In 2025, we invested R3.9 billion in salaries and R155 million in training, offering a safe, supportive environment and performance-based incentives to align staff with organisational goals.

Government (Provincial and National)

Operating across Gauteng, Free State, Mpumalanga, and North West, Rand Water fulfills its constitutional mandate to supply reliable water, supporting government objectives, human rights, and socio-economic development for millions.

Finance Providers

We maintain strong relationships with external finance providers, managing long-term debt responsibly. In 2025, we paid R368 million in interest, honoring all commitments and maintaining investor confidence.

Communities

Rand Water invested R91 million in community initiatives in 2025, including clean water, sanitation, education, and job creation projects. These efforts enhance quality of life and promote sustainable resource use.

Through our focus on financial capital and integrated value creation, Rand Water continues to ensure sustainable growth, operational excellence, and positive impact for all stakeholders. Our commitment to responsible stewardship, transparency, and stakeholder engagement underpins our mission to deliver water for life and development.

GROUP CHIEF FINANCIAL OFFICER'S REPORT



Resilience is built not in calm waters, but through the storms that test our foundation.

Ms. Matshidiso Nyembe
Group Chief Financial Officer

This year, Rand Water's story is one of remaining resilient and holding firm through headwinds, adapting with purpose, and advancing with discipline. In a context marked by political transition in South Africa, decelerating economic growth, inflationary risks, volatile energy costs, and tightening municipal liquidity, we remained anchored to our strategic imperatives, operational integrity, best-fit technology, a high-performance culture, positive stakeholder engagement, sustainable growth, and sustainable financial health. With financial capital preservation at the centre, we executed with prudence and intent, delivering quality outcomes and protecting value for our stakeholders.

INTERNAL RESILIENCE AND STRATEGIC FOCUS

Our internal environment remained stable and mission driven. We deepened operational discipline, sharpened cost visibility, and reinforced governance over capital deployment. Our risk posture was recalibrated to balance near-term pressures with long-term horizon investments, ensuring funding, liquidity, and asset management decisions fortified the balance sheet while enabling critical infrastructure delivery. We fostered a performance culture that rewards accountability and innovation.

EXTERNAL HEADWINDS, TRUSTED PARTNERSHIPS

Externally, subdued growth in domestic product (GDP), upside inflationary risks, and rising electricity costs strained households and businesses. Collaboration with our Shareholder remained strong as we engaged the National and Provincial Governments to address unprecedented debtor days and broader fiscal pressures facing the municipal sector. These partnerships are vital to stabilising collections and protecting the sustainability of bulk water services. Despite these pressures, operations generated strong free cash flows, reflecting disciplined working capital management.

STRATEGIC RESILIENCE THROUGH OPERATIONAL EFFICIENCY

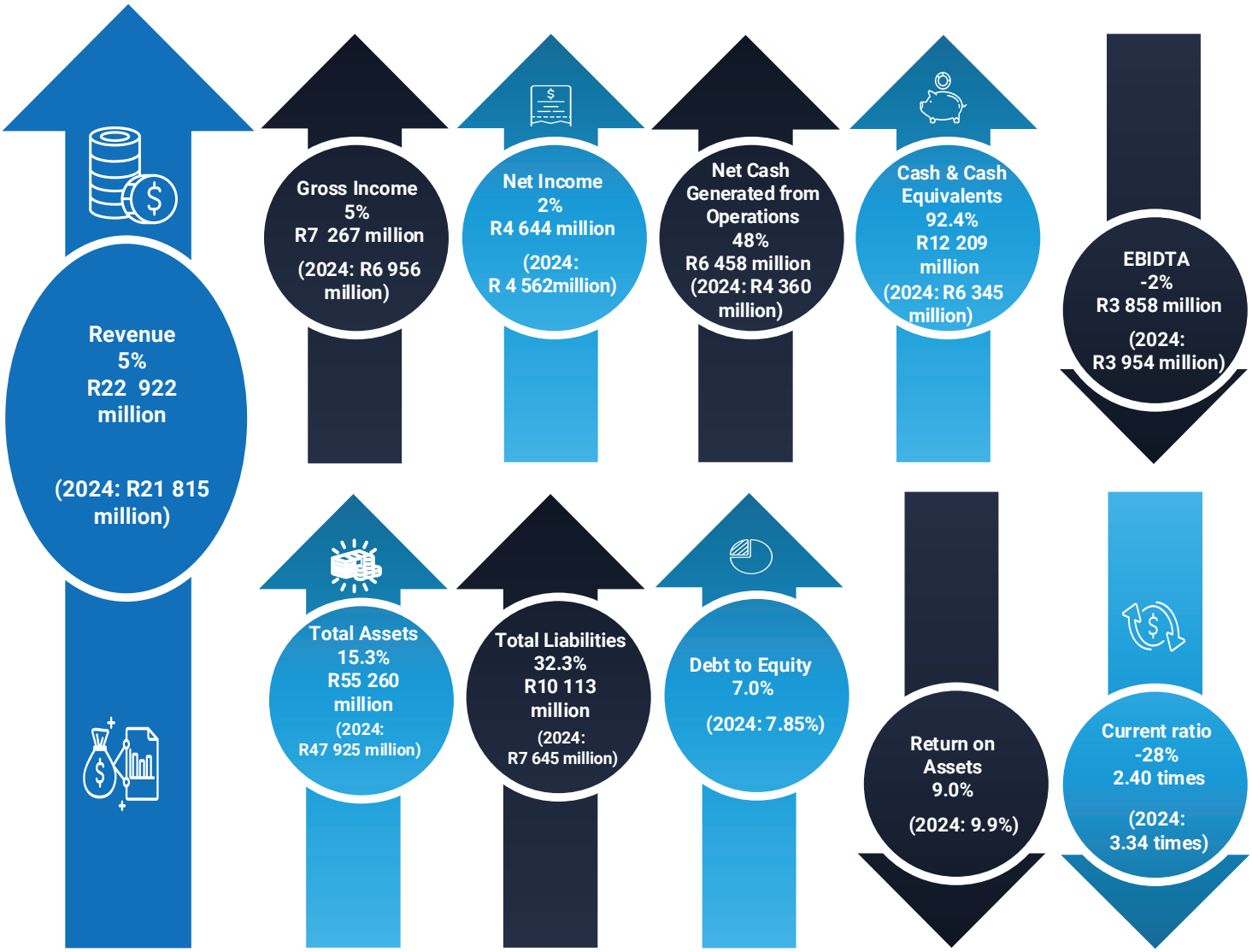
Efficiency sits at the centre of our operating model to unlock durable margin resilience. Focused interventions to manage chemicals and energy supported an improved contribution margin and cushioned higher Expected Credit Losses (ECL) recognised in line with International Financial Reporting Standards (IFRS), IFRS 9. We intensified maintenance, optimisation, and demand management to safeguard system integrity and service continuity while executing our infrastructure renewal programme amid capacity pressures and climate variability.

EVOLVING TO COMPETE AND CREATE LASTING VALUE

We advanced strategic growth platforms to respond to competitive and regulatory shifts. We resuscitated Rand Water Services and commenced with the activities to establish a Special Purpose Vehicle to enable partnership-led municipal water services delivery, by securing approvals from the Minister of Water and Sanitation and Minister of Finance in line with the PFMA. These innovations are aimed at strengthening our balance sheet, diversifying revenue, and expanding impact within South Africa and across Africa's water and sanitation value chain.

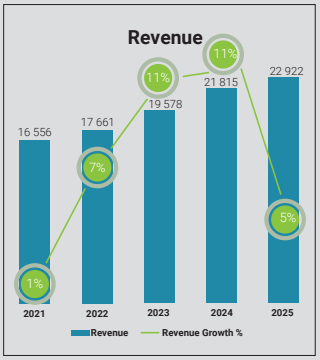
Looking ahead, we will remain prudent in managing our cost drivers, accelerate efficiency initiatives, and re-evaluate risk appetite in a responsible manner. We will continue looking for opportunities to harness digital enablement, data analytics, and best-fit technology to enhance asset management, water quality, customer service, and governance. Through scenario planning, stress testing, and early-warning indicators, we will anticipate change and respond decisively, sustaining value and service beyond the storm. Our purpose remains to stay resilient, optimise service reliability, stewardship, and sustainability.

FINANCIAL HIGHLIGHTS



FINANCIAL PERFORMANCE OVERVIEW

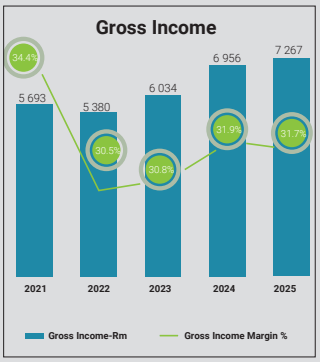
Rand Water demonstrated resilient financial performance in a challenging macroeconomic environment. Subdued GDP growth, persistent inflation, elevated electricity costs, and global tensions contributed to market volatility and a weaker rand, yet we navigated these storms with disciplined financial stewardship and a clear focus on sustaining essential service delivery and value creation.



REVENUE AND TARIFF DYNAMICS

Revenue grew 5% to R22,922 million (2024: R21,815 million), underpinned by a cost-reflective tariff increase of 4.9%. This tariff strategy balanced affordability with the imperative to fund maintenance, renewal, and capital projects necessary for reliable service delivery.

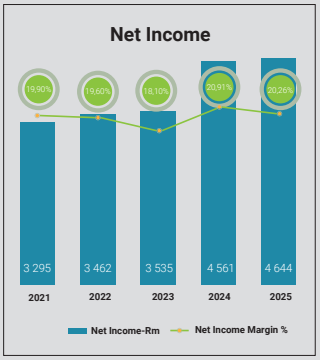
IFRS 15 revenue recognition benefited from proactive debt management and robust revenue governance, resulting in a net recognition of revenue of R114.5 million (2024: R65.4 million) which previously could not be recognised. This demonstrates our ability to adapt revenue processes to evolving conditions while protecting earnings integrity.



Potable water sales volumes experienced a marginal decline of 0.1%, as we invested in infrastructure maintenance and ongoing demand-management interventions. Despite volume pressures, revenue resilience was supported by disciplined pricing and targeted revenue optimisation.

GROSS INCOME AND PROFITABILITY

Gross income rose to R7,267 million (FY2024: R6,956 million), with the gross income margin at 31.7% (FY2024: 31.9%), comfortably above the 30% target. This reflects our ability to sustain profitability amidst rising input costs and volatility in water sourcing and energy.



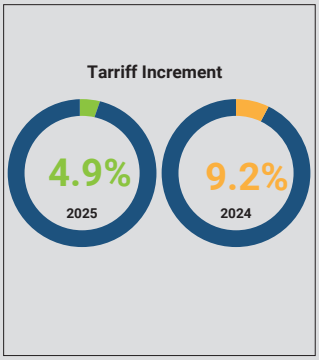
The resilience in gross income generation supported a positive trajectory in net income, underscoring our capacity to balance capital investments, maintenance programmes, and operating costs with revenue optimisation.

NET INCOME AND MARGIN

Net income grew by 1.81% to R4.64 billion (2024: R4.56 billion), yielding a net income margin of 20.3% (FY2024: 20.9%). This outcome highlights disciplined cost containment, prudent financial management, and increased net finance income from strategic investments, enabling ongoing investments to support our strategic growth initiatives while preserving profitability.

TARIFFS AND THE PATH FORWARD

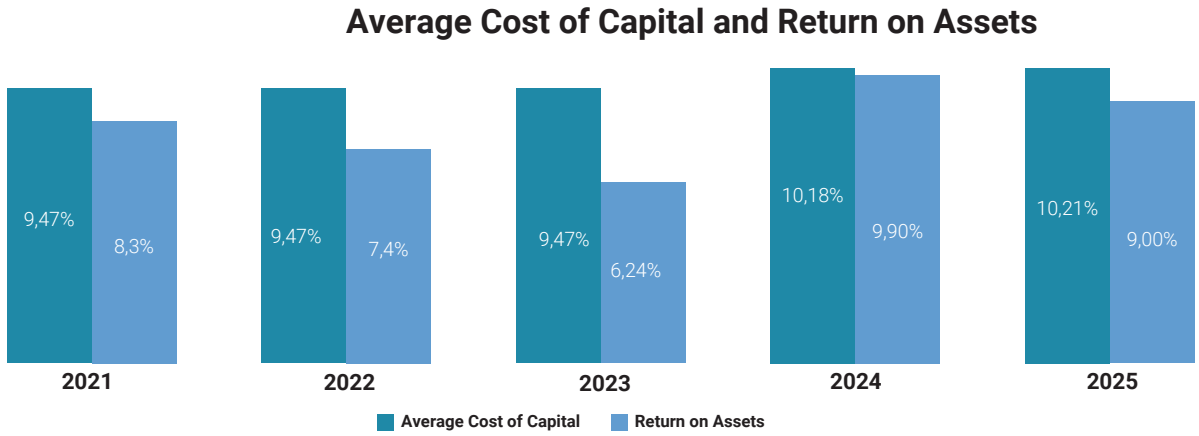
To sustain ongoing operations and capital renewal needs, a tariff increment of 4.9% was implemented for 2025 (2024: 9.2%), with a planned 14.3% increase approved for 2026. The trajectory reflects anticipated raw water cost escalations and the sustainability of operations, while maintaining affordability and access to a very valuable product for our customers.



Looking ahead, Rand Water remains committed to disciplined cost management, targeted investments in infrastructure renewal, and revenue optimisation to maintain resilience in the face of evolving regulatory, macroeconomic, and market dynamics.

RETURN ON ASSETS, TOTAL ASSETS, AND CASH RESILIENCE

Our performance continues to endure through rising costs, volume pressure, and front-line capital deployment. Return on average assets is a modest 9.0% (2024: 9.9%), reflecting an inflationary cost environment, volume declines, increased cash investments and substantial capital expenditure to safeguard asset integrity and unlock future revenue growth. This disciplined trade-off demonstrates prudent risk-taking and a focus on sustainable value creation, even as near-term momentum is tempered by macro and operational headwinds.



TOTAL ASSETS AND NON-CURRENT ASSET MOMENTUM

Total assets grew by 15% year on year, reinforcing our capacity to fund renewal, expansion, and strategic capital investment initiatives. Non-current assets increased by 11%, driven by an accelerated CAPEX programme focused on future revenue-generating assets and on operational reliability enhancements. We continue to advance assets under construction, bringing them into productive use and translating capex into lasting service continuity and value.

ASSET USE, EFFICIENCY, AND RENEWAL DECISIONING

Optimal asset utilisation and rigorous asset-efficiency management remain central to our strategy. These disciplines guide augmentation, renewal, and the grounded execution of capital projects. By prioritising reliability and integrity, we can undertake these projects through planned outages and strengthen service delivery in the face of demand variability and climate volatility.

INFRASTRUCTURE IMPROVEMENTS AND WATER STEWARDSHIP

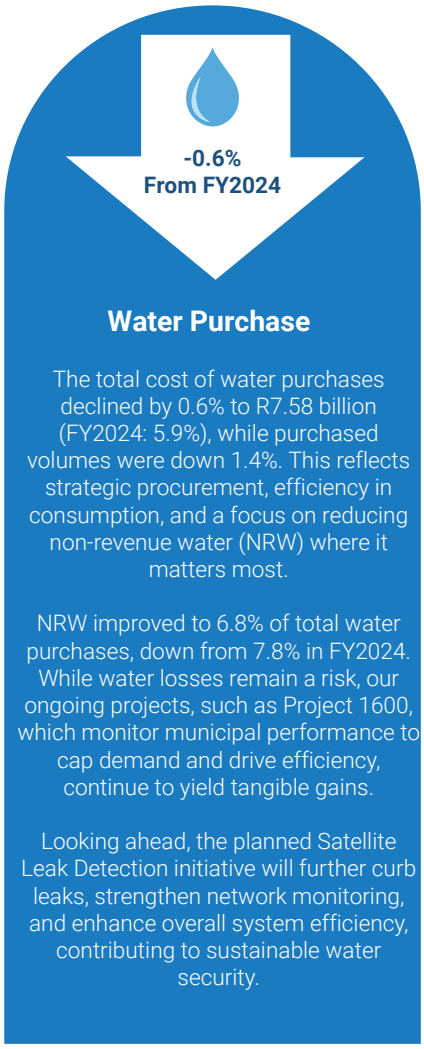
Investments in existing infrastructure renovations aim to curb non-revenue water and bolster reliability. Despite challenges in demand management, proactive measures, including water conservation policies and climate-resilient practices, remain at the forefront of our resource stewardship. Our commitment to responsible water management underpins sustainable use and long-term resilience.

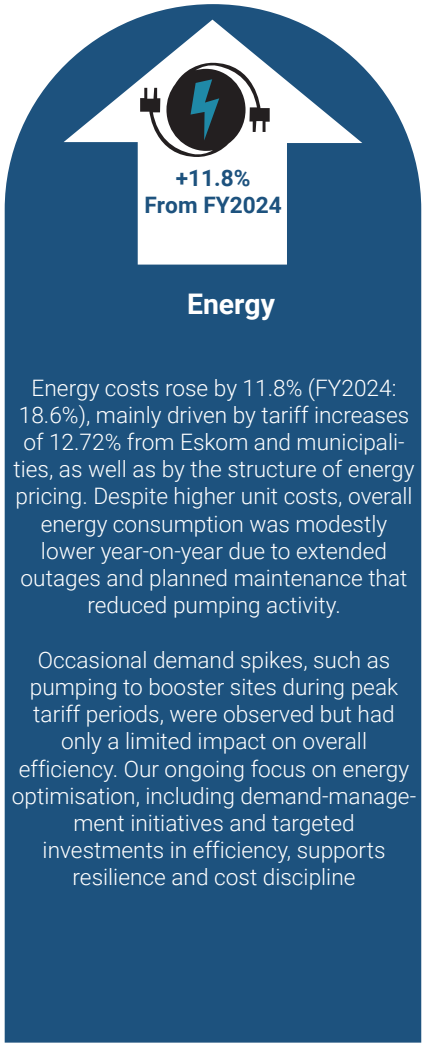
LIQUIDITY AND CASH GENERATION

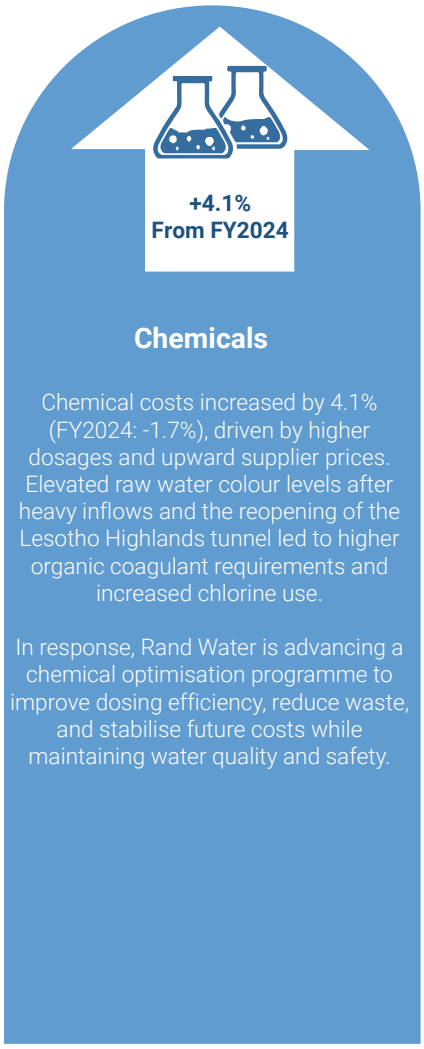
In the current financial year, financial assets contributed significantly to our income generation, with a remarkable 92% growth in cash and cash equivalents. This uplift reflects robust cash generation from operations and the value of strategic investments that bolster the bottom line, reinforcing our ability to fund ongoing capital programmes, manage debt prudently, and weather external shocks.

COST OPTIMISATION

During the financial year, Rand Water confronted global economic headwinds and persistent inflationary pressures that pushed up operating costs. In response, we focussed on disciplined cost-optimisation strategies and implemented innovative measures to protect service continuity, safeguard financial strength, and create long-term value for our stakeholders. The result is a more efficient cost base that supports our essential mission while leaving room for investment in growth-enhancing projects.







Labour Costs rose by 10.2% (2024: 12.1%), reflecting our continued focus on filling key vacancies and on performance-based incentives. These steps support our ability to deliver reliable service and maintain a motivated, skilled team aligned with bargaining council agreements.

Operational Costs, including expected credit losses, rose 17.5% to R1.6 billion (FY2024: R1.3 billion), driven by debt-management refinements, software modernisation, and capacity-building. Cost pressures were partly offset by disciplined savings in travel and accommodation, prudent insurance management, and timing adjustments on selected projects, preserving liquidity for priority initiatives. This balanced approach, combined with tight cost control and targeted investment, maintains service delivery, supports essential infrastructure, and builds future capacity. By converting pressures into productivity gains through efficiency, more innovative procurement, and focused reinvestment, Rand Water strengthens financial resilience and reinforces stakeholder confidence.

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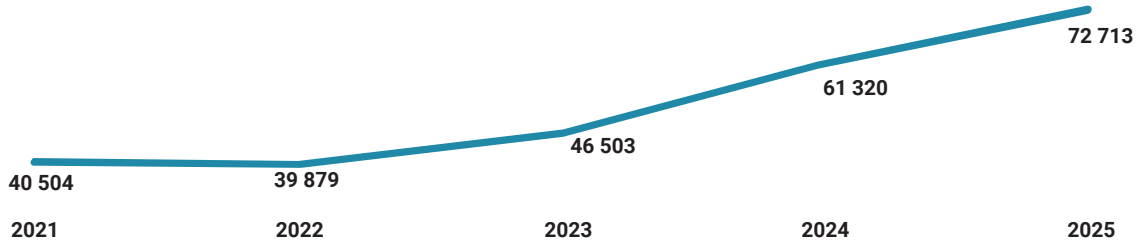
SECONDARY ACTIVITIES

Driving resilience through diversified revenue and social impact

The Group's commitment to diversified, sustainable revenue streams and robust stakeholder engagement is exemplified by Rand Water Services (RWS) and Rand Water Foundation (RWF). RWS extends our commercial water services footprint, both nationally and internationally, expanding our reach, creating value, and reinforcing the reliability of water solutions across markets. RWF advances our corporate social investment strategy, deepening community development, capacity building, and meaningful stakeholder partnerships.

Our secondary activities encompass a broad portfolio of externally funded initiatives, including project management, consulting, training, and support services, alongside the sale of raw water and potable water to consumers outside municipal service areas. This diversified revenue base reflects our ability to translate social value into sustainable earnings. Revenue from these secondary activities rose to R1.33 billion (2024: R1.31 billion), accompanied by growth in stakeholder support services to R72.7 million (2024: R61.3 million). These results signal strong execution in securing external assignments and delivering high-impact services.

Revenue from Management, Consulting, Training and other Support Services (R'000)



Key initiatives shaping our stakeholder value

Emfuleni Local Municipality (ELM) Section 63 Intervention Project: A Ministerial directive aimed at elevating local water services remains a cornerstone of our stakeholder engagement. As this project evolves, it will transition to the SPV, which will assume responsibility for water service delivery, reinforcing continuity and resilience at the municipal level.

Utilities of the Future model: This initiative envisages ringfencing water services to ensure the long-term sustainability of municipal water services and water boards, safeguarding service delivery amidst governance and funding pressures.

National Treasury collaboration: The joint support through the National Treasury Graduate Internship Programme strengthens the pipeline of skilled professionals for the water sector, building capacity and safeguarding future resilience.

OUTLOOK AND VALUE FOR STAKEHOLDERS

These secondary activities reinforce Rand Water's resilience by diversifying revenue, anchoring long-term social value, and strengthening stakeholder trust. They position us to weather policy shifts and funding cycles while delivering reliable water services and community benefits.

CAPITAL EXPENDITURE (CAPEX)

Strategic investment that strengthens our foundation

Rand Water's CAPEX programme surpassed projections, reflecting disciplined ambition and a clear commitment to long-term reliability. Through the capital execution department, we invested R1.98 billion in the year, versus R1.5 billion in the prior period, achieving 130% of our corporate target for the period. This performance underscores our ability to translate planning into tangible improvements that expand capacity, extend asset life, and safeguard service delivery.

Tailored investment to expand capacity and extend asset life

The majority of projects capitalised in the current year contributed to higher operating capacity and renewed infrastructure lifespan, reinforcing the core strengths that customers and communities rely on during challenging times.

Our five-year CAPEX programme is estimated at R40 billion, a deliberate and targeted allocation designed to sustain and enhance essential water infrastructure.

Allocation by priority areas

Bulk water infrastructure of R26.6 billion is earmarked for augmentation and renewal, reflecting a strategic focus on sustaining our supply and long-term water security. These investments fortify the backbone of service delivery, ensuring capacity to meet growing demand and adapt to climate variability.

R12.8 billion has been earmarked for the implementation of Rand Water's Growth and Diversification goals which is made up of four pillars: Increased Self Reliance to Energy Supply; Alternative Sources of Water to meet Effective Demand; Diversified Income Streams and Financial Health and Sustainability. Some of the notable investments envisaged to be funded in this extensive CAPEX programme include the construction of modern wastewater treatment and water reclamation plants to enable water recycling, invests in green energy through Independent Power Producer programmes and underground water exploration. These initiatives will expand our environmental stewardship, supports regulatory compliance, and strengthens regional water sustainability.

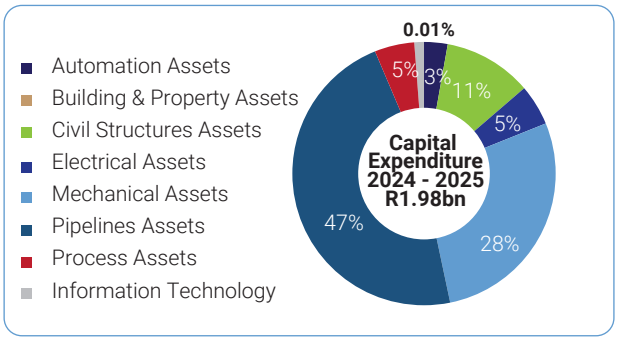
Facilities and IT/OT infrastructure: The remaining R0.8 billion targets critical operational enablers, modern facilities and integrated information and operational technologies that improve governance, monitoring, and efficiency across our network.

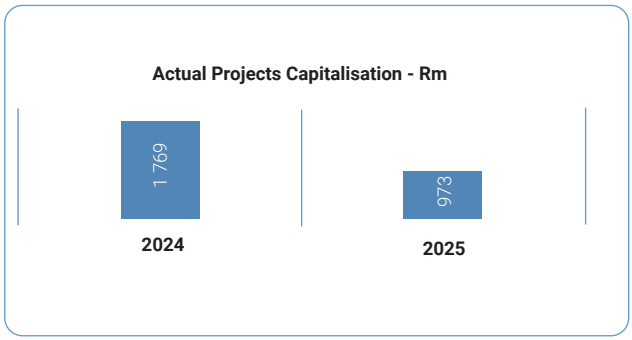
Strategic outcomes and stakeholder value

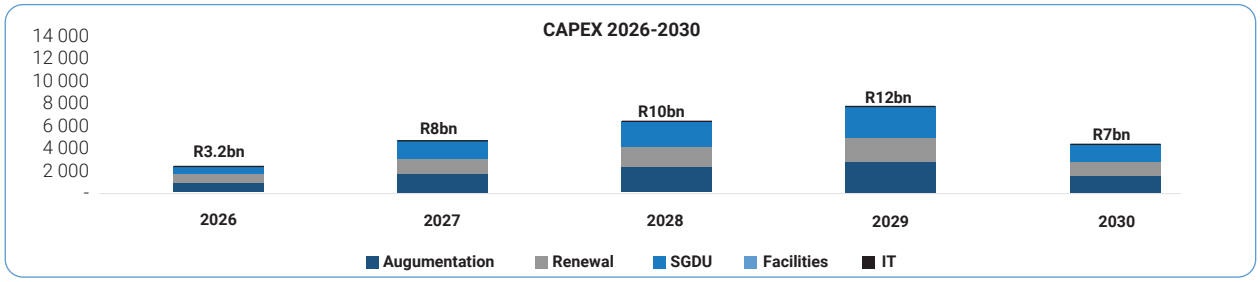
The accelerated CAPEX execution reinforces our ability to weather shocks by building capacity, resilience, and reliability into the asset base.

By sequencing investments across core infrastructure, environmental upgrades, and digital enablement, we create durable value for customers, communities, and partners.

The deliberate CAPEX mix aligns with governance standards and prudent capital discipline, ensuring that every rand funds enduring improvements and sustains service continuity.



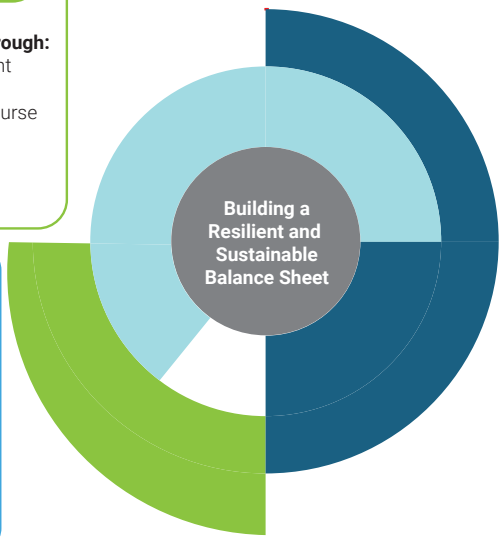




FINANCIAL RISK MANAGEMENT

Credit Risk Management

Addressing Municipal Debt Through:
- Active Stakeholder Engagement
- Reinforcing our debt collection strategies, including legal resourse mechanisms
- Diverse collection strategies



Liquid & Funding Risk Management

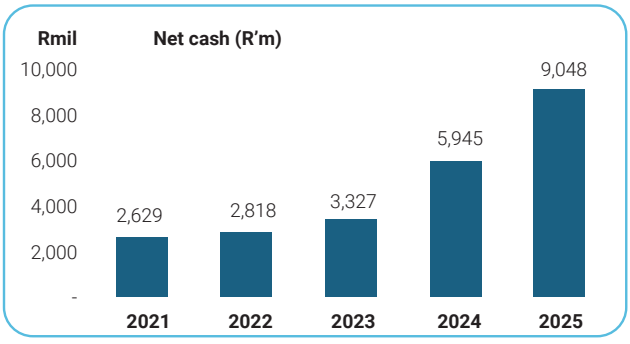
- Operational and capital expenditure sustain through a robust liquidity and cash flow management
- Future capital expenditure projects supported by approve borrowing limits and surplus funds
- Maintaining Rand Water's Credit Rating

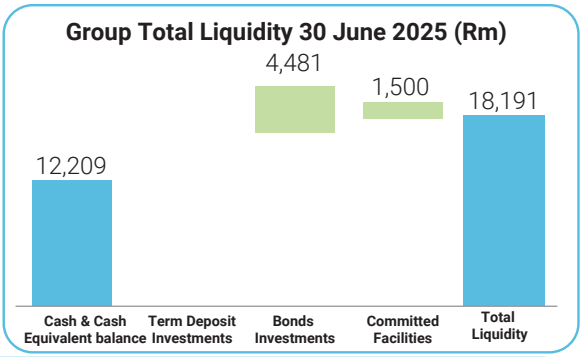
Asset & Liability Management

Managing risk emenating from IAS 19 Post-Retirement Medical Benefit and
The Rehabilitation provision of the Panfontein Sludge Disposal sites through matching of related assets



- **Debt Equity Ratio 6,90% (2024: 7,85%)**
- **Cash Generated From Operations R 5 780 million (2024: R3 563 million)**
- **Committed Facilities Headroom R1 500 million (2024: R1 500 million)**
- **Borrowing Limits Approved Gazette No. 50943 R11,533 million (1 July 2024-30 June 2028)**





Standard & Poor's		Fitch	
Outlook	Stable	Outlook	Stable
Foreign currency	BB-	National LT Issuer	AA+
Local currency	BB	National ST	F1+
National scale rating	zaAAA		
✓ Affirmed		✓ Affirmed	

FINANCIAL STRENGTH AND LIQUIDITY

Cash, liquidity, and funding flexing

Cash and cash equivalents rose to R12.2 billion as at 30 June 2025, up from R6.3 billion in 2024. This increase reflects the maturity of longer-dated term deposits, complemented by prudent debt-management actions and disciplined liquidity governance.

To safeguard our financial position, we maintain a well-diversified liquidity buffer, balancing immediate operational needs with investment opportunities in short-term instruments. The Group's liquidity buffer stands at R2.2 billion, anchored by strategic bond investments and other short-term placements, supported by committed facilities headroom of R1.5 billion (unchanged from 2024).

Funding flexibility and debt management

The ZAR 10 Domestic Medium-Term Note (DMTN) programme continues to offer strategic flexibility, with R3.2 billion currently in issue and R6.8 billion in headroom available for future funding needs.

Funding requirements are reviewed regularly to ensure timely access to capital when opportunities or constraints arise. As the RWL26 bond nears its redemption window (within 12 months), Rand Water is aligning with its redemption policy to manage refinancing risk and preserve financial endurance. The intention is to redeem the bond at maturity.

Key indicators and funding strategy

Debt maturity and pricing metrics remain favourable, supported by governance and discipline across financing activities. As at 30 June 2025, the debt-to-equity ratio stood at 7.00% (2024: 7.85%), and the interest cover ratio was 10.48 times (2024: 9.25 times), highlighting a strong credit posture.

Our funding strategy harmonises growth, asset renewal, and affordability. It blends internal resources with access to debt capital markets to ensure that the five-year CAPEX plan is funded without compromising service delivery or customer support.

ASSET/ LIABILITY RISK MANAGEMENT

Fortifying the foundation for sustainable obligations

Rand Water actively stewards its asset and liability exposures to ensure long-term obligations are matched with durable, reliable funding sources. This discipline underpins the Group's financial soundness and supports ongoing operational continuity across changing conditions. Our approach extends beyond funding, encompassing prudent management of long-term commitments such as post-retirement obligations and the stewardship of rehabilitative responsibilities for legacy sites, including Panfontein Sludge Disposal.

Key obligations and funding alignment

Defined benefit obligation: As at 30 June 2025, the defined benefit obligation stood at R334 million, a close alignment with plan assets of R334 million after applying the IAS 19 asset ceiling. This structure ensures the obligation is fully funded and does not distort the net position on the balance sheet.

Rehabilitation obligations: The provision for rehabilitating the Panfontein Sludge Disposal site was R134 million as at 30 June 2025 (2024: R131 million), with annual reassessments to reflect updated cost estimates and project scopes. Funding for these costs will be drawn from proceeds from the sale of a portion of Zwartkopjes farmland pledged as security, linking asset monetisation to environmental and health safeguards.

Funding strategy and governance

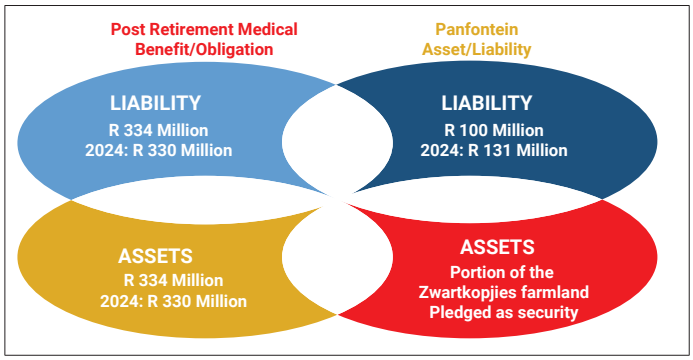
We maintain a robust funding architecture that synchronises with long-term commitments, using a mix of internal resources and external instruments to ensure affordability and availability of capital when needed.

Our governance framework continuously reviews maturity profiles, risk exposures, and affordability to sustain financial flexibility amid market dynamics and regulatory changes.

Operational and strategic implications

By proactively aligning funding to core obligations, Rand Water strengthens its capacity to meet future environmental and social responsibilities without compromising service delivery or financial health.

This careful balance between ongoing obligations and strategic investments enhances stakeholder confidence and positions the organisation to navigate future uncertainties.



CREDIT RISK MANAGEMENT

NAVIGATING UNCERTAINTY WITH DISCIPLINED STEWARDSHIP

Rand Water continues to confront a challenging credit environment, marked by the financial strain on several municipal customers, some operating under Municipal Financial Management Act Section 139 administration and others facing liquidity pressures or credit downgrades. In the face of these headwinds, we remain confident that deliberate risk management, innovation, and collaborative governance will safeguard the water value chain and sustain service delivery.

CREDIT RISK AS A CORE FOCUS

At year-end, Days Sales Outstanding reached 125 days, above the 90-day target. This reflects deeper fiscal distress among municipalities and slower payment cycles. In response, we intensified collection and risk mitigation efforts to protect cash generation and liquidity.

The Expected Credit Loss (ECL) provision rose by 15% to R2.9 billion, driven by evolving payment patterns among high-risk customers. This prudent step ensures we recognise potential impairments promptly and allocate resources to support recovery where possible.

MITIGATION AND ENFORCEMENT ACTIONS

Structured Debt Settlement Agreements: We deployed formal arrangements to resolve outstanding balances, balancing fairness with the need to preserve essential service delivery.

Legal and regulatory levers: Where appropriate, we escalated recovery actions and leveraged constitutional and regulatory tools to safeguard revenue streams while upholding due process.

SPV-based financing: The formation of Special Purpose Vehicles (SPVs) with government and municipal partners strengthens the governance, financing, and execution of water and sanitation projects, diversifying funding sources and reducing single-point credit risk.

PAJA and IRFA-aligned processes: Water flow curtailment and other emergency measures are implemented within robust legal frameworks to ensure transparency, fairness, and continuity of critical services.

STRATEGIC COLLABORATIONS AND LONG-TERM RESILIENCE

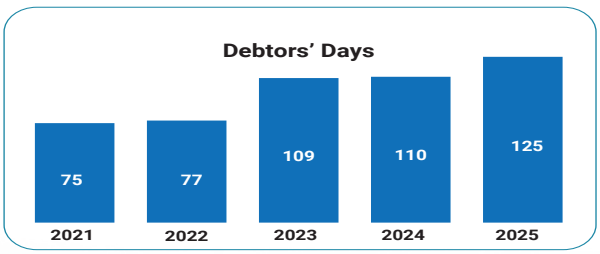
Ongoing collaboration with National and Provincial Treasuries, CoGTA, and DWS informs policy, funding, and reform opportunities that stabilise municipal payments and improve creditworthiness across the sector.

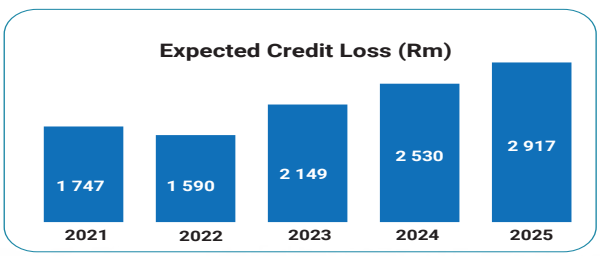
Our focus on innovation, efficiency, and prudent governance underpins sustainable cost management and reliable price signals for customers, enabling continued investment in water infrastructure and service quality.

OUTLOOK AND STAKEHOLDER VALUE

Despite the macroeconomic pressures, Rand Water remains committed to responsible debt management, transparent disclosures, and strategic partnerships that bolster financial stability and operational continuity.

By combining disciplined credit risk practices with forward-looking governance and collaborative action, we protect the integrity of the water value chain and deliver dependable service to the communities we serve.





VALUE ADDED STATEMENT

Strengthening value for people, partnerships, and the future

For the financial year under review, Rand Water generated a wealth of R9.7 billion (2024: R9.3 billion). This value was allocated to sustain our people, invest in our systems, and meet growing demand through prudent, growth-oriented reinvestment.

Key allocations

Employees and related benefits: 41% (2024: 38%) of value added supported salaries, pension plans, medical cover, and associated employee programmes that attract and develop talent essential to reliable service delivery.

Reinvestment in growth and assets: 55% (2024: 57%) of value added was channelled back into initiatives to expand capability, upgrade infrastructure, and pursue strategic projects that respond to rising demand and climate considerations.

Community and social investment, suppliers, and other stakeholders: the remaining portion supported external partnerships, supplier development, and service delivery improvements that extend our reach and impact.

Outlook and stakeholder value

This balance reflects our commitment to fair remuneration, capital discipline, and sustainable growth. By investing in people and continuously renewing our asset base, Rand Water positions itself to meet current needs while building a resilient platform for the communities we serve.

As we navigate evolving macro conditions, our value-creation model remains focused on sustaining the highest standards of governance, safety, and social responsibility, ensuring long-term value for employees, customers, and partners.

Distribution of Wealth Created	Employees	Providers of Capital	Reinvested
2025	41%	4%	55%
2024	38%	5%	57%

STRATEGIC PROGRAMMES IN FINANCE

STRATEGIC PROGRAMMES IN FINANCE



Professional Finance and Culture Transition

In alignment with the National Framework towards the Professionalisation of the Public Sector, the Finance Business Unit launched a dedicated strategic programme focused on Culture Transition and the professionalisation of the Finance function. This initiative directly addresses the imperative to elevate the skill set and professional standards of our employees. Key achievements include - Upskilling and Empowerment: Placing dedicated emphasis on employee empowerment through targeted, high-impact training and development programmes designed to close critical skill gaps, cultural augmentation: successfully augmenting the departmental culture to one that is distinctly professional, highly skilled, and performance-driven, setting a new benchmark for public sector financial management and National Alignment: Ensuring the function's capabilities are fully aligned with, and contributing to, the national objective of a professionalised public service. This strategic focus ensures that Finance is not only compliant with national standards but is also a proactive, highly skilled, and influential partner in achieving the organisation's strategic goals.



Finance Digital Transformation and Reporting Agility

A significant milestone was achieved in digital transformation this year with the successful integration of advanced Business Intelligence (BI) tools and a comprehensive reporting platform upgrade. This strategic investment has fundamentally shifted how we manage and interpret financial data, enabling a crucial move from static, periodic reviews to dynamic, real-time insights. The new capabilities deliver superior data visualisation and support sophisticated drill-down analysis, empowering executive leadership and business partners to make faster, more informed decisions across the organisation. Furthermore, the initiative has driven substantial operational efficiency by automating routine reporting tasks, allowing our finance professionals to reallocate their time towards strategic aspects of the business.



Advancing Financial Agility and Strategic Partnership

In pursuit of greater operational excellence and forward- looking capabilities, the Finance function successfully executed a comprehensive strategic programme focused on systems modernisation. These critical system upgrades were implemented, in collaboration with our Digital Technology and Information Management team, to enhance the agility, robustness, and relevance of our financial infrastructure, moving us beyond transactional processing. Looking ahead, Finance is actively exploring key transformational opportunities to solidify our evolution into a true strategic partner across the organisation. This shift is foundational to ensuring that Finance provides indispensable, high-level insight, drives value creation, and directly supports the organisation's long-term growth objectives.

BENEFIT FUNDS

Rand Water Group Life Scheme

The Rand Water Group Life Scheme, underwritten by Old Mutual, offers comprehensive benefits to all permanent employees and fixed-term contract employees with at least three (3) years of continuous service. Key features include:

Lump-Sum Benefits	R8.5 million	Death and disability benefits set at four (4) times the employees' annual earnings. Disability benefits capped at R8.5 million
Conversion Option		Employees can convert their coverage upon leaving Rand Water
Medical Free Cover Limit	R16 million	Set at R16 million, enhancing coverage without medical underwriting
Funeral Support Service		Provides support for employees, spouses, and dependent children at no extra cost
Premium Refund Option		Available based on a predetermined formula, potentially offering financial returns

RAND WATER PROVIDENT FUND

The Rand Water Provident Fund, established under the Pension Funds Act of 1956 and administered by Rand Water in terms of Section 13B, has over 30 years of steadfast stewardship in investing member funds and supporting the financial and emotional well-being of employees. As a defined contribution fund, members actively contribute toward retirement, with investments structured to provide sustainable benefits throughout their careers and beyond. The Fund serves both active employees and former members through a member-centric, high-quality, and cost-efficient administration service that adapts to evolving needs.

GOVERNANCE

Our governance and investment approach consider a broad set of internal and external factors to ensure alignment with the wider ecosystem in which the Fund operates. This holistic lens underpins sound governance, responsive service delivery, and disciplined financial oversight.

STABILITY, GROWTH AND VALUE

3,544 members with assets under management of R5.49 billion, is evidence of continued stability, growth, and enduring value in securing retirement outcomes.

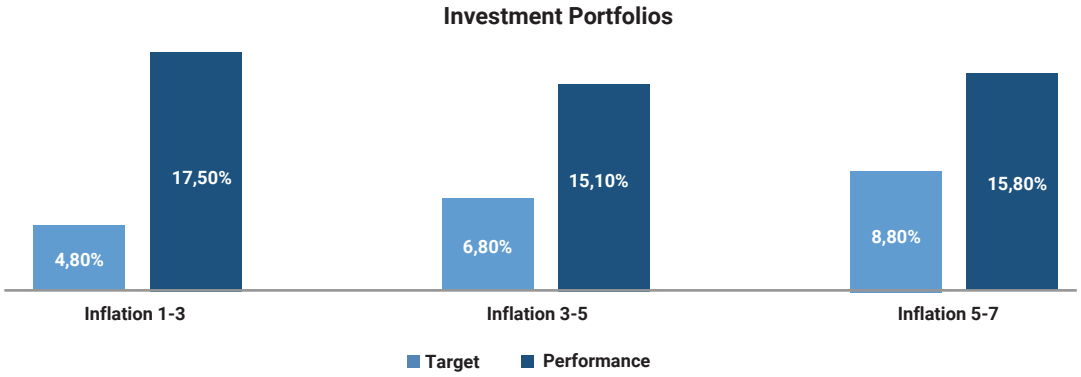
Our strategy remains focused on growth, development, and transformation through investments across major sectors of the economy, balancing solid financial returns for members with sustainable economic development in South Africa and across Africa.

PERFORMANCE

Portfolio outcomes for the year reflect a solid performance that exceeds the target across all inflation-linked strategies (Inflation 1-3, 3-5, and 5-7)

Our ideal replacement ratio exceeds the industry norm, and we maintain a high ranking on net replacement ratio, supporting the members' ability to sustain their lifestyles in retirement.

Looking ahead, excellence, intergrity, and transparency will continue to guide us in safeguarding members' financial well-being and creating a lasting legacy for future generations.



GOING CONCERN

Financial Fortitude: A demonstrated blueprint for resilience

Rand Water maintained its status as a going concern in a volatile environment due to its balance sheet resilience and stability. While global tensions and rising input costs posed challenges, we have fortified our finances through disciplined governance, proactive planning, and collaborative partnerships with key authorities. The Board remains confident in meeting our obligations over the next twelve months and beyond, aligned with the Water Services Act and our long-term capital and service commitments.

Financial Stability and Revenue Strategy: disciplined pricing, sustainable growth

- Our revenue strategy centres on securing cost-reflective tariffs in the face of rising input costs where we are price-takers. A 4.9% tariff increase demonstrates prudent cost control and a sober discipline in balancing affordability with the funding needs of renewal and maintenance.
- This tariff path reflects careful calibration to support ongoing operations, accelerated asset renewal, and reliable revenue collection, even amidst municipal collection challenges.
- Looking ahead, a 14.3% tariff increase for the following year has been approved, driven in part by anticipated royalty charges on raw water purchases. This trajectory is designed to sustain service delivery, fund critical infrastructure, and protect long-term affordability for customers.

Liquidity Management and Funding Access: buffers, flexibility, and readiness

- We maintain a liquidity buffer of R2.2 billion, reinforced by committed facilities of R1.5 billion to safeguard operations under pressured conditions and ensure continuity of service.
- Access to the R 10 billion Domestic Medium-Term Note programme, with R6.8 billion headroom, provides capital-raising flexibility for CAPEX and resilience-enhancing projects without compromising financial integrity.

Operational Efficiency and Cost Management: turning cost pressures into competitiveness

- Despite year-on-year increases in raw water, energy, and chemicals, we relentlessly pursue efficiency gains to curb the impact of rising prices. We constrain controllable costs within CPI trajectories and prioritise expenditures where external pressures are highest.
- Robust scenario planning and cost-reflective tariff reviews are used to maintain financial viability while delivering reliable service.

Debt Recovery and Financial Controls: strengthening cash flows through collaboration

- Our debt-recovery efforts have yielded improvements in collections and reduced expected credit losses, supported by multi-channel strategies and customer-centric approaches.
- Ongoing collaboration with COGTA and DWS is essential to address municipal liquidity challenges, unlock liquidity, and strengthen revenue certainty across the water value chain.

Stress Testing, Solvency, and Liquidity: disciplined foresight

- A comprehensive five-year scenario analysis, conducted annually, tests economic assumptions, strategic priorities, and investment viability. These insights inform prudent investment decisions within the board's risk appetite.
- Our solvency and liquidity indicators reflect a strengthened position: accumulated reserves up, gearing within target bands (7%), interest cover well above 3 times, and a return on average assets around 9%, all signalling durable capacity to adapt and invest.

Outlook

- Rand Water's governance, financial prudence, and operational excellence equip us to navigate uncertainties while preserving service quality, enabling community impact, and sustaining long-term value for stakeholders.

LOOKING FORWARD

Building a resilient, future-ready Rand Water

As we look forward to the future, our commitment to strengthening financial performance and service delivery remains unwavering. We will refine our cost structures, pursue sustainable growth, and align every decision with our long-term vision. By concentrating on prudent risk management, we will bolster our capacity to withstand challenges and improve our operational effectiveness. Our strategy hinges on innovation, adaptability, and a relentless drive to stay at the forefront of industry progress. Embracing new technologies and sustainable practices, we will push for greater efficiency and deeper alignment with environmental goals. Through optimised resource management and a measured shift toward renewable energy, we anticipate meaningful reductions in cost and gains in reliability.

We gratefully acknowledge the ongoing support of all stakeholders, including government structures such as COGTA, our Shareholder, and National Treasury. Your collaboration is essential as we continue to support municipal customers through Rand Water Services, water demand management programmes, and the SPV framework that ensures dedicated water provision. Strengthening stakeholder relations will be central to securing broad-based buy-in from the communities we serve and to sustaining legitimacy and trust.

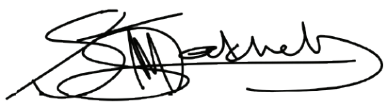
We are encouraged by the momentum generated by the repurposing and repositioning of Rand Water Services, endorsed by our shareholder and the National Treasury. Legislative pathways empower us to play a more meaningful end-to-end role in water services, reinforcing governance, accountability, and service continuity. The Special Purpose Vehicle with Emfuleni Local Municipality stands as a blueprint for future municipal partnerships. By leveraging the Municipal Systems Act provisions (Sections 72 and 78), we can elevate service delivery while mitigating credit risk across the sector.

Our innovation-driven, risk-based framework emphasises sustainable growth. Growth programmes focus on strengthening core efficiencies, water, chemicals, and energy, while diversifying revenue, diversifying customer base and pursuing geographic expansion. This approach addresses concentration risk on municipal customers and enhances our resilience against economic volatility. We intend to advance vertical and horizontal growth initiatives, evaluating viable options, identifying the right partners, structuring effective arrangements, and securing funding mechanisms that will optimise returns and strategic impact.

We are determined to think beyond today, to innovate boldly, and to position Rand Water as a world-class leader in water and sustainability. Navigating uncharted waters requires courage to take calculated risks, deliver ambitious projects, and exceed customer expectations, locally and globally. Our growth initiatives, coupled with Rand Water Services interventions, open the door to expanded public-private partnerships and a broader stakeholder base. By blending investment opportunities, project financing, and collaborative structures, we will extend our capabilities, deepen skills transfer, and maximise shareholder value.

To our dedicated team, customers, and stakeholders, I offer heartfelt gratitude for your unwavering support and collaboration. Together, we will navigate the evolving landscape, unlock new pathways for growth, and advance sustainability. Your trust inspires us to pursue excellence and innovation each day. I thank our Group Chief Executive, Mr. Sipho Mosai, for his steadfast leadership, and the Rand Water Board, chaired by Mr. Ramateu Monyokolo, for their governance and guidance.

Looking forward, Rand Water remains resolute: we will deliver reliable water, drive sustainable value, and emerge stronger from every challenge. The future is ours to steward, with courage, collaboration, and a shared commitment to the communities we serve.



Ms. Matshidiso Nyembe
Group Chief Financial Officer

PFMA COMPLIANCE REPORT

National Treasury Instruction No. 4 of 2022/23: PFMA Compliance and Reporting Framework, effective 3 January 2023, sets out updated principles and compliance reporting requirements for the treatment of Irregular, Fruitless, and Wasteful Expenditure, as well as Supply Chain Management reporting. In line with the Public Finance Management Act (PFMA), 1999 (as amended), and the relevant frameworks, institutions are required to disclose the following information in their Integrated Annual Reports.

PFMA COMPLIANCE REPORT

Irregular Expenditure

Reconciliation of Irregular Expenditure

Description	2025 R'000	2024 R'000
Opening balance	3 439 016	3 720 164
Prior Period Errors	46 649	(3 957)
As restated	3 485 664	**3 716 207**
Add: Irregular expenditure confirmed	1 373 861	741 214
Irregular Expenditure that was under assessment in 2023/2024	-	93 875
Irregular Expenditure that relates to 2023/24 and identified in 2024/25	-	2 725
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	(47)	(1 115 006)
Less: Irregular expenditure cleared	-	-
Less: Irregular expenditure recoverable	-	-
Less: Irregular expenditure not recovered and written off	-	-
Closing balance	**4 859 479**	**3 439 016**

The prior period amount relate to adjustments made on the previously reported irregular expenditure.

Reconciling notes to the annual financial statement disclosure

Description	2025 R'000	2024 R'000
Irregular Expenditure that was under assessment in 2023/2024	-	93 875
Irregular Expenditure that relates to 2023/24 and identified in 2024/25	-	2 725
Irregular Expenditure for the current year	1 373 861	741 214
Irregular Expenditure incurred in the current year	4 207	305 120
Additional expenditure on multi-year contracts	1 369 654	436 094
Total	**1 373 861**	**837 814**

Details of current and previous year irregular expenditure (under assessment, determination, and investigation

Description	2025 R'000	2024 R'000
Irregular Expenditure under assessment	1 598 763	350 192
Irregular Expenditure under determination	-	-
Irregular Expenditure under investigation	-	-
Total	**1 598 763**	**350 192**

Details of current and previous year irregular expenditure condoned

Description	2025 R'000	2024 R'000
Irregular Expenditure condoned	-	-
Total	**-**	**-**

Details of current and previous year irregular expenditure removed - (not condoned)

Description	2025 R'000	2024 R'000
Irregular Expenditure not condoned and removed	47	1 115 006
Total	**47**	**1 115 006**

Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure

Description	2025 R'000	2024 R'000
Disciplinary action	1 373 861	741 214
Disciplinary action taken	-	436 094
Disciplinary action is being implemented.	1 373 861	305 120
Total	**1 373 861**	**741 214**

Fruitless and Wasteful Expenditure

The reconciliation of the balance of the expenditure is as follows:	2025 R'000	2024 R'000
Opening balance	181 209	180 948
Prior Period errors	160	-
As restated	181 368	180 948
Add: Fruitless and wasteful expenditure confirmed	713	74
Fruitless and Wasteful Expenditure that was under assessment in 2023/2024		-
Fruitless and Wasteful Expenditure that relates to 2023/24 and identified in 2024/25	-	284
Less: Fruitless and Wasteful expenditure recoverable	(189)	(58)
Less: Fruitless and Wasteful expenditure not recovered and written off	-	(40)
Closing balance	**181 892**	**181 209**

Reconciling notes to the annual financial statement disclosure

Description	2025 R'000	2024 R'000
Fruitless and Wasteful Expenditure that was under assessment in 2023/2024	-	-
Fruitless and Wasteful Expenditure that relates to 2023/24 and identified in 2024/25		284
Fruitless and Wasteful Expenditure incurred	713	74
Total	**713**	**358**

Details of current and previous year Irregular Expenditure (under assessment, determination, and investigation

Description	2025	2024
	R'000	R'000
Fruitless and Wasteful Expenditure under assessment	-	-
Fruitless and Wasteful Expenditure under determination	-	-
Fruitless and Wasteful Expenditure under investigation	-	-
Total	**-**	**-**

Details of current and previous year disciplinary or criminal steps taken as a result of Fruitless and Wasteful Expenditure

Description	2025	2024
	R'000	R'000
Disciplinary action taken	713	358
Disciplinary action is being implemented	-	-
Total	**713**	**358**

IRREGULAR EXPENDITURE UNDER DISPUTE IN THE 2024/25 FINANCIAL YEAR

During the 2023/24 regulatory audit conducted by the AGSA, nine (9) matters were disclosed as Irregular Expenditure under assessment in the Integrated Annual Report, in accordance with the requirements of the Public Finance Management Act (PFMA) Compliance and Reporting Framework ("the Framework"). As at 30 June 2025, the total expenditure for these matters amounted to R969 million.

The Framework requires that where there is a difference of opinion regarding the classification of expenditure, the assessment process must be completed within three (3) months from the date the matter is reported to the Accounting Authority. The Loss Control Office concluded that the transactions in question did not constitute irregular expenditure after conducting assessments and determinations tests during the 2024/25 financial year.

The AGSA, however, was in disagreement with this conclusion and is of the view that the matters should be classified as irregular expenditure. The Framework requires that a formal dispute be lodged with the relevant treasury and the AGSA, within seven (7) days from the date the dispute was discovered. In accordance with Paragraph 4.2 of the Framework, a formal dispute has been lodged with National Treasury for resolution.

INFORMATION ON PAYMENT OF SUPPLIERS' INVOICES

Details	Number of invoices	Value
Valid invoices received	13290	(17 630 855 864,18)
Invoices paid within 30 days or agreed period	11797	(17 136 155 909,20)
Invoices paid after 30 days or agreed period	1493	(494 699 954,98)
Invoices older than 30 days or agreed period (unpaid and without dispute)	-	-
Invoices older than 30 days or agreed period (unpaid and in dispute)	-	-

REASONS FOR LATE PAYMENT INCLUDE:

- Errors or inconsistencies in the invoice, such as incorrect invoice details or amounts, which need to be resolved before payment can be processed.
- The supplier has provided incorrect banking details that do not match SAP information, leading to delays in processing the payment.
- Technical problems with network connectivity, which affected receipting and processing of payment requests.
- The supplier submits invoices after the deadline, causing delays in the payment cycle.
- The supplier submits account statements late, which affects the reconciliation process and delays payment.

INFORMATION ON SUPPLY CHAIN MANAGEMENT

In line with the Compliance and Reporting Framework for 2022/23, Appendix E, "Institutions are required to annually disclose information on supply chain management payment in the Annual Report of their respective institutions". The table below outlines the information on the procurement made by other means during the 2024/25 financial year.

Procurement by 'other means'	Total number of transactions	Total amount (vat incl.)
Sole Source	10	R 327 979 186.15
Single Source	5	R 6 317 237.50
Emergency situations	4	R 21 099 739.90

EXPANSIONS AND VARIATIONS TO BE REPORTED IN THE ANNUAL REPORT

Expansions and variations, which exceeded 20% or R20 million (whichever is less), for construction-related goods or services and which exceeded 15% or R15 million (whichever is less) for all other goods or services, of the contract value.

Expansions and Variations	Total number of transactions	Total Varied amount (vat incl.)
Rate-based	1	Estimated R 1,561,166 per month for 8 (eight) months
Rate-based	1	Estimated R38,580,312.00 per month for 12 (twelve) months.
Fixed Contract	10	R 326,337,197.45

HUMAN CAPITAL

"At Rand Water, our people are our greatest asset. Human Capital is at the heart of driving operational excellence, innovation, and sustainability. Through focused talent development, employee wellness initiatives, and a culture of continuous learning, we empower our workforce to deliver on our mandate while shaping a resilient and future-ready organisation."

MANAGING OUR HUMAN CAPITAL

In the 2024/25 Financial Year, Rand Water's staff complement stood at 3 572 employees, comprising of 1 539 females and 2 033 males.

Rand Water's workforce is outlined in the table below per occupational level as prescribed by Department of Employment and Labour.

Table 3: Total Workforce per Occupational Level

TOTAL WORKFORCE 2024/25 FINANCIAL YEAR											
Occupational Level	**Male**				**Female**				**Total**	**Gender Ratio**	
	A	**C**	**I**	**W**	**A**	**C**	**I**	**W**		**Male**	**Female**
Top Management	3	0	0	0	1	0	0	0	4	3	1
Senior Management	29	2	8	4	35	3	1	0	82	43	39
Professionally Qualified	219	12	18	24	281	8	18	17	597	273	324
Skilled Technical and academically qualified workers	797	19	14	74	616	29	20	43	1610	902	708
Semi-skilled and discretionary decision-making	670	20	2	20	293	1	0	4	1010	712	298
Unskilled and defined decision-making	96	3	0	1	167	1	0	1	269	100	169
Total Permanent	**1 813**	**56**	**42**	**122**	**1 393**	**42**	**39**	**65**	**3 572**	**2 033**	**1 539**

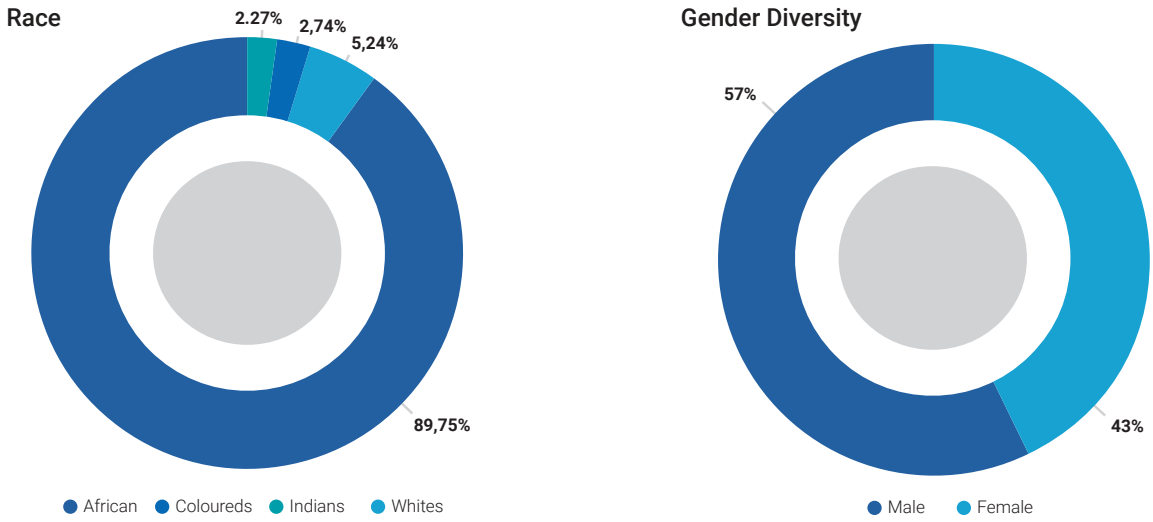


Figure 5: Rand Water Employee Diversity

ATTRACTING AND RETAINING CRITICAL TALENT

Our talent management stance is attracting, developing, motivating, and retaining employees with the skills and potential to meet Rand Water's current and future needs. Talent management's importance can be seen in our processes, including recruitment, onboarding, training, performance management, and succession planning, all aimed at creating a high-performing and engaged workforce. Below table outlines 2024/25 financial year appointments by race and gender.

Table 4: New Appointments in the 2024/25 Financial Year

Appointment Type	African		Coloured		Indian		White		Grand Total
	Female	Male	Female	Male	Female	Male	Female	Male	
External Appointment	92	125	1	0	0	0	1	0	219
Internal Appointment	63	86	2	4	1	0	1	2	159
Grand Total	**155**	**211**	**3**	**4**	**1**	**0**	**2**	**2**	**378**

SUCCESSION MANAGEMENT

At Rand Water, succession management is a strategic imperative designed to ensure leadership continuity, preserve institutional knowledge, and build a resilient workforce capable of navigating future challenges. Our approach goes beyond filling roles, it's about developing a pipeline of agile, skilled, and future-ready talent.

As part of our continuous improvement efforts, we reviewed and strengthened our succession planning framework during the year.

This exercise included the following scope items:

- Identifying critical roles and future capability needs aligned with our business strategy.
  - » Assessing leadership potential and readiness through structured talent reviews and performance insights.
  - » Accelerating development through targeted learning, mentorship, and stretch assignments that prepare individuals for future leadership and technical roles.
- Capacity-Building interventions remain a deliberate internal focus for Rand Water; Compliance, Conferences and Functional training are at 7 330 training interventions completed in 2024/25 financial year.
- Enhancing our employee's abilities ensures we achieve our organisational goals while also sustaining the development of individuals on a broader level.

- Bursaries awarded to staff rose to 41 persons from previous financial year's 25 individuals, resulting to a 64% increase.
- Leadership trainings of 64 were fewer compared to last year.

TECHNICAL CAREER PROGRESSION

Rand Water employs Talent modelling as a strategic approach to attracting, developing, and retaining employees to meet current and future organisational needs. A key enabler of this strategy is our Technical Career Path (TCP), which continues to support the growth of specialised talent in science, engineering, and technology. By integrating TCP into our succession planning, we ensure that technical expertise is nurtured and retained, while also creating clear pathways for advancement. This year saw individuals from a wider range of technical areas progress than last year. This can be seen in the number of individual employees that progressed in the year under review, a total of 14 men and women to the previous financial year's 6 employees; below is a graphical representation of 2024/25 financial year Technical Career Progression.

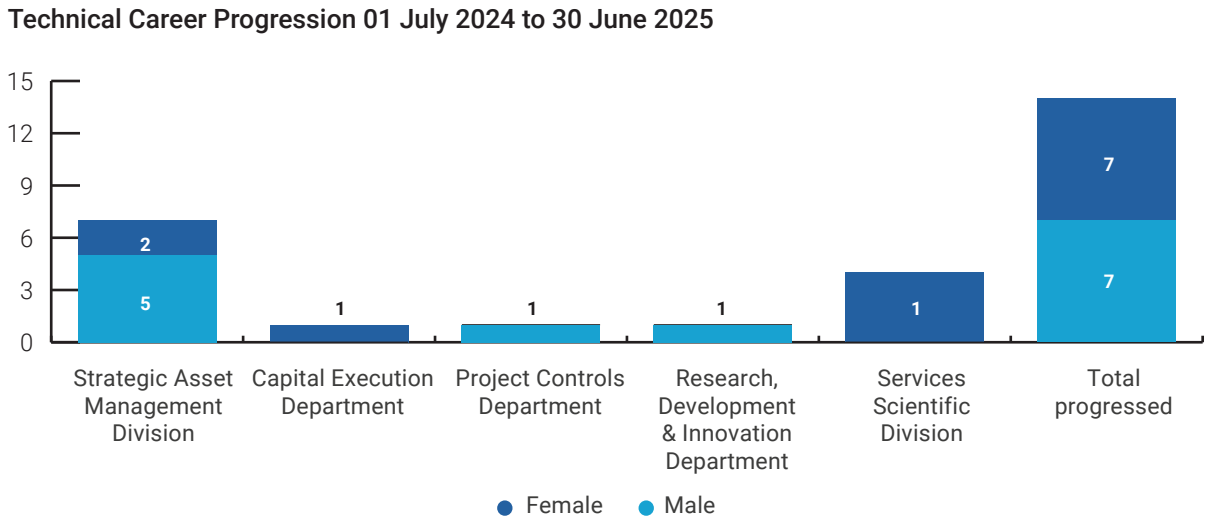


Figure 6: 2024/25 Financial Year Technical Career Progression

Our succession management efforts are underpinned by a culture of talent mobility, inclusivity, and proactive development, ensuring that Rand Water remains equipped with the right people in the right roles, today and into the future.

CORPORATE ONBOARDING

At Rand Water, corporate onboarding is a strategic process designed to ensure that every new employee, feels welcomed, informed, and empowered from day one. The objectives of our onboarding process are to facilitate a meaningful employee experience, expedite their assimilation into Rand Water, and equip them with the necessary knowledge and skills to excel, enhance productivity, and make valuable contributions towards their departmental goals.

The onboarding journey begins with preboarding activities, continues through the employees' first days and weeks, and culminates in their full integration into the organisation. This comprehensive approach supports a smooth transition and accelerates productivity, while reinforcing Rand Water's values and culture.

For the year in review, we successfully onboarded 152 new employees.

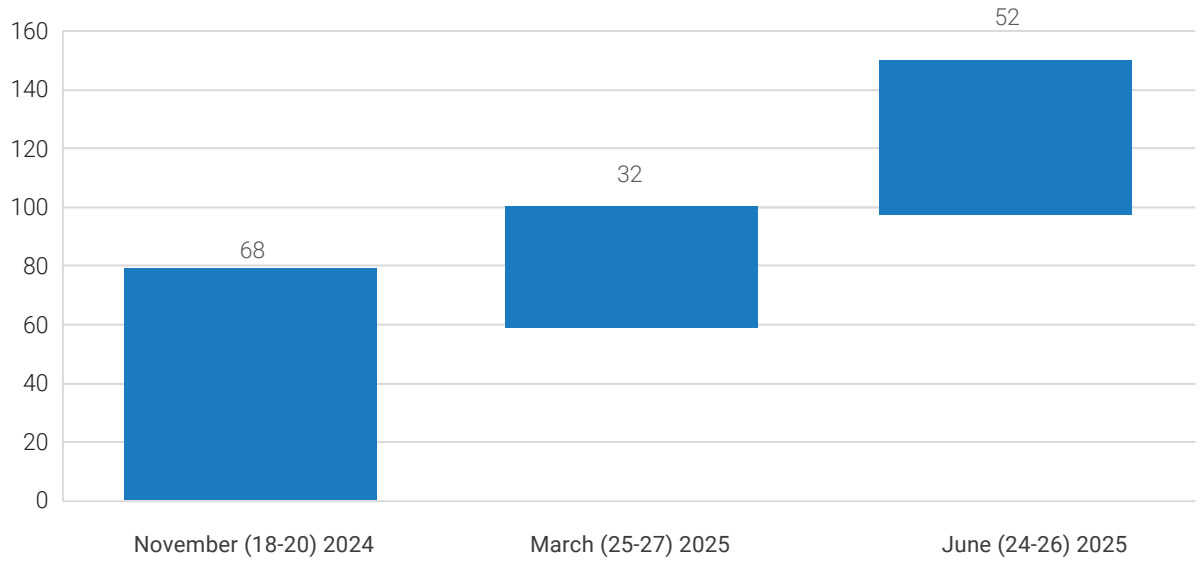


Figure: 7 Employees Participated in Corporate Onboarding Programme

Personal Mastery Programmes

Over and above the comprehensive onboarding programme, Rand Water further supports integration and personal growth through the Personal Mastery Programmes that follow the onboarding process. By focusing on both professional and personal development, Rand Water enhances employee engagement, retention, and long-term satisfaction. These initiatives are designed to empower individuals, foster self-awareness, and align personal excellence with organisational performance.

Investment in Excellence (IIE) Programme

This programme emphasises that sustainable organisational performance begins with individual excellence. It focuses on developing self-efficacy, personal accountability, and a constructive mindset. A total of 56 delegates attended Investment in Excellence Workshops in the period under review.

Neuro Agility Programme (NAP)

Grounded in cognitive neuroscience, NAP explores how the brain learns, adapts, and drives behaviour. It supports employees in developing agility, resilience, and a customer-centric mindset. Key outcomes include:

- Enhanced learning and adaptability in a fast-changing environment.
- Clear understanding of individual value and contribution to internal and external customers.
- Alignment with Rand Water's strategy.

A total of 154 delegates attended NAP Workshops in the period under review.

Employee Exits

While effort is being made and strategies are put in place to retain our human capital, we still experience exits of permanent and temporary employees each year. A total of 103 employees exited the employ of Rand Water, a year-on-year decline of 62.82% compared to the previous year's 277 exits.

Table 5: Employee Exits in 2024/25 Financial Year

Exit Reason	Number of employees
Deceased	13
Dismissed	7
Early retirement	20
Ill-health Retirement	13
Resigned	37
Retired	13
Grand Total	**103**

EMPOWERING OUR PEOPLE THROUGH LEARNING

Rand Water recognises the importance of continuous learning and development of its employees and has put in place procedures for internal and external training opportunities for all employees. Opportunities are provided for employees to develop themselves through initiatives aligned with the National Qualification Framework (NQF). Training initiatives are designed to improve business efficiency and productivity. The targeted learning and development initiatives are designed to provide employees with the competencies, behaviours, and capabilities needed to address organisational challenges identified in the corporate risk register, as well as to comply with applicable policies and relevant legislation.

Rand Water also has its own training centre, Zwartkopjes Training Centre, situated at Zwartkopjes site. The centre provides a conducive learning environment that yields results and is popular for its outstanding service. The Centre is fully accredited with the Energy and Water Sector Education Training Authority (EWSETA), thus learning programmes are aligned with the South African Qualifications Authority (SAQA) and built towards a recognised qualification.

HUMAN CAPACITY DEVELOPMENT

Capacity-Building and Training

Training instance actuals increased by 1 513 from the previous year to 7 330 in this financial year; with female participation having the highest rise at 22% year-on-year. Completed training instances aimed at developing mandatory/ legislative and technical/ operational skills for the year are shown below per occupational level.

Table 6: Training per Occupational Level

Occupational Levels	Female	Male	Grand Total
Professionally qualified and experienced specialists and mid-management	378	218	596
Semi-skilled and discretionary decision-making	944	2 142	3 086
Senior management	27	19	46
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	1 392	1 940	3 332
Unskilled and defined decision-making	186	84	270
Grand Total	**2 927**	**4 403**	**7 330**

Leadership Development Programmes

The ongoing development and implementation of targeted and aligned leadership programmes for Rand Water leaders is critically important for the business to fulfil its strategic imperatives, and to successfully contribute to driving the organisation and people's growth. These initiatives are implemented through various institutions of higher learning, business schools and private service providers.

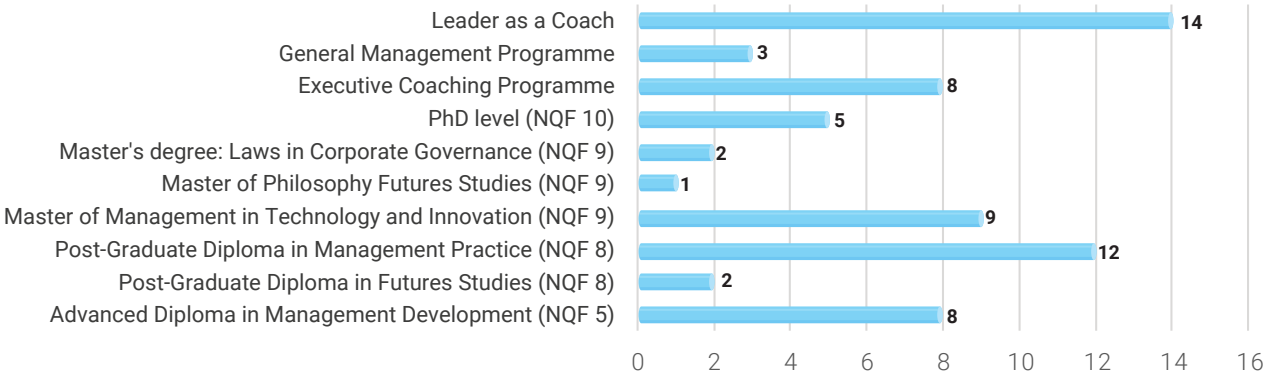


Figure 8: Leadership Development Programmes: 2024/25 Financial Year

Bursaries

195 employees were recipients of bursaries during the 2024/25 financial year.

YOUTH DEVELOPMENT PROGRAMMES

Rand Water implements internships and learnerships aimed at unemployed youth to develop future water sector skills. Graduates in training, experiential students, external bursaries and learnerships are included in these learning programmes.

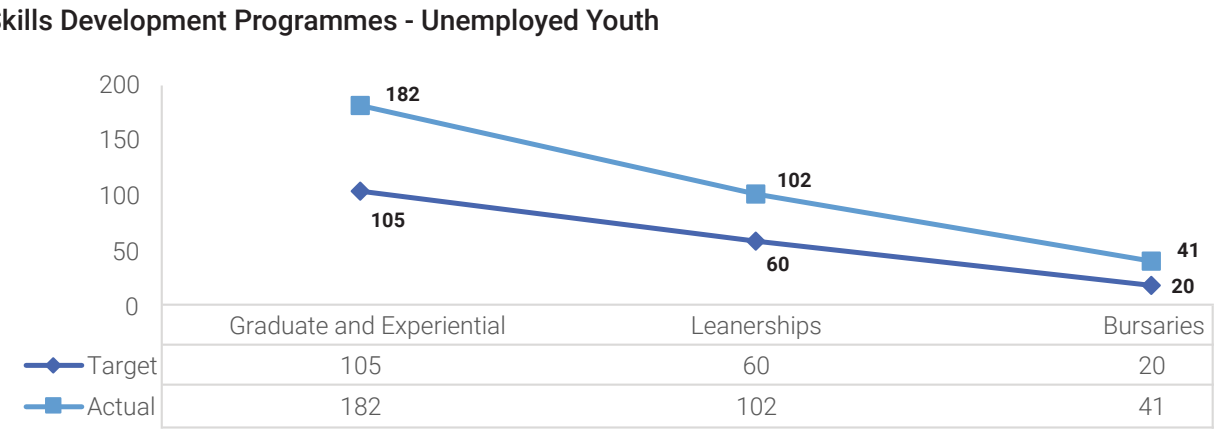


Figure 9: Youth Development Programme

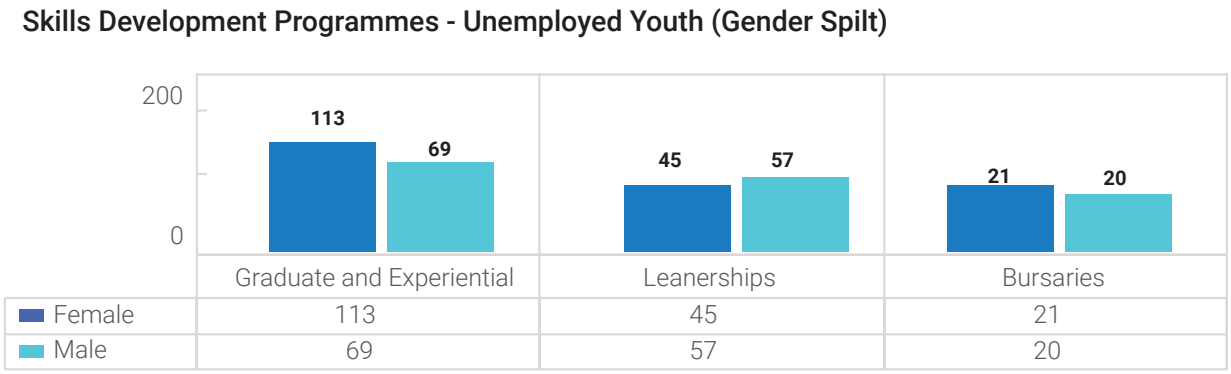


Figure 10: Total Learnership, Experiential Students and Graduates in Training

External bursaries

A total of 41 external bursaries were awarded to deserving young people, keeping in line with 2023/24 financial year's actuals of 40 recipients. Our performance in this regard is double our target of 20.

Learnerships

During the 2024/25 financial year, the number of learners registered for learnerships was 105, significantly higher than the set target of 60.

Graduate and experiential

A total of 182 individuals were participants in our Graduate and experiential programmes benefitting from being placed in areas where they got hands-on work experience for the period of the programmes. Target of 105 exceeded by 73%.

RAND WATER ACADEMY

In the 12 years since Rand Water Academy's establishment, it has become a beacon of superior experimental and professional development by addressing critical resource challenges faced by Rand Water and the broader water sector, not just locally, but abroad too.

The Academy has remained true to its mission of equipping unemployed graduates with the skills needed to thrive in a dynamic global job market. It features a team of accomplished mentors and industry experts who offer deep knowledge and practical experience, fostering a learning environment that is both interactive and impactful.

National Treasury Graduate Internship Programme

This initiative emphasises the growth and certification of participants in their specific areas, backing Professional, Vocational, Technical, and Academic Learning (PIVOTAL) initiatives, which are a crucial component of the National Skills Development Strategy III.

Currently, 39 bright minds are advancing through the programme across engineering, natural sciences, quantity surveying, town planning, construction project management, and geographic information systems (GIS).

Our graduates dominated the National Treasury awards with the following:

- 1st Place, Project Presentation (Town Planning, GIS and Land Survey)
- 1st Place, Project Presentation (Engineering)
- 1st Place, Project Presentation (Construction Project Management and Quantity Surveying)
- 2nd Runner-Up, Natural Science Profession

A total of nine (9) graduates reached professional registration during the 2024/25 financial year.
Our alumni now lead in municipal and sector roles, living proof of our impact on South Africa's skills pipeline.

Enterprise Supplier Development Programme

Rand Water remains committed to supporting South Africa's economic transformation by aligning its Enterprise and Supplier Development (ESD) efforts with national priorities that drive socio-economic progress. Through its ESD Programme, the organisation aims to empower black-owned enterprises through targeted short-course training and to enhance the performance and sustainability of emerging suppliers. These initiatives contribute to economic growth, job creation, and improved B-BBEE scorecard outcomes.

2024/25 financial year saw three (3) accredited training programmes implemented, successfully training 189 delegates (up from 145 delegates in 2023/24). This reflects meaningful progress towards supplier capacity-building and enterprise development objectives.

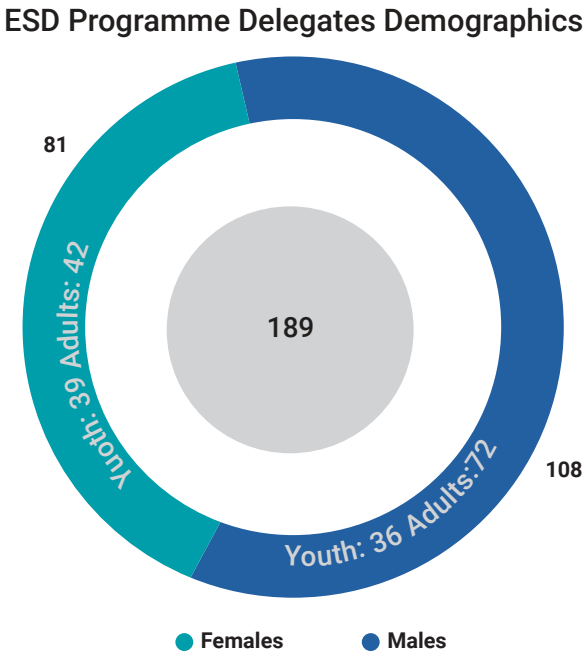


Figure 11: ESD programme Delegates Demographics

A key milestone was the successful hosting of Rand Water's inaugural Supplier Day on 11 June 2025, in partnership with the Supply Chain Management Enterprise Development Team. Highlights included expert sessions on the new Public Procurement Act, supply chain financing, and practical guidance on systems such as the Central Supplier Database and Construction Industry Development Board (CIDB) grading. The event showcased Rand Water's commitment to enabling inclusive supplier participation and fostering a resilient, transformed supply chain.

Wetskills Challenge Participation

Two (2) Rand Water Young Professionals participated in the Wetskills Challenge hosted in Mozambique from 13 to 25 July 2024.

World Water Academy

Ten Rand Water Employees attended an Interactive Online Course: Overview of Wastewater Treatment. Participated in the "Strong Women, Stronger Organisations" workshop that took place at the International Water Association (IWA) Conference in Cape Town, in March 2025. The workshop focused on the role of women in the water sector and aimed to foster gender inclusivity and empower women professionals.

WELLBEING OF OUR PEOPLE

The Rand Water Employee Health and Wellness programme is integrated into the overall Strategic Human Capital strategy and is aimed at assisting the organisation in achieving one of its strategic objectives of achieving high-performance culture. Employee wellness programmes are crucial for creating a thriving workplace by boosting employee morale, productivity, and overall wellbeing, while also reducing healthcare costs and improving employee retention. Interventions are implemented to mitigate the impact of personal or work-related challenges that may disrupt productivity.

A review of the Employee wellness policies and procedures was conducted during the year.

EMPLOYEE ASSISTANCE INTERVENTIONS

Employee Assistance interventions are designed to provide support to individual employees who are experiencing personal or work-related difficulties. Support offered to employees during the year:

- Employee Wellness 24-hour support line: A 24-hour support line for Rand Water employees and their immediate dependants.
- Stress and resilience management workshops: We rolled out stress management and resilience workshops to all employees.
- Health and Wellness days: A total of 2754 employees were reached through Wellness Awareness days; 322 were referred to the treating doctors for further management. See graphical representation below.
- Financial Wellness: A total of 16 workshops were facilitated with 932 employees reaching all sites.
- Sports and Fitness: We use sports and fitness to improve employee physical, emotional, mental and social wellbeing. Our sporting codes range from athletics, netball, aerobics, spinning, soccer, cycling, hiking, golf and more.

In this financial year, Rand Water employees participated at various corporate events as indicated in the table below:

Table 7: Rand Water Corporate Events for 2024/25 Financial Year

Event	Date	Total employees
702 Walk the Talk	28 July 2024	600 (5 km and 8 km walk)
Beeld Kinderfonds Spinathon 2024	7 September 2024	6 female employees
Water Boards Heritage and Wellness Sports events	27-28 September 2024	130 employees participated in soccer, netball, volleyball etc.
3-hour Aerobics Marathons	Held once a month in addition to daily classes	80
Pool Blackball National Championships	March 2025	4
South African sports association for physically disabled National championships	March 2025	1
Cape Town Cycle Tour	9 March 2025	18
JP Morgan corporate challenge	9 March 2025	632
Cape Town Two Oceans Marathon	April 2025	45
5 km internal annual walk	22 May 2025	982
Hiking trail	June 2025	79
Comrades Marathon	08 June 2025	47

MENTAL HEALTH PROGRAMMES

Mental health challenges constitute significant concern within Rand Water and worldwide. Rand Water Employee Wellness programmes aim to create a supportive environment where employees feel valued and understood. Addressing this phenomenon has become a priority for us. We offer our employees support as part of Employee Assistance services in this regard. To raise mental health awareness, 13 roadshows were conducted.

ZIYAGEZANA EXCELLENCE AWARDS

In December 2024, we celebrated our 22nd annual Ziyagezana Excellence Awards (ZEA) honouring employees who demonstrate exceptional performance and embody the organisation's strategic goals and core values.

As a peer-nominated initiative, the ZEA recognises individuals who go above and beyond in their roles. Employees were celebrated in the following categories:

- **Employee of the Year**
- **Boss of the Year**
- **Team of the Year**
- **Innovator of the Year**
- **Mover and Shaker of the Year**
- **Values Champion of the Year**
- **Sportsperson of the Year**
- **Sports Team of the Year**
- **Group Chief Executive's Discretionary Award**
- **Wellness Champion of the Year**

ORGANISATION-WIDE CHANGE MANAGEMENT

In a dynamic and unpredictable environment, Rand Water's Organisation Design and Development (ODD) drives continuous transformation to support its strategic goals. By aligning with the Rand Water Strategy, ODD leads business reengineering initiatives and uses Full-Time Equivalent (FTE) analysis to optimise human capital deployment, improving overall efficiency and effectiveness.

Currently, 26 business cases are progressing through the restructuring lifecycle, with the following distribution across key phases: 4% in Diagnosis, 19% in High-Level Design, 46% in Detailed Design, 4% in Implementation, and 27% in Monitoring and Evaluation.

Productivity Management

Rand Water continues to implement a streamlined model for conducting Mini Business Unit (MBU) reviews. This process included on-site assessments of all existing MBUs. Consistent, data-driven assessments have resulted in sustained year-on-year productivity improvements across all MBUs. This progress culminated in Rand Water achieving Level 4 out of 5 on the World-Class Productivity Scale, a significant milestone that validates the effectiveness of our approach and contributions towards operational excellence.

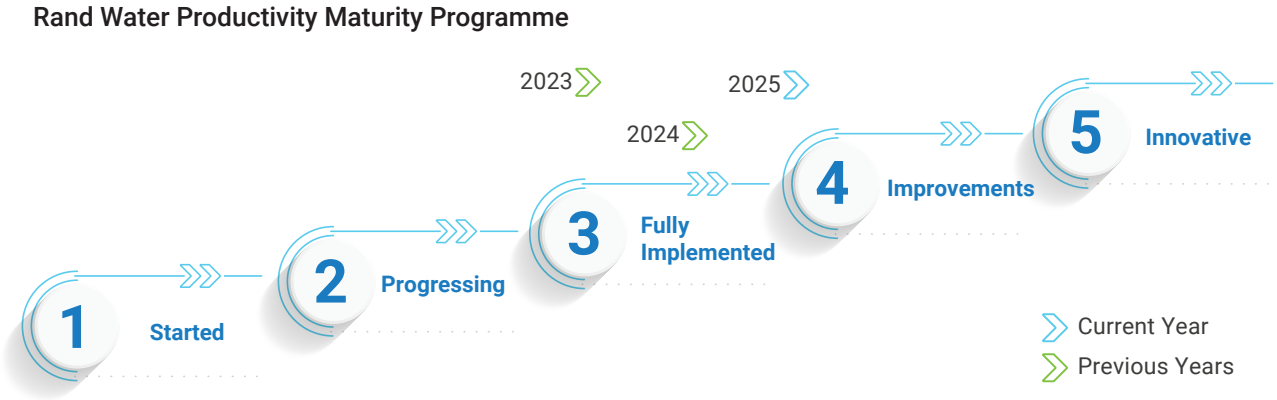


Figure 12: World-Class Productivity Scale and Rand Water's Rating

STRENGTHENING LABOUR RELATIONS

Rand Water continues to enjoy good working relationships with its union counterparts, and this has resulted in the creation of conducive work environment. This relationship of mutual respect between Rand Water and its union stakeholders is illustrated by the fact that Employee Relations incidents that happen in the workplace can be resolved at the lowest level possible. Currently, the rate of turbulence in Rand Water is below 2%, which is an acceptable level in industry.

UNION MEMBERSHIP AT RAND WATER

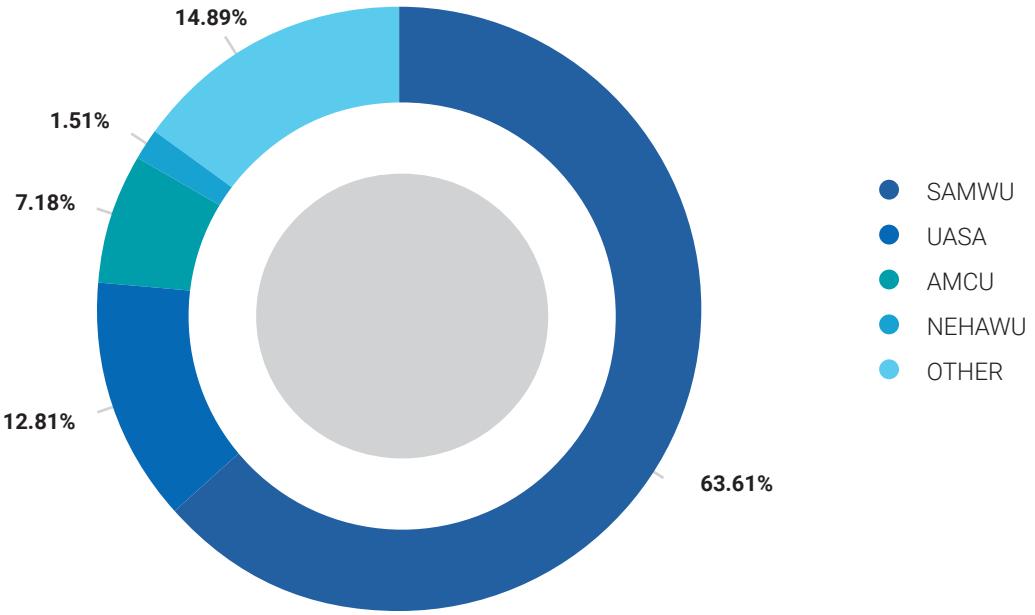
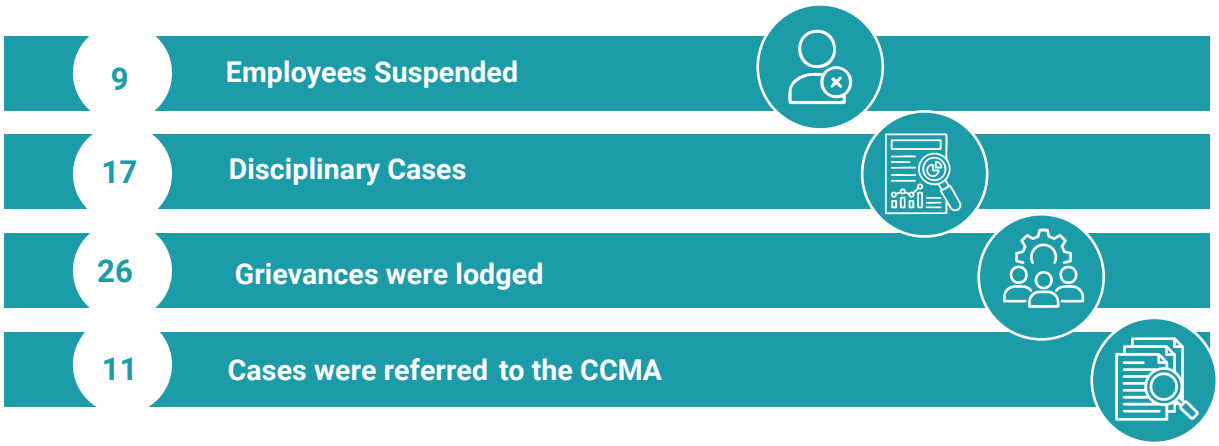


Figure 13: Union membership at Rand Water

EMPLOYEE DISCIPLINE AND GRIEVANCES

Labour-related cases and activities form an important part of maintaining a fair and compliant work environment. These include disciplinary actions for serious misconduct, grievances lodged by employees, suspensions, and cases referred to external bodies such as the CCMA. The table below provides an overview of key labour-related activities at Rand Water during the 2024/25 financial year, including employee suspensions, disciplinary cases, grievances, and matters referred to the CCMA.



SOCIAL AND RELATIONSHIP CAPITAL



"For Rand Water, social and relationship capital is embodied in the partnerships and trust established with customers, communities, regulators, suppliers, and employees. By engaging openly and consistently, the organisation not only ensures the reliable provision of services but also strengthens its social license to operate. Social and Relationship Capital is therefore central to sustaining mutually beneficial relationships, driving development outcomes, and supporting inclusive growth."

Rand Water's key stakeholders encompass a broad spectrum, including our Shareholder, the National, Provincial, and Local Government, employees, customers, business partners, the investor community, financial institutions, credit rating agencies, civil society organisations, and the communities within which we operate. To ensure structured and meaningful engagement, the Proactive Stakeholder Engagement Strategy was developed. This strategy serves as a guiding framework for all stakeholder interactions, with each engagement assessed against its defined objectives. During the financial year under review, Rand Water has created value through strategic and purposeful engagement with these stakeholders.

Table 8: Stakeholders Engaged during the 2024/25 Financial Year

Engaged Stakeholder	Purpose for Engagement	Benefits of the Engagement
Kliptown Youth Programme	• Strategic platform for Rand Water's brand visibility, fostering relationships in communities where Rand Water operates, networking-share career guidance and direction for the youth in Kliptown.	• Youth informed about the water value chain, and importance to conserve the environment.
Department of Education -Ekurhuleni South District for Vosloorus High Schools	• Collaboration to encourage the High School learners and create platforms for Rand Water to promote Anti-vandalism of water infrastructure, importance of personal hygiene with dignity programme and Water Wise Education on water conservation.	• Enhanced the relationship with the Department of Education Ekurhuleni South District.
Zimeleni Special School	Mandela month initiative: • A clean up initiative at a school for the learners with special needs • Planted the vegetables and herbs with the leaners in their well-managed vegetable garden.	• Encourage learners to be self-sufficient and acknowledge the unique specific roles they play in planting vegetables.
The Rand Water Young Professional members, with other Youth Organisations, various Water Boards, Municipalities and SALGA, partnered with the Department of Water and Sanitation for 2024 National Youth Indaba.	• Collaboration to establish a multi-stakeholder-oriented approach in addressing holistic youth challenges in the water and sanitation sector.	• The Indaba enabled young professionals to generate innovative water solutions, launch the South African Water and Sanitation Youth Network, and establish a forum to accelerate sectoral change and support future initiatives.
Metsimaholo and Mogale City Municipalities	• Women's month celebration held under the theme: "Celebrating 30 Years of Democracy Towards Women's Development".	• Strategic platform for Rand Water to access the constituencies and capacitate them on importance of water services.

Engaged Stakeholder	Purpose for Engagement	Benefits of the Engagement
Department of Education -Southern Region	• Presentations for the grade 12 learners on importance of water services, using water wisely and information about career opportunities in the water sector.	• The participating schools gained access to the Water Wise Educational programmes.
Emfuleni Local Municipality (ELM), SALGA GP, hosted the Deputy Minister on progress of Section 63 Project.	• The strategic engagement with the DWS Deputy Minister, The ELM Executive Mayor and Rand Water Chairperson as part of the ongoing stakeholder engagement and public participation commitments, aimed at ensuring robust and effective communication regarding the establishment of the Special Purpose Vehicle (SPV).	• Stakeholders briefed about the developments in ELM Special Purpose Vehicle.
Meals on Wheels, City of Joburg and Elderly Water Wise Education Workshop and walk-about for fitness lifestyle.	• To empower and enable the elders to act as catalysts on behalf of both Rand Water and Joburg Water in disseminating information and encouraging good habits in their respective areas of influence.	• Enhances Rand Water's influence and encouraged activism with the Communities on conservation of environment and water.
Delegation from Nigeria	• To highlight knowledge-sharing and collaboration, through the Section 63 Project in ELM, and exchange expertise that can strengthen international partnerships in sanitation solutions.	• The envisaged advancement through strengthened international partnerships, enhanced knowledge-sharing, and collaborative expertise, ultimately contributing to sustainable conclusive development within the water services sector.
Department of Water and Sanitation: 2024 National Adjudication Programme	• The inter-departmental partnership (Water Wise Education Team and Rand Water Young Professionals) collaborated to disseminate water conservation messages and practices to the learners with teachers from all nine (9) provinces.	• The programme afforded about 400 learners from 9 Provinces the opportunity to share water challenges, experiences and possible solutions whilst increasing their understanding of sustainable water services.
South African Police Services (SAPS) Induction of CPF members in Sedibeng District Region.	• To profile Rand Water as a people-centred organisation • To encourage the CPF to understand the water conservation and importance of payment for water services as well as protection of water infrastructure.	• Putting the need of protecting Rand Water infrastructure in the radar of community safety.

EDUCATING OUR COMMUNITIES

Rand Water recognises that sustainable water stewardship begins with informed communities. Through targeted education and awareness initiatives, we empowered communities with knowledge on the wise use of water (quantity and quality), water series campaign and education and awareness about encroachment.

WATER WISE INITIATIVE

Water Wise, the educational brand of Rand Water, aims to reach customers of all ages through its educational services. The programme is designed to inform and influence a broad spectrum of audiences on the value of water and the critical importance of its conservation.

During the 2024/25 financial year, a total of **95 644** learners, teachers and adults were reached through various platforms and mediums and 368 engagements were conducted.

The programme involved an outreach programme, exhibitions, and partnerships with strategic partners. The customer satisfaction with these programmes was 96%.

Table 9: Water Wise Educational Programmes facilitated during the 2024/25 Financial Year

EDUCATIONAL PROGRAMMES	Number
Total learners, teachers and adults reached through the programmes offered by Water Wise Education Team (WWET)	42 854
Total learners and teachers reached through the Water Wise Roadshow offered at schools by Matriarch Marketing	52 790
TOTAL	**95 644**
Exhibitions/ brand visibility initiatives aimed at external stakeholders	26
Exhibitions/ brand visibility initiatives aimed at internal stakeholders	6
Teacher Programmes i.e., programmes conducted with teachers that assist WWET to implement topics in the school curriculum and where the WWET services are advertised	13
Total Number of Programmes and Roadshows facilitated	305
Sustainability School Programmes i.e., the WWET works closely with several schools and assists them in addressing water-related issues	18

WATER SERIES CAMPAIGN

This was a multi-channel radio and television rollout through SABC, Independent broadcasters and Community radio stations. This campaign was also featured in key print and digital media outlets. The campaign emphasised Rand Water achievements for the past five (5) years. The Campaign reached **137 million** exposure times in Gauteng and **14,4 million** in other Provinces, including Free State, North West and Mpumalanga. According to the favourability statistics, the campaign generated **97.5%** positivity rates.

ENCROACHMENT CAMPAIGNS

The Encroachment Campaign raises awareness about the importance of safeguarding Rand Water's servitudes and infrastructure from illegal occupation and activities. Through education and engagement, the campaign encourages communities to play an active role in protecting these vital assets for uninterrupted water supply. In the year under reporting, we have implemented the following campaigns:

- Rand Water partnered with community radio stations in its areas of operation to broadcast an encroachment message, conducting a campaign in each quarter.
- Encroachment messages were also published in 15 local newspapers operating in Gauteng under review.
- In addition, Rand Water used anti-encroachment static and digital billboards in major areas where encroachment in Rand Water's pipeline is being experienced. Most of the areas were in Gauteng and included areas in the Cities of Ekurhuleni and Johannesburg. This was supported by murals in townships wherein the dangers of encroachment were highlighted.

ENGAGING OUR CUSTOMERS

Rand Water utilises the Customer Value Management (CVM) survey as a strategic tool to assess customer satisfaction across its service area. Conducted annually, the survey gathers insights from key customer segments, including municipalities, industries, and mining operations. For the 2024/25 financial year, 102 interviews were successfully completed out of a targeted 210 customers, yielding a response rate of 49%. Of these, 88 respondents represented municipal customers, 11 were from the industrial sector, and three (3) were from mining. This data provides valuable input for enhancing service delivery and aligning operational performance with customer expectations.

As part of our commitment to continuous improvement, Rand Water develops targeted improvement plans for all performance indices that have declined by 5% or more compared to the previous financial year, as well as for those indices scoring below 82.5. These plans are designed to address service gaps and enhance overall customer satisfaction.

OVERALL CUSTOMER VALUE MANAGEMENT RESULTS

Rand Water exceeded its Key Performance Indicator (KPI) target of 82.5, achieving an overall customer satisfaction index score of 86.8 in the 2024/25 CVM survey. This represents a 0.7-point improvement compared to the previous financial year. While the overall results are positive, performance across individual indices was mixed, some areas demonstrated notable progress, whereas others showed a decline relative to the 2023/24 outcomes.

In the 2024/25 CVM results, indices such as Water Quality, Account Executives, and Billing and Administration (Bulk Water Sales) recorded declines. The most significant drop was observed in the Account Executives index, which decreased by 2.6 points, from 90.2 in 2023/24 to 87.6 in 2024/25. This represents the largest decline across all measured indices, highlighting a critical area requiring focused attention and strategic intervention.

On a positive note, several indices demonstrated strong performance improvements in the 2024/25 CVM results. Water Demand Management recorded the most significant gain, increasing by 8.8 points, from 79.1 in 2023/24 to 87.9. Infrastructure Planning followed closely with a 7.7-point rise, moving from 76.2 to 83.9. Operations and Maintenance improved by 3.0 points, reaching 88.2, while Communication and Stakeholder Relations experienced a modest increase of 0.2 points, from 64.8 to 65.0. These upward trends, particularly in operational indices, reflect Rand Water's ongoing efforts to enhance service delivery and operational efficiency in core functional areas.

Table 10: CVM Index Scores

Section	2024	2025	Change
Sample	**n = 101**	**n = 102**	
OVERALL CVM RESULTS	86.1	86.8	+0.7
Water Quality	96.8	94.8	-2.0
Billing and Administration (Bulk Water Sales)	90.8	90.3	-0.5
Operations and Maintenance	85.2	88.2	+3.0
Water Demand Management	79.1	87.9	+8.8
Account Executives	90.2	87.6	-2.6
Infrastructure Planning	76.2	83.9	+7.7
Communication and Stakeholder Relations	64.8	65.0	+0.2

NB: Results presented are index scores.

OVERALL SATISFACTION, VALUE, AND QUALITY OF SERVICE

The overall index measures for 2023/24 and 2024/25 reflect a positive trajectory in customer satisfaction with Rand Water's services. The overall satisfaction index rose by 1.4 points from 86.2 to 87.6, indicating sustained customer contentment. Although the overall value index experienced a slight decline of 0.5 points, moving from 88.0 to 87.5, it remains high, suggesting continued confidence in service quality.

Additionally, the quality-of-service index improved by 1.1 points, from 85.4 to 86.5. These results underscore Rand Water's commitment to maintaining high service standards and enhancing customer value perceptions.

Table 11: Overall Index Measures

Overall Ratings	Index 2023/24	Index 2024/25	Change
Sample	**n = 101**	**n = 102**	
Overall satisfaction with Rand Water	86.2	87.6	+1.4
The quality of service received from Rand Water	85.4	86.5	+1.1
Overall value received	88.0	87.5	-0.5

NB: Results presented are index scores.

EMPLOYEE ENGAGEMENTS

To ensure that employees remained well-informed throughout the reporting period, Rand Water implemented a range of routine communication activities designed to maintain a consistent and transparent flow of information. These activities included proactive social media monitoring, the dissemination of weekly publications such as Rand Water Weekly and updates on water consumption and reservoir levels. Additionally, ad hoc newsflashes, official notices, SMS alerts, and WhatsApp updates were regularly issued to keep staff abreast of developments and organisational priorities.

As part of its commitment to transparent communication and employee engagement, Rand Water hosted the quarterly Group Chief Executive's Employee Road Shows during the reporting period. These sessions were strategically designed to keep employees informed about key organisational developments, performance metrics, and strategic priorities. The Road Shows provided a platform for direct interaction between leadership and staff, fostering a culture of openness, alignment, and shared purpose across the organisation.

During the reporting period, internal communication played a pivotal role in keeping all employees informed and aligned with Rand Water's strategic priorities. Timely updates were shared on key developments such as planned maintenance on the 2 pipeline, monitoring of elevated water consumption levels, and the detection of E.coli in the water supply. These efforts helped ensure that staff were aware of critical issues, while also reinforcing our shared responsibility for transparency, operational excellence, and public safety.

From July to December 2024, several key campaigns and initiatives were rolled out to strengthen stakeholder engagement and raise public awareness. Internally, these campaigns also served to highlight the organisation's direction and progress. Notable initiatives included the Planned Maintenance Coverage, the Rand Water Innovation (RWI) Campaign, and the Women's Month Video Series, as well as targeted efforts on Water Conservation and Credit Management.

In addition to these campaigns, Rand Water hosted and participated in several high-profile events, such as the Soweto Marathon Launch, the National Youth Indaba, Ministerial Site Visits, the Barrage Flotilla, the Rand Water Vaal River Marathon, the SPV Launch, and the Rand Water Talks Panel Discussion. These events served as critical platforms for stakeholder interaction, brand visibility, and community engagement, while also highlighting Rand Water's commitment to promoting health, wellness, and a sense of pride and belonging amongst employees.

PUBLIC ENGAGEMENTS

Media outlets continue to play a pivotal role in disseminating information and shaping public discourse. During the year under review, Rand Water actively strengthened its media relations strategy by cultivating new partnerships and reinforcing existing relationships with both national and local media platforms. These efforts were aimed at enhancing public understanding of Rand Water's operational activities and its critical role within the broader water supply value chain. Through strategic media engagement, the organisation ensured that accurate, timely, and relevant information reached diverse audiences across the country.

During the reporting period, Rand Water undertook a comprehensive media engagement strategy aimed at enhancing public awareness, fostering transparency, and reinforcing the organisation's reputation within the water sector.

Table 12: Public Engagements

Engagement Platform	Description
Media Interviews	A total of 83 interviews were successfully arranged and conducted across national and local media platforms, including print, broadcast, and online outlets. These interviews addressed critical issues such as escalating municipal debt, the safety of tap water, infrastructure vandalism, excessive water consumption, water conservation, and infrastructure maintenance.
Media Briefings	Rand Water convened six (6) formal media briefings, chaired by the Group Chief Executive, to provide updates on water consumption trends and the status of bulk water supply. Notable briefings included: • Rand Water Talks Symposium – A multi-stakeholder dialogue on water security in South Africa. • Major Infrastructure Maintenance Overview – Covering a two-month maintenance programme. • Ministerial Oversight Visits – To Station 5 Water Purification Plant, • and Eikenhof Booster Pumping Station. • Joint Media Briefing – With the Cities of Ekurhuleni, Tshwane, Johannesburg Water, and Rand Water. • Gauteng Water Imbizo – Attended by the Deputy Minister of Water and Sanitation, Gauteng MEC for Cooperative Governance and Traditional Affairs, and various municipalities.
Rand Water Talks Symposium	A multi-stakeholder dialogue on water security in South Africa.
Media Campaigns and Positive Profiling	Rand Water launched targeted educational campaigns to promote awareness and positive profiling: • Encroachment Message Campaign – Broadcast on seven (7) local radio stations across Gauteng, Mpumalanga, North West, and the Free State. • Community Newspaper Outreach – Published in 15 local newspapers in Gauteng. • Feature Articles – Nine (9) articles published in various print and online publications, contributing to a positive public image.
Media Engagements	Engagements were held with five (5) media outlets, including one (1) national newspaper, to strengthen relationships and educate the public on Rand Water's operations and responsibilities.

Engagement Platform	Description
Media Enquiries	Rand Water received and responded to 15 written media enquiries. Topics included: • Power failures at pumping stations • Water supply shortages • High consumption alerts • Water restriction levels • Safety protocols during maintenance • Sewer infrastructure upgrades in Emfuleni Local Municipality • Rising municipal debt
Media Tours	Strategic media tours were organised to showcase operational activities and infrastructure projects, including: • Leeuwkuil and Sedibeng Wastewater Treatment Works • Emfuleni Local Municipality water projects • Infrastructure maintenance initiatives • Eikenhof Booster Pumping Station oversight visit
Public Notices	Three (3) Public Notices were issued regarding the intention to reduce water supply to Victor Khanye, Merafong, and Rand West local municipalities. These notices, published in September 2024, April 2025, and June 2025, aimed to mitigate escalating municipal debt and were made available in six (6) official languages to ensure accessibility.

INVOLVEMENT WITH SOCIAL PARTNERS

During the 2024/25 financial year, Rand Water through the Rand Water Foundation established strategic partnerships and collaborations with key stakeholders and role players, as outlined in the table below. These engagements were aimed at leveraging resources and maximising impact across various initiatives.

Table 13: Social Partners Engaged

Partner	Purpose of Partnership	Value Creation
City of Johannesburg -Piki-tup.	Strategic Partnership for optimisation of jobs creation - Waste Management and Land Care activities.	R 26 452 000.00
Gauteng Department of Agriculture and Rural Development (GDARD).	Strategic Partnership for Jobs Creation Optimisation through Agricultural Graduates Development.	R 816 769.00
TDI Holdings (Pty) Ltd, Nook Solutions (Pty) Ltd, and RW-Supply Chain Management Division	Education Support through Corporate Staff Involvement.	R 15 285.00
Johannesburg Water	Strategic Partnerships for optimisation of jobs creation - Water use efficiency campaigns.	R 2 500 000.00
UNISA/ Castro & Monica Mayatula Foundation	Education Support - STEM Tutorials and Teacher Development.	R 362 400.00
Ismilo Environmental (Pty) Ltd	WASH Activities - Communities' Water Supply.	R 500 000.00
Overall Total Funding Unlocked Through Partnerships		**R 30 646 454.00**

SOCIO-ECONOMIC DEVELOPMENT

The Rand Water Foundation implements developmental projects aimed at progressively addressing key societal challenges, including water and sanitation access, skills shortages, poverty, unemployment, and entrepreneurship. These initiatives contribute to sustainable livelihoods by empowering communities to participate in economic activities and fostering self-sufficiency. The projects are socio-economic in nature, driving community development through improved access to water and sanitation, job creation, promotion of hygienic living conditions, and skills transfer through on-the-job training. They also support efforts to alleviate hunger and reduce household poverty. During the 2024/25 financial year, the Foundation partnered with 33 small businesses for service delivery, incubated 35 SMMEs for WASH (Water, Sanitation, and Hygiene) service delivery, and collaborated with 18 NGOs, 15 focused on WASH and three (3) on education support. These partnerships were instrumental in enhancing project execution and maximising impact.

Through its Socio-Economic Development (SED) initiatives, Rand Water empowers communities to progressively participate in formal economic activities, thereby contributing to broader economic transformation. In the 2024/25 financial year, a total of 2,082 jobs were created for local communities through projects execution. These are decent, temporary employment opportunities that provide valuable work experience, facilitate on-the-job and business skills transfer, and play a critical role in alleviating household poverty.

SOCIO-ECONOMIC DEVELOPMENT INFRASTRUCTURE PROJECTS

The table below outlines the socio-economic development infrastructure projects, where local enterprises were actively engaged. These initiatives are designed to provide meaningful opportunities for small businesses to participate in major infrastructure developments, with the dual objective of stimulating economic growth and creating employment within local communities.

Table 14: Socio-Economic Development Infrastructure Projects

Project Name/ Description	Name of Local Enterprise	Value Benefitted
Construction of Engine Room 3	Crobo Group (Pty) Ltd	R 247 612,08
Construction of Mapleton Station A	Grobo Group (Pty) Ltd	R 252 338,49
Construction of Engine Room 3	Mawelase Amahle Projects (Pty) Ltd Gokemo Projects (Pty) Ltd	R 71 999,77
Construction of Engine Room 3	Ward 45 Consortium	R 508 300,00
Construction of Mapleton Station A	Amigas	R 207 840,00
Construction of Mapleton Station A	Mozansi Holdings (Pty)Ltd	R 379 805,65
O6 Pipeline - Work Package 3	Ezelembe Security	R 713 145,00
O6 Pipeline - Work Package 3	Gaynors Housekeeping Services	R 58 300,00
O6 Pipeline - Work Package 3	HMJ Construction	R 41 600,00
O6 Pipeline - Work Package 3	Ledix Construction	R 398 363,64
O6 Pipeline - Work Package 3	Lungayanga Investement Holdings	R 3 054,00
O6 Pipeline - Work Package 3	Motlokwa Enterprise	R 35 200,00
O6 Pipeline - Work Package 3	Royal CM Projects	R 366 362,03
O6 Pipeline - Work Package 3	Sgananda MX Security (Pty) Ltd	R 295 535,10
Engine Room 3B - Work Package2	Sgananda MX Security (Pty) Ltd	R 269 638,92
O6 Pipeline - Work Package 3	Skor Projects	R 11 960,00
O6 Pipeline - Work Package 3	Thandi Dasayi Trading	R 40 200,00
O6 Pipeline - Work Package 3	Town To Town Removal (Pty) Ltd	R 63 630,00
Engine Room 3B - Work Package2	Apexorcas Energy	R 42 504,86
Engine Room 3B - Work Package2	LM Top Garment (Pty) Ltd	R 44 412,50

Project Name/ Description	Name of Local Enterprise	Value Benefitted
Construction of M11 B Steel Pipeline	Abafana Investments	R 323 434,00
Construction of M11 B Steel Pipeline	Global Precast (Rarogang's Supplier)	R 36 028,00
Construction of M11 B Steel Pipeline	JMP Security Solutions	R 424 780,00
Construction of M11 B Steel Pipeline	Leshiretsi Trading & Projects	R 352 510,00
Construction of M11 B Steel Pipeline	Lwana Holdings	R 152 186,00
Construction of M11 B Steel Pipeline	Mphela Phogole	R 211 277,00
Construction of M11 B Steel Pipeline	Particles Construction and Projects	R 273 125,00
Construction of M11 B Steel Pipeline	Rarogang	R 275 972,00
Construction of M11 B Steel Pipeline	Zakhele Building & Civil Construction	R 434 843,75
Palmiet Eskom Building	New Africa Labour (NALCO)	R 626 544,00
Palmiet Eskom Building	Owethu Legay	R 37 720,00
Remote Monitoring Units	Fanu Fanos Security	R 44 687,50
Remote Monitoring Units	Tokelo M Enterprises	R 469 990,25
Russel Road Meter Connection Chamber	Manyama Lekukela Security	R 25 943,50
Construction of F49A Pipeline	Fosterstech	R 283 692,94
E23 Eikenhof Project	F Twala Trading Enterprise	R 589 307,03
E23 Eikenhof Project	Mthokosizi Building Services CC	R 102 465,00
E23 Eikenhof Project	Prica Trading CC	R 225 903,50
E23 Eikenhof Project	Taugadi Holdings (Pty) Ltd	R 90 900,00
E23 Eikenhof Project	Elkay Enterprise (Pty) Ltd	R 158 675,63
E23 Eikenhof Project	Bhungane Mashiya Amahle (Pty) Ltd	R 95 924,83
E23 Eikenhof Project	Papa Theo trading and Projects CC	R 95 040,00
E23 Eikenhof Project	GMZN Transport and logistic (Pty) Ltd	R 157 682,20
E23 Upgrade and Sunction of delivery header at Eikenhof Pump Station	BBB Holdings	R 794 436,20
Installation of Valves and Chambers of Bronberg Reservoir	Ntleza Holdings (Pty) Ltd	R 214 880,00
Installation of Valves and Chambers of Bronberg Reservoir	Bulolwazi Security Services	R 79 369,67
PLCS, HMIS, SCADA	Klinplus Hygiene	R 218 940,00
PLCS, HMIS, SCADA	Bravo Pro 82 CC	R 69 000,00
PLCS, HMIS, SCADA	Classic Human Capital Solution	R 3 720 720,00
New Engine Room at Station 5	Situational Security	R 452 967,70
New Engine Room at Station 5	Khehliboy Logistics (Pty) Ltd	R 238 600,00
New Engine Room at Station 5	Mating Occupational	R 19 730,00
New Engine Room at Station 5	TM Devine	R 996 297,91
Various Infrastructure Project	Pemo Events	R 83 884,00
Various Infrastructure Project	Keketso & Mohapi	R 677 083,20
Motors at Zuikerbosch	Lerokh Professional Service	R 70 177,00
Stockpile area at Panfontein Sludge Disposal Area	Elwetuni Transport	R 323 400,00
Stockpile area at Panfontein Sludge Disposal Area	Off the Moon	R 5 656 053,00

Project Name/ Description	Name of Local Enterprise	Value Benefitted
Stockpile area at Panfontein Sludge Disposal Area	NSSD Security	R 433 737,60
B16 Pipeline	Point Gee Trading	R 30 450,00
B16 Pipeline	Tlou Thebe Trading	R 52 563,00
B16 Pipeline	Pel Security	R 36 920,00
B16 Pipeline	SML Khutsoane Trading	R 231 135,00
B16 Pipeline	Moshe Mohale	R 111 684,00
B16 Pipeline	Sifiso Samangidi	R 190 500,00
B16 Pipeline	Zana Solutions	R 846 976,16
B16 Pipeline	Twadi	R 495 450,00
B16 Pipeline	Abies Monandos	R 56 643,48
Motors at Zuikerbosch	Miolo Design	R 131 562,00
Remote Monitoring Unit	Nomabhengu	R 208 870,30
		R 25 982 464,39

CORPORATE SOCIAL RESPONSIBILITY PROJECTS

Rand Water's Corporate Social Responsibility (CSR) initiatives continue to deliver meaningful benefits to society while positively impacting the environment in which the organisation operates. For the 2024/25 financial year, a total of R2,702,696.05 was allocated to support the implementation of Corporate Social Investment (CSI) initiatives. The table below provides a detailed breakdown of the beneficiaries and the scope of support provided.

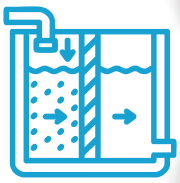
Table 15: Corporate Social Responsibility

Project Name	Name of appointed SMME	Description of Beneficiary and CSI Initiative Undertaken	Value Benefitted
Construction of M11B Pipeline	Mazouer Trading	Emmanuel Day Care Centre: Painting of walls	R 20 241,00
Construction of M11B Pipeline	Mabomzize Group	Bright Day Care Centre: Supply and delivery of educational material, renovation work, and construction	R 32 900,00
Construction of Mapleton Station Portion A - WK	Njabuyethu Projects (Pty) Ltd	Dawn Park Tennis Court: Supply and installation of artificial grass and grandstand	R 588 934,55
E23 Upgrade and Sunction of delivery header at Eikenhof Pump Station	FSH Construction (Pty) Ltd	Improve Storm Water Drainage System at the Eikenhof Clinic	R 196 300,50
E23 Upgrade and Sunction of delivery header at Eikenhof Pump Station	Work Together Security And Construction (Pty) Ltd	Installation of Patients Waiting Area at the Eikenhof Clinic	R 139 650,00
E23 Upgrade and Sunction of delivery header at Eikenhof Pump Station	Vuka Mlakhisto (Pty) Ltd	25 Mpa concrete ballasts with a base of 500x600mm high at the Eikenhof Clinic	R 19 500,00

Project Name	Name of appointed SMME	Description of Beneficiary and CSI Initiative Undertaken	Value Benefitted
E23 Upgrade and Sunction of delivery header at Eikenhof Pump Station	Miletech Construction (Pty) Ltd	Installation of energy back-up system (Inverter system) at the Eikenhof Clinic	R 150 702,00
Installation of Valves and Chambers of Bronberg Reservoir	LLM & Sons Trading Enterprise 1000	Supply and delivery of various items at TNG Day Care	R 113 552,00
Construction of B16 pipeline. Portion B	SKS Business Solutions	Joyful Kids and Pre-school Playground equipment (Jungle gym, swings and trampoline) Outdoor rubber playground tile/ flooring Mobile classroom Tiling Foundation boundary (brickwork) Fencing Double brick Boundary Wall Storage container	R 508 745,00
Construction of B16 pipeline. Portion B	SMZEE Property Development	Agape Creche Playground equipment (Jungle gym, swings and trampoline) Outdoor rubber playground tile/ flooring Airconditioning wall mount (Classrooms 1 & 2) Tiling; Foundation boundary (brickwork) Ceiling Double brick Boundary Wall Laptop	R 551 585,00
Construction of B16 pipeline. Portion A	Bongesh and Son (KK Ice Makers)	Noma Yini Foundation Construction of Sand pit and play area, supply of trampoline and painting	R 55 500,00
Construction of B16 pipeline. Portion A	Bongesh and Son (KK Ice Makers)	Elshadai ECD Construction of Sand pit and play area, supply of trampoline and painting.	R 55 500,00

Project Name	Name of appointed SMME	Description of Beneficiary and CSI Initiative Undertaken	Value Benefitted
Construction of B16 pipeline. Portion A	Tokello M	Sakhisizwe Day Care Centre Concrete footings for classroom container, supply of lifting equipment, shade netting, chest freezer	R 269 586,00
			R 2 702 696,05

MANUFACTURED CAPITAL



Our Manufactured Capital represents the physical, material, and infrastructure assets that enable Rand Water to deliver on its mandate of supplying quality water reliably to our customers. It encompasses the vast network of treatment plants, pumping stations, pipelines, reservoirs, and related infrastructure that forms the backbone of our operations. Continuous investment in the maintenance, upgrading, and expansion of these assets is essential to sustaining uninterrupted water supply and meeting the growing needs of the communities we serve.

We have a distribution network of over 3,500 km of large diameter pipelines, feeding 60 strategically located service reservoirs. In the 2024/25 financial year, Rand Water supplied an average of 4 574 *Mℓ/d* of potable water to our consumers, up from the previous financial year of 4 554 *Mℓ/d*. The Peak day demand is 5 161 *Mℓ/d* achieved in October 2024, compared to 5 168 *Mℓ/d* achieved in March 2024. 5 199 *Mℓ/d* is the highest Peak day demand achieved so far.

Rand Water primarily draws raw water from the Vaal River System. Two (2) river stations (Zuikerbosch and Vereeniging) abstract, purify and pump into the network some 98% of the water supplied to our customers. About 90% of this water is further pumped by four (4) booster stations situated on the southern side of the Witwatersrand ridge, namely Eikenhof, Zwartkopjes, Palmiet and Mapleton. Customer supply as follows:

- Zuikerbosch/ Vereeniging direct – southern Gauteng and northern Free State (localised), in addition to supplying to all booster pumping stations.
- Eikenhof – Western and north-western Johannesburg, the West Rand and greater Rustenburg.
- Zwartkopjes – Central Johannesburg and a high-lying portion of the East Rand.
- Palmiet – Eastern and northern Johannesburg, large parts of Tshwane, and western portions of Ekurhuleni.
- Mapleton – Central and eastern parts of Tshwane and Ekurhuleni, and selected areas in Mpumalanga.

INTEGRATED APPROACH TO INFRASTRUCTURE DEVELOPMENT

INFRASTRUCTURE DEVELOPMENT PLAN

The Infrastructure Development Plan (IDP) serves as a high-level strategic roadmap that identifies future project requirements. It is informed by ongoing condition assessments, performance monitoring, and demand and capacity analysis, which guide both renewal needs and augmentation requirements. The IDP is reviewed and updated annually to provide a five-year outlook for planned projects. From this, a structured programme of renewals and augmentations is developed, supported by a consolidated master schedule of existing and new projects. This process enables the preparation of a reliable five-year capital expenditure (Capex) estimate.

INTEGRATED EXECUTION PLAN

Rand Water has adopted the Integrated Execution Plan (IEP) approach to accelerate project delivery and ensure beneficial use after completion of each package. The aim is to combine projects into a single contract to eliminate dependencies on completing other contracts, as is currently the case. These larger packages are designed to attract service providers with higher CIDB grades, ensuring strong financial capacity, proven reputation, and the expertise required to manage complex projects. Projects will also be delivered through a turnkey approach, appealing to high-calibre contractors with specialised knowledge.

Rand Water plans to implement R46 billion over the next five (5) years to meet the objectives set out in the IDP.

Table 16: Five-Year Capex Plan

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Total for Augmentation and Renewals (millions)	1 728	6 676	12 357	13 512	12 071
Total					**46 344**

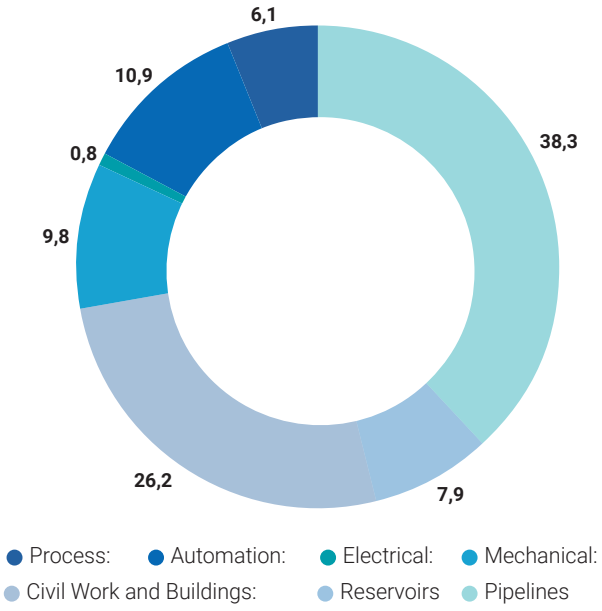


Figure 14: Total Capex spend over 5 years for augmentation and renewals projects (in %)

PROJECTS PERFORMANCE

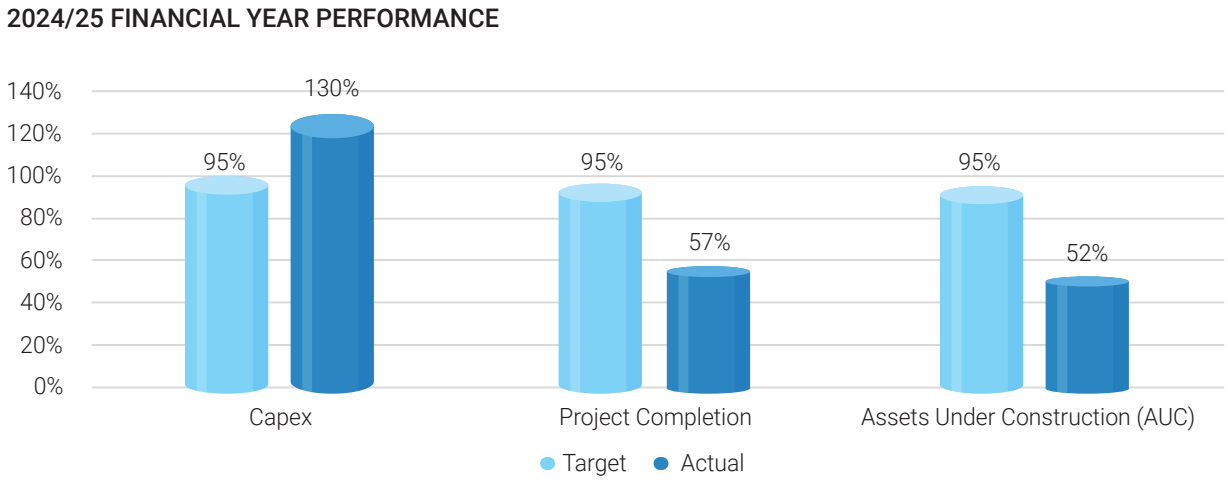
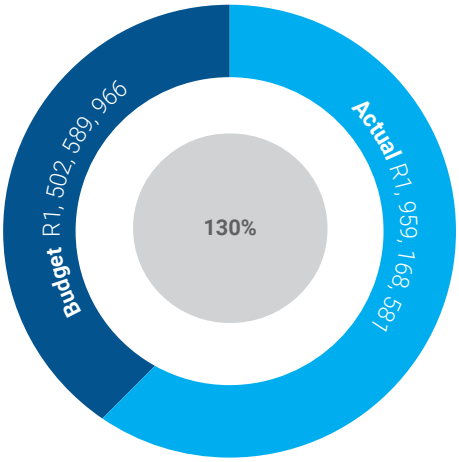


Figure 15: 2024/25 Financial Year Projects Performance

CAPITAL EXPENDITURE

Of the budgeted Capex of R1.5 billion, the actual Capex achieved for the financial year under review is R1.96 billion (130%). This exceeds the performance target of 95% of the budgeted amount.



- **Budget**
  R1, 502, 589, 966
- **Actual**
  R1, 959, 168, 581

Future Infrastructure Plans

Ongoing condition assessments and performance monitoring mainly inform future renewals, and demand monitoring and capacity management primarily determine augmentation requirements. The IDP is updated annually with an outlook of projects over the next five (5) years and relies on input from Master Planning for the need and Execution adjusts the five-year expenditure to suit the ability to spend.

Table 17: Projected Capex Over Five (5)years as a Percentage of each Category

Asset Category	Number of Projects (Five Years)
Pipelines	16
Reservoirs	4
Civil Work and Buildings	8
Mechanical	9
Electrical	0
Automation	10
Process	5
Total Augmentation (A)	**52**
Pipelines	22
Reservoirs	4
Civil Work and Buildings	17
Mechanical	1
Electrical	1
Automation	1
Process	1
Total Renewals (A)	**47**

ASSETS UNDER CONSTRUCTION REDUCTION

The Assets Under Construction (AUC) reduction target for the year under review was set at R1.699 billion and the target was 95%. An actual reduction of R885 million was achieved, translating into an underperformance and a realised score of 52%.

While several shutdowns were implemented to integrate infrastructure, these did not significantly contribute to the AUC reduction. The primary contributor was the Eikenhof Flexibility Project, which involved multiple shutdowns and delivered the long-awaited operational flexibility at Eikenhof. This project accounted for approximately R159 million of the total reduction. Importantly, the value derived from this initiative extends well beyond the quantified AUC reduction.

Overall, the total AUC reduction of R885 million for the reporting year can be classified into two (2) categories: **"Regular" AUC** and **"Challenging" AUC**.

- "Regular AUC" is characterised by projects that are still in normal execution towards achieving beneficial use when they reach commissioning stage.
- "Challenging AUC" is characterised by projects which have experienced major delays due to various factors such as contractual issues, termination of contract and technological setbacks which affected commissioning.

MAINTAINING OUR INFRASTRUCTURE (INFRASTRUCTURE AUGMENTATION)

INTEGRATED MAINTENANCE FRAMEWORK

The Integrated Maintenance Framework (IMF) outlines how maintenance will be administered. This framework is intended to ensure that assets function as expected when required during their operational life, boosting the availability and reliability of Rand Water assets. Maintenance activities ensure water treatment, pumping, and distribution objectives are continuously and efficiently met.

The IMF provides a holistic view of integrating planned and unplanned maintenance and continuous improvement processes to execute maintenance activities effectively in Rand Water.

The Table below illustrates a holistic view of the integration of planned, unplanned, and continuous improvement processes to execute maintenance activities in Rand Water effectively.

Rand Water undertakes planned maintenance annually during the low-water demand season, which falls between June and July. This maintenance programme encompasses:

- Conducting scheduled maintenance.
- Allowing power suppliers to perform their scheduled maintenance.
- Replacement of defective equipment at the different plants affecting all systems at different times.
- Completing and commissioning augmentation and upgrading projects.

To ensure adequate customer preparedness, all shutdowns are communicated 21 days prior to the outage. The following Maintenance Plan/ Shutdown schedule was implemented during the year under review.

Table 18: Maintenance Plan/ Shutdown Schedule

Description	Project Benefits	Period Implemented
B16 Pipeline connection to Zuikerbosch Water Treatment Plant Station 5 to Engine Room 3 at Mapleton Booster Pumping Station.	To connect the newly constructed B16 pipeline, which will be supplying water from the new Station 5 at Zuikerbosch Water Treatment Plant to Engine Room 3 at Mapleton Booster Pumping Station.	29 May to 2 June 2025
Disconnect and remove pump set 5 for overhaul at Amanzimtoti Pumping Station.	To improve the reliability and performance of the pump.	29 May 2025 to 30 May 2025
Russel Road meter installation.	Installation of a new meter to alleviate challenges of water supply around Primrose.	3 June 2025
Zwartkopjes Station valves replacements.	Minimise water losses in the Rand Water network that contribute to Non-Revenue Water. Maintenance of plant equipment will increase and maintain plant availability, reliability and improved efficiency.	30 June to 2 July 2025
Pipe leak repairs at Zuikerbosch affecting Eikenhof System.	Minimise water losses in the Rand Water network that contribute to Non-Revenue Water.	30 June 2025 to 2 July 2025

INFRASTRUCTURE HIGHLIGHTS

Eikenhof Flexibility Project

The project entails design, manufacturing, supply, delivery, installation, commissioning and putting into service of 14 new suction and delivery header isolation valves and one (1) flow control valve complete with associated pipework and pipe specials at Rand Water Eikenhof Pumping Station.

The installation will benefit Rand Water by:

- Creating pumping flexibility to allow isolation of at least one (1) half of the Engine room pump sets to carry out required maintenance work on pump sets while continuing the supply through the other half.
- Optimise the operation and utilisation of pump sets during isolations.
- Endeavour to ensure Peak Day Pumping Demand is met.
- Minimise disruptions to water supply for the customers.

The revised estimated project completion date is February 2026 with only the electrical work; automation work and minor civil works being finalised. Progress thus far has enabled the pumping station to be 100% flexible with Engine rooms 2 and 3 having 100% flexibility.



Eikenhof Flexibility Project - Ongoing Compaction Tests

Mapleton Engine Room 3

The Mapleton Upgrade Project is composed of the Construction of Engine Room 3 and Disinfection Plants to augment the pumping capacity of the Mapleton Pumping Station by 600Mℓ/d to bring the installed capacity from 1335Mℓ/d to 1935Mℓ/d, and the available capacity after standby allowance from 990Mℓ/d to 1290Mℓ/d.

The New Engine Room 3 at Mapleton is comprised of 2 x 200Mℓ/d and 2 x 100Mℓ/d pump sets with combined pumping capacity of 600 Mℓ/d. The increased pumping capacity will benefit customers such as City of Ekurhuleni, Thembisile Hani, City of Tshwane, Victor Khanye, Govan Mbeki and Lesedi Municipalities. The targeted completion extended to December 2026.



Mechanical Installation inside Engine Room 3 building

Station 5 – 150Mℓ/d commissioning

Rand Water is responsible for supplying potable water across several South African provinces, including Gauteng, North West, Mpumalanga, Free State, and Limpopo. The infrastructure spans 3,500 km of pipeline and includes 58 reservoirs. The primary water sources are the Vaal Dam and purification systems at Zuikerbosch and Vereeniging. The Station 5A project is part of Rand Water's augmentation plans to ensure sustainable water supply, targeting an additional 600 million litres per day (Mℓ/day) capacity.

Station 5A: 600 Mℓ/day capacity, with partial commissioning of 150 Mℓ/day achieved on 31 August 2023. The remaining 450 Mℓ/day is scheduled for completion by December 2025.



Station 5A: Sedimentation Plant

WATER CONSERVATION AND DEMAND MANAGEMENT

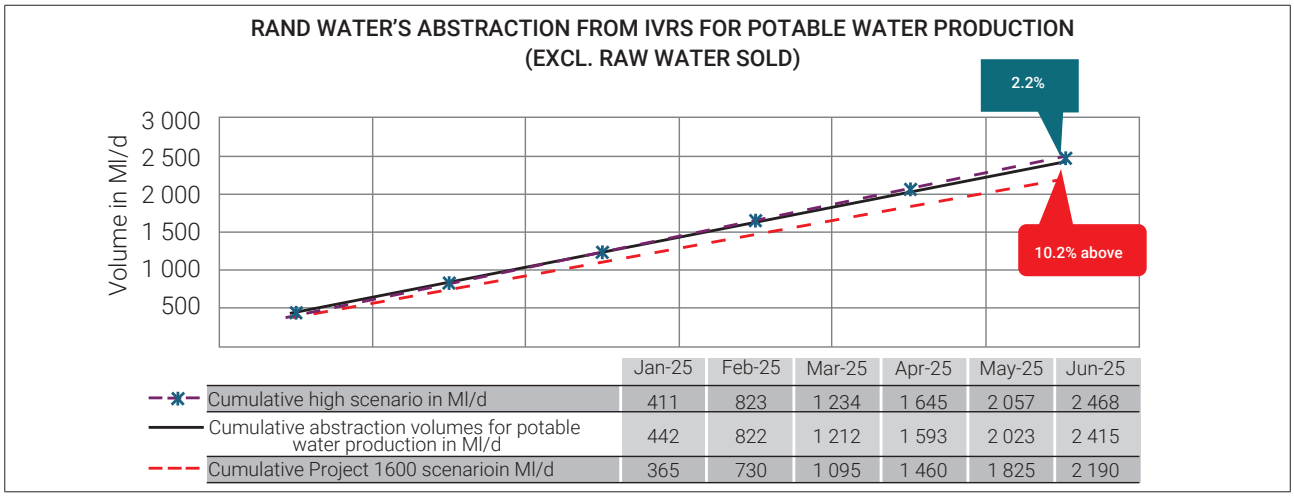
Rand Water's Water Conservation and Water Demand Management (WC/WDM) strategy, approved in 2017, aligns with the National Strategy, which outlines Rand Water's strategic role in WC/WDM. This role includes:

- Participating in the development of catchment strategies.
- Managing water losses within Rand Water's distribution network.
- Coordinating the implementation of regional WC/WDM initiatives.
- Assisting customers, where necessary, in effectively managing their water demand.

CATCHMENT QUANTITY MONITORING

The four (4) key dams supplying Rand Water, Katse, Mohale, Vaal, and Sterkfontein, have performed well in terms of storage levels during this reporting year, primarily due to sustained rainfall as indicated in Figure below. The IVRS total storage has been reported to be higher than the previous year's reporting periods. DWS determines whether to impose water restrictions on all users based on the total storage levels in the IVRS at the end of the operating year (30 April). The new 2025/26 operating year commenced on 1 May 2025. Operating decisions for the new year are based on dam levels as of 30 April and scenario planning by DWS, pending demand projections from IVRS users, including Rand Water.

Below is the year-to-date (YTD) potable water abstraction from the IVRS for the period January to June totals 751,489 Mm³, averaging 4,912 Mℓ/day.



	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25
Cumulative high scenario in Ml/d	411	823	1 234	1 645	2 057	2 468
Cumulative abstraction volumes for potable water production in Ml/d	442	822	1 212	1 593	2 023	2 415
Cumulative Project 1600 scenarioin Ml/d	365	730	1 095	1 460	1 825	2 190

Figure 16: Rand Water abstraction volumes (cumulative for the year)

AUGMENTATION OF THE DELIVERY OF WATER TO SOUTH AFRICA

Rand Water's increased abstraction rights from the IVRS are contingent on the completion of Phase 2 of the Lesotho Highlands Water Project. This phase includes the construction of the Polihali Dam, a transfer tunnel to Katse Dam, and supporting infrastructure, aiming to boost annual supply capacity from 780 Mm³ to 1,270 Mm³, an increase of 490 Mm³ per year (approximately 1,314 Mℓ/day). According to the Lesotho Highlands Development Authority, commissioning is expected in 2028.

Growth in supply volumes

The 5-year trend in Figure 17 reflects a modest 1.03% annual supply growth since 2021, indicating minimal demand growth.

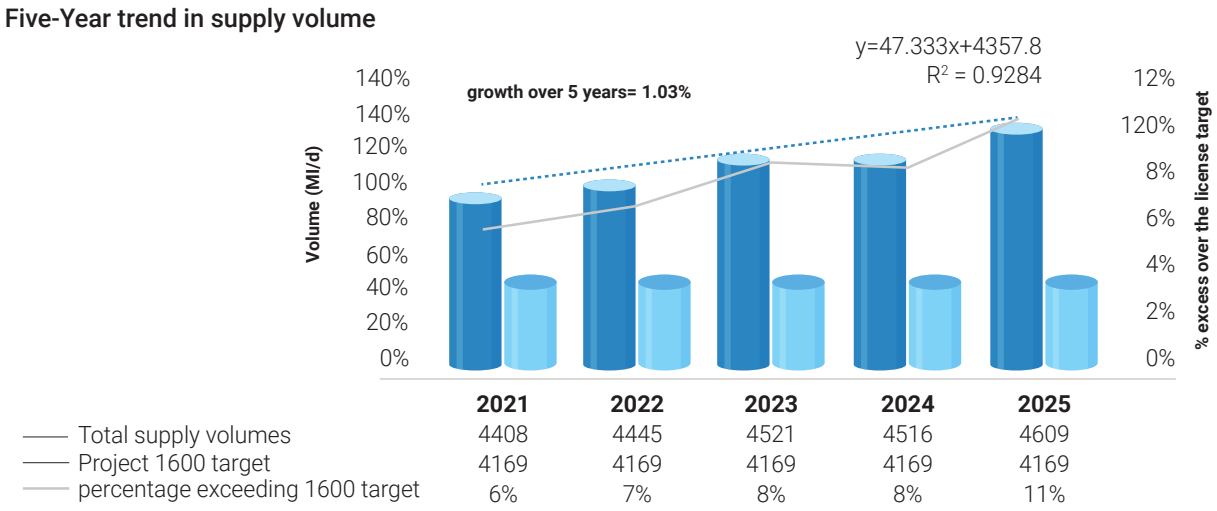


Figure 17: Five-Year trend in water supply volume

Although the demand has grown by 1.03% over the five (5) years, it should be noted that the demand exceeds the 1600 target in this period.

CUSTOMER DEMAND MANAGEMENT

Project 1600

Project 1600 is a strategic initiative by Rand Water aimed at enhancing water use efficiency across its supply area, with the primary goal of reducing abstraction from the IVRS and aligning with the DWS annual abstraction limit of 1600 million m³. The initiative is grounded in a scientifically developed in-house water use efficiency model, which estimates expected demand and compares it to actual supply volumes to assess customer efficiency.

Key objectives of Project 1600 include:

- Establishing fair and equitable supply allocations (Project 1600 targets) for each municipality.
- Monthly monitoring of municipal performance against these targets.
- Identifying priority areas for Water Demand Management (WDM) interventions, with municipalities providing quarterly updates at the Project 1600 (IVRS) forum.
- Continuous review and oversight of municipal water demand interventions.
- Active engagement with municipalities through quarterly forums to assess progress.
- Implementation of regional-level WDM strategies.

A Project 1600 IVRS Water Demand Management Steering Committee (Project 1600 IVRS Forum) has been established to provide strategic support, guidance, and oversight on municipal efforts to reduce water demand. The IVRS forum meets quarterly to discuss individual customer performance against the set targets. In addition to the monitoring programme, Rand Water plans to hold one-on-one meetings with municipal customers to improve their understanding of the methodology used to assess water use efficiency.

Water demand within Rand Water's area of supply has shown a consistent upward trend in recent years, and the overall supply to municipalities has been on the increase. As illustrated in the graph below, municipalities have consistently exceeded Project 1600 annual allocation throughout the financial year. However, a noticeable decline in demand is observed from March to June when compared to the preceding months.

Total monthly municipal demand against 1600 and 1800 license targets

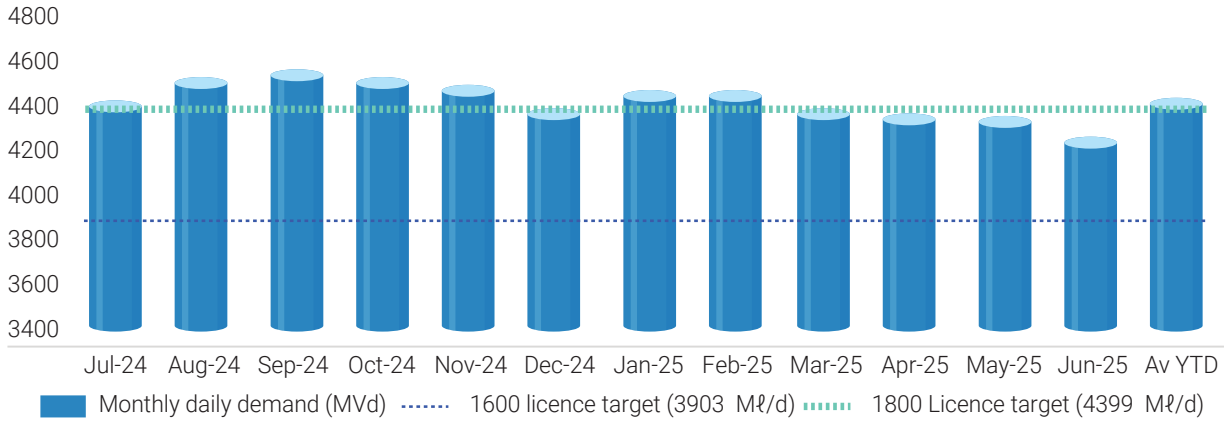
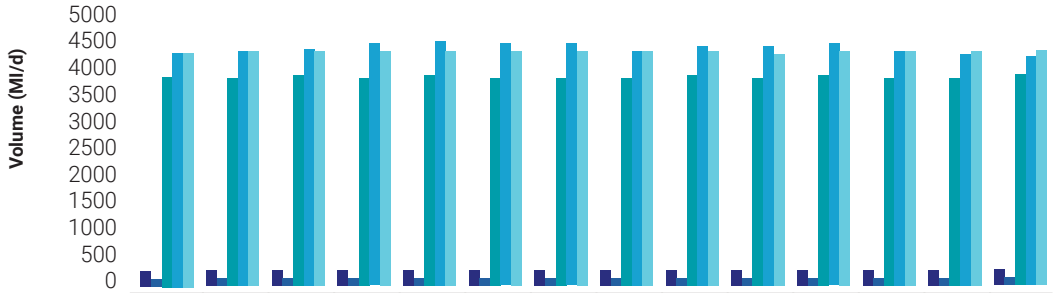


Figure 18: Overall municipalities' performance against permanent and temporary licences.

Total supply volumes currently exceed the Project 1600 target by 10%, with the municipal sector surpassing its allocation by 14%. In contrast, as indicated in the Figure below, below direct users remain well within their allocation, utilising only approximately 50% of their designated share.

Monthly supply volumes per customer sector



	Year ending June 2023	Year ending June 2024	July 2024	August 24	Sept ember 24	Oct ober 24	Nov ember 24	Dec ember 24	Jan uary 25	Feb ruary 25	March 25	April 25	May 25	June 25
Project 1600 Target for small & direct users	269	269	269	269	269	269	269	269	269	269	269	269	269	269
Actual volumes for small and direct users	130	121	119	122	125	126	128	120	121	127	128	126	125	122
Project 1600 Target for municipalities	3900	3900	3900	3900	3900	3900	3900	3900	3900	3900	3900	3900	3900	3900
Actual volumes for minicipalities	4393	4397	4448	4534	4573	4539	4506	4391	4484	4484	4536	4380	4372	4274
1800 tempory license	4399	4399	4399	4399	4399	4399	4399	4399	4399	4399	4399	4399	4399	4399

Figure 19: Supply volumes per customer sector vs licence targets

BULK SANITATION PROJECT (SECONDARY ACTIVITIES)

Bulk Sanitation projects are aligned with the Minister's directive designating Rand Water as the implementing agent for the Vaal River System, in accordance with Section 63 of the Water Services Act.

The primary focus of Bulk Sanitation includes refurbishment, rehabilitation, and upgrade of municipal water services infrastructure. Further, Bulk Sanitation is partnering with municipalities for management, operations and maintenance of the treatment plants, network and pump stations. Key successes during the reporting period were anchored in two (2) flagship initiatives: the Vaal River System Intervention and the Emfuleni Section 63 Intervention.

Project name	Leeuwkuil Waste Water Treatment Works (WWTW), upgrade and refurbishment of inlet work of Leeuwkuil and Rietspruit WWTW
Project Description	This project focuses on the refurbishment and upgrading of critical wastewater infrastructure, including: • Refurbishment Inlet works at Leeuwkuil WWTW. • Refurbishment Inlet works at Rietspruit WWTW. • Refurbishment of the existing pump station 34. • Upgrade of pump station 34 at Leeuwkuil WWTW. • Upgrade of Wash Water Pump Station at Leeuwkuil WWTW. • Construction of rising main pipeline from pump station 2 to Leeuwkuil WWTW. • Construction of gravity main pipeline to pump station 2.
Project Progress	81% complete as of 30 June 2025.

Project name	Sebokeng WWTW Parameter Fence
Project Description	The Sebokeng WWTW Parameter Fence project entails the installation of a secure perimeter fence around the wastewater treatment works. The project is aimed at enhancing site security, protecting critical infrastructure, and ensuring safe and uninterrupted operations.
Project Progress	The project is 100% completed.

NATURAL CAPITAL

"Rand Water is committed to environmental stewardship and sustainability. Our integrated reporting highlights our comprehensive approach to environmental management, with a specific focus on preserving natural capital. This commitment is central to our operations, ensuring that we manage our impact on the environment for the benefit of current and future generations."

Supplying water is our core business, and it is directly linked to natural capital, a resource we are committed to protecting. This includes the raw water and surrounding ecosystems within our area of supply, servitudes, and properties. We abstract, purify, and deliver this essential resource to millions of South Africans, and consistently exceeding the SANS 241 potable water quality standards. Our commitment extends beyond water distribution; we actively contribute to the preservation and enhancement of natural capital through comprehensive environmental management services. By investing in conservation, sustainability, and climate resilience, we are ensuring the long-term viability of our resources. During this year, we implemented significant projects aimed at improving operational efficiency and strengthening environmental compliance across all organisational activities and projects.

REDUCING OUR CARBON FOOTPRINT AND BUILDING CLIMATE RESILIENCE

CLIMATE CHANGE RISK

Rand Water acknowledges the growing environmental risks posed by extreme weather patterns associated with climate change. In alignment with the United Nations Framework Convention on Climate Change (UNFCCC) and guided by South Africa's legislative requirements and sectoral climate change adaptation strategies, we have developed a comprehensive *Climate Change Policy and Strategy* in the 2024/25 financial year.

This foundational document provides a framework for managing climate risks, enhancing adaptation, resilience, and mitigating the effects of global warming on our operations. It underscores Rand Water's commitment to environmental stewardship and sustainability, ensuring we continue to deliver essential services in a changing climate.

The strategy directly supports the country's commitment to the global climate agenda, aiming to contribute to the mitigation initiative in contribution to the efforts to limit the global temperature increase while remaining agile in adapting to climate change impacts. The strategic objectives of this initiative are embedded within our operational framework, ensuring that climate resilience and adaptation are core to our business.

Our climate change risks and opportunities, strategic objectives and focus

- Energy efficient and transit to clean energy.
- Carbon footprint reduction focusing on Scope 1 Emission (Fleet Carbon Footprint) and Scope 2 Emissions (electricity) intending to incorporate Scope 3 reduction and neutral organisation carbon footprint.
- Water conservation and demand management of the scarce raw water resource.
- Environmental management for protecting and sustaining our natural resources.
- Research on raw water availability, alternative sources and quality.
- Reduce vulnerability of the infrastructure to the impacts of floods.

During the reporting period, we have integrated several proactive measures into our operations to address climate change. This proactive approach demonstrates our commitment to long-term sustainability and safeguards our operations and assets against future climate-related challenges, providing a commitment to long-term sustainability and operational resilience.

The following are some of the proactive mitigation and adaptation measures:

Greenhouse Gas Emissions Reporting

At Rand Water, we believe that true sustainability is about effective action. We have implemented proactive measures to reduce our environmental footprint and are positioning ourselves for a greener future. For the 2024/25 financial year, we continued to proactively report on our Scope 1 and Scope 2 Emissions and ensure alignment with set Sectoral Emission Targets (SET). This progress is a testament to our commitment to intentionally reduce our footprint, and work towards our ambitious target of net-zero emissions by 2050. The table below shows the emission figures.

Table 19: Emission Figures

Emission	2023/24 quantity in metric tonnes	2024/25 quantity in metric tonnes
Scope 1 emission	1,403.87	1,658.55
Scope 2 emission	2,132,913.40	2,126,882.84
Total	**2,134,317.27**	**2,128,541.39**

Through current initiatives, we have already achieved a **0.27% decrease** in total Scope 1 and 2 emissions, a reduction of **5,775.88 metric tonnes**. This initial success lays the groundwork for a much larger impact, and we are optimistic that a far more significant positive change will be realised once our comprehensive climate change strategic objectives are fully implemented, with a long-term objective of low emission by 2050.

Water conservation and managing losses

Rand Water has adopted and customised the International Water Association (IWA) standard methodology for reporting non-revenue water (NRW). The reporting framework includes the following components:

- **Unbilled Authorised Consumption (UAC):** Water used by Rand Water for operational purposes, such as process water, site consumption, and scour water during maintenance activities.
- **Apparent Losses:** Financial losses resulting from inaccuracies in metering, data handling errors, or unauthorised consumption.
- **Unavoidable Annual Real Losses (UARL):** Background leakage that is inherent to the water supply system and is not considered economically or technically feasible to repair.
- **Real (Physical) Losses:** Actual water losses through leaks in the distribution network. This component is used to set corporate key performance indicators (KPIs).

Rand Water's performance was assessed against a KPI for avoidable water losses, expressed as a percentage of water produced. For the 2024/25 financial year, this KPI has been set at **5%** and that has been achieved as shown in table below.

Table 20: Water loss in the Rand Water network in the 2024/25 Financial Year

Description	Key Indicator Performance for 2024/2025		Quarter 1		Quarter 2		Quarter 3		Quarter 4		12 Months Average - 1 July 2024 to June 2025	
	Volume in Ml	% of SIV	Volume in Ml	% of SIV	Volume in Ml	% of SIV	Volume in Ml	% of SIV	Volume in Ml	% of SIV	Volume in Ml	% of SIV
Total Non-Revenue Water			337	6.40%	341	6.49%	334	6.45%	344	6.67%	339	6.50%
Real Losses		5%	196	3.72%	173	3.30%	211	4.07%	225	4.37%	201.25	3.87%

The table demonstrates that: although the KPI target has been met, there is still a continuous battle when it comes to physical losses, as they are some of the contributing factors to the NRW.

Exploring alternative raw water sources

To remain agile and combat water scarcity challenge related to climate change, Rand Water is exploring viability to incorporate alternative raw water sources in our processes. This proactive approach reduces our reliance on single vulnerable source and provides an opportunity to diversify our sources. Researching and implementing new treatment methods for these alternative sources is a key strategic goal, ensuring we can maintain a resilient and continuous water supply.

WATER TREATMENT RESIDUE MANAGEMENT

Over the years Rand Water Panfontein disposal site has been experiencing limited disposal capacity challenge. Panfontein has 90 existing drying beds, of which 14 have been sacrificed. The remaining drying beds, which are predominantly full, are assigned for rehabilitation and operation concurrently. Disposal capacity is a long-standing challenge.

The current method of handling the final Water Treatment Residue (WTR) is the deposition onto drying beds. This method is not sustainable because more drying beds would be required as time progresses. To this end, beneficiation of the WTR is being investigated. However, implementation and scale will not be realised in the short-term. Therefore, a medium-term solution, which is currently underway, is the construction of a stockpile area within Panfontein.

Furthermore, any removal of WTR from Panfontein requires compliance with the cradle-to-grave principle of environmental waste management principle and legislation, notwithstanding the challenges of the storage capacity, water treatment residue is contained in a systematic manner within our boundaries furthermore there has not been reportable incident recorded within the 2024/25 financial year.

Interventions underway to storage challenges

The operational challenges are being addressed by several interventions as follows:

Short to medium intervention: Construction of a stockpile area and rehabilitation of drying beds at Panfontein. This project aims to create the much-needed disposal capacity at Panfontein. This project will be a mid-term solution while awaiting long-term beneficiation. The project commenced in September 2023 and has been progressing well. Due to operational loading and heavy rainfall, the designated rehabilitation of 40 drying beds is proving challenging. The sacrificing of drying beds and the creation of the stockpile area is effective currently but will not be sustainable in the long-term.

For 2024/25 financial year, 38 drying beds completed as short to medium intervention to storage challenges to enable business continuity.

Long-term intervention: Water treatment residue beneficiation at Panfontein, these project aim to institute long-term beneficiation of WTR at Panfontein. Initiatives have been piloted successfully and are currently being explored for full-scale implementation.

ENSURING GOOD QUALITY WATER SUPPLY

Our water quality reporting is a direct and transparent account of our commitment to public health protection. The supply of safe potable water is of highest priority to our organisation. Rand Water places a high premium on public safety. The challenges, such as ageing infrastructure, industrial pollution, and the impacts of climate change on water sources, require innovative and persistent efforts to maintain compliance with these standards. Thus, the report not only demonstrates adherence to regulatory requirements but also transparently addresses the complexities involved in ensuring that every drop of water meets the high-quality standards expected by our customers.

QUALITY OF WATER SUPPLIED TO CUSTOMERS

Rand Water is deeply committed to protect the public and complies with the South African National Standard (SANS) 241 for drinking water quality to ensure the delivery of safe drinking water to Water Services Authorities.

This is achieved by implementing stringent water quality specifications against which the company measures itself, assessments and processes throughout the supply chain under Rand Water control. The quality of drinking water delivered to Rand Water customers during this financial year met all contractual and legislated standards and is thus safe for human consumption. All physical, chemical, and biological health-related parameters were compliant to the SANS 241 drinking water quality standard except for residual disinfectant and combined trihalomethanes as a result of changes in raw water quality changes, these were managed adequately and did not pose unacceptable health risks as indicated in the table below. The compliance levels reported are against the excellent water quality requirements of SANS 241:2015 standard.

Table 21: Customer Bulk Water Quality Report

Customer Bulk Distribution water quality report: 21 June 2024 to 20 June 2025						
Determinands	**Measurement Units**	**Risks**	**SANS 241:2015 standard limits (1)**	**No of results**	**Required compliances to SANS 241:2015 spec (%)**	**Achieved compliances to SANS 241:2015 spec (%)**
Microbiological determinands						
E. coli	(mpn per 100 mL)	Acute health	Non-detect	15 259	99,00%	99,89%
Total Coliforms	(mpn per 100 mL)	Operational	≤ 10	15 259	95.0%	97,81%
Heterotrophic Plate Count	(cfu per 1 mL)	Operational	≤ 1000	15 212	95.0%	97,71%
Cryptosporidium spp (2)	(org / 10 Litre)	Acute health	Non-detect	225	99.0%	100,00%
Giardia spp (2)	(org / 10 Litre)	Acute health	Non-detect	225	99.0%	100,00%
Somatic Coliphages (2)	(count per 10 mL)	Operational	Non-detect	1 149	95.0%	100,00%
Physical and Aesthetic determinands						
Colour	(mg / L as Pt-Co)	Aesthetic	≤ 15	1 778	95.0%	99,55%
Conductivity	(mS / m)	Aesthetic	≤ 170	10 989	95.0%	100,00%
Total Dissolved Solids	(mg / L)	Aesthetic	≤ 1200	1 510	95.0%	100,00%
Turbidity	(NTU)	Operational	≤ 1	11 464	95.0%	98,28%
Turbidity	(NTU)	Aesthetic	≤ 5	11 464	95.0%	99,97%
pH	(pH units)	Operational	≥ 5 to ≤ 9.7	11 185	95.0%	100,00%
Chemical Properties: Macro determinands						
Ammonia	(mg / L as N)	Aesthetic	≤ 1.5	10 714	95.0%	100,00%
Chloride	(mg / L as Cl)	Aesthetic	≤ 300	1 347	95.0%	100,00%
Free chlorine	(mg / L as Cl_2)	Chronic health	≤ 5	15 346	97.0%	100,00%
Monochloramine	(mg / L as Cl_2)	Chronic health	≤ 4.1	11 383	97.0%	100,00%
Fluoride	(mg / L as F)	Chronic health	≤ 1.5	1 343	97.0%	100,00%
Nitrate	(mg / L as N)	Acute health	≤ 11	10 726	99.0%	100,00%
Nitrite	(mg / L as N)	Acute health	≤ 0.9	10 589	99.0%	100,00%
Combined nitrate plus nitrite (3)	(mg / L as N)	Acute health	≤ 1	10 467	99.0%	100,00%
Residual disinfectant (4)	(mg / L as Cl_2)	Operational	≥ (0.1 and 0.2)	15 346	95.0%	94,65%
Sodium	(mg / L as Na)	Aesthetic	≤ 200	1 366	95.0%	100,00%
Sulphate	(mg / L as SO_4)	Aesthetic	≤ 250	1 385	95.0%	100,00%

Customer Bulk Distribution water quality report: 21 June 2024 to 20 June 2025						
Determinands	**Measurement Units**	**Risks**	**SANS 241:2015 standard limits (1)**	**No of results**	**Required compliances to SANS 241:2015 spec (%)**	**Achieved compliances to SANS 241:2015 spec (%)**
Sulphate	(mg / L as SO_4)	Acute health	≤ 500	1 385	99.0%	100,00%
Zinc	(mg / L as Zn)	Aesthetic	≤ 5	1 366	95.0%	100,00%
Chemical Properties: Micro determinands						
Aluminium	(µg / L as Al)	Operational	≤ 300	1 514	95.0%	99,74%
Antimony	(µg / L as Sb)	Chronic health	≤ 20	1 253	97.0%	100,00%
Arsenic	(µg / L as As)	Chronic health	≤ 10	1 296	97.0%	100,00%
Barium	(µg / L as Ba)	Chronic health	≤ 700	1 366	97.0%	100,00%
Boron	(µg / L as B)	Chronic health	≤ 2400	1 245	97.0%	100,00%
Cadmium	(µg / L as Cd)	Chronic health	≤ 3	1 296	97.0%	100,00%
Chromium (Total)	(µg / L as Cr)	Chronic health	≤ 50	1 366	97.0%	100,00%
Copper	(µg / L as Cu)	Chronic health	≤ 2000	1 366	97.0%	100,00%
Cyanide (Recoverable)	(µg / L as CN)	Acute health	≤ 200	1 292	99.0%	100,00%
Iron	(µg / L as Fe)	Chronic health	≤ 2000	1 570	97.0%	100,00%
Iron	(µg / L as Fe)	Aesthetic	≤ 300	1 570	95.0%	99,87%
Lead	(µg / L as Pb)	Chronic health	≤ 10	1 296	97.0%	100,00%
Manganese	(µg / L as Mn)	Chronic health	≤ 400	1 561	97.0%	100,00%
Manganese	(µg / L as Mn)	Aesthetic	≤ 100	1 561	95.0%	99,62%
Mercury	(µg / L as Hg)	Chronic health	≤ 6	1 296	97.0%	100,00%
Nickel	(µg / L as Ni)	Chronic health	≤ 70	1 366	97.0%	100,00%
Selenium	(µg / L as Se)	Chronic health	≤ 40	1 296	97.0%	100,00%
Uranium	(µg / L as U)	Chronic health	≤ 30	1 253	97.0%	100,00%
Organic determinands						
Total Organic Carbon	(mg / L)	Chronic health	≤ 10	1 421	97.0%	100,00%
Phenols as C_6H_5OH	(µg / L)	Aesthetic	≤ 10	1 155	95.0%	100,00%
Chloroform - $CHCl_3$	(µg / L)	Chronic health	≤ 300	1 474	97.0%	100,00%
Bromoform - $CHBr_3$	(µg / L)	Chronic health	≤ 100	1 474	97.0%	100,00%
Dibromochloromethane - $CHBr_2Cl$	(µg / L)	Chronic health	≤ 100	1 474	97.0%	100,00%
Bromodichloromethane - CHBrCl2	(µg / L)	Chronic health	≤ 60	1 474	97.0%	99,86%
Combined trihalomethanes (5)	(µg / L)	Chronic health	≤ 1	1 473	97.0%	95,99%
Total Microcystin (2)	(µg / L)	Chronic health	≤ 1	248	97.0%	100,00%
For monitoring/reporting purposes only						
Calcium (6)	(mg / L as Ca)	Aesthetic	≤ 150	1 366	not applicable	100,00%
Hardness (7)	(mg / L as $CaCO_3$)	Operational	≥ 20 to ≤ 200	1 365	not applicable	97,07%
Magnesium (6)	(mg / L as Mg)	Aesthetic	≤ 70	1 366	not applicable	100,00%
Potassium (6)	(mg / L as K)	Aesthetic	≤ 50	1 366	not applicable	100,00%
Rand Water Risk Determinands (RWRD) (6)						
Odour	TON	RWRD	≤ 2	3 783	not applicable	100%
Taste	FTN	RWRD	≤ 2	3 783	not applicable	100%

Water quality risk indices

Risks	Required compliances to SANS 241: 2015 standard	Overall Compliances - SANS 241: 2015 standard
Acute health microbiological	99.0%	99,89%
Acute health chemical	99.0%	100,00%
Chronic health	97.0%	99,89%
Aesthetic	95.0%	99.96%
Operational	95.0%	97,60%

Notes

(1) Specification_SANS 241 date of effect : 1 July 2016
(2) Measured at water treatment works exit points
(3) ($NO_2/0.9 + NO_3/11$)
(4) Residual disinfectant : Results from both the chlorinated and chloraminated systems
(5) ($CHCl_3/300 + CHBr_3/100 + CHBr_2Cl/100 + CHBrCl_2/60$)
(6) Customer request: Results not included in the risk indices compliance calculations and limits based on SANS 241:2006
(7) Customer request: Results not included in the risk indices compliance calculations and limits based on RW Internal Specification

To ensure the confidence of customers in the quality of the water supplied by Rand Water, a monthly independent water quality review is conducted. This is another safeguard that Rand Water implemented to reinforce customers' confidence that the water they receive from Rand Water is indeed safe for human consumption. The organisation subjects itself to an independent review system to assess the quality of water supplied to Water Services Authorities via an independent external party.

During the current financial year (July 2024 to June 2025), Aquatico Laboratory was used. The results obtained by the reviewers as assessed against SANS 241 indicate that Rand Water has delivered safe and wholesome water to its customers during the financial year under review.

ORGANIC CONTAMINANTS

The occurrence of emerging organic contaminants in the drinking water value chain (from source to tap) is a growing concern for the drinking water industry and consumers, given the adverse health risks these contaminants pose to consumers. These adverse health effects include endocrine disruption, toxicity, teratogenicity, mutagenicity, and carcinogenicity. Currently, SANS 241 does not address most of the emerging contaminants of concern. However, Rand Water, in the interest of public health, has implemented monitoring programmes for an extended list of organic contaminants. The identified organic contaminants include industrial chemicals, pesticides, disinfection by-products, and cyanobacteria toxins. An assessment of the identified contaminants is conducted biannually to determine potential risks to customers.

The table below contains the results of organic compounds that were assessed in the Rand Water drinking water value chain. None of these compounds were detected at levels that are of concern to human health.

Table 22: Organic Contaminants Assessment in Drinking Water Supply Value Chain

Compliance report for organic contaminants assessment in Rand Water drinking water supply value chain: 2024/25 FY								
Organic contaminants	**Unit of Measure**	**Guidelines Limit**		**Analysing laboratory**	**Reporting Limit**		**No. results**	**Achieved compli-ance level (%)**
		Limit	**Source**		**Value**	**Units**		
DISINFECTION BYPRODUCTS								
Bromodichloroform	µg/l	60	SANS241	RW	<10	ug/l	31	100%
Bromoform	µg/l	100	SANS241	RW	<10	ug/l	31	100%
Chloroform	µg/l	300	SANS241	RW	<10	ug/l	31	100%
Dibromochloroform	µg/l	100	SANS241	RW	<10	ug/l	31	100%
INDUSTRIAL CHEMICALS								
2,4-Dinitrotoluene	ng/l	100000	USEPA	RW	<20	ng/l	31	100%
2,6-Dinitrotoluene	ng/l	40000	USEPA	RW	<25	ng/l	31	100%
Acenaphthylene	ng/l	$0.02x10^6$	USEPA	RW	<45	ng/l	31	100%
Anthracene	ng/l	$10x10^6$	USEPA	RW	<35	ng/l	31	100%
Benz[a]anthracene	ng/l	100	MDH	RW	<25	ng/l	31	100%
Benzene	ng/l	10	WHO	RW	<1	ng/l	31	100%
Benzo[a]pyrene (PAHs)	ng/l	700	WHO	RW	<40	ng/l	31	100%
Benzo[b]fluoranthene	ng/l	100	EU	RW	<20	ng/l	31	100%
Benzo[g,h,i]perylene	ng/l	100	EU	RW	<20	ng/l	31	100%
Benzo[k] fluoranthene	ng/l	100	EU	RW	<35	ng/l	31	100%
Bisphenol A	ng/l	20	MDH	M&L	<10	ng/Mℓ	31	100%
Butyl benzyl phthalate	ng/l	100	MDH	M&L	<20	ng/l	31	100%
Chrysene	ng/l	200	USEPA	RW	<30	ng/l	31	100%
cis Chlordane	ng/l	2000	USEPA	RW	<60	ng/l	31	100%
Cyanazine	ng/l	600	WHO	RW	<30	ng/l	31	100%
di(2-ethylhexyl)-phthalate (DEHP)	ng/l	8000	WHO	M&L	<20	ng/l	31	100%
Dibenz[a,h] anthracene	ng/l	300	USEPA	RW	<40	ng/l	31	100%
Di-n-butylpthalate (DBP)	µg/l	20	MDH	M&L	<20	µg/l	31	100%

Compliance report for organic contaminants assessment in Rand Water drinking water supply value chain: 2024/25 FY								
Organic contaminants	**Unit of Measure**	**Guidelines Limit**		**Analysing laboratory**	**Reporting Limit**		**No. results**	**Achieved compli-ance level (%)**
		Limit	**Source**		**Value**	**Units**		
Di-methyl phthalate	µg/l	5	SM	M&L	<20	µg/l	31	100%
Ethyl Benzene	µg/l	300	WHO	RW	<0,8	µg/l	31	100%
Ethylene glycol	µg/l	7000	USEPA	M&L	<10	mg/L	31	100%
Fluoranthene	ng/l	$70x10^3$	MDH	RW	<45	ng/l	31	100%
Fluorene	ng/l	$1000x10^3$	USEPA	RW	<45	ng/l	31	100%
Indeno[1,2,3-cd] pyrene	ng/l	100	EU	RW	<40	ng/l	31	100%
Naphthalene	ng/l	100000	USEPA	RW	<25	ng/l	31	100%
O-Xylene	µg/l	500	WHO	RW	<0,6	µg/l	31	100%
m-Xylene	ug/l	500	WHO	RW	<0,9	ug/l	31	100%
p-Xylene	ug/l	500	WHO	RW	<0,8	ug/l	31	100%
Pentachlorophenol	ng/l	9000	WHO	RW	<30	ng/l	31	100%
Phenanthrene	ng/l	200	USEPA	RW	<45	ng/l	31	100%
Phenol	µg/l	10	SANS 241	RW	<2.5	µg/l	31	100%
Pyrene	ng/l	50000	MDH	RW	<45	ng/l	31	100%
Toluene	µg/l	4	AG	M&L	<5	µg/l	31	100%
PESTICIDES								
2,4,5-T	mg/l	0,005	USEPA	M&L	<20	µg/l	31	100%
2,4-Dichloro-phenoxyacetic (2,4-D)	mg/l	0,07	USEPA	M&L	<5	µg/l	31	100%
a-BHC	mg/l	200	USEPA	RW	<25	ng/l	31	100%
Acetochlor	mg/l	20000	MDH	RW	<30	ng/l	31	100%
Alachlor	ng/l	20000	WHO	RW	<30	ng/l	31	100%
Atrazine	ng/l	$100x10^3$	WHO	RW	<25	ng/l	31	100%
Azinphos-methyl	mg/L	0,03	AG	M&L	<20	µg/l	31	100%
b-BHC	ng/l	2000	RW	RW	<20	ng/l	31	100%
Bromacil	mg/L	0,4	AG	M&L	<5	µg/l	31	100%
Carbaryl	mg/L	0,03	AG	M&L	<5	µg/l	31	100%
Carbofuran	mg/L	0,01	AG	M&L	<5	µg/l	31	100%
Chlorothalonil	mg/L	0,05	AG	M&L	<20	µg/l	31	100%
Chlorpyrifos	mg/L	0,03	WHO	M&L	<20	µg/l	31	100%
d-BHC	ng/l	2000	RW	RW	<20	ng/l	31	100%
Desethylatrazine	ng/l	$100x10^3$	WHO	RW	<35	ng/l	31	100%
Diazinon	mg/L	0,004	AG	M&L	<20	µg/l	31	100%
Dichloroprop	mg/L	0,1	AG	M&L	<5	µg/l	31	100%
Dieldrin	ng/l	30	WHO	RW	<40	ng/l	31	100%
Dimethenamid	ng/l	$300x10^3$	MDH	RW	<45	ng/l	31	100%
Dimethoate	mg/L	0,007	AG	M&L	<5	µg/l	31	100%

Compliance report for organic contaminants assessment in Rand Water drinking water supply value chain: 2024/25 FY								
Organic contaminants	Unit of Measure	Guidelines Limit		Analysing laboratory	Reporting Limit		No. results	Achieved compli-ance level (%)
		Limit	Source		Value	Units		
Dinoseb	mg/L	0,008	AG	M&L	<5	µg/l	31	100%
Diuron	mg/L	0,02	AG	M&L	<5	µg/l	31	100%
Endosulfan I	ng/l	$20x10^3$	AG	RW	<45	ng/l	31	100%
Endosulfan II	ng/l	$20x10^3$	RW	RW	<40	ng/l	31	100%
Endosulfan sulfate	ng/l	1000	WHO	RW	<50	ng/l	31	100%
Endrin	ng/l	600	RW	RW	<30	ng/l	31	100%
Endrin aldehyde	ng/l	2000	RW	RW	<40	ng/l	31	100%
Endrin ketone	ng/l	2000	AG	RW	<25	ng/l	31	100%
Fenamiphos	mg/L	0,0005	AG	M&L	<5	µg/l	31	100%
g-BHC (Lindane)	ng/l	200	USEPA	RW	<25	ng/l	31	100%
Glyphosate	mg/l	1	AG	M&L	<20	µg/l	31	100%
Heptachlor	ng/l	400	USEPA	RW	<30	ng/l	31	100%
Heptachlor epoxide	ng/l	200	USEPA	RW	<25	ng/l	31	100%
Hexachlorobenzene	ng/l	1000	USEPA	RW	<35	ng/l	31	100%
Hexazinone	mg/L	0,4	AG	M&L	<20	µg/l	31	100%
Isoproturon	mg/L	0,009	WHO	M&L	<5	µg/l	31	100%
Malathion	mg/L	0,07	AG	M&L	<20	µg/l	31	100%
MCPA (2-methyl-4-chlorophenoxyacetic acid)	mg/L	0,002	WHO	M&L	<5	µg/l	31	100%
Metaldehyde	mg/L	0,02	AG	M&L	<5	µg/l	31	100%
Metalochlor	ng/l	$10x10^3$	WHO	RW	<35	ng/l	31	100%
Methoxychlor	ng/l	$20x10^3$	WHO	RW	<30	ng/l	31	100%
Metribuzin	ng/l	10000	MDH	RW	<30	ng/l	31	100%
Molinate	mg/L	0,004	AG	M&L	<5	µg/l	31	100%
Monocrotophos	mg/L	0,002	AG	M&L	<5	µg/l	31	100%
Oxamyl	mg/L	0,007	AG	M&L	<5	µg/l	31	100%
Parathion	mg/L	0,02	AG	M&L	<20	µg/l	31	100%
Pendimethalin	ng/l	20000	WHO	RW	<35	ng/l	31	100%
Picloram	mg/L	0,3	AG	M&L	<20	µg/l	31	100%
p,p-DDD	ng/l	1000	WHO	RW	<35	ng/l	31	100%
p,p-DDE	ng/l	1000	MDH	RW	<30	ng/l	31	100%
p,p-DDT	ng/l	1000	WHO	RW	<40	ng/l	31	100%
Propachlor	ng/l	70000	AG	RW	<30	ng/l	31	100%
Propazine	ng/l	50000	AG	RW	<20	ng/l	31	100%
Simazine	ng/l	2000	WHO	RW	<35	ng/l	31	100%
trans Chlordane	ng/l	0,5	AG	RW	<25	ng/l	31	100%
Terbacil	mg/L	0,2	AG	M&L	<20	µg/l	31	100%
Terbufos	mg/L	0,0009	AG	M&L	<20	µg/l	31	100%

Compliance report for organic contaminants assessment in Rand Water drinking water supply value chain: 2024/25 FY								
Organic contaminants	**Unit of Measure**	**Guidelines Limit**		**Analysing laboratory**	**Reporting Limit**		**No. results**	**Achieved compli-ance level (%)**
		Limit	**Source**		**Value**	**Units**		
Terbuthylazine	mg/L	0,01	AG	M&L	<20	µg/l	31	100%
Trifluralin	ng/l	$20x10^3$	WHO	RW	<30	ng/l	31	100%
Vinclozolin	mg/L	0,001	RW	M&L	<20	µg/l	31	100%
PCBs								
Chlorobiphenyl	ng/l	500	USEPA	RW	<45	ng/l	31	100%
Dichlorobiphenyl				RW	<55	ng/l	31	100%
Heptachlorobiphenyl				RW	<30	ng/l	31	100%
Hexachlorobiphenyl				RW	<25	ng/l	31	100%
Octachlorobiphenyl				RW	<35	ng/l	31	100%
Pentachlorobiphenyl				RW	<30	ng/l	31	100%
Tetrachlorobiphenyl				RW	<25	ng/l	31	100%
Trichlorobiphenyl				RW	<35	ng/l	31	100%

Notes:

AG *Australian Water Quality Guidelines*
WHO *World Health Organisation*
RW *Rand Water*
EU *European Union*
MDH *Minnesota Department of Health*
USEPA *United States Environmental Protection Agency*

Water Quality Enquiries and Consumer Complaints

For 2024/25 financial year, a total of 190 water quality enquiries and 14 water quality consumer complaints that required technical on-site investigations were received. All water quality consumer complaints were investigated successfully and the service evaluations conducted by the Customer Services Department indicated a **96.86%** satisfaction level. This indicates that consumers were satisfied with the action taken by Rand Water. Typical investigations are attended to within 24 hours.

The origin of the consumer complaints as well as the nature of the complaints are shown in the graph below:

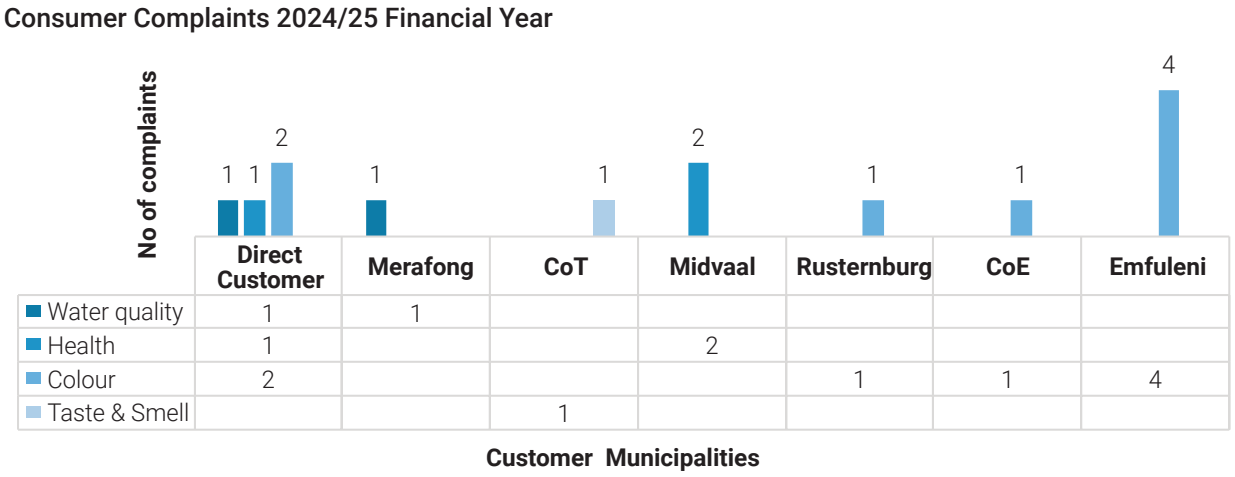


Figure 20: Consumer Complaints 2024/25 Financial Year

Eight (8) of the 14 consumer complaints were colour complaints raised by consumers following the rapid filling of the Vaal Dam (Jan 25 to April 25) which resulted in a changed raw water quality and higher organic load.

Tap Analysis Programme

The Tap Analysis Programme (TAP) was established 27 years ago and following are activities embarked on for TAP during the 2024/25 financial year:

- **81** participants submit monthly drinking water samples
- **1 032** samples were taken

The TAP data allows Rand Water to proactively detect differences in water quality within the bulk water quality provided by Rand Water, and to then address the changes with the relevant Water Services Authority. Non-compliances, particularly those that pose a risk to human health and require management as per an incident management protocol, are communicated and addressed with the affected Water Services Authority to ensure corrective actions are taken.

PROTECTING OUR NATURAL CAPITAL

BIODIVERSITY MANAGEMENT AND PROTECTION

Striving to manage biodiversity within our properties and areas of supply, we implement sustainability programmes and safeguarding our fauna and flora species. Providing the contribution to national biodiversity protect harmonised with the National Environmental Management: Biodiversity Act (NEMBA), Act 10 of 2004, Rand Water continues to implement initiatives. In the period under review, the following were implemented:

Fauna species protection

- 16 Beehives containing approximately 171 000 bees safely relocated from Rand Water properties to a registered beekeeper.
- Six (6) Snakes were safely captured and relocated from various Rand Water Operation sites.

Rehabilitation and land restoration projects

- Horticultural maintenance was carried out over 39 hectares, along with the creation of 4 337 m² of firebreaks in pipe storage areas.
- To rehabilitate areas impacted by infrastructure development: 1 271 m³ of reno mattresses and gabions, 6 210 m² of grass blocks, and 770 m³ of dump rock were installed.
- A total of 87 600 m² was revegetated using veld grass seeding and the installation of instant lawn.
- Alien invasive species removal programme: 186 hectares of Alien Invader Species were removed from our properties, 36 Indigenous trees were planted, and 76,5 hectares were retreated for regrowth at various Rand Water properties, this practice is to restore the natural ecosystem.

VAAL BARRAGE ALIEN INVADERS PROGRAMME

Since 2023, the occurrence of water lettuce (Pistia sp), in the Vaal Barrage has prompted a comprehensive response from stakeholders. Rand Water representatives attend and represent the company in all related forums and meetings to influence and ensure the challenge of Alien vegetation management is dealt with effectively. Several initiatives are being implemented as part of the broader response to the problem which include biological control, herbicide application and physical removal.

For 2024/25 financial year, the alien vegetation was well managed due to the various initiatives implemented in the Vaal Barrage. The figure below depicts the Alien Invasive coverage for the Vaal River Barrage Reservoir for the period July 2024 to June 2025.

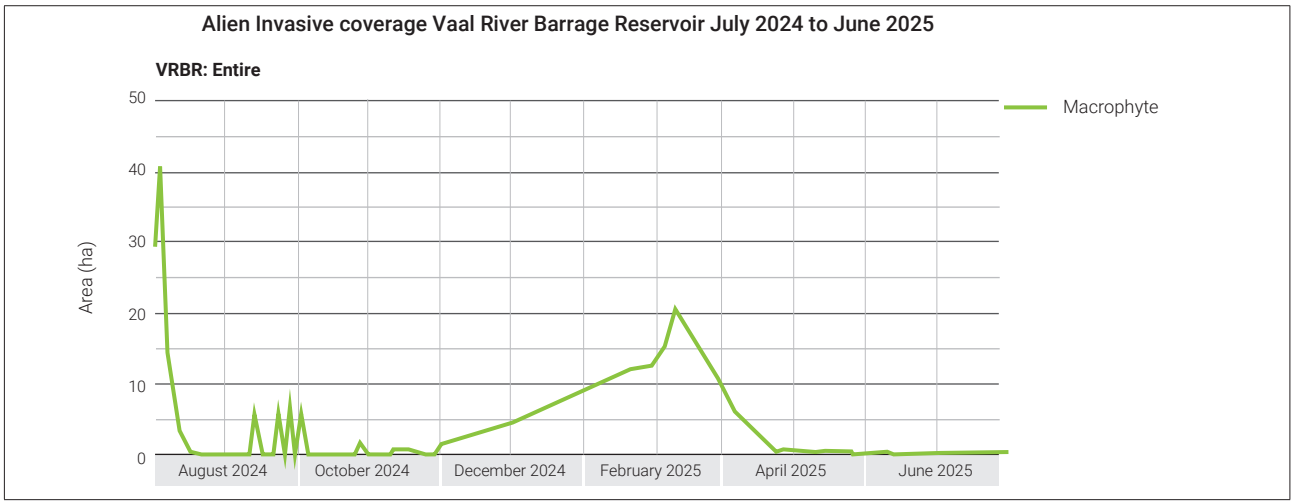


Figure 21: Alien Invasive Coverage - Vaal River Barrage Reservoir for 2024/25 Financial Year

Raw water quality remains a concern, and challenges have resulted in a major deterioration in biological water quality over the year. Figure below shows the Weekly Recreational report that is published on the Reservoir website (www.reservoir.co.za) which indicates the risk of physical contact of the water.

Quality of Water in the Vaal Barrage Reservoir

Date Sampled 25 June 2025



Escherichia coli (E.coli)

Predicted symptoms include: Skin irritations, infections & intestinal disorders

E.coli counts per 100ml at sample points

	1	2	3	4	5	6	7	8	9	10
This Week	1,300	172	3,590	2,420	1,986	39	46	145	1,299,700	64
Last Week	1,300	8	4,870	11,780	16,240	105	15	161	312,300	15

Low risk gastrointestinal disorders E.coli ‹ 130 counts/ 100ml
Slight risk of gastrointestinal disorders E.coli 130 - 200 counts/ 100ml
Significant risk of gastrointestinal disorders E.coli 200 - 400 counts/ 100ml
High risk of gastrointestinal disorders E.coli 400 counts/ 100ml

Blue Green Algae

Predicted symptoms include: Skin irritations, infections & intestinal disorders

Blue Green algea counts at sample points

	1	2	3	4	5	6	7	8	9	10
This Week	40	9,050	724	1,689	6,516	10,860	7,964	4,300,562	11,854	114,995
Last Week	483	26,547	40	10,860	79,399	46,457	24,737	93,396	8,504	41,871

Low risk Blue Green algae ‹ 20,000 cellls/ 100ml
Moderate risk Blue gren algae 20,000 - 100,000 cells/ ml
High risk Blue Green algae › 100,000 cells/ ml

Algal Pigments

Predicted nuisance conditions include: Scums & Smells

Algal pigments expressed as Chlorophyll-a levels at sampl points

	1	2	3	4	5	6	7	8	9	10
This Week	9	19	9	40	110	34	22	1,436	28	181
Last Week	13	19	12	29	200	108	68	316	42	79

Low risk Chlorophyll-a ‹ 15ug/l
Moderate risk Chlorophyll-a 15 - 30ug/l
High risk Chlorophyll-a › 30ug/l

Figure 22: Microbiological water quality of the Vaal River Barrage Reservoir

In line with its Water Quality Management System, Rand Water continuously monitors the catchment and informs Rand Water operations and stakeholders of raw water risks.

Restoration of the Vaal Barrage Reservoir natural habitat

The Vaal River Barrage Reservoir (VRBR), a 64-kilometre-long managed segment of the Vaal River System, is a vital part of South Africa's natural capital. The VRBR covers a surface area of 168.35 km² and holds 63 million litres of water. The VRBR forms an essential ecological asset, providing habitat for aquatic species and supporting biodiversity. As a water body of strategic importance, its health and sustainability are directly linked to the wellbeing of communities and economic sectors reliant on this water system. In line with Section 116 of the National Water Act, an integrated plan consisting of the Integrated Biological Remediation Programme and the Local Resource Management Plan has been developed and is being implemented to preserve and restore this natural resource with reference to listed alien invasive macrophytes.

COMPLIANCE TO THE ENVIRONMENTAL LEGISLATION

Rand Water upholds the environmental legislation and relevant guidelines supported by effective governance structures. Providing the overall environmental legislative compliance annually, specifically focusing on strategic and operational Environmental permits, and licences application, compliance monitoring and auditing to permits acquired and implemented during the 2024/25 financial year.

The National Environmental Management Act, No. 107 of 1998, National Water Act, No. 38 of 1998 and National Heritage Resources Act, No. 25 of 1999, require authorisation as per relevant listed activities. These activities pertain to the abstraction of raw water and certain infrastructure development projects being implemented within the Republic of South Africa.

During the 2024/25 financial year, Rand Water's Environmental Authorisation and Compliance section acquired 25 environmental authorisations, permits, or licences, as follows:

Table 23: Environmental Authorisations obtained in 2024/25 Financial Year

LICENCE NAME	NUMBER OF LICENCES
Water use approval (General Authorisation)	3
Environmental Authorisation (Amendments)	2
Heritage Permit	2
Renewed Authorisations	18

The organisation continues to monitor and enforce compliance with the conditions of these licences during the implementation of the projects and other relevant activities, this ensures legal compliance and environmental stewardship.

Environmental Management System: ISO 140001

For the 2024/25 financial year, Rand Water successfully completed its ISO 14001:2015 and ISO 45001:2018 recertification audit. We were recommended for recertification after addressing eight (8) minor non-conformances identified, all of which have since been closed.

Our organisation has proudly maintained ISO 14001 certification for over 22 years, demonstrating a longstanding and unwavering commitment to environmental management and sustainability. This internationally recognised standard outlines the requirements for an effective Environmental Management System (EMS).

WATER-SAVINGS INITIATIVES

In the 2024/25 financial year, Rand Water through Water Wise launched a groundbreaking initiative titled the "Drop by Drop Pilot Project" in Soweto, aimed at confronting the water wastage challenge. This innovative programme focuses on the early detection of water leaks, retrofitting, and implementing data-driven monitoring systems across selected households. Rand Water formed a synergy with a range of government and private stakeholders.

Through this project, participating households will be equipped with smart water-saving technologies and tools to identify leaks and inefficient water use. Additionally, the integration of real-time data gathering will empower residents to manage and reduce their water consumption effectively.

The following are some of the project benefits:

- Reduced water loss in distribution networks.
- Enhanced understanding of consumption patterns at a household level.
- Improved planning and decision-making for future infrastructure upgrades and water-saving campaigns.

This pilot represents a strategic step forward in promoting sustainable water use, increasing community awareness, and ensuring long-term water security in urban areas.

INTELLECTUAL CAPITAL

“Our intellectual capital is derived from our institutional knowledge created over the years which includes explicit and tacit knowledge, systems, policies, procedures, and protocols. The human knowledge (skills and experience), research, innovation, and patents associated with our brand and reputation, including information technology capabilities, innovation of new technologies and ability to develop new technologies, products and services are a driver of our Intellectual capital.”

MANAGING OUR INTELLECTUAL PROPERTY

Rand Water have developed the Intellectual Property (IP) Policy that provides for the appointment of the Chief IP Officer and IP Officers, within each portfolio to assist with the day-to-day management of IP within their specific area. It also provides for the establishment of an IP Management Committee to oversee all the activities relating to the protection and management of IP within Rand Water.

Rand Water employs IP management strategies to maintain an IP inventory, implement naming and logo registrations, review contracts for IP clauses, educate staff on identifying and documenting IP and make use of Non-Disclosure Agreements (NDAs).

Strategic Management of our IP includes:

- Regular audits and assessments of intellectual properties.
- Implementation of intellectual property policies.
- Engagement with external experts for continuous improvement.

HOW WE CREATE INTELLECTUAL PROPERTIES

OUR INTELLECTUAL PROPERTIES

Rand Water creates its intellectual properties through undertaking continued research and development activities with institutions of higher learning. The creation of our IPs is regulated by an approved IP Policy and Procedural Manual that ensures maximum legal and commercial value for sustainability and credibility. IPs are also created through inventions by employees. In terms of the provisions of the IP Policy, all IPs created by employees belong to Rand Water. Should it be established that there is value in the IP created, Rand Water will move to have the IP protected.

Rand Water continuously create new knowledge and contribute to the IP creation through innovation and new technology development, as well as transferring and sharing knowledge generated with local, global audiences and stakeholders.

PRESERVING ORGANISATIONAL MEMORY

Rand Water complies with the National Archives and Records Service Act, No. 43 of 1996 (as amended) (NARS)with an exemption from Section 11 (2) (b) of the Act and is therefore allowed to permanently archive or preserve its records of archival or historical value. The approved Records Classification System (File Plan) is used as a filing system for correspondence records, as prescribed by Section 13(2)(b) (i) of the NARS Act.

Rand Water in its quest to comply with legislative environment, invited the National Archives and Records Service of South Africa (NARSSA) in the 2024/25 financial year, to conduct compliance inspection in terms of Section 13(2) (c) of the NARS Act which was honoured. The inspection was aimed at assessing and affirming the conditions of the exemption status granted in 1999 in terms of Section 11 (2) (b) of the Act. The inspection outcome affirmed the exemption status of the organisation.

In line with its commitment to sound governance, compliance, and digital transformation, Rand Water continues to strengthen its information preservation practices through digitisation, archiving, and disposal programmes.

On *Records Digitisation Programme,* 956 680 paper-based records generated were converted into digital format in line with the Rand Water Digital Transformation Strategy using an approved electronic records management system for correspondence records.

On the *Records Disposal Programme* no correspondence records have been destroyed in the period under reporting. Only records other than Correspondence Records and are ephemeral/ transitory were destroyed in terms of General Disposal Authority No. AT2**,** as issued by the National Archivist.

We have created 1 592 078 records in the financial year 2024/25. All these records are active. 60 452 records are archived, 956 680 digitised and nine (9) destruction certificates were issued.

Rand Water has also applied for Standing Disposal Authority from the National Archives and Records Service of South Africa (NARSSA) for our current records management system of correspondence records and the outcome will provide guidelines on the implementation in the new financial year 2025/26.

HOW WE PROTECT OUR INTELLECTUAL CAPITAL

INTELLECTUAL PROPERTY PROTECTION

We protect our Intellectual Capital by ensuring that all IPs are registered with the relevant regulatory body and these IPs are renewed as and when necessary.

Our registered IPs are relevant to our daily operational business activities and IP protection mechanisms:



Trademarks	Logos, Service Names and Slogans.
Copyright	Reports, publications and software code.
Designs	Unique layouts of water treatment facilities and/or tools.
Patents	Inventions (time-bound, jurisdiction-specific), Water Purification Systems and Sensor Technologies.
Contracts/ Trade Secrets	NDA's, Licensing, Employment Clauses Operational Data and Internal Procedures.
Confidentiality Policies	Confidential and Sensitive Data.

Common risks and threats of unauthorised use or leakage of proprietary information and inadvertent sharing of internal processes are mitigated through established protocols for breach response and legal action for infringements.

Digital Technology and Cybersecurity

Our innovative investments in digital technology are safeguarded through a comprehensive cybersecurity and information governance framework designed to maintain confidentiality, integrity and availability of information. Rand Water maintains key protection measures to ensure that the intellectual property, institutional knowledge and operational systems that form our competitive advantage remain secure and resilient. These measures ensure that the intellectual property, institutional knowledge, and operational systems that form our competitive advantage remain secure and resilient.

Key protection measures include:

- Zero Trust Security Model ensures system and data access is continuously verified with permissions based on identity and role.
- Advanced Threat Protection provides for real-time monitoring through our Security Operations Centre (SOC) using next-generation Endpoint Detection and Response (EDR) technologies.
- Regulatory Compliance for alignment with the Protection of Personal Information Act (POPIA), ISO 27001 and internal governance policies.
- Business Continuity for deployment of Backup-as-a-Service (BaaS) and Disaster Recovery-as-a-Service (DRaaS) to enable rapid recovery from disruptions.

HOW KNOWLEDGE IS TRANSFERRED AND SHARED

KNOWLEDGE SHARING THROUGH RESEARCH

Knowledge transfer and sharing is through research, innovation and collaboration with local and external stakeholders including global audiences at various forums. The purpose of knowledge transfer and sharing is to identify, safeguard, transfer and share knowledge created for beneficial use.

During the period under review, knowledge created was presented and shared to seven (7) South African and International forums such as the Embassy of Belgium, the Kenya Global Bioeconomy Summit and International Water Association's Digital Water Summit in Spain.

Rand Water hosted the first joint symposium under the theme, *The Digital Transformation of Water Utilities,* focusing on the impact of technology towards smarter, secure and sustainable water. The symposium was attended by approximately 420 attendees from various local and international organisations. The attendees represented technology, science and engineering companies, academic institutions, research organisations such as the Water Research Commission (WRC) and the Centre for Scientific and Industrial Research (CSIR) and other external stakeholders such as SADC Water Net.

The intellectual capital of Rand Water has increased through knowledge created by research performed by the seven (7) Professorial Chairs at three (3) South African universities, namely, University of South Africa, Stellenbosch University and University of Pretoria. The knowledge was captured and shared over 30 research papers published in peer-reviewed journals. Most research studies focused on Natural Sciences and Engineering with the emphasis on Water Purification, Engineering and Digital Technology. Rand Water is committed to award Professorial Chairs in the new financial year 2025/26 to continuously conduct research and increase knowledge creation for the next five (5) years.

KNOWLEDGE AND INFORMATION SHARING

In the financial year 2024/25, Rand Water embarked on the establishment of the Rand Water Research Development and Innovation Hub @ UP in collaboration with the University of Pretoria. The hub is an Institution of Higher Education and Training. The new institution will come into operation in the first quarter of the next financial year 2025/26.

The purpose of the institution is the following:

- Invest in capacity development of the Water and Sanitation Sector.
- Increase the influence and impact of Rand Water on Water and Sanitation Post-Graduate Research in South Africa.
- Increase our Intellectual Capital.

Rand Water also contributed to the 30-year Performance Review of the South African Government. Our contribution titled "Shifting from Commercially Focused to Inclusive Public Bulk Water Services in the Rand Water Area of Supply, from 1994 to 2024", captures our contribution to Socio-economic development since the dawn of democracy.

Access to Intellectual Information

During the period under review, Rand Water established a Resource Centre to improve knowledge transfer and sharing with the emphasis to acquire both paper-based and digital external knowledge resources for its employees on an easily accessible platform. The Resource Centre offers access to a collection of 9,600 e-journals, approximately 16,000 paper-books, 5,800 e-books and 10 digital repositories, including Engineering Workbench, APQC, EBSCO, Sabinet and Science Direct. The collection is published on the recently modernised Resource Centre Intranet, social media and Rand Water Website. The Centre further captures, safeguards and disseminates the knowledge products created to both internal and external stakeholders.

The knowledge about our Heritage, in line with the celebration of Rand Water's 120 years of existence, is captured in a reference book titled "An African Giant on the Move". The book is part of the trilogy of Rand Water books describing the incredible hundred- and twenty-year journey and heritage of Rand Water since its establishment in 1903, its focus is on the past decade from 2014 to 2023, with emphasis on the growth of Rand Water, how we made a difference by caring, our value of excellence and achievements, how we overcame our challenges and how we face the future. The book supplements the two (2) existing books **"**The Substance of Uniquity" and "In Pursuit of Excellence", which celebrated the 110 years' existence of Rand Water. The three (3) books collectively commemorate our heritage.

Some additional knowledge transfer and sharing initiatives we have undertaken during this financial year 2024/25 include the following:

Collaboration, facilitation, and participation in the live/ field testing or experimental phase for research topics about creating Digital and Knowledge Twins of Pumpsets

This initiative was a joint effort, conducted in collaboration with the University of Stellenbosch as part of the research activities of the Rand Water Professorial Chair in Mechanical Engineering, over two (2) days at the Vereeniging Pumping Station.

Technology Approval Group (TAG) workshops

Two (2) workshops were conducted in partnership with Isle Utilities. The focus was on the water industry experience and expertise. Knowledge was applied to screen potential technologies that could benefit the water sector.

The Digital Acceleration in Local Government Summit

The Summit *was* hosted by eThekwini Municipality. A research paper on a pilot project titled "Use of a Geotagging Solution to Improve Asset Management and Access to Information" was presented by Rand Water to both in-person and virtual attendees to share knowledge about this practical solution.

The Future Leader Trend Watch Breakfast and Innovation League Awards

This was a premier event, that brings together over 200 innovation management professionals from over 30 countries, focused on celebrating excellence in innovation, global innovation trends and future foresight. Rand Water was awarded the Innovation League Silver Award, achieving the second-highest overall score. Key insights from the event included the strategic value of adopting the ISO 56001 Innovation Management Standard, a structured framework that offers practical tools to improve innovation practices within organisations.

Rand Water Digital Museum

Rand Water Digital Museum was established to enable sharing of knowledge without comprising security aspects as envisaged in the Critical Infrastructure Protection Act, No. 8 of 2019. Its initiative is more than an archive, it is a story of how Rand Water has developed, innovated, and sustained communities for over a century which included collecting, preserving and curating content. The highlights of the content identified capture the heart and legacy of Rand Water. These areas can be imagined as "Halls" or "Chapters" of the Digital Museum, each bringing a piece of the Rand Water's history to life.

In the financial year 2024/25, we have collected, captured and digitised artefacts that contribute to the institutional memory and knowledge management programme of the organisation as:

The Wellspring of Beginnings: Historic documents, blueprints and early records that capture the foundations of Rand Water. Tracing our origins and the formation of the Board.

Engines of progress: Showcasing the pumping and purification stations (Vaal Barrage, Vereeniging, Zwartkopjes and Zuikerbosch) that became the backbone of water supply.

Pipelines of purpose: Highlighting the first pipes installed by Rand Water, photographs of pumping stations, laboratories and pipeline networks such as the B06 and their upgrades.

History of Rand Water members: Honouring the Workers, Engineers and Administrators at key moments in history who shaped the organisation's journey

Emergence through time: Focus on milestones report and projects highlight that reflect Rand Water's growth like the Mapleton upgrade, emergency generators and modernisation efforts that ensured reliability.

Access to Personal Information

Rand Water has complied with the provisions of Promotion of Access to Information Act, No. 2 of 2000 (as amended) (PAIA) and Protection of Personal Information Act, No. 4 of 2013 (POPIA). In the financial year 2024/25, we submitted Section 32 Report for Rand Water and all its subsidiaries to the Information Regulator.

The implementation of Data Privacy and Information Classification Procedure was initiated resulting in five (5) employee awareness sessions and two (2) training sessions, one (1) PAIA and one (1) POPIA, conducted by the Information Regulator for all Rand Water Compliance Officers.

The review of Data Protection and Privacy Policy has also been initiated in line with Rand Water Policy Development Framework to ensure that it is current and still serves the purpose.

During the year under review, Rand Water has concluded its investigation into the digital solution for the implementation of data classification. The outcome of the investigation will be focused on the risk assessment of the data across all repositories in the new financial year 2025/26.

The table below are the requests of both POPIA and PAIA, made in terms of Section 25 of POPIA and Section 18 of PAIA respectively and submitted to the Information Regulator of South Africa.

Table 24: Requests for Information in line with POPIA and PAIA

Description	Number
Number of access request/ applications received	21
Number of requests for access granted in full	19
Number of requests for access granted in the Public Interest	0
Number of requests for access refused in full	1
Number of requests for access refused in partial	1
Number of requests in which periods were extended	1
Number of internal appeals lodged with the relevant authority	0
Number of appeals lodged on deemed refusals	0
Number of complaints lodged against the body with Information Regulator	0

VALUE CREATED THROUGH INNOVATION AND TECHNOLOGY

INNOVATION PILOT PROJECTS

In the financial year 2024/25, seven (7) Innovation Pilot Projects were completed. The knowledge gained from the pilot projects was transferred to Rand Water's process owners for testing, adoption and implementation of innovative solutions. The tested innovations focused on the Circular Economy, Physical Security of Infrastructure Assets and Infrastructure Asset Management. The full implementation of the innovative solutions can benefit Rand Water with total annual cost savings of approximately R1.242 million.

Project Name	**Using Artificial Intelligence (AI) and Machine Learning (Mℓ) to forecast pump failures**
Pilot Area	**Zuikerbosch Engine Room 4**
Type of Intellectual Material	• AI Algorithm • Electrical Signature Analysis (ESA) Web-based Software application • Clampon current sensors, inline Voltage sensors • User Interface (UI) Designs, Web-based interface – interactive pages • Databases and Data Sets
Benefit	• Real-time monitoring of pumps • Predictive analysis of pump failure • Extended lifespan of the pumps • Operational metrics data processed and provided in real time • Improved customised trends and reporting • All data/datasets stored securely on a cloud platform, structured and curated, useable for insights and training, and usable for data analytics • An early warning system for electromechanical asset health
Cost Benefit	• Reduction of 'lost water production' because of asset failure • Reduction of costs for mitigation infrastructure during downtime / asset failure • Reduction of personnel costs for callouts during asset failure • Reduction of reactive maintenance costs
Skills to be developed	• Risk-based Asset Management • Electrical system knowledge • Condition monitoring • Preventative and predictive maintenance • Root-cause analysis and failure diagnoses • Data analytics • Life-cycle costing
Reputational Benefit	• All algorithms are proprietary • Data/ datasets ownership • Enhanced reputation

Project Name	Non-disruptive solution to inhibit limescale build-up within Water Treatment Residue Pipelines
Pilot Area	**Zuikerbosch Central Sludge 2**
Type of Intellectual Material	• Electromagnetic Ring • Databases and Data Sets
Benefit	• Reduced maintenance downtime • Improved water treatment residue pumping efficiency • Eliminating forced/ unplanned shutdowns and disruptions due to scale buildup • Eliminating pump set/ equipment damage and replacement • Eliminating pipeline replacement • Efficient pumping and energy saving • All data/ datasets are structured and curated, useable for insights and training, and usable for data analytics
Cost Benefit	• Cost of replacement or failed equipment, maintenance and water quality • Pipeline replacement costs • Pumping and energy costs
Skills to be developed	• In-depth understanding and verification of the molecular oscillation
Reputational Benefit	• Data/ datasets ownership • Molecular Oscillation is effective for 5 years

Project Name	Testing of non-intrusive flow measuring devices (ultrasonic)
Pilot Area	**Vereeniging Pumping Station**
Type of Intellectual Material	• AI Algorithm, Data Driven Alerts and Decision-Making • Supervisory Control and Data Acquisition (SCADA) • Ultrasonic Clamp-on • Databases and Data Sets
Benefit	• Continuous monitoring and data collection to support predictive maintenance, trend analysis and informed operational decisions • Reduced water losses, inefficiencies identification and resource allocation optimisation. • No stoppage or interruption to pipeline operation • Integration to Rand Water Supervisory Control and Data Acquisition (SCADA). • Comprehensive pipeline flow analysis and accurate water flow balances. • Provision of critical data to support future planning and water-saving initiatives • All data/ datasets structured and curated • All data/ datasets are usable for insights and training • All data/ datasets are usable for data analytics
Cost Benefit	• Comparative results to expensive magnetic flow meters for potable water systems • Devices are more cost effective • Maintenance cost

Project Name	Testing of non-intrusive flow measuring devices (ultrasonic)
Pilot Area	**Vereeniging Pumping Station**
Skills to be developed	• Auto-logging time-based dataset of flow rate and totalised flow of water • Accurate installation location testing and ability to install without disrupting pipeline operations • Comprehensive flow analysis and accurate water flow balances. • Planning and Water-saving initiatives
Reputational Benefit	• Data/datasets ownership

Project Name	Testing of vandal-proof devices for chambers and flow measuring equipment
Pilot Area	**Vereeniging Pumping Station**
Type of Intellectual Material	• AI Algorithm, Data Driven Alerts and Decision-Making • Cloud-based IoT Software platform • User Interface (UI) Designs, Cloud-based IoT Software platform – interactive pages • Robust and durable solution to secure valve and meter chambers • Databases and Data Sets
Benefit	• Customised trend analysis, push notifications and reporting • Continuous monitoring, data collection, real-time alerts and trend analysis of intrusion attempts or vandalism on field infrastructure (chambers) • Reduced theft and vandalism in chambers • Interactive protective services response • Managed Asset Register • Managed Database user access and logs • All data/ datasets structured and curated • All data/ datasets are usable for insights and training • All data/ datasets are usable for data analytics
Cost Benefit	• Asset replacement cost • Accurate metering results
Skills to be developed	• Continuous monitoring, data collection, real-time alerts, and trend analysis of intrusion attempts or vandalism on field infrastructure (chambers)
Reputational Benefit	• All data/datasets are wholly owned by Rand Water • Secured valve and metering infrastructure

Project Name	Testing of vandal-proof devices for Cathodic Protection Equipment on Pipelines
Pilot Area	**Bulk Water Distribution network**
Type of Intellectual Material	• AI Algorithm, Data Driven Alerts and Decision-Making • Cloud-based IoT Software platform with a local application to access insights and operational metrics • User Interface (UI) Designs, Cloud-based IoT Software platform – interactive pages • Anti-vandalism underground enclosures for single-phase cathodic protection (CP) devices • Databases and Data Sets
Benefit	• Robust and durable underground and above-ground security to Cathodic Protection (CP) devices • Real-time database (Opening and closing chambers, tamper attempts and alarms or alerts from various sensors) • Customised trend analysis, push notifications and reporting • Continuous monitoring, data collection, real-time alerts and trend analysis of intrusion attempts or vandalism on Cathodic Protection (CP) devices • Reduced theft and vandalism on Cathodic Protection (CP) devices • Interactive protective services response • Managed Asset Register • Managed Database user access and logs • All data/datasets structured and curated • All data/datasets are usable for insights and training • All data/datasets are usable for data analytics
Cost Benefit	• Asset replacement cost
Skills to be developed	• Continuous monitoring, data collection, real-time alerts and trend analysis of intrusion attempts or vandalism on field cathodic protection (CP) devices.
Reputational Benefit	• All data/datasets are wholly owned by Rand Water • Secured Cathodic Protection (CP) devices

Project Name	Automated liquid handling and preparation steps for rapid, high-precision Quantitative Polymerase Chain Reaction (QPCR)
Pilot Area	**Analytical Services Laboratory**
Type of Intellectual Material	• Practical expertise or techniques • Advanced troubleshooting skills
Benefit	• Meeting experimental requirements • Internal calibration and alignment of robotic components • Advanced troubleshooting skills related to liquid-level sensing malfunction and communication errors between the instrument and software • Shorter turnaround time for the availability of molecular results • Eliminates repeat analysis • Minimised analyst interaction through automated workflows
Cost Benefit	• Reduced manual labour costs • Errors and rework costs • Long-term return on investments (ROI)
Skills to be developed	• Practical expertise in configuring the automated system to meet experimental requirements • Practical expertise on internal calibration and alignment of robotic components • Advanced troubleshooting skills related to liquid-level sensing malfunction and communication errors between the instrument and software
Reputational Benefit	• All data/ datasets are wholly owned by Rand Water • Secured valve and metering infrastructure

Project Name	Removal and beneficiation of Water Treatment Residue (WTR)
Pilot Area	**Panfontein Plant**
Type of Intellectual Material	• Integration of distinctive thermal drying and block-making techniques Trade Secret: WTR Brick Composition
Benefit	• Eliminates sludge disposal challenges • Manufactured green-rated bricks from generated ash
Cost Benefit	• Reduced operational costs • Potential revenue from by-products
Skills to be developed	• Tacit knowledge, Replicable by trained professionals
Reputational Benefit	• Competitive manufacturing advantage

NEW TECHNOLOGY DEVELOPMENT

Rand Water's Digital Technology and Information Management (DTIM) is a strategic pillar that facilitates a comprehensive digital transformation and capabilities, comprising of knowledge, systems, processes and innovations that enable us to deliver value sustainably and stay at the forefront of technology and information management. This aligns with the broader business objectives and long-term digitalisation objectives to achieve business goals.

To accelerate digital maturity, we invested in enterprise-grade systems and software on a scalable platform, emerging technology that integrates processes, automates workflows and enhances operational intelligence and efficiency for digital transformed service delivery and improved customer experience.

Technology implemented in support of digitalisation includes Enterprise Data Integration platform, providing a single source of truth for Data-driven decision-making, AI-assisted dashboards that deliver predictive and prescriptive trends and audit tracking for risk management, Cybersecurity for secure and resilient IT and OT environments and Advanced Cloud Migration providing for reduced infrastructure costs, better business continuity management and increased opportunities for innovation.

The following are the enterprise-grade systems and software licences acquired in the financial year 2024/25.

- Microsoft Azure enterprise cloud services
- HR Suite Solution

IT Smart Solutions Initiatives

Rand Water has embarked on smart transformation initiatives with the aim to optimise operations and enhance strategic decision-making.

Below are the IT Smart Solutions Initiatives implemented in the financial year 2024/25

Table 25: IT Smart Solutions

Initiative Name	Benefit
Debt Analysis Predictive Analytics	Improved debt analysis and reporting
Digital Service Management	Improved incident resolution times and service delivery transparency
Cloud-based Collaboration Tools	Knowledge sharing and remote project execution

OUR GOVERNING PRINCIPLES

Rand Water is primarily governed by the Water Services Act, which commands Rand Water to adopt a policy statement that should at least fit within the parameters set out in Section 39 of the Act. Rand Water continues to maintain policy creation, adoption, review and implementation for each regulated business area to ensure compliance with the regulatory requirement and alignment to our strategic objectives.

In the financial year 2024/25, we committed to continuous assessment of policies impacting our stakeholders to ensure that our policies are effective and contributing to strategic decision-making and risk mitigation. Below are policies reviewed:

Table 26: Policies Reviewed in the 2024/25 Financial Year

Policy Name	Stakeholders Impacted	Impact
Climate Change Policy	Government Customers Citizens	Long-term national water security National environmental legislation and climate change policies. Citizens/ public health and livelihoods
Prominent Influential Persons (PIP) Policy	Investors	Risks mitigation of corruption and undue influence Rand Water's reputation and integrity to prioritise public/ citizens interest
Recruitment and Selection Policy	Government Citizens	Adherence to the Employment Equity Act (EEA) Principles of fairness, transparency, and non-discrimination Overall skills base within the boundaries of Rand Water's operations regions
Capacity-Building Policy	Government Citizens	Long-term sustainability of public services Youth Development initiatives Community Skills Transfer through outreach programmes or community projects
Conferencing and Travel Policy	Government	Adherence to the Public Finance Management Act (PFMA) and National Treasury Regulations Resources for core service delivery
Leave Policy	Government	Adherence to the Basic Conditions of Employment Act (BCEA) Stable and productive workforce

RAND WATER

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

RAND WATER

Consolidated Annual Financial Statements for the year ended 30 June 2025

INDEX

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

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STATEMENT OF RESPONSIBILITY BY THE BOARD

The Board is required by the Water Services Act, No. 108 of 1997 and the Public Finance Management Act, No. 1 of 1999, to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements of Rand Water and its subsidiaries, and the related financial information included in this report.

The consolidated annual financial statements for the year ended 30 June 2025 have been prepared in accordance with the International Financial Reporting Standards (IFRS Accounting Standards) and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The Board is responsible for a system of internal controls that constitutes control procedures implemented by Rand Water management to ensure efficient and effective business operations for the attainment of set targets and objectives. The Board assessed the risks and ability of the Group to continue as a going concern into the foreseeable future. The Board has no reason to believe that Rand Water and its subsidiaries will not be a going concern in the foreseeable future, based on the current forecasts and available cash resources. The annual financial statements support the financial long-term viability of Rand Water.

The Board confirms, based on the information available to date, that it has collectively assessed the content of the consolidated annual financial statements, which fairly represent the financial position of the Group as at 30 June 2025 and the results of the operations and cash flow information for the year ended.

The audited consolidated annual financial statements were approved by the Board at its meeting held on 31 October 2025 and signed on its behalf by:



Sipho Mosai
Group Chief Executive



Ramateu Monyokolo
Chairperson

REPORT OF THE GROUP AUDIT AND RISK COMMITTEE

1. Background

The Group Audit and Risk Committee (the Committee) is a sub-committee of the Board that combines the Audit and Risk Committee of the subsidiaries, Rand Water Foundation (RWF) and Rand Water Services (RWS), with that of Rand Water. The Committee comprises eight (8) members: six (6) members from the Board of Rand Water, one (1) member from the Rand Water Foundation Board and one (1) member independent from the Board of Rand Water.

2. Group Audit and Risk Committee terms of reference

The Committee operates based on terms of reference, which regulates both its statutory duties and those delegated to it by the Board. The terms of reference incorporate responsibilities of an audit committee as highlighted in section 77 of the Public Finance Management Act, No. 1 of 1999 (PFMA), Treasury Regulation 27.1 and the King Report™ on Corporate Governance for South Africa, 2016 (King IV). The terms of reference were reviewed to align with governance principles and best practices and are approved by the Board.

3. Group Audit and Risk Committee members, meeting attendance and qualifications

The Committee consists of independent non-executive members. The Committee meets at least four times per year in line with its terms of reference. Attendance of meetings, dates of appointments and qualifications of the members are included in the Corporate Governance report and the Board Profile reports.

4. Roles and responsibilities Statutory duties

Statutory duties

The Committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities therein. The Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

External auditors' appointment and independence

The Auditor General of South Africa (AGSA) remains the external auditors of the Rand Water Group in terms of Section 4(3)(a) of the Public Audit Act, No. 25 of 2004.

The Committee in consultation with management, agreed to the terms and conditions of the engagement letter, the audit plan and the budgeted audit fees for the year under review. The Committee has satisfied itself that the external auditors were independent of the Group, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the external auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

Financial statements and accounting practices

The IFRS Accounting Standards, issued by the International Accounting Standards Board (IASB), remain the reporting framework within which Rand Water reports. The Committee has evaluated the consolidated annual financial statements of Rand Water for the year ended 30 June 2025, and based on the information provided, considers it compliant in all material respects with the requirements of the PFMA, Water Services Act, No. 108 of 1997 and IFRS Accounting Standards.

The Committee has:

- reviewed changes in accounting policies and practices in terms of the IFRS Accounting Standards;
- reviewed and discussed with the external auditors and the accounting authority, the audited consolidated annual financial statements;

REPORT OF THE GROUP AUDIT AND RISK COMMITTEE (CONTINUED)

- reviewed the external auditors' management letter and managements' response thereto;
- reviewed compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit;
- reviewed and discussed with the accounting authority, the performance information submitted to the external auditors; and
- reviewed and assessed the Johannesburg Stock Exchange (JSE) proactive monitoring report.

During the year the Committee met with the external auditors and internal auditors, without management being present, and confirmed that there were no material unresolved issues.

Internal controls

The internal controls system is designed to provide reasonable assurance regarding the effectiveness and efficiency of operations, safeguarding of assets, prudent management of liabilities and working capital and compliance with laws and regulations.

The key components of the internal financial controls architecture include:

- A comprehensive and integrated system of financial planning, budgeting, and reporting that enables ongoing monitoring of financial performance;
- An approved framework for assessing materiality and significance;
- Clearly defined delegations of authority;
- A robust and sustainable funding strategy; and
- Institutionalised policies and procedures across all areas of business.

These controls are monitored throughout the organisation by management and employees, with the necessary delegation of authority and segregation of duties. The Committee is satisfied that the financial and performance reports submitted during the year were of an acceptable quality and enabled informed oversight and decision-making.

Based on its review of the various internal audit reports for the current financial year, the Committee noted that there were no material weaknesses in the systems of internal controls. The internal controls were generally adequate and effective except in the procurement of goods and services and Information Communication and Technology (ICT) where significant findings were raised indicating control deficiencies requiring urgent management attention. The Committee maintains close oversight and continues to track management's effort to address and remediate the identified weaknesses.

Going concern

The consolidated annual financial statements have been prepared on a going concern basis. Based on the quality and timeliness of the information provided as detailed in section 11 of the Board Report, the Committee is satisfied that the Group can continue to operate as a going concern in the foreseeable future. Accordingly, the Committee has recommended the consolidated annual financial statements for approval by the Board.

The Committee has reviewed management's assessments of the going concern of the Group and has made recommendations to the Board accordingly.

Internal Audit

The Group Internal Audit (GIA) function continues to serve as a cornerstone of the governance framework, operating in accordance with the Public Finance Management Act (PFMA), King IV principles, and the newly adopted Global Internal Audit Standards issued by the Institute of Internal Auditors (IIA).

The Committee exercised direct oversight of GIA, including approval of the Internal Audit Charter, the rolling three-year strategic internal audit plan, and the annual risk-based audit plan. The Committee is satisfied that the GIA provided assurance on governance, risk management and control processes as per the approved internal audit plan. GIA delivered on its approved plan for the reporting period and submitted quarterly progress reports to the Committee. The reports detailed audit outcomes and management's progress on remediation of audit findings.

The Internal Audit unit completed 89% of the planned audits for the current financial year (2024: 77%). The completed audits covered the following areas:

- Quarterly Performance Information for the Group and Subsidiaries
- Draft Consolidated Annual Financial Statements
- Internal Financial Controls
- Supply Chain Management
- Human Resources and Performance Management
- The Environmental, Social and Governance (ESG) Report
- Digital Technology and Information Management including General Controls and Security Processes
- Project Management and SAP system
- Asset Maintenance and Maximo System
- Enterprise-Wide Risk Management processes
- Natural Environmental Management
- Water Quality and Water Purification Integrated Audits
- Meter Reading and Revenue Management Review
- Water Balance and Non-Revenue Water Integrated Audits
- Process Technology Integrated Audits
- Physical Security and National Key Point Review
- Physical Patrol and Leaks Identification.
- Recoverable projects
- Asset Management (including assessment of critical assets) Review
- Knowledge Management and Records Review
- SHEQ Audits
- Follow up of internal and AGSA findings

The Group Audit Executive (GAE) has unrestricted access to both the Committee and its Chairperson, thereby reinforcing the independence and stature of the function. The GIA remained effective and demonstrated professional competence in fulfilling its mandate, underpinned by adherence to the IIA Code of Ethics and the Standards for the Professional Practice of Internal Auditing.

GIA continues to meet its quality assurance obligations. In line with the best international practices, GIA undergoes an External Quality Assurance Review (EQAR) at least once every five years. However, Rand Water has opted for a more rigorous three- year review cycle. The most recent EQAR, completed in March 2024, resulted in a rating of 'Generally Conforms', the highest rating attainable, affirming material compliance with IIA standards and ethical expectations.

During the current reporting period, GIA proactively commenced aligning its audit methodologies with the new Global Internal Audit Standards to ensure sustained conformance and readiness for the next EQAR, scheduled for 2027.

REPORT OF THE GROUP AUDIT AND RISK COMMITTEE (CONTINUED)

Combined assurance

Rand Water has formally adopted a Combined Assurance Model to strengthen governance, reinforce the internal control environment, and optimise the assurance derived from both management and independent assurance providers.

A clearly defined Combined Assurance Framework has been institutionalised to support structured implementation across the Group. The framework is operationalised through the Combined Assurance Forum, comprising representatives from key assurance and oversight functions—including Integrity and Probity Assurance, Risk Advisory Services, Group Legal Services,

Group Regulatory and Compliance Services, GIA, and the AGSA. This structure facilitates a systematic and coordinated response to strategic and operational risks, aligned with the Five Lines of Assurance model.

The coordination and facilitation of combined assurance activities are delegated to GIA, in accordance with its mandate under the Internal Audit Charter. Throughout the reporting period, the Committee received quarterly updates on the effectiveness and adequacy of the combined assurance efforts, including internal controls relating to strategic risks. As part of the combined assurance model, GIA and AGSA had structured engagements during the year. The engagements included the sharing of planning intelligence including the approved GIA three-year rolling plan and annual plan, completed audit reports and working papers, and collaborative assurance efforts where reliance and direct assistance were agreed upon.

Expertise and experience of the Group Chief Financial Officer and Group Finance Function

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

Governance of risk

The Committee oversees the implementation of the policy and plan for risk management taking place by means of risk management systems and processes. The Committee oversees the financial risk management aspect and is satisfied that appropriate and effective systems are in place for risk management.

External Auditor's Report

The Committee accepts the audit opinion of the external auditors on the consolidated annual financial statements and recommends that the audited consolidated annual financial statements be accepted and read together with the report of the external auditors.



Ms. Zanele Monnakgotla
Chairperson

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the consolidated and separate annual financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the Rand Water and its subsidiaries (the group and public entity) set out on pages 170 to 320, which comprise the consolidated and separate statement of financial position as at 30 June 2025, consolidated and separate statement of financial performance and comprehensive income, consolidated and separate statement of changes in equity, and the consolidated and separate statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including material accounting policy information.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Rand Water and its subsidiaries as at 30 June 2025 and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Context for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
4. I am independent of the group and 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.
6. In terms of the Independent Regulatory Board for Auditors (IRBA) Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), I report:

Final materiality

7. The scope of my audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error, and they 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 the consolidated and separate financial statements.
8. My determination of materiality is a matter of professional judgement and is affected by my perception and understanding of the financial information needs of intended users, which is the quantitative and qualitative factors that determine the level at which relevant decisions taken by users would be affected by a misstatement. These factors helped to determine the scope of the audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.
9. Based on my professional judgement, I determined final materiality for the consolidated and separate financial statements as follows:

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Materiality considerations	Consolidated financial statements	Separate financial statements
Final materiality amount	R458 million	R458 million
Basis for determining materiality	2% of revenue, as disclosed in note 23 to the financial statements	2% of revenue, as disclosed in note 23 to the financial statements
Rationale for benchmark applied	Revenue is an appropriate quantitative indicator of materiality as it reflects Rand Water's core business of selling bulk potable water and its ability to sustain operations.	

10. In determining materiality, professional judgement was applied, taking into account that group and public entity's funds its operations through revenue generated from the sale of water and does not rely on government funding. No adjustment to the selected benchmark was considered necessary. A percentage of 2% of total revenue was applied, as it is consistent with quantitative materiality thresholds commonly used for entities operating in the water sector that are primarily revenue-generating in nature.

Group audit scope

11. I tailored the scope of the audit to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, considering the structure of the group and the accounting processes and controls.
12. The group audit scope included the audit of Rand Water and its subsidiaries, based on their financial significance and risk profiles. Professional judgement was applied in determining the extent of audit work required for each component, focusing on areas with higher assessed risks of material misstatement. The scope was designed to obtain sufficient appropriate audit evidence across all significant components to support the group audit opinion.

Key audit matters

13. Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.
14. I have determined the matters described below to be the key audit matters to be communicated in my report. In terms of the EAR Rule, I am required to also report the outcome of audit procedures or key observations with respect to the key audit matters, and these are included below:

Key audit matter	How the matter was addressed in the audit
Valuation, verification and completeness of pipelines	
The carrying value of property, plant and equipment of R32,6 billion, as disclosed in note 4 of the consolidated and separate financial statements, includes pipelines with a carrying value of R11,8 billion and included in R13,8 billion of assets under construction, some are assets relating to pipelines. The pipelines are primarily located underground and, as they are not easily accessible, physically verifying the type, thickness and material components of the pipelines from the details contained in the fixed asset register that supports the consolidated and separate financial statements poses significant challenges. Determining the carrying value of the pipeline assets involves a high degree of estimation by management. Significant assumptions and judgements are applied in determining the useful lives and impairment of the pipeline assets, as these assets are not only highly specialised in nature, but their condition is also dependent on a number of other factors such as soil conditions prevalent in the areas where the pipes are located. To this end, Rand Water uses various methods to assess the operational conditions of infrastructure located underground to determine whether any impairment indicators exist. Management has developed a comprehensive methodology for assessing impairment and useful lives for pipelines. When assessing useful lives of these assets, management applies assumptions used in this comprehensive methodology. Accordingly, the impairment tests, determination of useful lives and testing to confirm that all pipeline assets that should be recorded have been recorded and that recorded assets actually exist, are considered a key audit matter. This can also be attributed to the amount of significant audit work required to obtain audit assurance on the amounts disclosed in the consolidated and separate financial statements.	My procedures were executed with the assistance of team members with specialised skills (civil engineer and infrastructure specialist) and included the following: • The verification procedures performed had different components such as pipelines and assets under construction reported for the financial year. Specific audit procedures were performed by the audit team using different methods to provide appropriate and sufficient audit evidence of these different components of assets. • Selected samples of pipeline assets were physically verified from the pipeline asset register by the auditor and auditor's expert. The audit team applied industry-acceptable techniques used to physically verify infrastructure located underground to confirm the existence of the pipelines disclosed in the consolidated and separate financial statements. • I evaluated the various considerations and assumptions made by management when assessing the useful lives and impairment indicators of the pipelines. The audit, which was conducted with the assistance of an auditor's expert, included specific details for pipelines and their geographical locations. The assumptions applied with the documentation submitted by management were interrogated to determine whether I could rely on the assumptions that were made and whether they adequately supported the conclusions that were drawn by management. I verified the existence of pipelines as recorded in the consolidated and separate financial statements. I also determined the useful lives and impairment indicators of pipelines, based on their condition, the assumptions and criteria applied by management through various other operational and management processes, the assessment of the useful lives and indicators of impairment are reasonable and in line with industry standards.

Emphasis of matter

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

Expected credit loss of trade and other receivables

16. As disclosed in note 8 to the financial statements, the group and entity recognised an expected credit loss of trade and other receivables amounting to R2,1 billion (2024: R1,9 billion) because of potential irrecoverable receivables from trade and other receivables. This amount is attributable to non-performing municipalities i.e. municipalities that are under financial distress and are unable to pay Rand Water for the services rendered.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Responsibilities of the accounting authority for the consolidated and separate financial statements

17. The accounting authority is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

18. In preparing the consolidated and separate financial statements, the accounting authority is responsible for assessing the group and 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 group and 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 consolidated and separate financial statements

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

20. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 185 forms part of my auditor's report.

Report on the audit of the annual performance report

21. 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 objective presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

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

Objective	Page numbers	Purpose
Achieve operational integrity and use best fit technology	196 and 198	Ensuring Rand Water operates efficiently, safely, and in compliance with all statutory and regulatory requirements

23. I evaluated the reported performance information for the selected objective 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 group and public entity's planning and delivery on its mandate and objectives.

24. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the group and public entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the group and 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
- there is adequate supporting evidence for the achievements reported.

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

26. I did not identify any material findings on the reported performance information for the selected objective.

Other matter

27. I draw attention to the matter below. .

Achievement of planned targets

28. The annual performance report includes information on reported achievements against planned targets.

29. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicator that was not achieved as reported in the annual performance report.

Achieve operational integrity and use best fit technology

Targets achieved: 90%		
Key indicator not achieved	**Planned target**	**Reported achievement**
Overall project completion dates within targets	95%	57%

Report on compliance with legislation

30. 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 group and public entity's compliance with legislation.

31. 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.

32. 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 group and public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

Procurement and Contract management

34. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

35. Some of the contracts and quotations were awarded to bidders based on pre-qualification criteria stipulated in the original invitation for bidding and quotations, in contravention of the 2017 Preferential Procurement Regulation 4(1) and 4(2). Similar non-compliance was also reported in the prior year.

36. Some of the construction contracts were awarded to contractors that did not qualify for the contract in accordance with section 18(1) of the Construction Industry Development Board (CIDB) Act and CIDB Regulations 17 and/or 25(7A). Similar non-compliance was also reported in the prior year.

Consequence Management

37. Disciplinary steps were not taken against some of the officials who had incurred and/or permitted irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA..

Expenditure Management

38. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 40 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Strategic planning and performance

39. The corporate plan submitted to the director-general of Department of Water and Sanitation (DWS) designated by the executive authority did not include the affairs of the subsidiaries listed below as required by the section 52(b) of the PFMA:

- Rand Water Foundation
- Rand Water Services

Other information in the annual report

40. The accounting authority is responsible for the other information included in the annual report. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported on in this auditor's report.

41. My opinion on the consolidated and separate 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.

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

43. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information,

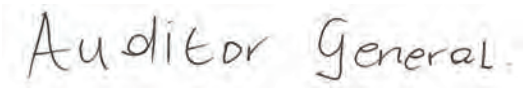
if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report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

Internal control deficiencies

44. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
45. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
46. The oversight structures did not ensure that the affairs of the group's subsidiaries were incorporated into the corporate plan, as required by the PFMA.
47. Management did not implement adequate controls to prevent and detect non-compliance with laws and regulations, which resulted in irregular expenditure.
48. Management did not take timely and appropriate disciplinary action against employees who incurred or permitted irregular expenditure.

Other reports

49. I draw attention to the following engagements conducted by us. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.
50. Three agreed-upon procedures engagements are being conducted, two on the accuracy of the water research levy payable and another on compliance with section 13B (1) of the Pension Funds Act 24 of 1956. The reports for all engagements have not yet been issued.



Pretoria

31 October 2025

AUDITOR-GENERAL SOUTH AFRICA

Auditing to build public confidence

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Consolidated and separate financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and 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 consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the group and public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the group and public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the consolidated financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Sections 50(a), 50(b), 51(1)(a)(iii), (1)(e)(iii), 52(b), 53(4), 55(1)(a), (1)(b), (1)(c)(i) and 57(b)
National Treasury Instruction Note 3 of 2021-22	Paragraph 4.1, 4.2, 4.3 and 4.4.
Preferential Procurement Policy Framework Act 5 of 2000	Sections 1, 2(1) (a), 2(1)(f)
2022 Preferential Procurement Regulations (PPR)	Regulations 4(4) and 5(4).
Construction Industry Development Board (CIDB) Act 38 of 2000	Section 18(1)
CIDB Regulations	Regulations 17; 25(7A)
National Treasury Instruction Note 4 of 2015-16	Paragraph 3.4
National Treasury Instruction Note 5 of 2020-21	Paragraphs 1,4.8,4.9and5.3
Erratum National Treasury Instruction Note 5 of 2020- 21	Paragraph 2
National Treasury Instruction Note 11 of 2020-21	Paragraphs 3.1,3.4(b)and3.9
Treasury Regulations	Regulations 29.1.1, 29.1.1(a), 29.1.1(c), 29.2.1, 29.2.2, 29.3.1, 30.2.1, 31.1.2(c), 33.1.3 and 33.1.1
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

BOARD REPORT

1. Introduction

The Board of Rand Water presents its audited consolidated annual financial statements for the financial year ended 30 June 2025. In the opinion of the Board, the statements fairly represent the financial position, financial performance, and cash flows for the financial year ended 30 June 2025 of Rand Water and its subsidiaries, in accordance with the International Financial Reporting Standards (IFRS) as adopted by the entity.

2. Nature of the business

Rand Water is a Water Board established in terms of the Water Services Act, No. 108 of 1997 (WSA) with a mandate of providing water services to other water service institutions within its service area. Rand Water is a schedule 3B public entity in terms of the Public Finance Management Act, No. 01 of 1999 (PFMA).

Rand Water and its subsidiaries, comprising of Rand Water Services (RWS) and Rand Water Foundation (RWF), are together referred to as "the Group".

Rand Water

Rand Water is a bulk potable water supplier responsible for the abstraction and purification of raw water mainly from the Vaal River. The organisation further facilitates the pumping and distribution of the potable water to municipalities, mines, industries and other consumers in Gauteng, parts of Mpumalanga, Free State and North-West Provinces. In some instances, raw water is distributed to certain industries by agreement. To support its primary activities, the organisation also undertakes secondary activities aimed at augmenting its revenue streams.

Rand Water Services (Pty) Ltd

Rand Water Services (Pty) Ltd was established in 2000 in accordance with the Companies Act of 1973. RWS is a wholly owned subsidiary of Rand Water with a mandate to engage in commercial water services related operations nationally and continentally. Rand Water Services was formed to originally develop and pursue the commercial aspects of the Group's business in the water services industry. The Water Services Act, 108 of 1997 requires Rand Water to ring fence other business activities from the regulated water services. RWS was therefore formed in order to explore the avenues that could attract potential business partnerships and joint ventures, in the water industry, within private and public companies by developing water services solutions with a National and Pan-African focus. Embedded in the strategy of Rand Water Services is to be a Water Services Provider (WSP) of choice in the implementation of the utilities of the future model addressing challenges faced by non-performing municipalities.

Rand Water Foundation NPC

Rand Water Foundation is a non-profit company (NPC) incorporated to carry out services for the public benefit as required by item 1(1) of Schedule 1 of the Companies Act 71 of 2008 and is a wholly owned subsidiary of Rand Water. RWF was specifically established to execute the corporate social investment strategy of Rand Water and has been operational since 2003. To this end, RWF is registered as a public benefit organisation for purposes of tax exemption in terms of the Income Tax Act 58 of 1962.

3. Compliance with legislation and corporate governance

The Board is committed to ensure compliance with all applicable legislation, in particular the Water Services Act, as the enabling legislation of Rand Water, the PFMA and the Companies Act No 71 of 2008, which is applicable to the subsidiaries of Rand Water. Rand Water and its subsidiaries comply in all material respects with all applicable legislation and regulations.

The Board acknowledges that compliance with legislative, regulatory and corporate governance requirements is paramount in all transactions and business dealings of the entity. The Board has adopted the King Report™ on Corporate Governance for South Africa, 2016 (King IV) and encourages the entity to uphold the governance principles and recommended practices contained therein and to align its practices, policies and procedures thereto. To this end, all employees are expected to play a role in ensuring conformance to all applicable laws, standards, codes, rules and regulations. In addition, for effective management and monitoring of this process, regular compliance reports are tabled to all relevant structures including the Board to update members on all compliance matters within the Group.

4. Compliance to the Public Finance Management Act (PFMA)

The Board supports the notion that good governance is about effective leadership and sustainability as key moral and economic imperatives for business operations.

The PFMA is the overarching piece of legislation and supersedes all other applicable legislation in the business. PFMA compliance is one of the fundamental business regulatory imperatives.

The Group continues to ensure that compliance to the PFMA and all other relevant legislation are efficiently managed in its daily operational activities.

The Board has entrenched the culture of ensuring good governance by adopting policies that ensure adherence thereto. The Group has embedded a combined assurance model that is evidenced by coordinated assurance efforts towards mitigating risks and ensuring that strategic objectives are met. The model is underpinned by a Combined Assurance Framework, Charter, Maturity Framework and a Combined Assurance Forum in line with the requirements of King IV report to ensure seamless integration of assurance activities.

The combined assurance model provides the Group Audit and Risk Committee with an overview of significant risks, as well as, the critical controls to mitigate the identified risks.

The combined assurance framework has principles that governs the assurance provided by the assurance providers.

It further focuses on collaborative methods to enhance and improve business operations through better governance, ethical behaviour and performance.

The Board through the Group Audit and Risk Committee provides oversight and ensures that a system of internal control is effective and adequately reported on, for auditing and regulatory purposes.

The Board has reaffirmed its unwavering commitment to entrench continued compliance through the development and implementation of policies and frameworks to detect and prevent non-compliances, irregular, fruitless and wasteful expenditure.

Irregular expenditure is defined as expenditure incurred in contravention of, or that is not in accordance with, any legislative requirements notwithstanding the value that was received. At 30 June 2025, the Group recorded irregular expenditure amounting to R1 373.8 million (2024: R837.8 million) and fruitless and wasteful expenditure of R0.7 million (2024: R0.4 million).

BOARD REPORT (CONTINUED)

Management is in the process of implementing relevant consequence management against individuals responsible for the transgressions.

Rand Water has, in the current financial year, experienced significant maturity in its overall compliance environment. This was predominately influenced by factors, amongst others, the implementation of the revised organisational compliance business model.

Various initiatives were implemented during the current financial year including but not limited to:

- Enhancement and strengthening of existing Combined Assurance Forum;
- Embedding of the Compliance Regulatory Framework;
- Awareness on regulatory changes to ensure alignment to legislative requirements;
- Strengthening of compliance environment knowledge;
- Strengthening and monitoring of internal control to high-risk business activities;
- Increasing number of condonation applications to relevant authority; and
- Submission of uncondoned matters to governance structures for removal.

The Board has re-affirmed its policy statement on mechanisms designed to detect and prevent irregular expenditure in accordance with established Group policies and frameworks.

The identified items have been disclosed in Note 40 to the consolidated annual financial statements.

4.1 Preferential procurement

In the current reporting period, the Group's Total Measured Procurement Spend (TMPS) is R4 817 million (2024: R4 510 million) with a B-BBEE recognition of 105.6%.

The Group's B-BBEE rating was confirmed at level 4 for the current reporting period.

Preferential procurement	Unit of Measure	2025 Actual	2024 Actual
B-BBEE recognition of TMPS	% of TMPS	105.6%	112.4%

Work Awarded Through Bids

Rand Water awarded 19 bids in the current reporting period to the value of R9 778 million (2024: R2 360 million). The amount excludes bids that were awarded based on rates. Bids refer to procurement transactions that are above the quotation threshold of R2 million.

All 19 bids were awarded to B-BBEE compliant entities.

Work awarded per B- BBEE level	Number of bids awarded	Number of bids awarded to B-BBEE compliant entities	Percentage	Total value of awarded bids (excluding bids awarded on rates) R'000
Quarter 1	5	5	100%	58 516
Quarter 2	10	10	100%	6 142 164
Quarter 3	1	1	100%	684 161
Quarter 4	3	3	100%	2 892 896
Financial year 2024/25	19	19	100%	9 777 737

Other B-BBEE Measured Elements

a) Management control

The information below provides the overall demographic representation across the various management categories.

Management category	Male (ACI)	Female (ACI)	Total (ACI)	PwD	Youth
Non-Executive Board Members	6	6	12	-	-
Executive Management	3	1	4	-	-
Senior Management	39	39	78	-	-
Middle Management	249	307	556	12	69
Junior Management	829	665	1 494	58	264

b) Skills development

The entity spent R155.3 million (2024: R145.3 million) on skills development for all employees, which represents 4.89% of the total payroll and 96% (i.e. R149.1 million) of the total training spend was spent on African, Coloured and Indian employees which represents 4.69% of the total payroll.

The entity spent R45.7 million (2024: R86.4 million) on unemployed previously disadvantaged people through training initiatives which include internships, apprenticeships and learnerships. This spend represents 1.4% of the total payroll. The entity absorbed 14 learners (2024: 8 learners).

The information below provides the overall demographic representation in terms of beneficiaries of the various skills development initiatives that the entity undertook in the year under review.

Skills Development Contributions	2025 Actual	2024 Actual
Employed	155 306	145 278
Unemployed	45 698	86 435

ACI Employees	2025 Actual	2024 Actual
Male (ACI)	1 399	1 213
Female (ACI)	1 023	915
Total ACI	**2 422**	**2 128**
PwD	67	62
Youth	532	539

ACI - Unemployed	2025 Actual	2024 Actual
Male (ACI)	146	124
Female (ACI)	179	159
Tota ACI	**325**	**283**
PwD	1	1
Youth	325	283

Abbreviations

ACI	African, Coloured, Indian	PwD	People with Disabilities
B-BBEE	Broad-Based Black Economic Empowerment	TMPS	Total Measured Procurement Spend

BOARD REPORT (CONTINUED)

5. Non-Executive Board Members

In terms of Section 35 (1) of the WSA, the Minister of Water and Sanitation (Minister) may appoint members of the Board from time to time. The term of office of the Board is regulated in accordance with Schedule 1 of the WSA. The Board of Rand Water was appointed by the Minister effective 21 September 2022 with the term expiring on 21 September 2026. The Minister appointed a gender balanced Board, comprising of individuals who collectively possess a diverse range of competencies including science, engineering, governance, accounting and finance.

The current Board members are:

- Mr. Ramateu Monyokolo (Chairperson)
- Ms. Malande Tonjeni (Deputy Chairperson)
- Mr. Simphiwe Khondlo
- Mr. Luvuyo Ntoyi
- Mr. Anthony Mhlongo
- Ms. Lethabo Mashamaite
- Ms. Boitumelo Mahuma-Madida
- Mr. Solomon Mngomezulu
- Mr. Gcinumzi Qotywa
- Ms. Zanele Monnakgotla
- Ms. Phindile Mbanjwa*
- Ms. Clarinda Simpson

* Ms. Phindile Mbanjwa was appointed as a member effective from 11 June 2024.

Further details on the composition of the Board in office for the financial year under review are detailed in Note 34 in the Notes to the Consolidated Annual Financial Statements.

6. Tariff determination

		2025 Actual	2024 Actual	2023 Actual	2022 Actual	2021 Actual
Bulk Tariffs	R/kl	13.31	12.68	11.62	10.68	10.09
Other tariffs baseline is bulk tariff rate and stepped up to	R/kl	25.00	23.83	21.82	20.06	18.96
Tariff increase	%	4.90	9.20	8.80	5.80	-

The tariffs are determined in accordance with the guidelines set out in Section 34 of the WSA. They are structured to recover all operational expenditure, including the costs of abstraction, purification, pumping, and distribution. In addition, tariffs provide for the recovery of costs related to the refurbishment of existing infrastructure, but exclude expenditure on augmentation projects, which are funded through the issuance of bonds.

The entity's current gazetted tariff is 1331 cents per kiloliter, reflecting a 4.90% tariff increase for the current financial year. While this increment provided much-needed relief to customers and covered operational costs, it poses challenges going forward. The 2025/2026 financial year reflects a significantly higher projected tariff of 1541 cents per kiloliter, largely driven by the anticipated increase in the 2026 raw water tariff.

The tariff setting and approval follows the following annual cycle:

a)	Department of Water and Sanitation (DWS)/Trans Caledon Tunnel Authority (TCTA) raw water tariff consultations	30 September
b)	Rand Water Board approval of potable water tariffs	07 October
c)	Customer consultations, notifications and feedback	October to January
d)	Submission to DWS for Parliamentary approval of potable water tariffs	25 January
e)	Parliamentary approval	15 March
f)	Tariff implementation	01 July

7. Financial results

The financial results for the year are fully detailed in the consolidated annual financial statements as set out from pages 170 to 320. The summary of the Group's financial, business and operational performance is detailed in sections 8 to 10 of the Board Report.

8. Financial performance

		2025 Actual	2024 Actual	2023 Actual	2022 Restated Actual	2021 Restated Actual
Revenue	R'm	22 922	21 815	19 578	17 661	16 556
Net income	R'm	4 645	4 562	3 536	3 462	3 295
Property, plant and equipment	R'm	32 609	30 844	29 478	28 276	26 536
Capital expenditure	R'm	2 456	2 108	1 942	2 230	3 390
Interest bearing borrowings	R'm	3 161	3 163	4 385	4 384	4 384
Equity	R'm	45 147	40 280	35 679	32 156	28 747
Potable water bulk tariff	R/kl	13.31	12.68	11.62	10.68	10.09
Net finance income	R'm	1 506	1 281	892	569	363

The Group's turnover increased by 5.08% to R22.9 billion (2024: R21.8 billion) driven primarily by the tariff increase of 4.9% for the current financial year. This growth was achieved despite operational constraints arising from planned maintenance shutdowns on key infrastructure which limited supply.

BOARD REPORT (CONTINUED)

Debt management interventions and strategies employed which included the signing of Debt Settlement Agreements with several municipalities yielded positive benefits. The revenue recognition criteria were met for certain municipalities enabling the recognition of previously unrecognised revenue in terms of IFRS 15, amounting to a net R114.5 million.

Rand Water continues on an upward net income trajectory, with an increase of 1.81% to R4.65 billion (2024: R4.56 billion) in net income. This sustained growth underscores the entity's strong revenue performance, effective cost management and resilience in the face of operational constraints. The investment strategies and management of our financial assets have resulted in excellent returns in net finance income, contributing significantly to the bottom line.

Total capital expenditure including borrowing costs increased by 16.51% to R2.5 billion (2024: R2.1 billion). This stems primarily from accelerated project execution in pipelines, civil and mechanical infrastructure within the current year, which performed very well and are on route to recover lost time relating to bottlenecks experienced in previous periods.

Net finance income increased by 17.56% to R1.5 billion (2024: R1.3 billion). This was supported by the strategic investments that have yielded higher returns.

9. Business performance

		2025 Actual	2024 Actual	2023 Actual	2022 Restated Actual	2021 Restated Actual
Net income margin	%	20.26	20.91	18.10	19.60	19.90
Gross income margin	%	31.70	31.88	30.80	30.50	34.40
Income per employee	R'000	1,300.26	1,294.20	1,012.24	991.19	943.26
Average cost of capital	%	10.21	10.18	9.47	9.47	9.47
Debt-equity ratio	Times	0.07	0.08	0.12	0.14	0.15
Return on assets	%	9.00	9.90	6.20	7.40	8.30
Assets to sales ratio	Times	1.65	1.56	1.63	1.71	1.66
Current ratio	Times	2.40	3.34	2.37	2.78	2.52

The Group continues to maintain high performance results in the current reporting period. The Group reports a high gross income of 31.70% (2024: 31.88%) which is a 0.18% decline from prior year at the back of growing operating costs. Whilst revenue increased with a 4.9% tariff increase, input costs increases were higher; particularly in energy, attributable to Eskom and municipality tariff increases. Furthermore, DWS implemented a significant increase in the water purchases tariff, impacting costs in the latter part of the financial year.

Expected credit losses also contributes negatively to the bottom line, resulting in a 20.26% net income margin, a marginal 0.65% decline from prior year (2024: 20.91%). Amidst these growing operating costs, the group executed a comprehensive maintenance programme that strengthens long-term operational sustainability, underpins the continued reliability of supply and further enhance value creation for stakeholders. Despite the slight decline in margins, operational efficiencies, prioritisation and stringent expenditure management has resulted in an out performance of both margins against the current year targets. The margins were further supported by higher net finance income from strategic investments.

The net income per employee increased to R1.30 million (2024: R1.29 million). The slight 0.47% increase succinctly demonstrates a healthy balance between headcount growth and productivity in line with net income.

The return on average assets remained resilient at 9.0% (2024: 9.9%) resulting from a 15% increase in assets, mostly financial assets.

As at 30 June 2025, the Group has issued unsecured bonds to the amount of R3.2 billion under its registered ZAR10 billion Domestic Medium Term (DMTN) programme. The gearing ratio has improved to 7.00% (2024: 7.85%), with the increase in equity. This is well below the threshold of 50% prescribed in the National Treasury Borrowing Limit approval.

The current ratio decreased to 2.40 times (2024: 3.34 times) as current liabilities increased at a faster rate than current assets. The increase in current assets is mostly driven by the increase in cash and cash equivalents following the maturity of longer-dated term deposit investments. The increase in current liabilities is mainly attributable to the trade payables amounts that is owing to the Department of Water and Sanitation under the Debt Relief Programme as well as the reclassification of interest-bearing borrowings to current liabilities ahead of the RWL26 redemption date within 12 months.

10. Operational performance

		2025 Actual	2024 Actual	2023 Actual	2022 Restated Actual	2021 Restated Actual
Volume sold (including consumption accrued to 30 June)	Average Ml/day	4 761	4 765	4 717	4 642	4 588
Employees at financial year end	Number	3 572	3 525	3 493	3 437	3 563

The average daily sales volumes decreased slightly by 0.1% to 4761 Ml/d (2024: 4765 Ml/d) as a result of operational constraints due to planned shutdowns for maintenance on key infrastructure that was significantly higher than in prior years. The organisation has continued working on water demand management interventions with the municipalities, creating awareness and efforts to manage demand within the extended abstraction license.

Employee headcount remained stable with a marginal increase of 1.33% primarily as a result of slow pace of filling staff vacancies.

11. Going concern

The Board reviewed the Group's performance for the year and in adopting the going concern assumption, considered the robustness of budgets and business results, cash flow projections for the 12-month period ending 30 June 2026, cost-saving opportunities, the cost of capital projects, and the Group's funding plan. Additional supporting information is provided in Note 36 to the consolidated annual financial statements.

12. Events after the reporting date

Commissioning of Station 5A Water Purification Plant

Subsequent to 30 June 2025, the Station 5A Water Purification Plant at the Zuikerbosch Water Treatment Works System was completed and commissioned. This project is part of Rand Water's long-term infrastructure programme to strengthen the consistency and reliability of water supply to its customers.

BOARD REPORT (CONTINUED)

Approval of the Special Purpose Vehicle (SPV)

In July 2025, the Emfuleni Local Municipality (ELM) Executive Council approved the establishment of a Special Purpose Vehicle (SPV).

Approval of the fundraising activities of the Rand Water Zanzibar Project

Subsequent to year-end, the Board approved fundraising activities for the Rand Water Zanzibar Project, along with an assessment of the project's progress.

13. Corporate business plan and shareholders compact

Rand Water has supplied bulk potable water to Gauteng and surrounding areas for more than 122 years, earning an international reputation for delivering some of the highest-quality water in the world. Its growth in infrastructure and service quality reflects the same pioneering spirit that drove the development of Johannesburg which is South Africa's economic hub.

From the Vaal Dam, Rand Water purifies and disinfects water at its Vereeniging and Zuikerbosch stations before pumping it to Zwartkopjes and other booster stations at Palmietfontein, Eikenhof, and Mapleton, and then on to 58 reservoirs for distribution to customers.

Our mandate

Rand Water is a water board that was established and is governed in terms of Chapter 6 of the Water Services Act, No. 108 of 1997. Rand Water is listed as a National Government Business Enterprise in Schedule 3B of the Public Finance Management Act No.1 of 1999. The Government of the Republic of South Africa, through the Department of Water and Sanitation ("the Executive Authority"), duly represented by the Minister of Water and Sanitation, is the sole Shareholder of Rand Water. Since 1903, Rand Water has been playing an integral role in the development and growth of Gauteng, its cities, and its surrounding regions by providing water to people and industries.

Our mandate, as the largest bulk water utility in Africa and one of the largest in the world, is to provide bulk potable water to mainly municipalities who then supply water to more than 18 million people in Gauteng, parts of Mpumalanga, Free State and North West provinces - an area that stretches over 18 000 km^2.

During the year under review, Rand Water continued with its mandate of water and sanitation services provision in its area of operations. Most of Rand Water's core value chain involves purchasing and distributing potable water from the Integrated Vaal River System (IVRS). Rand Water obtains raw water from the Department of Water and Sanitation (DWS). For decades, DWS has been developing and implementing various water transfer schemes, sourcing raw water from other countries, provinces and catchments with more abundant resources and delivering it into the IVRS. The latest DWS development project is the Lesotho Highlands Phase 2, which should be commissioned by 2028.

Rand Water is the largest water utility in Africa, providing bulk potable water to a population that has grown to an estimated

18 million in Gauteng, parts of Mpumalanga, the Free State and North West provinces. Its customer base includes metropolitan municipalities, local municipalities, mines, industries, farmers and a few individual households.

The vision of Rand Water, as stated in the Shareholder's Compact, is as follows: ***To be a provider of sustainable, universally competitive water and sanitation solutions for Africa.***

In order to attain its strategic intent, Rand Water has set the following strategic objectives, which will focus and direct the business activities of the entity over the financial period:

- Achieve operational integrity and use best fit technology;
- Achieve a high-performance culture;
- Positively engage stakeholder base;
- Achieve growth;
- Maintain financial health & sustainability.

Challenging Economic Environment

Rand Water is operating under mounting economic pressure due to escalating input costs and deteriorating payment performance by key customers. The rising costs of energy, chemicals, and labour which are core inputs required for the pumping, treatment, and distribution of water have significantly increased the organisation's operational expenditure. These cost pressures are compounded by high levels of non-revenue water (NRW), including water losses from leaks, theft, and unbilled consumption, which continue to erode the financial sustainability within the bulk water value chain.

Additionally, Rand Water faces a growing liquidity challenge driven by the escalation of debtor days. Many municipalities are unable to pay for bulk water on time due to their own financial constraints. The delayed payments have resulted in billions of rands in outstanding debt, limiting Rand Water's ability to reinvest in critical infrastructure, maintain service levels, and implement efficiency improvements.

The combination of rising operating costs, persistent NRW, and delayed municipal payments is placing severe strain on the utility's financial position. In this environment, Rand Water's capacity to sustainably deliver reliable water services to both residents and industries is being tested. Immediate interventions to address municipal debt recovery, reduce NRW, and contain escalating cost drivers are essential to preserve the operational resilience and financial health of the organisation.

Overall Performance

Rand Water remains proud of its ability to fulfil its mandate of providing a continuous supply of potable water, despite numerous challenges and unplanned emergencies including, but not limited to, the vandalism of critical infrastructure. The entity continues to achieve full compliance with the SANS 241 Composite Indicator, specifically in terms of acute health microbiological compliance, acute and chronic health chemical compliance, operational compliance, and aesthetic compliance. This is a testament to Rand Water's commitment to delivering high-quality water to its consumers.

Beyond its core mandate, Rand Water continues to demonstrate its role as a responsible and engaged corporate citizen. The entity consistently meets its B-BBEE targets, fulfils its corporate social investment commitments, and provides support to local municipalities in line with its developmental objectives.

Financially, Rand Water has managed to maintain its income margin targets, reflecting sound financial management practices that underpin the long-term sustainability and viability of the organisation. Only three (3) Key Performance Indicators were not achieved for the year under review namely debtor days, percentage completion of projects and repeat audit findings.

This performance has been achieved despite operating in an increasingly hostile environment, shaped by both global and domestic economic challenges, including rising input costs. Rand Water remains focused on identifying and mitigating key risks to ensure the continued resilience and sustainability of the Group.

In addition, Rand Water acknowledges the importance of strict compliance with all governance, statutory, and regulatory requirements and remains committed to adapting and aligning with evolving legal and regulatory frameworks in support of transparent, accountable operations.

13.1 Performance information for the year based on Rand Water's (the entity) performance in line with the Shareholder Compact.

Performance objective	Strategic objective	Outcome/ Impact	Key performance indicator	Target	2025 Performance result	2024 Performance result
Bulk potable water quality compliance	Achieve operational integrity and use best fit technology	Water quality standards met	Acute health microbiological compliance	>=97%	Achieved 99.89% (i)	Achieved 99.96% (i)
			Acute health chemical compliance	>=97%	Achieved 100% (i)	Achieved 100% (i)
			Chronic health chemical compliance	>= 95%	Achieved 99.89% (i)	Achieved 99.99% (i)
			Operational compliance	>= 95%	Achieved 97.60% (i)	Achieved 99.09% (i)
			Aesthetic compliance	>= 95%	Achieved 99.96% (i)	Achieved 99.96% (i)
Manage avoidable water losses	Achieve operational integrity and use best fit technology	Reduced avoidable water losses in treatment and distribution systems	Avoidable water lost as a percentage of water produced at the treatment and distribution systems	<= 5%	Achieved 4.37% (ii)	Achieved 4.84% (ii)
Reliability of supply	Achieve operational integrity and use best fit technology	No unplanned interruptions to bulk supply exceeding 24 hours	Number of days of unplanned supply interrupted	0 days	Achieved 0 (iii)	Achieved 0 (iii)
Increased access to services	Achieve operational integrity and use best fit technology	Contribution to national objectives of extending services	Actual CAPEX spend on expansion related projects as a percentage of budget (initiatives by Minister as a % of budget)	>=15%	Achieved 54% (iv)	Achieved 66% (iv)
Financial reporting compliance	Maintain financial health & sustainability	Unqualified audit report	Annual external audit	Unqualified report	Achieved (v)	Achieved (v)

Performance objective	Strategic objective	Outcome/ Impact	Key performance indicator	Target	2025 Performance result	2024 Performance result
Improve key financial ratios*	Maintain financial health & sustainability	Improved viability and sustainability	Current ratio	>=2	Achieved 2.63 (vi.a)	Not achieved 3.84 (vi.a)
			Gross profit margin (primary activities)	>=29%	Achieved 31.7% (vi.b)	Achieved 31.9% (vi.b)
			Gross profit margin (secondary activities)	>= 5.0%	Achieved 5.2% (vi.c)	Achieved 5.2% (vi.c)
			Net profit margin (primary activities)	>= 19%	Achieved 22.7% (vi.d)	Achieved 23.5% (vi.d)
			Net profit margin (secondary activities)	>= 1.0%	Achieved 13.6% (vi.e)	Achieved 1.5% (vi.e)
			Debt equity	<= 0.15	Achieved 0.07 (vi.f)	Achieved 0.08 (vi.f)
			Return on assets	>= 8.8%	Achieved 10.2% (vi.g)	Achieved 11.1% (vi.g)
			Debtors days	<= 70 days	Not achieved 125 days (vi.h)	Not achieved 110 days (vi.h)
			Repairs and maintenance as a % of budget	>= 95%	Achieved 124.84% (vi.i)	Achieved 106.96% (vi.i)
			Staff remuneration as a % of total operating expenditure	>= 15% & <= 24%	Achieved 17.3% (vi.j)	Achieved 16.77% (vi.j)

Performance objective	Strategic objective	Outcome/ Impact	Key performance indicators	Target	2025 Performance result	2024 Performance result
Increase B-BBEE expenditure relative to operational projects	Positively engage stakeholder base	Spend increased and increased new entrants awarded contracts in the financial year	B-BBEE Spend as a percentage of total expenditure	>= 85%	Achieved 105.6% (vii.a)	Achieved 112.4% (vii.a)
			Award of work to B-BBEE compliant entities through the tender systems	>= 85%	Achieved 100.0% (vii.b)	Achieved 100.0% (vii.b)
Manage costs within the approved budget	Maintain financial health & sustainability	Actual expenditure compared with budgeted expenditure for the quarter	Financial reports	+/-15%	Achieved -0.9% variance (viii)	Achieved -1.5% variance (viii)
Capital expenditure programme	Achieve operational integrity and use best fit technology	Infrastructure available to meet demands	Overall projects expenditure within R target	>= 95%	Achieved 130% (ix.a)	Achieved 134% (ix.a)
			Overall project completion dates within targets	>= 95%	Not achieved 57% (ix.b)	Achieved 100% (ix.b)
Engagement in secondary activities	Achieve growth	Growth in turnover from secondary (other activities)	Percentage of total turnover	>=5%	Achieved 22.3% (x)	Not measured in the reporting period (x)
Bulk supply agreements concluded with municipalities/ other customers	Positively engage stakeholder base	Statutory and Service Level Agreements in place	Municipalities/other customers with bulk supply agreement	= 100%	Achieved 100% (xi)	Achieved 100% (xi)
Implementation of ministerial directives	Positively engage stakeholder base	New Ministerial directives issued are implemented on time	Progress against implementation plan	>= 95%	Achieved100% (xii)	Achieved 100% (xii)
Support rural development	Positively engage stakeholder base	Total Number of identified Municipalities supported	Signed contracts, MOUs etc	>= 2	Achieved 3 (xiii)	Achieved 3 (xiii)
Achieve statutory reporting compliance	Positively engage stakeholder base	All statutory reports submitted on time	Submission dates met	= 100%	Achieved 100% (xiv)	Achieved 100% (xiv)
Staff levels	Achieve a high performance culture	Optimal staff retention	Staff turnover	<= 5%	Achieved 1.61% (xv)	Achieved 2.02% (xv)
Training and skills development	Achieve a high performance culture	Skills and capacity building	Learnerships	>= 60	Achieved 102 (xvi)	Achieved 89 (xvi)
			Bursaries employees	>= 20	Achieved 41 (xvi)	Achieved 40 (xvi)
			Graduate programmes	>= 105	Achieved 182 (xvi)	Achieved 154 (xvi)

Performance objective	Strategic objective	Outcome/ Impact	Key performance indicator	Target	2025 Performance result	2024 Performance result
Jobs created	Achieve a high performance culture	Permanent and contract (direct)	Total number	>=145	Achieved 378 (xvii.a)	Achieved 292 (xvii.a)
		Temporary (indirect)	Total number	>=2 000	Achieved 2 898 (xvii.b)	Achieved 3 027 (xvii.b)
Board effectiveness	Achieve a high performance culture	Improved performance of fiduciary duties/governance	Board member attendance of all Board/Committee meetings	>= 80%	Achieved 93.93% (xviii.a)	Achieved 92.9% (xviii.a)
			Decision making: percentage number of resolutions taken by the Board vs. number of resolutions required	>= 95%	Achieved 100% (xviii.b)	Achieved 100% (xviii.b)
Effective internal controls and risk management	Positively engage stakeholder base	Internal audit findings dealt with	Internal audit reports	0 repeat findings	Not achieved 1 (xix)	Not achieved 1 (xix)
Good governance	Positively engage stakeholder base	Improved controls and risk mitigation	Breaches of materiality and significance framework	= 0	Achieved 0 (xx)	Achieved 0 (xx)
Corporate social responsibility initiatives	Positively engage stakeholder base	Good corporate citizenship	Number of initiatives undertaken	>=25	Achieved 61 (xxi)	Achieved 46 (xxi)

* Financial calculations excludes incentive bonus provision which is not guaranteed

BOARD REPORT (CONTINUED)

13.2 Performance information explanations

Explanatory notes to the performance information:

i) Bulk potable water quality compliance

The set target was achieved as Rand Water complied with all SANS 241 requirements because of Rand Water's commitment to maintaining world-class operations.

ii) Manage avoidable water losses

The set target was achieved as Rand Water continued to undertake its extensive maintenance programme.

iii) Number of days of unplanned supply interrupted

The set target was achieved as Rand Water continued to execute its capital expenditure programme and extensive maintenance programme.

iv) Actual CAPEX spend on expansion related projects as a percentage of budget

The set target was met primarily due to overcoming regulatory alignment challenges and maintaining a strong commitment to executing the Integrated Project Implementation Plan.

v) Annual external audit

Awaiting external audit opinion.

vi) Improve financial ratios

a) Current ratio

The set target was achieved. Current liabilities increased at a higher rate than current assets. Cash and cash equivalents increased primarily due to the maturity of longer-dated term deposit investments.

b) Gross income margin % (primary activity)

The set target was exceeded as revenue outperformed its target. Revenue that was previously not recognised in line with IFRS 15 was recognised as the entity managed to conclude debt settlement agreements.

c) Gross income margin (secondary activity)

The set target was met due to certain projects yielding margins above their costing structure.

d) Net income margin (primary activity)

The set target was exceeded which is attributable to a solid gross profit performance and further supported by higher net finance income generated from strategic investments.

e) Net income margin (secondary activity)

The set target was exceeded primarily due to improved net income as a result of long outstanding debt which has been settled with the DWS.

f) Debt equity

The set target was achieved primarily due to increased income resulting in increased equity, while no new borrowings were issued during the current financial year.

g) Return on assets

The set target was achieved driven by higher earnings combined with the efficient utilization of the asset base. The financial assets have also contributed significantly towards the achievement of the set target.

h) Debtors days

The set target was not achieved. Debtors days increased due to delayed payments from customers, including one of our biggest customers, which was subsequently recovered after year end, within the month of July 2025. Debt relief measures have been put in place to assist and support customers, where debt settlement agreements have been reached. Rand Water has tightened debt collection processes. Legal collection processes have been invoked against defaulting customers including the attachment of bank accounts where necessary. This has resulted in substantial recoveries of amounts owed to Rand Water shortly after year end.

i) Repairs and maintenance as a percentage of budget

The set target was achieved through intensified maintenance activities aimed at safeguarding infrastructure reliability and reducing unplanned breakdowns, including accelerated refurbishment projects, urgent corrective maintenance, and prioritisation of critical asset repairs.

j) Staff remuneration as percentage of total operating expenditure

The set target was achieved and staff remuneration remains within set parameters. Rand Water continues to monitor and operate within set parameters whilst ensuring that staff remuneration remains market related.

vii) B-BBEE expenditure and awards

h) Spend increased and increased new entrants awarded contracts in the financial year

Rand Water exceeded its set target in line with continuing efforts.

i) Award of work to B-BBEE compliant entities through the tender systems

The set target was exceeded due to close monitoring, demonstrating the entity's extensive effort over an extended period.

viii) Actual expenditure compared with budgeted expenditure

The set target was achieved with strict measures to control expenditure, with reprioritization for critical activities during the year.

ix) Capital expenditure programme

a) Overall project expenditure within R target

The target was achieved due to the acceleration in the execution of infrastructure projects.

b) Overall project completion dates within targets

The set target was not met. The challenges relate to resource management by service providers. Rand Water assisted the contractors by concluding cession agreements for subcontractors. The corrective action also entailed close monitoring of contractors.

x) Year-on-year growth in secondary (other activities)

The set target was exceeded. A comprehensive strategy to revive secondary and other activities was implemented.

xi) Municipalities/other customers with bulk supply agreements

Rand Water continues to achieve the set target supported by long-standing contracts with customers.

BOARD REPORT (CONTINUED)

xii) New Ministerial directives issued are implemented on time, progress against implementation plan

Rand Water achieved the set target through continuous monitoring and regular feedback to DWS to ensure full alignment with its requirements.

xiii) Total number of identified Municipalities supported with signed contracts, MOUs etc

This KPI measures the number of agreements that Rand Water has entered into with local municipalities. Each agreement has specific deliverables and timelines, which determine the attainment of the agreement. The set target was met.

xiv) All statutory reports submitted on time

Rand Water met the set target of submitting all statutory reports to all relevant stakeholders on time.

xv) Staff turnover

Rand Water exceeded its set target as the entity continues in its efforts of cementing a high-performance culture.

xvi) Skills and capacity building

All the training targets (learnerships, graduate programmes and bursaries) were achieved. Rand Water trains employees annually through planned training programmes.

xvii) Jobs Created

a) Total number of permanent and contract (direct)

Rand Water exceeded its set target due to organisational growth and the need to strengthen operational capacity.

b) Total number of temporary (indirect)

Rand Water exceeded its set target due to the extensive work undertaken by the Rand Water Foundation with communities.

xviii) Board Effectiveness

s) Board Member attendance of all Board/committee meetings

Board member attendance of Board and Board subcommittees meetings exceeded the set target. Secretariat was notified of all apologies by board members who could not attend.

t) Decision making: % number resolutions taken by the board vs number of resolutions required

This measures the number of resolutions that are passed/taken by Board as a percentage of the total number of resolutions. The set target was met.

xix) Number of repeat internal audit findings

The set target was not met due to one repeat finding during the current reporting period. Rand Water is working extensively to improve processes within the supply chain environment.

xx) Breaches of materiality and significance framework

There were no breaches of the materiality and significance framework leading to Rand Water attaining its set target.

xxi) Number of Corporate Social Responsibility initiatives

Projects were executed as planned leading to the attainment of the set target.

14. Company Secretary and registered address

The Company Secretary is Ms Bessie Bulunga. The following are the registered business and postal addresses of the Group:

Business address:
522 Impala Road Glenvista
2058

Postal address:
PO Box 1127
Glenvista 2000

15. External Auditors

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

16. Acknowledgement and appreciation

The Board of Rand Water would like to take this opportunity to thank the Shareholder, customers, suppliers, bankers, business partners and all other stakeholders for their consistent support to Rand Water.

Our sincere gratitude to all employees of Rand Water and its subsidiaries for their dedication, hard work and commitment that ensured consistency of quality in supplying water and providing excellent service to its customers.

REMUNERATION REPORT

1. Remuneration policy

The policy statement of Rand Water commits to modelling its remuneration and incentive policy in a manner that encourages productivity and retention of employees. Rand Water aims to attract, motivate, and retain talented employees, by having a remuneration policy and the administration of guaranteed pay that will ensure consistent, fair, transparent remuneration, whilst considering market norms, complying with legislative requirements and industry standards. This policy is therefore developed to set out the underpinning structure for the remuneration of employees.

The short-term incentive policy encourages alignment between the corporate objectives, plans together with functional and individual KPIs in such a manner that links employee reward to organisational, Business Unit and individual performance. It is therefore the basis which employees are compensated for their outputs toward the achievement of agreed performance, in a manner that does not translate into a liability for the organisation nor a vesting mentality for employees.

2. Remuneration principles

The following are core remuneration principles that are permanent and play a crucial role in guiding decisions, policies, processes and practices:

2.1 Internal equity

Rand Water endeavours to remunerate employees fairly and consistently according to their contribution, thereby ensuring that employees of equal value (i.e. equal levels of contribution) are rewarded equitably.

2.2 External competitiveness

Rand Water surveys the external job market continuously to strategically position itself so as to ensure competitive packages within the parameters of affordability. Rand Water's relative market position will always ensure that it is possible to retain and attract the core competencies (top performers) required for Rand Water's strategy achievement.

2.3 Legal compliance

Rand Water's remuneration process is underpinned by applicable legislative parameters and acceptable standards.

3. Remuneration benchmarking (external competitiveness)

Rand Water benchmarks its remuneration against the 50th percentile of the market/market median. This is a practical approach that provides:

a) A common yardstick for comparison of all jobs in the market.

b) A constant from which adjustments can be calculated.

Benchmarking is done on the basis of base pay as well as total cost to the company and in this regard Rand Water:

a) Forecasts benchmark data six months forward from the date of the annual review so as to lead the market for six months.

b) Gives precedence to any provisos of legislation and/or agreements which may be in place.

Rand Water participates in salary, benefits and ad-hoc surveys in line with business requirements and budget availability.

Rand Water uses market benchmark data to establish a Rand Water remuneration structure that is market-related and competitive. Rand Water may benchmark individual positions if this is deemed to be necessary.

Where applicable, Rand Water will participate in surveys related to specific jobs, from time to time and will also participate in Executive Surveys.

4. Guaranteed Pay

4.1 Employee categories

Bargaining Unit - Hay Bands H-N

The organisation operates a dual system for the administration of guaranteed or fixed earnings. Employees in the Bargaining Unit (Hay Band H-N) are remunerated on a basic-plus-benefits basis. The annual increases are determined through the Amanzi Bargaining Council and Rand Water's Central Bargaining Forum. These increases are agreed upon at the sector level between all Water Boards and the recognised labour unions.

Management Hay Bands O-Q

The management category (Hay Band O-Q) is remunerated on a Total Cost to Company dispensation where some flexibility is provided for in the structuring of the packages.

Group Chief Executive and Executive Committee (EXCO)

The Group Chief Executive and Executive Committee Members (EXCO) are remunerated on a Total Cost to Company remuneration dispensation. Package increases for the Group Chief Executive and Executive Committee Members (EXCO) are recommended by the Human Resources and Remuneration Committee for final approval by the Board of Rand Water.

4.2 Annual increases - 2024/2025 Financial Year

Annual salary increases for Bargaining Unit employees are negotiated through the Sectoral Bargaining Council, known as the Amanzi Bargaining Council. Annually REMCO grants management the mandate to negotiate at the Bargaining Council and management provides regular feedback on the progress of these engagements. For the 2024/2025 increase cycle, Bargaining Unit employees received a 7% salary increase, in line with the agreement reached at the Bargaining Council.

For the 2024/2025 increase period, managerial and senior professional employees received a cost-of-living adjustment of 6% based on CPI.

The Group Chief Executive received a 4.5% increase, while members of the Executive Committee received a 6% increase.

4.3 Pay gap disclosure

Rand Water has historically granted increases at a higher percentage to employees in the Bargaining Unit than those granted for senior employees. This position, whilst proposed by organised labour in the pursuit of closing the wage gap, has been supported by management due to our commitment to ensuring that our employees' remuneration is commensurate with the effort and impact of their work. This practice is over and above our commitment to complying with the "equal pay for work of equal value".

REMUNERATION REPORT (CONTINUED)

The table below displays the pay gap within the organisation, referencing the national norm of 0.67.

Total guaranteed pay	- highest paid	R'000	5 662
	- lowest paid	R'000	304
Average guaranteed pay		R'000	744
Median guaranteed pay of all employees		R'000	561
Guaranteed pay gap (Gini coefficient)^		Times	0.45

5. Benefits and allowances

Rand Water employees are entitled to a comprehensive benefits package. Participation in the Group benefit schemes is a condition of service for all permanent employees. These benefits include membership in a provident fund, group life insurance, and medical aid, where both employer and employee contributions are clearly set out. In addition, various allowances form part of the overall remuneration package, and these may differ depending on the nature and requirements of the job.

Conditions of service, including benefits and allowances, are negotiated through the Amanzi Bargaining Council. Once agreements are reached, any amendments or adjustments to benefits or allowances are implemented accordingly.

6. Variable pay (Short-Term Incentive Scheme)

Rand Water operates a Short-Term Incentive Scheme which is based on the achievement of predetermined operational, technical, social and financial performance measures. The Board is engaged to approve the Corporate Scorecard for the organisation. The Scheme is self-funding and any pay-outs contemplated are at the discretion of the relevant governance structures.

Performance measures are outlined in the Corporate, Business Unit, Divisional, Departmental, and individual scorecards. The scheme aims to drive the achievement of the organisation's performance objectives.

The organisation achieved a positive performance across the majority of key performance indicators set out in the Corporate Score Card, which is a combination of targets from the shareholder compact signed between Rand Water and the Department of Water and Sanitation, as well as KPI's derived from Rand Water's strategy.

For the 2023/2024 financial year, a Short-Term Incentive was paid to eligible employees in December 2024. Any payouts are implemented after all internal and external assurance processes have been concluded, and the relevant approvals from Board Committees are obtained.

7. REMCO Activities

The Human Resources and Remuneration Committee, in line with the mandate of the committee aligned to its terms of reference, oversees the activities related to employees within the organisation at all levels.

At a strategic level, the following key activities were undertaken:

- Approved the salary mandate to be negotiated and implemented for the 2024/2025 financial year.
- Received feedback on the organisation's performance against the Strategic Goals.
- Received feedback on the organisation's performance against the Corporate Scorecard, as well as the Group Chief Executive's performance against the Strategic Goals.

- Reviewed the submissions from management in respect of the Short-Term Incentive payout for the performance achieved in the 2024/2025 financial year, in line with REMCO's terms of reference, and submitted a recommendation to the Board for final approval.
- Reviewing Rand Water's variable pay mix based on input from independent remuneration advisors.
- The organisation reviewed a number of operational and strategic policies and procedures; REMCO reviewed the employee-related policies. The revision and approval of procedures is delegated to management. During the year under review, the following policies were considered by the committee:
    - Remuneration policy
    - Recruitment and selection policy
    - Capacity building policy
    - Wellness policy
    - Conferencing and travel policy
    - Leave policy
    - Secondment policy

8. Remuneration of Board Members

Rand Water Board

The Shareholder provides guidance to Rand Water on the remuneration rates for Board Members through a schedule of rates for the various categories of Board Members. The remuneration rates applicable to Board members remained unchanged in the current reporting period, consistent with the prior year.

Rand Water Foundation

The Rand Water Foundation Board members are remunerated at the rates that are approved by the Rand Water Board.

Further details on the remuneration of the Board members in office for the current financial year are provided in Note 34 of the consolidated annual financial statements.

9. Conclusion

Rand Water's remuneration policy ensures fair, competitive, and transparent reward practices that attract, retain, and motivate employees at all levels. By coordinating structured benchmarking with clear principles, the organisation achieves a balance between internal equity and external competitiveness. Guaranteed pay, benefits, allowances, and performance based incentives align employee contributions with corporate objectives, encouraging a culture of accountability and high performance.

The policy provides REMCO with oversight and strategic guidance, ensuring that remuneration decisions support organisational goals, performance outcomes, and industry best practices, while upholding equity and fairness. In summary, Rand Water's remuneration approach strengthens long-term sustainability by rewarding excellence, addressing pay gaps, and promoting employee engagement and retention.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

Figures in Rand thousands	Note(s)	Group		Rand Water	
		2025	2024	2025	2024
Assets					
Non-Current Assets					
Property, plant and equipment	4	32 609 227	30 844 423	32 640 876	30 876 634
Intangible assets	5	312 151	356 626	312 151	356 626
Investments in subsidiaries	6	-	-	3 005	7 433
Loans receivable	7	10 731	6 512	10 731	6 512
Trade and other receivables	8	421 088	280 417	421 088	280 417
Investment in bonds	9	4 481 239	2 453 672	4 481 239	2 453 672
		37 834 436	**33 941 650**	**37 869 090**	**33 981 294**
Current Assets					
Inventories	10	247 047	208 110	247 047	208 110
Loans receivable	7	7 562	2 580	7 562	2 580
Trade and other receivables	8	4 742 860	4 494 613	4 753 897	4 500 170
Contract assets	11	207 582	168 658	207 436	168 658
Term deposit investments	12	-	2 763 375	-	2 763 375
Cash and cash equivalents	13	12 209 324	6 345 257	12 195 249	6 331 593
		17 414 375	**13 982 593**	**17 411 191**	**13 974 486**
Non-current assets held for sale and assets of disposal groups	14	10 991	457	10 991	457
Total Assets		**55 259 802**	**47 924 700**	**55 291 272**	**47 956 237**
Equity and Liabilities					
Equity					
Reserves		400 046	177 144	400 046	177 144
Retained income		44 746 935	40 102 417	44 779 328	40 135 387
		45 146 981	**40 279 561**	**45 179 374**	**40 312 531**
Liabilities					
Non-Current Liabilities					
Interest bearing borrowings	15	2 566 376	3 153 570	2 566 376	3 153 570
Lease liabilities	16	-	6 784	-	6 784
Deferred income	17	166 336	161 234	166 336	161 234
Provisions	18	133 896	130 524	133 896	130 524
		2 866 608	**3 452 112**	**2 866 608**	**3 452 112**
Current Liabilities					
Trade and other payables	19	6 579 843	4 061 807	6 579 055	4 060 744
Interest bearing borrowings	15	594 874	9 909	594 874	9 909
Lease liabilities	16	6 784	6 208	6 784	6 208
Contract liabilities	20	60 661	110 235	60 661	110 235
Deferred income	17	3 012	3 079	2 877	2 709
Provisions	18	1 039	1 789	1 039	1 789
		7 246 213	**4 193 027**	**7 245 290**	**4 191 594**
Total Liabilities		**10 112 821**	**7 645 139**	**10 111 898**	**7 643 706**
Total Equity and Liabilities		**55 259 802**	**47 924 700**	**55 291 272**	**47 956 237**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousands	Note(s)	Group		Rand Water	
		2025	2024	2025	2024
Revenue	23	22 922 227	21 815 096	22 921 453	21 815 096
Cost of sales	24	(15 655 353)	(14 859 410)	(15 654 656)	(14 859 410)
Gross income		**7 266 874**	**6 955 686**	**7 266 797**	**6 955 686**
Other operating income	25	40 681	27 632	38 708	21 358
Net impairment (losses) / reversals on financial and contract assets	26.1	(397 655)	(386 991)	(397 655)	(386 952)
Other operating expenses	26.2	(3 771 315)	(3 315 045)	(3 769 089)	(3 308 618)
Operating income		**3 138 585**	**3 281 282**	**3 138 761**	**3 281 474**
Finance income	30	1 553 911	1 332 179	1 553 158	1 331 410
Finance costs	31	(47 978)	(51 403)	(47 978)	(51 403)
Net income for the year		**4 644 518**	**4 562 058**	**4 643 941**	**4 561 481**

STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand thousands	Note(s)	Group		Rand Water	
		2025	2024	2025	2024
Net income for the year		**4 644 518**	**4 562 058**	**4 643 941**	**4 561 481**
Other comprehensive income:					
Items that will not be reclassified to net income:					
Remeasurements on net defined benefit liability/asset	21	(275)	3 062	(275)	3 062
Items that may be reclassified to net income:					
Remeasurement of items at fair value through other comprehensive income	9	223 177	35 927	223 177	35 927
Other comprehensive income for the year		**222 902**	**38 989**	**222 902**	**38 989**
Total comprehensive income		**4 867 420**	**4 601 047**	**4 866 843**	**4 600 470**

STATEMENT OF CHANGES IN EQUITY

Figures in Rand thousands	Re-measurement on employee benefit obligation	Fair value through other comprehensive income	Total reserves	Retained earnings	Total equity
Group					
Opening balance as previously reported	225 303	(87 148)	138 155	35 540 357	35 678 512
Balance at 01 July 2023	**225 303**	**(87 148)**	**138 155**	**35 540 357**	**35 678 512**
Net income for the year	-	-	-	4 562 058	4 562 058
Other comprehensive income	3 062	35 927	38 989	-	38 989
Total comprehensive income for the year	**3 062**	**35 927**	**38 989**	**4 562 058**	**4 601 047**
Balance at 01 July 2024	**228 365**	**(51 221)**	**177 144**	**40 102 417**	**40 279 561**
Net income for the year	-	-	-	4 644 518	4 644 518
Other comprehensive income	(275)	223 177	222 902	-	222 902
Total comprehensive income for the year	**(275)**	**223 177**	**222 902**	**4 644 518**	**4 867 420**
Balance at 30 June 2025	**228 091**	**171 955**	**400 046**	**44 746 935**	**45 146 981**
Rand Water					
Balance at 01 July 2023	**225 303**	**(87 148)**	**138 155**	**35 573 905**	**35 712 060**
Net income for the year	-	-	-	4 561 481	4 561 481
Other comprehensive income	3 062	35 927	38 989	-	38 989
Total comprehensive income for the year	**3 062**	**35 927**	**38 989**	**4 561 481**	**4 600 470**
Balance at 01 July 2024	**228 365**	**(51 221)**	**177 144**	**40 135 387**	**40 312 531**
Net income for the year	-	-	-	4 643 941	4 643 941
Other comprehensive income	(275)	223 177	222 902	-	222 902
Total comprehensive income for the year	**(275)**	**223 177**	**222 902**	**4 643 941**	**4 866 843**
Balance at 30 June 2025	**228 091**	**171 955**	**400 046**	**44 779 328**	**45 179 374**
Note(s)	21	9			

STATEMENT OF CASH FLOWS

Figures in Rand thousands	Note(s)	Group		Rand Water	
		2025	2024	2025	2024
Cash flows from operating activities					
Cash receipts from customers		22 350 727	20 999 880	22 264 518	20 992 609
Cash paid to suppliers and employees		(16 569 946)	(17 435 893)	(16 483 394)	(17 429 051)
Cash generated from operations	33	5 780 781	3 563 987	5 781 124	3 563 558
Interest received	30	1 001 754	1 181 934	1 001 001	1 181 165
Interest paid	31	(324 801)	(385 699)	(324 801)	(385 699)
Net cash from operating activities		**6 457 734**	**4 360 222**	**6 457 324**	**4 359 024**
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 894 766)	(1 487 346)	(1 894 766)	(1 487 311)
Proceeds from disposal of property, plant and equipment	33.1	1 545	1 283	1 545	1 283
Purchase of intangible assets	5	(26 977)	(50 640)	(26 977)	(50 640)
Additions in term deposit investments	12	(3 305 000)	(7 032 000)	(3 305 000)	(7 032 000)
Additions in investments	9	(1 813 156)	(292 662)	(1 813 156)	(292 662)
Proceeds from the redemption of term deposit investments	12	6 461 674	7 186 000	6 461 674	7 186 000
Loans receivable issued	7	(21 446)	(3 528)	(21 446)	(3 528)
Loans receivable repaid	7	12 209	2 673	12 209	2 673
Net cash from investing activities		**(585 917)**	**(1 676 220)**	**(585 917)**	**(1 676 185)**
Cash flows from financing activities					
Repayments of finance lease liability	16	(6 208)	(5 489)	(6 208)	(5 489)
Interest bearing borrowings redeemed	15	-	(1 231 000)	-	(1 231 000)
Net cash from financing activities		**(6 208)**	**(1 236 489)**	**(6 208)**	**(1 236 489)**
Net increase in cash and cash equivalents		**5 865 609**	**1 447 513**	**5 865 199**	**1 446 350**
Cash and cash equivalents at the beginning of the year		6 345 791	4 898 278	6 332 126	4 885 776
Cash and cash equivalents at the end of the year	13	**12 211 400**	**6 345 791**	**12 197 325**	**6 332 126**

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS

1. Summary of principal accounting policies and significant judgements

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

The audited consolidated annual financial statements were authorised by the Board on 31 October 2025.

1.1 Basis of preparation

The Group applied provisions of Directive 12: The selection of an appropriate reporting framework by public entities and elected to prepare the consolidated annual financial statements in accordance to IFRS Accounting Standards. The annual financial statements have been prepared in accordance with the historical cost convention, except for certain financial instruments, which are measured at fair value.

The annual financial statements are prepared on the basis that the Group will continue to be a going concern. Notwithstanding, the current economic climate coupled with the geopolitical issues, the Board is satisfied to report that Rand Water remains financially viable in terms of the Water Services Act section 34 (2)(a)-(e), and is of the opinion that it has adequate resources to sustain its liquidity, debt, operational and investment needs for the next twelve months to medium term.

The Group utilises the accrual basis of accounting method by recording revenue when it is earned and expenses when they are incurred. The following summary of principal accounting policies and methods of computation were applied by the Group in the preparation of the annual financial statements for the financial year ended 30 June 2025.

The annual financial statements are presented in Rand thousands; all values are rounded to the nearest thousand Rand, except where otherwise indicated.

1.2 Statement of compliance

The annual financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the Financial Reporting Pronouncement as issued by the Financial Reporting Standards Council and are consistent with those applied in the previous consolidated annual financial statements.

The Group's annual financial statements for the financial year ended 30 June 2025 comply with the Water Services Act, No. 108 of 1997 (WSA), the Public Finance Management Act, No. 1 of 1999 (PFMA), and where applicable, the South African Companies Act, No. 71 of 2008 and JSE Debt and Specialist Securities Listings Requirements. The Group complies to Treasury Regulations, Practice Notes, relevant interpretations, circulars, Instruction notes and guidelines as issued by the National Treasury.

1.3 New and amended IFRS Accounting Standards and Interpretations in issue but not yet effective

IFRS 18 Presentation and Disclosure in Financial Statements

The new standard, IFRS 18, replaces IAS 1 Presentation of Financial Statements while carrying forward many of the requirements in IAS 1 effective on or after 1 January 2027 with earlier application permitted. IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements; and
- improve aggregation and disaggregation.

The amendment has been reviewed and the impact on Rand Water and its subsidiaries is assessed as medium, as the Group will need to continuously review and ensure that material accounting policy that influence decision making is correctly and appropriately included.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

2. Significant judgements and sources of estimation uncertainty

The preparation of the annual financial statements requires the Group's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and estimates and assumptions of the reported amounts of revenues and expenditures during the reporting period. The determination of estimates requires the exercise of judgements based on various assumptions and other factors such as historical experience, current and expected economic conditions, and in some cases actuarial techniques. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to estimates are recognised prospectively.

If indicators exist of a loss in value e.g. Assets Under Construction, then management will make an estimate of such loss in value taking cognisance of the current state of the asset to its state required at the completion of construction and an appropriate adjustment will be made for such loss in value. Such loss in value must then be recognised in profit and loss during the reporting period.

The following key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, have a risk of causing an adjustment to the carrying amounts of assets and liabilities within the next financial year:

2.1 Impairment of financial assets

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. The expected credit loss is calculated as expected gross carrying amount of the financial asset at assessment date multiplied by expected credit loss rate.

2.2 Useful lives and residual values

The useful lives and residual values of property, plant and equipment, as well as the useful lives of the intangible assets are reviewed at each reporting date. Management's estimation of the useful lives is based on historical trend analyses and other available information. The residual values are management's best estimates based on useful lives as well as other available information.

2.3 Water use licence

Where actual costs cannot be derived, management values its water use licence based on the income approach valuation technique. The model determines the estimated future business cash flow earnings derived from a group of assets, over a 20- 40 year period and apportions earnings to each class of contributory assets. Management uses the weighted average cost of capital as its discount rate.

2.4 Impairment of assets

The Group reviews whether the carrying value of its non-financial assets is recoverable, or whether a reversal of previous impairment losses is required. In making assessments for impairment, management necessarily applies its judgement in allocating assets that do not generate independent cash flows to appropriate cash generating units (CGU), and also in estimating the timing and value of underlying cash flows within the calculation of the recoverable amount.

2.4 Impairment of assets (continued)

Assets under construction are normally tested for indicators of any existence of a loss in value. All capital projects that have not achieved beneficial use, will be scrutinised for such indicators. If such indicators are present, management will make an estimate of such loss in value taking cognisance of the current state of the asset to its state and required at the completion of construction. An appropriate adjustment is then made for such loss in value based on the assessment made by a qualified professional or subject matter expert, to support the estimation.

The calculation of the recoverable amount of a cash generating unit is based on assessments of the higher of the fair value less costs of disposal or value in use. The cash flow projections used in these assessments are subject to the areas of judgement outlined above.

The Group further assesses its financial assets and certain non-financial assets for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from such financial asset.

2.5 Assessment of fair value

The assessment of fair value is principally used in accounting for impairment testing and the valuation of certain financial assets and liabilities. The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

Fair value less cost to sell is determined based on observable market data or discounted cash flow (DCF) models (and other valuation techniques) using assumptions considered to be reasonable and consistent with those that would be applied by a market participant. Where DCF's are used, the resulting fair value measurements are considered to be at level 3 in the fair value hierarchy as defined in IFRS 13 Fair Value Measurement as they depend, to a significant extent, on unobservable valuation inputs. The determination of assumptions used in assessing the fair value of identifiable assets and liabilities is subjective and the use of different valuation assumptions could have a significant impact on financial results. In particular, expected future cash flows, which are used in discounted cash flow models, are inherently uncertain and could materially change over time. They are significantly affected by a number of factors, together with economic factors such as exchange rates, discount rates and estimates of production costs and future capital expenditure.

Cash flow projections

Cash flow projections are based on financial budgets, incorporating key assumptions as detailed below: Discount rates

- Cash flow projections used in fair value less costs of disposal impairment models are discounted. To the extent that specific risk factors were not incorporated into the discount rate, adjustments are made to the cash flow projections.
- Operating costs, capital expenditure and other operating factors
- Operating costs and capital expenditure are based on financial budgets and internal management forecasts. Cost assumptions incorporate management experience and expectations.

Trade receivables and payables are non-derivative assets and liabilities with fixed or determinable payments that are not quoted in an active market. Trade receivables and payables are measured at amortised cost using the effective interest rate method less any impairments, these are assumed to approximate their fair values based on the short term nature thereof.

2.6 Post-employment benefit obligation and plan asset

The cost of post-employment benefit obligations and the present value of the plan asset are determined using actuarial valuations. An actuarial valuation involves making various assumptions. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date and the carrying amount of the liability and plan asset, have been disclosed in Note 21 to the annual financial statements.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

2.7 Provisions and contingent liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Various estimates and assumptions have been applied by management in arriving at the carrying value of provisions.

Management further relies on input from the Group's lawyers in assessing the probability of items of a contingent nature.

Significant judgement is applied in estimating the ultimate rehabilitation cost that will be required in future to rehabilitate the Group's sludge disposal site, related to the purification process of its potable water. Ultimate cost may significantly differ from current estimates. Changes to the estimates for provision are recognised in the statement of Financial Perfomance except for changes relating to the rehabilitation provision, which is adjusted against the cost of the item of Property, Plant and Equipment.

2.8 Revenue

The application of IFRS 15: Revenue from Contracts with Customers requires the Group to make judgements that affect the determination of the amount and timing of revenue from contracts with customers (Refer to Note 3.13 and Note 23).

The Group uses forecasted and budgeted financial data to determine the tariff charged to customers, which are then negotiated with the customers and then finally gazetted by parliament. (Refer to the Board Report).

The Group used the practical expedient described in paragraph 63 of IFRS 15 and did not adjust the promised amount of consideration for the effects of a significant financing component because it has assessed that for most of the contracts the period between when the Group transfers the goods and services to the customer and when the customer pays for the consideration is one year or less.

3. Annual financial statements

3.1 Basis of consolidation

The Group recognises that control is the single basis for consolidation for all types of entities in accordance with IFRS 10 Consolidated Financial Statements. The consolidated financial information includes the financial statements of the company, its subsidiaries, interest in associates and joint arrangements and structured entities.

Control

The Group, regardless of the nature of its involvement with an entity, shall determine whether it is a parent by assessing whether it controls the investee. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

i) Subsidiaries

Subsidiaries are entities over which the Group has control. Subsidiaries are fully consolidated from the date on which control is transferred to the Group up until when that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries are consistent with the policies adopted by the Group.

3.1 Basis of consolidation (continued)

ii) Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The accounting treatment for the structured entity is as defined under the subsidiary's in (i) above as the Group has control over that structured entity.

The consolidated financial statements present the financial position and changes therein, operating results and cash flow information of the Group. The Group comprises Rand Water and its subsidiaries.

Investment in subsidiaries

Rand Water has two subsidiaries over which the Group has control. These entities are the Rand Water Foundation (RWF) and the Rand Water Services (Proprietary) Limited (RWS).

Rand Water Foundation

The Group sponsored the formation of a structured entity, specifically Rand Water Foundation (RWF).

The main objective of RWF is to co-ordinate, administer and manage Rand Water's Corporate Social Investment resources by undertaking community development projects in partnership with various donors and stakeholders. RWF operations are fully funded by Rand Water and all activities must be in line with its approved mandate.

Management has applied their judgements in its assessment of the substance of the relationship between the Group and RWF, and concluded that the structured entity is controlled by the Group, as such RWF has been consolidated into the financial statements of the Group.

Rand Water Services (Pty) Ltd

RWS a wholly owned subsidiary of RW. The Board made a decision to resuscitate the entity and commence operations in the year ended 30 June 2025.

The investment in RWS is carried at cost less any accumulated impairment in RW's separate annual financial statements. The investment is tested for impairment on an annual basis and where indicators are present that reflect an impairment. RW accounts for the impairment as a reduction in the value of the investment through profit or loss.

3.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Owned assets

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Property, plant and equipment are subsequently stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any. Such cost includes the cost of replacing parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.2 Property, plant and equipment (continued)

Self-constructed assets for production and supply purposes are carried at cost, less any recognised impairment loss. The cost includes the cost of materials, direct labour, borrowing costs, the initial estimate, where relevant, of costs of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of production overheads. Cost also includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such costs are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Where major components of an item of property, plant or equipment have different useful lives, they are accounted for as separate items of property, plant or equipment and depreciated separately over their respective useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment when the recognition criteria are satisfied.

Spare parts, standby and servicing equipment held by the Group, which meets the definition of property, plant and equipment are classified as such. Spare parts and standby equipment that can only be used in connection with a specific item of property, plant and equipment are also accounted for as property, plant and equipment. All other spare parts are accounted for as inventory.

Transfer of assets from customers

Where the Group receives from a customer a transfer of an item of property, plant and equipment, which require an obligation to supply goods to the customer in the future, and it has assessed that the transferred asset meets the definition of an asset, the Group recognises the transferred asset as an item of property, plant and equipment and measures its cost on initial recognition based on its fair value.

Leased assets

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Where a contractual arrangement is entered into by Group that conveys a right to use an identified asset for a period of time. The Group determines whether if such an arrangement contains a lease through an assessment on whether the Group has both of the following:

a) the right to obtain substantially all of the economic benefits from use of the identified asset; and

b) the right to direct the use of the identified asset.

Only when the Group is assessed to have the right to direct how and for what purpose the asset is used throughout the period of use within the scope of the right as defined in the contract. The Group has the ability to make relevant decisions about how and for what purpose the asset is used.

Subsequent expenditure

Subsequent expenditure on property, plant and equipment is capitalised only when the expenditure enhances the value or output of the asset beyond original expectations and it can be measured reliably. Costs incurred on repairing and maintaining assets are recognised in the statement of financial performance in the period in which they are incurred.

3.2 Property, plant and equipment (continued)

Depreciation

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. Depreciation commences when the asset is available for its intended use by management.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Land and assets under construction are not depreciated. All other property, plant and equipment, including capitalised leased assets, are depreciated on a straight-line basis over their estimated useful lives or the term of the lease, whichever is shorter to their estimated residual value. Major repairs are depreciated over the remaining useful life of the related asset or to the date of the next major repair, whichever is shorter. The estimated useful lives are as follows:

Asset Category	Estimated useful life (years)
Land	Indefinite
Buildings	
Building structures and components	10-80
Plant and Machinery	
• Plant structures and components	3-80
• Reservoirs	80
• Dams	40 -100
Pipelines	
• Pipeline structures and components	15-75
Furniture and fixtures	3-30
Motor vehicles	6-20
Office equipment	3-30
Information technology equipment (IT equipment)	3-8
Assets under construction	No depreciation

The depreciation charge for each period is recognised in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Financial Performance when the asset is derecognised.

The low value asset class recognises assets at an initial acquisition value of R10 000 and lower and is depreciated within the financial year of acquisition. This category of assets is deemed to be insignificant in relation to the asset base, but are annually reviewed to determine the cumulative impact on depreciation to quantify the significance thereof. Future adjustments of this threshold is based on the time value of money calculation and adjusted from time to time.

3.3 Intangible assets

Owned

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.3 Intangible assets (continued)

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Costs associated with researching or maintaining computer software programmes are recognised as an expense as incurred. Software is tested for indicators of impairment on an annual basis. If found that such indicators exist, then the recoverable amount is determined and compared with the carrying amount. An impairment loss will be recognised if the carrying amount is higher than the recoverable amount.

Costs that are directly associated with the development of identifiable software products controlled by the Group, that will probably generate economic benefits beyond one year that can be measured reliably, are recognised as intangible assets. Costs include employee costs incurred as a result of developing software and an appropriate proportion of relevant overheads.

The useful life of the servitudes will remain in force as long as the relevant infrastructure underlying the servitude is still in use. A servitude will only become impaired if the infrastructure i.e. pipeline to which the servitude is linked is derecognised, therefore servitudes are rights granted to the Group for an indefinite period of time. In practice, a derecognised pipeline will be refurbished or replaced by a new pipeline and therefore the likelihood of an impairment of a servitude right is remote.

The estimated useful life of water use licence is estimated based on the relevant contractual agreements. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal.

Right of use intangible asset

Where the Group receives from its executive authority a transfer of an item of property, plant and equipment to utilise in the provision or supply of goods and services to a customer, the Group recognises such transferred asset as a right of use intangible asset and measures the transferred asset on initial recognition at its fair value.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Intangible assets with an indefinite useful life are assessed for impairment on an annual basis. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category consistent with the function of the intangible assets.

Asset Category	Estimated useful life (years)
Water use licence	20-40
Servitudes	Indefinite
Computer software	10-30
Right of use intangible asset	3-10 years
Intangible assets under construction	No amortisation

The estimated useful life for the right of use intangible assets are directly linked to the useful life of the related assets.

3.4 Leases

Group as lessee

All leases that meet the criteria for a finance lease are accounted for by recognising a right-of-use asset and a lease liability except for leases of low value assets. Low value assets are assessed with the criteria set out in the determination of low value assets for property plant and equipment.

The Group measures the lease liability at the present value of remaining lease payments and the right of use asset at an amount equal to the lease liability. The Group discounts the lease payments at a rate equal to the market yield of Rand Water's listed debt with a similar maturity profile. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain that the option will be exercised; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, right of use assets are measured on the cost model less accumulated depreciation and accumulated impairment. Depreciation for the right of use asset is recognised on a straight-line basis over the lease term as contracted, including the renewal period, where applicable. The lease liability is subsequently measured by adding interest costs and subtracting lease payments made on the lease liability.

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted using a revised discount rate. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised, except the discount rate remains unchanged. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term. If the carrying amount of the right-of-use asset is adjusted to zero, any further reduction is recognised in profit or loss.

Group as lessor

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Finance leases are capitalised on commencement of the lease at the lower of the fair value of the leased asset and the present value of the minimum lease payments. The finance income is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term. Finance lease receivables are derecognised in accordance with the derecognition requirements for financial assets.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.4 Leases (continued)

Operating leases

Leases where substantially all of the risks and rewards of ownership are not transferred are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss within other expenses on a straight-line basis over the period of the lease. Payments received under operating leases are recognised in profit or loss within other income on a straight-line basis over the period of the lease.

3.5 Borrowing costs

Interest on borrowings directly relating to the financing of qualifying capital projects under construction is added to the capitalised cost of those projects during the construction phase, until such time as the assets are substantially ready for their intended use or sale i.e when they are capable of commercial production. Interest expense is calculated using the effective interest method as per IFRS 9.

The amount of borrowing costs eligible for capitalisation is determined as follows:

- Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. Where the carrying amount of the qualifying asset exceeds its recoverable amount or net realisable value, the carrying amount is written down.

The capitalisation of borrowing costs commences when expenditures for the asset have occurred, borrowing costs have been incurred, and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation is suspended during extended periods in which active development is interrupted.

Qualifying assets are assets that necessarily take a substantial period of time (more than 12 months) to get ready for their intended use or sale, borrowing costs are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

When the construction of a qualifying asset is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare that part for its intended use or sale are completed.

When a temporary delay is a necessary part of the process of getting the qualifying asset ready for its intended use, the Group will not suspend the capitalisation of borrowing costs. However, if the temporary delay is not necessary and expected then capitalisation will be suspended.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.6 Financial instruments

The Group recognises a financial asset or financial liability in its statement of financial position when and only when it becomes party to the contractual provisions of the instrument, in terms of IFRS 9.

Financial Instruments are classified on initial recognition depending on the purpose for which the instruments were obtained for and will be used.

3.6 Financial instruments (continued)

The classification of the Group's financial asset is based on the business model and the cash flow characteristics and shall be measured either at:

a) amortised cost;
b) fair value through other comprehensive income; or
c) fair value through profit or loss.

The Group recognises expected credit losses on all financial assets as listed below The Group's financial assets comprise of:

a) Cash and cash equivalents
b) Trade and other receivables
c) Investment in bonds
d) Term deposit investments
e) Loans receivable

The Group shall classify financial liabilities at amortised cost except for:

a) financial liabilities at fair value through profit or loss and derivatives that are liabilities, which shall be subsequently measured at fair value;
b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies;
c) financial guarantee contracts; and
d) commitments to provide a loan at a below-market interest rate.

The Group's financial liabilities comprise of:

a) Interest bearing borrowings
b) Trade and other payables

The Group does not have embedded derivatives and or hybrid contracts, and shall test against the definition of such financial instruments when such contracts are entered into, and the principles of IFRS 9, IFRS 7 and IAS 32 shall be adopted.

The Group further does not have equity instruments other than those that relates to the shares held in its subsidiary Rand Water Services, these instruments are dealt with under IFRS 10: Consolidated Financial Statements, are eliminated upon consolidation.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Financial assets at amortised cost

Cash and cash equivalents

Cash and cash equivalents comprise of cash at bank and on hand (petty cash), call deposits, fixed deposits, notice deposits, treasury bills, promissory notes, investments in money market instruments with financial institutions and other financial instruments that are readily convertible to a known amount of cash with an original maturity of less than three months from date of acquisition.

Term deposit investment

Term deposit investments comprise of fixed deposits, promissory notes deposits, treasury bills and other financial instruments with an original maturity of greater than 3 months at the acquisition.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.6 Financial instruments (continued)

Recognition and measurement

The Group recognises cash and cash equivalents and term deposit investments, at fair value plus or minus transaction costs that are directly attributable to the acquisition of the financial assets at initial recognition. It is the Group's intention to hold cash and cash equivalent and term deposit investments to collect contractual cash flows and their cash flows represent solely payments of principal and interest.

Subsequently, cash and cash equivalents and term deposit investments are measured at amortised cost using the effective interest rate method to the gross carrying amount except when the financial assets were purchased or originated credit impaired subsequently.

Financial assets at fair value through other comprehensive income

Investment in bonds

Financial assets measured at fair value through other comprehensive income investments comprise of investment in bonds or debt securities. (note 9).

Recognition and measurement

At initial recognition the Group recognises the investment in bonds consisting of sovereign bonds and state owned entity (SOE) bonds at the fair value or transaction price plus transaction costs directly attributable to the acquisition of the financial asset.

Subsequently, the investment in bonds is measured at fair value through other compressive income. It is the Group's business model to collect both contractual cash flows and selling financial asset and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal. Related fair value gains and losses are recognised in other comprehensive income based on movements of observable quoted prices of an identical asset in an active market and realized in profit or loss when sold. The finance income is calculated using the effective interest rate method to the gross carry amount unless the financial assets is credit impaired.

Impairment recognition and measurement financial assets

The Group recognises expected credit losses on financial assets measured at amortised cost and fair value through other comprehensive income. A general approach is applied by the Group to derive expected credit losses for cash and cash equivalent, investment in bonds and term deposit investments.

Expected credit losses on these financial assets is calculated on an unbiased, probability weighted amount which is determined by evaluating the range of reasonably possible outcomes, the time value of money and considering all reasonable and supportable forward-looking information which were available to the Group without undue cost or effort at the reporting date.

3.6 Financial instruments (continued)

Expected credit losses calculation considers the probability of expected credit loss occurring by looking at the probability of default of the applicable counterparties which the Group had exposure with at reporting date. The Group assessed and recognised expected credit losses relating to financial assets measured at amortised cost and fair value through other comprehensive income using the table below.

ECL Stage	Definition	Type of investment
Stage 1 No significant increase in credit risk of the counterparty since recognition. Loss allowance measured at an amount equal to 12 months expected credit losses and interest revenue is calculated on the gross carrying amount of the asset.	Relates to performing and low credit risk investments with no default history.	Call deposits, fixed deposits, notice deposits, treasury bills, Sovereign bonds and state-owned entity (SOE) bonds promissory notes, investments in money market instruments with financial institutions, fixed deposits, promissory notes deposits and Treasury bills and approved financial instruments
Stage 2 Significant increase in credit risk of the counterparty since recognition with a likelihood or risk of a default occurring. Loss allowance measured at an amount equal to lifetime expected credit losses and interest revenue is calculated on the gross carrying amount of the asset.	Relates to under-performing investments which have experienced increase in credit risk investments. Key indicators of these risks for stage are but not limited to the list below: Distressed counterparty - adverse change in regulatory, economic, or technological environment which may result in inability to meet its obligation when they become due. Defaulting and servicing coupon/ interest payment outside contractual terms. Significant change in external credit rating.	
Stage 3 When there is objective evidence of credit impairment at the reporting date. Loss allowance measured at an amount equal to lifetime expected credit losses and interest revenue is calculated on the net carrying amount (that is, net of credit allowance).	Relates to non-performing investments which have been credit impaired due to: Counterparty under curatorship/ administration Defaulting counterparty with miniature prospect to honour principal/interest payment when they become due.	

Derecognition

The Group derecognised financial assets when the rights to receive cash flows from the assets have expired or substantial risks and rewards of ownership have been transferred. Financial liabilities are derecognised by the Group when the obligations specified in the contracts are extinguished, cancelled or expire.

Loans receivable at amortised cost

Classification

Loans to employees are classified as financial assets subsequently measured at amortised cost.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value. Loans receivables consist of micro loans granted to qualifying employees.

Subsequent to initial recognition, loan receivables are measured at amortised cost using the effective interest rate method, less any accumulated impairment losses.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.6 Financial instruments (continued)

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The Group measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the Group considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Trade and other receivables

Classification

Trade receivables are amounts due from customers for goods sold and services rendered in the ordinary course of business.

Other receivables consist of prepayments, VAT receivables and sundry receivables of which are accounted in other accounting policies.

Trade receivables are classified as financial assets subsequently measured at amortised cost.

Recognition and measurement

Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured at initial recognition, at fair value plus transaction costs, if any.

Trade receivables are measured at their transaction price as determined under IFRS 15. Subsequent to initial recognition, trade receivables are measured at amortised cost using the effective interest rate method less any accumulated impairment losses.

The prepayment shall be measured at cost which shall be deemed to be the cash amount paid for the goods or services not yet delivered. The prepayment will be derecognised as the related goods or services are received.

Impairment

The Group recognises a loss allowance for expected credit losses on trade and other receivables and VAT excluding prepayments.

The Group as a practical application has elected to exclude the VAT component from the ECL calculation on the basis that it is subject to full recovery from SARS at the point when the debt is irrecoverable and has been written off. The Group considers the impact of the time value of money at reporting date as immaterial.

3.6 Financial instruments (continued)

The contract asset recognised on recoverable projects is subject to an expected credit losses impairment test on a quarterly basis, to determine whether the cost are recoverable from the customer.

The Group has adopted the simplified approach and record lifetime expected losses for all trade and other receivables including the contract assets wherein there is objective evidence that they do not contain a financing component. The Group has assessed the extent of this impact, and the application of the expected credit losses model will result in earlier recognition of credit losses.

Measurement and recognition of expected credit losses

The Groups' lifetime expected credit losses result from possible default events over the entire expected life of a financial instrument utilising the provision matrix approach and time value of money loss approach. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

The trade and other receivables are classified into:

Type of receivable	Definition	Categories of receivable
Performing	Performing relates to those trade receivables that service their debt within the contractual terms. These customers maintain their debt aging levels below 45 days.	Mines Municipalities Retail Industries
Under-performing	Relates to those trade receivables that do not service their debt within the contractual terms. These receivables either pay late or make part payments on the debt when it falls due but maintain their debt aging of between 45 and 90 days.	
Non-performing	Relates to those trade receivables that are 90 days and beyond. These receivables may also have met the triggers defined under the revenue section in determining the probability to collect.	Other non-performing debtors

Financial liabilities

Interest bearing borrowings

The Group recognises a financial liability once it becomes a party to the contractual terms of the financial instrument. It is the Group's intention to hold interest bearing borrowings instruments to maturity. Interest bearing borrowings are initially measured at fair value being the proceeds paid at transaction date minus attributable transaction costs. Discounts and premiums arising from issued interest bearing borrowings are amortised over the period of the instrument until maturity to the statement of financial performance as finance cost.

Subsequently, interest bearing borrowings are measured at amortised cost using the effective interest rate method.

A financial liability, or part of a financial liability, is derecognised once the obligation specified in the contract relating to the financial liability is discharged, cancelled or has expired.

Trade and other payables

The Group recognises a financial liability once it becomes a party to the contractual terms of the financial instrument. Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

A financial liability, or part of a financial liability, is derecognised once the obligation specified in the contract relating to the financial liability is discharged, cancelled or has expired.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.7 Inventories

Inventories comprise finished products (water inventory), work-in-progress, maintenance spares and consumable stores (for example chemicals), raw materials and merchandise, and are measured at the lower of cost, determined on a weighted average basis, and net realisable value. Included in raw materials is steel coils that will be converted into a pipeline. These raw materials are carried at actual cost.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and fixed production overheads, but excludes finance costs. Fixed production overheads are allocated on the basis of normal capacity.

Maintenance spares and consumable stores are expensed to the statement of financial performance as they are utilised.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and variable selling expenses. Write-downs to net realisable value and inventory losses are expensed in the statement of financial performance in the period in which the write-downs or losses occur.

Water inventory is classified as raw water (untreated) and potable water (treated) and is quantified within the production process. Raw water quantities are determined within the abstraction activity and related infrastructure storage capacity. Potable water inventory quantities are determined within the purification, distribution and storage network as per the related storage capacity. All direct cost such as raw water, raw materials, direct labour & other direct cost will determine the valuation of the water inventory throughout the production process.

The allocation of production costs is absorbed into inventory based on actual capacity as this represents an acceptable approximation of normal capacity as required by the standard. Rand Water accepts a variation of 10% as a standard deviation between actuals and budgets, this judgement is in line with what has been achieved in the last 5 years. This therefore means that normal capacity and actual capacity are in line, hence acceptable as an approximation of normal capacity as per IAS 2 paragraph 13.

3.8 Impairment

The Group's assets are reviewed annually to determine whether there is any indication that those assets are impaired, or previous impairment has reversed, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment or reversal of previous impairment. Recoverable amounts are estimated for individual assets. Where an individual asset cannot generate cash inflows independently, the assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). The recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows cash-generating units (CGUs).

For assets that have indefinite useful lives, the recoverable amount is estimated at each reporting date and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognised in the statement of financial performance.

A previously recognised impairment is reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset or CGUs carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the statement of financial performance.

3.8 Impairment (continued)

Calculation of recoverable amount

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Reversal of impairment

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3.9 Non-current assets held-for-sale and disposal groups

Non-current assets and disposal groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such asset (or disposal group) and its sale is highly probable.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Events or circumstances may extend the period to complete the sale beyond one year from date of classification due to events or circumstances beyond managements control and where Rand Water remains committed to its plan to sell the assets (or disposal group).

Non-current assets (and disposal groups) classified as held-for-sale are measured at the lower of their carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held-for-sale, or while it is part of a disposal group classified as held-for-sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held-for-sale are recognised in profit or loss.

3.10 Employee benefits

Short-term service benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under the short term cash bonus incentive if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Post-employment benefits

The Group operates defined contribution plans for the benefit of its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The plan is funded by payments from employees and the Group. The Group's contribution to the funds is recognised as employee benefit expense in the statement of financial performance in the year to which it relates.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.10 Employee benefits (continued)

The Group does not provide guarantees in respect of the returns in the defined contribution funds and has no further payment obligations once the contributions have been paid.

Post-retirement medical benefit

The Group's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods, after deducting plan assets out of which the obligation is to be settled directly. The obligation is actuarially calculated at reporting date every year, using the projected unit credit method, and is discounted to its present value. The plan assets are measured at fair value which is also actuarially calculated at reporting date. The same discount rate is utilised for both the plan asset and obligation and is based on high quality bonds. Service costs and interest costs are recognised in the statement of financial performance. Re-measurements as a result of the actuarial valuation are recognised in other comprehensive income.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits.

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. If benefits are payable more than 12 months after reporting date then they are discounted to present value.

3.11 Provisions and contingencies

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group or a present obligation that arises from a past event but is not recognised because it is not probable that an outflow of resources embodying economic benefit will be required to settle the obligation or the amount cannot be measured with sufficient reliability.

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.

Contingencies are disclosed in note 39.

3.11 Provisions and contingencies (continued)

Environmental restoration and decommissioning obligations

An obligation to incur environmental restoration, rehabilitation and decommissioning costs arises when a disturbance is caused by the development of a sludge disposal site. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are recognised in profit or loss over the life of the operation, through the depreciation of the asset and the unwinding of the discount on the provision. Costs for restoration of subsequent site damage which is created on an ongoing basis during production are provided for at its net present value and recognised in the statement of financial performance as 'water purification progresses'.

Changes in the measurement of a liability relating to the decommissioning of plant or other site preparation work (that result from changes in the estimated timing or amount of the cash flow or a change in the discount rate), are added to or deducted from the cost of the related asset in the current period. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance. If the asset value is increased and there is an indication that the revised carrying value is not recoverable, an impairment test is performed in accordance with the accounting policy set out above.

3.12 Tax

Tax expenses

The Group is tax exempt, Rand Water and Rand Water Services (Pty) Ltd, in terms of Section 10(1)(cA) of the Income Tax Act, No. 58 of 1962 and Rand Water Foundation was also approved as a non-profit organisation, and is exempt from normal income tax.

3.13 Revenue from contracts with customers

The Group recognises revenue from the following major sources:

- Potable Water sales relates to the abstraction, pumping, treatment and distribution of purified water to customers of Rand Water within the entity's service area in return for a gazetted tariff based on the customers' consumption.
- Non-potable water sales relate to the abstraction of water from the Vaal river system by customers, to whom Rand Water has transferred part of its water rights.
- Recoverable Projects sales refers to revenue derived from all other services as aligned to the Water Services Act - Section 30(2) activities - and where the entity is an implementing agent for those activities or a principal, those services may include:

a) Construction projects;

b) Operating and maintenance; and

c) Training and consulting.

Potable Water

Revenue comprises the fair value of the consideration received or receivable for the sale of water or goods and rendering of services in the ordinary course of the Group's activities.

Revenue comprises primarily the net invoiced value of water sales, exclusive of third party payments, at declared tariffs arising from normal trading activities.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.13 Revenue from contracts with customers (continued)

Sale of potable water

Revenue from the sale of water is recognised in profit or loss at the point where the customer obtains control, which is at the metering point in terms of IFRS 15 when:

Step 1: Identify the contract(s) with customer

The Group recognises revenue when a contract to provide bulk water to the customer exists. A contract can be a written contract or based on the Ministerial Directive (Section 41 of the Water Services Act (WSA)), due to an extension of a service area.

The goods and services to be provided can be identified.

The payment terms are clearly identifiable for the goods to be transferred.

The contract has commercial and or legislative substance as aligned to the provisions of the PFMA and the WSA.

It is probable that the Group will collect the consideration to which it will be entitled, in exchange for the water that will be transferred to the customer.

The credit management committee assesses at contract inception the credit profile of the customer.

The Group assesses the ability and intent of the customer to pay when the consideration becomes due, which may reflect that the probability to collect may not be met.

The following are the triggers that will be assessed on an ongoing basis to establish the customer's ability and intent to pay, either of the following probability of default must be met:

- Court order that enforces the supply or delivery of services or goods under unfavourable conditions to the Group; or
- Socio-Political factors that impact the supply or delivery of services/goods under unfavourable conditions to the Group or;
- Composite of customer base (Indigent vs Urban areas);
- Economic strength of the customer;
- A municipality that has been place under Section 136, 137, 139 and/or 154 of the Municipal Finance Management Act (MFMA) or an entity that is placed on business rescue or liquidation, with no payment arrangement in place or;
- Initiation of the Inter-Governmental Relations Act process or;
- Non-payment for three consecutive months or;
- Formal written communication indicating the customer's inability to meet its obligations as they become due.

Where probability of default criteria is met, the Group shall not recognise revenue from the date when the entity became aware of the applicable trigger.

Subsequent to the probability of default criteria being met, revenue will be recognised on a cash basis, until the probability of default is remedied.

Where the probability of default criteria is subsequently not met, the Group recognises revenue on an accrual basis in line with the provisions of IFRS 15.

3.13 Revenue from contracts with customers (continued)

Price adjustments:

Price adjustments can result from settlement arrangements with customers, which may impact on the revenue that the entity recognises. These settlement arrangements refer to those that reflect that the entities ability and intent may not be probable.

Step 2: Identify the performance obligation in the contract

The entity supplies water and installation of services, which together are distinct performance obligations. These services are supplied together.

Step 3: Determine transaction price

Amounts payable are identified in terms of the contract and are driven by the agreed terms between the entity and the customer.

Installation services are charged once off as capital contribution and are established per contract.

Sale of potable water is in respect of units of water supplied and the gazetted price for the area of service and type of customer.

Where the units of water supplied cannot be reliably measured due to inherent uncertainties in the business activities, the entity recognises revenue at the best estimate of the expected future benefit which is the average meter reading for the past 3 months, while the units of water consumed are verified/investigated. The inherent uncertainties in the business activities, which may result from:

- Meter inaccuracies
- Mechanical faults

Upon identification of the cause of the suspected meter inaccuracies or mechanical faults the average reading is updated and a catchup reflecting the over/under recognition of revenue for the period is recognised.

Such revenue is recognised in the period where the uncertainty is resolved as a variable consideration. The related receivable is amended in the same period as a change in estimate, therefore accounted for prospectively.

Step 4: Allocate the transaction price to the performance obligations in the contract

The transaction price for installation services are charged as capital contribution and are established per contract.

The transaction price for sale of potable water is in respect of units of water consumed and the gazette price for the area of service and type of customer.

The allocation of the payment shall be applied to the capital first before interest.

The transaction price for installation services are charged as capital contribution and are established per contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The revenue from the sale of potable water is recognised over time, as the customer simultaneously receives and consumes the benefits provided by Rand Water as the performance obligation is fulfilled.

Revenue from the sale of potable water is recognised over time at the metering point, this is the point where the units of water supplied to the customer for a specific period is read for billing purposes, and recognised as revenue. This is performed at an agreed point in time during a calendar month period.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.13 Revenue from contracts with customers (continued)

Non-potable Water

Revenue is recognised when the recognition criteria as defined in IFRS 15 is met.

The Group recognises over time, at the abstraction point, the sum of the cost of raw water at the gazette price and a recovery of direct expenses incurred for the abstraction of the raw water for the rights shared with Rand Water and a management fee of 10%.

Rand Water recognises revenue from the Vaalkop scheme based on an annual calculated recovery rate. The recovery rate is applied consistently for the current financial period to which it relates. The recovery rate represents the recovery of cost incurred to operate and maintain the scheme, for the benefit of the specific group of customers.

The recovery rate is assessed annually, and an over/under recovery component is built into the next financial year, depending on the determined recovery rate as compared to actual costs incurred.

Revenue from the sale of water is recognised in profit or loss at the point where the customer obtains control, which is at the metering point in terms of IFRS 15. The IFRS 15 revenue recognition model is similar to potable water in steps 1, 3, 4 and 5.

Step 1: Identify the contract with a customer

An entity will recognise revenue at a point in time (when control transfers) if performance obligations in a contract do not meet the criteria for recognition of revenue over time.

Step 2: Identify the performance obligation in the contract

The Group recognises revenue over time, at the abstraction point, the sum of the cost of raw water at the gazette price and a recovery of direct expenses incurred for the abstraction of the raw water for the rights shared with Rand Water and a management fee of 10%.

Rand Water recognises revenue from the Vaalkop scheme based on an annual calculated recovery rate. The recovery rate is applied consistently for the current financial period to which it relates. The recovery rate represents the recovery of cost incurred to operate and maintain the scheme, for the benefit of the specific group of customers.

The recovery rate is assessed annually, and an over/under recovery component is built into the next financial year, depending on the determined recovery rate as compared to actual costs incurred.

Step 3: Determine the transaction price

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods to a customer. Under the terms of the arrangement, the Group will sell water at fixed prices, which is reviewed during each year of the contract term.

Step 4: Allocate transaction price to the performance obligations in the contract

The promise to transfer water to the customer represents one performance obligation that is satisfied over time; The transaction price is allocated to each performance obligation based on the relative standalone selling prices of the goods being provided to the customer. To do so, the Group determines the standalone selling price ("SSP") at contract inception of the distinct good underlying each performance obligation in the bundled arrangement and allocate the transaction price in proportion to those standalone selling prices.

As the Group frequently sells water on a standalone basis in the normal course of its operations, the price it charges for water when it sells to similar customers is the best evidence of the SSP. As a result, the Group is not required to estimate or derive the SSP of water; rather, it uses those SSPs for purposes of allocating the transaction price.

3.13 Revenue from contracts with customers (continued)

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) it satisfies a performance obligation by transferring a promised good (that is, an asset) to the customer. An asset is transferred when (or as) the customer obtains control of that asset. The customer obtains control of a good if it has the ability to direct the use of and obtain substantially all of the remaining benefits from that good. The Group transfers control of the water over time and the customer simultaneously receives and consumes the benefits provided by the seller's performance as it performs; therefore, the seller would satisfy its performance obligations and would recognise revenue on sales of water over time by measuring the progress toward complete satisfaction of its performance obligation to deliver water.

The objective when measuring progress is to depict the Group's performance in transferring control of water to customers. Therefore, revenue has been recognised as control is transferred for the performance obligation (i.e. water upon delivery to the customer's reservoirs or catchment area).

Recoverable Projects

Revenue from recoverable projects is recognised upon meeting the recognition criteria as defined in IFRS 15. The IFRS 15 revenue recognition model is similar to potable water in steps 1, 3 and 4.

Step 2: Identify the performance obligation in the contract

- In addition to the steps defined under revenue from potable water, the Group recognises a contract asset in the due to/due from account.
- A contract asset is defined as the entity's right to consideration in exchange for goods or services that the entity has transferred to a customer, when that right is conditioned on something other than the passage of time, for example the entity's future performance.
- When the Group has already performed some work as per contract agreement, but has not yet billed, a due to/due from is recognised, until the conditions are fulfilled.
- Upon fulfillment of the conditions in a contract, the Group recognises revenue and debit's the due to/ due from account.

Step 5: Recognise revenue when (or as) the entity satisfies a performance

The Group further assesses per contract whether it is acting as a principal or agent by testing based on the following indicators:

a) The entity is primarily responsible for fulfilling the performance obligation;

b) The entity has latitude in establishing the pricing; and

c) The entity bears inventory risk.

Where one of the indicators are not met, the entity accounts for the contract with customer on an agent basis. Therefore, the Group recognises the net revenue in the statement of financial performance.

Revenue is recognised at a point in time or over time, depending on the type of promised good or service, that is transferred to the customer. This is determined per contract.

3.14 Cost of sales

The cost of sales relates to all direct costs incurred in the conversion of raw water to potable water and the related cost of providing secondary services. The conversion process includes abstraction, purification, pumping and distribution, as it directly relates to the revenue recognised.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.14 Cost of sales (continued)

Rand Waters recognises cost of sales for each different component of its revenue on primary and secondary activities. Those revenue streams are:

a) Potable water;

b) Non-potable water; and

c) Recoverable projects.

Any write-down of inventories to net realisable value and all losses of inventories or reversals of previous write-downs or losses are recognised in cost of sales in the period the write-down, loss or reversal occurs, excluding those costs which would be recognised in other operating expenses as they are not directly incurred in bringing the inventories to their present location and condition.

Potable water

Potable water cost of sales relates to all direct costs incurred in the conversion of raw water to potable water. These costs include the cost of purchasing water, labour, energy, chemicals, depreciation and amortisation and operating expenses that are directly attributable to the cost of potable water sales. The cost of water losses during the conversion process is included in the cost of water purchases. Where abnormal water losses are incurred during the conversion process, these costs are allocated on a systematic basis and recognised in other operating costs in the period they are incurred.

Non-potable water

Non-potable water cost of sales relates to the costs incurred in the abstraction of water from the Vaal River System by customers, to whom Rand Water has sold part of its water rights.

Recoverable projects

Recoverable projects costs are incurred from different sources of revenue as defined in the PFMA:

a) Construction projects;

b) Operating and maintenance; and

c) Training and consulting.

3.15 Other income

Income received from these sources are classified as other income:

a) **Rental income** – rental received from properties that the Group owns but rents to external and employees for an agreed period. Rental income is incidental in nature and is not derived from investment property.

b) **Encroachments** – relates to fees received from business who operate within the demarcated Rand Water area in and around the Vaal River.

c) **Sundry income** – all other incidental income that the entity realizes on an ad hoc basis.

Revenue from rental income and encroachments is recognised on a straight-line basis over the term of the lease, in the statement of financial performance.

Sundry income is recognised at a point in time in the statement of financial performance when it meets the recognition criteria in IFRS 15 as defined in the revenue Note 3.13.

3.16 Finance income

Interest income comprises interest received or receivable on loans, trade receivables and funds invested. Interest is recognised in the statement of profit or loss, using the effective interest rate method over the period to maturity.

Effective interest method is a method of calculating the amortised cost of a financial asset (or group) and of allocating the interest income over the relevant period.

Where an investment or a trade and other receivable is determined to be at a non performing stage or other instruments who are assessed to be at stage 3 in terms of IFRS 9. Rand Water Group will recognise interest on the total debt outstanding less expected credit losses. Therefore, interest income will be calculated on the net receivable or net investment.

3.17 Finance costs

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method. The interest expense component is recognised in the statement of profit or loss using the effective interest rate method.

The above includes borrowing costs to the extent they are not capitalised to the acquisition, construction or production of a qualifying asset.

Effective interest method is a method of calculating the amortised cost of a financial liability (or group) and of allocating the interest expense over the relevant period.

3.18 Income received in advance

Income received in advance consists of capital contributions from customers (or other entities) for the construction of items of property, plant and equipment are recognised when it is probable that the contribution will be received, future economic benefits will flow to the entity and that these benefits can be measured reliably.

The deferred income relating to these contributions are recognised on the following bases:

- Capital contributions received relating to the construction of items of property, plant and equipment are initially recorded as income received in advance. The contributions are subsequently recognised as revenue over the economic useful life of the related asset once the related service has been performed or the asset is brought into use.
- Contributions relating to income are credited to profit or loss when the related expense is incurred.

Income received in advance also include deferred income recognised as a result of items of property, plant and equipment owned by customers or the Executive Authority, but utilised by the Group to generate future economic benefits. The deferred income is recognised in other income over the economic useful life of the related asset.

3.19 Related parties

The Group is a 100% controlled entity of the Government of South Africa as represented by the Department of Water and Sanitation. As a Schedule 3B Enterprise in terms of the Public Finance Management Act, the Group recognises only those public entities that are within the same Ministerial control, as related parties.

Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. The Group considers the key management personnel to be the board members and executives as detailed in the Remuneration Report.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals or other parties related to the entity.

Transactions and balances with the related parties as defined by the Group that occurred during the financial period are disclosed as related party transactions or balances.

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGEMENTS (CONTINUED)

3.20 Fruitless, wasteful and irregular expenditure

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Where a transaction, event or condition was undertaken without value or substance and which did not yield any desired results or outcome and careful application, attentiveness and caution was applied to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level, such transaction, event or condition is recognised as fruitless and wasteful expenditure.

Irregular expenditure

Where expenditure has been incurred that does not comply with any law or regulation, the Group recognises that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with IFRS.

Irregular expenditure is derecognised when it is either:

a) condoned by the relevant authority if no official was found to be liable in law;

b) recovered from an official liable in law;

c) written-off if it is irrecoverable from an official liable in law; or

d) written-off if it is not condoned and not recoverable.

3.21 Events after reporting date

Events may occur between the end of the reporting period and the date when the consolidated annual financial statements are authorised for issue which may present information that should be considered in the preparation of financial statements.

Only events that provide further evidence about conditions that existed at the end of reporting period are adjusted for in the consolidated annual financial statements. Non-adjusting events are disclosed in the consolidated annual financial statements accordingly.

3.22 Contract assets

A contract asset is an entity's right to consideration in exchange for goods or services transferred to a customer, conditioned on future performance. It arises when the Group transfers goods or performs services in advance of receiving consideration from the customer. The Group recognises a contract asset on the recoverable projects wherein work is performed based on the stage of completion. As the milestones are reached the entity recognises the work-in-progress as a contract asset. In addition to this, contract asset is recognised for the days to which potable or non-potable water has been supplied to a customer but not yet billed, as it falls outside the meter reading timelines.

The loss allowance for contract assets is measured and recognised in terms of IFRS 9. The Group uses simplified approach applied to the related receivable to estimate the credit losses over the expected life of contract assets.

3.23 Contract liabilities

A contract liability arises when the Group receives consideration from its customer (or has the unconditional right to receive consideration) in advance of performance (previously described as amounts received in advance), as reflected by the income received in advance on recoverable projects.

3.24 Transfer of function

The transfer of function as of the transfer date are measured at their carrying amounts. The difference between the carrying amounts of the assets acquired, the liabilities assumed and the consideration paid to the transferor is recognised in accumulated reserves for the period.

The Group applies the provisions of AC101 (IAS 1) Presentation of financial statements and adopted the provisions within the GRAP 105 Transfer of function to account for the transfer of functions as gazetted by the Minister of Water and Sanitation.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment

Group

Figures in Rand thousands	2025			2024		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	13 378	-	13 378	13 378	-	13 378
Buildings	3 074 709	(1 334 036)	1 740 673	2 818 500	(1 269 865)	1 548 635
Plant and machinery	7 756 466	(2 904 012)	4 852 454	7 694 755	(2 656 148)	5 038 607
Furniture and fixtures	76 646	(47 826)	28 820	63 346	(47 666)	15 680
Motor vehicles	451 181	(110 694)	340 487	406 707	(112 523)	294 184
Office equipment	127 580	(99 650)	27 930	125 791	(97 062)	28 729
IT equipment	192 642	(145 710)	46 932	188 279	(134 821)	53 458
Major spare parts	7 132	-	7 132	2 062	(440)	1 622
Pipelines	14 596 907	(2 841 598)	11 755 309	13 993 516	(2 555 123)	11 438 393
Right of use asset	18 617	(12 544)	6 073	18 617	(6 393)	12 224
Assets under construction	13 790 039	-	13 790 039	12 399 513	-	12 399 513
Total	**40 105 297**	**(7 496 070)**	**32 609 227**	**37 724 464**	**(6 880 041)**	**30 844 423**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment (continued)

Rand Water

Figures in Rand thousands	2025			2024		
	Cost	Accumulated depreciation and impairment	Carrying value	Cost	Accumulated depreciation and impairment	Carrying value
Land	13 378	-	13 378	13 378	-	13 378
Buildings	3 074 709	(1 334 036)	1 740 673	2 818 500	(1 269 865)	1 548 635
Plant and machinery	7 756 466	(2 904 012)	4 852 454	7 694 755	(2 656 148)	5 038 607
Furniture and fixtures	76 646	(47 826)	28 820	63 346	(47 666)	15 680
Motor vehicles	451 181	(110 694)	340 487	406 707	(112 523)	294 184
Office equipment	127 580	(99 650)	27 930	125 791	(97 062)	28 729
IT equipment	192 599	(145 710)	46 889	188 224	(134 821)	53 403
Major spare parts	7 132	-	7 132	2 062	(440)	1 622
Pipelines	14 627 728	(2 849 653)	11 778 075	14 024 336	(2 562 603)	11 461 733
Right of use asset	18 617	(12 544)	6 073	18 617	(6 393)	12 224
Assets under construction	13 798 965	-	13 798 965	12 408 439	-	12 408 439
Total	**40 145 001**	**(7 504 125)**	**32 640 876**	**37 764 155**	**(6 887 521)**	**30 876 634**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Group - 2025

Figures in Rand thousands	Opening balance	Additions	Transfers	
Land	13 378	-	-	
Buildings	1 548 635	192	261 491	
Plant and machinery	5 038 607	48 778	38 881	
Furniture and fixtures	15 680	20 485	(38)	
Motor vehicles	294 184	80 304	(9 889)	
Office equipment	28 729	9 669	(379)	
IT equipment	53 458	25 150	(268)	
Major spare parts	1 622	2 101	3 409	
Pipelines	11 438 393	-	602 661	
Right of use asset	12 224	-	-	
Assets under construction	12 399 513	1 922 227	(907 559)	
	30 844 423	**2 108 906**	**(11 691)**	

Reconciliation of property, plant and equipment - Group - 2024

Figures in Rand thousands	Opening balance	Additions	Transfers	
Land	13 378	-	-	
Buildings	1 414 546	1 850	190 279	
Plant and machinery	3 896 323	54 448	1 371 239	
Furniture and fixtures	10 434	12 516	(80)	
Motor vehicles	121 417	185 461	(179)	
Office equipment	25 208	11 432	1 035	
IT equipment	55 388	23 626	194	
Major spare parts	1 400	-	222	
Pipelines	11 534 017	-	179 978	
Right of use asset	2 118	16 302	-	
Assets under construction	12 403 314	1 373 032	(1 752 939)	
	29 477 543	**1 678 667**	**(10 251)**	

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Disposals	Change in estimates	Reallocation from intangible assets	Borrowing costs capitalised	Depreciation	Impairment loss	Closing balance
	-	-	-	-	-	-	13 378
	(68)	(2 606)	-	-	(66 805)	(166)	1 740 673
	(1 229)	-	-	-	(272 582)	(1)	4 852 454
	18	-	-	-	(7 325)	-	28 820
	(1 206)	-	-	-	(22 906)	-	340 487
	(11)	-	-	-	(10 078)	-	27 930
	(242)	-	-	-	(31 166)	-	46 932
	-	-	-	-	-	-	7 132
	-	-	-	-	(285 745)	-	11 755 309
	-	-	-	-	(6 151)	-	6 073
	-	-	55 708	320 150	-	-	13 790 039
	(2 738)	**(2 606)**	**55 708**	**320 150**	**(702 758)**	**(167)**	**32 609 227**

	Disposals	Change in estimates	Borrowing costs capitalised	Depreciation	Impairment loss	Closing balance
	-	-	-	-	-	13 378
	(995)	8 351	-	(65 396)	-	1 548 635
	(3 707)	-	-	(258 492)	(21 204)	5 038 607
	-	-	-	(7 189)	-	15 680
	-	-	-	(12 515)	-	294 184
	(62)	-	-	(8 883)	-	28 729
	(277)	-	-	(25 473)	-	53 458
	-	-	-	-	-	1 622
	(15)	-	-	(273 506)	(2 083)	11 438 393
	-	-	-	(6 196)	-	12 224
	-	-	376 107	-	-	12 399 513
	(5 056)	**8 351**	**376 107**	**(657 650)**	**(23 287)**	**30 844 423**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Rand Water - 2025

Figures in Rand thousands	Opening balance	Additions	Transfers	
Land	13 378	-	-	
Buildings	1 548 635	192	261 491	
Plant and machinery	5 038 607	48 778	38 881	
Furniture and fixtures	15 680	20 485	(38)	
Motor vehicles	294 184	80 304	(9 889)	
Office equipment	28 729	9 669	(379)	
IT equipment	53 403	25 150	(267)	
Major spare parts	1 622	2 101	3 409	
Pipelines	11 461 733	-	602 662	
Right of use asset	12 224	-	-	
Assets under construction	12 408 439	1 922 227	(907 559)	
	30 876 634	**2 108 906**	**(11 689)**	

Reconciliation of property, plant and equipment - Rand Water - 2024

Figures in Rand thousands	Opening balance	Additions	Transfers	
Land	13 378	-	-	
Buildings	1 414 546	1 850	190 279	
Plant and machinery	3 896 323	54 448	1 371 239	
Furniture and fixtures	10 434	12 516	(80)	
Motor vehicles	121 417	185 461	(179)	
Office equipment	25 208	11 431	1 035	
IT equipment	55 354	23 591	194	
Major spare parts	1 400	-	222	
Pipelines	11 557 934	-	179 978	
Right of use asset	2 118	16 302	-	
Assets under construction	12 412 239	1 373 032	(1 752 939)	
	29 510 351	**1 678 631**	**(10 251)**	

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

	Disposals	Change in estimates	Reallocation from intangible assets	Borrowing costs capitalised	Depreciation	Impairment loss	Closing balance
	-	-	-	-	-	-	13 378
	(68)	(2 606)	-	-	(66 805)	(166)	1 740 673
	(1 229)	-	-	-	(272 582)	(1)	4 852 454
	18	-	-	-	(7 325)	-	28 820
	(1 206)	-	-	-	(22 906)	-	340 487
	(11)	-	-	-	(10 078)	-	27 930
	(242)	-	-	-	(31 155)	-	46 889
	-	-	-	-	-	-	7 132
	-	-	-	-	(286 320)	-	11 778 075
	-	-	-	-	(6 151)	-	6 073
	-	-	55 708	320 150	-	-	13 798 965
	(2 738)	**(2 606)**	**55 708**	**320 150**	**(703 322)**	**(167)**	**32 640 876**

	Disposals	Change in estimates	Borrowing costs capitalised	Depreciation	Impairment loss	Closing balance
	-	-	-	-	-	13 378
	(995)	8 351	-	(65 396)	-	1 548 635
	(3 707)	-	-	(258 493)	(21 204)	5 038 607
	-	-	-	(7 189)	-	15 680
	-	-	-	(12 515)	-	294 184
	(62)	-	-	(8 883)	-	28 729
	(277)	-	-	(25 459)	-	53 403
	-	-	-	-	-	1 622
	(15)	-	-	(274 081)	(2 083)	11 461 733
	-	-	-	(6 196)	-	12 224
	-	-	376 107	-	-	12 408 439
	(5 056)	**8 351**	**376 107**	**(658 212)**	**(23 287)**	**30 876 634**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment (continued)

Assets pledged as security

As at 30 June 2025 the Group pledged a portion of the Zwartkopjes farm amounting to R100.3 million, as security for the rehabilitation cost of the Panfontein sludge disposal site at end of useful life.

Changes in estimates

During the current reporting period, the Group reassessed the environmental restoration obligation to rehabilitate and decommission costs arising from the sludge disposal site. An actual quantification of the rehabilitation provision was calculated based on the adopted rehabilitation approach which included the revision of the estimated useful life of the site.

The Group recognised a reduction of R2.6 million (2024: addition of R8.4 million) in the rehabilitation provision estimate based on the actual rehabilitated calculation value.

Management has placed reliance on the work of an expert in determining the value which was based on a combination of phyto-desiccation and water treatment residue removal approach. Future estimates are determined by using the forecast inflation rate as per projections from the four major banks and the financial information from Bloomberg, a market news centre, for a period of three years.

The Group reassesses the estimated useful life ranges of its classes of property, plant and equipment and has identified instances where certain individual assets may operate beyond these typical ranges. Management has assessed these instances and concluded that the impact is not material and does not affect the overall fair presentation of the financial statements.

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Borrowing costs capitalised				
Borrowing costs capitalised to qualifying assets	320 150	376 107	320 150	376 107
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	10,21 %	10,18 %	10,21 %	10,18 %
Reconciliation to the Statement of Cash Flows				
Opening balance	(30 844 424)	(29 477 543)	(30 876 634)	(29 510 351)
Closing balance	32 609 227	30 844 424	32 640 876	30 876 634
Subtotal	1 764 803	1 366 881	1 764 242	1 366 283
Borrowing costs capitalised	(320 150)	(376 107)	(320 150)	(376 107)
Other adjustments	(252 812)	(184 365)	(252 815)	(184 364)
Depreciation and impairment	702 925	680 937	703 489	681 499
	1 894 766	**1 487 346**	**1 894 766**	**1 487 311**

Impairment and reversal of impairment

The carrying amounts of non-financial assets within the scope of IAS 16 are reviewed annually and monitored quarterly and adjusted (if required) and at each reporting date to determine whether there is any indication of impairment. The assets are also reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

4. Property, plant and equipment (continued)

As at 30 June 2025, assets with a carrying value of R167.2 thousand (2024: R23.3 million) were deemed obsolete and impaired. A full assessment was conducted at year end. The assumptions and estimates were informed by consultation with subject matter experts.

Transfers

Transfers include the movement of assets between property, plant and equipment, non-current assets held for sale and/or intangible assets. Included in other adjustments is an amount of R55.7 million, which relates to a reallocation between assets under construction (AUC) within property, plant and equipment and intangible assets.

In addition, transfers include movements between assets under construction of completed assets into the different classes of property, plant and equipment and intangible assets.

The entity continues to invest in strategic assets to prevent capacity constraints, ensure the fulfilment of its service delivery mandate, and maintain operational integrity to support the uninterrupted supply of potable water. As at 30 June 2025, R938 million of these assets have achieved beneficial use and were subject to depreciation.

Assets awaiting approval for disposal

During the annual asset verification, the Group identified property, plant and equipment assets, which are redundant and have reached the end of their useful life, amounting to R12.7 million (2024: R37.4 million). The approval for the removal or disposal of these assets from the asset register will be tabled in the next financial period. Certain assets in this category are still under verification.

The redundant assets per asset status are disclosed as follows.

Asset Status	Number of assets	Cost	Accumulated depreciation	Carrying value
Pending verification	380	29 559	(29 559)	-
Pending management approval	201	12 731	(12 731)	-
	581	**42 290**	**(42 290)**	**-**

A further breakdown of the redundant assets per asset class and category is listed below.

Asset Class	Number of assets	Cost	Accumulated depreciation	Carrying value
Building	1	21	(21)	-
Furniture	23	776	(776)	-
IT equipment	138	11 111	(11 111)	-
Office equipment	123	6 712	(6 712)	-
Portable plant and equipment	288	20 772	(20 772)	-
Pumping and purification	8	2 898	(2 898)	-
	581	**42 290**	**(42 290)**	**-**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

5. Intangible assets

Group

Figures in Rand thousands	2025			2024		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	265 773	(218 817)	46 956	237 789	(204 896)	32 893
Assets under construction	49 228	-	49 228	113 847	-	113 847
Water use license	131 793	(94 562)	37 231	131 793	(92 046)	39 747
Servitudes	178 736	-	178 736	170 139	-	170 139
Total	**625 530**	**(313 379)**	**312 151**	**653 568**	**(296 942)**	**356 626**

Rand Water

Figures in Rand thousands	2025			2024		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	265 773	(218 817)	46 956	237 789	(204 896)	32 893
Assets under construction	49 228	-	49 228	113 847	-	113 847
Water use license	131 793	(94 562)	37 231	131 793	(92 046)	39 747
Servitudes	178 736	-	178 736	170 139	-	170 139
Total	**625 530**	**(313 379)**	**312 151**	**653 568**	**(296 942)**	**356 626**

Reconciliation of intangible assets - Group - 2025

Figures in Rand thousands	Opening balance	Additions	Transfers	Amortisation	Reallocation to PPE	Total
Computer software	32 893	259	27 759	(13 955)	-	46 956
Assets under construction	113 847	27 067	(35 978)	-	(55 708)	49 228
Water use license	39 747	-	-	(2 516)	-	37 231
Servitudes	170 139	-	8 597	-	-	178 736
	356 626	**27 326**	**378**	**(16 471)**	**(55 708)**	**312 151**

Reconciliation of intangible assets - Group - 2024

Figures in Rand thousands	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	40 804	4 948	(4)	364	(13 219)	32 893
Assets under construction	66 032	47 815	-	-	-	113 847
Water use license	41 772	-	-	-	(2 025)	39 747
Servitudes	160 930	-	-	9 209	-	170 139
	309 538	**52 763**	**(4)**	**9 573**	**(15 244)**	**356 626**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

5. Intangible assets (continued)

Reconciliation of intangible assets - Rand Water - 2025

Figures in Rand thousands	Opening balance	Additions	Transfers	Amortisation	Reallocation to PPE	Total
Computer software	32 893	259	27 759	(13 955)	-	46 956
Assets under construction	113 847	27 067	(35 978)	-	(55 708)	49 228
Water use license	39 747	-	-	(2 516)	-	37 231
Servitudes	170 139	-	8 597	-	-	178 736
	356 626	**27 326**	**378**	**(16 471)**	**(55 708)**	**312 151**

Reconciliation of intangible assets - Rand Water - 2024

Figures in Rand thousands	Opening balance	Additions	Disposals	Transfers	Amortisation	Total
Computer software	40 804	4 948	(4)	364	(13 219)	32 893
Assets under construction	66 032	47 815	-	-	-	113 847
Water use license	41 772	-	-	-	(2 025)	39 747
Servitudes	160 930	-	-	9 209	-	170 139
	309 538	**52 763**	**(4)**	**9 573**	**(15 244)**	**356 626**

Reconciliation to the Statement of Cash Flows

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Total acquisitions	27 326	52 763	27 326	52 763
Less: Acquisitions not yet paid	(349)	(2 123)	(349)	(2 123)
	26 977	**50 640**	**26 977**	**50 640**

Transfers

Transfers include the movement of assets between property, plant and equipment, non-current assets held for sale and/or intangible assets. Included in other adjustments is an amount of R55.7 million, which relates to a reallocation between assets under construction (AUC) within property, plant and equipment and intangible assets.

Impairment and reversal of impairment

The carrying amounts of intangible assets within the scope of IAS 38 are reviewed annually and adjusted (if required) to determine whether there is any indication of impairment, with the exception of intangible assets with a finite useful life.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There was no indication of impairment on the intangible assets identified during the current reporting period.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

5. Intangible assets (continued)

A previously recognised impairment is reversed insofar as estimates change as a result of an event occurring after the impairment was recognised. An impairment is reversed only to the extent that the asset or cash generating unit carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of an impairment is recognised in the Statement of Financial Performance. For the current reporting period, there were no impairments or reversals of impairments recognised.

Indefinite useful lives

Servitudes are rights granted to the Group for an indefinite period of time. The servitudes consist of land expropriated by Rand Water containing infrastructure owned by the Group and used in the production of revenue. Servitudes are not amortised but are assessed by means of an annual impairment test. The recoverable amount is determined through the results of the value in use and fair value less costs to sell impairment tests. The results of which have indicated that no impairment is required. Servitudes amounting to R8.6 million have been transferred from AUC during the current reporting period.

Computer software

Rand Water assessed all its software and none were identified and classified as internally generated assets in terms of IAS 38. As at 30 June 2025, software assets with a carrying value of R27.8 million achieved beneficial use and amortisation had commenced.

Assets pledged as security

As at 30 June 2025 the Group had no intangible assets that were pledged as security.

Assets awaiting approval for disposal

During the current financial year the following assets has been identified as redundant assets and disclosed as follows:

Asset Status	Number of assets	Cost	Accumulated amortisation	Carrying value
Pending management approval	15	4 502	(4 502)	-

Asset Class	Number of assets	Cost	Accumulated amortisation	Carrying value
Computer software	15	4 502	(4 502)	-

6. Investments in subsidiaries

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Equity investment	-	-	12 500	12 500
Impairment balance	-	-	(9 495)	(5 067)
	-	**-**	**3 005**	**7 433**

The equity investment in subsidiary represents the 100% shareholding in Rand Water Services (Pty) Ltd.

During the current financial year, the value of the investment was reviewed using the net asset value method. As a result, an additional net impairment loss of R4.4 million was recognized (2024: R1.2 million) against the investment in Rand Water Services.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

7. Loans receivable

Loans receivable are presented at amortised cost, which is net of loss allowance, as follows:

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Loans receivable	18 293	9 092	18 293	9 092
Split between non-current and current portions				
Non-current assets	10 731	6 512	10 731	6 512
Current assets	7 562	2 580	7 562	2 580
	18 293	**9 092**	**18 293**	**9 092**
Gross loans receivable at 1 July	9 166	8 311	9 166	8 311
Loans issued	21 446	3 528	21 446	3 528
Loans repaid	(12 209)	(2 673)	(12 209)	(2 673)
Expected credit losses	(110)	(74)	(110)	(74)
	18 293	**9 092**	**18 293**	**9 092**

Rand Water is registered with the National Credit Regulator (NCR) as a credit provider in terms of Section 40 of the National Credit Act 34 of 2005.

Loans receivable consist of micro loans granted to qualifying employees. These loans are unsecured however the credit quality of the loan book has been assessed as a low risk by reference to historical default rates, as loan repayments are deducted directly from the employees' salaries and employees are required to take an insurance policy on the outstanding balance.

During the current reporting period, the micro loan book value increased primarily due to an increase in the maximum threshold from R20 thousand to R150 thousand.

The loans have repayment periods varying from 1 to 3 years at a closing interest rate of 10.75% (2024: 11.75%). The loans receivable is shown net of expected credit losses of R110.2 thousand (2024: R74.4 thousand)

8. Trade and other receivables

Totals shown below are net of expected credit losses

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Amortised Cost				
Non-current assets	421 088	280 417	421 088	280 417
Current assets	4 742 860	4 494 613	4 753 897	4 500 170
Total trade and other receivables	**5 163 948**	**4 775 030**	**5 174 985**	**4 780 587**

Non-current portion of trade and other receivables comprise of some municipalities that have a special arrangement to liquidate their obligation over an extended period of time as part of the debt relief programme.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

The table below indicates the Group and the entity current receivables class, split between trade and other receivables by customer type, and the different types of other receivables:

Current asset - trade and other receivables

	Group		Rand Water	
Figures in Rand thousands	**2025**	**2024**	**2025**	**2024**
Trade and other receivables				
National Government Department	22 230	27 982	22 230	27 982
Local Government /Municipalities	4 104 257	4 000 034	4 104 208	4 000 034
Mines	46 527	59 687	46 527	59 687
Retail	73 707	67 059	86 395	73 783
Industries	6 213	5 883	6 213	5 883
Sub-total	**4 252 934**	**4 160 645**	**4 265 573**	**4 167 369**
Other receivables	208 099	107 099	207 566	106 544
Other VAT receivable	32 271	100 331	31 202	99 719
Prepayments	249 556	126 538	249 556	126 538
Total current trade and other receivables	**4 742 860**	**4 494 613**	**4 753 897**	**4 500 170**

Detailed in the tables below is the Rand Water (the Entity) disaggregated trade receivables note by customer type segmented according to geographical locations.

	2025				
Figures in Rand thousands	**Gauteng**	**Mpumalanga**	**North West**	**Free State/ Other**	**Total**
Current assets					
Local Government/Municipalities	3 701 833	315 790	47 114	39 471	4 104 208
Mines	6 519	1 030	38 978	-	46 527
Retail	61 670	166	5 298	19 261	86 395
Industries/Railways	6 213	-	-	-	6 213
National Government	9 434	-	-	12 796	22 230
Sub-total	**3 785 669**	**316 986**	**91 390**	**71 528**	**4 265 573**
Non-current assets					
Local Government /Municipalities	397 380	15 857	-	7 851	421 088
	4 183 049	**332 843**	**91 390**	**79 379**	**4 686 661**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
Current assets					
Local government/Municipalities	3 698 461	223 038	43 319	35 216	4 000 034
Mines	5 527	2 209	51 951	-	59 687
Retail	45 684	170	3 758	24 171	73 783
Industries/Railways	5 883	-	-	-	5 883
National Government	23 124	2 350	143	2 365	27 982
Sub-total	**3 778 679**	**227 767**	**99 171**	**61 752**	**4 167 369**
Non-current assets					
Local Government/Municipalities	176 169	104 248	-	-	280 417
	3 954 848	**332 015**	**99 171**	**61 752**	**4 447 786**

A detailed analysis of trade receivables is presented for Rand Water (the Entity) below:

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
NATIONAL GOVERNMENT					
Water debtors					
Potable Water	7 766	-	-	-	7 766
Recoverable Projects	3 781	(98)	-	18 747	22 430
Interest not recognised	(139)	-	-	-	(139)
Revenue not recognised	(1)	-	-	-	(1)
Total Receivables	11 407	(98)	-	18 747	30 056
Add: Credit Balance	767	98	-	-	865
Gross Trade Receivables	**12 174**	**-**	**-**	**18 747**	**30 921**
Water debtors					
Potable Water	(1 540)	-	-	-	(1 540)
Recoverable Projects	(1 200)	-	-	(5 951)	(7 151)
Expected Credit Losses	**(2 740)**	**-**	**-**	**(5 951)**	**(8 691)**
Net: Trade and other Receivables	**9 434**	**-**	**-**	**12 796**	**22 230**
Trade and Other Receivables Performance					
Performing	6 469	-	-	-	6 469
Non Performing	5 705	-	-	18 747	24 452
	12 174	**-**	**-**	**18 747**	**30 921**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
LOCAL GOVERNMENT / MUNICIPALITIES					
Water debtors					
Potable Water	5 814 795	1 310 447	47 678	58 419	7 231 339
Recoverable Projects	15 302	127 402	-	397	143 101
Other Receivables	2 812	6 732	-	-	9 544
Interest not recognised	(512 701)	(279 661)	-	(6 523)	(798 885)
Revenue not recognised	(258 079)	(40 220)	-	-	(298 299)
Water demand management fee	(43 233)	(4 496)	(390)	(638)	(48 757)
Total Receivables	5 018 896	1 120 204	47 288	51 655	6 238 043
Add: Credit Balance	-	4	-	-	4
Gross Trade Receivables	**5 018 896**	**1 120 208**	**47 288**	**51 655**	**6 238 047**
Water debtors					
Potable Water	(1 303 753)	(707 380)	(175)	(11 899)	(2 023 207)
Recoverable Projects	(10 987)	(91 477)	-	(285)	(102 749)
Other Receivables	(2 323)	(5 560)	-	-	(7 883)
Expected Credit Losses	**(1 317 063)**	**(804 417)**	**(175)**	**(12 184)**	**(2 133 839)**
Net: Trade and other Receivables	**3 701 833**	**315 791**	**47 113**	**39 471**	**4 104 208**
Trade and Other Receivables Performance					
Performing	2 503 466	12 005	47 288	33 628	2 596 387
Non Performing	2 515 430	1 108 203	-	18 027	3 641 660
	5 018 896	**1 120 208**	**47 288**	**51 655**	**6 238 047**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
MINES					
Water debtors					
Potable Water	10 467	1 034	39 122	-	50 623
Interest not recognised	(2 056)	-	-	-	(2 056)
Revenue not recognised	(448)	-	-	-	(448)
Total Receivables	7 963	1 034	39 122	-	48 119
Gross Trade Receivables	**7 963**	**1 034**	**39 122**	**-**	**48 119**
Water debtors					
Potable Water	(1 444)	(4)	(144)	-	(1 592)
Expected Credit Losses	**(1 444)**	**(4)**	**(144)**	**-**	**(1 592)**
Net : Trade and other Receivables	**6 519**	**1 030**	**38 978**	**-**	**46 527**
Trade and Other Receivables Performance					
Performing	5 926	1 034	39 122	-	46 082
Non Performing	2 037	-	-	-	2 037
	7 963	**1 034**	**39 122**	**-**	**48 119**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
RETAIL					
Water debtors					
Potable Water	43 090	186	5 438	552	49 266
Non-potable Water	868	-	-	21 830	22 698
Recoverable Projects	170	-	-	-	170
Other Receivables	40 882	-	-	-	40 882
Interest not recognised	(1 536)	(3)	(15)	(38)	(1 592)
Revenue not recognised	(1 338)	(1)	(20)	(158)	(1 517)
Total Receivables	82 136	182	5 403	22 186	109 907
Add: Credit Balance	459	5	62	8	534
Gross Trade Receivables	**82 595**	**187**	**5 465**	**22 194**	**110 441**
Water debtors					
Potable Water	(12 192)	(22)	(166)	(287)	(12 667)
Non-potable Water	(105)	-	-	(2 647)	(2 752)
Recoverable Projects	(148)	-	-	-	(148)
Other Receivables	(8 479)	-	-	-	(8 479)
Expected Credit Losses	**(20 924)**	**(22)**	**(166)**	**(2 934)**	**(24 046)**
Net: Trade and other Receivables	**61 671**	**165**	**5 299**	**19 260**	**86 395**
Trade and Other Receivables Performance					
Performing	21 390	148	5 279	21 830	48 647
Under Performing	4 291	12	-	-	4 303
Non Performing	56 914	27	186	364	57 491
	82 595	**187**	**5 465**	**22 194**	**110 441**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
INDUSTRIES / RAILWAYS					
Water debtors					
Potable Water	6 235	-	-	-	6 235
Total Receivables	6 235	-	-	-	6 235
Gross Trade Receivables	**6 235**	**-**	**-**	**-**	**6 235**
Water debtors					
Potable Water	(22)				(22)
Expected Credit Losses	**(22)**	**-**	**-**	**-**	**(22)**
Net: Trade and other Receivables	**6 213**	**-**	**-**	**-**	**6 213**
Trade and Other Receivables Performance					
Performing	6 235	-	-	-	6 235
	6 235	**-**	**-**	**-**	**6 235**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
NATIONAL GOVERNMENT					
Water debtors					
Potable Water	25 696	-	-	-	25 696
Recoverable Projects	43 951	12 187	749	12 363	69 250
Interest not recognised	(1 120)	-	-	-	(1 120)
Revenue not recognised	767	98	-	-	865
Total Receivables	69 294	12 285	749	12 363	94 691
Gross Trade Receivables	**69 294**	**12 285**	**749**	**12 363**	**94 691**
Water debtors					
Potable Water	(10 626)	-	-	-	(10 626)
Recoverable Projects	(35 544)	(9 935)	(606)	(9 998)	(56 083)
Other Receivables	-	-	-	-	-
Expected Credit Losses	**(46 170)**	**(9 935)**	**(606)**	**(9 998)**	**(66 709)**
Net: Trade and other Receivables	**23 124**	**2 350**	**143**	**2 365**	**27 982**
Trade and Other Receivables Performance					
Performing	6 051	-	-	-	6 051
Under Performing	2 013	-	-	-	2 013
Non Performing	61 230	12 285	749	12 363	86 627
	69 294	**12 285**	**749**	**12 363**	**94 691**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
LOCAL GOVERNMENT /MUNICIPALITIES					
Water debtors					
Potable Water	5 652 364	932 228	52 090	91 291	6 727 973
Non-potable Water	-	-	-	-	-
Recoverable Projects	16 124	127 402	-	-	143 526
Other Receivables	23 177	5 132	-	-	28 309
Interest not recognised	(271 458)	(214 506)		(9 312)	(495 276)
Revenue not recognised	(295 083)	(75 608)	(8 601)	(30 726)	(410 018)
Total Receivables	5 125 124	774 648	43 489	51 253	5 994 514
Add: Credit Balance	-	4	-	-	4
Gross Trade Receivables	**5 125 124**	**774 652**	**43 489**	**51 253**	**5 994 518**
Water debtors					
Potable Water	(1 395 442)	(452 409)	(170)	(16 037)	(1 864 058)
Recoverable Projects	(12 017)	(94 953)	-	-	(106 970)
Other Receivables	(19 204)	(4 252)	-	-	(23 456)
Expected Credit Losses	**(1 426 663)**	**(551 614)**	**(170)**	**(16 037)**	**(1 994 484)**
Net: Trade and other Receivables	**3 698 461**	**223 038**	**43 319**	**35 216**	**4 000 034**
Trade and Other Receivables Performance					
Performing	408 816	14 598	39 709	18 856	481 979
Under Performing	2 665 259	-	12 381	-	2 677 640
Non Performing	2 051 049	760 054	(8 601)	32 397	2 834 899
	5 125 123	**774 652**	**43 489**	**51 254**	**5 994 518**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
MINES					
Water debtors					
Potable Water	8 892	2 218	52 160	-	63 270
Interest not recognised	(1 561)	-	-	-	(1 561)
Revenue not recognised	(445)	-	-	-	(445)
Total Receivables	6 886	2 218	52 160	-	61 264
Gross Trade Receivables	**6 886**	**2 218**	**52 160**	**-**	**61 264**
Water debtors					
Potable Water	(1 359)	(9)	(209)	-	(1 577)
Expected Credit Losses	**(1 359)**	**(9)**	**(209)**	**-**	**(1 577)**
Net: Trade and other Receivables	**5 527**	**2 209**	**51 951**	**-**	**59 687**
Trade and Other Receivables Performance					
Performing	4 918	2 218	33 823	-	40 959
Under Performing	-	-	18 337	-	18 337
Non Performing	1 968	-	-	-	1 968
	6 886	**2 218**	**52 160**	**-**	**61 264**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
RETAIL					
Water debtors					
Potable Water	32 331	167	4 919	491	37 908
Recoverable Projects	213	-	-	-	213
Other Receivables	35 595	-	-	28 130	63 725
Interest not recognised	(532)	-	(8)	(23)	(563)
Revenue not recognised	(1 236)	(1)	(1 171)	(162)	(2 570)
Total Receivables	66 371	166	3 740	28 436	98 713
Add: Credit Balance	586	8	104	1	699
Gross Trade Receivables	**66 957**	**174**	**3 844**	**28 437**	**99 412**
Water debtors					
Potable Water	(4 594)	(4)	(86)	(141)	(4 825)
Recoverable Projects	(185)	-	-	-	(185)
Other Receivables	(16 494)	-	-	(4 125)	(20 619)
Expected Credit Losses	**(21 273)**	**(4)**	**(86)**	**(4 266)**	**(25 629)**
Net : Trade and other Receivables	**45 684**	**170**	**3 758**	**24 171**	**73 783**
Trade and Other Receivables Performance					
Performing	35 530	168	3 661	28 130	67 489
Under Performing	807	-	2	-	809
Non Performing	30 620	6	181	307	31 114
	66 957	**174**	**3 844**	**28 437**	**99 412**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

8. Trade and other receivables (continued)

Figures in Rands thousand	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
Figures in Rand thousands					
Water debtors					
Potable Water	6 049	-	-	-	6 049
Interest not recognised	(59)	-	-	-	(59)
Total Receivables	5 990	-	-	-	5 990
Gross Trade Receivables	**5 990**	**-**	**-**	**-**	**5 990**
Water debtors					
Potable Water	(107)	-	-	-	(107)
Expected Credit Losses	**(107)**	**-**	**-**	**-**	**(107)**
Net: Trade and other Receivables	**5 883**	**-**	**-**	**-**	**5 883**
Trade and Other Receivables Performance					
Performing	5 990	-	-	-	5 990
	5 990	**-**	**-**	**-**	**5 990**

In line with the accounting policy and IFRS 15 as adopted, in testing against the triggers to establish the customers' ability and intent to pay a balance of R300 million (2024: R413 million) was not recognised.

As at 30 June 2025 the Group had no trade and other receivables that were pledged as security.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

9. Investment in bonds

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Investment in bonds at fair value through other comprehensive income	4 481 239	2 453 672	4 481 239	2 453 672
Investment in bonds				
Sovereign bonds	3 954 342	2 036 932	3 954 342	2 036 932
State-owned entity bonds	526 897	416 740	526 897	416 740
	4 481 239	**2 453 672**	**4 481 239**	**2 453 672**
Reconciliation to the Statement of Cash Flows				
Opening balance	2 453 672	2 116 290	2 453 672	2 116 290
Expected credit (losses)/reversals	(17 855)	3 532	(17 855)	3 532
Fair value gains	223 177	35 927	223 177	35 927
Amortisation of net discounts	9 089	5 261	9 089	5 261
Acquisition of investments in bonds	1 813 156	292 662	1 813 156	292 662
Closing balance	**4 481 239**	**2 453 672**	**4 481 239**	**2 453 672**

As at 30 June 2025, the Group holds sovereign and state-owned entity bonds with a total nominal value of R4 620 million. Fair values were estimated using the Johannesburg Stock Exchange market rates. Coupons are payable quarterly and bi-annually to the Group.

During the current financial year, the Group acquired additional sovereign bonds and state-owned entity bonds with a total nominal value of R1 870 million.

The Group has recognised net fair value gains of R223.2 million (2024: R35.9 million) in other comprehensive income with expected credit losses of R17.9 million (2024: R3.5 million reversal in the expected credit losses).

As at 30 June 2025, the Group has amortised to the statement of financial performance R9.1 million (2024: R5.3 million) which relates to net discounts that were recognised at the initial purchase of the bonds.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

10. Inventories

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Raw materials, chemicals and water inventory	149 060	117 777	149 060	117 777
Maintenance and consumable stores	97 987	90 333	97 987	90 333
	247 047	**208 110**	**247 047**	**208 110**
Included in inventory :				
Chemicals	68 080	61 518	68 080	61 518
Water inventory	80 980	56 259	80 980	56 259
Maintenance spares and consumables stores	97 987	90 333	97 987	90 333
	247 047	**208 110**	**247 047**	**208 110**

Inventory levels increased during the period relative to the previous financial year-end with chemicals increasing by R6.6 million, maintenance and consumables stores holding increased by R7.7 million.The water inventory levels increased by R24.7 million year on year due to the higher reservoir levels (a 19.46% higher volume available) and higher comparative input cost drivers for the reporting period. For the current reporting period, inventory adjustments amounting to R1.7 million (2024: R0.2 million) were identified as obsolete, shrinkage and stock write off during the inventory count exercise undertaken throughout the entity and subsequently processed.

Inventory pledged as security

As at 30 June 2025 there was no inventory that the Group has pledged as security.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

11. Contract assets

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Contract assets	217 839	188 121	217 693	188 121
Revenue not recognised	(597)	(2 337)	(597)	(2 337)
Loss allowance	(9 660)	(17 126)	(9 660)	(17 126)
	207 582	**168 658**	**207 436**	**168 658**
Summary of contract assets				
Potable water	178 436	118 818	178 436	118 818
Non-potable water	1 374	721	1 374	721
Recoverable projects	27 772	49 119	27 626	49 119
	207 582	**168 658**	**207 436**	**168 658**
Reconciliation of contract assets				
Opening balance	168 658	114 702	168 658	114 702
Project revenue generated	434 969	356 297	434 823	356 297
Project billing	(463 685)	(300 389)	(463 685)	(300 389)
Expected credit (losses)/reversals	7 466	(9 607)	7 466	(9 607)
Excess days billed	(119 539)	(105 866)	(119 539)	(105 866)
Days supply not billed	179 713	113 521	179 713	113 521
	207 582	**168 658**	**207 436**	**168 658**

Included in contract assets are excess days and recoverable projects not yet billed amounting to R207.6 million (2024: R168.7 million). This is attributable to the ongoing s63 project on the Emfuleni Municipality and its relative expected credit loss tested on the probability of default assessed on the customer.

In line with the impairment allowance recognised on the trade and other receivables (Note 8), an expected credit loss allowance was recognised on the contract asset amounting to R9.7 million (2024: R17.1 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

12. Term deposit investments

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Amortised cost				
Term deposit investment	-	2 763 375	-	2 763 375
Net investment	**-**	**2 763 375**	**-**	**2 763 375**
Gross investment	-	2 763 881	-	2 763 881
Expected credit losses	-	(506)	-	(506)
Reconciliation to the Statement of Cash Flows				
Balance at 1 July	2 763 375	2 815 208	2 763 375	2 815 208
Acquisition of term deposit investments	3 305 000	7 032 000	3 305 000	7 032 000
Maturities	(6 461 674)	(7 186 000)	(6 461 674)	(7 186 000)
Interest realised	392 793	101 881	392 793	101 881
Expected credit losses	506	286	506	286
	-	**2 763 375**	**-**	**2 763 375**

Term deposit investments consist of financial instruments with an original maturity of greater than 3 months at acquisitions of investments such as fixed deposits, and Promissory Notes (PN).

The Group reduced its exposure to term deposit investments to R0 million (2024: R2 763 million) and increased allocations to bonds and cash and cash equivalents.

13.Cash and cash equivalents

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Call and short term deposit	11 788 857	6 175 635	11 780 021	6 167 462
Bank and cash balances	420 467	169 622	415 228	164 131
	12 209 324	**6 345 257**	**12 195 249**	**6 331 593**
Reconciliation of cash and cash equivalents				
Gross cash and cash equivalents	12 211 400	6 345 791	12 197 325	6 332 126
Expected credit losses	(2 076)	(533)	(2 076)	(533)
	12 209 324	**6 345 257**	**12 195 249**	**6 331 593**

Cash and cash equivalents comprise funds that are available on demand or have an original maturity of less than three (3) months from the settlement date. These include positive bank balances, cash on hand, call deposits, fixed deposits, notice deposits, Promissory Notes (PN), and investments in money market instruments held with financial institutions that have an investment-grade credit rating.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

13.Cash and cash equivalents (continued)

The increase in cash and cash equivalents during the current reporting period was primarily due to the maturity of longer-dated term deposit investments.

As at 30 June 2025, the Group's ECL relating to cash and cash equivalents increased to R2.1 million (2024: R0.5 million) primarily due to a slight increase in probability of default of certain counterparties and an increased cash and cash equivalent balance.

14. Non-current assets held-for-sale

	Group		Rand Water	
Figures in Rand thousands	**2025**	**2024**	**2025**	**2024**
Total non-current assets held for sale	**10 991**	**457**	**10 991**	**457**
Movements during the year				
Balance at 1 July	457	82	457	82
Reclassification from property, plant and equipment	11 309	678	11 309	678
Disposals	(775)	(303)	(775)	(303)
Closing balance	**10 991**	**457**	**10 991**	**457**

The entity conducts periodic asset verification and condition assessments of its property, plant, and equipment. During the current reporting period, assets amounting to R11 million (2024: R0.5 million) were identified as redundant, no longer in use or having reached the end of their expected useful lives. These assets were subsequently reclassified as held for sale. The disposal of the assets was approved by management and they are expected to be sold at the next auction, scheduled for the first half of the following financial year. The majority of these high-value assets consist of motor vehicles that have become redundant and replaced within the fleet.

Management's intention to dispose of the assets remains unchanged which includes those assets that were carried forward from the previous year.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

15. Interest bearing borrowings

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Non-current liabilities	2 566 376	3 153 570	2 566 376	3 153 570
Current liabilities	594 874	9 909	594 874	9 909
	3 161 250	**3 163 479**	**3 161 250**	**3 163 479**
Interest bearing borrowings maturity profile				
Up to one year	594 874	9 909	594 874	9 909
One year to three years	578 886	585 898	578 886	585 898
Three years to five years	1 443 640	2 023 847	1 443 640	2 023 847
More than five years	543 850	543 825	543 850	543 825
	3 161 250	**3 163 479**	**3 161 250**	**3 163 479**

Figures in Rand thousands	Maturity	Nominal Interest Rate %	Type	2025	2024
Issued unsecured notes					
RW28	10 Dec 28	10.245	Fixed rate	1 447 459	1 447 458
RWL26	30 Jun 26	9.542	Floating rate	586 153	586 511
RWL28	30 Jun 28	9.705	Fixed rate	579 154	579 462
RW31	30 Jun 31	10.685	Fixed rate	544 159	544 478
Amortised costs				4 325	5 570
				3 161 250	**3 163 479**

Interest-bearing borrowings relate to unsecured bonds issued by the Group under its ZAR10 billion Domestic Medium Term Note (DMTN) programme with a nominal amount of R3.2 billion as at 30 June 2025. It includes two Sustainability Linked Bonds issued by the Group. These bonds are listed on the Johannesburg Stock Exchange. The RWL26, maturing on 30 June 2026, was reclassified from non-current liabilities to current liabilities as it matures within 12 months.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

16. Lease liabilities

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Minimum lease payments due				
Balance at 1 July	12 992	2 179	12 992	2 179
Additions	-	16 725	-	16 725
Capital	(6 208)	(5 912)	(6 208)	(5 912)
	6 784	**12 992**	**6 784**	**12 992**
Present value of minimum lease payments due				
- within one year	6 784	6 784	6 784	6 784
- in second to fifth year inclusive	-	6 208	-	6 208
	6 784	**12 992**	**6 784**	**12 992**
Non-current liabilities	-	6 784	-	6 784
Current liabilities	6 784	6 208	6 784	6 208
	6 784	**12 992**	**6 784**	**12 992**

The Group leases office buildings and office equipment under finance lease arrangements with a term of three years. The current contracts were awarded for a three-year term and are set to expire in 2026. The lease payments are subject to an annual escalation to reflect market-related rentals. None of the leases include contingent rentals. During the current year, no additional finance lease contracts were awarded.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

17. Deferred income

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Analysis of deferred income				
Current portion	3 012	3 079	2 877	2 709
Non-current portion	166 336	161 234	166 336	161 234
	169 348	**164 313**	**169 213**	**163 943**

The deferred income relates to the capital contributions received from customers which are initially recorded as income received in advance for projects initiated for the construction of the customers' assets. It also includes grants received from funders towards projects to be undertaken in future financial periods. Deferred income is recognised in profit or loss as income on a straight-line basis over the expected useful lives of the related assets.

A capital contribution of R6.2 million relating to the construction of various water meter projects that are to be undertaken was received and the revenue will be recognised when the assets become available for use. In addition, a further capital contribution of R1.8 million was received from City Power for the relocation of the G20 pipeline which was completed during the current year and amortisation has commenced.

Amortisation of the deferred income to the value of R2.8 million (2024: R2.7 million) was recognised in other income when the asset is in use which is the amount recognised in revenue reflecting the economic benefits of these projects.

Reconciliation of deferred income - Group - 2025

	Opening balance	Additions	Amortisation for the year	Recognised during the year	Closing balance
Capital contribution from customers	164 313	8 105	(2 835)	(235)	169 348

Reconciliation of deferred income - Group - 2024

	Opening balance	Additions	Amortisation for the year	Recognised during the year	Closing balance
Capital contribution from customers	132 098	34 931	(2 711)	(5)	164 313

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

17. Deferred income (continued)

Reconciliation of deferred income - Rand Water - 2025

	Opening balance	Additions	Amortisation for the year	Recognised during the year	Closing balance
Capital contribution from customers	163 943	8 105	(2 835)	-	169 213

Reconciliation of deferred income - Rand Water - 2024

	Opening balance	Additions	Amortisation for the year	Recognised during the year	Closing balance
Capital contribution from customers	131 723	34 931	(2 711)	-	163 943

18. Provisions

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Non-current liabilities	133 896	130 524	133 896	130 524
Current liabilities	1 039	1 789	1 039	1 789
	134 935	**132 313**	**134 935**	**132 313**

Reconciliation of provisions - Group - 2025

Figures in Rand thousands	Opening balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	130 524	5 978	-	(2 606)	133 896
Legal proceedings	1 789	-	(750)	-	1 039
	132 313	**5 978**	**(750)**	**(2 606)**	**134 935**

Reconciliation of provisions - Group - 2024

Figures in Rand thousands	Opening balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	116 244	5 928	-	8 351	130 524
Legal proceedings	1 814	-	(25)	-	1 789
	118 058	**5 928**	**(25)**	**8 351**	**132 313**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

18. Provisions (continued)

Reconciliation of provisions - Rand Water - 2025

Figures in Rand thousands	Opening balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	130 524	5 978	-	(2 606)	133 896
Legal proceedings	1 789	-	(750)	-	1 039
	132 313	**5 978**	**(750)**	**(2 606)**	**134 935**

Reconciliation of provisions - Rand Water - 2024

Figures in Rand thousands	Opening balance	Additions	Reversed during the year	Change in discount factor	Total
Environmental rehabilitation	116 244	5 928		8 351	130 524
Legal proceedings	1 814	-	(25)	-	1 789
	118 058	**5 928**	**(25)**	**8 351**	**132 313**

The rehabilitation cost relates to the Group's Panfontein sludge waste disposal site. The Group has a present obligation to undertake restoration, rehabilitation and environmental remediation at the end of the site's useful life. During the current financial year, monthly provisions totalling the annual amount of R5.98 million were recognised as an estimate. A review of the overall remaining useful life towards year end resulted in a decrease in the initial estimated amount of R2.61 million calculated using the pre tax discount and reflecting the specific risks associated with the obligation. The rehabilitation costs will be funded through the sale of a portion of the Zwartkopjes farmland pledged as security, at the end of its useful life. (Refer to Note 4).

Most earth structures at Panfontein are assessed to be in fair condition. However, the drying beds are currently being overutilized due to reduced capacity and processing bottlenecks, resulting in overtopping. Several projects have been proposed and initiated to renew earth structures and refurbishment of the blending pond at Panfontein. The projects are estimated to be completed between December 2025 and June 2029 respectively.

Included in the current liabilities are amounts claimed from the Group arising from contractual obligations. Provisions relating to litigations against the Group amount to R1.0 million (2024: R1.8 million).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

19. Trade and other payables

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Trade payables	5 278 361	3 063 289	5 278 363	3 063 290
Water Demand Management fee	154 743	-	154 743	-
Accrued leave pay	195 449	191 221	195 449	191 221
Accrued bonus	672 317	616 798	672 317	616 798
Other payables	278 950	190 499	278 183	189 435
VAT	23	-	-	-
	6 579 843	**4 061 807**	**6 579 055**	**4 060 744**

Trade and other payables comprise amounts outstanding for trade and non-trade purchases. Trade and other payables are carried at amortised cost and the carrying amount approximates fair value. These are settled 30 days from the date of statement with the exception of the Department of Water and Sanitation which is settled 60 days from the date of statement.

The trade and other payables incorporate retention payments that are due as and when predetermined projects milestones have been met. Due to the nature of the condition attached to the projects, the timing thereof is not easily determinable and is therefore deemed to be current in nature.

20. Contract liabilities

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Summary of contract liabilities				
Unconditional right to contractual obligation - recoverable projects	672	19 240	672	19 240
Income received in advance	59 989	90 995	59 989	90 995
	60 661	**110 235**	**60 661**	**110 235**
Reconciliation of contract liabilities				
Opening balance	110 235	134 343	110 235	134 343
Revenue recognised from income received in advance	(16 897)	(21 529)	(16 897)	(21 529)
Project revenue generated	(29 908)	(22 416)	(29 908)	(22 416)
Project billing	(2 769)	19 837	(2 769)	19 837
	60 661	**110 235**	**60 661**	**110 235**

Included in the balance of R60.7 million (2024: R110.2 million) are amounts received in advance for various projects, such as the R14.1 million for the old Sedibeng Regional Sewer Scheme, R22.6 million for the Bushbuckridge Reticulation 2 Project, and R13.8 million for the Govan Mbeki and Polokwane Graduate Internship programmes. The decrease in contract liabilities is mainly attributable to the set-off of R37 million against the Sedibeng Regional Sewer Scheme and refunds of interest amounting to R9.6 million to the Gauteng Department of Human Settlements and R2.6 million to the DWS Eastern Cape Drought Relief Projects following the closure of these projects.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

21. Post retirement medical benefit

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Non-current asset	401 783	377 576	401 783	377 576
Non-current liability	(334 765)	(330 371)	(334 765)	(330 371)
Defined benefit asset before the asset ceiling	**67 018**	**47 205**	**67 018**	**47 205**
Asset ceiling	(67 018)	(47 205)	(67 018)	(47 205)
Net defined benefit asset/(liability)	**-**	**-**	**-**	**-**
Reconciliation of the retirement benefit liability				
Balance at 1 July	(330 371)	(335 758)	(330 371)	(335 758)
Interest cost	(39 578)	(41 953)	(39 578)	(41 953)
Current service costs	(5 351)	(6 386)	(5 351)	(6 386)
Benefits paid	21 339	21 081	21 339	21 081
Actuarial gain	19 196	32 645	19 196	32 645
Balance at 30 June	**(334 765)**	**(330 371)**	**(334 765)**	**(330 371)**
Reconciliation of the fair value of plan assets				
Balance at 1 July	330 371	335 758	330 371	335 758
Return on plan asset	45 535	45 517	45 535	45 517
Benefits paid	(21 339)	(21 081)	(21 339)	(21 081)
Management fees	(331)	(240)	(331)	(240)
Actuarial loss	(19 471)	(29 583)	(19 471)	(29 583)
Balance at 30 June	**334 765**	**330 371**	**334 765**	**330 371**

This is a Post-Retirement Medical Benefit Obligation that arises due to Rand Water's commitment to continue to fund a portion (two-thirds) of the qualifying employees' contributions to the Rand Water Medical Scheme after retirement. These are member employees that were employed by Rand Water prior to 1 January 2002 and were on option A of the Rand Water Medical Scheme. The scheme is a closed scheme.

The Group's planned assets amounted to R334.8 million (2024: R330.4 million) relating to the post-retirement medical benefit after applying the asset ceiling. This is a matching asset as defined under IAS 19 to ensure the obligation is funded.

Actuarial valuation is conducted on a bi-annually basis by independent actuaries using the projected credit unit method to value the present value of the defined benefit obligation.

Analysis of movements in the statement of financial position and statement of comprehensive income:

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

21. Post retirement medical benefit (continued)

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Amounts recognised in the Statement of Financial Position				
Remeasurements^	(275)	3 062	(275)	3 062
Current service costs	(5 351)	(6 386)	(5 351)	(6 386)
Net interest income	5 957	3 564	5 957	3 564
Management fees	(331)	(240)	(331)	(240)
Net benefit at the end of the year	**-**	**-**	**-**	**-**
Net expense recognised in the Statement of Financial Performance				
Current service costs	5 351	6 386	5 351	6 386
Interest cost	39 578	41 953	39 578	41 953
Return on plan asset	(45 535)	(45 517)	(45 535)	(45 517)
Management fees	331	240	331	240
	(275)	**3 062**	**(275)**	**3 062**
Amounts recognised in other comprehensive income				
Actuarial gain on retirement benefit liability @	19 196	32 645	19 196	32 645
Actuarial loss on plan asset	(19 471)	(29 583)	(19 471)	(29 583)
Remeasurement (loss)/gain on the net defined medical benefit plan	**(275)**	**3 062**	**(275)**	**3 062**

^ Re-measurements consist of actuarial gains and losses on the post retirement liability and the plan asset.

@ Actuarial gain on retirement benefit liability was mainly driven by changes in marital, income band, status of in services members, increase in the real discount rate, lower than expected contribution increase and unexpected changes in membership.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

21. Post retirement medical benefit (continued)

Key actuarial assumptions used in the actuarial valuations

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Discount rate for active members	11,80 %	12,40 %	11,80 %	12,40 %
Discount rate for pensioners	11,80 %	12,40 %	11,80 %	12,40 %
Health care cost inflation	7,20 %	8,00 %	7,20 %	8,00 %
Membership continued at retirement	100,00 %	100,00 %	100,00 %	100,00 %
Expected return on plan asset	11,80 %	12,40 %	11,80 %	12,40 %
Proportion married at retirement	90,00 %	90,00 %	90,00 %	90,00 %
Real discount rate for active members	4,29 %	4,07 %	4,29 %	4,07 %
Spouse age difference	3 years	3 years	3 years	3 years
Expected retirement age	65 years	65 years	65 years	65 years
Pensioner mortality tables*	PA (90)	PA (90)	PA (90)	PA (90)
	Ultimate	Ultimate	Ultimate	Ultimate

* The Group does not have its own mortality tables and has adopted the standard mortality table.

Sensitivity analysis

	2025		2024	
Figures in Rand thousands	Decrease	Increase	Decrease	Increase
1% increase/decrease in the health care cost assumption on the obligation	32 098	37 503	32 435	37 985
1% increase/decrease in the health care cost assumption on service costs and interest cost	4 489	5 272	4 785	5 631
A one year decrease/ increase in expected retirement age	13 206	11 916	13 197	11 689
Withdrawal for both males and females between 0% - 15% p.a.	-	630	-	975
A 2 year reduction with 1.0% improvement p.a. from 2006	-	57 542	-	57 147

The above sensitivity analysis display the impact on the defined benefit obligation as a result of reasonable changes in the key assumptions for two comparative years.

As at 30 June 2025, the plan typically exposes the Group to actuarial risks such as health care cost inflation risk, longevity risk, administration risk, eligibility criteria risk, changes in bond yields, price inflation risk, investment risk, market risk: and future changes in legislation risk as defined below:

Inflation risk:

The risk that future CPI inflation and healthcare cost inflation are higher than expected and uncontrolled.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

21. Post retirement medical benefit (continued)

Longevity risk:

The risk that pensioners will live longer than expected and thus their healthcare benefit is payable for longer than expected.

Open-ended, long-term liability risk:

The risk that the liability may be volatile in the future and uncertain.

Future changes in legislation risk:

The risk that changes to legislation with respect to the post-employment healthcare liability may increase the liability for Rand Water.

Future changes in the tax environment:

The risk that changes in tax legislation governing employee benefits may increase the liability for Rand Water.

Perceived inequality by non-eligible employees risk:

The risk of dissatisfaction of employees who are not eligible for a post-employment healthcare subsidy.

Administration risk:

Administration of this liability poses a burden to Rand Water.

Enforcement of eligibility criteria and rules risk:

The risk that eligibility criteria and rules are not strictly or consistently enforced.

Investment risk:

The risk that the return earned by the plan assets is lower than expected and thus the plan assets are insufficient.

Market risk:

The risk that the market value of the plan assets will decrease due to unexpected movements in market factors.

No other post-retirement benefits are provided to the employees.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

22. Capital commitments

The Group is committed in respect of capital expenditure including expected contract price adjustments. This expenditure will be financed from internal resources and out of externally raised debt.

Contracted for but not provided:

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Property, plant and equipment	6 405 870	3 829 878	6 405 870	3 829 878
Intangible assets	-	13 849	-	13 849
	6 405 870	**3 843 727**	**6 405 870**	**3 843 727**

23. Revenue

The table below is the revenue from contracts with customers according to the different revenue streams:

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Potable water	22 662 223	21 535 262	22 662 223	21 535 262
Non-potable water	186 719	217 939	186 719	217 939
Recoverable projects	72 713	61 320	71 939	61 320
Meter installations	572	575	572	575
	22 922 227	**21 815 096**	**22 921 453**	**21 815 096**

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
National Government Departments	72 964	-		1 248	74 212
Local Government Departments	20 149 011	661 982	523 124	295 027	21 629 144
Mines	207 458	17 861	426 845	-	652 164
Retail	267 179	1 516	54 122	175 272	498 089
Industries\Railways	68 618	-	-	-	68 618
	20 765 230	**681 359**	**1 004 091**	**471 547**	**22 922 227**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

23. Revenue (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
National Government Departments	85 719	-	-	21	85 740
Local Government Departments	19 062 804	725 024	520 342	237 022	20 545 192
Mines	233 159	19 529	384 275	-	636 963
Retail	328 799	1 361	42 576	105 145	477 881
Industries\Railways	69 320	-	-	-	69 320
	19 779 801	**745 914**	**947 193**	**342 188**	**21 815 096**

Revenue from the sale of water is recognised over time at the metering point, this is the point where the units of water supplied to the customer for a specific period is read for billing purposes, and recognised as revenue. This is performed at an agreed point in time during a calendar month period.

Revenue is recognised at a point in time or over time, depending on the type of promised good or service, that is transferred to the customer. This is determined per contract.

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Recoverable projects				
Construction projects	21 414	16 974	21 414	16 974
Operating and maintenance	11 021	10 439	10 247	10 439
Training and consulting	40 278	33 907	40 278	33 907
	72 713	**61 320**	**71 939**	**61 320**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

23. Revenue (continued)

Figures in Rand thousands	2025 Gauteng	Mpumalanga	North West	Free State/ Other	Total
NATIONAL GOVERNMENT DEPARTMENTS					
Water debtors					
Potable Water	40 705	-	-	-	40 705
Construction Projects	20 166	-	-	1 248	21 414
Training and consulting	12 093	-	-	-	12 093
Total Revenue	**72 964**	**-**	**-**	**1 248**	**74 212**
Timing of revenue recognition					
At point in time	32 259	-	-	1 248	33 507
Over time	40 705	-	-	-	40 705
	72 964	**-**	**-**	**1 248**	**74 212**
Revenue Customer Performance					
Performing	63 146	-	-	-	63 146
Non Performing	9 818	-	-	1 248	11 066
	72 964	**-**	**-**	**1 248**	**74 212**

Figures in Rand thousands	2025 Gauteng	Mpumalanga	North West	Free State/ Other	Total
LOCAL GOVERNMENT / MUNICIPALITIES					
Water debtors					
Potable Water	20 100 757	605 525	514 523	257 414	21 478 219
Operating and Maintenance	11 021	-	-	-	11 021
Training and consulting	229	21 069	-	6 887	28 185
Revenue not recognised	37 004	35 388	8 601	30 726	111 719
Total Revenue	**20 149 011**	**661 982**	**523 124**	**295 027**	**21 629 144**
Timing of revenue recognition					
At point in time	11 250	21 069	-	6 887	39 206
Over time	20 137 761	640 913	523 124	288 140	21 589 938
	20 149 011	**661 982**	**523 124**	**295 027**	**21 629 144**
Revenue Customer Performance					
Performing	18 063 842	146 275	523 124	219 079	18 952 320
Non Performing	2 085 169	515 707	-	75 948	2 676 824
	20 149 011	**661 982**	**523 124**	**295 027**	**21 629 144**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

23. Revenue (continued)

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
MINES					
Water debtors					
Potable Water	207 461	17 861	426 845	-	652 167
Revenue not recognised	(3)	-	-	-	(3)
Total Revenue	**207 458**	**17 861**	**426 845**	**-**	**652 164**
Timing of revenue recognition				**-**	
Over time	207 458	17 861	426 845	-	652 164
	207 458	**17 861**	**426 845**	**-**	**652 164**
Revenue Customer Performance					
Performing	101 357	17 861	426 845	-	546 063
Non Performing	106 101	-	-	-	106 101
	207 458	**17 861**	**426 845**	**-**	**652 164**

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
RETAIL					
Water debtors					
Potable Water	255 238	1 516	52 970	21	309 745
Non-Potable Water	11 471	-	-	175 248	186 719
Meter installations	572	-	-	-	572
Revenue not recognised	(102)	-	1 152	3	1 053
Total Revenue	**267 179**	**1 516**	**54 122**	**175 272**	**498 089**
Timing of revenue recognition					
Over time	267 179	1 516	54 122	175 272	498 089
	267 179	**1 516**	**54 122**	**175 272**	**498 089**
Revenue Customer Performance					
Performing	237 022	1 407	52 875	175 265	466 569
Non Performing	30 157	109	1 247	7	31 520
	267 179	**1 516**	**54 122**	**175 272**	**498 089**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

23. Revenue (continued)

Figures in Rand thousands	2025				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
INDUSTRIES /RAILWAYS					
Water debtors					
Potable Water	68 618	-	-	-	68 618
Total Revenue	**68 618**	**-**	**-**	**-**	**68 618**
Timing of revenue recognition		-	-	-	
Over time	68 618	-	-	-	68 618
	68 618	**-**	**-**	**-**	**68 618**
Revenue Customer Performance					
Performing	68 618	-	-	-	68 618
	68 618	**-**	**-**	**-**	**68 618**

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
NATIONAL GOVERNMENT DEPARTMENTS					
Water debtors					
Potable Water	62 504	-	-	-	62 504
Construction Projects	16 974	-	-	-	16 974
Training and consulting	6 348	-	-	21	6 369
Revenue not recognised	(107)	-	-	-	(107)
Total Revenue	**85 719**	**-**	**-**	**21**	**85 740**
Timing of revenue recognition					
At point in time	23 321	-	-	21	23 342
Over time	62 398	-	-	-	62 398
	85 719	-	-	21	85 740
Revenue Customer Performance					
Performing	2 340	-	-	-	2 340
Non Performing	83 379	-	-	21	83 400
	85 719	**-**	**-**	**21**	**85 740**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

23. Revenue (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
LOCAL GOVERNMENT / MUNICIPALITIES					
Water debtors					
Potable Water	19 056 593	706 080	520 342	237 545	20 520 560
Operating and Maintenance	10 439	-	-	-	10 439
Training and consulting	260	18 944	-	8 335	27 539
Revenue not recognised	(4 488)	-	-	(8 858)	(13 346)
Total Revenue	**19 062 804**	**725 024**	**520 342**	**237 022**	**20 545 192**
Timing of revenue recognition					
At point in time	10 699	18 944	-	8 335	37 978
Over time	19 052 105	706 080	520 342	228 687	20 507 214
	19 062 804	725 024	520 342	237 022	20 545 192
Revenue Customer Performance					
Performing	4 121 408	148 142	456 602	207 820	4 933 972
Under Performing	12 924 642	-	-	-	12 924 642
Non Performing	2 016 754	576 882	63 740	29 202	2 686 578
	19 062 804	**725 024**	**520 342**	**237 022**	**20 545 192**

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
MINES					
Water debtors					
Potable Water	233 162	19 529	384 275	-	636 966
Revenue not recognised	(3)	-	-	-	(3)
Total Revenue	**233 159**	**19 529**	**384 275**	**-**	**636 963**
Timing of revenue recognition					
Over time	233 159	19 529	384 275	-	636 963
	233 159	**19 529**	**384 275**	**-**	**636 963**
Revenue Customer Performance					
Performing	52 444	19 529	384 275	-	456 248
Non Performing	180 715	-	-	-	180 715
	233 159	**19 529**	**384 275**	**-**	**636 963**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

23. Revenue (continued)

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
RETAIL					
Water debtors					
Potable Water	215 479	1 361	42 577	15	259 432
Non-Potable Water	112 810	-	-	105 130	217 940
Meter installations	575	-	-	-	575
Revenue previously not recognised	(65)	-	(1)	-	(66)
Total Revenue	**328 799**	**1 361**	**42 576**	**105 145**	**477 881**
Timing of revenue recognition					
At point in time	575	-	-	-	575
Over time	328 224	1 361	42 576	105 145	477 306
	328 799	**1 361**	**42 576**	**105 145**	**477 881**
Revenue Customer Performance					
Performing	179 347	1 361	41 997	13	222 718
Non Performing	149 452	-	579	105 132	255 163
	328 799	**1 361**	**42 576**	**105 145**	**477 881**

Figures in Rand thousands	2024				
	Gauteng	Mpumalanga	North West	Free State/ Other	Total
INDUSTRIES /RAILWAYS					
Water debtors					
Potable Water	69 320	-	-	-	69 320
Total Revenue	**69 320**	**-**	**-**	**-**	**69 320**
Timing of revenue recognition					
Over time	69 320	-	-	-	69 320
	69 320	**-**	**-**	**-**	**69 320**
Revenue Customer Performance					
Performing	67 378	-	-	-	67 378
Non Performing	1 942	-	-	-	1 942
	69 320	**-**	**-**	**-**	**69 320**

In line with the accounting policy adopted, revenue of R114.5 million previously not recognised for those customers where the probability of default was met has been recognised. Rand Water continues to actively pursue recovery of these amounts.

The collection of revenue from these customers remains a challenge. The enhancement of credit control strategies and monitoring of payment levels in this area continues to receive management attention. The Group's collection and revenue management strategy continues to be implemented.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

24. Cost of sales

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Non-Potable water	186 719	217 939	186 719	217 939
Potable water	15 421 111	14 600 467	15 421 111	14 600 467
Recoverable projects	47 523	41 004	46 826	41 004
	15 655 353	**14 859 410**	**15 654 656**	**14 859 410**
Potable water cost of sales comprises of:				
Opening water inventory	56 259	58 171	56 259	58 171
Raw water	7 370 833	7 384 592	7 370 833	7 384 592
Labour	1 180 865	1 082 056	1 180 865	1 082 056
Energy	4 913 622	4 394 013	4 913 622	4 394 013
Chemicals	725 354	696 687	725 354	696 687
Depreciation	586 516	559 383	586 516	559 383
Amortisation	4 086	4 680	4 086	4 680
Other expenses	664 556	477 144	664 556	477 144
Closing water inventory	(80 980)	(56 259)	(80 980)	(56 259)
	15 421 111	**14 600 467**	**15 421 111**	**14 600 467**
Cost of sales on recoverable projects				
Recoverable projects	**47 523**	**41 004**	**46 826**	**41 004**
Non-potable water cost of sales comprises of:				
Depreciation	29	30	29	30
Raw water	162 802	195 802	162 802	195 802
Labour	3 669	3 286	3 669	3 286
Energy	17 721	16 457	17 721	16 457
Other expenses	2 498	2 364	2 498	2 364
	186 719	**217 939**	**186 719**	**217 939**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

25. Other operating income

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Profit on disposal of assets	779	953	779	953
Fruitless & wasteful recoveries	1 063	4	1 063	4
Impairment loss in subsidiary	-	-	(4 428)	(1 147)
Other income	38 839	26 675	41 294	21 548
	40 681	**27 632**	**38 708**	**21 358**

26. Other operating expenses

Operating income for the year is stated net of the following, amongst others:

26.1 Net impairment losses / (reversals) on financial and contract assets

Figures in Rand thousands	Note(s)	Group		Rand Water	
		2025	2024	2025	2024
Trade and other receivables		386 194	382 333	386 194	382 294
Cash and cash equivalents		1 542	(1 116)	1 542	(1 116)
Loans receivable		36	(15)	36	(15)
Investments in bonds		17 855	(3 532)	17 855	(3 532)
Contract assets		(7 466)	9 607	(7 466)	9 607
Term deposit investments		(506)	(286)	(506)	(286)
		397 655	**386 991**	**397 655**	**386 952**
26.2 Other operating expenses					
Insurance		81 574	81 949	81 574	81 949
Consulting fees		97 674	71 832	96 704	71 510
Courses and seminars		47 739	40 980	47 694	40 941
Loss on scrapping of assets		2 747	5 032	2 747	5 032
Contractors		86 436	82 703	86 436	82 703
Software licences		76 732	52 383	76 732	52 383
Bad debts		22 517	-	22 517	-
Telephone, cellular and data line costs		15 793	13 030	15 789	13 011
Repairs and maintenance		594 648	393 736	594 491	393 736
Travel and accommodation		16 380	20 519	15 624	19 980
Other overheads		121 016	180 485	150 197	202 992
Subtotal		**1 163 256**	**942 649**	**1 190 505**	**964 237**
Staff costs	27	2 479 294	2 240 308	2 449 255	2 211 731
Depreciation	28	116 213	98 237	116 777	98 799
Amortisation	29	12 385	10 564	12 385	10 564
Impairment of property, plant and equipment	28	167	23 287	167	23 287
		3 771 315	**3 315 045**	**3 769 089**	**3 308 618**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

27. Staff costs

Figures in Rand thousands	Note(s)	Group		Rand Water	
		2025	2024	2025	2024
Non-executive Board members	34.2; 34.4	9 946	10 563	8 830	9 026
		9 946	10 563	8 830	9 026
Salaries		2 138 791	2 006 530	2 117 152	1 986 522
Contributions to defined contribution plan		224 452	228 811	224 452	228 811
Other staff costs		1 590 445	1 353 548	1 583 161	1 346 516
Subtotal		**3 963 634**	**3 599 452**	**3 933 595**	**3 570 875**
Transfer to projects		(299 806)	(273 801)	(299 806)	(273 801)
Transfers to cost of sales		(1 184 534)	(1 085 343)	(1 184 534)	(1 085 343)
Net staff costs		**2 479 294**	**2 240 308**	**2 449 255**	**2 211 731**

Other staff costs comprise of accrual for incentive bonus, non statutory overtime, leave pay, allowances, employer contributions and include the post retirement medical aid benefit current service costs of R5.4 million (2024: R6.4 million).

Transfers to projects of R300 million (2024: R274 million) represents labour charge outs for temporary and permanent employees to capital and recoverable projects. Transfers to cost of sales of R1 185 million (2024: R 1 085 million) represents direct labour charges for the production of potable and non-potable water recognised directly in cost of sales (see note 24).

28. Depreciation

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Depreciation recognised in other expenses	116 213	98 237	116 777	98 799
Depreciation recognised in cost of sales	586 545	559 413	586 545	559 413
Depreciation for the year excluding impairment	702 758	657 650	703 322	658 212
Impairment of property, plant and equipment	167	23 287	167	23 287
	702 925	**680 937**	**703 489**	**681 499**

Depreciation recognised in cost of sales consists of the depreciation costs for property, plant and equipment that are utilised directly in the production of water which includes the abstraction, purification, pumping and distribution processes.

Depreciation recognised in other expenses consists of the depreciation costs for all other property, plant and equipment utilised in support and administration processes (see note 4 and note 24 respectively).

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

29. Amortisation

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Amortisation recognised in cost of sales	4 086	4 680	4 086	4 680
Amortisation recognised in other expenses	12 385	10 564	12 385	10 564
	16 471	**15 244**	**16 471**	**15 244**

Amortisation recognised in cost of sales consists of the amortisation charge for intangible assets that are utilised directly in the production of water which includes the abstraction, purification, pumping and distribution processes.

Amortisation recognised in other expenses consists of the amortisation charge for all other intangible assets utilised in support and administration processes (see note 5 and note 24 respectively).

30. Finance income

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Interest income				
Interest earned from current bank accounts	5 023	4 622	4 929	3 853
Interest on investments	1 315 351	1 091 326	1 314 692	1 091 326
Interest on trade and other receivables	186 806	189 906	186 806	189 906
Other interest received	1 196	808	1 196	808
Interest on post retirement plan asset	45 535	45 517	45 535	45 517
Total finance income	**1 553 911**	**1 332 179**	**1 553 158**	**1 331 410**
Adjusted for:				
Amortised interest	(552 157)	(150 244)	(552 157)	(150 244)
Interest received	**1 001 754**	**1 181 935**	**1 001 001**	**1 181 166**

At 30 June 2025, finance income has increased due to additional bond investments and other longer date investment instruments acquired, which contributed to the increase in interest received.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

31. Finance costs

	Group		Rand Water	
Figures in Rand thousands	**2025**	**2024**	**2025**	**2024**
Interest on interest bearing borrowings	320 150	376 107	320 150	376 107
Interest on post retirement obligation	39 578	41 953	39 578	41 953
Other interest paid	8 400	9 450	8 400	9 450
Total finance cost	**368 128**	**427 510**	**368 128**	**427 510**
Less: Interest capitalised on qualifying assets	(320 150)	(376 107)	(320 150)	(376 107)
	47 978	**51 403**	**47 978**	**51 403**
Reconciliation to the Statement of Cash Flows				
Interest capitalised on qualifying assets	320 150	376 107	320 150	376 107
Amortised interest	4 651	9 592	4 651	9 592
	324 801	**385 699**	**324 801**	**385 699**

As at 30 June 2025, finance costs decreased primarily due to the redemption of the RW23 bond in December 2023 and a reduction in the floating rate on the RWL26 bond, following repo rate cuts by the South African Reserve Bank during the current financial year.

32. Taxation

In terms of Section 10(1)(cA) of the Income Tax Act 58 of 1962, Rand Water is exempt from income tax. Rand Water Services (Pty) Ltd applied and received tax exemption under the same provisions of the Income Tax Act. Rand Water Foundation was also approved as a non-profit organisation, and is exempt from normal income tax.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

33. Cash generated from operations

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Net income for the year	4 644 518	4 562 058	4 643 941	4 561 481
Adjustments for non-cash items:				
Depreciation	702 758	657 650	703 322	658 212
Amortisation	16 471	15 244	16 471	15 244
(Profit)/loss on disposal of assets	(779)	(953)	(779)	(953)
Impairment loss/(reversal) in subsidiary	-	-	4 428	1 147
Loss on assets scrapped	2 747	5 032	2 747	5 032
Finance income	(1 553 911)	(1 332 179)	(1 553 158)	(1 331 410)
Movements in retirement benefit obligation	5 351	6 386	5 351	6 386
Finance costs	47 978	51 403	47 978	51 403
Movements in rehabilitation provision	(5 978)	(5 928)	(5 978)	(5 928)
Impairment of property, plant and equipment	167	23 287	167	23 287
Bad debts written off	22 517	-	22 517	-
Movements in retirement benefit plan asset	331	240	331	240
Other non-cash items*	(507 489)	(519 668)	(507 489)	(519 629)
Adjust for items which are presented separately:				
Expected credit losses	397 655	386 991	397 655	386 952
Inventory write up /(write down)	1 722	(274)	1 722	(274)
Changes in working capital:				
(Increase) decrease in inventories	(38 938)	(33 767)	(38 938)	(33 767)
(Increase) decrease in trade and other receivables	(394 956)	(445 987)	(394 398)	(448 585)
(Increase) decrease in contract assets	(38 776)	(53 956)	(38 776)	(53 956)
Increase (decrease) in trade and other payables	2 523 932	270 384	2 518 314	270 647
Increase (decrease) in deferred income	5 035	2 132	5 270	2 137
Increase (decrease) in contract liabilities	(49 574)	(24 108)	(49 574)	(24 108)
	5 780 781	**3 563 987**	**5 781 124**	**3 563 558**

*Other non-cash items include items such as internal cost reallocations and unpaid property, plant & equipment creditors

33.1 Proceeds from disposal of property, plant and equipment

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Property, plant and equipment disposal	2 738	5 056	2 738	5 056
Non-current assets held for sale	775	303	775	303
Total assets disposal	3 514	5 362	3 514	5 362
Loss on assets scrapped	(2 747)	(5 032)	(2 747)	(5 032)
Profit on disposal of assets	779	953	779	953
	1 545	**1 283**	**1 545**	**1 283**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

34. Related parties

The Group has a related party relationship with its subsidiaries and with its executives and board members. As Rand Water is a state-controlled entity, it also has a related party relationship with all other entities within the same sphere of government. Unless otherwise disclosed, all transactions with related parties are at arm's length basis at market related prices.

Transactions with key management personnel

Key management personnel compensations are detailed in the Remuneration Report and total remuneration for the board members and executives are included under staff costs (see notes 26 and 27). The remuneration for key management personnel for the year amounts to R105.3 million (2024: R96.9 million).

None of the key management personnel had or has any significant influence within any entity with whom the Group has had significant transactions with.

RAND WATER

Figures in Rand thousands	Fees for services as Board member	Salary	Reimbursements ~	Group life	Total 2025	Total 2024
34.1 Executive Board Member						
Mr. S Mosai (Group Chief Executive)	-	5 479	837	163	6 479	5 760
34.1 Subtotal	**-**	**5 479**	**837**	**163**	**6 479**	**5 760**
34.2 Non-executive Board Members						
Mr. R Monyokolo (Chairperson)	1 832	-	-	-	1 832	1 759
Ms. M Tonjeni	733	-	-	-	733	694
Mr. S Khondlo	564	-	-	-	564	697
Mr. LX Ntoyi	621	-	-	-	621	671
Mr. AN Mhlongo	642	-	-	-	642	660
Ms. L Mashamaite	653	-	-	-	653	677
Ms. Z Monnakgotla	626	-	-	-	626	713
Ms. BG Mahuma-Madida	558	-	-	-	558	628
Mr. S Mngomezulu	574	-	-	-	574	635
Mr. G Qotywa	583	-	-	-	583	635
Dr. N Qunta	-	-	-	-	-	581
Ms. C Simpson	634	-	-	-	634	661
Ms. P Mbanjwa	601	-	-	-	601	15
Ms. VC Menye	209	-	-	-	209	-
34.2 Subtotal	**8 830**	**-**	**-**	**-**	**8 830**	**9 026**
	8 830	**5 479**	**837**	**163**	**15 309**	**14 786**

~ Reimbursements are costs incurred by Members in the normal course of fulfilling their duties, which are subsequently reimbursed by the Group.

* In line with clause 8 of the Board Remuneration Policy, Board members are remuneration for other additional activities such workshops and training.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

Figures in Rand thousands	Salary	Reimbursements ^	Group life	Total 2025	Total 2024
34.3 Executive Committee members					
Ms. M Nyembe (Group Chief Financial Officer)	4 282	133	117	4 532	4 394
Mr. M Mehlo (Chief Operating Officer	4 362	206	113	4 681	4 344
Mr. V Kubheka (Chief Strategy Officer)	3 606	149	99	3 854	3 756
Mr. T Joala (Chief Shared Services Officer) (a)	-	-	10	10	2 735
Mr. M Makhubela (Acting Chief Shared Services Officer) (a)	3 099	234	81	3 414	3 074
Top Management Committee members					
Ms. J Radebe (GM Communications and Stakeholder Management)	3 027	236	75	3 338	3 045
Dr. T Bekker (GM Applied Research and Knowledge Transfer)	3 026	89	72	3 187	3 094
Ms. N Mosupye (Chief Technology and Information Officer)	2 649	83	68	2 800	2 718
Ms. W Mohamed (GM Strategic Human Capital)	3 743	203	83	4 029	3 518
Ms. A Bosch (Acting GM Legal and Risk)	2 881	77	71	3 029	3 124
Mr. S Xaba (GM Operations)	3 481	204	86	3 771	3 583
Dr. N Mnonopi (GM Scientific Services)	3 309	13	75	3 397	3 282
Mr. B Xaba (GM Strategic Asset Management)	3 666	485	87	4 238	3 764
Mr. RS Mathebula (GM Sector Growth and Development)	3 190	160	74	3 424	3 054
Mr. M Ncobela (Funding Manager)	3 099	388	72	3 559	3 152
Mr. M Mahlare (Managing Director: RWS)	2 752	104	66	2 922	2 819
Mr. T Nyandoro (Financial and Economic Planner)	2 225	194	58	2 477	2 248
Ms. T Minya (GM Research Administration and Integration)	2 465	225	62	2 752	2 479
Dr. FM Ngoatje (Head: Rand Water Institute)	3 851	179	88	4 118	3 932
Ms. T Mange (Group Regulatory and Compliance Manager)	2 355	252	61	2 668	2 362
Mr. K Badenhorst (GM Integrity and Probity Assurance)	2 894	47	69	3 010	3 142
Ms. L Nekile (Policy Development Manager)	2 035	135	57	2 227	2 185
Ms. S Motloung (Group Audit Executive)	2 902	91	70	3 063	2 878
Mr. E Nzilo (Acting Chief Procurement Officer)	-	-	-	-	2 083
Mr. M Buda (Manager Assurance Services)	1 716	89	48	1 853	1 772
Ms. M Miles (Talent Manager)	3 245	385	72	3 702	3 304
Ms. N Ntshokotsha (Senior Manager Capital Execution)	-	-	-	-	2 301
Mr. A Nxumalo (Acting GM Strategic Asset Management) (b)	2 261	137	68	2 466	-
Ms. L Sineke (Chief Procurement Officer) (c)	2 507	167	63	2 737	-
Ms. M Matiwane (GM:Projects & Compliance) (d)	1 801	15	40	1 856	-
Ms. N Sithole (Acting Financial Planner)	2 626	147	64	2 837	-
	83 055	**4 827**	**2 069**	**89 951**	**82 142**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

* Top Management Committee was established with limited decision-making authority by the Executive Committee to consider and approve specific operational matters as delegated by the Group Chief Executive.

a) Mr. T Joala passed away in service on 29 January 2024. Mr. M Makhubela has been appointed as the Acting Chief Shared Services Officer effective 6 January 2025.

b) Mr. A Nxumalo has been appointed as Acting General Manager: Strategic Asset Management effective 12 August 2024.

c) Ms. L Sineke was appointed as the Chief Procurement Officer effective of 12 August 2024.

d) Ms. M Matiwane was appointed as the General Manager: Projects and Compliance effective 11 November 2024.

^ Reimbursements are costs incurred in the normal course of fulfilling day-to-day operational requirements, which are subsequently reimbursed by the Group.

RAND WATER FOUNDATION

Figures in Rand thousands	Fees for services as Board member	Salary	Reimbursements ^	Group life	Total 2025	Total 2024
34.4 Non-Executive Board Members						
Mr. ML Mngomezulu (Chairperson)	104	-	-	-	104	507
Ms. APZ Mafuleka	266	-	-	-	266	265
Ms. LN Netshitenzhe	408	-	-	-	408	283
Mr. EN Ratshikhopha (a)	94				94	245
Ms. BM Lekwane	244				244	237
34.4 Subtotal	**1 116**	**-**	**-**	**-**	**1 116**	**1 537**
34.5 Executive Board Member						
Ms. M Sekoaila (GM Rand Water Foundation)	-	2 701	167	74	2 942	2 891
34.5 Subtotal	**-**	**2 701**	**167**	**74**	**2 942**	**2 891**
	1 116	**2 701**	**167**	**74**	**4 058**	**4 428**

^ Reimbursements are costs incurred by Members in the normal course of fulfilling their duties, which are subsequently reimbursed by the Group.

* Mr Mosai, as the Group Chief Executive of Rand Water serves in an Ex Officio capacity as the board member of Rand Water Foundation. Refer to Executive Board Members remuneration.

a) Mr EN Ratshikhopha passed away in November 2024

Performance bonus payouts

Included below are the details of the performance bonus payout for the key management personnel for the years ended 30 June 2023 and 30 June 2024. Due to the nature of the performance bonus payout this payment occurs once the audited results have been approved and performance can be measured, therefore the payment occurs in subsequent years if approved.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

	Bonus payout	
	2024	2023
Executive Committe Members		
Mr. S Mosai (Group Chief Executive)	2 438	2 279
Ms. M Nyembe (Group Chief Financial Officer)	1 818	1 894
Mr. M Mehlo (Chief Operating Officer	1 827	1 921
Mr. V Kubheka (Chief Strategy Officer and Acting Chief Shared Services Officer)	1 531	1 610
Mr. T Joala (Chief Shared Services Officer)	994	1 783
	8 608	**9 487**
Top Management Committee Members		
Mr. G Mulzack (Acting GM Communications and Stakeholder Management)	-	891
Ms. J Radebe (GM Communications and Stakeholder Management)	1 285	-
Dr. T Bekker (GM Applied Research and Knowledge Transfer)	1 285	1 178
Ms. N Mosupye (Chief Technology and Information Officer)	1 130	1 011
Mr. M Makhubela (GM Corporate Sevices)	1 316	1 052
Ms. W Mohammed (GM Strategic Human Capital)	1 589	1 345
Ms. A Bosch (Acting GM Legal and Risk)	1 223	947
Mr. S Xaba (GM Operations)	1 478	1 351
Dr. N Mnonopi(GM Scientific Services since April 2023)	1 405	-
Dr E. Ncube (Acting GM Scientific Services up to March 2023)	888	719
Mr. B Xaba (GM Strategic Asset Management)	1 556	1 423
Mr. RS Mathebula (GM Sector Growth and Development)	1 354	1 096
Mr. M Xulu (Acting GM Sector Growth and Development up to August 2022)	-	833
Mr. M Ncobela (Funding Manager)	1 316	1 192
Mr. M Mahlare (Managing Director: RWS)	1 168	1 001
Mr. T Nyandoro (Financial and Economic Planner)	945	740
Ms. T Minya (GM Research Administration and Integration)	1 047	940
Dr. FM Ngoatje (Head: Rand Water Institute)	1 635	1 495
Ms. T Mange (Group Regulatory and Compliance Manager)	1 000	777
Mr. K Badenhorst (GM Integrity and Probity Assurance)	1 228	1 123
Ms. L Nekile (Policy Development Manager)	864	677
Ms. S Motloung (Group Audit Executive)	1 232	809
Mr. E Nzilo (Acting Chief Procurement Officer)	855	667
Mr. M Buda (Manager Assurance Services)	607	496
Ms. M Miles (Talent Manager)	1 378	1 201
Ms. N Ntshokotsha (Senior Manager Capital Execution)	997	837
Ms. L Sineke (Chief Procurement Officer)	892	-
Ms. N Sithole (Acting Financial Planner)	1 115	-
Mr. A Nxumalo (Acting GM Strategic Assset Management)	1 130	-
	31 918	**23 801**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

Transactions with subsidiaries

Subsidiaries	Country of incorporation	Ownership interest
Rand Water Services (Pty) Ltd	South Africa	100%
Rand Water Foundation	South Africa	100%

Figures in Rand thousands	2025	2024
Transactions		
Contribution to subsidiaries	88 162	84 071
Year-end balances arising from transactions		
(Payables)/Receivables	12 470	4 602

Transactions with the Department of Water and Sanitation

The Group is 100% controlled by the government of South Africa represented by the Department of Water and Sanitation. Rand Water and its subsidiaries are schedule 3B Enterprises in terms of the Public Finance Management Act. The Group is exempt from disclosing balances and transactions with other spheres of Government therefore the disclosure includes only those entities that are within the same Ministerial control.

Although Rand Water is 100% controlled by the Department of Water and Sanitation, the Department does not produce a set of consolidated annual financial statements. This function for the purposes of reporting to Parliament is performed by National Treasury.

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Transactions				
Sales of goods and services	474 157	300 081	474 157	300 081
Purchases of Water	7 425 705	7 459 834	7 425 705	7 459 834
Debt written off	22 517	-	22 517	-
Year-end balances arising from transactions				
Expected credit losses	7 151	56 084	7 151	56 084
Receivables	22 430	69 251	22 430	69 251
Payables	2 497 354	1 273 781	2 497 354	1 273 781

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

34. Related parties (continued)

Transactions with other public entities within the same Ministerial control

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Transactions				
Purchases of goods and services	155 402	168 442	155 402	168 442
Collections on behalf of the commissioner	-	(137 526)	-	(137 526)
Year-end balances arising from transactions				
Payments to the Water Research levy	133 985	132 123	133 985	132 123
Trade payables	20 545	16 703	20 545	16 703

35. Secondary activities

Figures in Rand thousands	2025			
	Provision of consulting, training and other support services	Non potable water supply services	Potable water supply services	Total
Revenue	(71 939)	(186 719)	(1 072 856)	(1 331 514)
Cost of sales	46 826	186 719	508 654	742 199
Other income	23	-	(1 296)	(1 273)
Other expenses	17 923	(2 174)	138 930	154 679
Expected credit losses	(58 478)	-	-	(58 478)
Net interest	-	-	(49 649)	(49 649)
Net (income)/loss	**(65 645)**	**(2 174)**	**(476 217)**	**(544 036)**

Figures in Rand thousands	2024			
	Provision of consulting, training and other support services	Non potable water supply services	Potable water supply services	Total
Revenue	(61 320)	(217 939)	(1 028 622)	(1 307 881)
Cost of sales	41 004	217 939	489 746	748 689
Other income	(210)	-	(952)	(1 162)
Other expenses	9 923	(2 013)	124 070	131 980
Expected credit losses	4 762	-	-	4 762
Net interest	-	-	(42 938)	(42 938)
Net (income)/loss	**(5 841)**	**(2 013)**	**(458 696)**	**(466 550)**

Included in net income for the year are the following net (income)/losses derived from secondary activities, as defined by Section 30 of the Water Services Act, Act 108 of 1997. These activities have been ring fenced in terms of the requirements of Section 42 of the Water Services Act.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

35. Secondary activities (continued)

The disclosure note on secondary activities complies with Section 30 of the Water Services Act and that secondary activities, as defined, have been ring fenced for all periods being reported.

The categories are derived based on the categories within the Water Services Act as follows:

Management consulting, training and other support services

Qualifies under: s30(2)(a) *Providing management and other support services in order to promote co-operation in the provision of water services.*

Non-potable water supply services

Qualifies under: s30(2)(b) & (d) *The supply of untreated or non-potable water to end users who do not use the water for household purposes but for industrial use.*

Potable water supply services

Qualifies under:

s30(2)(d))(i) *Supply of potable water with permission from the water services authority to a customer for industrial use.*

s30(2)(d)(iii) *with permission from the water services authority to act as a water services provider to customers.*

36. Going Concern

The consolidated annual financial statements have been prepared on the basis that the Group will continue as a going concern. Notwithstanding, the current economic climate and the ongoing geopolitical uncertainties, the Board is satisfied that Rand Water remains financially viable in terms of section 34 (2)(a)-(e) of the Water Services Act. The Board is further of the opinion that the Group has adequate resources to meet its liquidity, debt, operational and investment requirements over the next twelve months and into the medium term.

Key ratios to establish the going concern basis may decline when compared year on year should the impact from these risks materialise. Management has however undertaken various scenario analysis and stress testing, and based on the outcomes, is satisfied that these ratios are expected to remain sustainable over the short to medium term. Further details are provided in Note 42 of the consolidated annual financial statements.

The going concern assessment was undertaken, taking into consideration the following:

- The Group has secured access to funding in line with the approved/gazetted borrowing limits issued by National Treasury. The underlying borrowing plan has been developed to ensure that the Group can successfully finance its capital expenditure programme without breaching the set financial parameters. As at 30 June 2025, the Group has access to ZAR10 billion DMTN with available headroom of R6.8 billion.
- The Group implemented a cost reflective tariff R13.31 per kl during the current financial year, which contributed to an increase in revenue. For the 2025/26 financial year, a tariff increase of 15.8% has been approved.
- The Group has access to adequate resources in the form of a liquidity buffer of R2.2 billion, which remains critical in the current distressed economic environment. In addition, committed facilities of R1.5 billion have been secured, further strengthening the Group's ability to continue operations into the foreseeable future, under both normal and stressed conditions.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

36. Going Concern (continued)

- The operational and financial risks of the Group have been reviewed to determine their impact on the business under various conditions. Mitigating initiatives, strategies, and controls are in place as reflected in the business and risk management plans of the Group and the Business Units.
- The Group has implemented a system to closely monitor the recovery of debt to mitigate the increasing levels of overdue balances which are primarily driven by the constrained position of municipalities and the broader economic envirionment. A multi-pronged strategy has been adopted which includes an aggressive collection strategy; intensified collaboration with stakeholders such as Provincial Treasury and Cooperative Governance and Traditional Affairs (CoGTA), as well as customer relief programmes designed to encourage early settlement of both historical and current debt. The Group remains committed to achieving positive results through these new solutions, partnerships and collaboration efforts to address the challenges posed by persistent munipal payment pressures.
- The Group's solvency and liquidity have been assessed by the Board, and the Board is satisfied that these meet the going concern assertion. This is evidenced by the improvement in accumulated reserves of 12.1% compared to the previous financial year and the improvement in gearing ratio to 7.00%, which is well within the set corporate target of =<15%. In addition, both the interest cover and cash interest cover ratios remain above the target of 3.0 times. The Board also assesses the cash flow forecasts on a quarterly basis, which continue to indicate that the Group will be able to meet its obligations as they fall due; and
- The Group achieved a return on average assets of 9.00% ,compared to 9.90% in the prior financial year mainly as a result of an accelerated improvement in net income generation by 1.81% principally driven by tariff driven revenue growth, recognition of revenue relating to prior periods which previously could not be recognised according to IFRS 15 recognition criteria, decrease in the expected credit losses recognised in the current periods as a result of improved recovery rates of non-performing customers in comparison with a slower rate of growth in total assets of 15.31% which is attributable to increase in cash & cash equivalents.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

37. Fair value measurement

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Assets				
Fair value through other comprehensive income				
Investment in bonds	4 481 239	2 453 672	4 481 239	2 453 672
Amortised cost				
Cash and cash equivalents	12 209 324	6 345 257	12 195 249	6 331 592
Loans receivable	18 293	9 092	18 293	9 092
Term deposit investments	-	2 763 375	-	2 763 375
Trade and other receivables	5 089 702	4 943 689	5 101 665	4 949 246
	21 798 558	**16 515 085**	**21 796 446**	**16 506 977**
Liabilities				
Amortised cost				
Bonds	3 190 184	3 052 245	3 190 184	3 052 245
Trade and other payables	5 705 755	4 242 696	5 704 942	4 241 632
Lease liabilities	6 784	12 992	6 784	12 992
Contract liabilities	60 661	110 235	60 661	110 235
	8 963 384	**7 418 168**	**8 962 571**	**7 417 104**

The information below details the methods and assumptions used in estimating the fair values.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Investment in bonds: Fair value through other comprehensive income (level 1)

Financial assets measured at fair value through other comprehensive income consist of investments in sovereign and state owned bonds. The fair values of these assets are determined by reference to quoted market prices at the reporting date without any deduction for transaction costs.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

37. Fair value measurement (continued)

Trade and other receivables (at amortised cost)

Trade and other receivables are measured at amortised cost.

Term deposit investments and cash and cash equivalents (at amortised cost)

These financial assets are measured at amortised cost. The carrying value of these financial assets approximates their value.

Bonds (level 1)

The Group has unsecured bonds in issue at the end of the financial year which are listed on the Johannesburg Stock Exchange. The value of the bonds is determined using quoted prices in the market at the reporting date without any deduction for transaction costs.

38. Other commitments

Group as lessor

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
- within one year	12	73	12	73
- in second to fifth year inclusive	-	12	-	12
	12	**85**	**12**	**85**

The leased properties do not qualify as investment property as they were purchased for future operational use and the related income is incidental in nature.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

39. Contingencies

Contingent assets

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Legal proceedings to recover amounts due to Rand Water	299 946	266 228	299 946	266 228
	299 946	**266 228**	**299 946**	**266 228**
Contingent liabilities				
Legal claims for damages against Rand Water	291 013	-	291 013	-
	291 013	**-**	**291 013**	**-**
Guarantees				
Performance guarantees given to customers and other guarantees and claims	10 664	5 751	10 664	5 751
Supply agreement	702 936	673 401	702 936	673 401
	713 600	**679 152**	**713 600**	**679 152**

Contingent assets

Included in the balance of contingent assets are amounts owed to Rand Water by various customers. In these circumstances services to the entities involved are discontinued, in line with the Credit Management Policy, to recover the sums owed, amounting to R266.2 million.

In March 2023 following heavy rainfall which occurred from January 2023, a road situated close to Rand Water's pipeline collapsed. Rand Water is accountable for protecting its infrastructure to sustain water supply and avoid the risk of a high-pressure pipe bursting and causing catastrophic events. In March 2023 Rand Water appointed a contractor to investigate the cause of the collapse, design, and reinstate the road. The contractor completed the work in July 2024 and the road was designed and constructed in accordance with the owner's standards and the final handover was completed. Rand Water submitted the claim to Johannesburg Roads Agency (JRA) amounting to R33.7 million and awaiting a response.

Contingent liabilities

On 21 July 2015, Rand Water issued a tender, for the Supply and Delivery of Fine Filter Sand to Rand Water's Vereeniging and Zuikerbosch Water Treatment Plant for a period of three (3) years. The evaluation of the bids ensued and, Plaintiff was shortlisted alongside other bidders as a potential supplier. No award was made by Rand Water in respect of the tender instead the tender was cancelled in compliance with the applicable legislation. Rand Water cancelled the tender due to the expiry of the validity period. The Plaintiff's claim is that Rand Water ought to have awarded the tender to it, however, Rand Water could not have awarded this tender as the tender had been cancelled due to it having expired. The applicant is requesting that Rand Water reviews its decision not to award the tender and has further filed a damages claim of R54 million againt Rand Water.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

39. Contingencies (continued)

Rand Water received a summons issued at the High Court of South Africa, Gauteng Local Division. The summons alleges that Rand Water is indebted to the applicant in the amount of R237 million. According to the claim, it is asserted that a settlement agreement was reached on 2 December 2021, wherein Rand Water consented to a monetary settlement of R145 million and to engage in negotiations for a five-year contract pertaining to sludge removal. The applicant contends that while Rand Water has complied with the monetary settlement, it has failed to uphold the subsequent agreement regarding sludge removal, leading to substantial damages.

Other matter

On 4 November 2016, a notice in the Government Gazette to inform all interested and affected parties that a claim of restitution of land rights has been lodged. The claim affects certain Rand Water's properties as they are situated within the area specified in the notice. Rand Water continues to monitor the progression of the claim.

Guarantees

The Group has contingent liabilities in respect of guarantees given to third parties that amount to R713.6 million (2024: R679.2 million). The Group issued an additional bank guarantee of R30 million relating to Eskom's electricity supply agreement.

40. Irregular, Fruitless and Wasteful Expenditure and Criminal Conduct

Irregular Expenditure and Fruitless and Wasteful Expenditure

Irregular expenditure is defined as expenditure incurred in contravention of, or that is not in accordance with, any legislative requirements notwithstanding that value was received.

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

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Irregular expenditure	1 373 861	741 214	1 373 861	741 214
Irregular expenditure - prior period	-	96 601	-	96 601
Fruitless and wasteful expenditure	713	74	713	74
Fruitless and wasteful expenditure - prior period	-	284	-	284
Closing balance	**1 374 574**	**838 173**	**1 374 574**	**838 173**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

40. Irregular, Fruitless and Wasteful Expenditure and Criminal Conduct (continued)

Paragraph 3.10 and 3.18 of the PFMA Compliance and Reporting Framework

Figures in Rand thousands	Irregular expenditure	Fruitless and wasteful expenditure
Prior year irregular, fruitless and wasteful expenditure (IFWE) recognised in the period in which they occurred as follows:		
IFWE that was not discovered in the previous financial year and identified and confirmed in the current financial year.	93 876	-
IFWE that was not discovered in the previous financial year and identified and confirmed in the current financial year	2 725	284
	96 601	**284**

The irregular expenditure balance includes amounts under dispute.

Criminal conduct

There were no matters relating to material criminal conduct identified in the current and prior financial year.

41. Events after the reporting period

Approval of the Special Purpose Vehicle (SPV)

In July 2025, the Emfuleni Local Municipality (ELM) Executive Council approved the establishment of a Special Purpose Vehicle (SPV).

Approval of the fundraising activities of the Rand Water Zanzibar Project

Subsequent to year-end, the Board approved fundraising activities for the Rand Water Zanzibar Project, along with an assessment of the project's progress.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments

Capital management

The overall objective of the Group's capital management strategy is to maintain a capital base to maintain stakeholder and market confidence as well as to sustain future development of the business. The Group considers long-term debt, cash reserves, and accumulated income as its capital. Long-term debt and cash reserves are managed through the process of reviewing all associated risks, including liquidity, credit, and interest rate risks. It is also the policy of the Group to maintain a healthy debt-to-equity and interest cover ratio as this plays an important role in the Group's credit rating, which positively impacts on the cost of funding. The Group maintains an interest cover ratio of a minimum of 3 times and a healthy debt-to- equity ratio within the set target of below 50% as prescribed in the National Treasury Borrowing Limit approval. Accumulated funds are managed through several initiatives and processes including planning and budgeting for long-term operational growth, capital expansion, and maintaining or improving cost efficiencies. The overall strategy remains unchanged from the previous year.

Figures in Rand thousands	Group	
	2025	2024
Debt to equity ratio		
Interest bearing borrowings	3 161 250	3 163 479
Equity	45 146 981	40 279 561
Debt to equity %	**7.00**	**7.85**
Interest cover ratio		
Finance cost	368 128	427 510
Earnings before interest, tax, depreciation, and amortisation (EBITDA)	3 857 981	3 954 172
Interest cover ratio (times)	**10.48**	**9.25**
Net debt		
Interest bearing borrowings	3 161 250	3 163 479
Less: Cash reserves - cash and cash equivalents and term deposit investments	(12 209 324)	(9 108 633)
Net (cash)/debt	**(9 048 074)**	**(5 945 154)**

The Group manages the planning of the water revenue process closely as it is the Group's policy to reasonably recover all current and future operational and capital expenditure for its operational existence. The water tariff is regulated by the processes determined by the Department of Water and Sanitation. The water tariff is developed from sound financial principles and takes into consideration cost drivers as well as the difficult environment of the water industry, including a financial analysis of previous trends and current and future environmental and economic conditions.

The Group's policy is to fund the capital expenditure programme through internal resources comprising accumulated incomes and cash reserves after providing for the Group's liquidity requirements. Additional funding requirements will be funded through the debt capital market and other external funding. The Group's focus is to re-establish itself in the domestic capital markets. The funding plan will also place more emphasis on moving towards an active portfolio management strategy. This strategy aims to introduce new funding instruments to achieve the following objectives:

- Establishing liquid benchmark bonds;
- Lengthening the maturity profile of the debt portfolio;
- Diversifying the investor base;
- Matching assets and liabilities cash flows and maturities; and
- Minimising the cost of borrowing to within an acceptable level of risk.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

- The Group has a registered ZAR10 billion Domestic Medium Term Note (DMTN) programme, which is available to raise funds through the issuing of commercial paper and medium to long-term bonds in the domestic bond market as and when it is required.

Group borrowing limits

The Funding Plan including the required borrowing limits pertaining to the core and growth business requirements for the current reporting period were approved by the Department of Water and Sanitation and National Treasury.

Financial risk management

Financial risks are assessed, analysed daily and reported monthly to the Group Chief Financial Officer, Top Management Committee, Executive Committee, Treasury and Capital Investment Committee, Group Audit and Risk Committee and the Board. The Treasury and Capital Investment Committee oversees the operations of the treasury function including, guiding treasury policies, assisting with the overall treasury strategy and objectives while ensuring that the risks concomitant to the treasury function are monitored and managed within the constraints of the treasury policies. The Treasury and Capital Investment Committee is responsible for reporting financial risk exposure to the Board of Rand Water, at scheduled Board meeting which undertakes the ultimate responsibility of approving any recommendations made by the Treasury and Capital Investment Committee.

The Group's business operations expose it to liquidity, credit, and market risk (comprising foreign currency, commodity and interest rate), which are discussed below. Given the level of volatility in the markets, Treasury continuously monitors and manages all risks very closely so as to implement risk mitigating initiatives timeously when required.

Credit risk

Credit risk is the possibility of financial loss resulting from a customer or counterparty who holds a financial instrument and failing to discharge an obligation. Credit risk arises primarily through the provision of water services and centralised treasury activities.

Other credit risk activities include outstanding customer balances and cash deposits with financial institutions.

The credit risks can also arise from cash and cash equivalents, trade receivables and investments. These risks are effectively managed in terms of the Board-approved financial risk management framework that prescribes the investment and counterparty limits.

The overall objective of the Group's approach to credit risk management is:

- to minimise any losses that could result from counterparty or issuer failure, ensuring the protection of current and future cash reserves; and
- to enhance liquidity by investing in liquid instruments and projects and to maximise the rate of return on investments.

Trade and other receivables

Credit risk attributable to trade receivables is assessed considering the following counterparty characteristics:

- Outstanding debt of 90 days and beyond;
- Formal written communication indicating the customer's inability to meet its obligation as they become due;
- A municipality that has been placed under Section 139 or 154 of the MFMA or an entity that is under business rescue or in liquidation without a payment arrangement;

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

- Other social and political factors;
- The Group has well-established credit control procedures for predictable customers that monitor activities on customer accounts and allow for remedial action should the customer not comply with payment terms.

These procedures include an internal collection processes i.e., following up with the customer either telephonically, emails, text and/or in person; negotiations of mutually acceptable payment arrangements and the issuing of notices of disconnection of water supply and letters of demand. Non-payment can result in disconnection, limitation of water supply and/or the customer accounts being suspended or closed. Legal collection processes are pursued after the 60 days' overdue period except for the municipal customers which follow the Intergovernmental Relations Framework Act process and Promotion of Administrative Justice Act, 3 of 2000 ("PAJA").

New non-municipal customers are required to provide security equivalent to the exposure of the estimated maximum cost, which constitutes the cost of water supply, operating cost and administration fee at the commencement of the supply agreement. The level of security is reviewed if a customer defaults on their payment obligation or requires additional water supply capacity. All new high-risk customers will preferably be on prepayment terms.

The following strategies are currently in operation in high risk areas of non-paying customers with varying levels of success:

- Constant engagement with the customer.
- Disconnections/limitations of water supply within the legislative prescripts
- Payment arrangements that can be made a court order
- Robust legal recovery process
- Analysis and early identification of defaulting trend and active monitoring
- Reassessment of security deposits and bank guarantees
- Efficient internal processes, for example system automation of credit collections such as automated notices and letters of demand
- Escalation for intervention for defaulting customers

The Group's decision to impair overdue amounts is assessed on the probability of recovery based on the individual customer's credit risk profile and on the credit profile of the customer portfolio.

The Group's main classes of trade receivables are:

- Potable water customers
- Non-potable water customers
- Recoverable projects customers
- Other trade receivables customers

Potable water customers

This transaction relates to the abstraction, pumping, treatment and distribution of purified water supplied to customers of Rand Water within the Group's service area in return for a gazetted tariff based on the customer's consumption. Water supply agreements are entered into with key customers who comprise municipalities and non-municipal customers (mines, industries and households). Their payment terms are 30 days from invoice date and they are individually assessed for impairment.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Rand Water continues to work closely with the Department of Cooperative Governance and Traditional Affairs, Department of Water and Sanitation, National Treasury, other government departments and other relevant stakeholders to resolve the systemic challenges which have given rise to municipal arrear debt.

Customer debt

Rand Water is exposed to credit risk resultant by the total customer debt that continues to escalate consistently, amounting to R4.7 billion at year ending 30 June 2025 (2024: R4.4 billion). Rand Water has also been experiencing delayed collections of debt specifically at year-end which is subsequently recovered within the month of July in the new financial year.

Figures in Rand thousands	2025	2024
Net debt per province		
Gauteng	4 183 049	3 954 848
Mpumalanga	332 843	332 015
Free State/Other	79 379	61 752
North West	91 390	99 171
	4 686 661	**4 447 786**

The top 5 non-performing or defaulting municipalities owe a combined total of R5.3 billion (2024: R3.8 billion) for long outstanding arrear debt.

Figures in Rand thousands	2025	2024
Municipality		
1.Emfuleni Local Municipality	1 799 599	1 103 370
2.Merafong City Local Municipality	1 372 874	980 125
3.Govan Mbeki Local Municipality	816 843	794 372
4.Randwest City Local Municipality	850 506	542 460
5.Victor Khanye Local Municipality	480 107	412 051
	5 319 929	**3 832 378**

At year-end, a total of seven municipalities had long-outstanding arrear debt. This number has shown a marginal increase in recent years, demonstrating the continuing challenge of delayed collections from municipal customers failing to settle their accounts within the agreed payment terms.

The Group has classified customers performance and its analyses as it observes the discipline in customer's payment behavior and patterns by ensuring that payments are made on or before the due date and managing their accounts and the aging thereof.

Performing Customers	Under-performing Customers	Non-performing Customers
Relates to those trade receivables that service their debt within the contractual terms. These customers maintain their debt aging levels below 45 days.	Relates to those trade receivables that do not service their debt within the contractual terms. These receivables either pay late or make part payments on the debt when it falls due but maintain their debt aging below 75 days.	Relates to those trade receivables that are 90 days and beyond. Constant engagement is required for these receivables to rectify the status.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Thus, the Group has classified 7 municipalities as non-performing, 5 as under-performing; and 5 as performing. The classification assists the Group with sufficient monitoring of credit risk exposure.

Non-performing potable water municipal debtors are an identified high credit risk class subject to specific credit risk management. The collection of revenue from customers in this specific class remains a challenge. The enhancement of credit control strategies and monitoring of payment levels in this area continue to receive management's attention. Progress in the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write off in terms of the Group's policy and delegation of authority. However, the process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action will exceed the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

As part of the effort to recover from the defaulting municipalities in previous years, the Group has implemented numerous measures to manage municipal arrear debt in terms of the debt management strategy. The strategy comprises three key objectives, namely:

- To reduce and/or eliminate overdue debt;
- Halt non-payment in customer segments where default occurs; and
- Prevent future defaulting by the current performing customers.

To achieve this, the Group has administered, mapped and augmented existing revenue and debt management processes, and enforcing Rand Water's rights through legal action and legal recovery processes and also accelerating Government interventions despite the latter' slow progress and ensuring compliance to legislative prescripts.

Mediations to enhance the revenue and debt management efforts include close monitoring of billing and payments, assisting municipalities in their revenue collection efforts through active partnering, water efficiency initiatives as well as improved customer relationship management to proactively identify and mitigate the likelihood of defaulting. In some instances, the Group has implemented other collection solutions where-in there are agreements with our municipal customers whereby the Group collects payments directly from the customers. The Group has also entered into set-off agreements with bilateral contracts with customers. The Group continues with stakeholder engagement and investigating ways to better enforce payment agreements with municipalities.

The Group concluded negotiations and signed a total of five (5) active Debt Settlement Agreements from the defaulting municipalities within the reporting period. The Group is still in consistent negotiations with the other defaulting municipalities for amicable payment agreements. Non-adherence to payment agreements contributes to the increase in municipal arrear debt. In the quest to recover long outstanding debt and where the Debt Settlement Agreements are not honored the Group has taken legal actions against the municipalities and despite the challenges in the process, the Group managed in one case to get a writ of execution and the writ was exercised in the current reporting period with the Group managing to partially recover the old debt.

Non-potable water customers

Transactions related to the abstraction of water from the Vaal River Integrated System by customers, to whom Rand Water has sold part of its water rights. These comprise mainly of industries customers who use non purified water for their business activities. Their payment terms are 30 days from the invoice date and they are individually assessed for impairment.

Non-potable water customers are not required to provide security as they generally represent a low credit risk.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Recoverable projects customers

This class of customers comprises of other services as aligned to the Water Services Act - Section 30(2) activities where the Group acts as an implementing agent for those activities or a principal. The services include:

- Construction projects
- Operating and maintenance
- Training and consulting

The Group does not require new and existing customers to provide security for recoverable project services.

Other receivables

Other receivables comprise mainly lease receivables and sundry receivables. There are no significant balances with specific repayment terms. No security is held in respect of these balances and no interest has been charged on overdue balances. Long outstanding debt or amounts handed over for debt collection were considered for impairment.

Credit monitoring

The Group has well-established credit control procedures to monitor activity on customer accounts and allow for remedial action, should the customer not comply with payment terms. The Group's standard payment terms are 30 days from the date of invoice.

The collection and revenue management strategy, which focuses on non-performing customers, continues to be implemented. The strategy entails the implementation of water demand management initiatives to assist municipalities with water losses, input into the customers' turnaround plans, and stepping up water disconnections and limitations for customers to improve payment levels.

Interventions include among others:

- Offering relief programmes and entering into special payment arrangements;
- Process mapping in ensuring compliance to Promotion of Administrative Justice Act and Intergovernmental Relations Framework Act before exercising our right to restrict, interrupt or terminate supply for nonpayment of services;
- Enforcing Debt Settlement Agreement with acceleration clauses to court proceedings;
- Requesting intervention from Stakeholders like Department of Cooperative Governance and Traditional Affairs, Department of Water and Sanitation, National Treasury and other government departments where no recovery plan can be presented and agreed upon between Rand Water and the municipalities;
- Robust legal recovery processes wherein the entity is pursuing the attachment of assets; and
- Active engagement with customers and inter-governmental forums.

Loans receivable

Loans receivable consist of micro loans granted to qualifying employees. These loans are unsecured however the credit quality of the loan book has been assessed as a low risk by reference to historical default rates, as loan repayments are deducted directly from the employees' salaries. Employees are also required to take out an insurance policy which covers the balance due to the Group in the instance of death, disability or retrenchment. Rand Water is registered with the National Credit Regulator (NCR) as credit provider in terms of Section 40 of the National Credit Act 34 of 2005.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Counterparty risk

The Group's exposure to counterparty risk result from investment of Rand Water funds with various Board approved financial institutions and bonds. The Group's exposure is with well-established financial institutions with investment grade credit ratings assigned by reputable credit-rating agencies. The Group's exposure to counterparty is managed within approved credit limits that are reviewed and approved by the Board annually. The counterparty limits are expressed as a percentage of the limits set of; credit ratings by rating agencies; or that of the counterparty's Tier One Capital Reserves; or a percentage of the surplus cash.

The Group limits its exposure to credit risk by:

- investing only with Board approved counterparties with a minimum national long-term rating of "A+ (Zaf)" and short-term rating of 'F1 (Zaf)";
- diversification of counterparties to manage concentration risk; and
- investing within the Board approved counterparty limits.

Definition of default

The Group considers financial assets held by various counterparties to be in default when there is an objective evidence or occurrence of the following events which become available to the Group without undue cost or effort:

Investments

- Counterparty under financial distress;
- Defaulting on interest and/or principal payments;
- Probability that the counterparty will enter bankruptcy or placed under curatorship/ administration; and
- Exposures which are outstanding for more than 90 days.

Exposure to concentration risk

Currently, the Group has high customer concentration risk on its potable water receivable class. The potable water debtors' book has the top 3 (three) customers constituting 76% (2024: 76%) of the total recognized revenue. These customers are all in the Gauteng region and are the Metropolitan municipalities. The Group is working towards diluting the percentage of the concentration by evaluating different available investment opportunities with a possibility of entering new markets. The organization also ensures that the customer relationships are not tied to just one person in the organization by keeping multiple points of contacts who will advocate for the Group needs.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure that the Group is exposed to. The maximum exposure to credit risk with different financial institutions that the Group is exposed to is reflected below. The carrying amount of financial assets represents the credit concentration of the Group by long/ short term credit ratings at reporting date.

Figures in Rand thousands	Long term rating	30 June 2025	30 June 2024
Classification			
Fair value through other comprehensive income	AAA	3 954 342	2 036 932
Fair value through other comprehensive income	AA+	100 053	-
Fair value through other comprehensive income	AA	266 014	264 085
Fair value through other comprehensive income	AA-	160 830	152 654
Term deposit investments	AA+	-	2 763 881
Cash and cash equivalents	AA+	12 210 932	2 387 891
Cash and cash equivalents^	AA	-	3 957 463

^Amounts above represent the gross carrying amount of the Group's financial assets excluding the cash on hand (petty cash)

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Financial assets:				
Fair value through other comprehensive income	4 481 239	2 453 672	4 481 239	2 453 672
Loans and other receivables	18 293	9 092	18 293	9 092
Term deposit investments	-	2 763 375	-	2 763 375
Cash and cash equivalents	12 209 324	6 345 257	12 195 250	6 331 593
	16 708 856	**11 571 396**	**16 694 782**	**11 557 732**

The carrying amount of trade receivables (including disposal groups) represents the maximum credit exposure that the Group is exposed to. The below balances are shown before impairments, for a detailed classification of the trade receivable balances by type and revenue streams refer to note 8.

	Group		Rand Water	
Figures in Rand thousands	2025	2024	2025	2024
Trade receivables by type of customer:				
National Government Department	22 230	27 982	22 230	27 982
Local Government/Municipalities	4 104 257	4 000 034	4 104 208	4 000 034
Mines	46 527	59 687	46 527	59 687
Retail	73 707	67 059	86 395	73 783
Industries	6 213	5 883	6 213	5 883
	4 252 934	**4 160 645**	**4 265 573**	**4 167 369**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

An analysis of trade receivables credit profile is presented below:

Figures in Rand thousands	Gross 2025	Impairment 2025	Gross 2024	Impairment 2024
Rand Water				
Performing	2 994 419	(301 470)	494 098	(338 752)
Under performing	146 277	(141 989)	101 414	(962)
Non performing	4 463 099	(2 473 675)	6 368 065	(2 191 225)
	7 603 795	**(2 917 134)**	**6 963 577**	**(2 530 939)**

The Group continues to review its well-established Credit Management Policy that firmly addresses credit risk management, bad debt management and bad debt recovery. The policy addresses credit control measures which monitors activity on customer accounts and allow for remedial action, should the customer not comply with the Group's standard payment terms.

Stringent controls that have been exercised to curb the late or non-payments include, limitation and discontinuation of water supply, interest on overdue accounts in line with Section 51(b)(i) of the PFMA, monthly reports of municipalities default status sent to National Treasury and Department of Water and Sanitation in compliance to Section 41 of the MFMA, and application for the withholding of equitable share allocation (invoking Section 216 of the Constitution) for non-performing municipalities not adhering to the Debt Settlement Agreements (DSA).

Furthermore, the Group has recently adopted a multi-pronged collection approach from different collection strategies bucket which include among others interventions like the collaborative efforts with the Provincial Treasury, COGTA and participation in the Provincial COGTA IGR committee to address credit risk. The Group is also spending more time and focus on the high risk customers especially due to the impact they have on Rand Water's cash flow requirements. Other debt relief initiatives are also being rolled out to assist customers to liquidate their old debt sooner and ring-fence these debts in the balance sheet while they also benefit from the cash flow relief in the process.

Credit Loss Allowance

The Group recognises expected credit loss on classification of the following financial assets:

- Trade and other receivables;
- Loans receivable;
- Bond investments measured at fair value through other comprehensive income;
- Term deposit investment; and
- Cash and cash equivalents.

Trade and other receivables

The Group calculated the expected credit losses for trade receivables for segments using a Simplified Approach applying a Provision Matrix and Time Value of Money (TVM) loss approach. The loss rates are calibrated based on historical loss experiences, taking into account the time value of money and further adjusted for forward looking information.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

The following assumptions are made on the expected credit losses calculation:

- Expected credit loss constitute what is eventually written-off for the respective segments;
- 100% of outstanding balances from the performing and under-performing segment are eventually settled thereby making TVM loss the expected credit losses on the segment;
- The applicable discount rate is the prime rate of lending for South Africa as at the measurement date;
- Cash flows to settle some of the debt between time buckets settles the earlier bucket first then the later bucket if the payment exceeds the former when calculating 90 days' roll rate for debtors; and
- Where it is evident that collectability is not probable based on the payment patterns and customer engagement, the Group assume 100% loss rate.

The time value of money loss approach is based on the premise that all debtors will be collected as described under assumptions, the time value of money loss is the ultimate IFRS 9 impairment and there is no write-off.

To incorporate forward-looking information (FLI), as an enhanced information set that includes credit information pertaining to future developments (including for example macroeconomic developments). To incorporate the impact of forward-looking information (FLI) in determining the expected credit loss, the relationship between the historical quarterly Loss Rates and identified macroeconomic factors is first established by determining the correlation coefficients between the Loss Rates and each macroeconomic factor. Then, regression is used to predict reasonable and supportable expected Loss Rate as informed by the relevant macroeconomic factors. The historical Loss Rates are regressed against the corresponding sets of the relevant macroeconomic factors (from the same periods as the Loss Rates) to determine the expected Loss Rate.

The following macroeconomic factors were identified as the most relevant to Rand Water business:

- GDP Growth Rate.
- Average prime lending interest rate.
- Inflation rate.
- Unemployment rate.

Effecting Forward-Looking Information

- A reasonable forecast is expected to be predicted by the socioeconomic factors with some logical correlation to the Loss Rates.
- To determine the logical correlation, the correlation coefficients between each macroeconomic factor and the Loss Rates are calculated.
- Then the socioeconomic factor with a correlation coefficient that follows logic is used to predict the expected Loss Rate. If two or more macroeconomic factors yield reasonable outcomes, then the average of the resultant Loss Rates is adopted as the Expected Loss Rate.
- We use the FORECAST formula in MS-Excel (which is based on regression) to predict the next point on the Loss Rate series as influenced by each relevant macroeconomic factor.
- The resultant expected Loss Rate is tested against known future developments whose impact might not be embedded in the historical data. Where possible the impact is quantified and the Expected Loss Rate is adjusted accordingly.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

The adoption of the IFRS 9 in the 2018/2019 financial year which applies the expected credit loss(ECL) model also contributed to a high impairment amount. The high impairment amount is further caused by the municipalities with the most indigenous customers in the rural areas as well as current economic challenges and the ripple effect of Covid-19 pandemic and the continuous effect of Loadshedding, The ongoing War in Ukraine and the other macro-economic factors, compounding the situation where-in cash flow is already a constraint.

The Group recorded expected credit losses of R2 917 million (2024: R2 531 million) for primary and secondary activities customers, where recovery has been assessed and determined to be doubtful.

Below is the movement in the allowance account for expected credit losses in respect of trade and other receivables for the year:

	Group		Rand Water	
Figures in Rand thousands	**2025**	**2024**	**2025**	**2024**
Opening balance	2 530 979	2 148 648	2 530 941	2 148 648
Impairment reversal	(121 858)	(72 278)	(121 858)	(72 278)
Impairment recognised	508 051	454 609	508 051	454 571
	2 917 172	**2 530 979**	**2 917 134**	**2 530 941**
ECL not related to trade receivables:				
Contract assets expected credit losses	9 660	17 126	9 660	17 126
Loans receivable expected credit losses	110	74	110	74
Gross ECL for receivables	**2 926 942**	**2 548 179**	**2 926 904**	**2 548 141**

The Group observed an increment of 18% from the previous year. The non-performing municipalities are the major drivers to the expected credit loss increase made up of the top 5 defaulting municipalities as disclosed above.

Macro-economic factors impacting credit management.

Several macroeconomic pressures have continued to place immense strain on South Africa's economy and labour market, with the national unemployment rate recently rising again. This directly affects Rand Water's customer base, particularly municipalities, which depend heavily on consistent payments from communities for municipal services in order to sustain positive cash flows and meet their creditor obligations. The prolonged weakness in employment prospects also raises concerns about a rise in structural unemployment, as many of the jobs lost in recent years may not be recovered.

Globally, ongoing geopolitical conflicts most notably the wars in Ukraine and Gaza have disrupted international trade flows, elevated fuel and energy prices, and contributed to sustained inflation. These pressures are transmitted domestically, eroding household disposable incomes and weakening consumer demand. This results in downstream challenges for municipalities in collecting revenue and, consequently, in honouring bulk water accounts with Rand Water.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Domestically, electricity load-shedding continues to undermine economic productivity and directly affects municipal finances through escalating operational costs. The fuel levy increase proposed by the Minister of Finance in the current year budget will have a severe on the movement of goods and services thus increasing the cost of goods that will be hard on the communities. Municipalities are already experiencing rising electricity tariffs, fuel cost, and domestic food inflation all of which contribute to higher service delivery costs and delay creditor payments. These dynamics are visible even among Rand Water's largest municipal customers, where payment patterns have slowed noticeably.

The challenges are further exacerbated by the instability in governance structures within several metropolitan municipalities. Coalition governments have led to frequent leadership changes and administrative disruptions, which have in turn compromised institutional stability, delayed critical decision-making processes, and weakened financial management practices. This is evident in delayed creditor payments and instances of misallocated or underutilised grant funding. Rand Water's two largest municipal customers are not immune to these risks, as they too are experiencing the consequences of fragmented leadership and strained fiscal controls.

Although the country is still recovering from the lingering economic effects of the COVID-19 pandemic and the 2021 social unrest in KwaZulu-Natal and Gauteng compounded by recent natural disasters the rebound has been slow and has not translated into significant improvements in employment or economic confidence. Power supply constraints have further restricted post-pandemic economic recovery, making it increasingly difficult for customers to improve payment performance on water-related services.

Encouragingly, the formation of the Government of National Unity (GNU) under the 7th administration has been met with cautious optimism by the markets. There are early signals of renewed confidence in South Africa's political and economic trajectory, which may attract international investment and help reduce unemployment over time. While these developments are promising, their impact on municipal revenues and payment performance will take time to materialise.

In the interim, Rand Water acknowledges the economic pressures faced by its customers and the increasing risk to revenue collection. The Group's assumptions on expected credit losses remain grounded in performance trends and customer segmentation. Although overdue debt has increased marginally compared to the previous year primarily due to longer-than-anticipated collection cycles the Group is strategically using this time to bolster its future collection capabilities.

Key interventions include the continued rollout of Rand Water Services and Special Purpose Vehicle (SPV) companies, which are designed to ringfence water services at municipal level and enable strategic partnerships to stabilise the water value chain. In parallel, Rand Water is constantly enhancing its credit control practices by refining its collections methodology, investing in digital monitoring tools, and fostering active engagement and collaboration with municipalities.

These measures form part of a proactive and adaptive approach to credit risk management aimed at ensuring financial sustainability for both Rand Water and the broader water sector amidst a complex and evolving economic environment.

Bond investments at fair value through other comprehensive income

The Group's application of the ECL model for bond investments remains unchanged from the prior financial year.

ECL was calculated as a product of the probability of default (PD), Exposure at Default (EAD), and Loss Given Default (LGD) as follows: ECL=PDxEADxLGD. The Loss Given Default (LGD) for the bonds was derived from the implied Recovery Rate (RR) based on the counterparty's credit default swap or credit ratings compared with applicable ratings (LGD is 1- RR). The PD was derived from the counterparty's Credit Default Swaps (CDS) or credit ratings. Exposure at default represents the amount of each bond outstanding at the measurement date including interest accrued up to the point of default which is 90 days from the measurement date.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Expected credit loss = Exposure at Default (EAD) x Probability of Default (PD) x Loss Given Default (LGD).

Investments in bonds consist of bonds issued by the South African government and SOE which are measured at fair value through OCI. The Group continued to recognise loss allowance based on 12-month ECL. The increase in the expected credit losses (ECL) on bond investments compared to the prior financial year is primarily attributable to changes in the probability of default and a higher exposure resulting from increased bond investments.

Figures in Rand thousands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of credit loss allowance				
1 July 2024 credit loss allowance - IFRS 9	33 050	-	-	33 050
Increase in loss allowance	17 855	-	-	17 855
30 June 2025 credit loss allowance - IFRS 9	**50 905**	**-**	**-**	**50 905**

Cash and cash equivalents and term deposit investments

The Group cash and cash equivalent and term deposit investments comprise of term deposits, notice deposits, Promissory Notes (PN), money market funds, and call deposits measured at amortised cost. The general approach was adopted by the Group towards determining the expected credit losses and the application of the ECL model remains unchanged from the prior financial year. The expected credit losses for financial assets measured at amortised is calculated as a product of Exposure at Default (EAD) x Probability of Default (PD) x Loss Given Default (LGD).

The probability of default were based on directly observable information or indirectly observable information of similar counterparties. Exposure at default represents an amount still outstanding at the measurement date which includes only the principal amount and interest accrued up to the valuation date. The increase in the expected credit losses (ECL) is primarily driven by a marginal uptick in the probability of default associated with specific counterparties, coupled with a higher cash and cash equivalent balance.

Figures in Rand thousands	Stage 1	Stage 2	Stage 3	Total
Reconciliation of credit loss allowance				
1 July 2024 credit loss allowance - IFRS 9	1 040	-	-	1 040
Increase in credit loss allowance	1 036	-	-	1 036
30 June 2025 credit loss allowance - IFRS 9	**2 076**	**-**	**-**	**2 076**

Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet all its financial obligations on a timely basis, when due, and in the right currency without incurring above normal costs.

The Group's approach to managing liquidity risk is to ensure there is sufficient available liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. To ensure that the Group has access and sufficient funds to meet its operational expenditures it:

- Maintains a liquidity buffer of R2.2 billion.
- Has committed facilities of R1.5 billion (2024: R1.5 billion) with various financial institutions as part of the Group's multi-banking strategy which R1.5 billion (2024: R1.5 billion) was unutilised.
- Has ZAR 10 billion Domestic Medium Term Note (DMTN) programme with a headroom of R6.8 billion at 30 June 2025.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

The Group's liquidity requirements are regularly reviewed to ensure the timely fulfilment of the funding requirements. This is managed using cash flow forecasts (weekly, monthly and quarterly forecast) and maturity gap analyses to assess and monitor its liquidity requirements and risk exposure. The cash flow forecasts and maturity gap analyses reports form part of the financial risk report, which is periodically reviewed and analysed by the Treasury and Capital Investment Committee (TCIC). Additionally, liquidity risk management includes a five-year cash flow projection incorporated within the annual funding plan update. These measures provide a good estimate of the Group's funding requirements ensuring sufficient cash on demand in the form of liquid cash to meet operational and capital expenditures.

As at 30 June 2025 the Group has the following facilities:

Figures in Rand thousands	Facility amount	Total utilised	Total unutilised
Banks (Committed facilities)	1 500 000	2 685	1 497 315
DMTN	10 000 000	3 161 250	6 838 750
	11 500 000	**3 163 935**	**8 336 065**

The following tables summarises Rand Water's remaining contractual maturities for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities which includes both the principal cash flows which may differ from the carrying amounts of the financial liabilities as at 30 June 2025.

Contractual maturity profile of financial liabilities at 30 June 2025:	Up to one year	Greater than one year to three years	Greater than three years to five years	Over five years	Total
Unsecured bond: RW28	147 426	294 851	1 5'12 713		1 954 990
Unsecured bond: RW31	58 126	116 412	115 934	602 445	892 917
Unsecured bond: RWL26	640 636	-	-	-	640 636
Unsecured bond: RWL28	56 192	691 538	-	-	747 730
Trade and other payables	5 705 755	-	-	-	5 705 755
	6 608 135	**1 102 801**	**1 628 647**	**602 445**	**9 942 028**

Contractual maturity profile of financial liabilities at 30 June 2024:	Up to one year	Greater than one year to three years	Greater than three years to five years	Over five years	Total
Unsecured bond: RW28	147 426	294 85'1	1 660 138	-	2 102 415
Unsecured bond: RW31	58 445	16 253	116 253	660 412	951 363
Unsecured bond: RWL26	60 009	640 636	-	-	700 645
Unsecured bond: RWL28	56 500	112 384	635 194	-	804 078
Trade and other payables	4 242 696		-	-	4 242 696
	4 565 076	**1 164 124**	**2 411 585**	**660 412**	**8 801 197**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

The following table has been prepared based on the carrying amounts of financial liabilities as presented in the Statement of Financial Position. The maturity profile focuses on Rand Water's ability to meet its financial obligations as they fall due, taking into account the amounts outstanding and payable as at 30 June 2025. Accordingly, the analysis reflects the amounts that are contractually due and payable at the reporting date, comprising of the principal amount and interest accrued for redemption.

Carrying amounts of financial liabilities at 30 June 2025:	Up to one year	Greater than one year to three years	Greater than three years to five years	Over five years	Total
Unsecured bond: RW28	8 459	-	1 443 640	-	1 452 099
Unsecured bond: RW31	159	-	-	543 850	544 009
Unsecured bond: RWL26	586 102	-	-	-	586 102
Unsecured bond: RWL28	154	578 886	-	-	579 040
Trade and other payables	5 705 755	-	-	-	5 705 755
	6 300 629	**578 886**	**1 443 640**	**543 850**	**8 867 005**

Interest Rate (%)	Interest rate type	2025	2024
Unsecured bond: RW23	Fixed rate		9,510
Unsecured bond: RW28	Fixed rate	10,245	10,245
Unsecured bond: RW31	Fixed rate	10,685	10,685
Unsecured bond: RWL26	Floating rate	9,542	10,600
Unsecured bond: RWL28	Fixed rate	9,705	9,705

Interest rate risk

The Interest rate risk refers to the susceptibility of Rand Water's financial position to adverse fluctuations in market interest rates. Rand Water's primary interest rate risk management objective is to protect its funding plan and Asset and Liability Management (ALM) strategies from adverse fluctuations in market interest rates. To achieve this objective, it is the policy of Rand Water to measure and manage its interest rate risk exposure both over the short and long term to protect its profits and ensure continued financial sustainability.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

The Group manages its interest rate risk by maintaining an appropriate mix between fixed and floating interest rate borrowings and investments.

The interest rate profile of the Group's interest bearing financial instruments is as follows:

Figures in Rand thousands	Group		Rand Water	
	2025	2024	2025	2024
Fixed rate instruments				
Financial assets	4 134 864	4 971 691	4 134 864	4 971 691
Financial liabilities	(2 575 147)	(2 567 672)	(2 575 147)	(2 567 672)
	1 559 717	**2 404 019**	**1 559 717**	**2 404 019**
Variable rate instruments				
Financial assets	12 557 307	6 590 176	12 543 233	6 576 511
Financial liabilities	(586 102)	(585 898)	(586 102)	(585 898)
	11 971 205	**6 004 278**	**11 957 131**	**5 990 613**

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore a change in interest rates at the reporting date would not affect income or loss.

Cash flow sensitivity analysis for variable rate instruments

The Group has used a sensitivity analysis technique that measures the estimated change to profit or loss of an instantaneous increase or decrease of 0.5% - 1.5% (50-150 basis points) in market interest rates, at the reporting date.

The sensitivity analysis below reflects the interest rate impact on the finance income and finance cost at 30 June 2025. This analysis assumes that other variables remain constant.

Group

Figures in Rand thousands	Income/(Cost)				Equity			
	Increase of 1.5%	Increase of 0.5%	Decrease of 0.5%	Decrease of 1.5%	Increase of 1.5%	Increase of 0.5%	Decrease of 0.5%	Decrease of 1.5%
30 June 2025								
Financial assets	188 360	62 787	(62 787)	(188 360)	188 360	62 787	(62 787)	(188 360)
Financial liabilities	(8 792)	(2 931)	2 931	8 792	(8 792)	(2 931)	2 931	8 792
	179 568	**59 856**	**(59 856)**	**(179 568)**	**179 568**	**59 856**	**(59 856)**	**(179 568)**
30 June 2024								
Financial assets	98 853	32 951	(32 951)	(98 853)	98 853	32 951	(32 951)	(98 853)
Financial liabilities	(8 798)	(2 933)	2 933	8 798	(8 798)	(2 933)	2 933	8 798
	90 055	**30 018**	**(30 018)**	**(90 055)**	**90 055**	**30 018**	**(30 018)**	**(90 055)**

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

42. Financial instruments (continued)

Rand Water

Figures in Rand thousands	Income/(Cost)				Equity			
	Increase of 1.5%	Increase of 0.5%	Decrease of 0.5%	Decrease of 1.5%	Increase of 1.5%	Increase of 0.5%	Decrease of 0.5%	Decrease of 1.5%
30 June 2025								
Financial assets	188 148	62 716	(62 716)	(188 148)	188 148	62 716	(62 716)	(188 148)
Financial liabilities	(8 792)	(2 931)	2 931	8 792	(8 792)	(2 931)	2 931	8 792
	179 356	**59 785**	**(59 785)**	**(179 356)**	**179 356**	**59 785**	**(59 785)**	**(179 356)**
30 June 2024								
Financial assets	98 648	32 883	(32 883)	(98 648)	98 648	32 883	(32 883)	(98 648)
Financial liabilities	(8 798)	(2 933)	2 933	8 798	(8 798)	(2 933)	2 933	8 798
	89 850	**29 950**	**(29 950)**	**(89 850)**	**89 850**	**29 950**	**(29 950)**	**(89 850)**

RAND WATER

REFERENCES INFORMATION

ACRONYMS AND ABBREVIATIONS

AG	Australian Water Quality Guidelines
AGSA	Auditor-General of South Africa
AWSISA	Association of Water and Sanitation Institutions of South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
CAFS	Consolidated Annual Financial Statements
Capex	Capital Expenditure
CIFS	Consolidated Interim Financial Statements
CIPS	Chartered Institute of Procurement & Supply
CP	Cathodic Protection
CSIR	Centre for Scientific and Industrial Research
CSR	Social Investment Responsibility
CVM	Customer Value Management
DoA	Delegation of Authority
DSA	Debt Settlement Agreements
DWS	Department of Water and Sanitation
ECL	Expected Credit Losses
ECSA	Engineering Council of South Africa
ELM	Emfuleni Local Municipality
EMS	Environmental Management System
EQAR	External Quality Assurance Review
ERMF	Enterprisewide Risk Management Framework
ESA	Electrical Signature Analysis
ESD	Enterprise Supplier Development
ESG	Environmental, Social and Governance
EWSETA	Energy and Water Sector Education Training Authority
GIS	Geographic information systems
HRRC	Human Resources and Remuneration Committee
IAR	Integrated Annual Report
IDP	Infrastructure Development Plan
IEP	Integrated Execution Plan
IFRS	International Financial Reporting Standards
IIA	Institute of Interna Audit
IMF	Integrated Maintenance Framework
IP	Intellectual Properties.
IVRS	Integrated Vaal River System
IWA	International Water Association
JSE	Johannesburg Stock Exchange
MoU	Memorandum of Understanding
NARSSA	National Archives and Records Service of South Africa

NQF	National Qualification Framework
PFMA	Public Finance Management Act
RW	Rand Water
RWF	Rand Water Foundation
RWI	Rand Water Innovation
RWS	Rand Water Services
SALGA	South African Local Government Association
SAQA	South African Qualifications Authority
SCADA	Supervisory Control and Data Acquisition
SDG	Sustainable Development Goals
SED	Socio-Economic Development
SET	Sectoral Emission Targets
SHEQ	Safety, Health, Environment and Quality
SLA	Service Level Agreement
SPV	Special Purpose Vehicles
STI	Short Term Incentive
TAG	Technology Approval Group
TAP	The Tap Analysis Programme
UAC	Unbilled Authorised Consumption
UARL	Unavoidable Annual Real Losses
UASA	United Association of South Africa
UNFCCC	United Nations Framework Convention on Climate Change
USEPA	United States Environmental Protection Agency
VRBR	The Vaal River Barrage Reservoir
WASH	Water, Sanitation, and Hygiene
WDM	Water Demand Management
WHO	World Health Organisation
WRC	Water Research Commission
WSA	Water Services Act,
WTR	Water Treatment Residue
WWET	Water Wise Education Team
ZEA	Ziyagezana Excellence Awards

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RAND WATER

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