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AMATOLA WATER

INTEGRATED ANNUAL REPORT

2024
2025

G20
SOUTH AFRICA 2025

GENERAL INFORMATION

Country of incorporation	Republic of South Africa
Executive authority	Minister of Water and Sanitation
Accounting authority	Amatola Water Board
Nature of business and principal activities	Water Services
Registered office address	6 Lancaster Road Vincent East London 5217
Postal address	Private Bag X3 Vincent East London 5247
Banker	Nedbank Ltd
Auditor	Auditor-General of South Africa
Company Secretary	Vacant
Business enterprise registration and date of establishment	Gazette Number 18409 of 14 November 1997
Preparer of annual financial statements	The annual financial statements were internally compiled by the management of Amatola Water Board.
Specific governing legislation	• Public Finance Management Act, 1999 (Act 1 of1999 as amended by Act 29 of 1999) • Water Services Act, 1997 (Act 108 of 1997)
Chief Executive	• Mr S Koyo (appointed effectively from 1 December 2023). • Acting Chief Executive Officer J Jackson - 18 July 2024 – 04 September 2024 and 6 December 2024 – 29 January 2025. • Acting Chief Executive Officer L Nzoyi – 30 January 2025- Current.
Chief Financial Officer	• Mr J Jackson (appointed effectively from 1 May 2024). • Acting Chief Financial Officer - N Nomnganga - 19 July 2024 - 4 September 2024 and 7 December 2024 – 24 February 2025.

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ABBREVIATIONS AND ACRONYMS

ABBREVIATION/ ACRONYM	DESCRIPTION
4G/5G	Fourth and fifth generation of broadband cellular network technology
AO/AA	Accounting Officer/ Accounting Authority
ACMP	Association of Change Management Professionals
ADM	Amathole District Municipality
AFS	Annual Financial Statement
AGSA	Auditor-General of South Africa
AIP	Audit Intervention Plan
AIP	African Water Investment Programme
AoPO	Audit of Predetermined Objectives
APP	Annual Performance Plan
APR	Annual Performance Report
ARC	Audit and Risk Committee
ASB	Accounting Standards Board
AW	Amatola Water
BA	Bachelor of Arts
BAC	Bid Adjudication Committee
BBBEE	Broad-Based Black Economic Empowerment
BCMM	Buffalo City Metropolitan Municipality
B COM	Bachelor of Commerce
B COMPT	Bachelor of Accounting Science
BFI	Budget Facility Initiative
B PROC	Baccalaureus Procurationis
BSC	Bachelor of Science
BTECH	Bachelor of Technology
CAPEX	Capital Expenditure
CA(SA)	Chartered Accountant
CCTV	Closed Circuit Television
CE	Chief Executive
CFO	Chief Financial Officer
CMA	Catchment Management Agency
COIDA	Compensation for Occupational Injuries and Diseases Act
CoGTA	Corporate Governance and Traditional Affairs
COMENSA	Coaches and Mentors of South Africa

ABBREVIATION/ ACRONYM	DESCRIPTION
CPA	Certified Public Accountant
CRMCO	Corporate Risk Management Committee
CSI	Corporate Social Investment
CSR	Corporate Social Responsibility
DBSA	Development Bank of Southern Africa
DDG	Deputy Director General
DFI	Developmental Finance Institution
DIFR	Disabling Injury Frequency Rate
DM	District Municipality
DR	Doctor
DRP	Disaster Recovery Plan
DTI	Department of Trade and Industry
DWS	Department of Water and Sanitation
EAP	Employee Assistance Programme
EC	Eastern Cape
EG	For Example,
ECDoE	Eastern Cape Department of Education
ECSA	Engineering Council of South Africa
ENG	Engineering
ERP	Enterprise Resource Planning
ESG	Environmental Social and Governance
EWRM	Enterprise-wide Risk Management
EWSETA	Energy and Water Sector Education and Training Authority
FINCO	Finance Committee
FML	Full Maintenance Lease
FSC	Full Supply Capacity
FY	Financial Year
G4	Global Reporting Guidelines
GDP	Gross Domestic Product
GRAP	Generally Recognised Accounting Practice
GRI	Global Reporting Initiative
HDPE	High Density Polyethylene Plastic Pipe
HONS	Honours
HR	Human Resources

ABBREVIATIONS AND ACRONYMS

ABBREVIATION/ ACRONYM	DESCRIPTION
HRRC	Human Resources and Remuneration Committee
IA	Implementing Agent
IAA	Internal Audit Activity
IAR	Integrated Annual Report
ICT	Information and Communication Technology
ICTSC	Information and Communication Technology Steering Committee
IDP	Integrated Development Plan
I.E	That is
IODSA	Institute of Directors of South Africa
IF	Infrastructure Fund
IFRS	International Financial Reporting Standards
IGR	Intergovernmental Relations
iGOLD	International Gestalt Organisation and Leadership Development Programme
ILC	International Labour Conference
ILO	International Labour Organisation
IIRC	International Integrated Reporting Council
IIR	International Integrated Reporting
IMP	Infrastructure Master Plan
IPPF	International Professional Practices Framework
ISA	Infrastructure South Africa
ISO	International Organisation for Standardisation
JGDM	Joe Gqabi District Municipality
JKH	James Klynhans
KPIs	Key Performance Indicators
KPMG	Klynveld Peat Marwick Goerdeler
KSDPI	King Sabata Dalindyebo Presidential Intervention
LLB	Bachelor of Laws
LPC	Legal Practice Council
LTD	Limited
MANCO	Management Committee
MBA	Master of Business Administration
MBL	Master of Business Leadership

ABBREVIATION/ ACRONYM	DESCRIPTION
MEC	Member of Executive Council
M&E	Mechanical and Electrical
Ml/day	Mega litres
MoU	Memorandum of Understanding
MP	Member of Parliament
MTEF	Medium-Term Expenditure Framework
NA	Not Applicable
NAPSAR	Network of African People living with HIV in the Southern African Region
NBI	National Business Initiative
NEHAWU	National Education, Health and Allied Workers Union
NGO	Non-Governmental Organisation
NLM	Ndlambe Local Municipality
NPO	Non-Profit Organisation
NQF	National Qualifications Framework
NWRIA	National Water Resource Information Agency
NWRS-3	National Water Resources Strategy Third Edition
NW&SMP	National Water and Sanitation Master Plan
OHS	Occupation Health and Safety
O&M	Operations and Maintenance
OPEX	Operational Expenditure
ORTDM	Oliver Tambo District Municipality
OTP	Office of the Premier
P&D	Planning and Development
PDP	Provincial Development Plan
PFMA	Public Finance Management Act
PLC	Programmable Logic Controller
POE	Portfolio of Evidence
PPE	Property, Plant and Equipment
PPPs	Public-Private Partnerships
REF	Reference
Pr	Professional
SAAWU	South African Association of Water Utilities
SABS	South African Bureau of Standards

ABBREVIATIONS AND ACRONYMS

ABBREVIATION/ ACRONYM	DESCRIPTION
SAIFA	Southern Africa Institute for Artisans
SANAS	South African National Accreditation System
SASDA	SA Supplier Development Agency
SANS	South African National Standards
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SBDC	Strategy and Business Development Committee
SC	Score Card
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Chain Management
SDGs	Sustainable Development Goals
SEC	Social and Ethics Committee
SETA	Sector Education and Training Authority
SHC	Shareholder Compact
SHE	Safety, Health and Environment
SITA	State Information Technology Agency
SME	Small and Medium Enterprises

ABBREVIATION/ ACRONYM	DESCRIPTION
SMS	Senior Management Services
SO	Strategic Outcome
SQL	Sequel
SR	Strategic Risk
SSA	State Security Agency
SSS	Senior Secondary School
TA	Transaction Advisor
TVET	Technical and Vocationa l Education and Training
TWG	Technical Working Group
UASA	United Association of South Africa
UK	United Kingdom
UN	United Nations
WSIG	Water Services Infrastructure Grant
WCWDM	Water Conservation and Water Demand Management
WDWCM	Water Demand and Conservation Management
WSA	Water Service Authority
WSP	Water Service Provider
WSS	Water Supply Scheme
WTW	Water Treatment Works
WWTW	Wastewater Treatment Works

2024/2025 AMATOLA WATER REPORT THEME

The 2024/2025 financial year marked a pivotal juncture in Amatola Water's institutional journey, a year defined by rebuilding, recalibrating, and repositioning the entity for long-term sustainability in an increasingly demanding operating environment.

Guided by the stewardship of the Minister of Water and Sanitation, the oversight of the Amatola Water Board, and the strategic direction of the Acting Chief Executive, the year under review reflects a purposeful shift from short-term stabilisation towards structured, evidence-based institutional renewal. This Integrated Annual Report captures that transition.

"Restoring Flow, Renewing Trust: Building a Future-Fit Water Institution for the Eastern Cape"

Across the organisation, teams confronted headwinds that mirror the broader Eastern Cape socio-economic landscape, aging infrastructure, escalating demand patterns, climate-induced volatility, and persistent financial constraints. Yet, within these challenges, Amatola Water found catalytic opportunities to improve governance, strengthen operational discipline, and reinforce the integrity of its service delivery mandate.

This report tells the story of an organisation intentionally restoring flow literally and institutionally and renewing trust through enhanced transparency, accountability, and performance alignment.

The combined messages from the Minister, Chairperson, and Acting Chief Executive articulate a shared philosophy:

a) A commitment to ethical and accountable governance.
b) A return to operational fundamentals anchored in engineering excellence.
c) A sharpened focus on organisational stabilisation and financial prudence.
d) A renewed dedication to the people and communities of the Eastern Cape.

These perspectives converge into a singular call to action:

To build a future-fit water institution capable of supporting the Eastern Cape development trajectory, safegaurding water sercurity, and sustaining trust with all stakeholders.

Throughout this Integrated Annual Report, the reader will see how this commitment materialised in improved operational coherence, strengthened governance controls, revitalised stakeholder engagement, and intensified efforts to rebuild organisational capability.

The 2024/2025 theme therefore reflects both a narrative of progress and a recognition of unfinished work, a commitment to keep advancing, keep improving, and keep delivering on a constitutional and developmental mandate that is essential to the life, dignity, and resilience of the communities Amatola Water serves.

FOREWORD BY THE MINISTER OF WATER AND SANITATION



Ms Pemmy CP Majodina (MP)
Minister of Water and Sanitation

As the Minister of Water and Sanitation, it is both an honour and a privilege to present this report, which reflects the current state of the water sector and outlines its future direction. The Constitution of the Republic of South Africa affirms that access to water is a fundamental human right.

This report is tabled at a time when the water sector faces complex challenges, including the effects of climate change, rapid urbanisation, and ageing infrastructure. Yet, it is also a time of opportunity an opportunity to strengthen our systems, deepen collaboration, and accelerate transformation in the sector.

Water is the lifeblood of our nation, a fundamental enabler of well-being, economic development, and ecological sustainability.

Across the Eastern Cape, Amatola Water stands as a vital utility, tasked with the delivery of safe, reliable water to communities, businesses, and the environment it serves. In this year's Integrated Annual Report, we mark a significant chapter, one of renewal, enhanced accountability, and commitment to national water security goals.

Over the past year, the Ministry of Water and Sanitation has taken decisive steps to reinforce Amatola Water's governance and operational resilience. I inaugurated five additional members to the Interim Board, bringing a breadth of expertise in governance, public administration, human resources, and operational leadership.

Their appointment is a signal of optimism an affirmation of our shared resolve to stabilise governance, strengthen strategic oversight, and position Amatola Water as a steadfast regional water custodian. Simultaneously, I remain steadfast in honouring the principles of the Third Edition National Water Resource Strategy (NWRS-3), which calls on our institutions to protect water resources, ensure equitable access, drive climate-resilient delivery, and coalesce towards socio-economic growth.

Amatola Water's role cannot be understated in this national agenda. This year also carries a broader global significance as South Africa assumes the G20 Presidency (December 2024 – November 2025). Our Presidency is rooted in solidarity, equality, sustainability, and a development-oriented agenda that prioritises people and solutions in a complex global landscape. Within this framework, water and sanitation have taken centre stage as catalytic enablers of sustainable development.

In August 2025, we hosted the inaugural African Union – Africa Water Investment Programme (AIP) Summit in Cape Town, which successfully mobilised commitments of over USD 10 billion towards water investment projects across Africa. This milestone aligns with South Africa's G20 Presidency priorities of inclusive growth, climate resilience, and eradication of poverty and hunger.

It also strengthens Africa's preparations for the 2026 UN Water Conference, underscoring water as both a human right and a driver of sustainable economic transformation. Amatola Water's renewed governance, scientific excellence, and community focus stand as practical expressions of these global commitments, translating continental ambition into real service delivery in the Eastern Cape.

However, our path forward is not without challenge. The Eastern Cape continues to face infrastructure backlogs, intermittent supply disruptions, and the pressure of climate variability. Moreover, localized issues, just to mention a few, such as the use of bucket sanitation systems in Makanda Municipality, and infrastructure constraints in secondary businesses highlight the urgency for inclusive and innovative solutions.

The Catchment Management Agency (Mzimvubu -Tsitsikamma CMA) is steadily taking shape and the establishment of the National Water Infrastructure Agency which has been signed into law by the Presidency promise structural advances, offering Amatola a platform to participate in broader infrastructure innovation and resource planning.

Aligned to National Water Resource Strategy (NWRS-3) priorities, such as enhancing water supply, redistributing for transformation, managing under a changing climate, improving water quality, and building efficient institutions, Amatola Water must now translate strategy into action. The strengthened interim board, SANAS-backed laboratories, and institutional agility undergird this potential.

Looking ahead, the challenges ahead also present opportunity: to integrate water resource management approaches, to ensure data-driven service planning, to implement equitable transformation, and to uphold watershed resilience. We must not only manage water, but co-nurture it, for current communities and for generations to come.

I commend the Board, Executive Management, and Staff of Amatola Water for the hard work reflected in this report. Let us carry forward this narrative, not merely as a compliance document, but as a demonstration to Amatola's pivot toward strengthened governance, scientific scrutiny, and strategic renewal.

Together, we commit to safe and sustainable water for all.



Ms Pemmy CP Majodina (MP)
Minister of Water and Sanitation
Date: 03/11/2025



CHAIRPERSON'S STATEMENT



Dr. Gaster Sharpley
Interim Board Chairperson

It is my honour to present the Chairperson's Statement for the 2024/2025 financial year for Amatola Water. This has been a year of stabilisation and renewal, in which we recalibrated operations, strengthened governance and re-positioned Amatola Water as a trusted steward of bulk water services in the Eastern Cape. While the journey is ongoing, the momentum achieved to date signals durable progress.

In the first half of the fiscal year, Amatola Water made meaningful strides towards our strategic objectives. Quarterly reports and performance reviews were submitted timeously, reinforcing a culture of transparency and accountability.

Key Performance Indicators (KPIs) were cascaded into executive performance compacts, ensuring clear line-of-sight between enterprise outcomes and individual accountability.

We continued to deepen client and stakeholder engagement across the Eastern Cape province. Through structured outreach to municipalities, communities, professional partners and funders, we are building the collaborative platforms required to accelerate service delivery. Work in Makana Municipality, including the augmentation of the James Kleynhans Bulk Water Supply Project under the Department of Water and Sanitation's Regional Bulk Infrastructure Grant, is a representative case of how coordinated execution can unlock tangible benefits for communities.

On the financial and operational side, we launched a diagnostics process to identify inefficiencies, benchmarking tariff models, reviewing funding strategies, and developing plans to ensure both short, medium and long-term viability. Our workforce has remained highly skilled and motivated, achieving a 92% of target under Strategic Outcome (SO7-highly skilled, engaged and productive workforce), a reflection of our commitment to employee growth, productivity, and operational excellence.

The success of Amatola Water depends not solely on internal reforms but on strong partnerships. We have seen growing collaboration with municipalities, the Department of Water & Sanitation, engineering consultants, and funders to tackle infrastructure challenges.

During the year under review, Amatola Water extended the Interim Board through the appointment of five accomplished professionals. These individuals bring extensive expertise in governance, human resources, public administration, and operational leadership. Their collective experience has significantly enhanced the Board's oversight capacity and reinforced our commitment to sound governance practices.

The relationships we build will be key to expanding service reach across all regions of the Eastern Cape and to achieving our goal of financial sustainability by 2030.

We are realistic about the external headwinds. Municipal debt, infrastructure backlogs and intermittent service disruptions continue to place pressure on liquidity and service levels. Our mitigation focuses on disciplined collections, structured engagement with partners, prioritised capital investments, and targeted maintenance that balances short- and medium-term reliability with long-term asset sustainability.

Looking forward, our strategic priorities are clear and outcomes-oriented:

a) Achieve financial break-even by 2030 through strengthened revenue models, tariff realignment, disciplined cost containment, and enhanced operational efficiency.
b) Expand service delivery across the Eastern Cape, with a strong focus on underserved municipalities and communities, while reinforcing governance systems and strengthening scientific and quality assurance frame works.
c) Embed accountability and strengthen performance integrity coupled with rigorous monitoring mechanisms and timely, transparent reporting. Strengthen operational and infrastructure resilience through a balanced approach that addresses immediate and medium-term interventions, while prioritising long-term investments in water treatment, bulk supply, and the maintenance of critical assets.
d) Intensify stakeholder engagement by ensuring that municipalities, communities, funders, and regulators are actively included in Amatola Water's journey, with open communication on progress achieved as well as areas requiring further attention.

I extend my sincere gratitude to the Minister of Water and Sanitation for her leadership and continued support during this period of transition. To my fellow Board members, thank you for your dedication, time, and expertise. To the Executive Management team, staff, and communities we serve, your resilience and commitment are the backbone of every achievement.

We are not yet where we aspire to be; however, the strategic pivots made, early execution gains and strengthened governance give us confidence. Together, we are positioning Amatola Water to be financially sustainable and operationally reliable; delivering clean, safe water across the Eastern Cape by 2030.

Let us move forward with disciplined urgency and quiet courage; turning constraints into catalysts, rebuilding trust one community at a time, and proving that clean, safe water can be delivered reliably, affordably and at scale across the Eastern Cape.

Every tap we restore, every plant we stabilise, and every rand we collect responsibly brings us closer to a financially sustainable, high-performing Amatola Water. With steadfast governance, transparent partnerships and a relentless focus on execution, we will not merely recover; we will lead, creating a legacy of service, resilience and dignity for the people we serve by 2030 and beyond.



Dr. Gaster Sharpley
Interim Board Chairperson
Amatola Water

CHIEF EXECUTIVE'S REPORT



Ms. Lindokuhle Nzoyi
Acting Chief Executive

It is my privilege to present the Chief Executive's overview for Amatola Water's Integrated Annual Report for the 2024/25 financial year. This year marked a period of disciplined stabilisation in which we tightened governance, restored elements of operational reliability, and advanced a pragmatic financial turnaround agenda aligned to the Water Services Act, the Public Finance Management (PFMA) and National Water Resource Strategy-3 (NWRS3).

The 2024/25 financial year has been a defining chapter in Amatola Water's journey a period marked by disciplined stabilisation, strengthened governance, and strategic repositioning. These efforts have laid a solid foundation for building a resilient, high-performing utility that the people of the Eastern Cape can rely on with confidence.

Amatola Water continues to rebuild its execution capacity across the organisation. Quarterly reporting is now consistently timeous, approved KPIs are embedded within individual performance agreements, and accountability has been reinforced through a strengthened line of sight between organisational outcomes and managerial responsibilities.

Amatola Water achieved an unqualified audited organisational performance of 73% for the 2024/25 financial year, up from 63% in the previous year, an improvement of 10 percentage points. This upward trajectory reflects strengthened performance management practices, improved evidence management, and disciplined execution against enterprise outcomes.

Stakeholder confidence remains central to Amatola Water's value proposition. Structured engagements with municipal clients, communities, and sector partners have helped stabilise key relationships and build a pipeline of growth opportunities. These efforts underpin the intent of improved internal and external stakeholder engagements (Strategic Outcome 4) and are beginning to translate into enhanced service collaboration and improved customer retention. As part of our youth development value proposition, Amatola Water partnered with the Office of the Premier, the State Information Technology Agency (SITA), and other ecosystem stakeholders to onboard 39 learners and interns across priority disciplines, including water treatment operations, engineering, finance, ICT, and governance.

On Operations and Finance, Management concluded a diagnostic programme and initiated corrective actions: benchmarking tariffs, optimising the funding mix, and implementing cost-containment and revenue-assurance measures alongside stricter working-capital discipline. We continue to reinforce asset care and water-quality assurance (aligned to SANS 241) while building resilience across treatment works and bulk conveyance systems. SANAS has extended our laboratory accreditation scope, expanding drinking-water and wastewater analytical capability, which is an important quality milestone in strengthening quality assurance and technical excellence.

Diagnostic assessments indicate a mixed performance profile. While core operational delivery and water-quality capacity have shown measurable improvement, the entity continues to face significant financial pressures requiring urgent and sustained corrective action.

Recent strategic analysis highlights a current ratio of approximately 0.696 avoidable water losses of around 16.42%, and municipal debt outstanding as at June 2025 amounting to R426 million, alongside other balance-sheet pressures. These structural challenges continue to constrain short, medium, and long-term liquidity and underscore

the need for disciplined implementation of the Financial Turnaround Plan.

The principal challenges that continue to constrain our progress are:

a) **Financial sustainability:** large historic municipal debtors and constrained working capital;
b) **Ageing infrastructure and high non-revenue water,** which increase operating costs and reduce available volumes for billing;
c) **External macro pressures** including load-shedding and rising electricity tariffs that raise input costs;
d) **Governance continuity**, the current transitional nature of the board until the new Board is sworn in; and
e) **Sector complexity:** evolving institutional arrangements (including national discussions about the National Water Infrastructure Agency and catchment management arrangements) that require careful alignment.

These risks are captured in our strategic risk register and are being mitigated by targeted interventions and contingency planning.

To translate strategy into sustainable results we will prioritise:

a) **Financial Sustainability:** Full execution of the Financial Turnaround Plan, with quarterly public milestones (debt recovery targets, tariff modelling completed, and working capital improvements);
b) **Operational stability:** prioritising critical plant maintenance, reducing avoidable losses and improving security against vandalism;
c) Continued expansion of laboratory and quality services to support municipalities and industry;
d) Strengthening contract and project management for priority infrastructure (aligned to the Amatola Infrastructure Master Plan (IMP)), and actively pursuing blended finance and Development Bank of South Africa (DBSA)/Infrastructure South Africa (ISA) support for project preparation
e) **Governance & People:** strengthening Board oversight, filling critical management posts and embedding performance contracts. Early results include more disciplined reporting cycles, higher laboratory quality credentials and initial reductions in turnaround times for operational fixes.
f) **Stakeholder partnerships:** working with DWS, Provincial Government, municipalities and financiers to support debt resolution and project funding and
g) **Closer alignment with NWRS-3 priorities** (water security, climate resilience and investment pipelines), which opens opportunities for new funding and collaborative programmes.

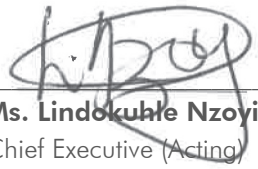
Amatola Water stands at a pivotal moment. The organisation has demonstrated technical progress and strengthened governance capacity, yet financial and infrastructure challenges persist, requiring sustained and disciplined execution. Over the next 12 to 36 months, we will implement a carefully sequenced programme to stabilise liquidity, reduce water losses, secure project funding, and restore service reliability across our supply area. Delivering on these commitments will demand unity of purpose across the Board, management, staff, the Shareholder, and municipal partners. I remain committed to measurable delivery, prudent stewardship of public resources, and transparent reporting as we continue to rebuild a financially resilient, high-performing utility for the people of the Eastern Cape.

As Amatola Water moves forward, it is essential to sustain the momentum achieved through strengthened governance and tighter operational controls. The financial turnaround agenda remains paramount, with urgent focus on resolving historic municipal debts and optimising cost management to secure long-term viability. Our commitment to stakeholder partnerships is vital in securing the support necessary for project funding and debt resolution. Transparent, timely reporting and collaborative engagement will underpin the restoration of trust and confidence in AW. Together, with determined focus and collective accountability, we will build a resilient, highly-performing institution delivering reliable, safe water for the Eastern Cape's communities now and for future generations.

As we close this reporting period, I remain deeply mindful of the responsibility entrusted to AW. The challenges before us are not abstract; they affect the communities that rely on AW for clean, safe, and reliable water. Yet, I am equally encouraged by the resilience of our people, the dedication of our staff, and the renewed governance foundations that have been put into place.

Together with the Board, our shareholder, and our partners, we are charting a disciplined course toward financial stability, operational reliability, and province-wide service coverage. I am confident that with collective focus and accountability, AW will not only recover but rise as a high-performing, ethical, and sustainable institution one that embodies the trust and aspirations of the Eastern Cape.
Our commitment is unwavering: to deliver clean, safe, and reliable water, while building resilience for generations to come.

I extend my sincere gratitude to the Minister of Water and Sanitation for continued leadership; to the Interim Board for their oversight and vision; to the Executive Team and employees whose dedication drives our progress; to our Water Service Authorities and Sector Partners; and most importantly, to the resilient communities we serve.



Ms. Lindokuhle Nzoyi
Chief Executive (Acting)
Amatola Water Board



STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF THE INTEGRATED ANNUAL REPORT INFORMATION ACCURACY

In terms of the Public Finance Management Act, 1999 (Act 1 of 1999 as amended) (PFMA), and as the Accounting Authority of Amatola Water, we accept responsibility for maintaining and preparing Amatola Water's financial statements and non-financial performance information for the 2024/25 financial year.

The Amatola Water Annual Financial Statements have been prepared in accordance with, among others, the Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board (ASB) and the requirements of the PFMA. AW also take full responsibility for the preparation, assessments, evaluations, and outcomes of the Integrated Annual Report for the financial year ending 30 June 2025.

The level of performance (73%) reported on the predetermined objectives is accurate. The content is credible, of integrity, and reliable due to the embedded internal controls that remain relevant and adequate. These are designed to provide reasonable assurance of our performance throughout the year.

For instance, Amatola Water's internal controls are implemented and monitored at the self-assessment level. Our employees understand the importance of maintaining the highest ethical standards when conducting our business.

The internal audit function and risk management processes provide the necessary oversight that considers all levels of defence in verifying the effectiveness of the existing control measures and identifying additional ones, where applicable.

The two functions continued to provide reasonable assurance against material misstatements or deficits and to check that risks and opportunities were dealt with whenever necessary. This is our account of the acceptability of our entity's actual operational and financial results for the year ended 30 June 2025.

It is premised on two critical factors:

1. Our reported information has been externally audited, and the Auditor-General of South Africa (AGSA) has expressed an independent opinion on the annual financial statements and a conclusion on all other predetermined nonfinancial objectives contracted to the shareholder for the reporting period. Refer to the AGSA report on pages 197-166.
2. The Integrated Annual Report has been prepared for the 2024/25 financial year, and the Accounting Authority approved it on 28 November 2025.



Dr. G. Sharpley
Interim Board Chairperson
Date: 28 November 2025



Ms. L. Nzoyi
Acting Chief Executive
Date: 28 November 2025



1 INTRODUCTION

REPORT PROFILE

The Integrated Annual Report outlines Amatola Water's legislative compliance and performance, as presented to the Minister of Water and Sanitation, for the financial year, 1 July 2024 to 30 June 2025.

Amatola Water's tenth Sustainability Report and eleventh Integrated Annual Report are part of the organisation's commitment to achieving higher qualitative and quantitative reporting standards.

It is guided by the International Integrated Reporting <IIR> Framework of the International Integrated Reporting Council (IIRC). It is under the comprehensive option presented by the G4 guidelines of the Global Reporting Initiative (GRI) and Environmental Social and Governance (ESG) context.

Amatola Water adopted seven basic principles in compiling this report:

a) **Strategic focus and future orientation:** Insight into the organisation's strategy and how it relates to its ability to create value in the short, medium and long term.
b) **Conciseness:** Succinct, comprehensive and transparent disclosures.
c) **Connectivity and balanced presentation of information:** A holistic picture of the combination, interrelatde pendencies between the factors that affect the organisation's ability to create value over time.
d) **Reliability and completeness:** All material matters, positive and negative, are presented in a balanced manner and without material error, particularly in the commitments stated by the Chief Executive (CE), Chairperson of the Board, and Chairperson of the Audit and Risk Committee, as well as independent third-party assurances.
e) **Stakeholder responsiveness/inclusiveness:** The nature and quality of the organisation's relationships with its key stakeholders, including how and to what extent it understands, considers and responds to their legitimate needs and interests.
f) **Consistency and comparability:** Information is presented consistently and in a way that enables
g) Comparison with other organisations to the extent that it is material to Amatola Water's ability to create value over time.
h) **Materiality:** The Report presents matters that substantively affect the organisation's ability to create value.

The Executive Management team leads the reporting process, and its members are active contributors to the Integrated Annual Report content, demonstrating the importance of collective responsibility, accountability, and transparency practices.

To formulate and provide a complete and accurate view of the matters reported, the Report reflects some significant and material events that occurred after the financial year and up to the approval of this Integrated Annual Report by the Board end November 2025.



Financial capital

Funding by the government and income from the sale of water (including water treatment services) to municipalities



Intellectual capital

Organisational knowledge-based intangibles such as specific skills, software, and servitudes, including systems, procedures, and protocols.



Manufacturing capital

Socio-economic development particularly in rural communities, through essential service provision.



Human capital

Motivated and skilled people at all levels who deliver mandated services effectively.



Social and relationship capital

Socio-economic development, particularly in rural communities, through essential service provision.



Natural capital

Continuous monitoring of water resources (quantity and quality).

Figure 1.1: Amatola Water Six Capitals

The International <IR> Framework defines the capitals as "stocks of value that are increased, decreased or transformed through the activities and outputs of the organisation".

AMATOLA WATER VALUE CREATION SIX CAPITALS

ABOUT THIS REPORT

This Integrated Annual Report reflects Amatola Water's commitment to transparency, accountability, and sustainable value creation. It has been prepared in line with our mandate as a Schedule 3B public entity under the PFMA, and integrates financial, operational, governance, and sustainability performance for the reporting period.

At the core of this report is Amatola Water's mission to deliver safe, reliable, and affordable bulk potable water services to the communities and municipalities of the Eastern Cape.

Guided by our vision and underpinned by our core values, every decision and action is evaluated not only for its immediate impact but also for its shirt, medium and long-term contribution to resilience, growth, and financial sustainability.

Amatola Water remains strategically positioned to provide services that are economical, effective, and efficient, ensuring alignment with national water security priorities, the Sustainable Development Goals, and the expectations of our stakeholders.

This report is therefore more than a regulatory requirement; it is a reflection of our journey to rebuild trust, strengthen performance, and demonstrate how our governance and operational practices are designed to meet both current and future needs of the communities we serve.

HOW TO READ THIS REPORT

This Integrated Annual Report (IAR) is designed to provide a holistic view of Amatola Water's performance, governance, and value creation for the 2024/25 financial year.

Scope and Boundary
- Covers the period 1 July 2024 – 30 June 2025.
- Includes both financial and non-financial performance information across our operations in the Eastern Cape.
- Prepared in accordance with the Public Finance Management Act (PFMA), King IV Code of Corporate Governance, National Treasury Guidelines, and the Global Reporting Initiative (GRI) Standards.

Reporting Frameworks
- PFMA Section 55 requirements for public entities.
- King IV principles of ethical and effective leadership.
- GRI Standards (Core option) for sustainability disclosures.
- Alignment to the National Water Resource Strategy (NWRS-3) and United Nations Sustainable Development Goals (SDGs).

Materiality

The content of this report is shaped by a materiality determination process that identifies the issues most relevant to Amatola Water and its stakeholders, with emphasis on:
- Sustainable service delivery
- Financial turnaround and resilience
- Infrastructure reliability and expansion
- Water quality and environmental compliance
- Stakeholder trust and governance integrity

Assurance
- Financial statements are independently audited by the Auditor-General of South Africa.
- Selected performance and sustainability information has been reviewed internally for accuracy and alignment with reporting standards.
- Additional external assurance may be sought where applicable.

STAKEHOLDER INCLUSIVITY

This report aims to address the information needs of a wide range of stakeholders, including the Minister of Water and Sanitation, National Treasury, Parliament, municipalities, regulators, employees, communities, and customers.

LEGISLATIVE AND OTHER MANDATES

The Amatola Water Board (Amatola Water), a listed Schedule 3B public entity of the Public Finance Management Act, 1999 (Act 1 of 1999, as amended), is a national government business enterprise. The Minister of Water and Sanitation formed it as the Executive Authority under the Water Services Act,1997 (Act 108 of 1997).

According to the Water Services Act, Amatola Water is an organ of the State, established to perform, as its primary activity, a public function of providing water services (water supply and sanitation services) to other water services institutions (water services authorities, water services providers, a water board and water services committee) within its service area.

The Water Services Act defines water supply services as the abstraction, conveyance, treatment, and distribution of potable water and water intended for conversion to potable water for commercial use but not industrial use.

SHAREHOLDER COMPACT

According to Regulation 29 of the Treasury Regulations issued under the Public Finance Management Act, 1999(Act 1of 1999 as amended), the Accounting Authority for a public entity listed in Schedule 3B must, in consultation with its Executive Authority, annually conclude a Shareholder compact. Amatola Water Board and DWS entered a shareholder compact for the year under review.

The Shareholder Compact document outlines the mandated vital performance measures and indicators to be attained by the public entity as agreed between the accounting and executive authorities. In principle, the Shareholder compact regulates the relationship between the shareholder, the board and managements. To give effect to this principle, the Shareholder would have communicated its expectations to the Board and Management.

DISTRIBUTION INFRASTRUCTURE

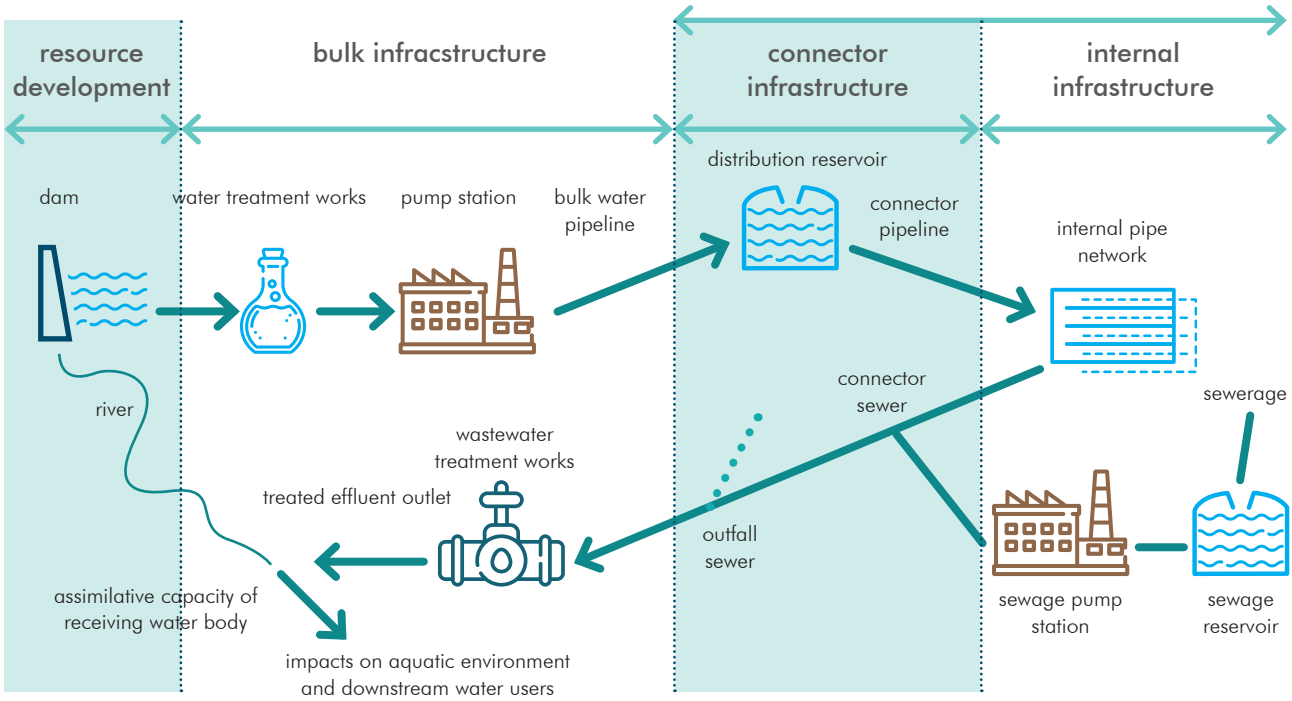


Figure 1.2 Water value chain

DISTRIBUTION INFRASTRUCTURE

Amatola Water is designated to act within a prescribed area as proclaimed in the Government Gazette No. 18409 of 14 November 1997 by the Minister, as empowered by the Water Services Act, 1997 (Act 108 of 1997).

The prescribed areas are Peddie, Mdantsane, East London, Komga, Qonce (King William's Town), Zwelitsha, Stutterheim, Keiskammahoek, Middledrift and Victoria East within the Eastern Cape Province. The government extended the service area to include the municipality of Ndlambe, as proclaimed in Government Gazette No 188 of 12 March 2010. In addition, Section 30 of the act provides for Amatola Water to operate beyond its mandate only if it is unlikely to limit its capacity to perform its primary activity or financially prejudice the organisation, any water services institution, existing consumers or other users within its service area, in accordance with its Policy Statement and Corporate Plan.

The Act confirms other activities may include but are not limited to:

a) Providing management services, skills transfer, and other support services to water services institutions to promote cooperation in the provision of water services;
b) Supplying untreated water to end users who do not use the water for household purposes;
c) Providing catchment management services to or on behalf of the responsible authorities; and
d) Assisting water services authority within the Eastern Cape Province:
    i. Supplying water directly for industrial use;
    ii. Treating effluent;
    iii. Acting as a water services provider to consumers; and
    iv Providing water services in joint ventures with Water Services Authorities.
e) Performing water conservation functions.

In line with Section 30 of the Act, Amatola Water acts as an Implementing Agent on behalf of the municipalities, DWS and Provincial Department of Education in operating and upgrading Water Treatments Works.

Amatola Water is further governed by all water and water Board related Policy Frameworks issued by DWS as well as Directives from the Minister.

AMATOLA WATER'S OPERATING CONTEXT AND DRIVERS OF VALUE CREATION

Amatola Water operates in a complex and dynamic environment where external and internal factors directly shape its ability to deliver on its mandate. As a public water utility serving the Eastern Cape, the organisation must continuously navigate shifts in policy, economic performance, climate conditions, and community needs, all of which have profound implications for value creation.

While many of these influences, such as fiscal allocations, macroeconomic trends, or regional development dynamics, lie beyond the organisation's direct control, Amatola Water actively mitigates risks and leverages opportunities through robust strategic planning, transparent governance, and ongoing stakeholder engagement.

The updated Strategic Plan (2025–2030) anchors this approach. Using the PESTEL framework, Amatola Water has systematically assessed the political, economic, social, technological, environmental, and legal forces shaping its operating landscape. This enables the organisation to:

a) Anticipate risks and emerging challenges;
b) Align its strategies with national and provincial priorities;
c) Reinforce resilience in the face of climate volatility and service delivery pressures; and
d) Position itself as a proactive partner in achieving the Sustainable Development Goals (SDGs).

Factor	Implications for Amatola Water
Climate Volatility & Water Scarcity	Reduced rainfall, prolonged droughts, and unpredictable weather patterns impact raw water availability and drive the need for resilient infrastructure and water security planning.
Fiscal Constraints	Limited transfers from government and rising municipal debtors challenge financial sustainability, requiring stronger revenue management, cost optimisation, and innovative funding models.
Municipal Performance & Partnerships	Municipalities remain key clients; their financial and operational health directly affects Amatola Water's service delivery and debt collection. Stronger collaboration is essential.
Infrastructure Backlogs	Ageing bulk infrastructure, high maintenance demands, and limited capital investment threaten service reliability and require targeted upgrades and strategic partnerships.
Governance & Regulatory Demands	Strengthened compliance with PFMA, National Treasury, and King IV requirements necessitates robust governance, performance management, and transparency.
Stakeholder Expectations	Communities, regulators, and employees expect reliable, affordable, and inclusive services, reinforcing the need for trust-building, social accountability, and ESG-aligned reporting.

Table 1.1: Key External Forces Shaping Amatola Water's Value Creation

AMATOLA WATER AREA OF OPERATION AND WATER SUPPLY SCHEMES

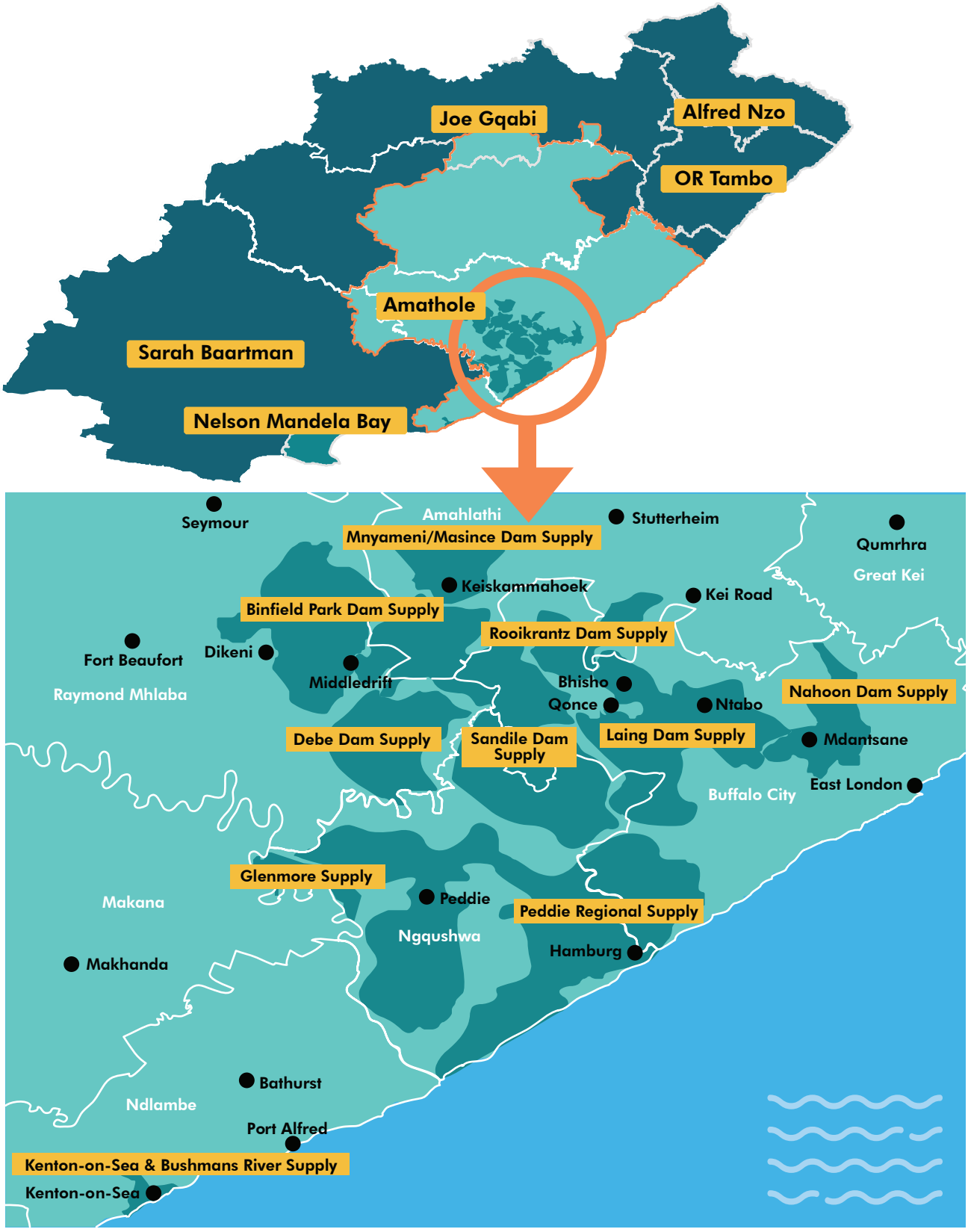


Figure 1.3 Amatola Water supply scheme

POLITICAL	ECONOMIC	SOCIAL
a. The tariff war introduced by American President Trump are creating political and economic uncertainty to world trade which may have a negative impact on products imported into SA. b. The uncertainty brought about by disagreement on the 2025/26 fiscal framework threatens the current cooperation between members of the GNU. c. The strong policy focus on infrastructure development over the mid-term offers opportunities for infrastructure upgrades in the water sector. d. Poor levels of leadership at local government level contributes negatively to municipal service delivery and the capacity of the state to resolve challenges	a. Stagnant economic growth (projected at 1,9% GDP growth for 2025 by National Treasury) is significantly l ower than the NDP 2030 target. b. Municipal debt exceeding R350 billion will have a negative impact on infrastructure and economic development initiatives needed to create jobs. c. Loadshedding and rising electricity tariffs (12,74% 2025 increase) contribute significantly to Amatola Water's input costs. d. Fuel prices remain volatile due to global oil market fluctuations caused by the tariff wars.	a. According to Municipal IQ (2024) 100% of service delivery protests in South Africa were triggered by rolling blackouts and water shortages. b. Youth aged 15-24 years and 25-34 years continue to have the highest unemployment rates at 59,6% and 39,4% respectively (Q4:2024). c. Critical shortages in engineering and technical expertise hinder infrastructure maintenance. d. Rapid migration to cities strains aging water systems, particularly in informal settlements
TECHNOLOGICAL	**ENVIRONMENTAL**	**LEGAL**
a. Adoption of IoT-enabled smart meters and AI-driven leak detection systems to reduce water losses b. Limited funding for innovation in water purification and desalination technologies. c. Increased threats to water Management systems require enhanced data protection measures.	a. Severe droughts in certain parts of the EC province coupled infrastructure damage due to vandalism and weather conditions poses clear and present danger. b. Over-abstraction and pollution from poor performing wastewater treatment works and agricultural and catchment run-off degrade water quality. c. Alien plants consume 7% of annual water runoff, slow progress is being made with eradication pro grammes.	a. Reconfiguration of water boards offers opportunities and challenges. b. Cooperative governance framework makes it difficult to litigate against other state organs threatening the financial viability of most water boards which are owed more than R25 billion according to National Treasury (2024).

Table 1.2: Sector Analysis

SECTOR ANALYSIS

South Africa's water and sanitation sector is pivotal to socio-economic development, public health, and environmental sustainability. While progress has been made, 84.4% of households had access to piped water in 2022, significant gaps persist: 25% lack piped water, and 16% lack improved sanitation.

Aging infrastructure, climate variability, and unequal access threaten water security, with projections indicating a 17% water deficit by 2030.

The Department of Water and Sanitation (DWS) prioritises regulatory interventions, diversified water sources (e.g., groundwater), infrastructure upgrades, and municipal support to address these challenges.

SECTOR CHALLENGES

1. Infrastructure deficits: Ageing systems, poor maintenance, and corruption (for example, Johannesburg's frequent water cuts) undermine service delivery.
2. Climate change: Increased droughts and erratic rainfall strain resources, particularly in drought-prone regions like Limpopo, East Cape, Free State, for example.
3. Financial constraints: Limited budgets hinder infrastructure investment, despite a $1 billion loan from the New Development Bank (2024) targeting under-served communities.

4. Urbanisation and population growth: Rapid urban expansion stresses existing systems, exacerbating waterborne diseases like cholera in informal settlements.
5. Governance issues: Weak municipal capacity, misaligned intergovernmental coordination, and corruption impede effective service delivery.

STRATEGIC OPPORTUNITIES

1. Smart technologies: Digital solutions like electrochemical water treatment can optimise water use and reduce losses.
2. Public-Private Partnerships (PPPs): Mobilising private sector investment (for example, R900 billion target over a decade) to fund infrastructure projects.
3. Community-led initiatives: Programmes like Cape Town's invasive plant removal (saving billions of litres annually) demonstrate the impact of local engagement.
4. Sustainable financing: Blended models, including climate-resilient infrastructure funds, to address funding gaps.

POLICY AND INTERVENTIONS

1. National Water and Sanitation Master Plan (NW&SMP): The master plan focuses on infrastructure development, equitable access, and institutional reforms. Key projects include the Mkhomazi Water Project and Berg River-Voëlvlei Augmentation Scheme.
2. Legislative reforms: The Water Services Amendment Bill (2025) introduces stricter licensing for service providers, while the National Water Resources Infrastructure Agency (NWRIA) Bill aims to centralise infrastructure management.
3. Equitable access: The Basic Human Needs Reserve guarantees 25 litres per person per day, prioritising marginalised communities.

STAKEHOLDER COLLABORATION

1. Intergovernmental partnerships: Constitutional mandates require cooperation between national, provincial, and local governments to align policies and resources
2. Private sector engagement: PPPs are critical for funding and expertise, with 33% of the DWS's R900 billion target expected from private investors.
3. International support: Loans and partnerships with institutions like the New Development Bank bolster infrastructure development.

FUTURE OUTLOOK

South Africa's vision prioritises universal access, climate resilience, and efficient governance. Key initiatives include:

1. R156,3 billion allocated (2025–2028) for infrastructure, including municipal upgrades and PPPs.
2. Monitoring systems: The reinstated Green Drop, Blue Drop, and No Drop programmes ensure water quality compliance.
3. Climate adaptation: Projects targeting water conservation and reduced wastage to mitigate climate impacts.

Addressing South Africa's water crisis demands coordination across infrastructure investment, governance reform, community empowerment, and climate resilience.

While funding gaps and institutional fragmentation persist, strategic interventions and stakeholder collaboration offer pathways to a sustainable, equitable water future. Success hinges on urgent implementing policies, leveraging innovation, and fostering inclusive partnerships.

VALUE CREATION

Amatola Water's governance structure, processes and procedures underpin value creation, not only in reviewing and improving areas in need of attention, but through enforcing a structure that meets the strategic needs and is linked to its strategic focus.

INPUTS 2023/24

FINANCIAL CAPITAL

REVENUE
R454m

AVERAGE BULK WATER TARIFF
R12,090/kl

CASH
R130m

INTELLECTUAL CAPITAL

ICT OPERATIONAL EXPENDITURE
R5m

ICT CAPITAL EXPENDITURE
R1m

WATER RESEARCH LEVY
R3m

SOCIAL & RELATIONSHIP CAPITAL

ASSURANCE OF RAW WATER SUPPLY
70,1%

BBBEE SPEND
125%

LOCAL JOBS CREATED
339

MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT
R1570m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)
R61m

HUMAN CAPITAL

STAFF TURNOVER
0,34%

STUDY ASSISTANCE
R1m

NATURAL CAPITAL

WATER LOSS-POTABLE PRODUCTION AND NETWORK
9,4%

RAW WATER ABSTRACTIONS (KL'000)
44,454

THE 10 OUTCOMES FOR SUSTAINABLE VALUE CREATION

1. WATER AND WASTEWATER PRODUCT QUALITY
2. CUSTOMER SATISFACTION
3. STAKEHOLDER RELATIONSHIPS AND SUPPORT
4. INFRASTRUCTURE STABILITY
5. FINANCIAL VIABILITY
6. WATER RESOURCE ADEQUACY
7. COMMUNITY ENVIRONMENTAL SUSTAINABILITY
8. LEADERSHIP AND EMPLOYEE DEVELOPMENT
9. OPERATIONAL RESILIENCE
10. OPERATIONAL OPTIMISATION

OUTPUTS 2024/25

FINANCIAL CAPITAL

REVENUE
R454m

AVERAGE BULK WATER TARIFF
R13,298/kl

CASH
R107m

INTELLECTUAL CAPITAL

ICT OPERATIONAL EXPENDITURE
R5m

ICT CAPITAL EXPENDITURE
R6m

WATER RESEARCH LEVY
R6m

SOCIAL & RELATIONSHIP CAPITAL

ASSURANCE OF RAW WATER SUPPLY
75.80%

BBBEE SPEND
92%

LOCAL JOBS CREATED
387

MANUFACTURED CAPITAL

PROPERTY, PLANT AND EQUIPMENT
R1.518m

CAPITAL EXPENDITURE (TREATMENT PLANT UPGRADES)
R5.2m

HUMAN CAPITAL

STAFF TURNOVER
2.13%

STUDY ASSISTANCE
R78k

NATURAL CAPITAL

WATER LOSS-POTABLE PRODUCTION AND NETWORK
16.42%

RAW WATER ABSTRACTIONS (KL'000)
45,445

THE SEVEN (7) OUTCOMES FOR SUSTAINABLE VALUE CREATION

1. IMPROVED PROVISION OF SAFE AND RELIABLE WATER SERVICES
2. EFFECTIVE CORPORATE GOVERNANCE AND ETHICAL LEADERSHIP
3. IMPROVED FINANCIAL VIABILITY
4. IMPROVED STAKEHOLDER RELATIONS
5. EFFICIENT AND INNOVATIVE ORGANISATION
6. ENHANCED ENVIRONMENTAL SUSTAINABILITY
7. A HIGHLY SKILLED, ENGAGED AND PRODUCTIVE WORKFORCE


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2 CORPORATE GOVERNANCE

INTRODUCTION

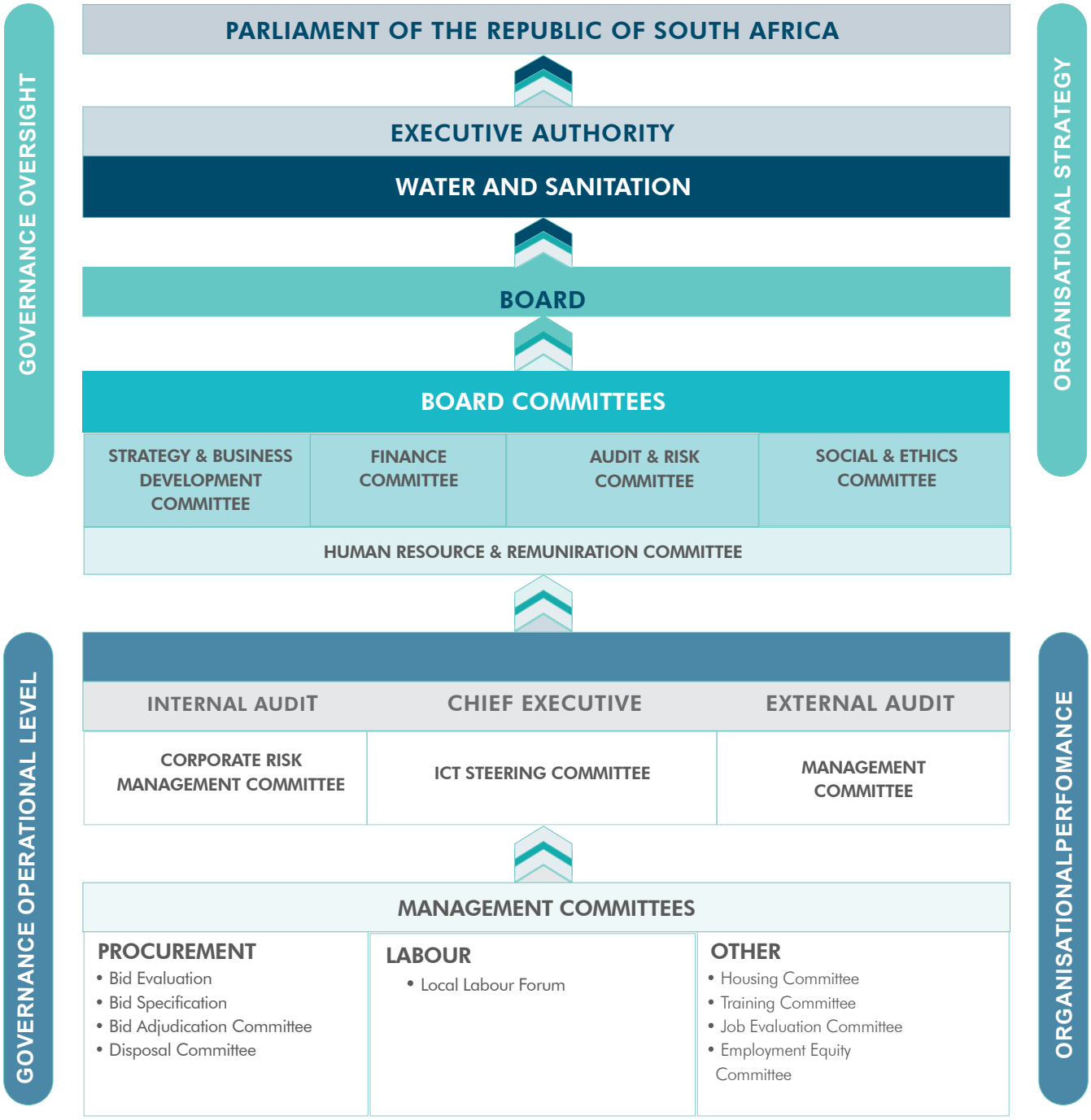


Figure 2.1: Governance structure

Amatola Water is committed to a corporate governance process underpinned by respect, trust and transparency. In the year under review, the following structure enabled the organisation to respond to its strategy and execution of its mandate.

PARLIAMENTARY PORTFOLIO COMMITTEE ON WATER AND SANITATION

The Water and Sanitation Portfolio Committee oversees Amatola Water's service delivery performance through the Executive Authority and reviews the financial and non-financial information in the annual reports. Amatola Water submitted reports through the Executive Authority (Department of Water and Sanitation).

EXECUTIVE AUTHORITY

The Government of the Republic of South Africa, through the Department of Water and Sanitation (Executive Authority), duly represented by the Minister, is Amatola Water's sole shareholder.

Oversight by the Executive Authority, the Minister of Water and Sanitation, is in terms of the Water Services Act, 1997 (Act 108 of 1997) read with the Public Finance Management Act,1999 (Act 1 of 1999 as amended).

The Executive Authority has occasionally met with the Board of Amatola Water and continuously engages with the water entity. Operationally, various other project steering committees oversee project implementation.

In addition to the other powers set out in the Act, the Executive Authority must ensure that the appropriate mix of Board members are appointed and that they have the necessary skills to guide the public entity.

BOARD MEMBER INDUCTION

Upon appointment, the Board members are inducted to facilitate their understanding of Amatola Water, its business environment, the market in which it operates, and the members' fiduciary duties towards the organisation.

Amatola Water applies the principles of the King IV Report on Corporate Governance for South Africa in a manner proportionate to its public mandate and operating context.

In line with King IV's "apply and explain" philosophy, the Board discloses how its practices advance the governance outcomes of ethical culture, good performance, effective control, and legitimacy. The public-sector supplement further informs our approach to accountability, transparency, and stakeholder inclusivity.

BOARD MEMBER PROFILES



Dr. Gaster Sharpley
Interim Board Chairperson,
Appointed: November 2024

EXPERTISE & QUALIFICATIONS

Public Administration | Governance | Municipal Management | Strategy, Leadership Development

Qualifications: PhD (Public Administration), PhD (Leadership & Management), Master's in Public Administration, Diploma in Municipal Governance, Several Developmental Qualifications.

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

Dr. Sharpley is an accomplished Public Administrator and strategist with extensive experience in Governance, Municipal Management, and Organisational Leadership. He holds a PhD in Public Administration from the University of the Western Cape and a Master's Degree in Public Administration from the University of Fort Hare. He has also completed an Exchange Program in Atlanta, USA, and holds a Diploma in Municipal Governance from Johannesburg University, complemented by several developmental qualifications.

With a career spanning more than three decades, Dr. Sharpley has served in multiple leadership and executive roles across the Public Sector. He began as a small business owner (1989 – 1995) before transitioning into governance, where he was Ward Councillor and Executive Chairperson in Mthatha (1995 – 2000).

He went on to serve as Provincial Manager for the National Business Initiative (2000 – 2005), CE of the Buffalo City Development Agency (2005 – 2006), and City Manager for Buffalo City (2006 – 2009).

He further held senior government roles as Head of Department: Human Settlements in the Eastern Cape (2011 – 2018) and Head of Department: Public Works in KwaZulu - Natal (2018 – 2022). Currently, he is the owner of Bonz Investments. Dr. Sharpley is the author of twelve published books on various topics including Leadership and the founder of the Peggy Nesta Foundation (established in 2011).

Throughout his career, he has demonstrated strong capabilities in leadership, public speaking, conflict resolution, motivation, and strategic thinking. He is widely regarded as a seasoned administrator with a passion for developing people and strengthening governance frameworks.

His extensive international exposure includes travel and study visits to more than 20 countries across Africa, Europe, North America, the Middle East, Asia, and Oceania, which has broadened his perspective on global governance and development practices.



Ms. Litha Charlotte Geza
Committee Membership: HRRC and SBDC
Appointed: November 2024

EXPERTISE & QUALIFICATIONS

Expertise: Enterprise Change Management | Organisation and Strategic Leadership Development | Governance | Public Administration | Communication | Coaching for Results

Qualifications: Executive Specialised Masters Degree in Consulting and Coaching for Change, Master's Degree in Business Administration (MBA), Honours Degree in Communication , Diploma in Telecommunication studies, Diploma in Applied Information Technology

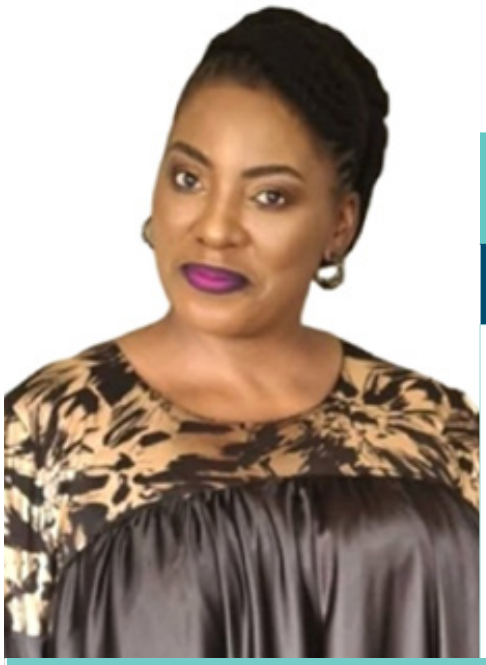
PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

Litha Geza is seasoned Transformation and Change Management Executive. Her work is grounded on systems thinking, Prosci, Gestalt and several change methodologies to implement transformational change at scale, having led provincial and Institutional culture change programmes involving multiple departments and thousands of employees.

Litha boasts over two decades of experience in the public sector, 11 years of which she served as Deputy Director General: Institution Development and Organisational Support as well as the Head of the Technical Support Unit in the Office of the Premier, Eastern Cape Province.

Her work extends to Public Sector Transformation, Human Resources Management, Communication, Innovation and Knowledge Management, applied ICT, and Corporate Governance. She has chaired and served in several governance structures in the Eastern Cape Provincial Government, notably Public Sector Transformation Working, the Provincial HR Forum, Audit Committees and Risk Management Committees for both the Office of the Premier and Eastern Cape Provincial Legislature.

She also provides Change Management Advisory Services across public and private sector institutions and supports the National Business Initiative (NBI) programmes to strengthen the capacity of the State to deliver.



Ms. Nomfundo Douw-Jack
Committee Membership: HRRC and SEC
Appointed: November 2024

EXPERTISE & QUALIFICATIONS

Expertise: Strategic Leadership | Corporate Governance | Risk Management | Labour Law Specialist | International Labour Standard Setting Expertise | Human Resource Management | Regional Labour Migration and Multilateral Engagement | Multi-Sector Stakeholder Management

Qualifications: Master of Arts in Labour Relations and Human Resources, BA Honors in Labour Relations and Human Resources, Bachelor of Social Sciences in Communication.

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

Ms. Nomfundo Douw-Jack is a visionary leader, seasoned government administrator and strategist with over 24 years of experience in the public service, 15 of these being at senior management services (SMS) level. Her expertise in strategic leadership, employment and labour law, corporate governance and international labour standard setting has positioned her as a transformative leader who advanced service delivery excellence and promoted multi-disciplinary collaboration across government, private sector and civil society.

She used her strategic position as a Convenor of the International Labour Organization (ILO) funded Technical Working Group (TWG) that provided technical support to Eastern Cape Department of Health, to advance workplace wellness and institutional resilience.

Her international exposure includes active participation between 2016 - 2019 at the annual International Labour Conference (ILC) hosted by the International Labour Organization (ILO) in Geneva, where she served on key committees addressing Employment and Decent Work for Peace and the Violence and Harassment.

She demonstrated her strategic leadership and multilateral engagement expertise in various benchmarking visits she undertook to several countries; Singapore where the focus was on training of labour inspectors, Sri Lanka where the focus was on eradication of child labour and Ireland where the focus was on fact finding about working and living conditions of migrant workers in the Irish construction industry and in Botswana where the focus was on regional labour migration.

Her capacity to navigate complex international labour topics and demonstrate her leadership in multilateral engagements has provided her with an opportunity to chair and facilitate panel discussions at both the 1st and 2nd BRICS Employment Working Group meetings in South Africa. As a transformation specialist consultant, she was recently the co-moderator for the Business Parliament hosted by the Eastern Cape Provincial Legislature.

Ms Douw-Jack is a purpose-driven, visionary leader whose work is anchored on ethical transformation, strategic clarity and a commitment to social justice. She embodies a rare blend of emotional intelligence and technical acumen enabling her to drive strategic collaborations across government, private sector and civil society. Her deep belief in people as agents of change continues to shape resilient systems and empower communities toward inclusive and sustainable development.



Adv Sonwabile Mancotywa
Committee Membership: SBDC (Chairperson) and SEC
Appointed: November 2024

EXPERTISE & QUALIFICATIONS

Expertise: Law | Public Finance Management | Contract Management and Project Management

Qualifications: Doctor of Philosophy (candidate) University of Fort Hare B. Juris University of Transkei LLB, University of Transkei Post graduate qualification in Management Practice Rhodes University, Management Advanced Programme (University of Witwatersrand.

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

A member of the National Bar Council of South Africa, Sonwabile Mancotywa has a significant amount of experience (26 years) combined, as a Strategist and worked in various capacities, particularly in the public service sector.

As the first MEC for Sports and Culture in the Eastern Cape, he had to drive transformation, change management, and ensure collaboration and stakeholder management. As MEC for Development Planning, he conceptualised the development of the Province Growth and Development Strategy.

Adv Mancotywa is an Admitted Advocate since 2006. He graduated LLB at UNITRA in 1992. He joined DTI as General Manager of liquor, gambling, and lottery affairs. In 2002 he joined the Pretoria Law School and received the certificate of attendance and wrote admission exams.

In 2003 he joined the National Heritage Council as CE for 16 years. He received the enrolment certificate for the Gauteng Province LPC and started practicing full-time in Pretoria and Eastern Cape.



Mr Gcinikhaya Mpumza
Committee Membership: SBDC and FINCO
Appointed: November 2024

EXPERTISE & QUALIFICATIONS

Expertise: Governance and Leadership

Qualifications: Bachelor of Administration

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

A seasoned leader with over two decades of experience in public administration, governance and educational leadership, Mr Mpumza recently retired as a member of parliament.

He has a formidable local and global academic foundation from prestigious institutions such as the University of Cape Town, University of KwaZulu-Natal, University of South Africa, University of Pretoria and Harvard in the United States of America. He has numerous certifications from Chinese, Swedish and German institutions.

He has an impressive track record in managing and leading diverse organisations in the Eastern Cape, such as the South African Local Government Association, the Alfred Nzo District Municipality, and the Wild Coast District Council.

He began his leadership career as the deputy principal and principal of two Eastern Cape secondary schools after graduating as a senior secondary teacher from Cicirha College in the Eastern Cape.



Mr. Ayanda Mjekula
Committee Membership: ARC, SBDC and FINCO (Chairperson)
Appointed: March 2022

EXPERTISE & QUALIFICATIONS

Expertise: Finance and Strategic Leadership

Qualifications: Master of Business Administration (Financial Accounting) and Bachelor of Arts

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

Mr. Mjekula is a member of the Institute of Directors in South Africa and currently holds positions on several boards. He is the former Deputy Chairperson of the Coega Development Corporation, where he also chaired the Audit and Risk Committee and served as a member of the Capital Allocation Committee.

He served on the Board of Safika Holdings for 12 years, contributing to both its Audit and Risk Committee and its Remuneration Committee. For a decade, he was the Chairperson of the National Arts Festival in Grahamstown. He also serves as a Trustee of the Anglican Church of South Africa's Pension Fund and is a member of the Audit and Risk Committee of the Fort Hare Foundation.

Previously, Mr. Mjekula held leadership roles as Board Chairperson of the Central Energy Fund SOC and UBank, where he also chaired the Audit, Remuneration, and IT Governance Committees. For 17 years, he served on the Council of the University of Fort Hare, during which he was Deputy Chairperson and chaired both the Finance and IT Governance Committees.

Mr. Mjekula began his career in the banking industry, where he spent 24 years in executive management positions at Nedbank and Standard Bank. He was the first black executive manager appointed at any South African bank. In 1989, he received the Black Management Forum/Kellogg's Manager of the Year Award in recognition of his leadership achievements. He was also awarded a fellowship by the Ford Motor Company to pursue a Master of Business Administration.

As Chief Executive of the South African Supplier Development Agency (SASDA), he gained extensive experience in enterprise and supplier development. He has played a significant role in the energy sector, particularly within the liquid fuels industry.



Ms. Nonkululeko Mxenge-Mayende
Committee Membership: SBDC and HRRC (Chairperson)
Appointed: August 2023

EXPERTISE & QUALIFICATIONS

Expertise: Destination sales and marketing | international consulting and advisory | business development | global market expertise risk management foreign direct investments | industrial policy formulation | bilateral and multilateral trade relations

Qualifications: Bachelor of Arts (Honors) management systems (Organisational Analysis), Master of Arts (Industrial Relations)

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

Ms. Mxenge-Mayende is a seasoned professional who leverages experience and expertise in destination sales and marketing to promote emerging and existing industrial zones, industrial parks and special economic zones to global potential investors. She has 27 years of global markets experience and competencies honed on four continents primarily in foreign direct investment promotion, recruitment, conversion and facilitation as well as market access, bilateral and multilateral trade relations

This expertise extends to industrial policy formulation and analysis, sales and marketing, international consulting and advisory sales on business development product and project development, risk management She is proficient in strategic plans development (conceptualisation, implementation, monitoring and evaluation) for foreign trade, investment attraction and retention.

Other skills include crafting industrial sectors' promotion strategies and implementation plans targeting utilities (renewable energy, water desalination and waste water treatment), business processing outsourcing, agroprocessing, automotives, pharmaceuticals, and the ICT electronics sectors for domestic and foreign investment markets. She has strong competencies in research and innovation having found innovative solutions in various portfolios especially in renewable energy, wastewater treatment and sea water desalination projects.

She has demonstrable leadership and corporate governance experience due to the various senior positions held in socioeconomic development. She has also worked with NGOs and community-based organisations who focus on water scarcity, energy efficiency, human rights promotion and international human rights law.

She is multilingual and people orientated with an ability to develop high performing teams through capacity building and training, talent management coaching, mentoring and 360-degree performance focus.



Ms. Boitumelo Mokgatle
Member of ARC, HRRC and SEC (Chairperson)
Appointed: March 2022

EXPERTISE & QUALIFICATIONS

Expertise: Enterprise risk management | strategy development | project and change management | organizational strategy and option analysis | workshop facilitator | corporate compliance management and corporate governance

Qualifications: Master of Business Administration (MBA) Bachelor of Commerce (Accounting)

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

Ms Mokgatle serves on the boards of the Construction Industry Development Board and is the Chairperson of the Risk Management Committee for Buffalo City Metropolitan Municipality and Audit Committee Member of the Independent Development Trust.

Ms. Mokgatle has served on various boards and committees across the public and private sectors, demonstrating extensive leadership and governance experience. Her previous board and committee appointments include the Department of Environmental Affairs (Audit and Risk Committee), the Network of African People Living with HIV in the Southern African Region (NAPSAR) where she served as Chairperson of the Audit Committee, Ubuciko Twines and Fabrics (Chairperson of the Board), KwaZulu-Natal Property Development Holdings, and Tshwane Rapid Transit where she chaired both the Social and Ethics as well as the Audit Committees.

She has also contributed her expertise to the Institute of Risk Management of South Africa (National Risk Intelligence Committee), the former Magalies Water Board, Dannhauser Local Municipality, Durban Chamber of Commerce, Johannesburg Roads Agency (City of Johannesburg), City of Tshwane, and the KwaZulu-Natal Film Commission, among others.

She has over 25 years of audit experience, having gained experience with KPMG and Ernst & Young. Then she joined the South African Revenue Services, where, among others, she was involved in strategic projects and later with the Presidency, where she was the Internal Audit and Risk Management Director. She also served as the Group Chief Risk Officer at the Ithala Development Fund, supporting micro-small and medium enterprises in KwaZulu-Natal.



Mr. Wisdom Mushohwe
Committee Membership: ARC and FINCO
Appointed: August 2023

EXPERTISE & QUALIFICATIONS

Expertise: Finance | Advisory | Taxation | Audit and Risk Management

Qualifications: CA (SA), CPA (inactive), Master of Business Administration

PROFESSIONAL EXPERIENCE AND LEADERSHIP IMPACT

Mr. Mushohwe is a registered Chartered Accountant with the South African Institute of Chartered Accountants and a Certified Public Accountant (CPA - Inactive) with the California Board of Accountancy in the United States of America.

He also holds a Master's in Business Administration. Mr. Mushohwe serves on the boards and the audit committees of World Vision South Africa, Mnquma Local Municipality, Ngqushwa Local Municipality, Eastern Cape Provincial Arts and Culture Council, Buffalo City Metropolitan Municipality and Man on a Mission (NPO).

He comes with broad experience in finance, auditing, advisory and taxation spanning over 17 years. Mr Mushohwe acquired most of his experience in finance and auditing environments at Deloitte and Touche, where he served in various positions in South Africa, the United Arab Emirates and United States of America. His experience includes balanced exposure to the private and public sectors - several municipalities, departments, state-owned companies and private companies within South Africa - under the GRAP and IFRS frameworks.

He is passionate about seeing growth and success of communities through non-governmental organisations (NGOs), public sector, and small and medium enterprises (SMEs).

He brings vast private sector experience from having served as a financial director of a national private company and was later promoted to group CFO and the Board of the then listed holding company. Currently, he is a Director at Sync Finance Inc. which focuses on developing and growing SMEs.

BOARD AND COMPOSITION

In the year under review, the Board discharged its responsibilities through the following Board Committees:

a) Audit and Risk Committee (ARC)
b) Human Resources and Remuneration Committee (HRRC)
c) Strategy and Business Development Committee (SBDC).
d) Finance Committee (FINCO)
e) Social & Ethics Committee (SEC)

Amatola Water Board and Committee members during the reporting year is shown in table 2.1.

No	Board Member	Designation	Gender	Race	ARC	HRRC	SBDC	FINCO	SEC
1.	**Dr. Gaster Sharpley**	Chair	Male	Coloured					
2.	**Ms. Litha Geza**	Board Member	Female	Black		√	√		
3.	**Ms. Nomfundo Douw - Jack**	Board Member	Female	Black		√			√
4.	**Adv. Sonwabile Mancotywa**	Board Member	Male	Black			√		√
5.	**Mr. Gcinikhaya Mpumza**	Board Member	Male	Black			√	√	
6.	**Mr. Ayanda Mjekula**	Board Member	Male	Black	√		√	√	
7.	**Ms. Nonkululeko Mxenge-Mayende**	Board Member	Female	Black		√	√		
8.	**Ms. Boitumelo Mokgatle**	Board Member	Female	Black	√	√			√
9.	**Mr. Wisdom Mushohwe**	Board Member	Male	Black	√			√	

Table 2.1: Board members (√ denotes committee member)

**11 December 2024 there was Committee shuffle due to the introduction of the Finance Committee and the Social & Ethics Committee. The following members were moved from some Committees:*

1. *Ms. Boitumelo Mokgatle was moved from the ARC & HRRC and was elected as the Chairperson of the SEC and she was a member of the Finance Committee.*
2. *Mr. Ayanda Mjekula was moved from the ARC & SBDC and was elected the Chairperson of Finance Committee.*
3. *Ms. Nonkululeko Mxenge was moved from the SBDC and was elected the Chairperson of the Human Resource & Remuneration Committee.*

BOARD DEMOGRAPHICS (RACE AND GENDER PROFILE)

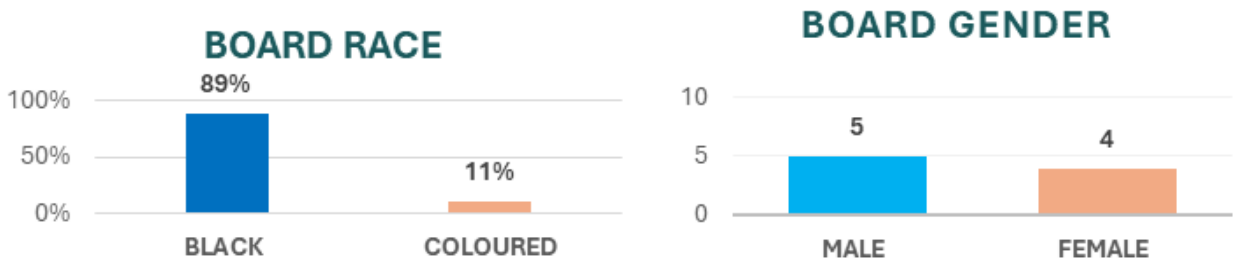


Figure 2.2: Board Demographics

BOARD MEETING ATTENDANCE

No	Board members	Attendance	Total Meetings	%
1.	**Dr. Gaster Sharpley**	13	21	62%
2.	**Ms. Litha Geza**	13	21	62%
3.	**Ms. Nomfundo Douw- Jack**	14	21	67%
4.	**Adv. Sonwabile Mancotywa**	12	21	57%
5.	**Mr. Gcinikhaya Mpumza**	13	21	62%
6.	**Mr. Ayanda Mjekula**	21	21	100%
7.	**Ms. Nonkululeko Mxenge- Mayende**	19	21	90%
8.	**Ms. Boitumelo Mokgatle**	21	21	100%
9.	**Mr. Wisdom Mushohwe**	20	21	95%

Table 2.2: Interim Board members' attendance

The Board held 21 meetings during the 2024/25 financial year. This was due to special meetings that were required due to numerous governance challenges that were facing the entity.

BOARD CHARTER

The Board Charter sets out the roles, responsibilities, functions and powers of the Board members. The Charter provides an overview of the powers delegated to various Board committees and the Chief Executive. The Charter is reviewed every two years or as and when necessary to ensure it remains relevant to Amatola Water's objectives.

BOARD ROLES AND RESPONSIBILITIES

The Board must ensure that it is accountable for fulfilling the role as well as the functions and responsibilities of the water board as set out in the Water Services Act. The following are critical responsibilities of the Board:

a) Focal point of governance: Fulfil its role as the focal point of good corporate governance and, as such, exercise leadership and judgment in directing Amatola Water to achieve sustainable prosperity for Amatola Water and its stakeholders.
b) Effective leadership: Maintain complete and effective control over Amatola Water based on integrity, transparency, accountability, and responsibility.
c) Strategic direction: Provide strategic direction to Amatola Water and, in the process, regularly consider its present and future strengths, weaknesses, opportunities, and risks, considering the dynamics of the changing external environment.

d) Effective risk management: Determine the organisation's risk and set the risk appetite and tolerance levels under the adopted enterprise risk management strategy. Oversee the identification and evaluation of critical risks and the risk management process.
e) Information and technology governance: Ensure that information and technology governance is effectively overseen and that management provides adequate information to facilitate the Board's effective decision-making.
f) Internal controls and assurance systems: Take the necessary steps to ensure a robust internal controls system whose effectiveness is regularly assured through risk-centric internal audits and other assurance providers.
g) Ethical leadership: Institute robust systems, policies, and procedures for effectively managing conflicts of interest and promoting ethical conduct across the organisation, including a system for effectively reporting crime, fraud, and corruption incidents.

THE ROLE AND PURPOSE OF THE FINCO

1. The purpose of this Charter is to, inter alia, outline the role, responsibilities, requirements for composition, and operating guidelines of the Finance Committee (FINCO).
2. The role and purpose of the Committee is to assist the Board in fulfilling its oversight responsibility regarding:

a) the overall financial management and performance of AW,
b) policies and strategies relating to treasury activities,
c) supply chain management (SCM),
d) optimum debt management,
e) asset and liability management,
f) optimal management of capital spending, and
g) budgeting process.
h) financial viability of the entity
i) tariff setting
j) overall compliance to legislation relating to financial management and administration
k) the committee should assume responsibility for the governance of compliance with applicable laws and adopted, non-binding rules, codes, and standards by setting the direction for how compliance should be approached and addressed in the organisation.

FINCO MEMBERS' MEETING ATTENDANCE

NO	FINCO Member	Attendance	Total Meetings	%
1.	**Mr. Ayanda Mjekula (Chairperson)**	2	2	100%
2.	**Ms. Boitumelo Mokgatle**	2	2	100%
3.	**Mr. Wisdom Mushohwe**	2	2	100%
4.	**Mr. Gcinikhaya Mpumza**	2	2	100%

Table 2.3: FINCO Members' Meeting Attendance

FINCO DEMOGRAPHICS (RACE AND GENDER PROFILE)

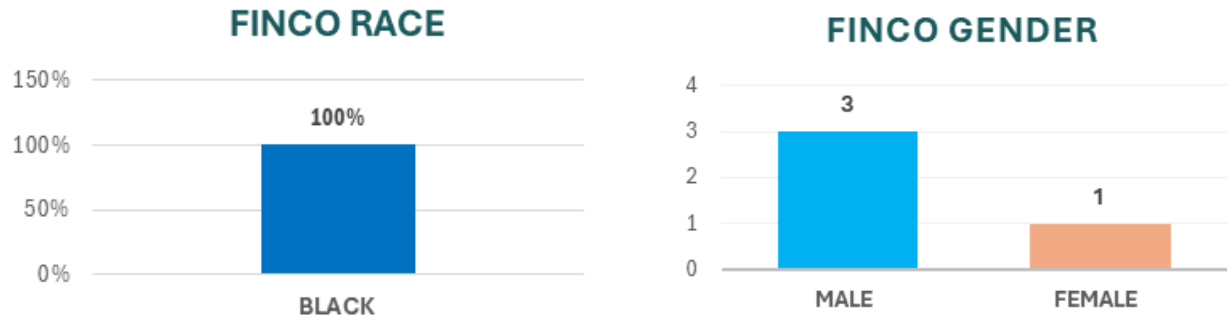


Figure:2.3: FINCO Race and Gender Profiles

RESPONSIBILITIES OF THE SEC

a) In discharging its responsibilities to the Board, the Shareholder and other Stakeholders, the Committee will be responsible for overseeing the development of the required frameworks, strategies, policies and systems to ensure Amatola Water's compliance with the identified focus areas as detailed below:

Social and Governance Responsibilities

a) Oversee and monitor the development and implementation of the required SEC policies, strategies and monitor the implementation of the required processes and systems to achieve SEC compliance.
b) Annually review the proposed Annual Shareholders' Compact between Amatola Water and the Shareholder and review the annual performance targets and the key performance indicators (KPIs), Strategic Pillars in the Annual Corporate Scorecard of the organisation, in line with the Committee's mandate and oversight responsibilities.
c) Oversee and monitor the submission of the required SEC statutory reports, to the relevant statutory authorities in line with the stated statutory submission requirements, and within the ambit of the Committee's mandate.
d) Review and monitor SEC related risks as identified in the Strategic Risk Register, and to the extent provided for by the mandate of the Committee and make relevant recommendations to the Audit and Risk Committee on the SEC related risks.
e) Annually review the organisation's SEC Legislative Framework to ensure that Amatola Water complies with relevant legislation.

Ethics and Corporate Citizenship Responsibilities

a) Conduct an Ethics Risk Assessment annually to identify vulnerabilities and develop mitigation strategies.
b) Regularly review and recommend updates to the Code of Conduct, ensuring accessibility to all employees and compliance monitoring.
c) Ensure Board and management oversight of ethics and stakeholder relations to promote ethical leadership and corporate responsibility.
d) Monitor conflicts of interest, corporate gifts, and business courtesies through a formal disclosure register. Members must declare conflicts in writing, and affected members must recuse themselves from relevant discussions.
e) Oversee the implementation of an Ethics and Compliance Reporting Framework to ensure transparency and accountability.
f) Require quarterly compliance reports from management on ethics, and corporate citizenship.
g) Monitor and ensure compliance with Amatola Water's Code of Conduct, ensuring awareness and adherence among employees, management, and stakeholders.
h) Ensure that management sets an appropriate ethical tone, promoting integrity and accountability across the organisation.

i) Monitor measures to prevent internal and external fraud, corruption, and unethical behavior in coordination with relevant departments.
j) Monitor the Amatola Water's consumer relationships ensuring that advertising, sponsorship and public relations practices are aligned with relevant legislation and Amatola Water policy.
k) Monitor and ensure that Amatola Water's Code of Ethics, supporting policies and other codes of conduct are published on Amatola Water's website, or on other platforms or through other media as is appropriate.

Corporate Social Responsibility

a. Monitor corporate social responsibility (CSR) initiatives, including donations, sponsorships, and advertising practices, ensuring alignment with ethical standards.
b. Ensure compliance with Employment Equity, transformation frameworks, and B-BBEE objectives to promote social justice, diversity and inclusivity.
c. Oversee and monitor Amatola Water's commitment to community development and social impact projects, ensuring sustainable outcomes.

SEC MEMBERS' MEETING ATTENDANCE

NO	SEC Member	Attendance	Total Meetings	%
1.	**Ms. Boitumelo Mokgatle (Chairperson)**	4	4	100%
2.	**Adv. Sonwabile Mancotywa**	4	4	100%
3.	**Ms. Nomfundo Douw-Jack**	4	4	100%

Table 2.4: SEC Members' Meeting Attendance

SEC DEMOGRAPHICS (GENDER PROFILE)

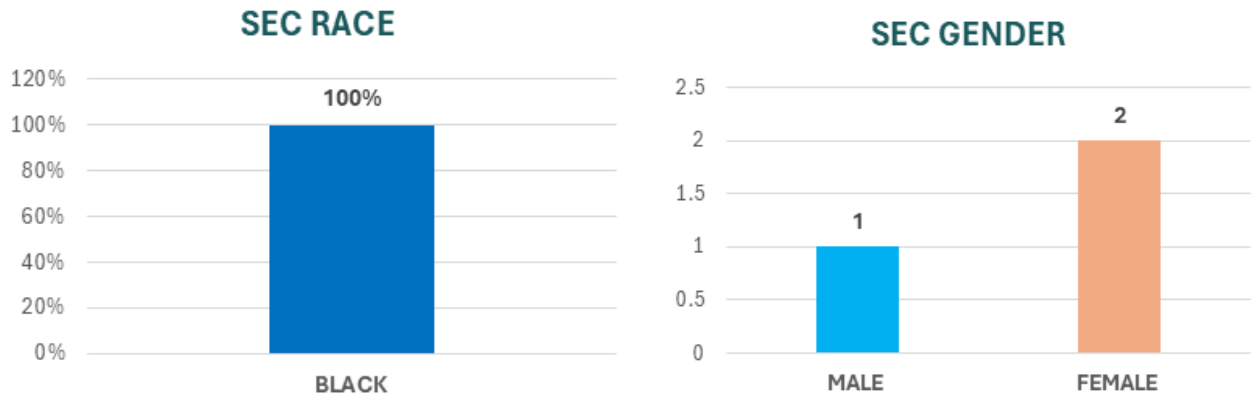


Figure 2.4: SEC members' gender profile

THE ROLE AND PURPOSE OF THE SBDC

The role and purpose of SBDC is to assist the Board in fulfilling its oversight responsibility regarding:

a) Organisational performance
b) Strategic Planning,
c) Business planning,
d) Business development,
e) Communication and Stakeholder engagement
f) Contribution to the development of the communities in which AW's activities are predominantly conducted
g) Policy development
h) Any other matter that the Board may refer to the SBDC.

In its policy statement (prepared in terms of section 40 of the Act), AW has identified "strategic areas for successful water utility service provision". The SBDC must exercise oversight in respect of:

a) Customer satisfaction,
b) Water and wastewater product quality,
c) Water resources adequacy,
d) Stakeholder relations and support, and
e. Community and environmental sustainability.

The oversight role includes compliance, in respect of the above matters, with the Water Services Act of 1997, and the Public Finance Management Act of 1999, and other legislation.

SBDC MEMBERS' MEETING ATTENDANCE

No	SBDC Member	Attendance	Total Meetings	%
1.	**Adv. Sonwabile Mancotywa**	3	5	60%
2.	**Mr. Ayanda Mjekula**	1	5	20%
3.	**Ms. Litha Geza**	3	5	60%
4.	**Mr. Gcinikhaya Mpumza**	3	5	60%
5.	**Ms. Nonkululeko Mxenge - Mayende**	2	5	40%

Table 2.5: SBDC members' attendance

With effect from 11 December 2024, Mr. Ayanda Mjekula and Ms. Nonkululeko Mxenge are not no longer members of the SBDC.

SBDC DEMOGRAPHICS (RACE AND GENDER PROFILE)

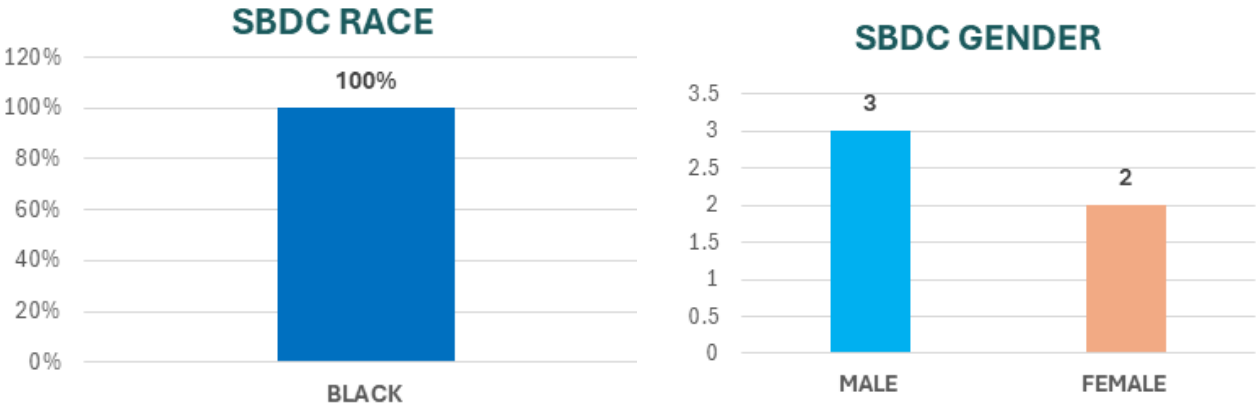


Figure 2.5: SBDC members' race and gender profile

THE ROLE AND PURPOSE OF THE HRRC

a) The purpose of this Charter is to, inter alia, outline the role, responsibilities, requirements for composition, and operating guidelines of the Human Resources and Remuneration Committee (HRRC).

b) The role and purpose of the HRRC is to assist the Board in fulfilling its oversight responsibility regarding: the formulation and implementation of AW Human Resources Strategy and Policies, guide and monitor the implementation of the Human Resource, Transformation, Performance Management, Learning and Development and Remuneration Strategies, reporting to and advising the Board on all findings or recommendations pertaining to the HRRC's work.

c) The HRRC should assume responsibility for the governance of remuneration by setting the direction for how remuneration should be approached and addressed on an organisation-wide basis to ensure that the organisation remunerates fairly, responsibly, and transparently to promote the achievement of the strategic objectives and positive outcomes in the short, medium, and long term.

d) The HRRC should assume responsibility for the governance of compliance with applicable laws and adopted, non-binding rules, codes, and standards by setting the direction for how compliance should be approached and addressed in the organisation.

HRRC MEMBERS' MEETING ATTENDANCE

NO	HRRC Member	Attendance	Total Meetings	%
1.	**Ms. Nonkululeko Mxenge - Mayende**	4	4	100%
2.	**Ms. Boitumelo Mokgatle**	2	4	50%
3.	**Ms. Litha Geza**	3	4	75%
4.	**Ms. Nomfundo Douw – Jack**	3	4	75%

Table 2.6: HRRC members' attendance

With effect from 11 December 2024, Ms. Boitumelo Mokgatle is no longer part of the HRRC.

HRRC DEMOGRAPHICS (RACE AND GENDER PROFILE)

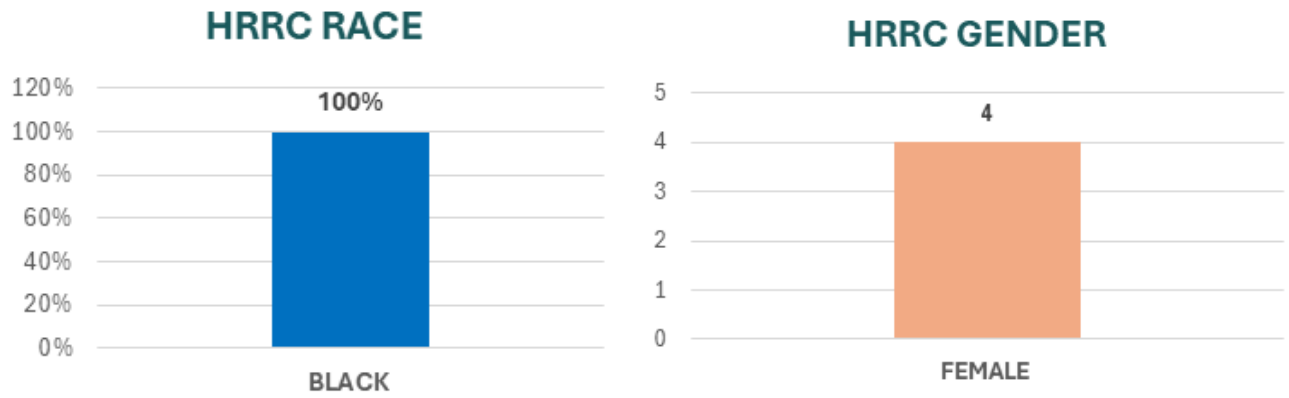


Figure 2.6: HRRC members' race and gender profile

THE ROLE AND PURPOSE OF ARC

The Audit and Risk Committee oversees, a combined assurance model that coordinates management assurance, internal audit, external assurance providers, and regulatory oversight. This confluence of assurance lines provides probative comfort over significant risks, financial reporting, compliance, and performance information.

The Committee shall:

Internal Control

a) Evaluate whether Management is setting the appropriate control culture by communicating the importance of governance, risk management and internal control and ensuring that all employees understand their roles and responsibilities.
b) Consider how Management is held to account for the security of information systems and applications, and the contingency plans for processing both financial and non-financial information in the event of a systems breakdown.
c) Gain an understanding of whether internal control recommendations made by Internal and External Auditors have been implemented by Management.
d) The existence of relevant policies and procedures, including the Board's instructions, or their equivalent, and the exercise of delegation of authority, and that these are periodically reviewed and updated. There will always be alignment between delegation of authority and the Materiality Framework.
e) Where there is sufficient evidence to warrant concern, these should be escalated to the Board for a decision.
f) Consideration of how management identifies any required changes to the design or implementation of key internal controls in order to meet its statutory and fiduciary obligations.

Financial Reporting – General

a) Gain an understanding of the current areas of greatest financial and business risk and how management is managing these.
b) Consider with the Internal and External Auditors any fraud, illegal acts deficiencies in internal control or other similar issues.
c) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements.
d) Ask Management, Manager Risk, Compliance and the Internal and External Auditors about significant risks and exposures and the plans to minimize such risks.
e) Review any legal matters which could significantly impact on the financial statements.

Review the Annual Financial Statements (AFS) and determine whether they are complete and consistent with the information known to Committee members; assess whether the financial statements reflect appropriate accounting principles and policies including but not limited to the following:

a) Pay attention to complex and unusual transactions.
b) Focus on areas involving significant judgement, for example those involving valuation of assets and liabilities and other commitments and contingencies.
c) Meet with Management and External Auditors to review the Annual Financial Statements and the result of the audit.
d) Review the Integrated Annual Report (IAR) accompanying the Annual Financial Statements before the release of the annual report and consider whether the information is understandable and consistent with members knowledge about the entity and its operations and with the Annual Financial Statements.
e) Consider changes in accounting policies or their application, the reasons for changes, the effect of the changes on the current and future financial statements, and the External Auditor' s views on these.
f) Review material adjustments made as a result of the audit.
g) Recommend the approval of the Annual Financial Statements incorporated in the Integrated Annual Report to the Board.
h) Satisfy itself about the adequacy of key internal controls and that the financial statements are supported by appropriate management signoff.

ARC MEMBERS' ATTENDANCE

No	ARC Member	Attendance	Total meetings	%
1.	**Mr. Gideon Labane**	7	13	54%
2.	**Mr. Simphiwe Ngwenya**	7	13	54%
3.	**Dr. Ayanda Madyibi**	2	13	15%
4.	**Ms. Bongekile Zulu**	10	13	77%
5.	**Mr. Wisdom Mushohwe**	13	13	100%

Table 2.7: ARC members' attendance

a) *Ms. B Zulu and Dr A Madyibi were subsequently appointed effectively from 1 November 2024 as independent external members when the term of three independent external members ended. Furthermore, Dr. A Madyibi resigned from the Entity on the 2 of April 2025.*
b) *Mr. G Labane's term ended on the 30 November 2024.*
c) *Ms. Mudau and Mr. Maharaj did not attend any ARC meetings but they did attend to the Special Board & ARC meeting that was held on the 25 October 2025. Their term ended on the 31 October 2024.*
d) *Mr. S Ngwenya was appointed on the 16 December 2024.*

ARC DEMOGRAPHICS (RACE AND GENDER PROFILE)

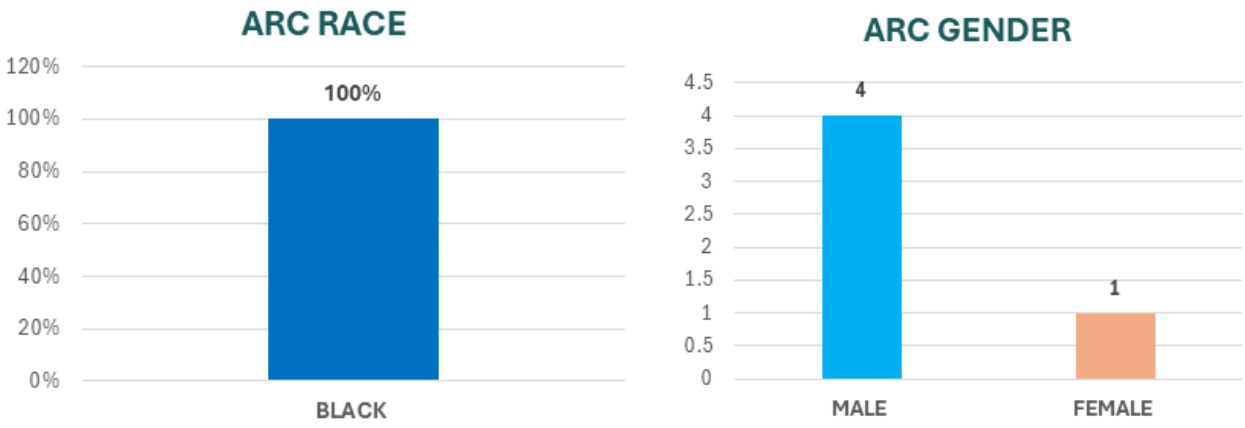


Figure 2.7: ARC members' race and gender profile

REMUNERATION POLICY

The Executive Authority determines the remuneration of the Board.

COMPANY SECRETARY ROLE

a) Develops systems and processes for Board support.
b) Inducts new Board members.
c) Provide secretarial and administrative support to the Board and its Committees.
d) Custodian of Board documents including minutes, Shareholder's compact and other documents.
e) Guides Board members in terms of ethics and good governance.
f) Ensure the proper and effective functioning of the Board and the integrity of the Board governance processes.
g) Provide detailed guidance to the Board as a whole and Board members individually on how to properly discharge their responsibilities in the best interests of Amatola Water.
h) Ensure that the Board procedures prescribed in the Board Charter, the Water Services Act, and the PFMA are followed.
i) Keeping abreast of and informing the Board of current government thinking and best governance practices.
j) Provide a central source of guidance and advice to the Board and its Committees primarily regarding procedural and compliance issues, including compliance with statutory regulations and with the King Code and the Protocol for Good Corporate Governance in the Public Sector as amended.

EXECUTIVE MANAGEMENT OVERVIEW

Amatola Water's executive leadership collective serves as the operational fulcrum of the institution, translating governance intent into organisational performance, institutional resilience, and service delivery excellence. As custodians of strategy execution, financial stewardship, operational efficiency, and human-capital development, the Executive Management Team provides the quintessential confluence between Board-level oversight and frontline delivery.

In keeping with the principles of King IV, this team embodies ethical leadership, probity, accountability and evidence-based decision-making. Their combined expertise spans across engineering, water operations, finance, corporate services, environmental sustainability, governance, and stakeholder relations, forming a catalytic centre of competence that guides Amatola Water through both its statutory mandate and its developmental aspirations.

The profiles that follow provide a probative overview of the executives entrusted with advancing institutional performance, safeguarding governance integrity, and stewarding Amatola Water's long-term sustainability.



MANAGEMENT COMMITTEE



Figure 2.8: Management committee structure

EXECUTIVE MANAGEMENT COMMITTEE PROFILES



Ms. Lindokuhle Nzoyi

Acting Chief Executive

Appointed: May 2024

MANAGEMENT COMMITTEE

Expertise:

Public Sector Administration | Governance | Human Capital Development | Organisational Transformation | Leadership and Strategy | Change Management

Professional Qualifications: Masters in public administration (NQF 9): Nelson Mandela, Postgraduate Diploma in Monitoring & Evaluation (NQF 8): University of Fort Hare, Advanced Diploma in Leadership: University of Fort Hare, Change Agent Programme Teleos Leadership Institute, BTech in Human Resource Management (NQF 7): Walter Sisulu University, National Diploma in Human Resource Management (NQF 6): Buffalo City Public FET College

Professional Experience and Leadership Impact

Ms. Lindokuhle Nzoyi is an accomplished public sector executive whose career spans more than two decades of strategic leadership, institutional renewal, and human capital transformation across the Eastern Cape's public administration landscape. Joining Amatola Water Board in 2024 as Executive Manager: Corporate Services, she brought with her an extensive portfolio of governance and people-management expertise. In 2025, she assumed the role of Acting Chief Executive, guiding the entity through a pivotal phase of organisational realignment and operational recovery.

Under her stewardship, Amatola Water has deepened its governance integrity, stabilised its internal systems, and accelerated its focus on culture transformation and service-delivery excellence. Her leadership philosophy emphasises ethical governance, decisive execution, and the cultivation of a resilient institutional culture that delivers sustainable public value.

Previous Leadership Roles

a) Executive Director: Corporate Services: Amatola Water Board (May 2024 – Jan 2025)
b) Director: Human Resource Management & Organisational Development: Eastern Cape Provincial Treasury
c) Deputy Director: Human Resource Management: Eastern Cape Provincial Treasury
d) Deputy Director: Human Resource Management: Office of the Premier
e) Assistant Director: Policy Development and HRM: Office of the Premier

Strategic Contribution to Amatola Water

a) Leading organisational renewal through strengthened governance and change management.
b) Driving initiatives that enhance employee cohesion, accountability, and institutional performance.
c) Championing a results-oriented service-delivery ethos that restores stakeholder trust and operational sustainability.
d) Fostering a leadership culture grounded in probity, empathy, and transformative intent.

Community and Developmental Contributions

Ms. Nzoyi is a strong advocate for ethical leadership and women's empowerment within the public sector. She continues to mentor emerging leaders and promote capacity-building initiatives aimed at enhancing institutional agility and resilience across South Africa's water and governance sectors.



MANAGEMENT COMMITTEE

Mr. Jonathan Jackson

Executive Manager Finance (CFO)
Appointed: May 2024

Expertise:

Public Sector Finance and Governance I Financial Systems and Risk Management I Audit and Compliance I Stakeholder Engagement I Fiscal Discipline and Transparency

Professional Qualifications: Postgraduate Diploma in Accounting, Bachelor of Commerce, Chartered Accountant CA(SA)

Professional Experience and Leadership Impact

Leadership, specializing in public sector finance and governance. As Chief Financial Officer, he has consistently delivered clean audits and robust financial oversight across several high-impact institutions. His career is distinguished by a strong commitment to transparency, compliance, and fiscal discipline.

Prior to his CFO roles, Mr Jackson served as Audit Manager at the Auditor-General's Office in Mthatha, where he honed his expertise in audit processes and public accountability. His track record reflects a deep understanding of financial systems, risk management, and stakeholder engagement within complex government environments.

Mr Jackson had a financial management role at Mister Bread and Jimmy Superspar in Mthatha subsequent to his role at the Auditor General's office. At the commencement of his career Mr Jackson served in various public Sector roles in the United Kingdom.



Ms. Dorothy Batenegi Mabuza

Pr. (Eng)Tech; [MBA]
Executive Manager: Planning and Development
Date of Appointment: April 2024

Expertise:

Transport and Integrated Public Systems I Roads, Stormwater, and Urban Planning I Infrastructure Asset Management and Policy Formulation I Programme and Project Management I Sustainable Urban Development and Climate Change I Technology, Innovation, and Public Infrastructure Modernisation I Water and Sanitation Infrastructure Engineering

Professional Qualifications: MBA (Business Administration), Postgraduate Diploma (General Management), Graduate Diploma for Engineers (Civil – Water Engineering), BSc (Honours) in Management of Technology, BTech (Civil – Construction Management), National Diploma (Civil Engineering), Registered as a Professional Engineering Technologist (ECSA) and Registered member of the Institute of Directors in Southern Africa (IoDSA).

Professional Experience and Leadership Impact

Ms. Dorothy Mabuza is a seasoned and registered professional engineering technologist with over 27 years' experience in the built environment, 13 of which are at Senior and Executive level.

Before joining Amatola Water, Ms. Mabuza held several senior leadership roles. mainly within Local Government, where she served as Executive Director and Head of the Integrated Rapid Public Transport Network. Her portfolio included oversight of major capital works programmes such as the BRT system, urban infrastructure built, and the optimisation of municipal service delivery systems.

She also headed Infrastructure Planning and Development and Water Revenue Management Divisions, where she led strategy formulation, technical policy development, and financial sustainability initiatives linked to infrastructure asset management and multidisciplinary teams in the conceptualisation, planning, and execution of large-scale infrastructure and service delivery programmes

Her leadership extended to managing large-scale project pipelines, securing capital investment, and fostering partnerships across government, private sector, and development agencies.

Her ethical and transformational leadership philosophy is anchored in innovation, governance excellence, and sustainable infrastructure development, principles she has consistently applied across her professional journey.

At Amatola Water, Ms. Mabuza, a change management proponent, leads the Planning and Development Division, driving long-term infrastructure sustainability, institutional growth, development and resilience. She provides strategic direction, ensuring that infrastructure master planning and investment aligns with climate adaptation, sustainable resource management, and socio-economic transformation imperatives across the Eastern Cape.

Ms. Mabuza is a strong advocate for engineering excellence, mentorship, and gender equity in the public sector. She continues to champion collaborative approaches to address service delivery challenges.



MANAGEMENT COMMITTEE

Mr Sazile Qweleka

Executive Manager: Operations
Appointed: Sep 2020

Expertise:

Operations and Programme Management I Mechanical and Production Engineering I Strategic Maintenance Planning I Infrastructure Management I Public and Private Sector Engineering Systems.

Professional Qualifications: Bachelor of Technology (Mechanical Engineering), Master of Business Administration (MBA)

Professional Experience and Leadership Impact

Mr Sazile Qweleka is a seasoned operations executive with a strong engineering foundation and over two decades of experience spanning both public and private sectors. He joined Amatola Water in August 2010 as Programmes Manager within the Operations Division, where he has played a pivotal role in driving operational excellence, programme delivery and infrastructure maintenance.

His expertise encompasses programme management, production systems, engineering operations, and strategic maintenance planning. His earlier career in leading organisations such as Namakwa Sands, SA Five Engineering, SAB, and Ford Motor Company of South Africa equipped him with deep knowledge of high-performance engineering and manufacturing environments. At Amatola Water, Mr Qweleka continues to lead with a focus on efficiency, reliability, and sustainable service delivery, ensuring that operational systems meet the evolving needs of the region's water infrastructure.



MANAGEMENT COMMITTEE

Mr. Mpilo Charles Mjindi

Acting Executive Manager: Corporate Services
Appointed: October 2024

Expertise:

Human Resource Administration I Organizational Development I Change Management I Training and Development I Employee Relations.

Professional Qualifications: Master's Degree in Public Administration; Postgraduate Diploma in Labour Law; B-Tech in Human Resource Management; Certificate Programme for Management Excellence; Certificate in Applied Organizational Development.

Professional Experience and Leadership Impact

Mr. Mpilo Charles Mjindi is a seasoned Human Resource practitioner with over 20 years of robust experience in various government sectors. His extensive career includes pivotal roles at the Department of Health, the National Prosecuting Authority, and Public Works, where he has consistently delivered high-quality human resource administration services.

DELEGATION OF AUTHORITY

Under the Water Services Act, the Board may delegate any operational power to:

a) A committee of the Board
b) Its Chief Executive and/or
c) Any of its employees.

This is done through the delegation of authority matrix. Even though the Chief Executive is delegated responsibility to handle matters, the Chief Executive remains responsible for reporting to the Board on all delegated areas.

CHIEF EXECUTIVE

a) Responsible for the day-to-day operations, implementation of the corporate plan, the budget, policies approved by the board, staff management other assets of the organisation and external communication.
b) The CE is responsible for the approval of the international travel for all employees
c) May approved expenditure not exceeding 1 million rand.
d) Initiate legal action against debtors
e) May sign contracts relating to water services

ASSURANCE PROVIDERS

The Amatola Water Board has internal and external auditors. Internal audit is co-sourced; the external auditor is the Auditor-General of South Africa (AGSA). The Board has an independent ARC Committee which plays a critical oversight and monitoring function over the entity's audit and risk management activities.

It should be noted that Management also undertakes internal audits in terms of certification, be it to test Occupational Health and Safety Act, 1993 (Act 85 of 1993) or International Organisation for Standardization (ISO) compliance prior to applying to obtain certification and accreditation. The independence of assurance providers is considered important for the protection of Management and the Board.

After the audits have been undertaken, reports are submitted to the Amatola Water Board through the ARC.

Management monitors any findings (from internal and external audit) and improvements which have been put in place to mitigate and prevent the finding from reoccurring in line with the Audit Intervention Plan (AIP). This report is tabled at the Management Committee, ARC and the Board.

The advantages of assurance reports are two-fold: They enhance the validation of information and ensure verification and accuracy of the underpinning processes and controls for providing quality water and service delivery. The Combined Assurance Forum was fully functional during 2024/25 financial year to strengthen the coordination of efforts amongst assurance providers.

VALUE ADDITION

Assurance reports provide value to shareholder, management and other stakeholders by ensuring quality operations are undertaken. Assurance also assists in ensuring that effective controls are put in place to mitigate operational, financial or fraudulent risks.

SUSTAINABILITY

Assurance planning and reporting is critical and has an impact on the organisation and indirectly on society at large. It can affect the organisation's reputation and credibility.

The better the assurance report, the better Amatola Water's reputation will be. Assurance reporting is required by law; there is an intention to have a fully-fledged in-house internal audit function to ensure the addition of ongoing value and monitoring controls.

INTERNAL AUDIT

In line with the Public Finance Management Act (Act No. 1 of 1999) and King IV principles and practices, the Internal Audit Activity (IAA) continued to provide the Audit and Risk Committee and management with risk-based and objective assurance, advice, and insight. The IAA played a significant role in contributing to the effectiveness of governance, risk management, and the control environment of Amatola Water. Furthermore, the assurance an internal audit provides assists the organisation in managing its reputation as it creates shareholder value and stakeholder appreciation of the organisation.

The internal audit function, currently co-sourced, is critical to Amatola Water's corporate governance, risk management, and control processes. The following internal audit reviews were undertaken during the year under review as per the approved Internal Audit Plan for the 2024/25 financial year:

- Fraud Prevention Plans.
- Review the 2024/25 Draft Annual Financial Statements (AFS).
- Review the 2024/25 Draft Annual Performance Report (APR).
- Audit of the Predetermined Objectives (AoPO) & Performance Information Review (Quarters 2, 3 & 4).
- Review of 2025/26 Draft Business plan to test SMARTness of the KPI's and Performance Targets.
- Review of Technical Indicator Information Library for 2024/25.
- Review the draft of the 2024/25 Integrated Annual Report.
- Follow up on the prior year's Internal Audit Reports.
- Determination of Unauthorised, Irregular, Fruitless, and Wasteful Expenditure (Management ad hoc request).
- Payroll Management Review (Staff head count).
- Review of appointments, retentions, and terminations.
- Review the Supply Chain Management (Quarters 1 and 2).
- Review of Inventory Management.

GOING FORWARD

Amatola Water strives to achieve a clean audit by fully implementing the Audit Intervention Plan and addressing the control deficiencies raised in the reports from various assurance providers.

PERFORMANCE OF INTERNAL AUDIT

The International Professional Practices Framework (IPPF), which guides the work of internal auditors, defines internal auditing as an assurance and advisory activity that provides a value-added service to the organisation by evaluating the effectiveness of risk management, internal control, and governance processes within an organisation.

The ARC assesses the effectiveness of the internal audit function as part of its mandate, as outlined in the ARC Charter, and the internal audit was found to be effective.

EXTERNAL AUDIT

The external auditor for 2024/25 is the Auditor-General of South Africa (AGSA).

OTHER ASSURANCE REPORTS

Various other forms of external auditing occur throughout the operations.

THESE AUDITS INCLUDE:

- The SHE compliance audit must be conducted before verification and ISO accreditation is achieved.
- Blue and Green Drop Compliance Audits.
- Determination of Unauthorised, Irregular, Fruitless
- and Wasteful Expenditure (Management ad hoc request)

YEARS	NO OF TIP-OFFS RECEIVED	NO OF REPORTS GENERATED	AREAS	ACTUAL FRAUD CONFIRMED	RESULTS
2024/25	2	1	Alleged Bribery x1	No	Both matters were finalised, and the allegations were unfounded.
	1	1	Alleged corruption x1	Yes	The matter has been finalised, and consequence management was implemented.
	1	1	Alleged misconduct	Yes	The matter was finalised, and consequence management was implemented.
	1	1	Alleged fraud and corruption	No	The matter is still ongoing and is currently being investigated by the Department of Water and Sanitation.

Table 2.9: Fraud hotline reports

ANTI-FRAUD AND CORRUPTION STRATEGY

Amatola Water maintains the Anti-Fraud and Corruption Policy, Strategy, Fraud Prevention Plan, and Conflict of Interest Management Policy to prevent, detect, and report fraud and corruption.

Furthermore, the entity has an anti-fraud hotline (whistleblowing) maintained by an external service provider. The Chief Executive, Manager Internal Audit, Manager Risk and Compliance, Audit and Risk Committee (ARC) and Board Chairperson have read-only access to the hotline.

The Board and ARC compile and table quarterly investigation reports. All the investigation reports were made available to the Auditor-General of South Africa (AGSA) for noting and risk consideration in their annual audit. The Board carried out all recommendations arising from the reports. This shows the effectiveness of the reporting and fraud hotline system. The handling of the reports and outcomes can confirm this.

RISK, COMPLIANCE, AND ASSURANCE REPORTING

The Board, through the Audit and Risk Committee (ARC), ensures that Amatola Water (AW) maintains an effective and robust risk management process.

The Risk Management Process for Amatola Water involves the systematic application of policies, procedures, and practices to communicate and consult, establish the context, assess, treat, monitor, and report risk. The Board engages annually in a Strategic Risk Assessment Review Process to identify and or review risks that could hinder the achievement of the organisation's Strategic Outcomes.

Amatola Water assesses its risks on three levels: strategic, operational, and project risks. The monitoring of risk action plans is coordinated by the Manager: Risk and Compliance on quarterly basis in line with our enterprise risk management policy.

Following this process, the risk report, is presented to the Management Committee (MANCO), Corporate Risk Management Committee (CRMCO), ARC, and the Board.

During the reporting period, AW achieved 67% implementation of its strategic risk action plans. Outstanding action plans will be carried forward for implementation the new financial year.

EFFECTIVE ENTERPRISE RISK MANAGEMENT INTEGRATED INTO BUSINESS

The Board has committed itself to implementing and maintaining an effective, efficient, and transparent risk management systems.

The entity's risk management approach is aligned to Principle 11 as set out in the King IV Report on Corporate Governance for South Africa and conforms to the Public Sector Risk Management Framework as outlined in Section 51 (1)(a)(i) of the PFMA, and Section 27.2.1. of the Treasury Regulations Enterprise-wide Risk Management (EWRM) is embedded across the operations of the entity and provides a structured approach to identifying, assessing, managing, and monitoring risks in all areas of operations.

The entity has an EWRM Policy and Strategy that has been approved by the Board that underpins a proactive risk management that is fundamental to Amatola Water's ability to meet its short, medium and long-term strategic outcomes.

The Board, as Amatola Water's Accounting Authority, is ultimately responsible for ensuring good governance and oversight of risk management within the entity. The Board has delegated the operational oversight responsibility of risk management to the ARC, which receives quarterly risk management reports from the Chief Executive (CE).

To further strengthen governance, the ARC has established the CRMCO, which assesses the entity's risk management functionality with its ARC-approved Terms of Reference.

2024/25 STRATEGIC RISK REPORT:

Amatola Water has identified nine (9) strategic risks, each aligned to the entity's strategic outcomes. These risks were established through the 2024/25 Strategic Risk Assessment Workshop, convened in April 2024 and attended by the Board, Executive Management, and key stakeholders.

The risks reflect potential uncertainties to the achievement of Amatola Water's strategic outcomes and form a critical focus area for governance, oversight, and management. To ensure effective risk management, mitigation action plans are monitored on a quarterly basis and reported to the relevant governance structures.

This process enables oversight bodies to track progress, strengthen accountability, and ensure that risks are managed within the entity's risk appetite. By the end of the 2024-25 financial year (30 June 2025), notable progress was achieved in addressing these risks.

The table below illustrates the movement in residual risk ratings, comparing the initial assessment at the time of the workshop with the Q4 ratings:

No#	Strategic Outcome	Risk Description	Residual Risk Rating (During-Risk Workshop Apr 2024)	Q4 Residual Risk Rating (2024-25)	Movement
1.	SO1- Improved the provision of safe and reliable water services	Inability to meet the bulk water supply and demand of customers (insufficient quality and quantity)	12	10	Decreased ▽
2.	SO1- Improved the provision of safe and reliable water services	Inability to successfully implement projects (both primary and secondary business)	16	12	Decreased ▽
3.	SO1- Improved the provision of safe and reliable water services	Inadequate safeguarding and monitoring of AW assets/ infrastructure	16	12	Decreased ▽
4.	SO2: Effective corporate governance and ethical leadership	Inadequate governance and administrative systems	13	10	Decreased ▽
5.	SO3: Improved financial viability	Unsustainable financial viability	20	20	No Change →
6.	SO4- Improved stakeholder relations	Erosion of AW brand value and reputational sustainability	20	10	Decreased ▽
7.	SO5: Efficient and innovative organization	ICT governance failures and cybersecurity threats	15	10	Decreased ▽
8.	SO6- Enhanced environmental sustainability	Environmental unsustainability and climate change risk	20	10	Decreased ▽
9.	SO1- Improved the provision of safe and reliable water services	Lack of readiness by AW to take additional responsibility from DWS/ WSAs.	20	10	Decreased ▽

Legend:

Level Exposure	Risk Level
High	15 -25
Medium	5-14
Low Risk	1- 4

Decreased ▽	Residual risk has improved due to adequate and effective action plans.
Increased △	Residual risk has worsened due to inadequate and or ineffective action plans.
No Change →	Residual risk remains the same due to ineffective action plans.

Table 2.10: Amatola Water Risk Register

By the end of the 2024-25 financial year, eight (8) of the nine (9) strategic risks showed a decrease in residual risk levels, demonstrating the effectiveness of implemented mitigation plans and governance oversight.

One risk (unsustainable financial viability) remained unchanged, highlighting a continuing area of strategic focus and concern for the entity.

COMPLIANCE

The Amatola Water Board's primary legislative and policy mandate is to ensure continuous adherence and compliance with the applicable legislative framework that guides its operations as set out in the Amatola Water 2024/25 Corporate Plan.

Legal compliance management processes include policy development; monitoring of legal compliance register and corrective measures to ensure adequate compliance with the applicable legislative framework.

The Chief Executive monitors the legal compliance status through its respective divisions to ensure effective compliance management within the legislative and policy mandates.

The entity successfully achieved substantial progress in the implementation of its Legal Compliance Register during the 2024/25 financial year, in line with the target set for the period.


THE KIRKWOOD BULKWATER
SUPPLY PROJECTS



3 CONTEXT AND STRATEGY

AMATOLA WATER'S STRATEGIC INTENT

Vision
A leader in bulk water services in the Eastern Cape.

Mission
To contribute to the Eastern Cape's socio-economic development by providing sustainable, safe, and reliable water services.

Impact Statement
Improved health, dignity, and well-being of the people of Eastern Cape through the provision of safe and reliable water services.

AMATOLA WATER VALUES
Organisational values define the cultural identity of Amatola Water and shape how the entity is perceived by both internal and external stakeholders. As part of the organisation's renewal journey, deliberate efforts are being made to embed these values across all facets of operations.

This includes consistently reinforcing the values among employees through various communication platforms and integrating them into the performance management system at every level of the organisation.

Values	Description
1. Professionalism	Amatola Water demonstrates a commitment to professionalism in all interactions and dealings with stakeholders. Giving consideration and respect for others guides our manners and that is the main determination for the entity's character.
2. Accountability	Amatola Water takes full responsibility for our actions and strives to exceed expectations. The entity aims to make the right decisions and always honour its commitments.
3. Excellence	Amatola Water uses the best knowledge, understanding, and innovative thinking. The entity seeks continuous improvement in all that it does in the pursuit of excellence.
4. Innovation	Amatola Water strives to understand the customer's needs, embrace constant change in the sector and adapt to meeting those needs through creativity and new technology.
5. Stakeholder focus	Amatola Water recognises that stakeholders have an interest in the work it does and always strives to satisfy its stakeholders. Amatola Water is committed to listening and responding positively to their needs.
6. Team orientation	Amatola Water strives to work together to be more effective. It values individual strengths and talents but celebrates collaboration. Amatola Water employees collaborate towards a common goal and in the process inspire one another.
7. Integrity	Amatola Water strives to be honest in its dealings with one another and stakeholders. It prides itself on ethical conduct, and acts with openness and respect.

Table 3.1: Amatola Water Values

STRATEGIC OUTCOMES AND ALIGNMENT WITH GOVERNMENT PRIORITIES

To ensure policy congruence with the 7th Administration, Amatola Water aligns its strategic outcomes with the Medium-Term Development Plan (2024–2029). The alignment prioritises water security, infrastructure maintenance and expansion, municipal support, state capability, clean governance, and inclusive socio-economic impact.

Amatola Water's strategic outcomes furthermore serve as the building blocks of the roadmap towards the entity's desired end state, as articulated in its vision and mission. They encapsulate the strategies, actions, and collective efforts required to deliver on the organisation's mandate.

Some outcomes focus on service delivery (for example, improved provision of safe and reliable water services and enhanced environmental sustainability), while others focus on ensuring a responsive and agile organisation that can deliver on its mandate efficiently and effectively. While the approved strategic direction provides a long-term focus, the Interim Board recognises that additional measures are necessary to strengthen organisational performance and accelerate progress towards establishing a well-functioning and sustainable water board.

The following seven strategic outcomes represent Amatola Water's contribution to realising the government's Medium Term Strategic Framework (2019-2024) and the Department of Water and Sanitation's Strategic Plan (2020/21-2024/25).

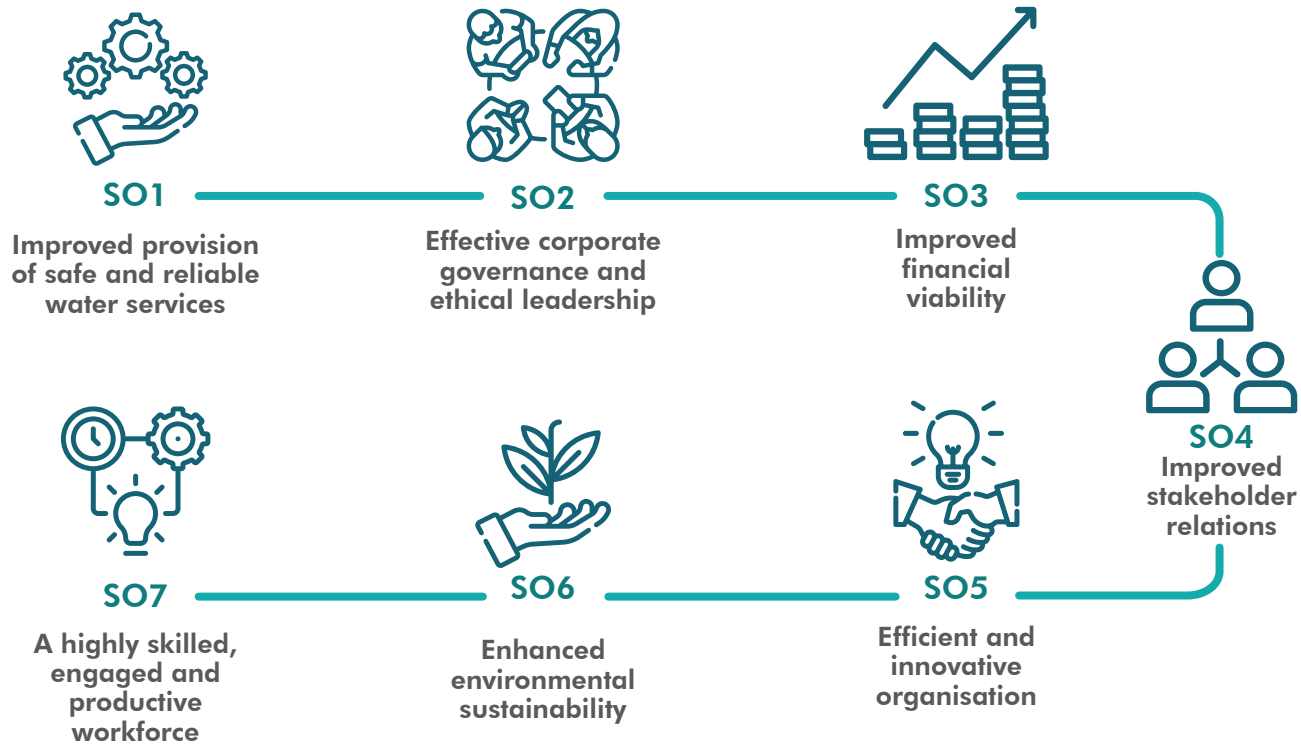


Figure 3.1: Amatola Water Strategic Outcomes

The realisation of Amatola Water's strategic outcomes is central to fulfilling both its constitutional obligations and its developmental mandate.

Providing safe and reliable water services (Strategic Outcome 1) to water services authorities and providers addresses a key priority of ensuring equitable water access for previously unserved communities in the Eastern Cape. Access to clean drinking water is not only a developmental imperative but also a constitutional obligation and a basic human right.

In addition, Strategic Outcome 6 enhanced environmental sustainability supports government's broader goals of reducing greenhouse gas emissions and mitigating the impact of climate change.

Furthermore, Strategic Outcomes 2, 3, 4, 5 and 7 collectively focus on strengthening Amatola Water's institutional capacity, governance, and operational effectiveness. These outcomes directly align with Government Priority 1: "Building a capable, ethical, and developmental state."

The table below illustrates the alignment of Amatola Water's strategic outcomes with key government frameworks, namely the Medium-Term Strategic Framework (2019–2024), the Department of Water and Sanitation's Strategic Plan (2020/21–2024/25), and the Provincial Development Plan.

Strategic Outcome	MTSF	DWS outcomes	PDP goals
SO1: Improved provision of safe and reliable water services	• **Priority 5:** Spatial integration, human settlements, and local government	• **Outcome 2**: Ecological infrastructure protected and restored. • **Outcome 6:** Water redistributed for transformation	• **Goal 2**: An educated, empowered, and innovative citizenry • **Goal 4:** Vibrant, equitable enabled communities
SO2: Effective corporate governance and ethical leadership	• **Priority 1**: Building a capable, ethical, and developmental state.	• **Outcome 1**: Efficient, effective, and development-orientated department • **Outcome 2**: Ecological infrastructure protected and restored. • **Outcome 6**: Water redistributed for transformation	• **Goal 4:** Vibrant, equitable enabled communities Goal 5: Capable, conscientious, and accountable institutions
SO3: Improved financial viability	• **Priority 1**: Building a capable, ethical, and developmental state.	• **Outcome 1:** Efficient, effective and development orientated department Outcome 6: Water redistributed for transformation	• **Goal 1:** A growing, inclusive and equitable economy.
SO4: Improved stakeholder relations	• **Priority 1:** Building a capable, ethical, and developmental state.	• **Outcome 1**: Efficient, effective, and development-orientated department • **Outcome 2:** Ecological infrastructure protected and restored	• **Goal 4:** Vibrant, equitable enabled communities
SO5: Efficient and innovative organisation	• **Priority 1:** Building a capable, ethical, and developmental state.	• **Outcome 1:** Efficint, effective and development orientated department Outcome 6: Water redistributed for transformation	• **Goal 5:** Capable, conscientious, and accountable institutions
SO6: Enhanced environmental sustainability	• **Priority 5:** Spatial integration, human settlements, and local government	• **Outcome 2:** Ecological infrastructure protected and restored	• **Goal 2**: An educated, empowered, and innovative citizenry
SO7: A highly skilled, engaged and productive workforce	• **Priority 1:** Building a capable, ethical, and developmental state.	• **Outcome 1**: Efficient, effective and development orientated department	• **Goal 5:** Capable, conscientious, and accountable institutions

Table 3.3: Alignment of Amatola Water's strategic outcomes with key government frameworks.

MATERIAL MATTERS OVERVIEW

Amatola Water operates in a complex environment shaped by economic pressures, climate risks, evolving stakeholder expectations, and the imperative of sustainable water service delivery. As part of our integrated reporting process, we understand that our ability to deliver value is influenced by these dynamic set of internal and external factors.

These are not simply "issues to manage", they are the critical matters that shape our purpose, strategic priorities, and long-term sustainability.

The process of determining materiality for the 2024/25 reporting cycle and as part of our integrated reporting process, we applied a structured and forward-looking process:

Stakeholder engagements and dialogues:

- with communities, municipalities, regulators, employees, and the Minister of Water and Sanitation provided direct insight into what matters most to municipalities, regulators, employees, customers, and communities we serve.

Strategic alignment:

- ensured that our Financial Turnaround Strategy, Climate Change Resilience Strategy, Enterprise-Wide Risk Management Strategy and Infrastructure Master Plan were stress-tested against emerging risks and opportunities.

Best practice frameworks:

- including the King IV Code on Corporate Governance, National Treasury Guidelines, and GRI Standards, ensured that our assessment reflects best practice in governance and integrated reporting.

The material matters outlined in the table below represent both risks and opportunities. They guide Amatola Water's strategic choices, operational focus, and performance reporting. Each issue is linked to stakeholder concerns, the entity's response, and the relevant chapter within this Integrated Annual Report.

They further represent a living agenda that evolves as new challenges emerge, from climate variability to infrastructure funding gaps and regulatory reform. They therefore guide:

- How we allocate resources and make trade-offs;
- Where we focus leadership attention; and
- What we measure and report as value outcomes.

Each matter is anchored in both stakeholder priorities and Amatola Water's strategic responses, ensuring that our Integrated Annual Report captures not only what happened during 2024/25, but also how we are preparing for the years ahead.

Amatola Water Materiality ESG Matrix

Material Issue	Key Stakeholder Concerns	Amatola Water Response	Where Addressed in IAR
Sustainable Service Delivery	Municipalities and communities emphasise reliability, water quality, and equitable access.	Improved plant upgrades, dam management, SANAS-accredited water quality labs, and customer outreach initiatives.	**Chapter 7:** Operational Review; **Chapter 6:** Environmental Sustainability
Financial Turnaround & Viability	National Treasury and DWS concern about debt levels, deficits, and ability to achieve financial sustainability.	Implementation of Financial Turnaround Strategy; benchmarking tariff models; debt recovery actions; target of break-even by 2027.	**Chapter 8:** Financial Review; **Chapter 3:** Context & Strategy
Infrastructure Reliability & Expansion	Concerns about ageing infrastructure, non-revenue water, and service interruptions.	Infrastructure Master Plan (IMP) implementation; dam operation agreements with DWS; NRW reduction programmes.	**Chapter 7:** Operational Review
Climate Resilience & Environmental Stewardship	Regulators and communities demand stronger climate adaptation, compliance, and environmental protection.	Climate Change Resilience Strategy rollout; expanded SANAS accreditation; monitoring of GHG emissions and dam levels.	**Chapter 6:** Environmental Sustainability
Governance & Trust Rebuilding	Parliament, Minister, and public demand improved oversight, ethical conduct, and better audit outcomes.	Interim Board strengthened; King IV compliance; improved risk management and unqualified audit target.	**Chapter 2:** Corporate Governance
Workforce Excellence & Inclusion	Employees and unions raise issues of training, equity, performance, and safety.	99% performance contracts signed; training spend at 2.8% of payroll; employment equity and disability inclusion programmes.	**Chapter 5:** Leadership & Employee Development
Stakeholder Partnerships	Minister, municipalities, and investors seek improved collaboration and reporting transparency.	Proactive municipal engagement; stakeholder forums; alignment with NWRS-3 and SDGs.	**Chapter 1:** Introduction; **Chapter 4:** Performance Information

Table 3.4: Amatola Water Materiality ESG Matrix

MATERIAL MATTERS TABLE

In order of significance, the following table offers a more thorough explanation of the top 10 material matters and their connections to affected stakeholders, capitals, and strategic outcomes:

Ranking	Description of Material Matter	Capital Impacted	Strategic Risk	Stakeholders affected	Amatola Water Strategic response
1.	**Financial viability** **a.** Amatola Water's operations are influenced by a range of inputs and outputs, including the costs associated with procuring raw water and the tariffs charged for bulk water and related services. **b.** In addition, several of Amatola Water's key clients are exposed to similar macro- and micro-economic risks, which can in turn affect their ability to meet financial obligations and sustain long-term service delivery partnerships.	Financial capital	SRO3	**a.** Customer and clients' stakeholders	SO3
2.	**Economic** Amatola Water operates as a government business enterprise, and its performance is closely linked to both the local and national economic environment. **a.** The South African economy continues to face significant pressures, including low GDP growth and constrained fiscal conditions, compounded by the country's low sovereign credit ratings. **b.** Within this broader context, the Eastern Cape economy has been growing at a slower pace than the national average and provides relatively fewer employment opportunities. These regional economic challenges directly influence Amatola Water's operations, particularly in terms of service affordability, municipal debt recovery, and the sustainability of bulk water supply agreements.	Financial capital	SRO3	**a.** Statutory stakeholders **b.** Community stakeholders	SO3
3.	**Access to funding** **a.** In fulfilling its mandate, Amatola Water manages and maintains a significant infrastructure footprint across its area of operation. **b.** To ensure service continuity and enable sustainable growth, substantial capital investment is required for both infrastructure expansion and ongoing maintenance. **c.** Access to adequate and affordable funding is therefore critical to meeting long-term water security needs, improving service reliability, and supporting the broader socio-economic development of the Eastern Cape.	Financial capital	SRO3	**a.** Statutory stakeholders **b.**Community stakeholders	SO3
4.	**Severe weather (drought and floods)** **a.** The recent combination of drought and flooding has underscored the Eastern Cape's high vulnerability to climate variability. **b.** These conditions highlight the critical importance of strengthening water resource management, building climate resilience, and implementing effective disaster preparedness strategies to safeguard service delivery and protect communities.	Natural capital	SRO1 SRO6	**a.** Community stakeholders	SO6

Ranking	Description of Material Matter	Capital Impacted	Strategic Risk	Stakeholders affected	Amatola Water Strategic response
5.	**Governance** **a.** Amatola Water's ability to operate efficiently, ethically and sustainably is strongly influenced by the quality of its leadership. **b.** Effective governance not only safeguards compliance and accountability but also provides a foundation for long-term organisational stability and performance. **c.** Conversely, governance shortcomings can present significant risks to the organisation's reputation, financial sustainability, and service delivery obligations.	Human capital	SRO2	**a.** Statutory stakeholders **b.** Community stakeholders	SO2
6.	**Relationships with Key Stakeholders** **a.** Amatola Water's reputation and long-term sustainability are closely linked to the quality of its relationships with key stakeholders, including customers, regulators, government, employees, and communities. **b.** Constructive engagement and strong partnerships present opportunities to build trust, enhance service delivery, and unlock value. **c.** Conversely, weak or strained relationships can pose reputational and operational risks, with direct implications for service continuity, funding, and stakeholder confidence.	Social and relationship capital	SRO4	**a.** Statutory stakeholders **b.** Customers and client stakeholders **c**. Community stakeholders	SO4
7.	**Infrastructure Value Chain** **a.** Amatola Water's ability to deliver reliable bulk water and sanitation services is dependent on the performance and stability of both upstream and downstream infrastructure providers and customers. **b.** The organisation operates within a constrained, closed market and is positioned in a narrow segment of the bulk potable water supply chain. **c.** This creates both vulnerabilities and opportunities, as Amatola Water must balance its reliance on external stakeholders with the need to optimise its own infrastructure capacity, strengthen partnerships, and ensure resilience across the value chain.	Manufacturing capital	SRO1 SRO6 SRO7 SRO4	**a.** Customers and client stakeholders **b.** Community stakeholders	SO1
8.	**People, Skills, and Development** **a.** The successful and efficient operation of Amatola Water relies heavily on its human capital. Ensuring that personnel possess the necessary skills, qualifications, and experience is critical to maintaining operational excellence, meeting regulatory obligations, and delivering high-quality water and sanitation services to communities. **b.** Investing in employee development not only enhances technical competence but also strengthens leadership capacity, fosters a culture of accountability, and improves overall organisational resilience. **c.** Training, mentorship, and continuous professional development programs enable staff to adapt to evolving industry standards, technological advancements, and regulatory requirements.	Human capital	SRO7	**a.** Customers and client stakeholders	SO7

Ranking	Description of Material Matter	Capital Impacted	Strategic Risk	Stakeholders affected	Amatola Water Strategic response
9.	**Economic Regulation** **a.** Amatola Water's ability to generate revenue is directly influenced by the timing and efficiency of water tariff determination and approval by government authorities. **b.** Delays in the regulatory process can affect cash flow, financial planning, and investment capacity, potentially constraining the organisation's ability to fund infrastructure maintenance, expansion, and service delivery initiatives. **c.** Effective engagement with regulators, transparent tariff-setting processes, and timely approvals are therefore critical to sustaining financial stability. **d**. By aligning revenue generation with operational costs and investment requirements, Amatola Water can ensure long-term financial sustainability, maintain service reliability, and continue to meet its mandate of providing bulk water and sanitation services to its municipalities and communities.	Financial capital	SRO3 SRO2	**a.** Statutory stakeholders	SO2 SO3
10.	**Technology and Communication** **a.** Technology is a critical enabler of Amatola Water's operations, supporting efficient, productive, and reliable service delivery across the organisation. **b.** Advanced systems for water treatment, distribution monitoring, asset management, and billing allow for more accurate decision-making, reduced operational losses, and improved customer service.	Intellectual capital	SRO5	**a.** Statutory stakeholders **b**. Customers and client stakeholders	SO5

Table 3.5: Material Matters Table





STAKEHOLDER ENGAGEMENT AND COMMUNITY SUPPORT

INTRODUCTION

Stakeholder engagement continues to be a strategic priority for Amatola Water, underpinning its commitment to transparent governance, sustainable service delivery, and community responsiveness.

By fostering collaboration with key groups including communities, statutory bodies, and educational institutions the organisation ensures its initiatives remain aligned with local needs and regulatory expectations.

These partnerships not only strengthen operational efficiency and public trust but also position Amatola Water to navigate the evolving challenges of water management with resilience and accountability.

STAKEHOLDER ENGAGEMENT AND COMMUNITY SUPPORT

At Amatola Water, stakeholder engagement is not viewed as a compliance obligation but as a strategic enabler of inclusive and sustainable service delivery. It is a core component of our mission to ensure that communities are informed, involved, and empowered.

We recognise that stakeholders including local communities, employees, government entities,non-governmental organisations (NGOs), and regulatory agencies play a pivotal role in shaping our policies, guiding our practices, and enhancing our impact.

Community support is essential to the successful implementation of projects, fostering greater participation in water conservation efforts and promoting responsible water usage.

By cultivating mutual understanding and identifying shared goals, Amatola Water proactively addresses concerns and builds collaborative relationships that benefit all parties involved.

An effective stakeholder engagement process enables:

- A deeper understanding of stakeholder needs and expectations
- Increased stakeholder confidence and trust
- Well-informed communities that actively participate in water sector initiatives
- Strengthened water conservation and demand management through shared responsibility and behavioural change

Through ongoing dialogue, strategic partnerships, and transparent communication, Amatola Water continues to strengthen its stakeholder network and reinforce its commitment to social responsibility and service excellence.



COMMUNITY OUTREACH AND CORPORATE SOCIAL INVESTMENT (CSI)

Amatola Water remains committed to community outreach and CSI as part of its broader mandate to promote sustainable development and social upliftment. These initiatives are designed to address pressing social challenges while enhancing the quality of life in the communities we serve.

Through targeted programmes including educational campaigns, donations, and sponsorships Amatola Water actively contributes to community well-being and empowerment. These efforts not only reflect our dedication to making a meaningful social impact but also strengthen stakeholder trust, foster loyalty, and reinforce our position as a responsible and values-driven public entity.

Supported Areas:

Donation of water tanks and sanitation materials to under-resourced schools, sponsorship of community clean-up drives and water conservation events, and support for local NGOs and community development initiatives.

During this period, AW partnered with DWS for Mandela Day (Clear Rivers campaign) and engaged learners at the Albertina Sisulu Christian Centre Career Expo and Umzimvubu Career Exhibition in Mount Ayliff.



SCHOOL TOUR PROGRAMME AND SCHOOL VISITS

The School Tour Programme forms a vital part of Amatola Water's educational outreach strategy, aimed at fostering awareness and understanding of water management among young learners. Through this initiative, students from local schools are invited to visit Amatola Water facilities such as the Albany Coast Reverse Osmosis Plant, Paddie, and Nahoon Water Treatment Works where they gain first-hand exposure to water treatment processes, conservation practices, and the principles of sustainable water use.

In addition to school groups, Amatola Water hosts guided tours for tertiary institutions, media representatives, and other stakeholders, promoting transparency and public engagement. The organisation also conducts outreach visits and interactive sessions at schools and academic institutions, offering students valuable insights into water science, environmental stewardship, and the critical role of water in everyday life.

By collaborating with educational institutions, Amatola Water contributes to curriculum development and reinforces the importance of water education. These efforts help cultivate a knowledgeable and environmentally conscious generation that values and protects South Africa's water resources.

Supported Areas:

Educational tours of water treatment plants and dams, school-based water conservation workshops and science talks, and career guidance sessions related to water and environmental studies. Learners from Ebenezer Majombozi High, Nonceba Senior Secondary School in Zwelitsha, Majiza Secondary School in Sandile, and home schoolers at Nahoon Dam participated in tours, interactive sessions, and water conservation workshops.



WATER CONSERVATION AND D EMAND MANAGEMENT CAMPAIGNS

Water conservation and demand management remain critical priorities for Amatola Water, particularly considering climate change and the growing pressure on water resources. The organisation actively engages stakeholders through targeted awareness campaigns that promote responsible water use and sustainable practices. These initiatives are delivered in collaboration with community leaders, schools, and other key partners to maximise reach and impact.

By fostering a culture of conservation, Amatola Water contributes meaningfully to the short, medium, and long-term sustainability of water resources in the region, while empowering communities to take ownership of their water usage.

Supported Areas:

Community workshops on water-saving techniques, distribution of educational materials on leak reporting and water-efficient household practices, and campaigns highlighting the impact of climate change on water resources. Water Week campaigns were conducted in Kenton on Sea (Port Alfred), Nonceba Senior Secondary School in Zwelitsha, Majiza Secondary School in Sandile, and Tamara Village.

CAREER EXHIBITIONS

Career exhibitions serve as a dynamic platform for Amatola Water to engage with the community particularly the youth and promote career pathways within the water sector. These events highlight opportunities in water management, engineering, and environmental science, offering valuable insights into the skills and qualifications required to pursue careers in these fields.

Through active collaboration with schools, tertiary institutions, and NGOs, Amatola Water not only showcases its organisational values but also inspires the next generation to contribute to the sector's growth and innovation. This engagement strengthens community ties and plays a vital role in addressing skills gaps within the local workforce.

Supported Areas:

Participation in career expos and science fairs, career guidance workshops at schools and colleges, and mentorship programmes for students pursuing STEM careers.

AW engaged learners at the Albertina Sisulu Christian Centre Career Expo and the Umzimvubu Career Exhibition in Mount Ayliff.



STRATEGIC COMMUNICATIONS AND BRAND MANAGEMENT

Amatola Water's communications and media relations function played a pivotal role in shaping public perception, maintaining transparency, and supporting stakeholder engagement throughout the reporting period. The organisation navigated a dynamic media landscape, balancing reputational risks with proactive outreach and strategic messaging.

While periods of heightened media scrutiny particularly around leadership transitions and industrial action presented challenges, Amatola Water responded with consistent communication efforts aimed at clarifying its position and maintaining stakeholder confidence. These efforts were managed under pressure, due to limited resources; however, the subdivision was capacitated through the appointment of a Stakeholder Relations and Communications Manager to ensure that the organisation remained committed to transparency and accountability when engaging with its stakeholders.

Media coverage overall remained neutral, with Amatola Water successfully mitigating potential reputational risks through timely internal briefings, stakeholder outreach, and carefully crafted public statements. Positive developments, such as the completion of key infrastructure projects, were actively promoted across digital platforms to reinforce the organisation's achievements and maintain a balanced public image.

Amatola Water expanded its digital footprint by launching new platforms including TikTok, LinkedIn, and a WhatsApp Channel while maintaining active engagement on Facebook, X, Instagram, and its official website. These channels were used to share service updates, project milestones, and community-focused content, significantly enhancing outreach and visibility.

Looking ahead, the organisation recognises the need to strengthen the utilisation, monitoring, and feedback mechanisms of its digital platforms. This will be essential to improving responsiveness, deepening stakeholder engagement, and ensuring that accurate, transparent information continues to be disseminated effectively. Amatola Water remains committed to building a resilient and adaptive communications function that supports its strategic outcomes, fosters public trust, and amplifies its impact.





MEANINGFUL STAKEHOLDER ENGAGEMENTS (2024/25)

Stakeholder Engagement Overview

Amatola Water continues to prioritise meaningful stakeholder engagement as a strategic driver of service delivery, collaboration, and community empowerment. During the reporting period, the organisation engaged with a diverse range of stakeholders across government, municipalities, educational institutions, and civil society. These interactions focused on addressing operational challenges, enhancing water infrastructure planning, promoting youth development, and strengthening community relations.

Engagements included strategic forums, project handovers, educational outreach, and participation in national programmes each contributing to Amatola Water's commitment to transparency, responsiveness, and sustainable water resource management.

The table below identifies key engagements during the 2024/25 FY:









Stakeholder	Level of Influence	Level of Interest	Engagement Summary
Amathole District Municipality	High	High	Collaborative discussions to address shared Water Services Provider (WSP) challenges.
Buffalo City Metropolitan Municipality	High	High	Strategic engagement to support water supply security for Bhisho from Laing Dam WTW.
OR Tambo District Municipality	High	High	Situational analysis and IDP Forum participation to align on regional water solutions.
Sunday's River Valley Local Municipality	High	High	Project handover to ensure seamless transition of water infrastructure responsibilities.
Department of Water and Sanitation (Provincial)	High	High	Joint infrastructure planning and collaboration on national water service priorities. Discussed water tariffs and resolved outstanding operational issues. AW Participated in the National DWS Youth program, Engaged with Young professionals on available opportunities in the water and sanitation sector. Participated in infrastructure launch and stakeholder engagement activities (JKH WTW Phase 2)
Department of Water and Sanitation – Ministerial Oversight	High	High	Participated in national Water Boards briefing to align on sector priorities. Engagement with the community and stakeholders on water related issues in Kirkwood during project handover Participated in the community meeting at Makana focusing on water issues in the area. Engaging learners and communities on water related issues at Sterkspruit.
Eastern Cape Treasury & Provincial CFOs	High	High	Addressed outstanding municipal payments and financial coordination.
Department of Cooperative Governance and Traditional Affairs	Low	High	Held strategic discussions on water challenges in Bhisho.
EC Suppliers	High	High	AW hosted a supplier day to educate suppliers about SCM processes
Lumko High School	Low	High	AW Youth Day Celebrations at Lumko High School, Community Engagement, and Motivating learners and advising them on career paths in the water sector
DSRAC	Low	High	Engaged learners while raising awareness on water conservation, illegal connections, vandalism and cable theft, during the International Museum Day at Fort Beaufort

Table 3.6: key engagements during the 2024/25 FY

CUSTOMER SATISFACTION SURVEY

A comprehensive customer satisfaction survey conducted during the reporting period yielded an average satisfaction score of 59%. This result highlights key areas for improvement and has informed the development of a targeted Action Plan for implementation in the 2025/26 financial year, focusing on enhancing service delivery, responsiveness, and overall customer experience.

STAKEHOLDER ENGAGEMENT PLANS

Amatola Water remains committed to enhancing its stakeholder engagement strategies to ensure inclusive, transparent, and responsive service delivery. Future plans include strengthening the use of digital platforms, improving monitoring capabilities, refining feedback mechanisms, and implementing targeted outreach programmes.

By expanding partnerships and leveraging technology, Amatola Water aims to embed stakeholder voices into decision-making processes and reinforce its commitment to community-centred water service provision.





4 PERFORMANCE INFORMATION

STATEMENT OF RESPONSIBILITY FOR PERFORMANCE INFORMATION

The Chief Executive is responsible for preparing Amatola Water's performance information and the concomitant judgements made from this information, as well as establishing and implementing an internal control system designed to provide reasonable assurance on the integrity and reliability of performance information.

In his/her opinion, the performance information fairly reflects the organisation's achievements against planned objectives, indicators, and targets per Amatola Water's Shareholder Compact, Annual Performance Plan, and corporate scorecard for the financial year ending 30 June 2025.

Amatola Water's performance information for the year ending 30 June 2025 has been examined by the external auditors and approved by the Accounting Authority.



Dr G Sharpley
Interim Board Chairperson
Date: 29/10/2025



Ms L Nzoyi
Acting Chief Executive
Date: 29/10/2025

INTRODUCTION

Amatola Water implements its strategy through the Annual Performance Plan (APP) and Shareholder Compact (SHC) documents for the 2024/25 financial year, including the five-year Corporate Plan, remain the source documents for the compilation of Amatola Water's Integrated Annual Report on performance information.

Performance monitoring and evaluation and the implementation of Amatola Water's Five-Year Strategy and the Annual Performance Plan is done through quarterly reporting process. Management compiles individual reports, which were subjected to a review by Internal Audit to ensure integrity and reliability. These reports were subsequently submitted to the Audit and Risk Committee (ARC) and shared with the Board for consideration and approval.

In line with statutory requirements, four quarterly performance reports were submitted to the Shareholder, the Department of Water and Sanitation (DWS). The Annual Report on performance information consolidates these reports and reflects Amatola Water's achievements against the indicators and targets set out in the APP for the 2024/25 financial year.

For the year under review, the strategic framework consisted of four (4) Perspectives and seven (7) Strategic Outcomes. The Annual Performance Plan contained 64 performance targets against which Amatola Water had to perform for the year under review. The SHC contained 39 targets approved by the Shareholder. These indicators include all statutory performance measures prescribed by the Executive Authority and incorporated into the approved Shareholder Compact.

The Balanced Scorecard framework supports the achievement of the organisation's seven (7) Strategic Outcomes, thereby advancing Amatola Water's mission to contribute meaningfully to socio-economic development by providing bulk water services in the Eastern Cape Province in an ethical, efficient, and sustainable manner.

For the period 1st July 2024 to 30 June 2025, the planned initiatives were implemented and performance progress monitored on an ongoing basis. Achievement against the predetermined targets is presented in this report and illustrated graphically in Figures 4.1 and 4.3

Overview of Annual Performance 2024/25

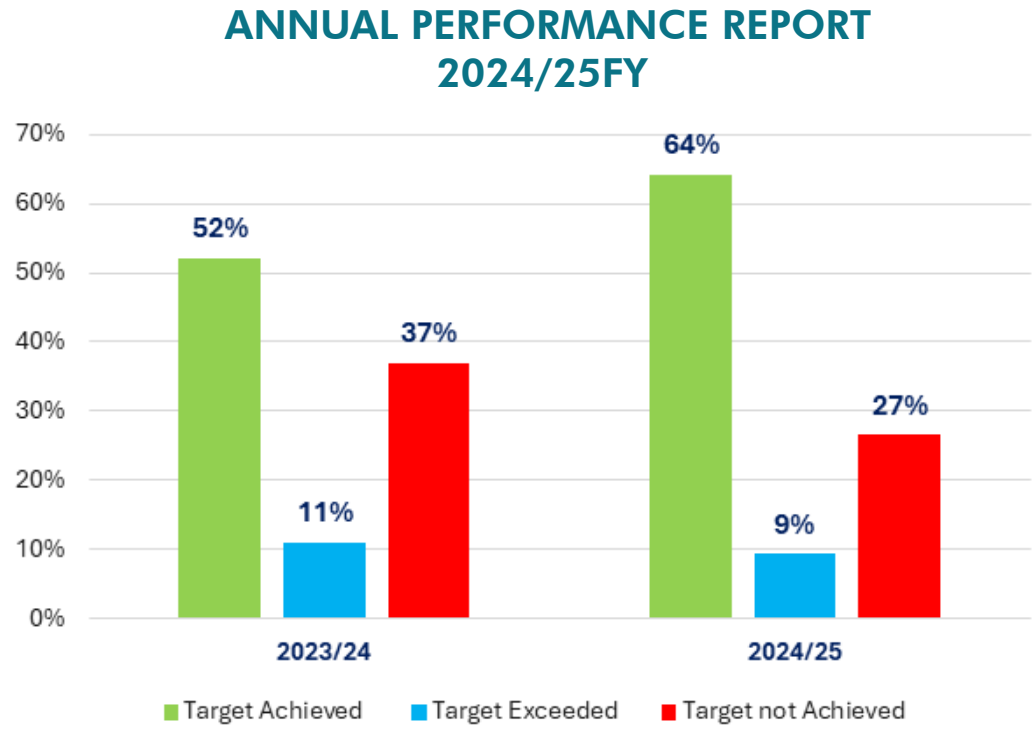


Figure 4.1: Annual Performance Report (2023/24 & 2024/25)

The Annual Performance Report and Shareholders Compact outcomes of the 2024/25 Organisational Performance is detailed in table 1 below.

- SHC = SHAREHOLDER COMPACT
- SC = SCORECARD

STRATEGIC OUTCOME	OUTPUTS	SHC/SC REF NUMBER	OUTPUT INDICATOR	SHC/SC	AUDITED RESULTS 2023/24	PERFORMANCE TARGET	ACTUAL RESULTS 2024/25	REASONS FOR VARIANCE
SO1 Improve the provision of safe and reliable water services	Availability and accessibility to services sustained	1.1.0.	Acute health microbiological compliance ≥99%	SHC	95.30%	97%	97.2%	The target has been achieved
		1.1.1.	Acute health chemical compliance ≥97%	SHC	100%	95%	100%	The target has been achieved
		1.1.2.	Chronic health chemical compliance ≥97%	SHC	99.20%	95%	99.1%	The target has been achieved
		1.1.3.	Operational compliance ≥95%	SHC	92.80%	95%	91.9%	The target has not been achieved: See detailed explanation and remedial action below. (a)
		1.1.4.	Aesthetic compliance ≥95%	SHC	98.20%	95%	97.3%	The target has been achieved
		1.1.6	Average number of days of unplanned interruptions	SHC	30.26days	≤5	11.70	The target has not been achieved: See detailed explanation and remedial action below. (b)
		1.1.7.	Percentage assurance of raw water supply	SHC	70.1%	98%	75.80%	The target has been achieved
		1.1.8.	Avoidable water losses as percentage of water produced at treatment and distribution systems	SHC	9.4%	9%	16.42%	The target has not been achieved: See detailed explanation and remedial action below. (c)
		1.1.9.	Number of Municipalities/other customers with supply agreements in place	SHC	36%	3	3	The target has been achieved
		1.1.12.	Percentage progress on funded projects against implementation plans.	SHC	64%	60%	76%	The target has been exceeded
		1.1.13.	Overall Expenditure Incurred -Funded Projects (R Value)	SHC	New	R380 032 340	R297 090 100.38	The target has not been achieved: See detailed explanation and remedial action below. (d)
		1.1.14	Number of signed contracts/MOUs in place with rural municipalities for provision of support	SHC	5	3	11	The target has been e exceeded.

STRATEGIC OUTCOME	OUTPUTS	SHC/SC REF NUMBER	OUTPUT INDICATOR	SHC/SC	AUDITED RESULTS 2023/24	PERFORMANCE TARGET	ACTUAL RESULTS 2024/25	REASONS FOR VARIANCE
SO2: Effective Corporate Governance and Ethical Leadership	Leadership effectiveness	2.1.0	External audit outcome	SHC	Unqualified	Unqualified	Unqualified	The target has been achieved. This is based on the AW 2024/25 External Audit Outcome.
		2.1.1.	Percentage of unresolved internal audit findings	SHC	22%	10%	7%	The target has been achieved
		2.1.2.	Percentage of repeat internal audit findings	SHC	30%	5%	25%	The target has not been achieved: See detailed explanation and remedial action below. (f)
		2.1.3.	Number of employees undergoing Leadership Development Programmes.	SC	14	5	6	The target has been achieved
		2.1.4.	Percentage compliance with planning and reporting timeframes	SHC	75%	100%	100%	The target has been achieved
		2.1.5.	Percentage compliance with all Board and committee charter(s) provisions	SC	97.88%	80%	97%	The target has been achieved
		2.1.6.	Percentage of Board and Committees' resolutions implemented	SHC	93.64%	90%	90%	The target has been achieved
		2.1.7.	Percentage of compliance with applicable legislations	SC	92%	90%	90%	The target has been achieved
		2.1.8.	Percentage of review policies approved.	SC	100%	80%	100%	The target has been achieved
		2.1.9.	Percentage implementation of risk management activities	SC	100%	90%	90%	The target has been achieved
		2.1.10.	Number of ICT Projects Implemented	SC	11	4	4	The target has been achieved
		2.1.11.	Board/Committee meetings attended as a % of planned meetings	SHC	96.51%	95%	100%	The target has been achieved
		2.1.12.	Number of breaches or instances of non-compliance to the approved framework.	SHC	0	0	0	The target has been achieved

STRATEGIC OUTCOME	OUTPUTS	SHC/SC REF NUMBER	OUTPUT INDICATOR	SHC/SC	AUDITED RESULTS 2023/24	PERFORMANCE TARGET	ACTUAL RESULTS 2024/25	REASONS FOR VARIANCE
SO3: Improved financial viability	financial Management	3.1.0.	Number of Ml/days sold	SC	85.6Ml /day	84Ml/day	87.5Ml/day	The target has been achieved
		3.1.1.	Current ratio	SHC	0.852	1.128	0.696	The target has not been achieved: See detailed explanation and remedial action below. (g)
		3.1.2.	Gross profit margin (primary activity)	SHC	-1.25%	8.84%	12.84%	The target has not been achieved: See detailed explanation and remedial action below. (h)
		3.1.3.	Gross profit margin (secondary activity)	SHC	65.95%	58.22%	-54.70%	The target has not been achieved: See detailed explanation and remedial action below. (i)
		3.1.4.	Net profit margin (primary activity)	SHC	-36.08%	-34.82%	-33.74%	The target has been achieved
		3.1.5.	Net profit margin (secondary activity)	SHC	-29.56%	49.57%	0.75%	The target has not been achieved: See detailed explanation and remedial action below. (j)
		3.1.6.	Debtors' days	SHC	255.22 days	150 days	168.88 days	The target has not been achieved: See detailed explanation and remedial action below. (k)
		3.1.7.	Creditors' days	SC	217.34 days	114.07 days	282.44 days	The target has not been achieved: See detailed explanation and remedial action below. (l)
		3.1.8.	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	SHC	1.44%	3.30%	1.27%	The target has not been achieved: See detailed explanation and remedial action below. (m)
		3.1.9.	Actual B-BBEE spend as a % of total discretionary expenditure	SHC	125%	60%	92%	The target has been achieved
		3.1.10.	Percentage of staff remuneration to total operating expenditure	SHC	35.16%	37.32%	35.99%	The target has been achieved
		3.1.11.	Debt Equity	SHC	0.00%	0.00%	0.00%	The target has been achieved
		3.1.12.	Return on Assets	SHC	-12.55%	-13.46%	-12.84%	The target has been achieved
		3.1.13.	Financial Reports (% expenditure against budget)	SHC	0.55%	10%	-0.74%	The target has not been achieved: See detailed explanation and remedial action below. (n)
		3.1.14	Percentage secondary revenue of total turnover	SHC	5.57%	11.32%	3.95%	The target has not been achieved: See detailed explanation and remedial action below. (o)

STRATEGIC OUTCOME	OUTPUTS	SHC/SC REF NUMBER	OUTPUT INDICATOR	SHC/SC	AUDITED RESULTS 2023/24	PERFORMANCE TARGET	ACTUAL RESULTS 2024/25	REASONS FOR VARIANCE
SO4 Improved Stakeholder Relations	Stakeholder Management	4.1.0.	Percentage customer satisfaction level	SC	0%	80%	59%	The target has not been achieved: See detailed explanation and remedial action below. (p)
		4.1.2.	Number of community/schools initiatives undertaken	SHC	89	30	55	The target has been exceeded.
SO5 Efficient and Innovative Organisation	Organisational Efficiency	5.1.1.	Average number of days to report on tests performed	SC	10.6 days	7 days	6.10 days	The target has been achieved
		5.1.2.	Number of accredited water quality determinants meeting the South African National Standard (SANS 241)	SC	29	35	35	The target has been achieved
		5.1.3.	Percentage expenditure on maintenance of total primary business operating budget	SC	11.40%	8%	18%	The target has been achieved
		5.1.4.	Number of innovation projects Initiated	SC	3	3	3	The target has been achieved
		5.1.5.	Electrical consumption over production ratio	SC	1.034 kWh/ cubic meter	0.880 kWh/cubic meter	0,875 kWh/ cubic meter	The target has been achieved
		5.1.7.	Disabling Injury Frequency Rate not to exceed 0.8	SC	0.08		0.5	The target has been achieved
SO6 Enhanced Environmental Sustainability	Environmental	6.1.1	Number of environmental awareness campaigns.	SC	82	1 Campaign	1 Campaign	The target has been achieved
		6.1.2	Baseline carbon footprint assessment study	SC	New	1	1	The target has been achieved
		6.1.3	Source funds for renewable / alternative energy installations	SC	New	1	0	The target has not been achieved: See detailed explanation and remedial action below. (q)

STRATEGIC OUTCOME	OUTPUTS	SHC/SC REF NUMBER	OUTPUT INDICATOR	SHC/SC	AUDITED RESULTS 2023/24	PERFORMANCE TARGET	ACTUAL RESULTS 2024/25	REASONS FOR VARIANCE
SO7 A highly skilled, engaged, and productive workforce	Effective and efficient workforce	7.1.0.	Percentage implementation of an HR Plan	SC	78%	70%	92%	The target has been achieved
		7.1.1.	Percentage implementation of the training and skills development programme /plan	SC	61%	80%	96%	The target has been exceeded
		7.1.2.	Number of new youths in internship, learnership and work integrated learning Programmes	SC	29	15	29	The target has been exceeded
		7.1.3.	Number of Employee Wellness initiatives implemented	SC	10	8	9	The target has been achieved
		7.1.4.	Percentage uptake of total employees on EAP initiatives.	SC	73.58%	30%	69.08%	The target has been exceeded
		7.1.5.	Percentage of Individual performance assessments conducted.	SC	96%	90%	99%	The target has been achieved
		7.1.6.	Number of permanent jobs created	SHC	374	285	295	The target has been achieved
		7.1.7.	Number of temporary jobs created	SHC	350	278	387	The target has been achieved
		7.1.8.	Percentage of planned maintenance projects implemented (Maintenance Plan)	SC	83%	80%	80%	The target has been achieved
		7.1.10.	Number of Learnerships	SHC	16	8	10	The target has been achieved
		7.1.11.	Number of Employee Bursaries	SHC	7	5	1	The target has not been achieved: See detailed explanation and remedial action below. (r)
		7.1.12.	Number of Graduate Programmes	SHC	1	1	2	The target has been achieved
		7.1.13.	Percentage Staff Turnover	SHC	0.34%	≤5%	2.13%	The target has been achieved

Table: 4.1: Annual Performance Report

Areas of over -achievement

Output Indicator Reference Number	Output Indicators	Annual Result 2023/24	Annual Target 2024/25	Annual Result 2024/25
1.1.12. (a)	Percentage progress on funded projects against implementation plans.	64%	60%	76%
1.1.14. (b)	Number of signed contracts/MOUs in place with rural municipalities for provision of support	5	3	11
4.1.2. (c)	Number of community/schools initiatives undertaken	89	30	55
7.1.1. (d)	Percentage implementation of the training and skills development programme /plan	61%	80%	96%
7.1.2. (e)	Number of new youths in internship, learnership and work integrated learning Programmes	29	15	29
7.1.4. (f)	Percentage uptake of total employees on EAP initiatives.	73.58%	30%	69.08%

Table 4.2: Areas of over achievement

Table 2 Performance Targets Exceeded in 2024/25.

a) 1.1.12 Percentage progress on funded projects against implementation plans.

The target has been exceeded: This performance is attributed to improved project expenditure during the quarter, driven by the consistent application of core project management principles. These included close monitoring, strict administrative controls, adherence to best practices, and sound governance.
In addition, enhanced operational efficiencies enabled the completion of historically delayed projects such as Binfield, Sandile, and the Three Pipe Bridges.

b)1.1.14 Number of signed contracts/MOUs in place with rural municipalities for provision of support.

The target has been exceeded: This is attributed to an increased number of contracts where Amatola Water acts as an Implementing Agent for Water Service Authorities (WSA) in rural areas for the provision of support.

c)4.1.2 Number of community/schools initiatives undertaken.

The target has been exceeded: This is attributed to the increased rollout of awareness campaigns targeting communities and schools, as well as consistent publications on social media platforms throughout the 2024/25 financial year.

d)7.1.1 Percentage implementation of the training and skills development programme /plan.

The target has been exceeded: The predetermined target of 80% formed part of the overall 100% planned and budgeted training interventions for the 2024/25 financial year. Management accelerated the implementation of the training plan, resulting in 96% of the planned trainings being successfully completed during the period under review.

e)7.1.2 Number of new youths in internship, learnership and work integrated learning Programmes.

The target has been exceeded: During the period under review, Amatola Water was approached by the Southern Africa Institute for Artisans (SAIFA) and Office of the Premier to host interns for a 24-month period. These additional internships were accommodated at no financial cost to the organisation, as the interns are fully funded by the respective institutions.

f)7.1.4 Percentage uptake of total employees on EAP initiatives.

The target has been exceeded: This is attributed to increased awareness and uptake of Employee Assistance Programmes (EAP) by employees. During the period under review, the Occupational Health Nurse expanded the

outreach initiative (Clinic Services) to all Amatola Water sites, thereby improving accessibility of health services to staff.

Overview of Performance on Strategic Outcomes

The strategic outcomes form the building blocks of Amatola Water's roadmap toward its desired end state, as articulated in its Vision and Mission statements.

They underpin the organisation's strategies, actions, and collective efforts, ensuring alignment across all operational activities.

Strategic Outcome No.	Description of the Strategic Outcome	Target Achieved	Targets Exceeded	Target not Achieved	Total
SO1	Improve the provision of safe and reliable water services	6	2	4	12
SO2	Effective Corporate Governance and Ethical Leadership.	12	0	1	13
SO3	Improved Financial Viability	6	0	9	15
SO4	Improved Stakeholder Relations	0	1	1	2
SO5	Efficient and innovative organisation	6	0	0	6
SO6	Enhanced environmental sustainability	2	0	1	3
SO7	A highly skilled, engaged and productive workforce	9	3	1	13
TOTAL		**41**	**6**	**17**	**64**

Table 4.3: Overview of Performance on Strategic Outcomes

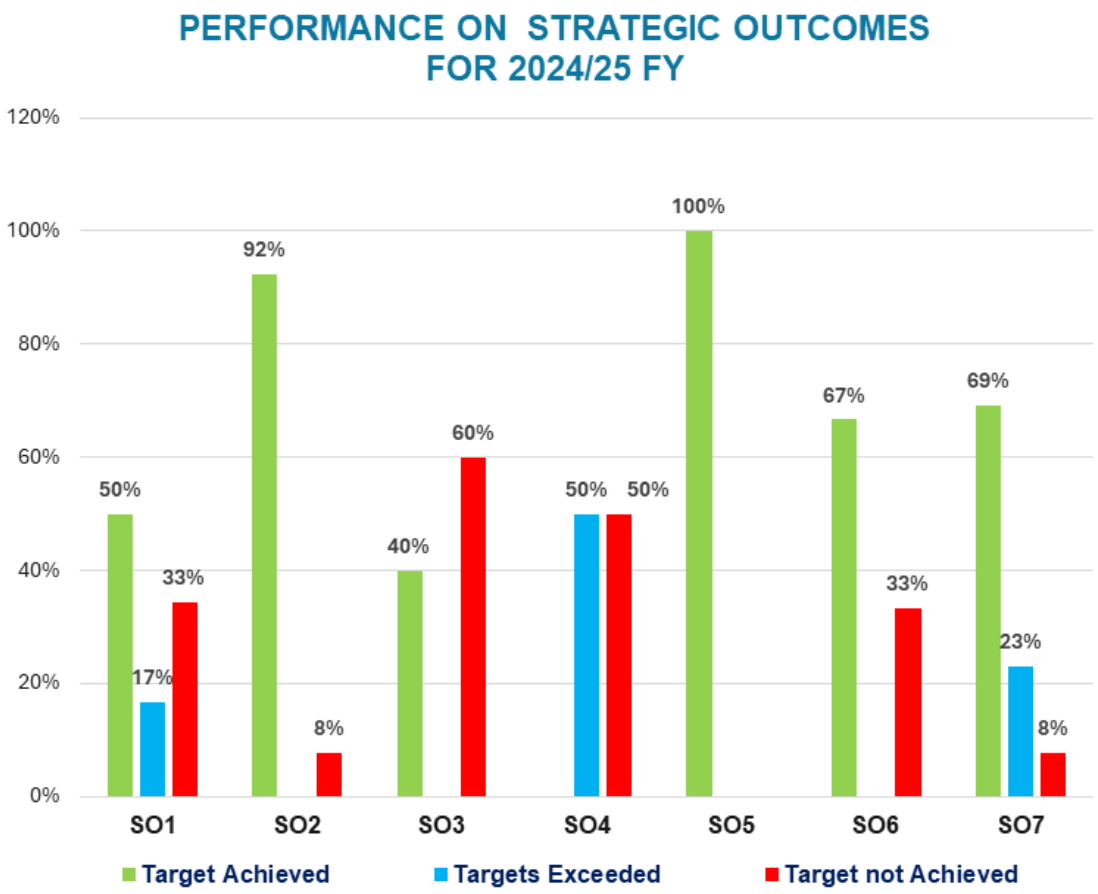


Figure 4.2: Performance on Strategic Outcomes

The Significant decline in the organisational performance is attributable to:

The decline in organisational performance for the 2024/25 financial year is attributable to a combination of operational, financial, and external challenges, including:

1. Ageing and Inadequate Infrastructure

- Frequent pipe breaks (e.g., Laing, Tsholomnqa) and faulty or obsolete equipment (e.g., Masincedane filters, settling tank at Debe) impacted operational compliance and increased unplanned interruptions.
- Inadequate infrastructure to meet operational targets, leading to higher avoidable water losses and extended downtime during breakdowns.

2. Delays in Project Implementation

- Procurement and adjudication delays, particularly for major projects such as the James Klynhans Phase 3, resulting in postponed project expenditure and missed performance targets.

3. Financial Constraints and Cost Escalations

- Increased input costs, especially electricity, bulk water purchases, security, legal, and professional fees, drove operating expenditure above budgeted levels.
- Higher-than-planned production volumes increased bulk water and energy costs, straining profit margins.
- Cash flow pressures due to delayed debtor payments from Amathole District Municipality (ADM) and high creditor days, despite payment agreements with key suppliers.

4. Unplanned Maintenance Demands

- A significant portion of maintenance resources was diverted to address urgent breakdowns, leading to underspending on planned maintenance and delays in preventative upkeep.

5. Governance and Compliance Gaps

- Repeat internal audit findings due to inadequate portfolio of evidence (POE) for certain performance areas.
- Variances in financial reporting performance indicators linked to delayed or incomplete remedial actions.

6. Customer and Stakeholder Challenges

- Low customer satisfaction in rural municipalities, linked to infrastructure deficiencies, poor communication, and slow emergency response times.

7. Capacity and Resource Limitations

- Limited funding for skills development initiatives such as bursaries, due to budget constraints.
- Delays in securing funding for renewable/alternative energy projects to improve operational sustainability.

To address these challenges and improve organisational performance in the 2025/26 financial year, management will:

a) Strengthen preventative maintenance planning to reduce unplanned operational interruptions.
b) Implement cost-containment strategies, focusing on high-expenditure categories.
c) Enhance project management and procurement efficiency to ensure timely delivery.
d) Intensify revenue collection initiatives to improve cash flow.

Overview of Shareholders Compact Performance 2024/25

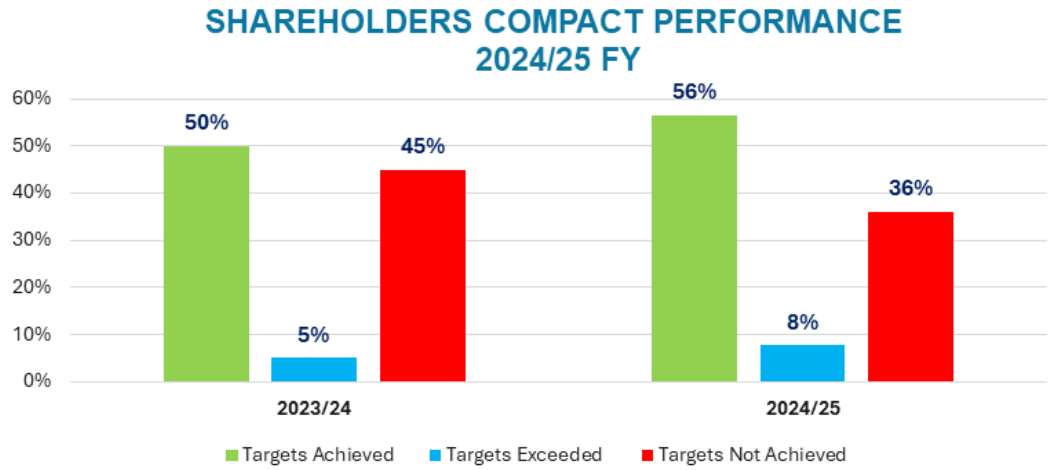


Figure 4.3: Shareholders Compact Performance (2023/24 & 2024/25)

The Annual Shareholders Compact outcome of the 2024/25 Organisational Performance is detailed in table 2 below.

ALIGNMENT									ANNUAL PERFORMANCE TARGETS			
Strategic outcome	Performance objective		Ministerial outcomes	DWS strategic goals	AW Strategic Outcomes	Outcome/ Impact	Output indicators	Measure	Audited results 2023/24	Annual Target 2024/25	Annual Results 2024/25	Variance Explanation
Organisational Efficiency and Effectiveness	1	Bulk potable water quality compliance	Priority 5: Spatial integration, human settlements and local government	Outcome 3: Water demand reduced and water supply increased. Outcome 6: Water redistributed for transformation	SO1	Water quality standards met	1. Acute health microbiological compliance ≥ 99%	% Compliance	99.30%	97%	97.2%	0.2%
							2. Acute health chemical compliance ≥ 97%	% Compliance	100%	95%	100%	5%
							3. Chronic health chemical compliance ≥ 97%	% Compliance	99.20%	95%	99.1%	4.1%
							4. Operational compliance ≥ 95%	% Compliance	92.80%	95%	91.9%	-3.1%
							5. Aesthetic compliance ≥ 95%	% Compliance	98.20%	95%	97.3%	2.3%
	2	Manage avoidable water losses	Priority 5: Spatial integration, human settlements and local government Outcome 3: Water demand reduced and water supply increased Outcome 6: Water redistributed for transformation	Outcome 3: Water demand reduced and water supply increased	SO1	Reduced avoidable water losses in treatment and distribution systems	Avoidable water losses as a percentage of water produced at the treatment and distribution systems	%	9.4%	9%	16.42%	-7.42%
					SO1	No unplanned interruptions to bulk supply exceeding 24 hours	Average number of days of unplanned interruptions	number of days	30.26 days	≤5	11.70	-6.70
	3	Reliability of supply	Priority 5: Spatial integration, human settlements and local government	Outcome 3: Water demand reduced and water supply increased	SO1	Availability and accessibility to services sustained	Percentage assurance of raw water supply	%	70.1%	98%	75.80%	22.2%
	4	Increased access to services	Priority 5: Spatial integration, human settlements and local government	Outcome 3: Water demand reduced and water supply increased Outcome 6: Water redistributed for transformation	SO1	Contribution to national objectives of extending services	Percentage of actual capex budget spend on expansion related projects (initiatives by the Minister)	%	N/A	N/A	N/A	N/A

ALIGNMENT									ANNUAL PERFORMANCE TARGETS			
Strategic outcome	Performance objective		Ministerial outcomes	DWS strategic goals	AW Strategic Outcomes	Outcome/ Impact	Output indicators	Measure	Audited results 2023/24	Annual Target 2024/25	Annual Results 2024/25	Variance Explanation
Financial Performance	5	Financial reporting compliance	Priority 1: Building a capable, ethical and developmental state developmental state	Outcome 1: Efficient, effective and development-orientated department	SO3	Unqualified audit report	External audit outcome	Unqualified report with no matters of emphasis (clean audit)	Unqualified	Unqualified	Unqualified	The target has been achieved. This is based on the AW 2024/25 External Audit Outcome.
	6	Improve key financial ratios	Priority 1: Building a capable, ethical and developmental state developmental state	Outcome 1: Efficient, effective and development-orientated department		Improved viability and sustainability	Current ratio	Ratio	0.852	1.128	0.696	- 0.43
						Improved viability and sustainability	Gross profit margin % (primary activity)	%	-1.25%	8.84%	12.84%	-4.00%
							Gross profit margin (secondary activity)	%	65.95%	58.22%	-54.70%	-3.52%
							Net profit margin (primary activity)	%	-36.08%	-34.82%	-33.74%	1.08%
							Net profit margin (secondary activity)	%	-29.56%	49.57%	0.75%	-48.82%
							Debtor's days	Number	255.22 days	150 days	168.88 days	-18.88 days
							Debt Equity	Ratio	0.00%	0.00%	0.00%	0.00%
							Return on Assets	Ratio	-12.55%	-13.46%	-12.84%	0.62%
							Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	%	1.44%	3.30%	1.27%	-2.03%
							Percentage of staff remuneration to total operating expenditure		35.16%		35.99 %	1.33%

ALIGNMENT									ANNUAL PERFORMANCE TARGETS			
Strategic outcome	Performance objective		Ministerial outcomes	DWS strategic goals	AW Strategic Outcomes	Outcome/ Impact	Output indicators	Measure	Audited results 2023/24	Annual Target 2024/25	Annual Results 2024/25	Variance Explana-tion
	7	Increase B-BBEE expenditure in relation to operational projects	Priority 2: Economic transformation and job creation	Outcome 1: Efficient, effective and development-orientated department	SO3	Spend increased and increased new entrants awarded contracts in the financial year	Actual B-BBEE spend as a % of total discretionary expenditure	%	125%	60%	92%	32%
	8	Manage costs within the approved budget	Priority 1: Building a capable, ethical and developmen-tal state developmental state	Outcome 1: Efficient, effective and development-orientated department	SO3	Actual expenditure compared with budgeted expenditure for the quarter	Financial Reports (% expenditure against budget)	%	0.55%	10%	0.74%	-9.26%
	9	Capital expenditure programme	Priority 5: Spatial integration, human settlements and local govern-ment	Outcome 3: Water demand reduced and water supply increased	SO1	Infrastructure available to meet demands	Percentage progress on funded projects against implementation plans	%	64%	60%	76%	16%
				Outcome 6: Water redistributed for transformation			Overall Expenditure Incurred -Funded Projects (R Value)	R Value (Mil)	New	R380 032 340	R297 090 100.38	-R82 942 239.62
	10	Engagement in Secondary activities		Outcome 3: Water demand reduced, and water supply increased	SO1	Growth in turnover from secondary (other activities)	% secondary revenue of total turnover	%	5.57%	11.32%	3.95%	-7.37

ALIGNMENT									ANNUAL PERFORMANCE TARGETS			
Strategic outcome	Performance objective		Ministerial outcomes	DWS strategic goals	AW Strategic Outcomes	Outcome/ Impact	Output indicators	Measure	Audited results 2023/24	Annual Target 2024/25	Annual Results 2024/25	Variance Explanation
Customer/ Stakeholder Interaction	11	Bulk supply agreements concluded with municipalities/other customers	Priority 1: Building a capable, ethical and developmental state developmental state	Outcome 1: Efficient, effective and development-orientated department	SO1	Statutory and service level agreements in place	Number of Municipalities/other customers with supply agreements in place.(new indicator)	Number	New	3	3	0
	12	Implementation of Ministerial directives	Priority 5: Spatial integration, human settlements and local government	Outcome 3: Water demand reduced and water supply increased Outcome 6: Water redistributed for transformation	SO1	New Ministerial directives issued are implemented on time	Percentage progress against Ministerial Directives implementation plan	%	N/A	N/A	N/A	N/A

ALIGNMENT									ANNUAL PERFORMANCE TARGETS			
Strategic outcome	Performance objective		Ministerial outcomes	DWS strategic goals	AW Strategic Outcomes	Outcome/ Impact	Output indicators	Measure	Audited results 2023/24	Annual Target 2024/25	Annual Results 2024/25	Variance Explanation
	13	Support Rural Development	Priority 5: Spatial integration, human settlements and local government Priority 1: Building a capable, ethical and developmental	Outcome 6: Water redistributed for transformation	SO1	Total Number of identified rural Municipalities supported	Number of signed contracts/MOUs with rural Municipalities for provision of support.	Number	5	3	11	8
	14	Achieve statutory reporting compliance	Priority 5: Spatial integration, human settlements and local government	Outcome 1: Efficient, effective and development orientated department	SO2	All statutory reports submitted on time	Percentage compliance with planning and reporting timeframes	%	75%	100%	100%	0%
	15	Staff levels	Priority 1: Building a capable, ethical and developmental state	Goal 1. Efficient, effective and development orientated department	SO7	Optimal staff retention	% Staff turnover	%	0.34%	≤5%	2.13%	2.87%
	16	Training and Skills Development	Priority 1: Building a capable, ethical and developmental state Priority 3: Education, skills and health	Outcome 1: Efficient, effective and development orientated department	SO7	Skills and capacity building	Number of Learnerships	Number	16	8	10	2
							Number of Employee Bursaries		7	5	1	-4
							Number of Graduate Programmes		1	1	2	1
	17	Jobs Created	Priority 1: Building a capable, ethical and developmental state		SO7	Permanent and contract (direct)	Number of permanent jobs created	Number	374	285	295	10
						Temporary (indirect)	Number of temporary jobs created	Number	350	278	387	109

ALIGNMENT								ANNUAL PERFORMANCE TARGETS			
Strategic outcome	Performance objective		Ministerial outcomes	DWS strategic goals	AW Strategic Outcomes	Outcome/ Impact	Output indicators	Measure	Audited results 2023/24	Annual Target 2024/25	Annual Results 2024/25	Variance Explanation
General Performance	18	Board Effectiveness	Priority 1: Building a capable, ethical and developmental state	Outcome 1: Efficient, effective and development orientated department	SO2	Improved performance of fiduciary duties/ governance	Board/Committee meetings attended as a % of planned meetings	%	96.51%	95%	100%	5%
							Percentage of Board and Committee resolutions implemented	%	93.64%	90%	90%	0%
	19	Effective internal controls and risk management	Priority 1: Building a capable, ethical and developmental state	Outcome 1: Efficient, effective and development orientated department	SO2	Internal audit findings dealt with	Percentage of unresolved internal audit findings	%	22%	10%	7%	3%
							Percentage of repeat internal audit findings	%	30%	5%	25%	-20%
	20	Good governance	Priority 1: Building a capable, ethical and developmental state	Outcome 1: Efficient, effective and development orientated department	SO2	Improved controls and risk mitigation	Number of breaches/instances of non-compliance to the approved framework.	Number	0	0	0	0
	21	Corporate social responsibility initiatives	Priority 1: Building a capable, ethical and developmental state	Outcome 1: Efficient, effective and development -orientated department	SO4	Good corporate citizenship	Number of community/schools initiatives undertaken	Number	82	30	55	25

Table 4.4: Annual Shareholders Compact outcome for the 2024/25 FY

Table 4.5 below provides a detailed explanation of the targets not achieved in the Annual Performance Report and Shareholders Compact during the 2024/25 financial year, along with remedial action plans to improve performance in the 2025/26 financial year.

- SHC = SHAREHOLDER COMPACT
- SC = SCORECARD

Strategic Outcome: SO1 Improve the provision of safe and reliable water services							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
1.1.3. (a)	Operational compliance ≥95%	SHC	95%	91.9%	-3.1%	The target has not been achieved: This is due to 1) Continuous pipe breaks at Laing. 2) Masincedane filters cannot backwash due to faulty valves that needed to be imported and installed in June 2025. 3) Settling tank design at Debe is incorrectly designed and needs to be redesigned and there is currently no funding for the redesign. 4) Continuous Tsholomnqa pipe breaks.	(1&4) Upgrade infrastructure to prevent pipe breaks is the ultimate solution but currently dependent on securing funding which is underway. (1&4) Implement ongoing monitoring of planned maintenance to improve turnaround times for breakdowns and pilot technology to assist the reduction of pipe burst during the 2025/26 FY. (2) A service provider has been appointed, and the replacement of faulty values has been completed during Q4. The results will be monitored in Q1 of 25/26 FY. (3) The settling tank will not be redesigned in 25/26 FY due financial constraints.
1.1.6 (b).	Average number of days of unplanned interruptions	SHC	≤5	11.70	-6.70	The target has not been achieved: This is due to: 1. Inadequate infrastructure to meet the pre-determined target. 2.Frequent breakdowns of the infrastructure.	The upgrading of the infrastructure to avoid pipe breaks and increase capacity is the ultimate solution but currently dependent on securing funding which is underway. Management is monitoring the planned maintenance to improve turnaround time on breakdowns while seeking funding to upgrade the dilapidated infrastructure.
1.1.8. (c)	Avoidable water losses as percentage of water produced at treatment and distribution systems	SHC	9%	16.42%	-7.42%	The target has not been achieved: This is due to: 1. Frequent breakdowns and inadequate infrastructure to meet the predetermined target during the 24/25 financial year.	Implementing the Water Demand and Conservation Management (WDWCM) programme, which includes among other interventions: Upgrading and replacement of infrastructure, pressure management, monitoring progress of planned maintenance and repositioning billing bulk meters for adequate billing is currently implemented with limiting funding resources.

Strategic Outcome:SO2 Effective Corporate Governance and Ethical Leadership.							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
2.1.2. (f)	Percentage of repeat internal audit findings	SHC	5%	25%	-20%	The target has not been achieved: Repeat findings resulted from: AOPO - Inadequate POE during the year under review.	While the annual target for the percentage of repeat findings was not fully achieved, this is attributed to the cumulative nature of the KPI, with the target successfully met in the final quarter of the financial year. The Department of Water and Sanitation (DWS) has decided to remove this KPI going forward, Recognising that it tracks a negative outcome rather than a positive, value-adding one. Furthermore, Management has internal audit and findings as a standard agenda item at all all-internal meeting to avoid repeat findings.

Strategic Outcome: SO3: Improved Financial Viability							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
1.1.1. (g)	Current ratio	SHC	1.128	0.696	- 0.43	The target was not achieved. It was initially anticipated that increased collections from Amathole District Municipality (ADM) would be realised following the implementation of Intergovernmental Relations (IGR) processes through the Office of the Premier (OTP) and the Department of Cooperative Governance and Traditional Affairs (CoGTA). However, during the reporting period, ADM defaulted on its payment obligations, settling only R140 million of the total billed amount of R171 million, resulting in an outstanding balance of R31 million. Additionally, the cash balance declined from R143 million in Quarter 3 to R107 million in Quarter 4. This decrease is attributed to costs incurred during the strike, as well as the settlement of Quarter 3 repair and maintenance invoices in Quarter 4.	ADM settled the outstanding amount of R42 million in July 2025 (Quarter 1), covering the shortfall for May and June 2025.

Strategic Outcome: SO3: Improved Financial Viability							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
3.1.2. (h)	Gross profit margin (primary activity)	SHC	8.84%	12.84%	-4.00%	The target was not achieved: This is due to increased input costs, specifically related to electricity and bulk water. While the planned production was 84 Ml/day, actual production during the period under review reached 90 Ml/ day, resulting in higher-than-anticipated operating costs.	Management has reviewed the target for the Ml/day sold in 2025/26 to be in line with the planned production of 87Ml/day.
3.1.3. (i)	Gross profit margin (secondary activity)	SHC	58.22%	-54.70%	-3.52%	The target was not achieved: This is due to a delay in the BEC for the James Klynhans Phase 3 project this resulted in a delay and rescheduling of the BAC to Q1 in 2025/26.	The BAC has considered the report for James Klynhans Phase 3 project and referred back for further processing and budget maintenance by DWS prior to an award being made. It is anticipated that the award will be made at the beginning of Q2, pending sufficient budget allocation by DWS. Furthermore, management is planning to engage the department of Health to implement their water and sanitation infrastructure projects in the Eastern Cape Province. This engagement is expected at the end of Q1. Management has also communicated with Chris Hani DM to offer secondary services. Ongoing engagements will be reported in due course.
3.1.5. (j)	Net profit margin (secondary activity)	SHC	49.57%	0.75%	-48.82%	The target has not been achieved. Refer to KPI 3.1.3 for explanation	Refer to KPI 3.1.3 for remedial action plan
3.1.6. (k)	Debtors' days	SHC	150 days	168.88 days	-18.88 days	The target has not been achieved: However, it is anticipated to be met in the final annual outcome for 2024/25. This is due to pending ADM adjustments that still need to be processed in the system, which will reduce the debtors' balance by R43 million.	Management is in the process of processing a reduction of R43 million on ADM to correct a billing error. Once this adjustment is affected, the outstanding variance will be addressed in the annual performance reporting for 2024/25.

Strategic Outcome: SO3: Improved Financial Viability							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
3.1.7 (l)	Creditors' days	SC	114.07 days	282.44 days	-168.37 days	The target was not achieved: This is due to increased costs associated with the bulk raw water purchases account. The budget was based on an abstraction and production volume of 84 Ml/day; however, actual production exceeded this, reaching 90 Ml/day during the reporting period. This resulted in higher bulk water purchase costs, placing additional strain on the entity's ability to meet payment obligations.	Notwithstanding these challenges, the entity has a payment agreement in place with the Department of Water and Sanitation (DWS), which continues to be honored. (Billed R126 mil Vs Payment R64mil) resulting in a shortfall of R61mil.
3.1.8. (m)	Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	SHC	3.30%	1.27%	-2.03%	The target was not achieved: This is due to an increased demand for unplanned maintenance during the period under review, which had to be prioritised over scheduled activities. As a result, some planned maintenance was delayed. This shift in priorities contributed to an underspending of R19 million in the repairs and maintenance budget during the 2024/25 FY.	The maintenance team remains focused on prioritising turnaround response times for all plants to address the backlog effectively.
3.1.13.(n)	Financial Reports (% expenditure against budget)	SHC	10%	-0.74%	-9.26%	The target has not been achieved. Refer to KPI 3.1.2 for explanation.	Refer to KPI 3.1.2 for remedial plan
3.1.14.(o)	Percentage secondary revenue of total turnover	SHC	11.32%	3.95%	-7.37%	The target was not achieved: This is due to a delay in the BEC for the James Klynhans Phase 3 project this resulted in a delay and rescheduling of the BAC to Q1 in 2025/26.	The BAC has considered the report for James Klynhans Phase 3 project and referred back for further processing and budget maintenance by DWS prior to an award being made. It is anticipated that the award will be made at the beginning of Q2, pending sufficient budget allocation by DWS. Furthermore, management is planning to engage the department of Health to implement their water and sanitation infrastructure projects in the Eastern Cape Province. This engagement is expected at the end of Q1. Management has also communicated with Chris Hani DM to offer secondary services. Ongoing engagements will be reported in due course.

Strategic Outcome: SO4 Improved Stakeholder relations							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
4.1.0. (p)	Percentage customer satisfaction level	SC	80%	59%	-21%	The target has not been achieved: The customer survey analysis on Amatola Water's service delivery identified several critical challenges contributing to dissatisfaction, particularly among rural municipalities. These include inadequate infrastructure, poor communication, slow emergency response times, and financial constraints. While urban areas generally reported higher satisfaction levels, rural communities continue to face issues such as aging infrastructure, unreliable water supply, and delayed service responses.	Management will develop and implement an action plan to address the identified challenges, with a focus on enhancing Amatola Water's delivery service, strengthening relationships with municipalities, and promoting sustainable water access for both urban and rural communities. These efforts aim to improve customer satisfaction and rebuild stakeholder trust.

Strategic Outcome: SO6 Enhanced Enviromental Sustainability							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
6.1.3 (q)	Source funds for renewable / alternative energy installations.	SC	1	0	-1	The target has not been achieved. However, progress has been initiated to secure funding for the implementation of capital upgrades, including the associated power supply. This process is currently underway.	A transaction advisor is currently undertaking a due diligence exercise to assess the bankability of the identified cases for potential funding.

Strategic Outcome: SO7 A highly skilled, engaged and productive workforce.							
Indicator number	**Indicator description**	**SHC/SC**	**Performance target 2024/25**	**Actual performance results 2024/25**	**Variance**	**Reason for under achievement**	**Remedial action plan to be put into place to mitigate the risk & progress made as at 30 June 2025**
7.1.11 (r)	Number of Employee Bursaries.	SHC	5	1	-4	The target has not been achieved: No new bursaries were issued during the 2024/25 financial year due to budget constraints. The single bursary reported relates to a continuing bursary awarded in a previous financial year.	The issuing of bursaries is unlikely given the financial position of the entity in 2025/26 FY.

Table 4.5: Detailed explanation of the targets not achieved in the Annual Performance Report and Shareholders Compact during the 2024/25 financial year



5 CORPORATE SERVICES AND ORGANIZATIONAL TRANSFORMATION



INTRODUCTION

Amatola Water is investing in employee development and leadership. Investing in both areas has created an empowered workforce capable of driving innovation and achieving long-term success. As the organisation navigates the complexities of modern markets, prioritising these elements is key to maintaining relevance and competitiveness.

The legislative framework for employee and leadership development plays a crucial role in shaping effective workforce practices. The framework encompasses laws, regulations, and policies that govern training programmes, career advancement opportunities, and organisational accountability.

Understanding the framework is essential for fostering a culture of continuous improvement and enhancing overall productivity within organisations. The guiding legislative framework for Amatola Water includes:

a) Basic Conditions of Employment Act, 1997 (Act 75 of 1997)
b) Employment Equity Act, 1998 (Act 55 of 1998)
c) Labour Relations Act, 1995 (Act 66 of 1995)
d) National Skills Development Plan 2030
e) Skills Development Act, 1998 (Act 97 of 1998)
f) Skills Development Levies Act, 1999 (Act 9 of 1999).
g) Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 as amended by Act No. 61 of 1997
h) Protection of Personal Information, 2013 (Act no. 4 of 2013)
i) Promotion of Access to Information Act 2 of 2000

WORKFORCE PROFILE

As of 30 June 2025, the Amatola Water workforce numbered 375, i.e., 295 permanent employees and 80 fixed term contract employees.

The following workforce profile reflects permanent employees, as per occupational level at 30 June 2025

Description	Total
Top Management	5
Senior Management	10
Professionally qualified specialist; Mid Management	19
Skilled technical & academically qualified workers	102
Semi-skilled & discretionary decision making	108
Unskilled & defined decision making	51
Total Permanent	**295**

Table 5.1: Workforce profile as at 30 June 2025

The following workforce profile reflects fixed-term contract employees, as per occupational level by 30 June 2025:

Salary band/Occupational level	Total
Senior Management	0
Professionally qualified specialist; Mid Management	2
Skilled technical & academically qualified workers	11
Semi-skilled & discretionary decision making	24
Unskilled & defined decision making	43
Total Temporary employees	**80**

Table 5.2: Fixed-term contracts workplace profile as at 30 June 2025

The following workforce profile reflects the vacancy rate per interim structure for the financial year 2024/25.

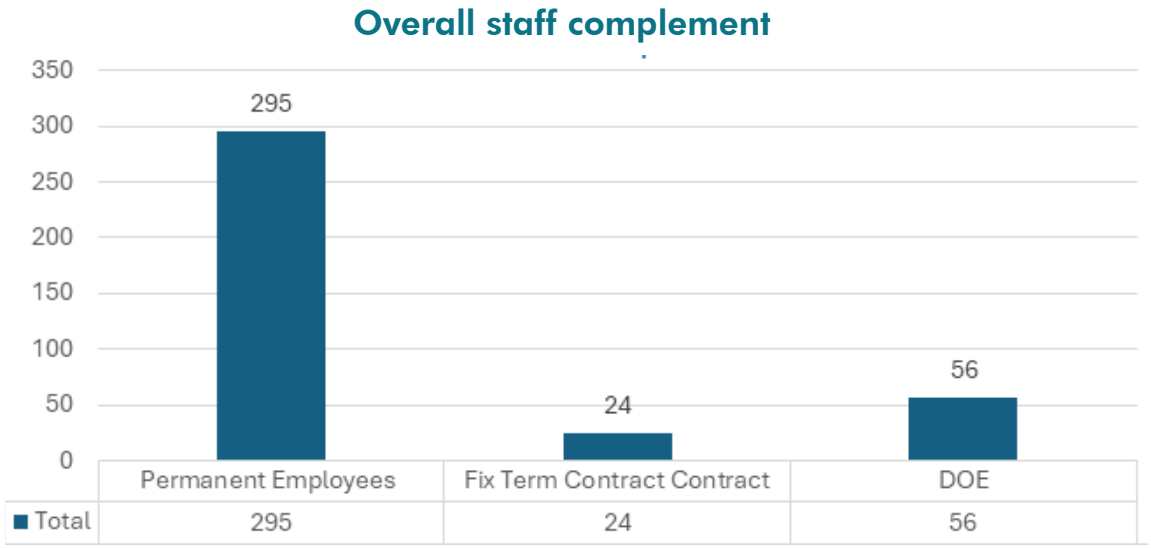


Figure 5.1: Overall staff complement

The following workforce profile staff compliment, per the interim structure – per division - for year (2024/25):

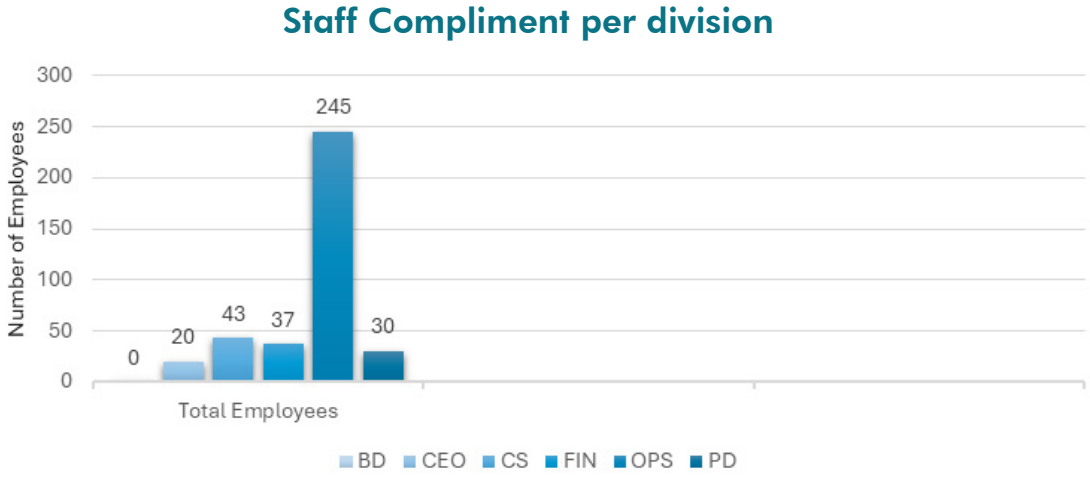


Figure 5.2: Staff Compliment per division

EMPLOYMENT EQUITY

The organisation adheres to the principles embodied in the Employment Equity Act. The Employment Equity Committee representatives are in place and play an active role in the recruitment process.

Employment Equity Statistics as of 30 June 2025

Occupational Level		MALE				FEMALE				
	Actual	African	Coloured	Indians	Whites	African	Coloured	Indians	Whites	Total
Top Management	Actual	2	0	0	1	2	0	0	0	5
Senior Management	Actual	7	0	0	0	3	0	0	0	10
Professional qualification	Actual	10	0	1	1	8	0	0	1	21
Skilled technical	Actual	50	4	0	5	49	5	0	0	113
Semi-skilled	Actual	78	5	0	0	46	2	0	1	132
Unskilled	Actual	64	0	0	0	30	0	0	0	94
Actual Totals		**213**	**10**	**1**	**8**	**134**	**7**	**0**	**2**	**375**

Table 5.3: Employment Equity Statistics as of 30 June 2025

The Equity Committee consider several issues that relate to employment equity during the recruitment process. These include:

a) Eliminating unfair discrimination in employment.
b) Ensuring the implementation of employment equity to redress the effects of discrimination.
c) Implementing affirmative action measures to redress disadvantages experienced by designated groups and ensure their equitable representation in all occupational categories and levels.
d) Promoting economic development and efficiency in the workforce.
e) The regional population demographics benchmark.
f) A special focus has been placed on designated groups that have been previously disadvantaged, particularly women and people living with disabilities.

The following table reflects Amatola Water's people with disability employment statistics, per occupational level by 30 June 2025. The total staff complement was 375.

Level number	People with disability
Top management	1
Senior management	0
Professional qualification	0
Skilled	1
Semi-skilled	2
Unskilled	1
Total	**5**

Table 5.4: Employment equity statistics for people with disability at 30 June 2025

The people with disability employment annual target were 2% and the result achieved during the year under review is 1.33%.

PERFORMANCE MANAGEMENT AND DEVELOPMENT



Employee performance remains central to achieving organisational objectives. Employees are a crucial asset within the existence and life of the organisation. Every year, performance expectations are outlined in the Strategic Plan, Business Plan and the Annual Performance Plan.

Employee efforts, therefore, must be aligned. The alignment is affected by contracting and setting performance targets as outlined in the Performance Management Policy.
The employee performance management system strengthens and solidifies performance-driven employees. Performance must be managed, accounted for, and celebrated. This is done through objective employee performance assessment and moderation.

Furthermore, employee development programmes should be effectively formulated through properly managed performance. In 2024/25, Amatola Water achieved 99% employee contracting and 99% of all performance assessments. The submitted assessments are followed by employee performance moderation at the end of the financial year.

ORGANISATIONAL CULTURE

Organisational culture can be defined as the organised and integrated values and beliefs shared by members of an organisation. It influences the behaviour of individuals, teams, and an organisation's operations and includes how decisions are made.

Good organisational culture is a critical enabler of strategy and can be a source of efficiency, productivity, and competitive advantage. Amatola Water strives to enhance an organisational culture that is conducive to successful strategy implementation.

Amatola Water's culture derives itself from its seven values: Integrity, excellence, accountability, stakeholder focus, team orientation, innovation and professionalism. Amatola Water remains dedicated to good corporate governance and a good organisational culture enhanced by the continuous development of its employees.

Amatola Water culture will be based on sound organisational structure. This means a structured approach for delivering services coupled with the right attitude, values and beliefs. Therefore, organisational review will be the foundation on which Amatola Water's organisational structure shall be built.

OCCUPATIONAL HEALTH AND EMPLOYEE WELLNESS

Amatola Water is classified as a hazardous workplace and complies with the Occupational Health and Safety Act 1993 (Act 85 of 1993) and the Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993 as amended by Act No. 61 of 1997.



In line with identified man-job specifications, pre-employment and routine medicals are continuously conducted to ensure compliance and reduce the risk of Amatola Water exposing its people to hazards and litigation. The in-house Occupational Health Clinic and contracted doctor services which included psychological services to ensure the management of occupational health risks are attended to. Furthermore, the Health and Safety Committee convenes periodically to ensure workplace compliance and review workplace injuries.

Amatola Water offers an Employee Assistance Programme (EAP) to enable employees to access psycho-social support when needed. This form of support assist employees to manage their life and family issues at their convenience and off site to ensure that employees access these services without fear of being stigmatised or judged. Over and above the Employee Assistance program, Amatola Water nurse visits employees in their work areas to provide medical services. This service goes a long way to assist employees to identify and manage their chronic health problems.

Health education and wellness events are provided to employees regularly to ensure that employees are enabled and empowered to make life choices that ensure sustained work-life balances, which, in turn, provides value to the organisation by higher employee returns.

As water purification often happens in the periphery of urban life where you find facilities for rejuvenation, being gym facilities or any such recreational facilities, Amatola Water employees have organized themselves into a soccer team to participate in a social football league in the local industrial soccer league.

Eighteen (18) teams participated in the league and despite the challenges of not being able to practise as a team, Amatola Water finished the league in a respectable 7th position out of eighteen (18) team. This enabled the team to earn a spot in the top 8 finishers pre-season league in the following season. The commitment and enthusiasm in participating in these games only shows the benefits our employees are deriving.

The following table reflects conducted medical surveillance for various categories as at 30 June 2025:

Medical Surveillance	Number
Pre-employment medical examination	46
Annual medical examination	210
Exit medical examination	06
Chronic referrals to family doctor or oral clinic	20
Chronic consultation	50
Injury on duty	07

Table 5.5: medical surveillance for various categories as at 30 June 2025

The following table reflects the number of referrals for the Employee Assistance Programme:

Nature of referrals	Number
Psycho-Social	21
Occupational ability assessment	0

Table 5.6: Number of referrals for the Employee Assistance Programme as at 30 June 2025

TRAINING AND DEVELOPMENT: LEGISLATIVE AND FUNCTIONAL

One of the pillars of organisational success is skills development, which ensures employees acquire the necessary skills to achieve the organisation's strategic objectives and gain a competitive advantage. This is accomplished by introducing skill-building activities that aim to help employees improve specific skills.

Amatola Water formalised a partnership with the Energy and Water Sector Education and Training Authority (EWSETA) to implement targeted training programmes aimed at enhancing employee skills and competencies. Strengthening strategic partnerships has remained a key priority during the year to ensure continuous improvement of workforce capabilities.

A training plan was developed, culminating in strategic engagements between the Learning and Development Unit and departmental heads to determine the training courses and programmes to be implemented in the year under review. There were no mandatory and discretionary grants from EWSETA to supplement the limited training budget.

The percentage of the training and skills development plan achieved a performance outcome of 96% with Amatola Water achieving 28 out 30 planned training intervention programmes during the 2024/2025 financial year.

FINANCIAL STUDY ASSISTANCE

In line with the relevant prescripts, one of Amatola Water's objectives in attracting and retaining employees and enhancing productivity. This has resulted in the organisation to ensure that all the employees who were provided with bursaries continue to be assisted with financial assistance for tertiary education, should the financial situation improve AW will continue to afford more employees with financial assistance.

WORKPLACE INTEGRATED LEARNING PROGRAMME

Amatola Water has 29 learners who were placed on workplace-integrated learning programme:

a) Nine (11) of those learners are from SAIFA.
b) Sixteen (18) of these learners are from the TVET Colleges funded by SETAs

INTERNSHIP PROGRAMME

Amatola water has Twelve (12) Interns from SAIFA and Office of the Premier

EMPLOYEE RELATIONS

The focus on Corporate Services is to ensure harmonised and sound working environment focusing on relationships with recognised labour forums. This is achievable through promoting sound labour relations, organisational discipline and fair people management practises. At the national level, Amatola Water participates in central collective bargaining processes through the Amanzi Bargaining Council and the employer association, the South African Association of Water Utilities.

There are three majority trade unions in the water sector: The South African Municipal Workers Union (SAMWU), United Association of South Africa (UASA) and National Education and Allied Workers Union (NEHAWU) which are also members of the Amanzi Bargaining Council.

In compliance with collective bargaining principles Amatola Water is committed to ensuring a peaceful working environment, consulting organised labour on issues of mutual interest, sharing of information, and maintaining a cordial relationship for the benefit and stability of the entity to avoid and reduce unnecessary conflicts.

Apart from these strategic relations fostered between organised labour and Management, there is a functional structure called the Local Labour Forum, which is mandated to ensure continuous engagement between employers and organised labour.

These engagements are regulated by Organisational Rights Collective Agreement which outlines the Terms of Reference and each party's role and responsibilities including the right of organised labour to hold meetings during working hours for maximum of two hours. In 2024/25, parties at the Amanzi Bargaining Council managed to negotiate and agree on a 7% salary increment without resorting to power play (strike) and agreed on a Minimum Service Level Agreement in the event of industrial action. Various cases of alleged misconduct are underway.

Some have been reported using the Fraud Hotline, and investigations are being conducted. Management takes consequence management seriously, guided by the Disciplinary Code Policy and relevant labour legislation.

INFORMATION TECHNOLOGY

Information and Communication Technology (ICT) continue to be a strategic enabler at Amatola Water, providing the digital foundation that supports service delivery, operational efficiency, and organisational resilience. ICT is central to driving automation, strengthening cyber resilience, and ensuring that business processes are efficient, secure, and future-ready.

In 2023/24, the ICT focus was on advancing critical projects that enhanced operational efficiency, managed cyber security risks, and embedded ICT governance. Building on this progress, the 2024/25 financial year was marked by greater emphasis on strengthening infrastructure, modernising business systems, and embedding automation across the organisation.

ICT GOVERNANCE

Amatola Water upholds the principle that ICT investments and operations must be governed with accountability, transparency, and alignment to corporate strategy. Oversight of ICT strategy, risk management, and critical projects is exercised through the ICT Steering Committee (ICTSC) and the Audit and Risk Committee (ARC), with ultimate accountability resting with the Board.

During the year, governance priorities focused on:

a. Reviewing and implementing ICT policies and procedures to align with best practices.
b. Strengthening controls through greater awareness, compliance monitoring, and system enhancements.
c. Driving assurance on ICT risks, cyber security readiness, and business continuity measures.

KEY ICT PROJECTS

Highlights of ICT achievements include:

a) Strengthened cyber resilience through continuous ICT security and awareness programmes, vulnerability assessments, and penetration testing.
b) Deployment of AI-driven monitoring tools to detect and neutralise anomalous activity in the network environment.
c) Upgrade of the Enterprise Resource Planning (ERP) system to streamline business processes and embed standardised best practices.
d) Expansion of digital tools, including an electronic signature platform, automated overtime and travel claim systems, and a recruitment management solution.
e) Replacement of outdated radio frequency links with modern 4G/5G connectivity at remote sites.
f) Rollout of an ICT call logging system to improve service response and tracking.
g) Achieved an average systems availability of 98.54%, exceeding the target of 98.3%.
h) Conducted full Disaster Recovery Plan (DRP) testing, ensuring readiness and resilience.

ICT AUDIT COMPLIANCE

An ICT audit review was conducted during the 2024/25 financial year. By June 2025, 80% of the findings have been successfully resolved, reflecting continuous improvement in ICT risk management and compliance.

CORPORATE GOVERNANCE OF ICT

a) The Amatola Water ICT Framework includes an approved ICT Governance Policy, ICT Governance Charter.
b) A Governance Framework was implemented.
c) The ICT Strategy was approved and implemented.

ICT FUTURE PLANS

Looking ahead, ICT will focus on projects that strengthen digital transformation, improve decision-making, and enhance service delivery.
Key priorities for 2025/26 include:

a) Completion of the ERP system upgrade and continuous improvement of business continuity capabilities.
b) Continuous testing and alignment of the DRP with industry best practices.
c) Upgrading ICT infrastructure, including servers and network capacity, to support modern business
d) demands.
e) Ongoing ICT security improvements and end-user cyber awareness training.
f) Deployment of digital solutions to streamline operations and decision-making, including:
   - **Q1:** Upgrade of the E-Recruitment System.
   - **Q2:** Redevelopment of the Water Loss Reporting Tool and digitalisation of the Organisational Performance Scorecard.
   - **Q3:** Development of the Employee Performance Management System and revamp of the organisational website.
   - **Q4:** Development of a Telephone Claim Automation Tool and a Job Evaluation System.

Support for the implementation of records management, scorecard dashboards, and telemetry dashboards for real-time monitoring.

AMATOLA WATER STATE OF SECURITY

In March 2019, the State Security Agency (SSA) provided AW Board with a report on the state of our security, Head Office and Nahoon Dam were "sampled", as well as a Technical Surveillance Counter measures report on key offices at the Head Office.

In addressing the findings that were raised by the SSA, there were recommendations that were made by the entity as a mechanism to improve the controls within Security Management. SSA issued eight (8) findings relating to the state of security and poor controls thereof. In the year under review, five (5) findings have been addressed and completed.

As a security measure to prevent theft and vandalism in AW some of the AW facilities are monitored and serviced by Security Guards, with day and night shifts daily. In the current year, Nahoon Dam, Da-Gama, Zwelitsha and Ndevana Pump Stations, surveillance cameras were installed to enhance the security system. The cameras are fully functional and have been continuously monitored. As a mechanism to enhance access control, a boom gate was also installed at the Nahoon Dam facility.

FACILITIES MANAGEMENT

To create and maintain a safe, functional and efficient built environment that supports the organisation's strategic goals and well-being of users, a comprehensive office space assessment was conducted to identify current space utilization and identify key challenges and proposed actionable measures to optimize space usage.

The primary goal was to enhance operational efficiency, accommodate staffing needs, and support a conducive working environment. Job cards relating to repairs, plumbing, tiling, and minor electrical work were attended as per requests received from the Control Room. Job cards relating to repairs, plumbing, tiling, and minor electrical work are attended as per requests received from the Control Room. General office Maintenance and hygienic services have been rendered continuously.

FLEET MANAGEMENT

The fleet comprises 82 vehicles under Full Maintenance Lease (FML) and 19 water tankers. A Fleet Management Policy and Standard Operating Procedures are in place as a control mechanism for managing Fleet Services. Consequence management is applied when there is any divergence from the Policy.



6 ENVIRONMENTAL SUSTAINABILITY

INTRODUCTION

Amatola Water's Environmental Sustainability Strategy provides the framework for environmental sustainability and governance. It is underpinned by the recognition that Amatola Water has a role to play in effecting the National Development Plan, particularly in the Eastern Cape. The Strategy identifies key interventions related to Amatola Water's environmental footprint and integrated environmental management within the context of climate change uncertainty, application of relevant technologies and service delivery.

An environmental management system allows for continued improvement in environmental monitoring and reporting, identifying actions that will lead to environmental sustainability.

As part of development of the environmental management system, monitoring systems and data are identified and reports developed and streamlined to improve functionality: for monitoring (compliance) and identification of trends that require interventions to reduce environmental footprint or provide other appropriate management interventions (e.g. water loss management interventions).

Reports are developed and improved upon in an iterative process to improve understanding of environmental impacts and risks and to better inform water resources management and identify areas for intervention. The water conservation and water demand management (WCWDM) reports are an integral part of water resource management, with a focus on water resource availability (dam levels), water demands (abstraction from the resource) and water losses.

Long term monitoring programmes are a critical component of environmental sustainability and climate change resilience.

Figure 6.1 shows the quarterly percentage full supply capacity (% FSC) of all the dams within the Amathole Water Supply area relative to the total rainfall per quarter in the various catchments from July 2011 to June 2025.

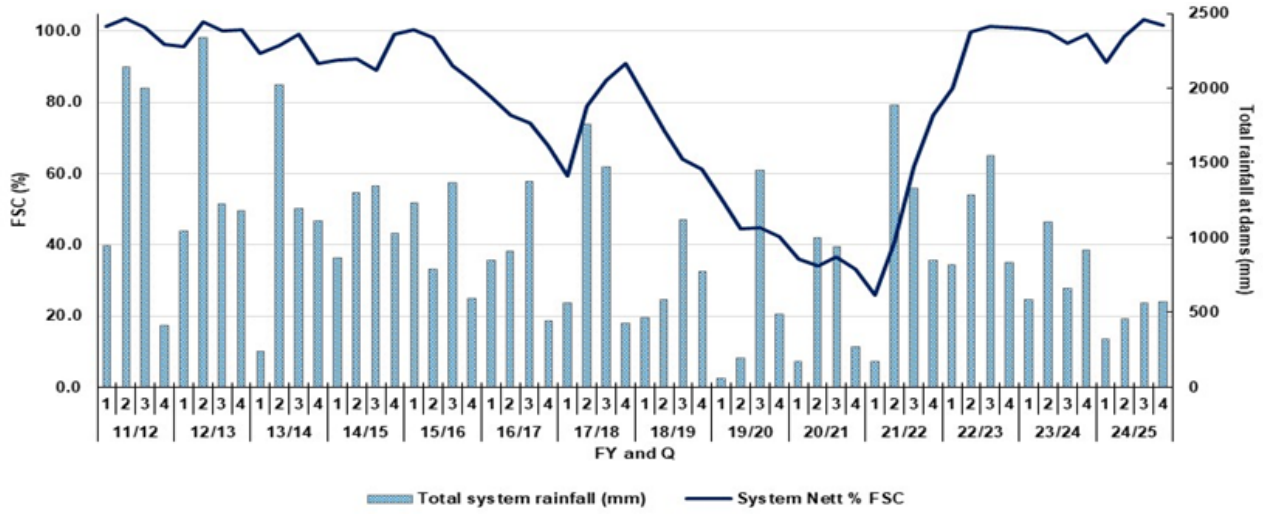


Figure 6.1: Monitoring % Full Supply Capacity (FSC) of the dams within the Amathole Water Supply System relative to rainfall (mm) within the dams' catchment areas (July 2011 to June 2025).

Figure 6.2 shows the water supply levels of the individual raw water supply dams for Amatola Water in both the Amathole Water Supply area and the Keiskamma catchments.

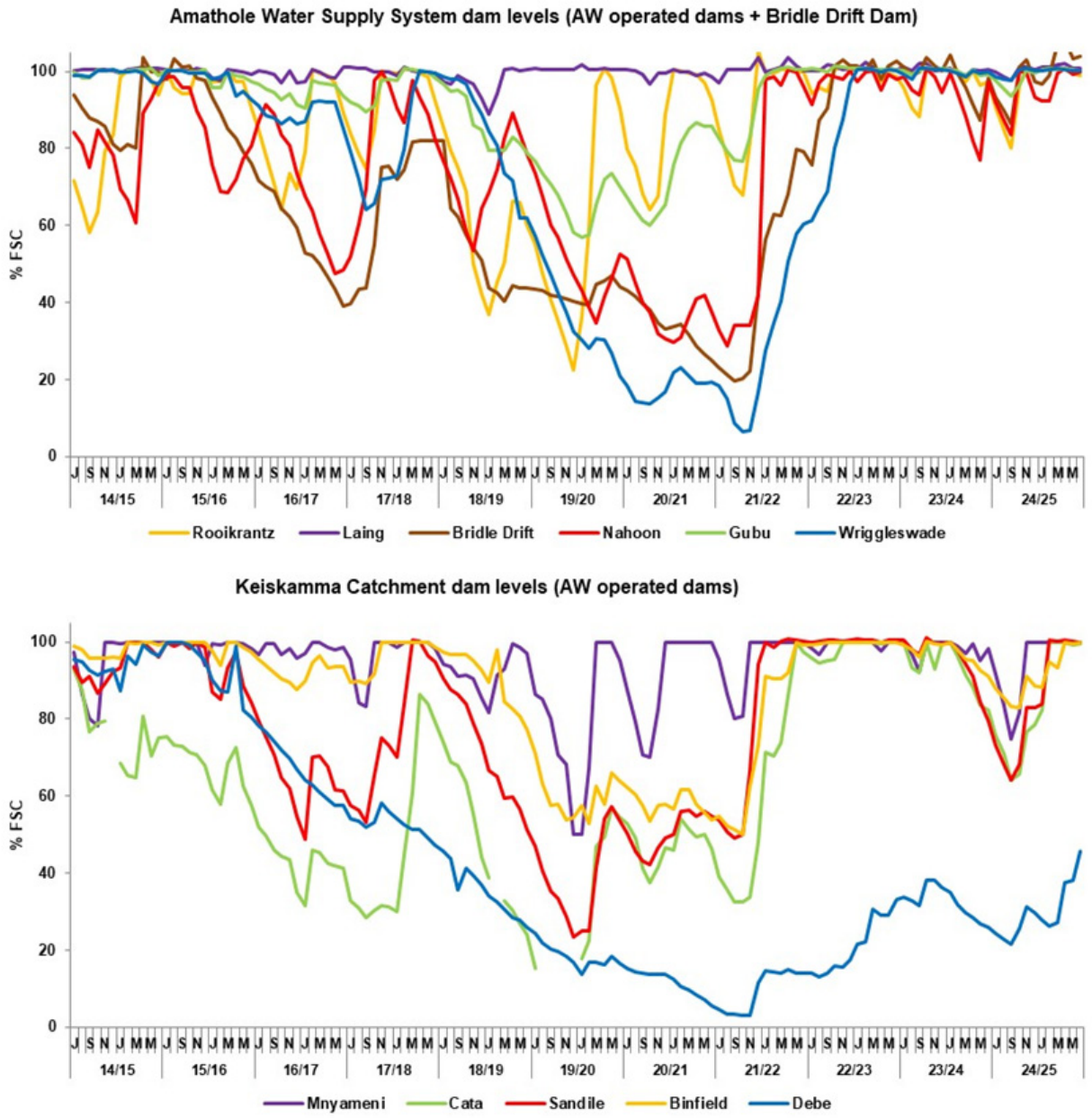


Figure 6. 2: Monitoring % Full Supply Capacity (FSC) of individual Amatola Water supply dams within the Amathole Water Supply area (top) and Keiskamma Catchment (bottom).

Figure 6.3 shows the annual cumulative abstraction from individual dams. To prevent over-abstraction of water resources it is important to understand compliance with license and registered volume conditions. Where over-abstraction takes place, it is important to understand why this is happening and implement appropriate water resource management and planning.

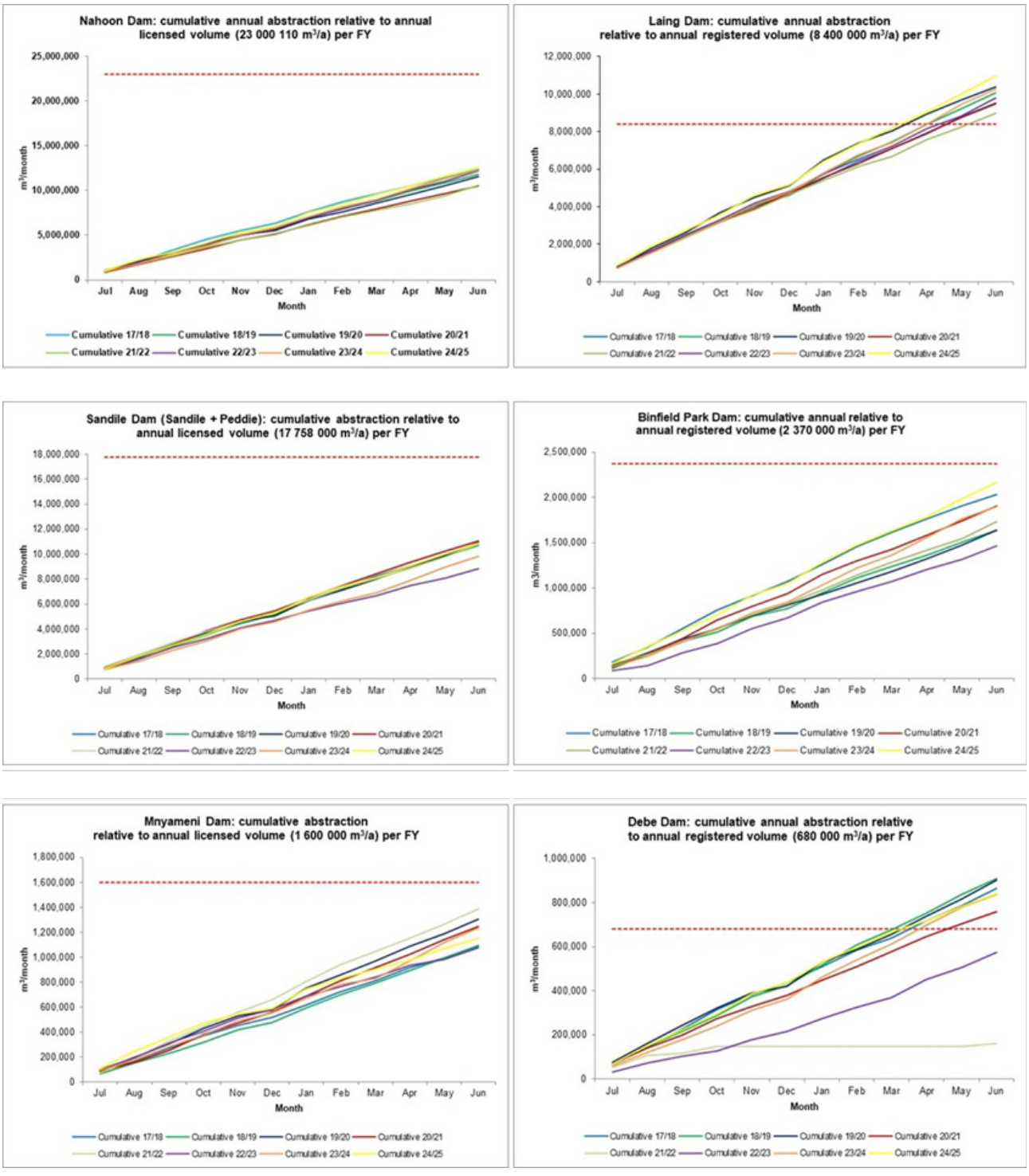
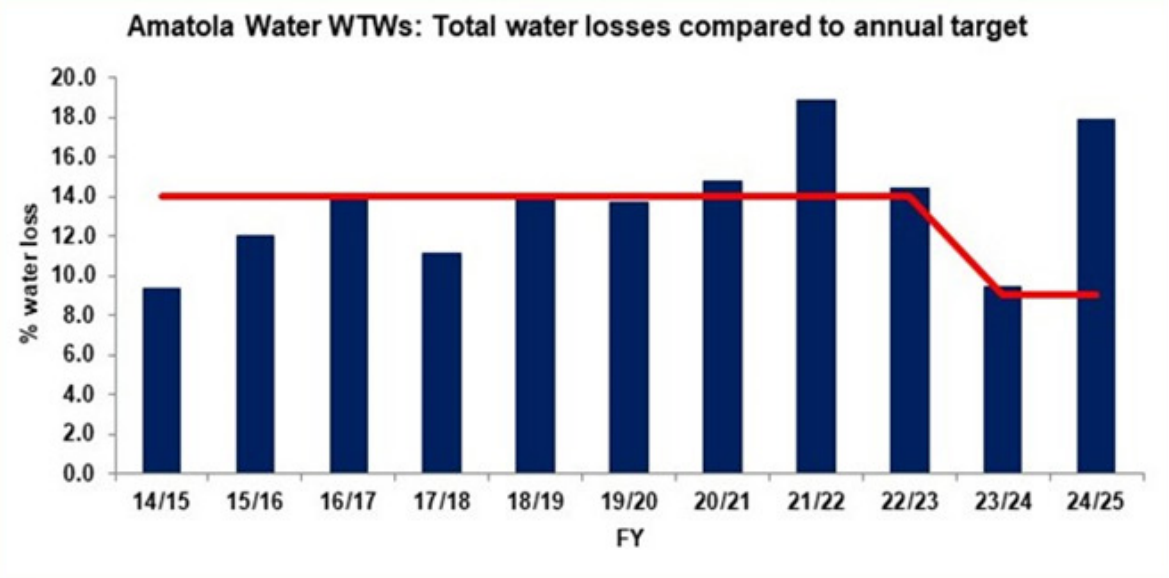
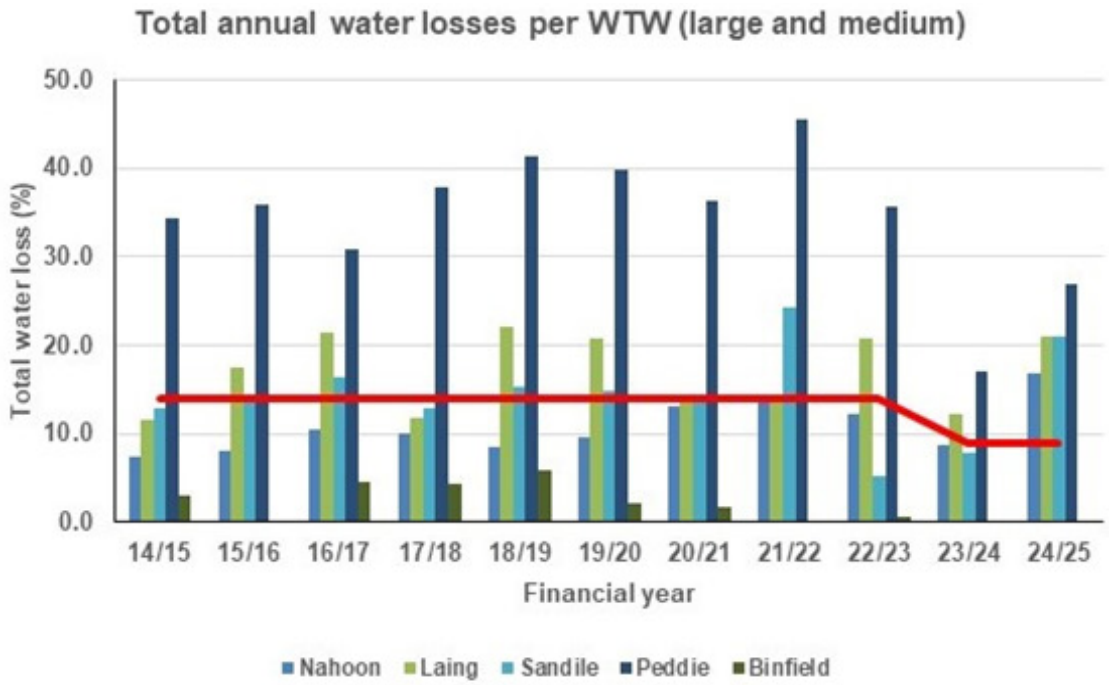


Figure 6.3: Monitoring abstraction of raw water relative to license or registered use. This is important not only for compliance but also for climate change resilience monitoring.

Figure 6.4 shows the total organisational water loss, as well as the water losses per water treatment works (WTWs), relative to the organizational key performance indicator (KPI). Water losses are both environmentally and financially unsustainable and every effort must be made to curb them.

Monthly water loss reports provide indications of where losses are occurring, per water supply scheme, in order to identify areas for mitigation actions (WCWDM action plan).





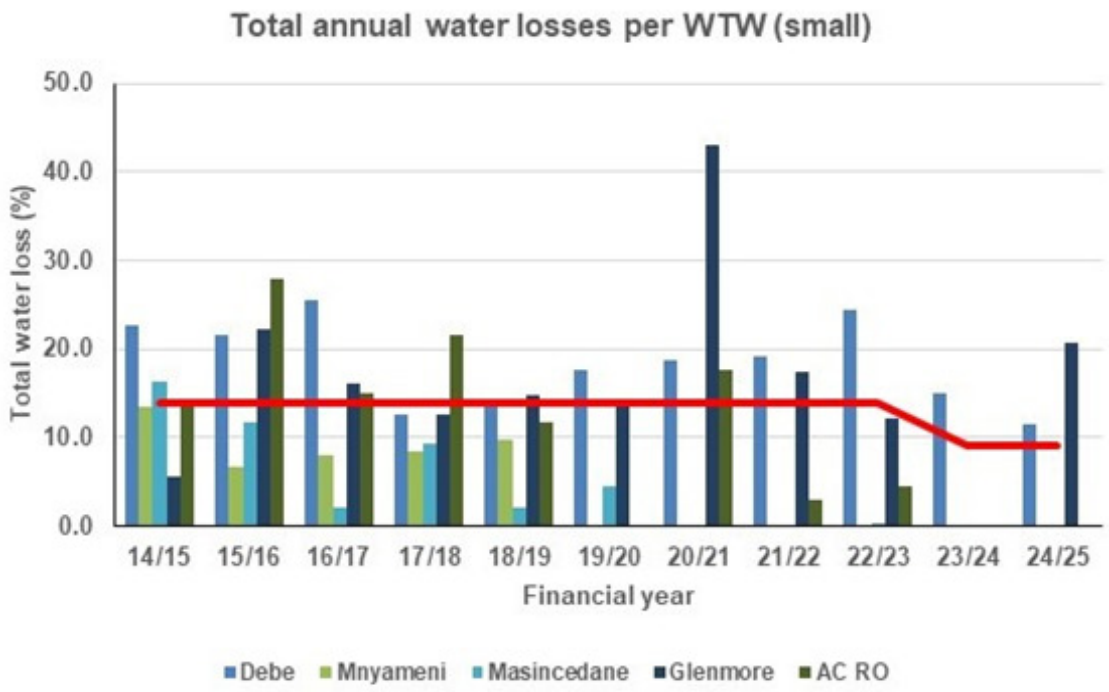


Figure 6.4: Monitoring water loss compliance against organisational KPI.

During the year under review, a significant milestone was achieved when the Water Research Commission awarded a research grant to Amatola Water. In a collaborative research initiative, Amatola Water partnered with Partnering for Impact to investigate innovative pipe lining solutions to address pipeline repairs and rehabilitation.

The research efforts further include a partnership with the University of Cape Town in developing postgraduate research capacity by way of bursary funding (a Master's degree).

Funding secured through the Dutch Consulate in Cape Town allowed for professional skills development within Amatola Water and an opportunity for probing research in the vexing social problem of addressing illegal connections through a case study submitted through the Wet Skills Development Programme.

Through initiatives such as these, Amatola Water hopes to reduce water losses and non-revenue water, in line with its WCWDM Strategy and Climate Change Resilience Strategy.

Raising environmental awareness is the cornerstone of environmental management and Amatola Water has embarked on a campaign to highlight local and global environmental issues with a focus on reducing both organisational and personal environmental footprints by reducing water and electricity consumption as well as minimising waste.



7 OPERATIONAL REVIEW

INTRODUCTION

When Amatola Water was established in 1998, it was handed over infrastructure that was already nearing end of its operational useful life. In view of the aged infrastructure, the entity has therefore been experiencing significant challenges in providing bulk water to Water Service Authorities (WSAs).

Despite the above challenges, overall performance and achievements in the period under review for AW operations can be best described as effective and efficient. Bulk raw and potable water were delivered within the required norms and good standards. The entity has further embraced efforts to reduce and control production input costs through optimisation of operational processes.

Non-revenue water continues to be a persistent challenge for Amatola Water and municipalities. The leading causes of non-revenue water are illegal connections, vandalism, pipe bursts and infrastructure theft.

Regular proactive maintenance of Amatola Water assets continues to be a fundamental part of continuous operations management.

Amatola Water's participation in the Provincial Water Infrastructure Master Plan as the implementing agent (IA) of various projects in the Eastern Cape positively contributed to eliminating water supply and sanitation backlogs in the province.

PRIMARY BUSINESS ACTIVITIES

Amathole District Municipality

Amatola Water provides bulk raw and potable water services to the Amathole District Municipality (ADM) through a negotiated three-year bulk supply agreement which was extended by one year to the end of June 2023. It was extended by another year to the end of June 2024.

Amatola Water entered into negotiations with ADM to renew the current bulk water supply agreement from June 2024 onwards, the municipal reached a resolution to extend the bulk water supply to end of June 2027.
As part of the resolution, a payment plan for the ADM debt to AW was agreed upon, where ADM will make monthly and quarterly repayment in servicing the historical debt. This aligns with the South African Local Government Association (SALGA) and South African Association of Water Utilities (SAAWU) guidelines. The agreement was serviced in line with the contractual conditions and obligations.

Buffalo City Metropolitan Municipality

The Buffalo City Metropolitan Municipality (BCMM) became a water services authority in July 2003, following the Minister of Provincial and Local Government's announcement of its powers and functions. At the time of the announcement, Amatola Water had a 30-year supply contract with the BCMM.

Amatola Water and BCMM revised the bulk water supply contract in October 2023. The contract is valid for another 15 years and ends in October 2038.

Ndlambe Local Municipality

Amatola Water has entered into a bulk water supply agreement with the Ndlambe Local Municipality to supply potable water to the Kenton-on-Sea and Bushman's River areas. The 20-year agreement was signed on 30 March 2010 and runs until July 2030.

WATER PRODUCTION

Amatola Water plants are all supplied from dams within the Amathole and Keiskamma Water Supply Systems.
Albany Coast, which abstract sea water from the Bushman's River Mouth and treat it through a reverse osmosis plant. It is blended with brackish water from the Diaz Cross dunes in the Ndlambe Local Municipality.
Below is an overview of dam levels over the past five financial years as of the end of June each year:

ANNUAL AVERAGE DAM FSC (%) OF DAMS MANAGED BY AMATOLA WATER JULY 2014 TO JUNE 2025

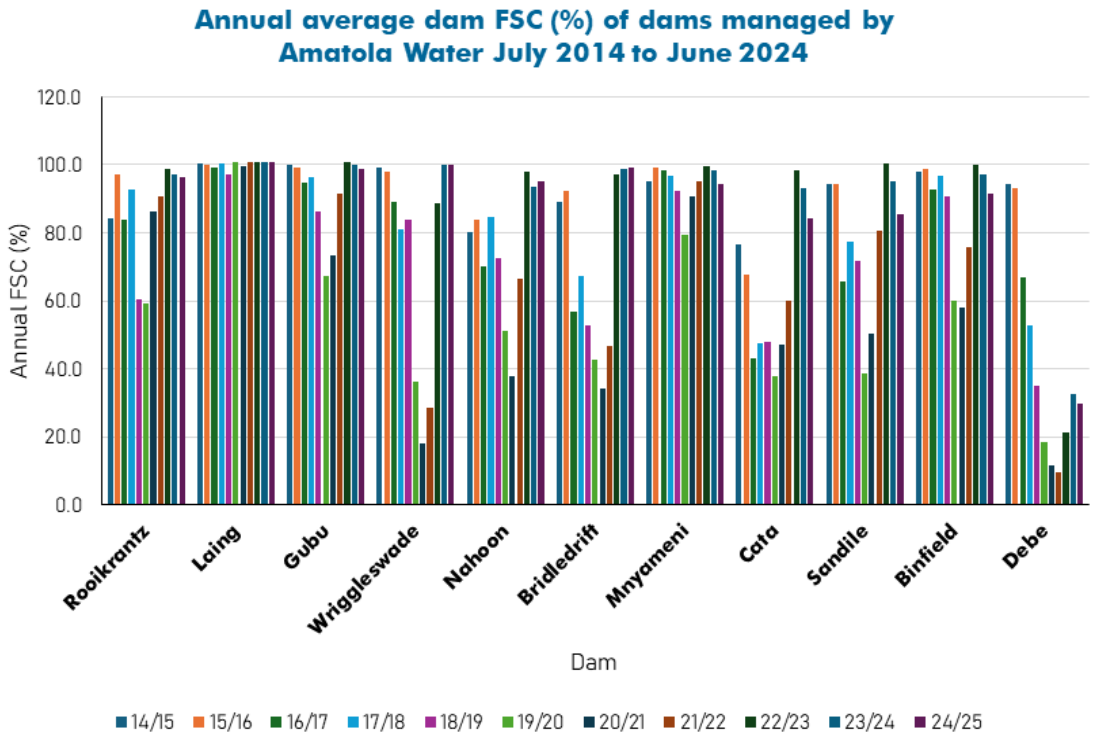


Figure 7.1: Comparison of average annual supply levels of Amatola Water dams

The water abstracted from various sources is treated at water treatment plants, distributed to the command reservoirs, and channeled into the distribution points.

The following table illustrates Amatola Water's plant capacity, raw water sources and areas of supply:

RAW WATER SOURCE	WATER TREATMENT WORKS/SCHEME	2023/24 WATER WORKS CAPACITY (ML/D)	SUPPLY AREA/NATURE OF AREA SERVED
Sandile Dam	Sandile	18	Dimbaza Town, Middledrift Town, Fort Cox College, Bulembu Airport and more than 128 surrounding villages (20% urban and 80% rural)
Sandile Dam/ Keiskamma River pumping from	Peddie	6.6	Peddie Town, Nompumelelo Hospital, peri- urban areas of Debe and Feni, surrounding villages (20% peri-urban and 80% rural)
Debe Dam	Debe	5	Rural
Mnyameni Dam	Masincedane	6	Rural (20% peri-urban and 80% rural):
Binfield Park Dam	Binfield Park	12	Keiskammahoek
Lower Fish GWSS from Glen Boyed Dam	Glenmore	0.5	Urban areas of Dikeni, Khayalethu and kuNtselamanzi, rural service centres of lower and upper Hopefield, 38 rural villages and Phandulwazi Agricultural College
Laing Dam	Laing	33	Rural
Nahoon Dam	Nahoon	33.7	Pakamisa, Potsdam, Mount Coke, (63% urban, 17% peri-urban and 20% rural)
Sea and ground water	Albany Coast reverse osmosis plants	3.7	East London/Reeston/Mdantsane/ Newlands/ Nqanqarhu (Macleantown) (95% urban and 5% peri-urban)
TOTAL		**118.5**	

Table 7.1: Amatola Water's plant capacity, raw water sources and areas of supply

PRODUCTION QUALITY

Amatola Water's water quality compliance is measured against SANS 241:2015, which requires compliance with five categories within the standard. The following table illustrates the status of Amatola Water Quality Compliance. Instrumental and infrastructure failure challenges microbiological and operational compliance. Amatola Water is working tirelessly to address these challenges.

PERFORMANCE OUTCOME	OUTCOME/ IMPACT	OUTPUT INDICATORS	ANNUAL TARGET 2024/25	ANNUAL RESULT 2024/2025
Bulk potable water quality compliance	Availabity and accessibilty of safe and relaible water services	Acute health microbiological compliance ≥ 99%	97%	97.2%
		Acute health chemical compliance ≥ 97%	95%	100%
		Chronic health chemical compliance ≥ 97%	95%	99.10%
		Operational compliance ≥ 95%	95%	91.9%
		Aesthetic compliance ≥ 95%	95%	97.3%

Table 7.2: Bulk potable water quality compliance results for the 2024/25 financial year

NON–REVENUE WATER

Amatola Water had a corporate scorecard target that overall water losses within treatment works, and bulk distribution networks must be less than 9% and 16.42% was achieved in 2024/2025. Most of the losses emanates from the distribution as a result of the illegal connections, ageing infrastructure and leaks.

To monitor this and progress made in realising the target, Amatola Water performs water balance calculation on monthly basis. These calculations assist in establishing avoidable water losses as a percentage of water produced at the treatment and distribution systems. The calculation includes the volumes of water abstracted as raw water, treated across all nine schemes, and distributed via the distribution network to end users for billing purposes.

The metering process helps Amatola Water to consolidate data such how much water was lost between abstraction and post the treatment process; how much water is lost in distribution process and how much volumes is Amatola Water able to bill for relative to how much was produced at the plants.

These checks and balances also give sense of how much water are producing, distributing but however not billing for, which will be your non-revenue water. This is of great importance to achieve as water losses impact both on financial and environmental sustainability. Water balances were recorded monthly for the water abstracted, treated, distributed and sold within Amatola Water's supply networks.

During 2024/25, problem areas were identified using essential water meters and conducting physical inspections of bulk pipeline routes. There were also additional meters installed for more data collection and understanding of water losses within Amatola Water supply areas. All water meters were calibrated using the Amatola Water meter calibration programme. Early identification of water losses assisted in addressing and reducing water losses and reduced revenue loss.

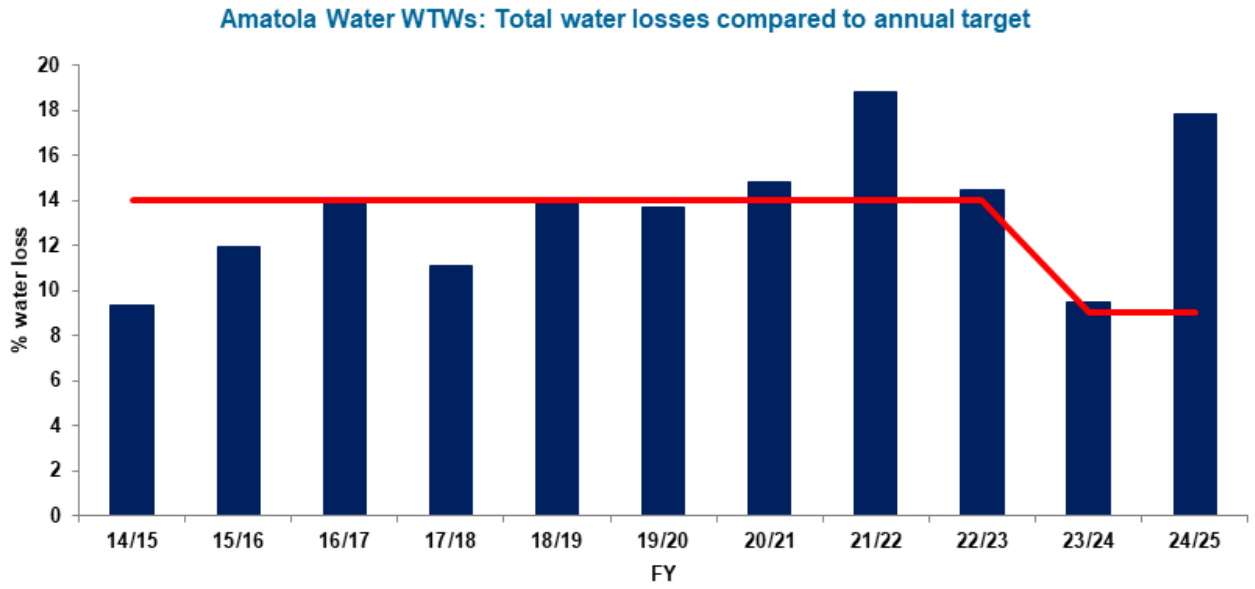


Figure 7.2: Amatola Water, water treatment works (WTWs): Total water losses compared to the annual target

TELEMETRY PLAN

The Amatola Water SCADA and Telemetry Systems serve to provide the institution with operational information and automation. It displays the state of the reticulation through remote monitoring of reservoir levels, pumping conditions, flows, and more.

With this tool, operational staff are able to manage their respective regions more effectively, thereby improving service delivery and reducing operational costs.

Furthermore, the SCADA system records and processes historical data. This data enables management to identify trends and issues related to the reticulation, and to make informed decisions regarding the institution's future needs. Additionally, it allows auditors to evaluate the institution's performance in terms of meeting KPIs.

The SCADA system is continuously being improved to enhance functionality, accuracy, and reliability.

During 2024/25, development efforts have focused on long-term data storage for managerial and auditing purposes. Originally, the system functioned purely as a real-time operational tool. However, over the years, it has been upgraded to manage and present data and statistics at a managerial level. Advancing this functionality has been the primary focus during the period under review.

To achieve this, an upgrade to the existing SCADA license was obtained. This upgrade enabled the integration of a SQL database for long-term data storage, as well as the generation of advanced managerial reports related to the state and performance of the reticulation. These reports are intended to support both management and auditing functions.

The SCADA system also received an upgrade known as the Secure Mobile Gateway. This feature provides a flexible means of delivering real-time SCADA data to authorized personnel across multiple platforms. It is now easier than ever for the appropriate staff to access real-time data.

To reduce costs associated with field equipment used for remote data collection, the AW Telemetry Department has designed, built, and implemented a custom telemetry station. This station replaces equipment previously purchased from external contractors. Both the hardware and software were developed in-house, resulting in a cost saving of over R400 000.

Additionally, the Windy Ridge Radio High Site an essential component of the telemetry communications network was upgraded to be impervious to power outages. This has enhanced overall system reliability and further reduced operational costs.

Looking ahead, the Telemetry Department is evaluating the offerings of several manufacturers in the field of advanced telemetry equipment. This effort aims to keep pace with technological developments and market trends. The department remains committed to maintaining a modern, robust, and effective telemetry system, while operating within the constraints of the available budget.

OPTIMISING OPERATIONAL EFFICIENCIES

Water production

Despite the ongoing power outages, vandalism and aging infrastructure challenges, water production continued to increase at 5% during the year under review compared to the previous 2024/25 financial year.

STORAGE AND SUPPLY CAPACITY EXPANSION

Amatola Water's customers had an overall assurance of supply of 75.80% during the year under review. The target is 98%, this is concluded as achieved since the shortfall is mainly due to unutilised allocation from the Nahoon-Wriggleswade system and not failure to abstract and supply Amatola Water customers.

The average days for unplanned interruptions during 2023/2024 FY equated 30.26 days. AW has seen an improvement during 2024/2025 FY reporting 11.70 days of unplanned interruptions.

PUMP EFFICIENCY MONITORING PROGRAMME

The kWh/cubic meter of water ratio decreased from 1.034 kWh/cubic in the 2023/24 financial year to 0.875 kWh/cubic in 2024/25. This equates to a decrease of 0.465. This is attributed to improvements to systems that detect burst pipes and stop electrical equipment from running. Below is the kWh/cubic meter of water produced ratio table for the 2024/25 financial year:

JULY 2021 TO JUNE 2022				
WTW	CAPACITY ML/D	TOTAL 2021/22	TOTAL 2021/22	2021/22
		KWH	M^3	KWH/M^3
Rooikrantz	Closed	0	0	0.00
Masincedane	6	22202	1133382	0.02
Glenmore	0.5	243903	179292	1.93
Dabi	Closed	0	0	0.0
Peddie	6.56	4959715	2052679	3.28
Mnyameni	0.29	85005	23535	4.13
Nahoon	33.7	6875596	10115223	0.90
Laing	33	7912432	8810575	1.19
Sandile	18	3702253	6193909	0.80
Debe	5	281806	711335	0.51
Binfield Park	4.8	960580	2188217	0.60
Albany Coast	2.41	3060465	682093	5.88
TOTAL	**111.65**	**28103957**	**32090240**	**0.875**

Table 7.3: Electrical consumption over the 2024/25 water production

SAFETY, HEALTH AND ENVIRONMENT

Amatola Water continued to provide an inclusive occupational health and safety (OHS) environment for all employees, stakeholders, and the public within its area of operation.

Based on safety, health, and environment (SHE) inspections and audits, an action plan was developed to provide a framework for standardising and improving occupational health and safety performance.

The action plan has enhanced the organisation's capability to provide health and safety services and oversight by focusing on:

a) Monitoring and maintaining Amatola Water's compliance with the ISO 45001:2018 Management System and other statutory obligations
b) Achieving the Amatola Water Integrated Management Policy and other strategic imperatives.

ISO 45001: 2018 Audits

ISO 45001: Occupational Health and Safety Management Systems is an international standard that provides a framework for an organization to manage its Occupational Health and Safety (OHS) risks and improve its OH&S performance. It's a systematic, internationally recognized blueprint for creating a safe and healthy workplace.

The South African Bureau of Standards (SABS) conducted an external ISO 45001 audit during 2023/24 to provide information on the extent to which the Amatola Water Occupational Health and Safety Management System conform to the requirements of ISO 45001:2018 external audit allowed SABS to determine the effectiveness of the Amatola Water Occupational Health and Safety Management System's implementation and its effectiveness.

Five major and five minor non-conformances were noted during the audit, which has since been resolved. It has enabled Amatola Water to maintain its ISO 45001:2018 accreditation with the SABS.

ISO 45001 is not just a technical standard; it's a strategic tool. Compliance is needed because it aligns moral, legal, and financial imperatives. It transforms health and safety from a standalone compliance issue into an integrated part of how an organization is managed, creating a safer, more productive, and more successful business.

DISABLING INJURY FREQUENCY RATE (DIFR)

The disabling injury frequency rate (DIFR) is a crucial indicator of the organisation's SHE performance. It measures the extent to which personnel are exposed to potential disabling injuries and incidents.

Amatola Water investigated all incidents to understand the underlying causes and translate these into improved standards or ways of working that can be applied broadly across the organisational processes.

The disabling injury frequency rate (DIFR) is a crucial indicator of the organisation's SHE performance. It measures the extent to which personnel are exposed to potential disabling injuries and incidents.

Amatola Water's DIFR was calculated at 0.8 during the period under review, which is equal to the benchmark DIFR of 0.5. For the 2024/25 FY, a ratio of 0.5 was achieved.

Amatola Water's valid Letter of Good Standing confirms its compliance with COIDA's financial and administrative requirements

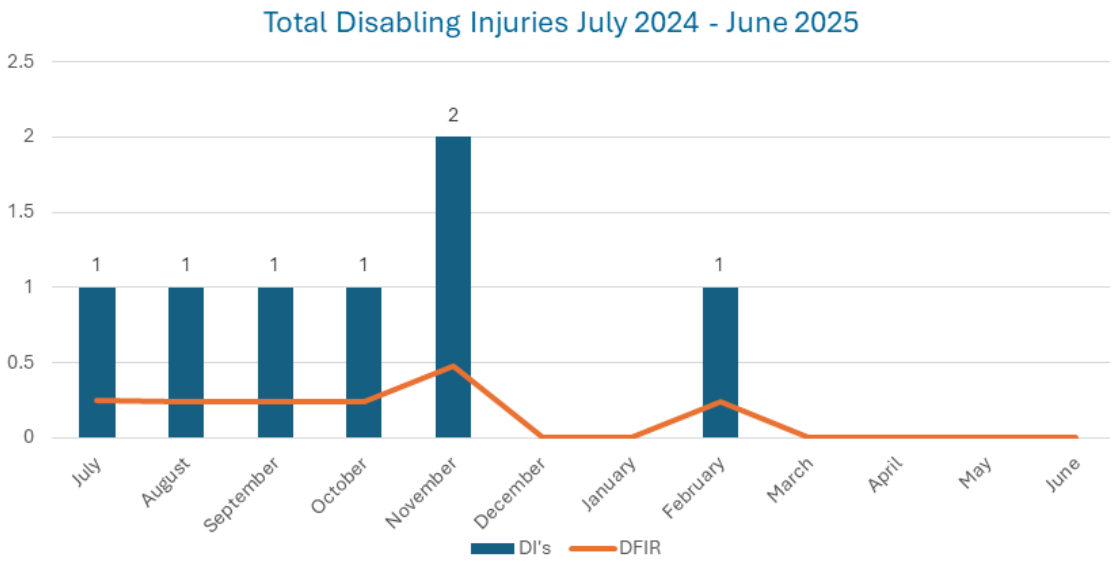


Figure 7.3: Disabling injury frequency rate 2024/25

INFRASTRUCTURE MASTER PLAN (IMP)

When Amatola Water was established in 1998, with its primary role as provided for in Section 29 of the Water Services Act (Act 108 of 1997) being to extract, treat and distribute bulk water to several Water Services Authorities (WSAs), infrastructure was handed over to the entity to enable its operational role. Notably, the condition of the infrastructure that was handed over at its establishment was valuated, with an average remaining useful life factor of 20% in 1998. This simply implies that the infrastructure is now over 26 years of design and operational useful life, hence the operational challenges that are impacting the entity.

Consequently, an Infrastructure Master Plan was developed, presented and approved by the Board in December 2023. The IMP implementation proposals commenced in January 2024, with Amatola Water engaging and finalising working partnerships with the Infrastructure Fund (IF) and Infrastructure South Africa (ISA). The partnerships encompassed project preparation, project packaging, development of feasibility studies and detailed business cases for the IMP proposals under the Amatola Bulk Supply Augmentation programme.

THE PROGRAMME HAS THREE PHASES.

Programme – Phase 1

The Nahoon Water Supply Scheme is north-west of central East London, within the Buffalo City Metropolitan Municipality (BCMM) near Mdantsane. It supplies water to areas exclusively in BCMM (Mdantsane, Reeston, and Newlands).

Programme – Phase 2

The Sandile WSS is west of Qonce and supplies water to BCMM and the Amathole District Municipality (ADM). The Laing WSS is between East London and Qonce and supplies water to urban areas in BCMM and ADM and some neighboring rural areas.

Programme – Phase 3

The Albany Coast Bulk Water Supply System, consisting of a reverse osmosis seawater desalination treatment facility at the mouth of the Bushman's River, is roughly in the middle of the coastline of the Ndlambe Local Municipality (NLM). Currently, it supplies the needs of the NLM.

Binfield WSS is about 11km north and northwest of Alice and below the Binfield Park Dam. The plant's capacity was recently upgraded to 12 Ml/d from 4.8 Ml/d. It exclusively supplies potable water to rural villages within the Amathole DM.

During FY 2024/25, AW continued working with IF and ISA for the completion of the Feasibility Study and Business Case for Phase 1 of the Amatola Water Bulk Water Augmentation Programme. A Transactional Advisor (TA) was appointed by ISA for the completion of the Feasibility Study and Business Case. It is expected that the TA will complete its work during the first quarter of FY 2025/26. After the Feasibility Study and Business Case have been reviewed and approved by ISA, IF and AW, the submission to BFI and other DFIs in the sector to source capital funding for the implementation of Phase 1 of the programme.

The procurement of a new Transactional Advisor will also commence to complete the Feasibility Studies and Business Cases for Phase 2 of the programme in FY 2026/27. The last Phase of the project preparation and submission of Feasibility Study and Business Case (i.e. Phase 3) is scheduled to take place in FY 2027/28, subject to the availability of funding for the project preparation.

EMERGENCY INTERVENTIONS AND IMPLEMENTATION OF WATER SERVICES INFRASTRUCTURE GRANT (WSIG)

MAKANA EMERGENCY INTERVENTION

Amatola Water has been appointed by the Department of Water and Sanitation as the implementing agent for the Makana Local Municipality Emergency Intervention as of the 1 of June 2023 for six (6) months. The appointment was further extended for eight (8) months due to the need to continue with the intervention to stabilise the water supply in the area. Further extensions were provided with the latest extension allowing the intervention to be funded by DWS up until 31 March 2026.

For FY 2024/25, a further allocation was made by DWS to the value of R45 million which was inclusive of the R19.2m rolled over from the previous financial year. Two Business Plans were approved and are currently being implemented by AW with the AW Operations Division as the Contractor. The two approved Business Plans are underway in terms of implementation and are due to be completed by 31 October 2025.

The intervention addresses the challenges of inadequate bulk water supply from the current infrastructure by improving the volumes and quality of water that the schemes produce and mitigating the frequency of breakdowns being experienced. The intervention by Amatola Water is to provide bulk water and scientific services management to the Makana Local Municipality for the first six months of the intervention. The intervention also coincided with AW providing services to repair, refurbish, and replace key infrastructure within the schemes that are in need and improve the performance of each scheme.

AW is on track to complete the repairs and refurbishment of the Howiesonpoort and Settlers Dam raw water rising mains and the Water Conservation and Water Demand Management in Makhanda by 31 October 2025.

STERKSPRUIT EMERGENCY INTERVENTION

Amatola Water has been appointed by the Department of Water and Sanitation as the implementing agent for the Sterkspruit Emergency Intervention as of the 1 of November 2024. Amatola Water, Joe Gqabi District Municipality (JGDM), and DWS undertook a site visit and assessment of the various infrastructure on the JGDM Sterkspruit water supply system on 16 and 17 October 2024 following receiving complaints from the community that they were not receiving water from the supply scheme. Subsequent the site visits and assessments were undertaken by Amatola Water including accessing previous reports by JGDM.

The intervention addresses the challenges of inadequate bulk water supply from the current infrastructure by improving the volumes and quality of water that the schemes produce and mitigating the frequency of breakdowns being experienced. The intervention by Amatola Water is to provide maintenance support to JGDM addressing the challenges that have led to the reduction in treatment capacity, reduction in pumping capacity, and power supply

challenges. Technical Support is also provided to JGDM to address the issue of the encroached clear water pipeline, its realignment, and upgrade.

The 2024/25 financial year allocation for the intervention is R9,200,784.59. AW has been working on addressing the challenges since December 2024 along with the appointment of sub-contractors to support the AW Operations team. The challenges were successfully addressed. The physical progress achieved to date for this intervention is 90%, expenditure against budget is R6,710,378.81 including VAT (73%). List of outstanding items (snag list) was identified, and the outstanding items are planned to be completed by 31 October 2025.

AMATOLA WATER PLANT UPGRADES

UPGRADING OF DEBE WATER SUPPLY SCHEME	
Project Description	**Scope** • Phase 1 caters for the upgrading of existing water treatment works to a 5ML/day package plant • Phase 2A caters for bulk distribution mains from plant to reservoirs (20,188m) • Phase 2B caters for the construction of bulk storage (3 No reservoirs – 2 x 3ML + 1 x 1.8ML) • Phase 2C caters for upgrading mechanical and electrical equipment at the pump stations for new demands
	Objective To improve the quality and quantity of supply from existing water treatment works (Phase 1) and mechanical and electrical equipment at the pump stations (Phase 2C)
	Location Eastern Cape between the settlements of Dimbaza and Middeldrift in the Amathole District Municipality and Nkonkobe Local Municipality
Progress/Status	• Phase 1 – Water treatment works:100% • Phase 2A – Bulk distribution (Defects liability period): 100% • Phase 2B – Bulk storage (terminated): 47% constructed completed at time of termination • Phase 2C – Mechanical and electrical : 100% complete

UPGRADING OF BINFIELD WATER SUPPLY SCHEME	
Project description	**Scope** • Upgrade of the Binfield Water Treatment Works: Civil • Upgrade of the Binfield Water Treatment Works: Mechanical and electrical • Upgrade of the Binfield Bulk Storage and Rising Main
	Objective To improve the existing water treatment works in terms of supply quality and quantity and the gravity distribution main feeding reservoirs and reservoir storage
	Location Eastern Cape, Amathole District Municipality, Nkonkobe Local Municipality
Progress/Status	• Upgrade of the Binfield WTW mechanical and electrical works: 100% complete • Extensions to the water purification works: Civil works: 100% complete • Construction of bulk reservoirs: Terminated at 58% • Construction of the rising main: Terminated at 84%

UPGRADING OF SANDILE WATER SUPPLY SCHEME	
Project description	**Scope** • Clear water storage (2 x 16Ml reservoirs) – Construction of new reservoirs • New rising mains from the WTWs to the new reservoirs • Upgrade of the WTWs to 60Ml/day – Civil, electrical and mechanical • Interconnecting pipe work – Construction of new interconnecting pipelines • Miscellaneous works
	Objective To upgrade the Sandile WTW to improve the quality of life and create socio-economic growth by increasing water provision to meet the minimum standard of 750ml/household per day
	Location Eastern Cape, Amathole District Municipality, Raymond Mhlaba Local Municipality
Progress/Status	• Civil 1 – 2 x 16 Ml reservoirs – Construction completed • Civil 2 – New British Ridge rising main – Progress achieved is 11% • The contractor was terminated due to poor performance on 11 April 2024 • The balance of works to be completed by a new contractor once Amatola Water secures the funding required to complete the project.

SECONDARY BUSINESS ACTIVITIES

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 2	
Project description	**Scope** • Upgrade of chemical building – Upgrading and refurbishing of existing building (100% complete) • Extension of flocculation channels – Construction of additional floc channel (100% completed) • Sedimentation tank (10Ml/d) – Construction of new sedimentation tanks (100%completed) • Filters (10Ml/d) – Construction of four additional new filters (80% complete) • Clear water storage (1.0Ml) – Construction of new reservoir below filters (100% complete) • Electrical (Internal) – New electrical installation for additional infrastructure (75% complete) • Instrumentation (SCADA and PLC) – Installation of new infrastructure (outstanding) • Telemetry – New installation (outstanding) • Interconnecting pipework – Construction of new interconnecting pipelines (70% complete)
	Objective To ensure that Makanda has an adequate water supply during peak and drought conditions
	Location Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality

JAMES KLEYNHANS BULK WATER SUPPLY – PHASE 3

Project description

Scope

Civil Works

- Earthworks and grassing – Completion of earthworks and new grassing
- Completion of minor works for the bunding area, chemical dosing, mixing channel,
- Horizontal clarifier, filters, reservoir, backwash and air blowers
- Internal roads – Construction of a new internal road
- Stormwater and retaining structures – New installation
- Upgrading/Refurbishing of existing WTW – Plant and buildings
- Gabion works to underdrain and sludge lagoon overflow
- Upgrading of existing filters – New installation in existing filters
- Upgrading of existing backwash and air pipework – New installation in existing filters
- High lift pump station – ME & I and Delivery manifold and chambers
- Fencing and security – New perimeter security fence
- Interconnecting pipe work – Construction of new interconnecting pipelines
- Draining of flooding to high lift pumpstation – New drain system to daylight
- Refurbishing of existing 450mm diameter rising main
- Miscellaneous works
- Commissioning and maintenance

Electrical and Instrumentation Works

- Install a 630A vacuum switch with a motor feeder protection relay that matches the
- Existing switchgear for the fifth pump motor
- Install a soft starter matching the existing starters for the fifth pump motor
- Install power and instrumentation cables to and probes for two additional 530kW pump
- Motors, and connect to new MV switchgear already provided via the soft starters
- Replace instrument/control cabling for all high lift pump sets and connect to new junction boxes
- Replace electrical building services for all existing buildings (plugs, light fittings, extraction fans and air conditioning)
- Replace area and road lighting across the yard and enhance area lighting with additional post top and floodlights
- Install lightning protection systems on all buildings
- Expand controls and instrumentation for clear water valve actuators
- Automation of entire plant by commissioning new PLCs and HMIs
- Complete and connect AC installation for MV and LV switching rooms
- Install an intrusion alarm system at the Glen Melville Dam telemetry station
- Install a closed-circuit TV (CCTV) camera surveillance system throughout the works.

Botha's Hill Reservoir Works

- Installation of wireless level sensors in Botha's Hill reservoirs
- Upgrade of security at Botha's Hill reservoirs by repairing electric fence, installed solar powered lighting, CCTV camera surveillance and telemetry on a high mast.

Objective

To ensure that Makanda has an adequate water supply during peak and drought conditions

Location

Eastern Cape, Sarah Baartman District Municipality, Makana Local Municipality

Progress/Status

- Detailed design and procurement documentation was completed in 2023/24.
- Sourcing of the permits and authorisations for additional water abstraction and pipeline
- Draining from the pumpstation to the river continued with the Phase 1 completed (application submission).

The project is at procurement stage with the plan to appoint the Contractor by the 30 November 2025.

- The procurement of the contractor was completed in December 2022.
- The milestone of the additional 10Ml/day was met on 30 August 2023.
- Phase 2 progress of the works was 100% completed on 18 July 2024.

PATERSON BULK WATER SUPPLY SCHEME

Project description	**Scope** • New raw water pumps – 2 x duty pumps with combined capacity of 266m³/hr and a standby pump. Upgrade of 50m of rising main from 150mm diameter to 250mm diameter uPVC class 9 Upgrade chemical storage and dosing system new concrete clarifier (15m diameter) • New rapid gravity sand filter building • New feeder pump • Upgrading of the ablution facilities • Upgrading of WTW area • Upgrading of sludge drying beds
	Objective To increase output of water supply to 6Ml/day and to meet the water demand of Addo and Paterson until 2035.
	Location Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality
Progress/Status	• Paterson Bulk Water Supply Phase 1 – 6 is 100% complete • Paterson Bulk Water Supply Phase 6A is at procurement stage with the plan to appoint a Contractor by 30 November 2025.

KIRKWOOD BULK WATER SUPPLY SCHEME

Project description	**Scope** • Raw water storage • Additional clear water storage • Construct a new 3.0 Ml reservoir at Kirkwood Town (Kirkwood, Aqua Park, Bergsig) reservoirs • Construct a new 3.0 Ml reservoir at Moses Mabida (Bontrug, Msengeni) reservoirs • Bontrug elevated water storage • Additional raw water storage at Kirkwood Water Treatment Works • Earthworks • Lining (HDPE and concrete) • Pipework • Fencing • Refurbishment of a dilapidated building which will be used as a site office and workshop.
	Objective To ensure that Kirkwood has adequate water supply during peak and drought seasons
	Location Eastern Cape, Sarah Baartman District Municipality, Sunday's River Valley Local Municipality
Progress/Status	The project is 100% complete and is currently in the defects liability period which will lapse on the 11th of April 2026

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (KSDPI)		
Project description	**Scope** Two booster pump stations, three command reservoirs, two rising main pipelines, eight bulk gravity main pipelines, seven village supply reservoirs, two elevated tanks, 10 village reticulation networks, break pressure tanks, 286km of pipelines, 744 stand taps.	
	Objective To extend the Coffee Bay Regional Water Supply Scheme to provide water to Ward 23 (now Ward 24) (except for a portion across the Mpako River) and the Mabehana Village in Ward 24 (now Ward 25) serving a population of 24,874 people.	
	Location Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality	
Progress/Status	• Phase 3A: Project was terminated at 98% completion • Phase 3B (M&E): Project is at 13% completion; the Contractor was terminated due to lack of progress and poor performance as of October 2024. • AW has availed its OPS Team to complete the balance of the works and is waiting for confirmation of the available budget by the ORTDM.	

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (KSDPI)		
Project description	**Scope** The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town.	
	Impact The primary focus is to expand the existing Mthatha Town Bulk Water Supply System operated by the OR Tambo District Municipality to create a regional scheme along five development "corridors" and serving over one million people. The KSDPI Bulk Water Project aims to unlock housing and commercial development for the region beyond Mthatha Town. The intervention enables the development of Mthatha that will lead to the decommissioning of nine sewage pump stations and reduce pollution of the Mthatha River. The project provides adequate portable water to the community that meets the SANS 241 standard and allows for sustainable rural livelihoods and improve health and hygiene. The total households served by the intervention are 2,719.	
	Location Eastern Cape, OR Tambo District Municipality, King Sabata Dalindyebo Local Municipality	
Highbury WTW & pipelines	Construction of a 50Ml/d Highbury WTW	Construction of a 50Ml/d Highbury WTW Stage: a. Civils 100% Complete b. Construction Highbury Rising Mains & Thornhill Gravity Main 100% Complete c. Construction of a 50Ml/d Highbury WTW Stage Civils 85% Complete.
Refurbishment of Fortgale Pump Station	The project entails refurbishment of civil structures, mechanical and electrical equipment, including transformers, pumps, valves, buildings and manholes.	The project is 95% complete, with the remaining 5% that includes testing and commissioning being anticipated to be completed by end of 2025.
Misty Mount Reservoir	Completion of 10ML Misty Mount Reservoir	The project is 100% practically complete and is scheduled to reach full completion on the 30th of September 2025.

KING SABATA DALINDYEBO PRESIDENTIAL INTERVENTION (KSDPI)		
Ngqeleni	Construction of 23.4km bulk conveyance, three bulk reservoirs and one pump station	Ngqeleni Corridor: Construction 100% complete
Rosedale/ Mthatha North	Construction of 18.9km bulk conveyance, six bulk reservoirs, WTW and two pump stations	Rosedale/Mthatha North: Construction 95% complete
Nqadu Corridor	Construction of 21km bulk conveyance, three bulk reservoirs and two pump stations	Nqadu Corridor: Tender stage
Libode Corridor	Construction of 56km bulk conveyance, six bulk reservoirs and three pump stations	Libode Corridor: Construction 96% complete
Airport Corridor	Construction of 29.9km bulk conveyance, one bulk reservoir	Airport Corridor: Construction 99% complete
Mqanduli Corridor	Construction of 53.8km bulk conveyance, six bulk reservoirs and two pump stations	Mqanduli Corridor: Construction 100% complete

DEPARTMENT OF WATER AND SANITATION

Amatola Water has an Operation and Maintenance agreement with the Department of Water and Sanitation (DWS) to manage the 21 dams under the custodianship of the Department. This includes water supply from the schemes on behalf the Department of Water and Sanitation to water service authorities and agricultural activities.

The scope of this agreement has been extended to cover control of water hyacinth within the two dams that are affected. i.e. Wriggleswade and Laing.

EASTERN CAPE PROVINCIAL DEPARTMENT OF EDUCATION

Amatola Water was appointed by the Eastern Cape Department of Education (ECDoE) in June 2016 to provide sustainable bulk water and sanitation solutions to the identified priority schools in the Eastern Cape. This included upgrading and refurbishing water and sanitation infrastructure and providing operations and maintenance (O&M) services to 198 allocated schools.

The intervention has restored assurance of a potable water supply that complies with SANS 241 standards and safe discharge of treated effluent that complies with discharge licenses while providing a safe and hygienic environment. Available budget from the 2024/2025 Medium Term Expenditure Framework (MTEF) for the ECDoE to implement 19 water infrastructure, 10 sanitation infrastructure, two water infrastructure upgrades, O&M functions at 16 hostels and special schools throughout the Eastern Cape.

The available budget was R158 million, split into R69 million for O&M and R89 million for infrastructure upgrades. These projects are aimed at improving the condition of the water and wastewater infrastructure at various schools that were not properly maintained in the past. However, ad hoc maintenance has addressed critical repairs and services at ordinary hostels and special schools outside the original allocated list of schools given to Amatola Water. These services affected the schools' smooth running, for example, water carting, desludging of septic tanks, blockages of sewer systems, and minor repairs to infrastructure.

Sixty sustainable job opportunities became available to address and manage the ECDoE portfolio: 28 general workers from the local communities at the 16 schools, 16 process controllers (one per hostel and special school), and 16 support staff.

Africa (ISA). The partnerships encompassed project preparation, project packaging, development of feasibility studies and detailed business cases for the IMP proposals under the Amatola Bulk Supply Augmentation programme.

THE PROGRAMME HAS THREE PHASES.

Programme – Phase 1

The Nahoon Water Supply Scheme is north-west of central East London, within the Buffalo City Metropolitan Municipality (BCMM) near Mdantsane. It supplies water to areas exclusively in BCMM (Mdantsane, Reeston, and Newlands).

Programme – Phase 2

The Sandile WSS is west of Qonce and supplies water to BCMM and the Amathole District Municipality (ADM).
The Laing WSS is between East London and Qonce and supplies water to urban areas in BCMM and ADM and some neighbouring rural areas.

Programme – Phase 3

The Albany Coast Bulk Water Supply System, consisting of a reverse osmosis seawater desalination treatment facility at the mouth of the Bushman's River, is roughly in the middle of the coastline of the Ndlambe Local Municipality (NLM). Currently, it supplies the needs of the NLM.

Binfield WSS is about 11km north and northwest of Alice and below the Binfield Park Dam. The plant's capacity was recently upgraded to 12 Ml/d from 4.8 Ml/d. It exclusively supplies potable water to rural villages within the Amathole DM.

LOOKING FORWARD

Amatola Water will strive to balance continued provision of reliable bulk water supply in the Eastern Cape to support socioeconomic growth, while extending and increasing water and sanitation access to vulnerable municipalities and rural areas to reduce backlogs and improve local development.

There will be a concentrated effort to reduce non-revenue water as it will contribute to assurance of supply. The Infrastructure Master Plan (IMP) will be integrated with the Provincial Water Infrastructure Master Plan, which is under review, by working closely with provincial stakeholders, the municipalities, and communities within Amatola Water's supply area.

The BAAN Computerised Maintenance Management System will continue to improve. It will enable faster and more accurate generation of timetables and eliminate the possibility of errors in predicting when equipment maintenance is due. The entity will continue to focus on planned maintenance in order to prolong the infrastructure life while funding institutions are being approached to fund the expansion and upgrades in line with the approved Amatola Water IMP.



8 FINANCIAL REVIEW

INTRODUCTION

The 2024/25 financial year continued to present significant challenges for Amatola Water, with the entity remaining under financial strain due to persistent revenue collection challenges, increasing operational costs, and limited cash flow. Despite these pressures, Amatola Water has managed to stabilise some areas of performance through cost containment measures and tariff adjustments approved by the Department of Water and Sanitation.

Debtor collection remains an issue, with Amathole District Municipality (ADM) continuing to contribute significantly to the high debtor days and impairments. The inability to fully recover revenue from ADM has worsened liquidity constraints, although collection strategies have been intensified during the reporting period.

The entity has reported deficits for four consecutive financial years, R159.1 million in 2024/25, R159.0 million in 2023/24, R203,9 million in 2022/23, and R174,4 million in 2021/22. The continued deficits highlight ongoing sustainability challenges and the urgent need for a successful turnaround strategy.

The key contributors to the 2024/25 deficit include:

a) Reduced production efficiency due to infrastructure constraints, limiting plants from achieving full design capacity.
b) Increases in bulk water purchases, electricity costs, and chemical inputs, all of which reflect higher input costs compared to the previous year.
c) Wage costs associated with Amanzi Bargaining Council agreements, which continue to exert pressure on employee-related expenditure.
d. Non-cash adjustments including depreciation and impairments related to outstanding debt.

FINANCIAL TURNAROUND STRATEGY

Amatola Water continues to implement its Financial Turnaround Strategy, with emphasis placed on improving operational efficiency, cost containment, and sustainable revenue generation. The eight (8) key strategies and progress made thus far on the strategies implemented includes:

1. Strategy One: Debtors and Creditors Management:

a) Intensifying collection initiatives, revising settlement agreements with ADM, and strengthening customer contracts through long-term fixed quantity agreements.

1.1 Debtors Management

IGR processes that were followed Amatola Water are as follows:

a) Approached the Office of the Premier to intervene in the ADM /AW payment challenge.
b) DDG in the Office of the Premier appointed task to resolve the matter comprising of Amathole District Municipality, Amatola Water, Provincial Treasury, DWS (Provincial Office), SALGA and COGTA.

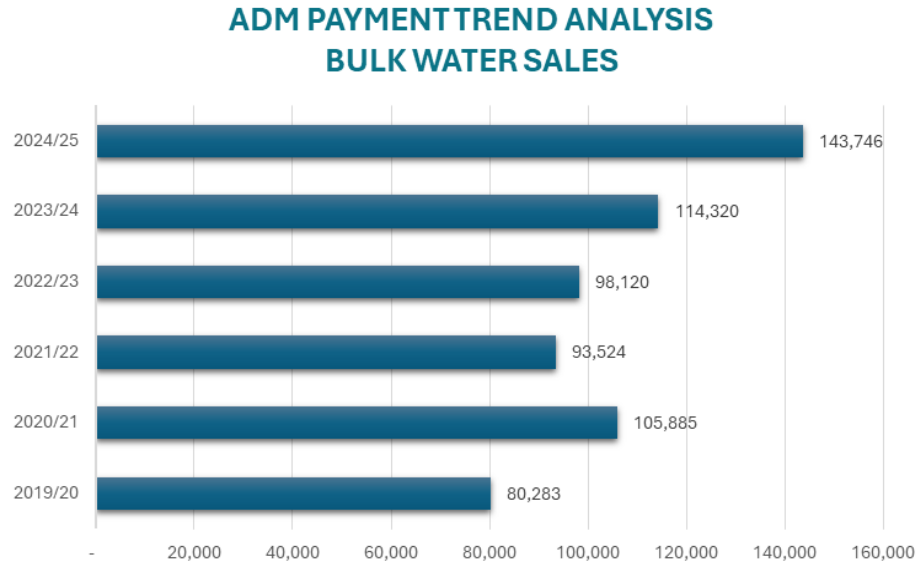


Figure 8.1: payment trends over the past 6 years

1.2 Creditors Management

a) Amatola Water signed a payment agreement with Department of Water and Sanitation for the outstanding debt in respect of Bulk Walter purchases.

2. **Strategy Two: Direct service provision:** Establishing a separate entity to operate as a Water Service Provider (WSP) in areas without adequate Water Services Authority infrastructure.

a) Amatola Water will not consider establishing a separate entity to be registered as a water service provider (WSP), instead is seeking funding of the reticulation infrastructure.

3. **Strategy Three: Repairs and maintenance:** Increasing expenditure on water conservation, demand management, and rehabilitation of existing assets to extend their useful life.

a) The budget of R50m both OPEX & Capex budget approved to deal water conservation, demand management, and rehabilitation of existing assets to extend their useful life.

4. **Strategy Four: Tariff strategy:** Balancing cost containment with the implementation of cost-reflective tariffs to ensure revenue sustainability.

5. **Strategy Five: Employee cost restructuring**: Reviewing the workforce structure and implementing measures to contain escalating personnel costs.

a) The implementation of the organisation review, dealing with the inefficiencies in the water treatment plants, reticulation cost funding will play vital role for cost reflective tariff.

6. **Strategy Six: Capital project evaluation:** Prioritising capital projects with feasible returns on investment and ensuring affordable funding structures.

a) Amatola Water signed an agreement with ISA to assist AW with project preparation for submission of funding application for R1 billion to BFI (National Treasury Budget Facility Initiative) for Nahoon Business Case for Phase 1.
b) The BFI application will be submitted during the next BFI window following the submission of the approved Nahoon Feasibility Study and Business Case at the end of October 2025.
c) The funding application will also be made to other Development Finance Institutions (DFIs) in consultation with AW, Infrastructure Fund, and Infrastructure South Africa (ISA).

7. **Strategy Seven: Secondary business optimisation:** Assessing the profitability of special projects and revising minimum commission thresholds.

a) The cost recovery model has been developed and approved by the Board. The new clients will be consulted with the implementation of the cost recovery model.

8. **Strategy Eight: Technology integration:** Leveraging digital solutions to enhance efficiencies, improve monitoring, and strengthen customer engagement.

a) Amatola Water are on track in upgrading the systems (ERP system, digital tools expansion). These initiatives will accelerate Amatola Water's digital transformation, ensuring efficiency, transparency, and data-driven service delivery.

AMATOLA WATER FINANCIAL SUSTAINABILITY AND VALUE CHAIN

Primary business revenue increased by 11% (R49m) compared to the previous financial year largely driven by volumes produced 87.5ml/d in 2024/25 financial year whereas in 2023/24 financial year the plants were producing at 85.6ml/d.

The tariff adjustments approved by the Minister of Water and Sanitation also contributed. Buffalo City Metropolitan Municipality, Amathole District Municipality, and Ndlambe Local Municipality remained the main contributors to primary revenue.

Secondary business revenue increased to R19m from R17m the previous year, representing a 11.76% growth. The increase in largely due to operation and maintenance contract started in 2024/25 financial year. The improvement is largely driven by higher construction revenue, which grew to R10m compared to R5m in the prior year.

The Amatola Water total expenditure for the year increased to R919m compared to R899m in 2023/24, representing a 2.2% increase. The expenditure includes construction costs. The rise is attributable to higher electricity, bulk water purchases, and chemical costs, partially offset by reductions in debt impairment charges compared to prior years. Employee-related costs increased to R 87m up 7.0% from the prior year. The increase reflects the implementation of negotiated wage agreements and associated allowances.

REVENUE ANALYSIS

Primary business revenue increased by 11% (R49m) compared to the previous financial year, largely driven by volumes produced 87.5ml/d in 2024/25 financial year whereas in 2023/24 financial year the plants were producing at 85.6ml/d. The improvement is largely due to tariff adjustments, though actual sales volumes remained constrained by infrastructure and energy challenges.

Secondary business revenue amounted to R19m, an increase from R17m in the previous year. The growth is mainly attributable to construction revenue, which rose to R10m compared to R5m in the prior year. This figure represents construction revenue net of construction costs, following the adoption of the GRAP 11 standards in the 2024 financial year, as recommended by the Auditor-General of South Africa (AGSA).

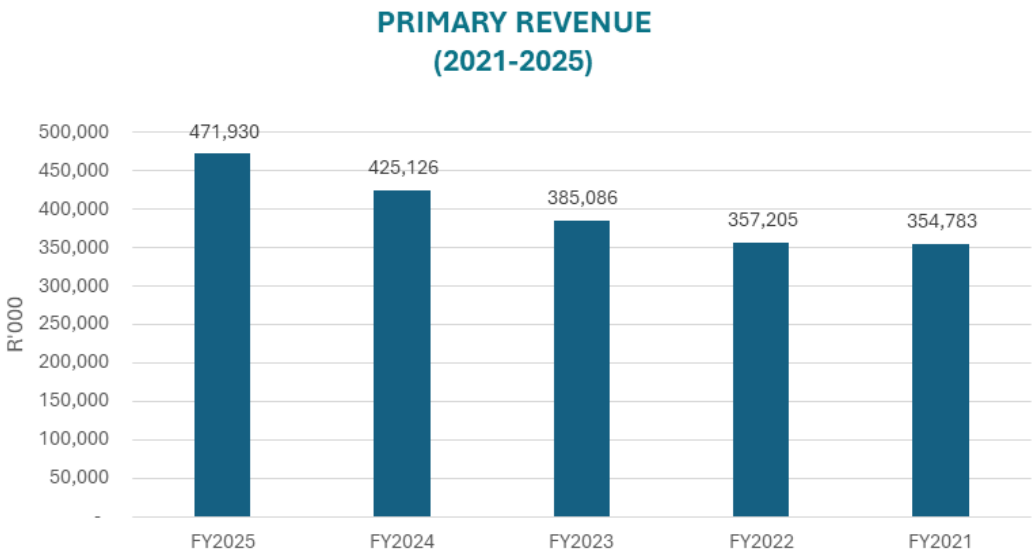


Figure 8.2: Primary Business Revenue 2021-2025

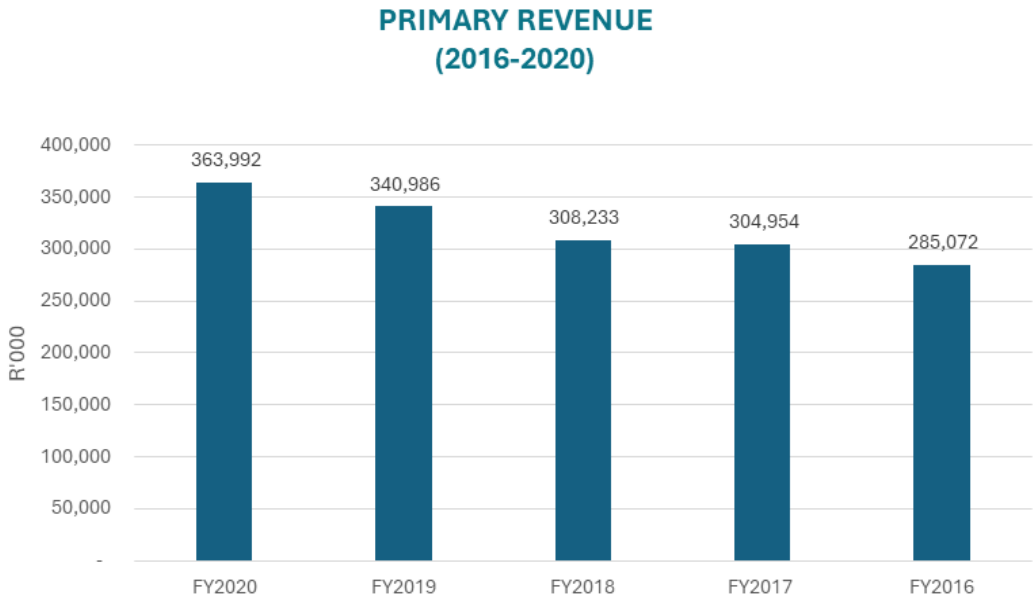


Figure 8.3: Primary revenue historical trend

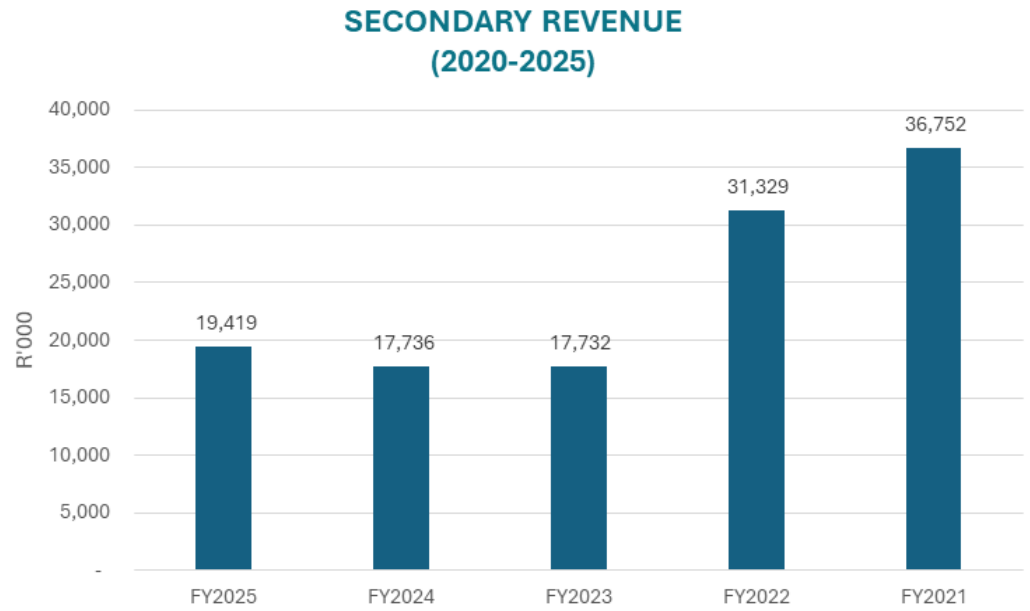


Figure 8.4: Secondary revenue 2021 – 2025

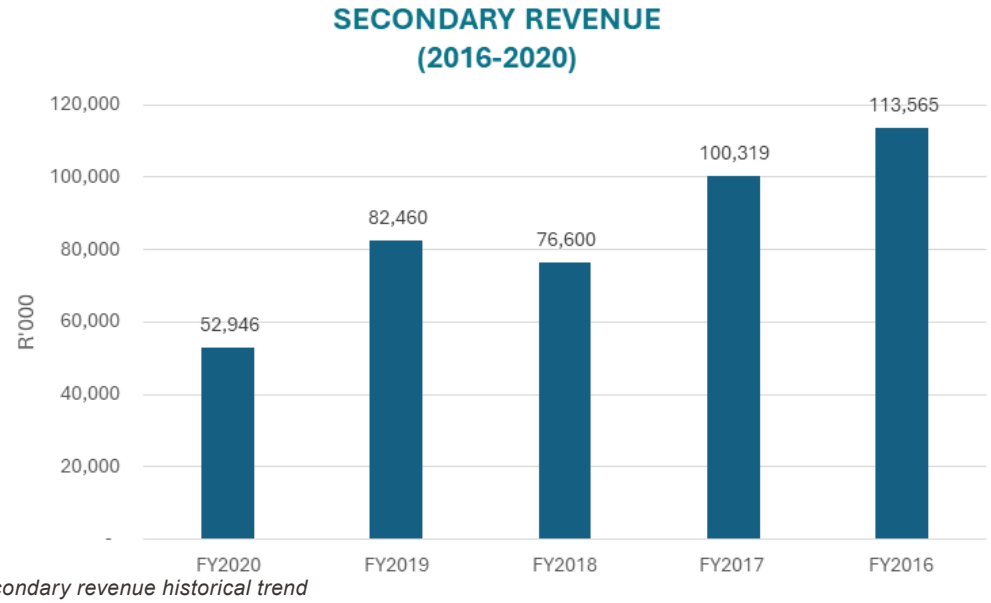


Figure 8. 5: Secondary revenue historical trend

COST OF SALES AND OPERATING COSTS

The cost of sales increased by 8.0% to R441m compared to R410m in 2024/25. Electricity costs rose by 4.5%, bulk water purchases by 9.6%, and chemical costs by 21.8%, reflecting rising input prices and demand-related pressures.

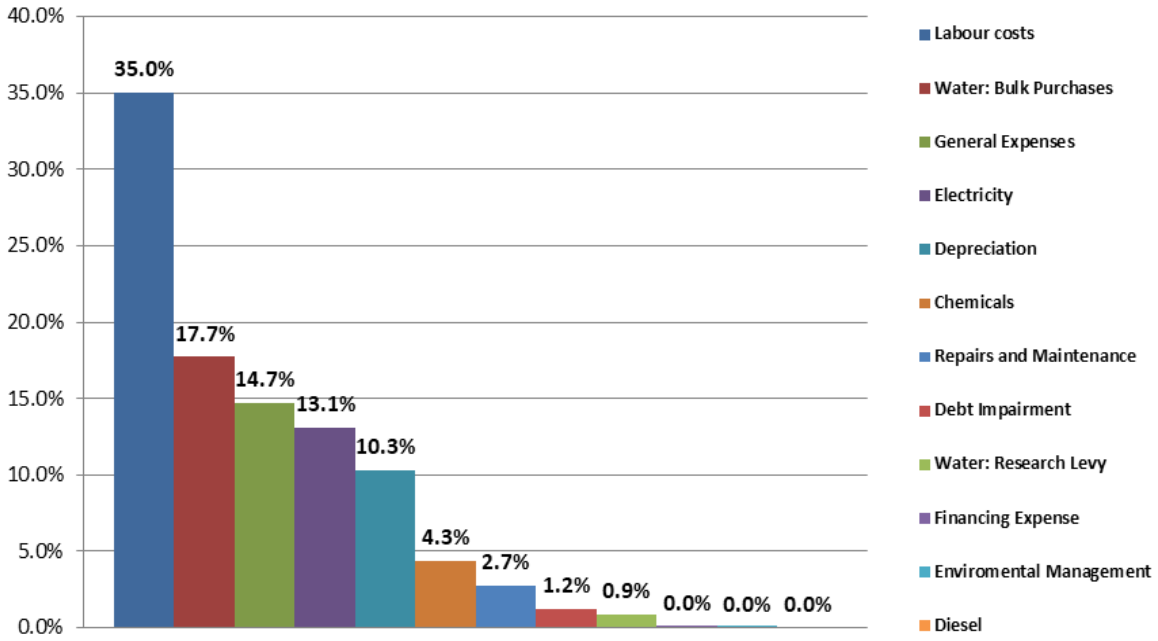


Figure 8.6: Cost of sales and operating costs 2024/2025

FINANCE INCOME

Finance income decreased by 12.6%, totaling R37,1 million in 2024/25 compared to R40,2 million in 2023/24. This decline was mainly driven by demand is falling, then firms will cut back on investment.

If economic prospects improve, then firms will increase investment as they expect future demand to rise investments, which fell from R14,0 million in 2023/24 to R10,2 million in 2024/25, reflecting lower available liquidity.

However, interest from accounts receivable remained significant, amounting to R26,8 million (2024/25) compared to R26,2 million (2023/24), as additional interest continues to accrue on outstanding debtor balances in line with the entity's Banking, Cash Management, and Investment Policy.

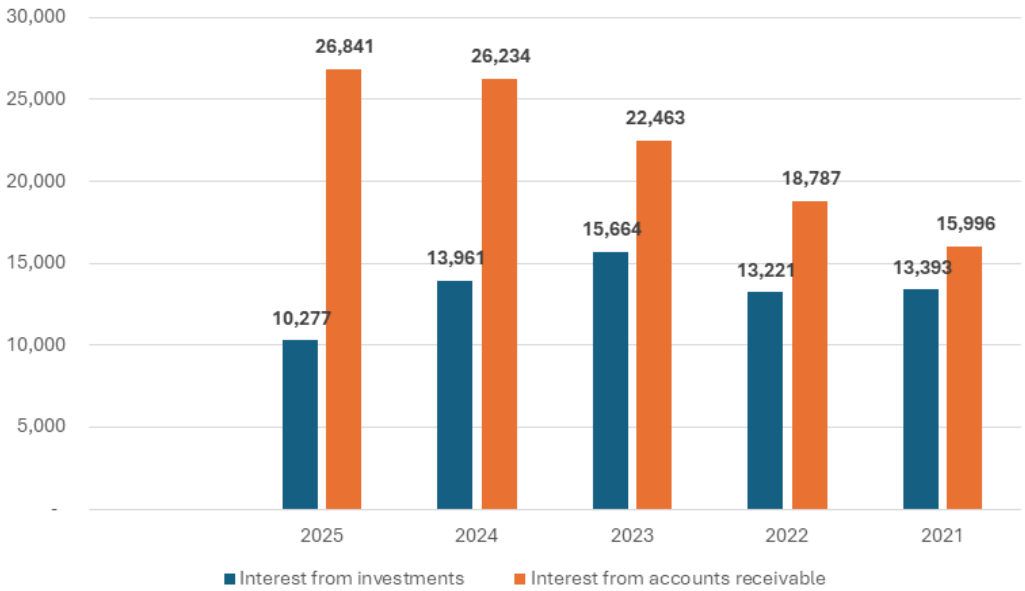


Figure 8.7: Finance Costs

KEY FINANCIAL RATIOS

The overall financial ratios indicate persistent challenges in liquidity and profitability. The current ratio (0.696) and acid-test ratio (0.68) both declined in FY2025, signaling continued pressure on short-term obligations. The norm of 2:1 is the generally accepted benchmark used by National Treasury (Circular71).

A declining liquidity ratio is indicative of cash flow constraints; hence it is prudent to monitor the ratio and maintain the ratio at 2:1 so as to prevent cash flow constraints. This means that for every R2 of an asset (cash) there should be R1 liability (debt). Currently the Amatola Water does not have R1 cash to R1 debt. This ratio trend is evidence that the Entity continues to experience cash flow constraints.

Trade debtor days improved to 168.88 days from 255.22 days in FY2024; however, this remains well above acceptable norms, reflecting ongoing inefficiencies in revenue collection. Profitability continues to be under strain, with return on assets recorded at -12.84%, a slight improvement from -12.55% in FY2024, yet still in negative territory.

Cost efficiency shows mixed outcomes: electricity costs per kilolitre decreased to R2.28 (from R3.15 in FY2024), indicating some operational gains, whereas chemical costs rose to a seven-year high of R0.96 per kilolitre, increasing pressure on operating expenses. The cost of sales per kilolitre remained elevated at R9.50, slightly lower than the R9.95 reported in FY2024, further highlighting the financial constraints faced by the entity.

	Audited	Audited	Audited	Restated	Restated	Restated	Restated
RATIOS	**FY2025**	**FY2024**	**FY2023**	**FY2022**	**FY2021**	**FY2020**	**FY2019**
Current Ratio	0.696	0.852	1.028	1.396	1.403	1.427	1.545
Trade Debtors (days)	168.88	255.22	182.56	203.81	224.90	118.91	69.65
Return on Assets	-12.84%	-12.55%	-9.19%	-8.74%	-3.41%	-3.53%	18.79%
Debt-Equity Ratio	-	-	-	-	-	-	-
Acid - Test Ratio	0.68	0.84	1.02	1.38	1.39	5.48	1.54
Cost of Sales (R/kl)	9.50	9.95	8.05	7.38	5.39	9.16	5.39
Electricity Cost (R/kl)	2.28	3.15	1.85	1.95	1.04	1.50	1.04
Chemical Costs (R/kl)	0.96	0.90	0.60	0.39	0.26	0.21	0.26
Raw Water purchases (k/l)	3.06	3.19	2.55	2.54	2.15	2.75	2.15
Water Research levies (k/l)	0.15	0.09	0.08	0.08	0.08	0.09	0.08
Number of Employees	375	374	387	333	333	332	365
Average Revenue per Employee (R'000)	1,310	1,215	1,041	1,167	1,176	811	1,431

Table 8.1: Ratios

SUPPLY CHAIN MANAGEMENT

The objective of Supply Chain Management is to procure goods and services. SCM bid committees are in place and fully Functional. Implementation of Procurement Plan

Bids Processed		Quarter 1	Quarter 2	Quarter 3	Quarter 4
Planned Bids for the quarter		26	13	6	4
Number of Bids processed during the quarter		19	18	8	2
On Specification		1	1	2	0
Advertised not yet closed		6	0	1	2
On Evaluation		2	10	9	2
On Adjudication		5	4	0	8
CE for signing the award		0	0	0	0
Cancelled		0	3	2	0
Awarded		5	1	3	9
Analysis of performance	Annual	Quarter 1	Quarter 2	Quarter 3	Quarter 4
Target	47	26	39	45	49
Performance	47	19	37	45	47
Total 90	100%	73%	95%	100%	96%

Table 8.2: Implementation of Procurement Plan

The table above reflects the number of achieved against the target. The overall performance was 100% as all the planned bids were processed but some still sitting in the different stages of the bidding. Only 39% of the bids were fully processed in 2024/25

Deviations

The Supply Chain Management Policy makes provision for deviations for the following:

a) Emergency Procurement;
b) Sole supplier;
c) Single Source

In terms of paragraph 4.6 of the National Treasury SCM Instruction Note No. 03 of 2021/22, the AO/AA must ensure that procurement by 'other means' is recorded in the annual report of the institution in a format determined by National treasury.

The Chief Executive / Delegated Person / Authority approves the deviations during the year of 2024/25 financial year to the value of R22 762 393.60 summaries as follows:

Deviation Category	Amount
Emergencies	R5,164,959.10
Sole Source	R14,091,038.89
Single Source	R3,506,395.61
Total Deviations	**R22,762,393.60**

Table 8.3: Deviations

Below is the detail per quarter

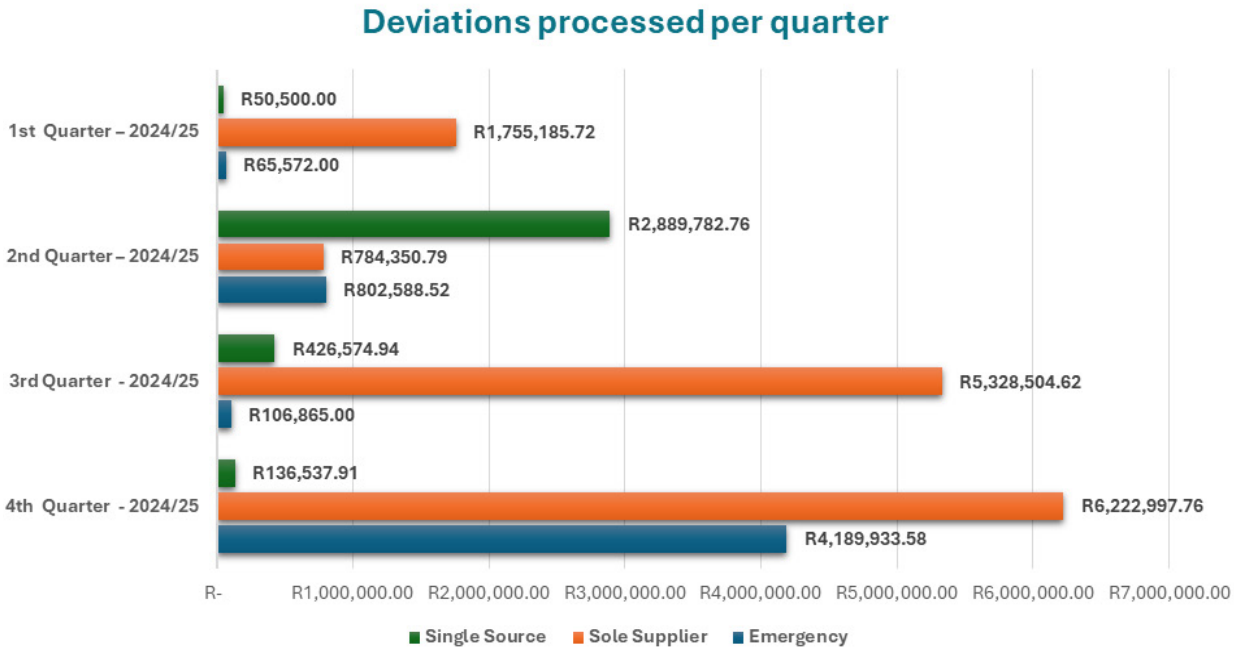


Figure 8.8. Deviations Processed per Quarter

Expansion or Variation of Contracts

In terms of paragraph 5.4 of the National Treasury SCM Instruction Note No. 03 of 2021/22 further requires the entity to report variations approved by the AO/AA must in the format determined by National Treasury, submit on a monthly report, including the reasons for expansion or variation, to the relevant treasury and the AGSA.

The AA/AO must record expansions or variations referred to in paragraph 5.4 in the annual report of the institution in a format determined by National Treasury.

Unauthorised, Irregular, Fruitless and Wasteful Expenditure

The irregular expenditure as reported in Audited Annual Financial Statements were R 910,976, 839 in 2024/25 and R835,659,908 as at end of 2023/24 financial year. The amount reported includes irregular expenditure relating to projects implemented on behalf of Principals.

Status (Under assessment, determination, investigation)	2024/25 Financial year	2023/24 Financial year	2022/23 Financial year
Opening Balance	835,659,908	752,802,283	658,245,149
Assessed and confirmed	1,581,464	82,857,625	75, 832,786
Determination	73,735,467	-	18,724,347
Total	**910,976,839**	**835,659,908**	**752,802,283**

Table 8.4: Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Fruitless and Wasteful Expenditure: Amatola Water ended the 2024/25 financial year with the fruitless expenditure of R104 891 010 as at end of June 2025 and R104 602 541 as at end of June 2024.

Status (Under assessment, determination, investigation)	2024/25 Financial year	2023/24 Financial year	2022/23 Financial year
Opening Balance	104,602,541	95,520,155	69,887,933
Assessed and confirmed	288,469	9,081,917	8,141, 711
Determination	-	469	17,490,511
Total	**104,891,010**	**104,602,541**	**95,520,155**

Table 8.4.1: Unauthorised, Irregular, Fruitless and Wasteful Expenditure

CONTRACTS MANAGEMENT UNIT

Amatola Water manages and monitors contracts to ensure compliance with all applicable Legislative Framework, Treasury Regulations and Policy mandate. There is an established Contract Management component within Supply Chain Management (SCM) which ensures the contracts which Amatola Water enters into are managed in a manner that minimizes operational risk, maximises intended benefit and fulfills all contractual obligations.

The Contract Management Unit worked tirelessly to ensure that each project has a signed contract and spending is monitored against the awarded / original value to avoid irregular expenditure.

The list of Agreements recorded in the Contract Register are classified based on the year in which they were awarded. AW Contracts Register includes contracts that we are awarded from 2013 to date. Most of the old contracts are mainly construction-related contracts.

CONTRACT REGISTER – 2024/25					
	ACTIVE	EXPIRED	TERMINATED	COMPLETED	TOTAL
Goods and Services Contract - Agreement based on General conditions of contract	10	0	0	0	10
Construction Contracts - Agreement based on General conditions of constructions	20	0	2	7	29
ECDOE Contracts – Agreements which AW execute as an implementing Agent for ECDOE	18	0	0	10	28
Panel contracts – Framework Agreements formed by multiple Suppliers	7	2	0	0	9
RT Contracts - Transversal Contracts which AW participates on as agreed by National Treasury	6	2	0	0	8
Participation Agreement – Procurement of Contract Procured from another organ of state	3	2	0	0	5
Lease Agreement – Contracts for Hired Services	1	0	0	0	1
TOTAL	**65**	**6**	**2**	**17**	**90**

Table 8.5: Contracts Register

Register entails the following classification of information:

- The Contract Register has a total of 90 contracts as reflected in the table above.
- There are currently 65 active contracts
- There are 2 terminated contracts listed in the contract register due to active financial transactions currently in place.
- There are currently 6 expired contracts
- There are 17 completed construction contracts for Planning and Development (P&D) Unit.

LOOKING AHEAD

Amatola Water's financial sustainability relies heavily on key clients honoring their payment obligations. Whilst there were glimpses of emergence the threatening financial sustainability difficulties experienced during the past three years financial years. For continued financial sustainability and viability, the following key focus areas have been identified:

- Explore rebranding Amatola Water to become an Eastern Cape Water Board, influence and promote our regionalised mandate across the province. Through consultation, the provincial footprint can improve efficiency, infrastructure asset base and increase water provincially.
- Strengthening our management, systems, and employee relationships will help create a stronger, more collaborative workplace where everyone feels valued and motivated to perform at their best and enhance institutional stability.
- Collecting outstanding debts, will not solve all our financial challenges alone. We need to also work on better ways to manage our resources, balance spending, and find new opportunities for growth.
- Growing partnerships with additional municipalities and enhancing capacity for existing clients extend the organisation's footprint and deepen its influence. Provide technical support and advisory services. resolving operational challenges, deliver reliable and efficient services.
- Another important area is finding the right balance between investing in new infrastructure and maintaining what we already have rigorous asset management to sustain our operations and offer a reliable service while we plan for future growth.
- Finally, we are committed to building strong relationships with our government partners, and other WSA's. paying for raw water on time and maintaining open, collaborative partnerships will help strengthen trust and improve how we work together.



9 AUDIT AND RISK COMMITTEE REPORT FOR THE YEAR ENDED 30 JUNE 2025

1. AUDIT AND RISK COMMITTEE (ARC)

1.1. The ARC is established as a statutory committee in terms of Section 77 of the Public Finance Management Act and Treasury Regulation 27.1.1.

1.2. The Committee has adopted a formal Terms of Reference as its Charter and has fulfilled its responsibilities for the year in compliance with its Charter.

2. MEMBERSHIP AND ATTENDANCE

2.1. The Committee consists of members who are financially literate and have the appropriate experience.

2.2. The Committee met 10 times during the year. This was due to additional special meetings that were required due to numerous governance challenges that were facing the entity.

2.3. The list of Committee members, their qualifications and a record of their attendance is as follows:

Name	Qualifications	Independent External Member/Board Member	Race	Date Appointed	Gender	Number of Meetings		Term End Date
						Total Number of Meetings	Meetings Attended	
G Labane	Chartered Accountant (SA), Advanced Certificate (Auditing), BCom Hons (Accounting), Certificate (Theory of Accounting), Intermediate Certificate (Accountancy), National Diploma (Cost And Management Accounting)	Independent External Member (Chairperson)	Black	11 - Nov - 21	M	14	10	16 - Dec - 24
S Ngwenya	MBA Post Graduate Diploma in Accounting BCom (Accounting)	Independent External Member (Chairperson)	Black	16-Dec-24	M	14	7	To date
B Zulu	B. Proc Degree MBA BA Degree B.Ed. (Honours in Education) Masters Degree in Human Resource Management LLM – Masters in Law: Labour Studies	Independent External Member	Black	17-Oct-24	F	14	10	To Date
A Madyibi	Post Graduate Program in Digital Transformation Doctor of Philosophy in Information Systems Master of Public Administration Bachelor of Science	Independent External Member	Black	17-Oct-24	M	14	2	02 - Apr - 25
F Mudau	BCom, Government, Finance Certificate, Certificate in Municipal Finance, MBL -enrolled	Independent External Member	Black	11-Nov-21	F	14	6	31- Oct - 24
S Maharaj	Chartered Accountant (SA), Chartered Government Finance Officer (Chartered Institute of Government Finance), Municipal ExecutiveFinancial Management, Black Belt Digital Six Sigma Certified, MBA (cum laude), BCompt Hons, BCom	Independent External Member	Black	11-Nov-21	M	14	6	3 - Oct - 24
W Mushohwe*	Chartered Accountant (SA), Certified Public Accountant (Inactive), MBA	Board Member	Black	01-Aug-23	M	14	7	To Date
B Mokgatle*	MBA BCom Accounting	Board Member	Black	25-Mar-22	F	14	2	1- Oct - 24

Table 9.1: Board Membership and Attendance

NAMES	ARC POSITION	NUMBER OF MEETINGS ATTENDED	ORDINARY ARC MEETINGS	SPECIAL MEETING ARC MEMBERS
G Labane	Chairperson	7	1	6**
S Ngwenya	Chairperson	7	2	5**
W Mushohwe	Member	13	3	10**
A Madyibi	Member	2	2	0**
B Zulu	Member	10	3	7**

Table 9.2: Audit and Risk Committee (ARC) members attendance

**The Committee was restructured as follows during the financial year:*

a) The Minister of Water and Sanitation appointed Mr. Mushohwe on 1 August 2023 and on 29 September 2023; the Board allocated the member to serve in the ARC.

*** The number of special ARC meetings is informed by:*

b) As a means of assurance, the Board delegated the ARC to review the quarterly performance information reports and the Department of Water and Sanitation (DWS) quarterly report prior submission to the DWS. The consideration of these reports takes place outside the ordinary meetings.

c) Consider urgent and ad hoc reports, including investigation reports.

d) Furthermore, the Committee has two standard special meetings; the first one considers the draft Annual Financial Statements (AFS) and draft Annual Performance Report (APR) and the second one consider the draft Audit Report and draft Management Report from the Auditor-General of South Africa (AGSA).

e) Ms B Zulu and Dr A Madyibi were subsequently appointed effectively from 17 October 2024 as independent external members when the term of three independent external members ended. Furthermore, Dr. A Madyibi resigned from the entity on the 2 of April 2025.

f) Ms. Mudau and Mr. Maharaj did not attend any ARC meetings but they did attend to the Special Board & ARC meeting that was held on the 25 October 2025.

3. AUDIT AND RISK COMMITTEE'S RESPONSIBILITIES

The ARC is satisfied that it has discharged its oversight of the following responsibilities:

3.2. Internal controls

3.1.1. Safeguarding assets, operating adequate systems, controlling and reporting processes, and preparing accurate reports and financial statements in compliance with the applicable legal requirements and accounting standards.

3.1.2. Overseeing the activities and ensuring coordination between the activities of internal audit, external audit, and other assurance providers.

3.1.3. Providing a forum for identifying and reviewing enterprise-wide risks relating to financial, performance and regulatory exposures, and monitoring controls designed to minimise these risks.

3.1.4. Reviewing the Amatola Water Board's quarterly financial and performance information, Integrated Annual Report, including the Annual Performance Information Report and Annual Financial Statements, and any other public reports or announcements containing financial and non-financial information.

3.1.5. Reviewing the year-end financial statements and performance reports.

3.1.6. Reviewing the Charter and Committee's work annually; recommendations are made to the Board of Amatola Water to ensure the Committee's effectiveness.

3.2. Risk management

3.2.1. Management is responsible for establishing and maintaining an effective system of governance, risk management, fraud prevention, and internal controls detection.

3.2.2. The strategic risk register guided the internal audit, critical audit areas, and management's input in formulating its three-year rolling strategic and annual internal audit plans.

3.2.3. Amatola Water has a Corporate Risk Management Committee (CRMCO), chaired by the CE who directly reports to the ARC.

3.2.4 Quarterly Risk Management Reports are updated and reviewed before the Committee meeting this ensures that all the significant risks, including the emerging risks facing the entity are addressed.

3.2.5 The Committee was fully functional throughout the financial year and included the Executive Managers who considered the quarterly risk management reports prior to tabling at the ARC meetings.

3.3. Internal audit

3.3.1. The Committee approved a risk-based Three-Year Rolling Strategic Internal Audit Plan and an Annual Audit Coverage Plan for 1 July 2024 to 30 June 2025 covering the following key audit activities:

PLANNED AUDITS	NUMBER OF AUDITS
Fraud Prevention Plan	4
Review of the 2024/25 Draft Annual Financial Statements (AFS)	1
Review of the 2024/25 Draft Annual Performance Report (APR)	1
Audit of the Predetermined Objectives (AoPO) and Performance Information Review (Quarters 4, 1, 2, and 3).	4
Review of Supply Chain Management (Quarters 1 & 2)	1
Review of 2025/26 Draft Business plan to test SMARTness of the KPI's and Performance Targets	1
Review of Technical Indicator Descriptors for 2024/25 Financial Year	1
Review the draft of the 2024/25 Integrated Annual Report	1
Review of the 2025/26 Business Plan	1
Follow up on prior years internal audit reports	1
Determination of unauthorized, irregular, fruitless and wasteful expenditure (management adhoc requests)	1
Payroll management review (staff head count)	1
Review of appointments, retentions, terminations	1
Review of inventory management (physical inventory count)	1
Total Planned and Performed Audits	**20**

Table 9.3: Key audit activities:

3.3.2. The Committee reviewed all the internal audit reports and is satisfied with the following aspects:

3.3.2.1. The internal audit function's activities include its annual work programme, reports of significant investigations, and management responses to specific recommendations.

3.3.2.2. Internal Audit has conducted its work following the Institute of Internal Auditors standards. However, the Committee understand that the External Quality Assurance Review is overdue and earmarked to be performed by the end of June 2026.

3.3.2.3. The Committee conducted the annual performance assessment on the effectiveness of the internal audit and is generally satisfied with its performance and effectiveness.

3.3.2.4. The Committee is concerned about the internal control weaknesses identified by the internal audit which it expects management to address.

3.3.2.5. The Committee considered and noted the limited capacity within the internal audit, which resulted in the audit plan being revised and some projects being allocated to the outer years of the three-year rolling plan and delays in the completion of some projects. To enhance the internal audit capacity, a panel of internal audit service providers was appointed late in the financial year. Internal audit has since begun utilising these resources.

3.3.3. Therefore, the committee believes that internal audit is independent, provides objective assurance, and engages in consulting activities designed to add value and improve Amatola Water's operations.

3.3.4. Other identified concerns

3.3.4.1. The Committee's areas of concerns related to:

3.3.4.2. The processes for recovery of outstanding debtor balances were not always completely followed, with the Amathole District Municipality being the highest non-paying debtor.

3.3.4.3. An increase in the number of investigations relating to alleged fraud and corruption within Amatola Water.

3.3.4.4. No other significant activities have come to the Committee's attention to indicate any material breakdown in the functioning of controls, procedures, or systems.

3.4. Adequacy, reliability and accuracy of the financial and performance information

3.4.1. The Committee is of the opinion, based on the information and explanations provided by management and information accurate. the results of audits performed by the Internal Audit Unit, that the financial and performance provided by management to users of such information is partially adequate, reliable, and accurate.

3.4.2. This was evidenced by a number of internal control deficiencies noted in the Internal Audit Reports.

3.5. External audit

3.5.1. The Office of the Auditor-General South Africa (AGSA) met three times with the Committee during the financial year.

3.5.2. The Committee holds in-committee meetings at every ordinary ARC meeting; it also meets based on requests from the Committee members, management, and internal and external audit.

3.5.3. The Committee has had various independent sessions with the parties and confirms that they are satisfied that there are no unresolved issues of concern.

4) EFFECTIVENESS OF INTERNAL CONTROLS

4.1 The Committee considered all the reports issued by the various assurance internal and external providers.

4.2 The status of management's actions to address prior control weaknesses were:

ASSURANCE PROVIDER	TOTAL FINDINGS	RESOLVED FINDINGS	PARTIALLY RESOLVED	NOT RESOLVED
Internal Audit	83	77	-	6
External Audit	75	50	22	3
ICT Vulnerability Assessment	10	10	-	0
ISO SHE Compliance Internal Audit	55	42	-	13
SHE Legal Compliance Audit	69	37	-	32
SABS Certification Audit	11	11	-	0
Total #	**303**	**227**	**22**	**54**

Table 9.4: Internal Controls

5. COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Committee has:

5.1.1. Reviewed the in-year management and quarterly reports submitted regarding the Public Finance Management Act and is satisfied that no material deviations were noted.

5.1.2. Reviewed management's policies and procedures to ensure compliance with applicable laws and regulations.

6. EVALUATION OF THE INTERNAL AUDIT FUNCTION

The Committee has evaluated the performance and effectiveness of the internal audit function for the 2024/25 financial year. It is generally happy with the performance and effectiveness of internal audit and progress towards finalisation of the Internal Audit Plan.

7. EVALUATION OF THE FINANCE FUNCTION

The Committee has evaluated the performance and effectiveness of the finance function for the 2024/25 financial year and is generally satisfied with the performance of the function with few areas identified for improvement.

8. EVALUATION OF THE AUDIT AND RISK COMMITTEE

The Committee has assessed its performance and effectiveness for the 2024/25 financial year and is generally happy with its performance. The Committee report on the assessment will be tabled to the Board.

9. EVALUATION OF FINANCIAL STATEMENTS AND ANNUAL REPORT

9.1. The Committee has evaluated the AFS and APR for the year ended 30 June 2025 and duly recommended these for approval by the Board of Amatola Water.

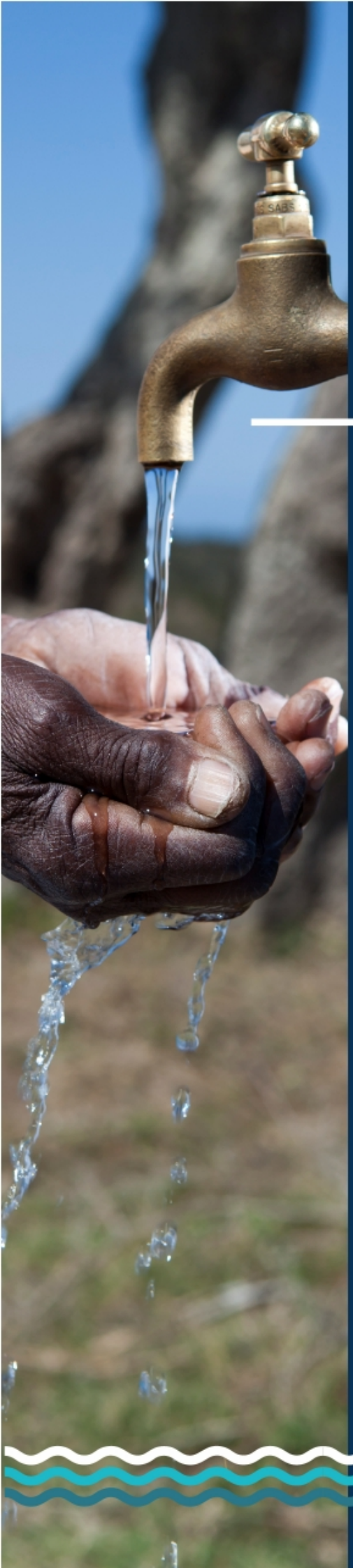
9.2. We would like to sincerely thank the management team for their leadership and commitment during a very challenging period.



Mr S Ngwenya
Audit and Risk Committee Chairperson
Date: 28 November 2025



10 ANNUAL AUDIT REPORT AND AUDITED ANNUAL FINANCIAL STATEMENTS



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AMATOLA WATER BOARD

Audited Annual Financial Statements for the year ended 30 June 2025

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Accounting Authority's Responsibilities and Approval of the Annual Financial Statements

The board members are required by section 55(1) of the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and take responsibility for the content and integrity of the annual financial statements and related financial information included in this report.

It is the responsibility of the members to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors were engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

These annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. The accounting authority acknowledges that it holds ultimate responsibility for the system of internal financial control established by the entity and places considerable importance on maintaining a strong control environment. To enable the board members to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner.

The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach.

Risk management in the entity focuses on identifying, assessing, managing and monitoring all known forms of risks across the entity. While operating risks cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

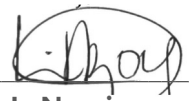
The board members have reviewed the entity's cash flow forecast for the year to 30 June 2025 determined through the current financial position, they are satisfied that the entity has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for reporting on whether the financial statements are fairly presented in all material respects in accordance with the applicable financial reporting framework. The external auditors are also responsible for independently reviewing and reporting on the entity's annual financial statements.

The annual financial statements set out on pages 170 to 243 which have been prepared on the going concern basis, were approved by the board on 30 August 2025 and were signed on its behalf by:



Dr G. Sharpley
Interim Board Chairperson



Ms L. Nzoyi
Acting Chief Executive

Report of the auditor-general to Parliament on Amatola Water Board

Report on the audit of the financial statements

Opinion

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

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

Basis for opinion

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

4. I am independent of the 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.

Material uncertainty related to going concern

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

7. As disclosed in note 40 to the financial statements, it is stated that the entity has continuously realised deficits; has historical recurring negative cash flows from operations; increasing debtor collection and creditor payment period; has high value of creditors as a percentage of cash and cash equivalents and a depleting current ratio. As stated in note 40, these events or conditions, along with the other matters as set forth in note 40, indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. The measures and plans to mitigate these events and conditions have been disclosed.

Emphasis of matters

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

Restatement of corresponding figures

9. As disclosed in note 32 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 30 June 2025.

Bad debts written off

10. As disclosed in note 24 to the financial statements, material losses of R9,9 million (2023-24: R13,1 million) were incurred as a result of a write-off of irrecoverable debtors.

Report of the auditor-general to Parliament on Amatola Water Board

Report on the audit of the financial statements

Material losses - water

11. As disclosed in note 15 to the financial statements, material distribution losses of R43,4 million (2023-24: R47,8 million) was incurred, which represents 16,42% (2023-24: 24,85%) of total water purchased.

Responsibilities of the accounting authority for the financial statements

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

13. In preparing the financial statements, the accounting authority is responsible for assessing the 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 entity or to cease operations, or has no realistic alternative but to do so.

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

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

15. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report

Report on the audit of the annual performance report

16. 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 strategic outcome presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.

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

STRATEGIC OUTCOME	PAGE NUMBERS	PURPOSE
Improved provision of safe and reliable water services	86	Providing safe and reliable water services to water services authorities and providers to address a key priority of equitable water provision to previously unserviced communities in the Eastern Cape. Access to clean drinking water is a constitutional obligation and a basic human right.

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

19.I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the entity's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the entity's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable
- there is adequate supporting evidence for the achievements reported.

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

21. The material findings on the reported performance information for the selected strategic outcome are as follows:

Improved provision of safe and reliable water services

Average number of days of unplanned interruptions

22. An achievement of 11,7 days was reported against a target of ≤5. I could not determine whether the reported achievement was correct, as the indicator was not well defined and I could not verify the methods and processes used to measure the achievements. Consequently, the reported achievement might be more or less than reported and was not reliable for determining if the target has been achieved.

Other matter

23.I draw attention to the matter below.

Achievement of planned targets

24.The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under-achievements. This information should be considered in the context of the material findings on the reported performance information.

25. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of are included in the annual performance report on pages 101 to 101.

Improved provision of safe and reliable water services

Targets achieved: 67% *Budget spent: 96%*		
Key service delivery indicator not achieved	Planned target	Reported achievement
1.1.3 Operational compliance ≥95%	95%	91,9%
1.1.6 Average number of days of unplanned interruptions	≤5	11,70 days
1.1.8 Avoidable water losses as a percentage of water produced at the treatment and distribution systems	9%	16,42%

Material misstatements

26. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for improved provision of safe and reliable water services. Management did not correct all the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

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

28. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

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

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

Annual financial statements

31. The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements of current assets, current liabilities, expenditure and disclosure items identified by the auditors in the submitted financial statement were corrected and the supporting records were provided, resulting in the financial statements receiving an unqualified audit opinion.

Expenditure management

32. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 36 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

33. Prepayments were made before services were received, in contravention of treasury regulation 31.1.2(c).

34. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 35 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Consequence management

35. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.

36. Disciplinary steps were not taken against the officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA.

Other information in the annual report

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

38. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

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

40. The other information I obtained prior to the date of this auditor's report is the extract of the finance chapter which includes reporting on irregular and fruitless and wasteful expenditure, and all other sections of the annual report are expected to be made available to us after 31 October 2025.

41. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact.

42. When I do receive and read the entire report, 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

43. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

44. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings on the annual performance report and the material findings on compliance with legislation included in this report.

45. The entity's leadership did not adequately discharge its oversight responsibilities of the implementation and monitoring of internal controls to ensure sound financial management, performance management and compliance with legislation. Those charged with governance did not adequately provide oversight to the entity to ensure credibility of the annual financial statements (AFS). This resulted in material findings in the annual financial statements and annual performance report.

46. The entity's financial statement preparation and review processes are inadequate to ensure fair presentation in line with GRAP 1 paragraph 17. This weakness has resulted in material misstatements in disclosures including omissions and inconsistencies with underlying records. This deficiency indicates that management's internal review controls over financial reporting are not operating effectively to identify and correct errors before AFS are submitted for the audit.

Material irregularities

47. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities in progress

48. I identified a material irregularity during the audit and notified the accounting authority, as required by material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting authority was not yet due. This material irregularity will be included in next year's auditor's report.

Other reports

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

50. Special Investigating Unit (SIU) completed an investigation during the financial period on the allegations of impropriety pertaining to the affairs of entity in terms of Proclamation No. R82 of 2022 published on 5 August 2022 in Government Gazette No. 47197. The report was issued on 18 March 2025.

Auditor-General

East London

31 October 2025

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

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

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

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

Financial statements

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

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

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

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 52(b); 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); 55(1)(c)(i); 56; 57(b); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; 31.2.7(a); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(ii); 45(3)(b)(i); 45(3)(b)(ii); 45(4); 46(1)(a); 46(1)(b); 46(1)(c); 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
National Treasury Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury Instruction No. 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
Second Amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.2
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.1; 3.4(b); 3.9
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)



BOARD'S REPORT

BOARD'S REPORT

The members submit their report for the year ended 30 June 2025

1. Incorporation

The entity was incorporated on 14 November 1997 and obtained its certificate to commence business on the same day.

2. Review of activities

Main business and operations

Amatola Water is a Schedule 3B state owned business enterprise, established in 1997 to supply potable water in bulk to municipalities within its operational area. Amatola Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of Section 29 of the Act is to provide water services (potable bulk water supply and bulk sanitation services) to other water services institutions within its area of operation.

In terms of Section 30 of the Water Services Act, Amatola Water also engages in other services that complement bulk water service delivery such as laboratory services, water quality monitoring, environmental management and also provides other support services to water services institutions in order to promote co operation in the provision of water services.

3. Going concern

As at 30 June 2025, the entity has a deficit of R159,103,000, however the entity has an accumulated surplus of R 1,035,910,000 and that the entity's total assets exceed its liabilities by R 1,310,467,000

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. A detailed going concern assessment is in note 40.

4. Subsequent events

Amatola Water Board entered into a memorandum of understanding with Ndlambe Local Municipality to temporarily operate Albany Coast Water Supply system from the from the 25 of September 2025 until the finalisation of the legal transfer process by the Department of Water and Sanitation.

The members are not aware of any other matter or circumstance arising since the end of the financial year.

5. Board

The members of the entity during the year and to the date of this report are as follows:

Name	Nationalityt	Changes
G Sharpley Chairperson	South African	Appointed 27 November 2024
N Mxenge Mayende	South African	
S Mancotywa	South African	
W Mushohwe	S.A permanent resident	
G Mpumza	South African	Appointed 27 November 2024
A Mjekula	South African	
B Mokgatle	South African	
N Douw Jack	South African	Appointed 01 November 2024
N Tyibilika	South African	Resigned 18 November 2024
P Yako Chairperson	South African	Resigned 31 August 2024
L Geza	South African	Appointed 01 November 2024
External audit committee members		
G Labane	South African	Term ended 30 November 2024
S Maharaj	South African	Resigned 31 October 2024
A Madyibi	South African	Appointed 01 November 2024, resigned 02 April 2025
FJ Mudau	South African	Term ended 31 October 2024
B Zulu	South African	Appointed 01 November 2024
S Ngwenya	South African	Appointed 16 December 2024

6. Auditors

Auditor General South Africa will continue in office for the next financial period.

Dr G Sharpley
Interim Board Chairperson
Date: 30 August 2025

Statement of Financial Position as at 30 June 2025

Figures in Rand thousand	Note(s)	2025	2024 Restated*
Assets			
Current Assets			
Inventories	3	5,829	5,357
Receivables from exchange transactions	4	374,102	368,176
Statutory receivable	6	4,699	6,355
Cash and cash equivalents	7	107,095	130,225
		491,725	**510,113**
Non-Current Assets			
Property, plant and equipment	8	1,517,560	1,570,145
Intangible assets	9	8,103	6,601
		1,525,663	**1,576,746**
Total Assets		**2,017,388**	**2,086,859**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	695,696	606,268
Provisions	12	10,518	10,393
		706,214	**616,661**
Non-Current Liabilities			
Provisions	12	707	405
Total Liabilities		**706,921**	**617,066**
Net Assets		**1,310,467**	**1,469,793**
Share capital / contributed capital	44	274,557	274,557
Accumulated surplus		1,035,910	1,195,236
Total Net Assets		**1,310,467**	**1,469,793**

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2025	2024 Restated*
Revenue			
Revenue from exchange transactions			
Revenue	13	491,349	442,862
Contract revenue	16	220,572	245,743
Contract costs	16	(210,502)	(240,631)
Cost of sales	14	(441,383)	(410,170)
Gross surplus		**60,036**	**37,804**
Other income	17	11,371	10,483
Finance income	18	37,068	40,195
Total revenue from exchange transactions		**108,475**	**88,482**
Expenditure			
Employee related costs	19	(86,780)	(81,771)
Non- executive members emoluments	20	(3,614)	(4,143)
Depreciation and amortisation	10	(5,444)	(6,290)
Impairment loss	21	(2,062)	(6,738)
Finance costs	22	(288)	(9,082)
Lease rentals on operating lease	23	(17,220)	(15,533)
Debt impairment	5	(8,756)	29,157
Bad debts written off	24	(9,926)	(13,147)
Loss on disposal of assets	8	(614)	(1,985)
General expenses	27	(72,579)	(68,821)
Repairs and maintenance	25	(16,869)	(21,380)
Distribution losses	15	(43,426)	(47,780)
Total expenditure		**(267,578)**	**(247,513)**
Deficit for the year		**(159,103)**	**(159,031)**

Statement of Changes in Net Assets

Figures in Rand thousand	Share capital / contributed capital	Accumulated surplus / deficit	Total net assets
Balance at 01 July 2023	**274,557**	**1,376,869**	**1,651,426**
Changes in net assets			
Prior year adjustments 32	-	(22,827)	(22,827)
Net income recognised directly in net assets	-	(22,827)	(22,827)
Deficit for the year as previously reported	-	(164,550)	(164,550)
Deficit after changes after prior period changes	-	(187,377)	(187,377)
Total changes	-	(187,377)	(187,377)
	274,557	1,189,492	1,464,049
Opening balance as previously reported			
Adjustment			
Prior year adjustments 32	-	5,520	5,520
	274,557	**1,195,012**	**1,469,569**
Restated* Balance at 01 July 2024 as restated*			
Changes in net assets			
Deficit for the period	-	(159,102)	(159,102)
Total changes	-	(159,102)	(159,102)
Balance at 30 June 2025	**274,557**	**1,035,910**	**1,310,467**
Note(s)	32&44		

Cash Flow Statement

Figures in Rand thousand	Note(s)	2025	2024 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		727,181	607,453
		727,181	607,453
Payments			
Employee costs		(243,663)	(236,176)
Suppliers		(494,033)	(423,519)
Finance costs		(288)	(9,082)
		(737,984)	(668,777)
Net cash flows from operating activities	28	**(10,803)**	**(61,324)**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(18,641)	(13,931)
Additions to work in progress - property, plant and equipment	8	(1,827)	(6,977)
Proceeds from sale of property, plant and equipment		-	751
Purchase of other intangible assets	9	(2,086)	(1,991)
Interest Income from investments		10,227	13,961
Net cash flows from investing activities		**(12,327)**	**(8,187)**
Net increase/(decrease) in cash and cash equivalents		**(23,130)**	**(69,511)**
Cash and cash equivalents at the beginning of the year		130,225	199,736
Cash and cash equivalents at the end of the year	7	**107,095**	**130,225**

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Revenue - section 29	457,036	-	**457,036**	471,930	**14,894**	37.1
Revenue - Section 30	58,521	-	**58,521**	19,419	**(39,102)**	37.2
Contract revenue	-	-	**-**	220,572	**220,572**	37.3
Other income	1,868	-	**1,868**	11,371	**9,503**	37.4
Interest received	35,000	-	**35,000**	37,068	**2,068**	37.5
Total revenue from exchange transactions	**552,425**	**-**	**552,425**	**760,360**	**207,935**	
Expenditure						
Employee related costs	(254,863)	-	**(254,863)**	(248,173)	**6,690**	37.6
Non-executive members emoluments	(5,000)	-	**(5,000)**	(3,614)	**1,386**	37.7
Accommodation and travel	(2,791)	-	**(2,791)**	(1,868)	**923**	37.8
Depreciation and amortisation	(73,481)	-	**(73,481)**	(70,742)	**2,739**	37.9
Impairment loss	-	-	**-**	(2,062)	**(2,062)**	
Finance costs	-	-	**-**	(288)	**(288)**	
Lease rentals on operating lease	(13,122)	-	**(13,122)**	(17,220)	**(4,098)**	37.11
Debt Impairment	(15,000)	-	**(15,000)**	(8,756)	**6,244**	37.12
Bad debts written off	-	-	**-**	(9,927)	**(9,927)**	37.13
Bulk purchases	(93,955)	-	**(93,955)**	(125,473)	**(31,518)**	37.14
Construction costs	-	-	**-**	(210,502)	**(210,502)**	37.10
Distribution losses	-	-	**-**	(43,426)	**(43,426)**	
Gain or loss on disposal of assets	-	-	**-**	(614)	**(614)**	
*Other operating expenses	(225,247)	-	**(225,247)**	(176,799)	**48,448**	
Total expenditure	**(683,459)**	**-**	**(683,459)**	**(919,464)**	**(236,005)**	
Deficit before taxation	**(131,034)**	**-**	**(131,034)**	**(159,104)**	**(28,070)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(131,034)**	**-**	**(131,034)**	**(159,104)**	**(28,070)**	

* Included in Other operating expenses is:

- General expenses excluding accommodation and travel cost,
- Repairs and maintenance and,
- Cost of sales items (water research levy, electricity, chemicals and project costs)

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand thousand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Position						
Assets						
Current Assets						
Inventories	5,537	-	**5,537**	5,829	**292**	37.15
Receivables from exchange transactions	140,347	-	**140,347**	374,102	**233,755**	37.16
Statutory receivables	-	-	**-**	4,699	**4,699**	
Cash and cash equivalents	180,987	-	**180,987**	107,095	**(73,892)**	37.17
	326,871	**-**	**326,871**	**491,725**	**164,854**	
Non-Current Assets						
Property, plant and equipment	1,225,059	-	**1,225,059**	1,517,560	**292,501**	37.18
Intangible assets	1,218	-	**1,218**	8,103	**6,885**	37.19
	1,226,277	**-**	**1,226,277**	**1,525,663**	**299,386**	
Total Assets	**1,553,148**	**-**	**1,553,148**	**2,017,388**	**464,240**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	(322,833)	-	**(322,833)**	(695,696)	**(372,863)**	37.20
Provisions	(148)	-	**(148)**	(10,518)	**(10,370)**	37.21
	(322,981)	**-**	**(322,981)**	**(706,214)**	**(383,233)**	
Non-Current Liabilities						
Provisions	(405)	-	**(405)**	(707)	**(302)**	
Total Liabilities	**(323,386)**	**-**	**(323,386)**	**(706,921)**	**(383,535)**	
Net Assets	**1,229,762**	**-**	**1,229,762**	**1,310,494**	**80,705**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital / contributed capital	274,557	-	**274,557**	274,557	**-**	
Reserves						
Accumulated surplus	955,205	-	**955,205**	1,035,910	**80,705**	37.22
Total Net Assets	**1,229,762**	**-**	**1,229,762**	**1,310,467**	**80,705**	

*Only variances over R5 million or above 10% are considered to be material and explained in Note 37.

Figures in Rand thousand	Note(s)	2025	2024

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999) and they comply with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

1.1 Basis of preparation

The audited annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999).

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

1.2 Presentation currency

These audited annual financial statements are presented in South African Rand, which is the functional currency of the entity and rounded off to the nearest thousand.

1.3 Going concern assumption

These audited annual financial statements have been prepared based on the expectation that the entity has adequate resources to continue in operational existence for the foreseeable future.

There is a material uncertainty relating to the existing adverse events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. However, The entity has measures and plans in place to mitigate and improve these adverse events. Please refer to Note 39 of the annual financial statements.

1.4 Significant judgements and sources of estimation uncertainty

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

In the process of applying its accounting policies, and in preparing the audited annual financial statements, management is required to make various judgements, including estimates and assumptions, that may affect the determination of the reporting framework, affect amounts represented in the audited annual financial statements and as well as related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the audited annual financial statements. Significant judgements include: provisions, asset useful lives and depreciation methods, as well as impairments.

Trade receivables / Held to maturity investments and/or loans and receivables

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

1.4 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 12 - Provisions.

Contingencies

Contingent liabilities are present obligation that arise from past events but are not recognised because: (i) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation: or (ii) the amount of the obligation cannot be measured with sufficient reliability are disclosed in the financial statements. Contingencies recognised in the current year relate to matters under litigation whose outcome is still uncertain as at year end. Estimates and judgements were therefore required in the disclosure and were informed by the assessments from the entity's legal representatives. Refer to note 30 contingent assets and liabilities.

Useful lives of waste and water network and other assets

The estimation of useful lives as well as residual values of property, plant and equipment is based on historical performance as well as expectations about future use and therefore require a significant degree of judgement to be applied by management. The depreciation rates and residual values, if any, represent management’s best estimates. Management reviews its estimate of the useful lives and residual values of depreciable assets at each reporting date, based on the expected utility of the assets. The residual values are management’s best estimates based on useful lives as well as other available information.

Post-retirement benefits

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

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

1.4 **Significant judgements and sources of estimation uncertainty (continued)**

Allowance for doubtful debts

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

Principal-Agent Assessment for Construction contracts

Amatola Water Board enters into various contracts where it is appointed by a sponsor department (client) as an implementing agent and, in terms of the contract, is responsible for the construction of new assets, refurbishment, and/or repairing and maintaining of existing assets of another party.

Amatola Water Board applies GRAP 109, Accounting by Principals and Agents to assess whether it is an agent or principal in terms of the binding arrangement entered into with the client.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal)**.**

An entity is a principal when it directs another party (an agent) to undertake transactions with third parties on its behalf, and the transactions are for the principal's benefit. An entity is an agent when it undertakes transactions with third parties on behalf of and for the benefit of another entity (the principal).

Judgement is required in evaluating the true substance of the agreement with the client and whether the arrangement is a binding principal-agent arrangement. Management considers the following factors in assessing the arrangement:

- The terms and conditions of the agreement
- Whether Amatola is responsible for identifying, on behalf of the sponsoring client, the benefactor party that will receive the asset or whose asset will be refurbished or repaired.
- Whether Amatola Water Board is responsible for transferring the completed asset to the identified benefactor.
- Compensation structure in the agreement
- Amatola Water Board's ability to appoint sub-contractors.

The active projects were assessed and those that are not agent arrangements and that fit the description of construction projects are included in note 16 in accordance with GRAP 11. The remaining projects are accounted for using GRAP 109.

Furthermore, for agreements that are not principal-agent arrangements, judgement is then required in determining whether Amatola Water Board is acting as a contractor for construction contracts as per GRAP 11: Construction Contracts.

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

Construction contracts include:
- contracts for the rendering of services which are directly related to the construction of the asset, for example, those for the services of project managers and architects; and
- contracts for the destruction or restoration of assets, and the restoration of the environment following the demolition of assets.

Management applies judgement and considers the following in assessing whether a contract is a construction contract or not:

- The terms and condition of the contract

- The nature and extent of the work to be performed

1.4 Significant judgements and sources of estimation uncertainty (continued)

- The duration of the project
- The estimated costs to complete the project
  The need to appoint sub-contractors and extent of work to be performed by the sub-contractors Additional text

1.5 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Assets recognised as part of GRAP adoption, for which the cost was not available, were recognised at a depreciated replacement cost.

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

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

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Annual assessment of whether there are any indicators that a revision of the residual value, useful life and depreciation method of each asset is conducted at each financial year end.

The cost and accumulated depreciation continue to be reported while the entity is in the process of replacing these assets.

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

1.5 Property, plant and equipment (continued)

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

Item	Depreciation method	Average useful life
Buildings	Straight-line	8 - 50 years
Plant and machinery	Straight-line	5 - 12 years
Furniture and fixtures	Straight-line	5 - 12 years
Motor vehicles	Straight-line	5 - 12 years
Civil works	Straight-line	10 - 80 years
Pipelines and distribution	Straight-line	70 - 90 years
Reservoirs	Straight-line	10 - 50 years
Pumpstations	Straight-line	10 - 50 years
Treatment works	Straight-line	8 - 50 years
Boreholes	Straight-line	15 - 50 years

Land is not depreciated.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. Depreciation commences when the asset is capable of operating in the manner intended and its value can be reliably estimated.

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

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

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

Capital work in progress comprises non-current assets under construction and is stated at cost less accumulated impairment losses. Depreciation is not provided on capital work in progress.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.
An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

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

1.6 Intangible assets (continued)

Internally generated goodwill is not recognised as an intangible asset.

The useful lives of items of intangibles assets have been assessed as follows:

Item	Amortisation method	Average useful life
Computer software	Straight-line	3 - 5 years

Intangible assets are derecognised:

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

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

1.7 Financial instruments

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

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A financial asset is:

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

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

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

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

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

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

The financial instruments of Amatola Water Board are as below listed:

- Financial Assets - Investments and receivables - Held at amortised cost
- Cash and cash equivalents
- Trade and other receivables
- Financial liabilities - Held at amortised cost
- Trade and other payables

Initial recognition

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

The entity recognises financial assets using trade debtors accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

1.7 Financial instruments (continued)

The entity measures a financial asset and financial liability initially at its fair value and subsequently measured at amortised cost.

Subsequent measurement of financial assets and financial liabilities:

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost

Impairment and uncollectability of financial assets

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

Financial assets measured at amortised cost

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

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

Derecognition

Financial Assets

The entity derecognises a financial asset using trade debtors accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset;

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

Financial liabilities

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

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

1.7 Financial instruments (continued)

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

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

1.8 Statutory receivables

Identification

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

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

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

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

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

Recognition

The entity recognises statutory receivables as follows:

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

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

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

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

1.9 Leases

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

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.
Operating leases - lessee
Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

1.10 Inventories

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

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

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

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

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

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

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

1.11 Construction contracts and receivables

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

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

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

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

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

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

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

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

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

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

1.11 Construction contracts and receivables (continued)

The entity presents the gross amount due from customers for contract work as an asset; and the gross amount invoiced to customers for contract work not yet performed as a liability.

Contract revenue is recognised using the stage of completion method. The stage of completion was determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where contract costs exceeded contract value and there was no variation order, contract revenue was recognised to the extent of contract costs that were recoverable from the principal. Contract revenue relating to ECDOE was recognised to the extent of contract costs that were recoverable from the principal.

Construction costs comprise contractors' professional services providers costs and other implementation fees. The contract costs form the basis of the construction revenue recognised.

1.12 Impairment of cash-generating assets

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

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

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

Identification

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

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

Value in use

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

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

1.12 Impairment of cash-generating assets (continued)

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standard of GRAP.

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

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Reversal of impairment loss

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

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

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

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

1.13 Impairment of non-cash-generating assets

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

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.14 Distribution losses

The calculation considers abstracted raw water from the source into the treatment plant, which is then treated, with some of it being used for the backwash of filters. This backwash water is unavoidable and is metered. This backwash water volume is subtracted from the treated water volume out and the final value is presented as the avoidable treatment loss.

Distribution losses represent the difference between the volume of treated water produced and the volume of water metered billed and unbilled. Therefore, the avoidable distribution water losses is the percentage of total metered water against treated water out.

The cost associated with distribution losses is recognised as an expense in the Statement of Financial Performance in the period in which it occurs. These costs are included in cost of sales or operating expenses, depending on the nature of the underlying transaction.

Distribution losses do not meet the definition of an asset in accordance with the Standards of GRAP, as they do not result in future economic benefits or service potential. Accordingly, no asset or liability is recognised for such losses.

Where material, the estimated volume and financial impact of distribution losses are disclosed in the notes to the financial statements and/or the annual performance report.

1.15 Share capital / contributed capital

Capital contribution comprises of inventory and property, plant and equipment that was transferred from the Department of Water and Sanitation (DWS). Capital contribution is accounted for as part of the entity's net assets.

1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

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

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

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as

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

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

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.17 Provisions and contingencies

A provision is a liability of uncertain timing or amount.

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

The entity recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

1.18 Commitments

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

Disclosures are required in respect of unrecognised contractual commitments.

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

- Contracts should be non-cancellable or only cancellable at significant cost; and
- Contracts should relate to acquisition or construction of the entity's property plant and equipment, acquisition of intangible assets or leases.

1.19 Revenue from exchange transactions

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

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

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

Measurement

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

1.19 Revenue from exchange transactions (continued)

Sale of goods

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

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

Rendering of services

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

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

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

Project revenue comprises of sales to customers and service rendered to customers. Project revenue is stated at the invoice amount and is exclusive of value-added taxation.

Amatola Water Board's project revenue comprises of:

- Implementing agency fees.
- Operations and maintenance agreements.

These agreements fall outside of the scope of GRAP 11 and are accounted for in terms of GRAP 9.

Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

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

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

1.20 Revenue from non-exchange transactions

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

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

The requirements of GRAP 23 on Revenue from Non-Exchange Transactions (Taxes and Transfers) is applied in accounting for grants. Under GRAP 23, revenue is recognised unless an obligation exists to use the transferred resources (in this instance, the grant or transfer payment) in a certain way or return the resources to the transferor (i.e. the transfer of resources is subject to a “condition”). If an entity is only required to use the resources received in a certain way with no corresponding requirement to return those resources to the transferor, then no obligation exists and revenue is recognised.

Recognition

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

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

Measurement

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

1.21 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

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

Contract costs comprise:

- costs that relate directly to the specific contract;
- costs that are attributable to contract activity in general and can be allocated to the contract on a systematic and rational basis; and
- such other costs as are specifically chargeable to the customer under the terms of the contract.

1.22 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

Recognition

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.23 Comparative figures

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

1.24 Fruitless and wasteful expenditure

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

Fruitless and wasteful expenditure when incurred and confirmed is recorded in the annual financial statements disclosure.

The loss control function or another relevant function must confirm a case of fruitless and wasteful expenditure within 30 days after the alleged expenditure has been reported to the accounting officer or accounting authority.

The loss control function or another relevant function must finalise the determination process within 30 days after assessment of fruitless and wasteful expenditure.

The accounting officer or accounting authority must investigate suspected fraudulent, corrupt, or other criminal conduct emanating from the incurrence of fruitless and wasteful expenditure within 30 days after the conclusion of the determination test.

1.24 Fruitless and wasteful expenditure (continued)

Fruitless and wasteful expenditure must be recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of fruitless and wasteful expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons must be provided in the annual report.

1.25 Irregular expenditure

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

Irregular expenditure may be condoned by the accounting authority upon submission of relevant information detailed in paragraph 5.4 of Instruction number 4 of 2022/23.

Accounting officers must address cases of irregular expenditure in terms of the Irregular Expenditure Framework.

Upon detection of alleged irregular expenditure, the relevant function must conduct an assessment to identify possible irregularities in transactions that have been processed and to confirm within 30 days whether irregular expenditure has been incurred or whether the incident was the result of non-compliance with legislation that did not relate to the incurrence of a financial transaction.

If a transaction has been processed in contravention of legislation and the same transaction has a financial implication (payment was made or a liability was recognised in the books), it must be recorded as irregular expenditure

Where it has been confirmed that the identified non-compliance does not constitute irregular expenditure, as defined in section 1 of the PFMA, the accounting officer or accounting authority must –

- (a) strengthen the internal control environment where the non-compliance was identified and confirmed; and
- (b) refer the non-compliance matter to the Human Resource Management Function in the institution to institute disciplinary processes against the employee responsible for the non-compliance.

The loss control function or another relevant function must finalise the determination process within 30 days after assessment of irregular expenditure.

The accounting officer or accounting authority must conduct an investigation if it is suspected that there is a possibility of fraudulent, corrupt or other criminal conduct emanating from the incurrence of irregular expenditure.

If the investigation confirms that the irregular expenditure is related to a fraudulent, corrupt or other criminal conduct, the accounting officer or accounting authority must, within seven days, ensure that a criminal charge is laid with the South African Police Service against the responsible employee(s).

Irregular expenditure is recorded in the notes to the financial statements when confirmed after its assessment. The amount recorded is equal to the value of irregular expenditure incurred and confirmed in that current financial year unless it is impractical to determine, in which case reasons must be provided in the annual report.

1.26 Segment information

A segment is an activity of an entity:

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

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

1.26 Segment Information (continued)

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

1.27 Budget information

Entity is typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

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

The approved budget covers the fiscal period from 2024/07/01 to 2025/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

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

The Statement of comparative and actual information has been included in the audited annual financial statements as the recommended disclosure when the audited annual financial statements and the budget are on the same basis of accounting as determined by National Treasury.

1.28 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

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

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

1.28 Related parties (continued)

Close members of the family of a person are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its audited annual financial statements.

1.29 Events after reporting date

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

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

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

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

1.30 Value Added Tax

Amatola Water Board is registered for Value Added Tax in terms of section 23 of the Value Added Tax Act no 89 of 1991 on
the invoice basis.

1.31 Taxation

Amatola Water Board is exempt from income taxation in terms of section 10(1)(t)(ix) of the Income Tax Act.

1.32 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash and cash equivalents in the statement of financial position comprise of cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts.

Figures in Rand thousand	2025	2024

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 107 (as revised) Mergers	01 April 2099	Unlikely there will be a material impact
• GRAP 106 (as revised) Transfer of Functions Between Entities Not Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 105 Transfer of Functions Between Entities Under Common Control	01 April 2099	Unlikely there will be a material impact
• GRAP 2023 Improvements to the Standards of GRAP 2023	No effective date	Unlikely there will be a material impact
• GRAP 1 (amended): Presentation of Financial Statements (Going Concern)	No effective date	Impact is currently being assessed
• GRAP 103 (amended): Heritage Assets	No effective date	Unlikely there will be a material impact
• iGRAP 22 Foreign Currency Transactions and Advance Consideration	01 April 2025	Unlikely there will be a material impact

3. Inventories

Plant spares, chemicals and stores	3,780	2,943
Water	2,049	2,414
	5,829	**5,357**

Inventory pledged as security
Inventory is not pledged as security.
Water Inventory Assumptions

Water in Storage facilities

For storage facilities that are monitored electronically, there is no estimation involved in determining the volume at year end.
For other storage facilities, the average storage level for the appropriate scheme is assumed as being the most accurate estimate for water stock calculations.

Water in Pipelines

Capacity of the pipeline is determined by length and diameter of the pipe.
Pipelines in active schemes are assumed to be full. Pipelines in inactive schemes are assumed to be empty.
The value of water inventory on hand at year end is determined using the production cost per kilo litre.

Figures in Rand thousand	2025	2024
4. Receivables from exchange transactions		
Trade receivables	220,661	195,208
Sundry receivables	46,529	45,646
Deposits	113	111
Accrued income	39,117	60,534
Project receivables	8,662	12,500
Prepaid expenses	4,236	2,789
Other project receivables	38	38
Employee debtors	760	738
Construction retention asset	15,704	21,197
VAT accrual	38,282	29,415
	374,102	**368,176**

There are no trade and other receivables pledged as security. Amatola Water considers that the carrying amount of trade receivables and other receivables approximates their fair value.

The ageing of trade and sundry receivables is as follows:

June 2025	**Trade receivables**	**Sundry receivables**	**Total**
Current - 30 days	48,885	34,110	82,995
31 - 60 days	15,384	5,147	20,531
61 - 90 days	15,437	852	16,289
90 - 120 days	11,455	570	12,025
Over 120 days	319,172	28,348	347,520
	410,333	**69,027**	**479,360**

June 2024	**Trade receivables**	**Sundry receivables**	**Total**
Current - 30 days	47,446	34,369	81,815
31 - 60 days	16,819	2,579	19,398
61 - 90 days	14,653	979	15,632
90 - 120 days	14,280	5,444	19,724
Over 120 days	268,542	37,448	305,990
	361,740	**80,819**	**442,559**

Trade receivables	410,333	361,739
Debt Impairment	(189,672)	(166,531)
	220,661	**195,208**
Sundry Receivables	69,027	80,819
Debt Impairment	(22,498)	(35,173)
	46,529	**45,646**
Other project receivables	38	38
Employee debtors		
Gross employee debtors	760	1,080
Write-off	-	(342)
	760	**738**

Figures in Rand thousand	2025	2024

4. Receivables from exchange transactions (continued)

Trade and other receivables payment terms are 30 days from invoice date. Interest has been charged on these debtors in the year under review. Refer to note 38.
Sundry receivables consist of mostly project receivables that have been invoiced to the principal funders of the projects under the project implementation agent contract.
Other receivables relates to prepaid expenses, rental deposits and employee receivables that occurred during the course of the business.
Accrued income relates to project costs and IA fees not yet billed that relates to the financial year.
Other project receivables relates to funds that were held under trust by a legal practitioner for accounts that were under dispute. The entity has written off the amounts in the current year as they were deemed irrecoverable.
Construction retention assets are amounts of progress billings that are not yet invoiced to the funder until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified.
Progress billings are amounts of contract revenue billed for work performed on a contract whether or not they have been paid by the customer. Advances are amounts of contract revenue received by the contractor before the related work is performed.
VAT accrual is the portion of VAT on accruals and provisions for debt impairment that is not yet claimed from South African Revenue Services as the debt is not yet written off.

5. Debt impairment

Debtimpairment	8,756	(29,157)

2025	Opening Balance	Movement	Movement VAT Portion	Total
Allowance for doubtful debt	201,703	9,102	1,365	212,170
Other trade receivables	346	(346)	-	-
	202,049	**8,756**	**1,365**	**212,170**

2024	Opening Balance	Movement	Movement VAT Portion	Total
Allowance for doubtful debt	233,006	(27,221)	(4,083)	201,702
Other trade receivables	2,282	(1,936)	-	346
	235,288	**(29,157)**	**(4,083)**	**202,048**

6. Statutory receivable

VAT	4,699	6,355

VAT receivables is a statutory receivable in terms of GRAP 108, the balance recognised as a receivable, determined as the difference between input VAT incurred on qualifying goods and services and output VAT charged on taxable supplies in the current year as determined by the Value Added Tax Act, 1991 (Act no. 89 of 1991).

The transaction amount is determined by the VAT rate as provided in the VAT Act and supporting regulations. The current rate is 15% of the value of supply made by the entity or to the entity.
No interest is earned on VAT receivables. However, Interest and penalties are only levied by SARS on late VAT submissions and payments, in accordance with section 39 of the Value Added Tax Act.

Figures in Rand thousand	2025	2024

6. Statutory receivables (continued)

At the reporting date, the Entity did not assess the VAT receivable for impairment as SARS has history of processing all refunds and therefore no indication that the balance may be impaired.

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances - Main	994	8,195
Other bank accounts	106,101	122,03
	107,095	**130,22**
Cash and cash equivalents held by the entity for capital upgrades	7,636	19,845
Cash and cash equivalents held by the entity on behalf of principals	8,547	14,271
Cash and cash equivalents held by the entity for operation	90,912	96,109
	107,095	**130,22**

Cash at banks earns interest at daily bank deposit rates.

The following cash balances related to specific expenditure requirements and is not available for the daily operations of the entity.

1. Cash held by the entity relating to capital upgrades is the cash received from DWS for capital upgrades of Amatola Water Board treatment works.

2. Cash held by the entity for project implementation relates to funds received from principals for projects that are implemented by Amatola Water Board.

Guarantees

Guarantees are in the normal course of business from which it is anticipated that no material liabilities will arise. The guarantee is issued against short term deposits.

The guarantee is security provided for the supply of electricity by Eskom to Amatola Water Board water treatment works plants.

Eskom has the right to call on the guarantee should Amatola Water Board fail to honour its electricity invoices:

Eskom	1,000	1,000

Figures in Rand thousand

8. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	5,410	-	5,410	5,410	-	5,410
Buildings	158,394	(101,561)	56,833	158,490	(98,121)	60,369
Plant and machinery	14,376	(10,453)	3,923	14,117	(9,937)	4,180
Furniture and fixtures	11,797	(7,612)	4,185	10,748	(7,127)	3,621
Motor vehicles	38,855	(9,659)	29,196	33,498	(9,220)	24,278
IT equipment	13,308	(7,739)	5,569	10,186	(7,011)	3,175
Civil works	59,990	(39,364)	20,626	60,037	(37,855)	22,182
Pipelines and Distribution	1,571,874	(923,569)	648,305	1,571,865	(902,296)	669,569
Reservoirs	723,589	(444,728)	278,861	723,988	(429,602)	294,386
Pumpstations	216,553	(126,081)	90,472	206,048	(118,961)	87,087
Treatment works	678,473	(314,900)	363,573	684,974	(299,319)	385,655
Boreholes	27,928	(17,321)	10,607	25,646	(15,413)	10,233
Total	**3,520,547**	**(2,002,987)**	**1,517,560**	**3,505,007**	**(1,934,862)**	**1,570,145**

Figures in Rand thousand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Work in progress	Transfers	Depreciation	Impairment loss	Total
Land	5,410	-	-	-	-	-	-	5,410
Buildings	60,369	226	-	-	-	(3,601)	(161)	56,833
Plant and machinery	4,180	282	(17)	-	-	(623)	101	3,923
Furniture and fittings	3,621	1,051	-	-	-	(462)	(25)	4,185
Motor vehicles	24,278	5,358	-	-	-	(1,520)	1,080	29,196
IT equipment	3,175	3,175	(9)	-	-	(842)	70	5,569
Civil works	22,182	39	(21)	-	-	(1,465)	(109)	20,626
Pipelines and Distribution	667,791	2,931	-	1,575	(2,718)	(21,273)	-	648,306
Reservoirs	294,385	-	(37)	-	-	(15,348)	(139)	278,861
Pumpstations	96,372	10,589	(15)	-	(9,285)	(6,982)	(207)	90,472
Treatment works	378,148	3,155	(514)	1,590	-	(16,959)	(1,847)	363,573
Boreholes	10,233	2,283	-	43	(43)	(1,084)	(825)	10,607
	1,570,144	**29,089**	**(613)**	**3,208**	**(12,046)**	**(70,159)**	**(2,062)**	**1,517,561**

Figures in Rand thousand

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Work in progress	Transfers	WIP reclassifications	Depreciation	Impairment loss	Total
Land	5,410	-	-	-	-	-	-	-	5,410
Buildings	63,884	640	-	-	-	-	(3,739)	(416)	60,369
Plant and machinery	5,533	204	(431)	-	-	-	(982)	(144)	4,180
Furniture and fixtures	4,366	301	(123)	-	-	-	(857)	(66)	3,621
Motor vehicles	28,986	-	(1,940)	-	-	-	(1,493)	(1,275)	24,278
IT equipment	3,525	1,064	(241)	-	-	-	(1,166)	(7)	3,175
Civil works	24,219	99	-	-	-	-	(1,535)	(601)	22,182
Pipelines and Distribution	694,900	1,808	-	7,875	(961)	(14,417)	(21,302)	(112)	667,791
Reservoirs	308,987	1,424	-	-	(627)	627	(16,114)	89	294,386
Pumpstations	69,690	28,446	-	-	(28,446)	37,731	(7,872)	(3,177)	96,372
Treatment works	417,351	12,816	-	8,011	(11,692)	(28,335)	(19,247)	(762)	378,148
Boreholes	6,872	4,584	-	-	(4,394)	4,394	(956)	(267)	10,233
	1,633,723	**51,386**	**(2,735)**	**15,886**	**(46,120)**	**-**	**(75,263)**	**(6,738)**	**1,570,145**

Costs to repair and maintain assets have been disclosed in note 25.

No property, plant or equipment have been pledged as security.

Reconciliation of Work-in-Progress 2025

Figures in Rand thousand | **2025** | **2024**

8. Property, plant and equipment (continued)

	Included within Infrastructure	Included within intangibles	Total
Opening balance	137,477	5,357	142,834
Additions/capital expenditure	3,208	2,086	5,294
Transferred to completed items	(12,047)	-	(12,047)
	128,638	**7,443**	**136,081**

Project name	Opening balance	Additions	Transfers	Total
CAP17 - Nahoon bulk supply	4,665	51	-	4,716
CAP34 - Debe Nek	530	-	-	530
CAP36 - Binfield treatment works	-	1,590	-	1,590
CAP37 - Sandile/Peddie	120,725	-	-	120,725
CAP38 - Refurbishment of bulk water supply infrastructure	10,670	1,335	(12,004)	1
CAP 41 Albany Coast	-	43	(43)	-
Upgrade of scientific laboratory	666	-	-	666
Other assets	5,578	2,275	-	7,853
	142,834	**5,294**	**(12,047)**	**136,081**

Long outstanding work in progress

CAP17 - Nahoon bulk supply
The Nahoon Bulk Supply Project is currently the flagship expansion project, but it requires substantial capital to proceed and finalisation of a supply contract. The sourcing of funding initiative has commenced along with the sourcing of funding to complete five other flagship projects that have been identified by AW as part of the approved AW IMP and Alternative Energy Feasibility Study.

CAP34 - Debe Nek
The Debe Nek Phase 2B Reservoirs capital upgrade project was halted however, following the approval of the AW IMP on 14 December 2023 the incomplete reservoirs will be completed and included under the Sandile Bulk Supply flagship project once the funding to implement the project has been secured.

CAP37 – Sandile
AW is intending to continue with the completion of the pipelines under the Sandile Bulk Supply flagship project and the sourcing of funding for the completion of the Sandile Bulk Supply flagship project is underway.

Figures in Rand thousand	2025	2024

8. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2024

	Included within Infrastructure	Included within buildings	Included within intangibles	Total
Opening balance	167,711	-	3,366	171,077
Additions/capital expenditure	15,885	-	1,991	17,876
Transferred to completed items	(46,119)	-	-	(46,119)
	137,477	**-**	**5,357**	**142,834**

Project name	Opening balance	Additions	Transfers	Total
CAP17 - Nahoon bulk supply	4,665	-	-	4,665
CAP30 - Nahoon rising main and Ndevana-Berlin	961	-	(961)	-
CAP34 - Debe Nek	470	60	-	530
CAP36 - Binfield treatment works	39,672	1,094	(40,766)	-
CAP37 - Sandile/Peddie	113,808	6,917	-	120,725
CAP38 - Refurbishment of bulk water supply infrastructure	4,750	5,919	-	10,669
CAP41 - Albany Coast	2,498	1,895	(4,392)	1
Upgrade of scientific laboratory	666	-	-	666
Other assets	3,587	1,991	-	5,578
	171,077	**17,876**	**(46,119)**	**142,834**

9. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	12,331	(4,228)	8,103	10,245	(3,644)	6,601

Reconciliation of intangible assets - 2025

	Opening balance	Work in progress	Amortisation	Total
Computer software	6,601	2,086	(584)	8,103

Reconciliation of intangible assets - 2024

	Opening balance	Work-in-progress	Amortisation	Total
Computer software	5,190	1,991	(580)	6,601

Pledged as security

No intangible assets pledged as security.

Intangible assets in the process of being constructed or developed

The entity does not hold any internally generated intangible assets.

Figures in Rand thousands	2025	2024

10. Depreciation and amortisation

Property, plant and equipment	70,156	75,260
Intangible assets	583	581
	70,739	**75,841**
Direct - included in cost of sales	65,295	69,551
Indirect - depreciation and amortisation	5,444	6,290
	70,739	**75,841**

Depreciation and amortisation 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 and distribution processes.

Depreciation and amortisation presented in the face of the statement of financial performance consists of the depreciation and amortisation costs for all other property, plant and equipment utilised in support and administration processes

11. Payables from exchange transactions

Trade payables	520,545	456,624
Payments received in advanced - contract in process	8,547	14,054
Project and other sundry payables	42,333	33,028
Other payables	91,936	86,985
Accrued leave pay	13,063	9,787
Accrued 13th cheque	6,591	5,784
Debtors with credit balances	12,681	6
	695,696	**606,268**

Trade and other payables terms are 30 days from the invoice date unless stated otherwise based on a valid contract between Amatola Water Board and the service provider concerned.

Other payables relate to payroll related balances (PAYE, SDL and UIF payable, etc), Water research levy and other liabilities which are individually not significant.

Payments received in advance relates to funds received in advance for project implementation.

Project and other sundry payables

Projects retention liability	33,688	28,629
Creditors: Sundry	8,645	4,399
	42,333	**33,028**

Project retention liability

Project Retention_ Construction contracts	27,190	21,197
Project Retention_ Capital Upgrades	6,498	7,432
	33,688	**28,629**

* Project retention construction contracts relate to progress billings that are not yet paid until the satisfaction of conditions specified in the contract for the payment of such amounts or until defects have been rectified. The Retentions emanate from contracts between the entity and its subcontractors for construction contracts.

Figures in Rand thousand	2025	2024
12. Provisions		
Current portion		
Long service awards	252	127
Legal proceedings	10,266	10,266
	10,518	**10,393**
Non- current portion		
Long service awards	707	405

Figures in Rand thousand

12. Provisions (continued)

Reconciliation of provisions - 2025

	Opening Balance	Additions	Utilised during the year	Interest cost	Actuarial (gains)/losses	Past service cost	Total
Legal proceedings	10,266	-	-	-	-	-	10,266
Long service award	532	67	(136)	74	39	383	959
	10,798	**67**	**(136)**	**74**	**39**	**383**	**11,225**

Reconciliation of provisions - 2024

	Opening Balance	Additions	Utilised during the year	Interest cost	Actuarial (gains)/losses	Total
Legal proceedings	-	10,266	-	-	-	10,266
Long service award	553	49	(134)	50	14	532
	553	**10,315**	**(134)**	**50**	**14**	**10,798**

Non-current provision	707	405
Current provision	10,518	10,393
	11,225	**10,798**
Legal proceedings		
Legal claim 1	3,000	3,000
Legal claim 2	7,266	7,266
	10,266	**10,266**

Legal proceedings provision arose from two litigations on which the entity was found to be liable by the courts but the quantification of the liabilities is still to be determined.

The nature of the legal claims is as follows:
1. Legal claim from a student who sustained injuries in a water plant.
2. Service provider who is claiming for unlawful termination of his contract.

Figures in Rand thousand

12. Provisions (continued)

Long service awards vest with the employees on completion of an uninterrupted 5 years' service, and thereafter every 5 years of uninterrupted service or when the employee retires whilst in the employ of the Amatola Water Board.

The vesting conditions are uncertain as employees may leave at any given moment.

Figures in Rand thousand	2025	2024
13. Revenue		
Raw water sale	20,411	18,248
Revenue Section 30	19,419	17,736
Treated water sales	451,519	406,878
	491,349	**442,862**
Detail of primary and secondary revenue (volumes)		
Section 29 water volumes in kilo litres		
Treated water sales	31,930	28,147
Raw water	6,617	7,792
	38,547	**35,939**
Section 29		
Treated water sales	451,519	406,878
Raw water sales	20,411	18,248
	471,930	**425,126**
Section 30		
Operations and maintenance agreement	17,775	16,095
Implementing agency fees	1,644	1,641
	19,419	**17,736**
Revenue		
Section 29 Revenue	471,930	425,126
Section 30 Revenue	19,419	17,736
	491,349	**442,862**

Figures in Rand thousand	2025	2024

14. Cost of sales

Cost of sales - Section 29

Raw water purchases	125,473	114,482
Water research levies	6,093	3,365
Electricity	92,636	88,638
Chemicals	30,781	25,279
Employee benefit costs	134,490	133,572
Depreciation and amortisation	65,295	69,550
Distribtion losses - Note 15	(43,426)	(47,780)
	411,342	**387,106**
Cost of sales - Section 30		
Employee benefit costs	26,903	21,338
Repairs and maintenance	2,409	1,182
Project costs	729	544
	30,041	**23,064**
	441,383	**410,170**

Volumes of raw water purchases

Raw water schemes	6,614	7,170
Treated water schemes	3,831	36,534
	45,445	**43,704**

15. Distribution losses

Description		
Volume of treated water	35,215	33,617
Volume of water billed	31,928	28,147
Volume of distribution losses	3,287	5,470
Calculated percentage loss	16.42%	24.85%
Calculated cost of sales (R)	**43,426**	**47,780**

Distribution losses represent the difference between the volume of treated water produced and the volume of water metered, billed and unbilled. Therefore, the avoidable distribution water losses is the percentage of total metered water against treated water out.

16. Contract revenue and costs

Contract revenue is recognised using the stage of completion method. The stage of completion was determined by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where contract costs exceeded contract value and there was no variation order, contract revenue was recognised to the extent of contract costs that were recoverable from the principal. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs that are recoverable.

Figures in Rand thousand	2025	2024

16. Contract revenue and costs (continued)

Contract revenue		
ECDOE	54,392	58,430
DWS - Drought intervention	661	4,108
DWS - James Kleynhans	9,599	44,770
DWS - Kirkwood	6,802	22,407
DWS - Misgund	992	3,237
DWS - Paterson	584	212
Joe Gqabi - Sterkspruit	30	997
ORTDM - Coffee Bay	18,429	12,252
ORTDM - KSD PI	101,186	77,549
DWS - Makana emergency intervention	17,802	21,781
DWS - Sterkspruit emergency intervention	10,095	-
	220,572	**245,743**
Contract costs		
ECDOE	51,801	55,648
DWS - Drought intervention	630	3,912
DWS - James Kleynhans	9,142	42,638
DWS - Kirkwood	6,478	21,340
DWS - Misgund	945	3,083
DWS - Paterson	556	202
Joe Gqabi - Sterkspruit	29	959
ORTDM - Coffee Bay	17,892	11,895
ORTDM - KSD PI	96,368	73,856
DWS - Makana emergency intervention	16,954	20,744
DWS - Sterkspruit emergency intervention	9,615	-
Irrecoverable project costs	92	6,354
	210,502	**240,631**

At the reporting date, the aggregate amounts of costs incurred and recognised surpluses (less recognised deficits) to date relating to construction contracts in progress are as follows:

2025	**Costs incurred to date**	**Recognised surplus to date (less recognised deficits)**
ECDOE	163,299	8,165
DWS - Drought intervention	66,613	3,331
DWS - James Kleynhans	202,246	10,112
DWS - Kirkwood	32,273	1,614
DWS - Misgund	14,851	743
DWS - Paterson	78,012	3,901
Joe Gqabi - Sterkspruit	154,422	6,177
ORTDM - Coffee Bay	242,738	7,282
ORTDM - KSD PI	3,371,542	168,577
DWS - Makana emergency intervention	38,718	1,936
DWS - Sterkspruit emergency intervention	9,615	480
Non-billable costs	6,446	(6,446)
	4,380,775	**205,872**

Figures in Rand thousand	2025	2024

16. Contract revenue and costs (continued)

2024	Costs incurred to date	Recognised surplus to date (less recognised deficits)
ECDOE	111,497	5,575
DWS - Drought intervention	65,983	3,299
DWS - James Kleynhans	193,105	9,655
DWS - Kirkwood	25,794	1,290
DWS - Misgund	13,906	695
DWS - Paterson	77,456	3,873
Joe Gqabi District Municipality - Sterkspruit	154,393	6,176
ORTDM - Coffee Bay	224,846	6,745
ORTDM - KSD PI	3,275,175	163,759
Makana emergency intervention	21,764	1,088
Non-billable costs	6,354	(6,354)
	4,170,273	**195,801**

Advances received included in payables from exchange transactions - Note 11	8,547	14,054
Retention asset of contracts in progress - Note 4	15,704	21,197
Retention liability of contracts in progress - Note 11	15,704	21,197

At the reporting date, Amatola Water has advances received in excess of work completed. These amounts have also been disclosed in Note 11 (Payables from exchange transactions).

Retention of contracts in progress are R15,704 - (2024: R21,197). These amounts have also been disclosed in Note 4 (Receivables from exchange transactions) and Note 11 (Payables from exchange transactions).

Gross amount due from customers for contract work as an asset	69,823	120,875
Gross amount due to customers for contract work as a liability	(41,202)	(60,961)
	28,621	**59,914**

Gross amounts due to and from customers for contract work are included in the payables from exchange transactions and receivables from exchange transactions respectively.

17. Other income

Sundry income	11,371	10,483

Sundry income includes commission, permit fees, tender document sales, scientific services revenue, insurance refunds and rental income.

Figures in Rand thousand	2025	2024

18. Finance income

Interest revenue

Interest earned from cash investments	10,227	13,961
Interest income relating to trade and other receivables	26,841	26,234
	37,068	**40,195**

Figures in Rand thousand	2025	2024

19. Employee related costs

Basic	86,222	81,659
Long service awards	558	112
	86,780	**81,771**
Employee related costs		
Basic salaries	145,256	132,552
Bonus	13,557	12,552
Allowances	25,409	26,808
Overtime	6,616	8,104
Long service awards	558	112
Contributions - Medical, Pension, UIF	47,141	42,410
Relocation	-	60
Leave pay	4,368	4,491
Casual wages	516	964
Skills development levy	2,316	2,229
Independent contractor	2,436	6,398
	248,173	**236,680**
Direct costs	161,393	154,909
Indirect costs	86,780	81,771
	248,173	**236,680**

The entity provides retirement benefits for all permanent and fixed term employees by making contribution to a defined contribution provident and pension fund. The fund, Orion, is administered by Old Mutual and is subject to the *Pension Fund Act, 1956 as amended.

	2025 Number of Staff	2025 R '000	2024 Number of Staff	2024 R '000
Provident fund contributions	243	23,153	241	19,766
Pension fund contributions	63	6,054	58	5,422
	306	**29,207**	**299**	**25,188**

An actuarial valuation has been performed on Amatola Water Board's unfunded liability in respect of the entitlement of employees to Long Service Awards and Retirement Gifts. The effective date of this valuation is 30 June 2024.

The Amatola Water Board provides long service awards and retirement entitlements which are defined as other long service awards in terms of GRAP 25. In the current financial year, management assumed that all actuarial assumptions occurred and the actuarial valuation held true. It is management's intention to value the employee benefits every year. These are reconciled as follows:

19. Employee related costs continued

	Long service awards	Retirement gifts
Balance at 30 June 2024	460	-
Current services costs recognised in the statement of comprehensive income	67	-
Retirement gifts/ Long service awards paid	(136)	-
Interest cost	74	-
Actuarial (gain) / loss	39	-
The executive members emoluments are disclosed on note 20.	**504**	**-**

Figures in Rand thousand

20. Executive and non-executive members' emoluments

Executive

2025

	Cash Component	Backpay and 13th Cheque	Acting Allowance	Family cover, disability and group life	Reimbusive allowances	Vehicle Allowance	Pension/Provident Fund	Medical Aid Benefit	Statutory Payments	Leave Payout	Total
	-	-	-	-	-	-	-	-	-	-	-
D Mabuza - EM Planning and development	1,758	131	-	101	11	300	142	59	24	-	2,526
S Koyo - CE	2,102	218	65	119	-	264	207	-	28	-	3,003
S Qweleka - EM Operations	1,859	301	-	100	1	108	210	99	26	-	2,704
S Galada - CFO	-	34	-	-	-	-	-	-	-	-	34
Z Ngele - EM Corporate Services	-	26	-	-	-	-	-	-	-	-	26
L Nzoyi - EM Corporate services	1,554	184	190	80	20	-	183	39	22	-	2,272
J Jackson - CFO	1,969	122	129	101	10	-	231	43	25	-	2,630
	9,242	**1,016**	**384**	**501**	**42**	**672**	**973**	**240**	**125**	**-**	**13,195**

Figures in Rands thousand

20. Executive and non-executive members' emoluments (continued)

2024

	Cash Component	Back pay and 13th Cheque	Acting Allowance	Family Cover/disability and group life	Reimbursive allowances	Vehicle Allowance	Pension/Provident Fund Allowance	Medical Aid	Statutory Payments UIF/SDL	Leave Payout	Total
S Koyo - CE	1,187	208	-	72	19	154	117	-	18	-	1,775
S Koyo- EM Planning and development	570	-	260	35	8	85	45	-	9	-	1,012
S Qweleka - EM Operations	1,740	169	-	100	8	96	196	95	23	-	2,427
Z Ngele - EM Corporate Services ****	1,294	134	-	32	-	-	62	21	17	201	1,761
J Jackson - CFO *	328	-	-	18	-	-	38	7	4	-	395
S Galada - CFO ***	713	141	-	42	9	50	68	-	12	198	1,233
D Mabuza EM Planning and Development **	374	-	-	23	17	64	30	10	5	-	522
L Nzoyi - EM Corporate Services *	245	-	-	14	1	-	28	6	3	-	297
	6,451	**652**	**260**	**336**	**62**	**449**	**584**	**139**	**91**	**399**	**9,423**

* Appointed on 01 May 2024.
** Appointed on 15 April 2024.
*** Terminated on 27 November 2023.
**** Terminated on 01 November 2023.

Figures in Rand thousand	2025	2024

20. Executive and non-executive members' emoluments (continued)

2025 Acting arrangements

Position	Name	Dates in Service	2025 Acting Allowance
Acting Chief Executive Officer	J Jackson	18 July 2024 - 04 September 2024 and 07 December 2024 - 29 January 2025	129
Acting Chief Executive	L Nzoyi	30 January 2025 - Current	190
Acting Chief Financial Officer	N Nomnganga	19 July 2024 -04 September 2024 and 09 December 2024 - 24 February 2025	99
Acting Executive Director Corporate Services	M Mjindi	30 January 2025 - Current	128
			546

2024 Acting arrangements

Position	Name	Dates in service	2024 Acting allowance
Acting Chief Executive Officer	S Koyo	1 July 2023 - 13 November 2023	260
Acting Executive Director Planning and Development	B Leni	15 January 2024 - 12 April 2024	77
Acting Chief Financial Officer	N Nomnganga	1 September 2023- 30 April 2024	147
Acting Executive Director Corporate Services	S Fatyi	09 October 2023 - 30 April 2024	41
Acting Executive Director Corporate Services	N Klaas	1 July 2023 - 06 October 2023	115
Acting Executive Director Planning and Development	M Bila	1 July 2023 - 07 September 2023	68
			708

Figures in Rand thousand	2025	2024

20. Executive and non-executive members' emoluments (continued)

Non-executive emoluments 2025

	Board Stipend	Board Meeting Fees	Committee and other activities	Total
G Sharpley - Chairperson	139	107	131	377
N Mxenge-Mayende	173	104	81	358
S Mancotywa	101	87	45	233
W Mushohwe	173	127	85	385
G Mpumza	101	61	70	232
A Mjekula	173	150	105	428
B Mokgatle	173	164	119	456
N Douw Jack	86	53	48	187
N Tyibilika	88	111	56	255
P Yako - Chairperson	40	36	54	130
L Geza	115	73	63	251
Independent External Audit Committee Members				-
S Maharaj	-	-	29	29
FJ Mudau	-	-	29	29
G Labane	-	-	37	37
S Ngwenya	-	-	111	111
B Zulu	-	-	116	116
	1,362	**1,073**	**1,179**	**3,614**

2024

	Board Stipend	Board Meetings Fees	Travel and other disbursements	Committee fees and other activities	Total
P Yako - Chairperson	238	234	1	461	934
S Dzengwa	115	81	-	81	277
Z Kiviet	158	149	-	219	526
A Mjekula	173	156	-	208	537
B Mokgatle	173	147	-	144	464
N Tyibilika	173	147	-	245	565
SP Xulu	14	8	-	-	22
W Mushowe	144	151	-	98	393
N Mxenge-Mayende	29	30	-	19	78
Independent external audit committee members					
G Labane	-	169	-	125	294
S Maharaj	-	-	-	57	57
FJ Mudau	-	-	-	82	82
	1,217	**1,272**	**1**	**1,739**	**4,229**

Payments made in 2024	-	4,229
June 2023 accrual reversed in July 2023	-	(86)
	-	**4,143**

21. Impairment loss

Impairments

Property, Plant and equipment	2,062	6,738

During the physical verification exercise, the condition of assets were assessed and an impairment of R2,062 million (2024: R6,738 million) was raised.

Figures in Rand thousand	2025	2024
22. Finance costs		
Interest: Creditors	288	9,082
DWS- Bulk Water Purchases debt	-	8,941
Other suppliers	288	141
	288	**9,082**

Interest: Creditors relates mainly to interest charged on outstanding debt and interest charged by SARS on late payments.

23. Lease rentals on operating lease		
Premises		
Contractual amounts	885	1,304
Motor vehicles		
Contractual amounts	15,952	13,901
Equipment		
Contractual amounts	383	328
	17,220	**15,533**
24. Bad debts written-off		
Bad debts written-off	9,927	13,147

During the year the entity wrote off irrecoverable debts which was mainly interest charged on outstanding receivables upon payment of the capital amount by the debtor.

25. Repairs and maintenance		
	1,450	1,469
Buildings - offices and houses		
Furniture and fixtures	483	655
Pipeline and distribution	5,928	3,572
Plant and machinery	6,328	6,964
Treatment works	4,995	5,023
Motor vehicles	92	4,879
	19,276	**22,562**
Direct repairs and maintenance - included in cost of sales	2,407	1,182
Indirect repairs and maintenance	16,869	21,380
	19,276	**22,562**

26. Loss on disposal		
Property, plant and equipment	614	1,985

Old assets that were no longer working were disposed off in the current year through an auction.

Figures in Rand thousand	2025	2024
27. General expenses		
Accommodation and travel	1,882	1,541
Accounting fees	90	122
Admin and Secretariat services	670	949
Audit fees – External	5,682	5,106
Audit fees – internal	51	1,373
Bank charges	239	268
Consulting and professional fees	5,146	5,014
Consumables	2,384	2,688
Control of Hyacinth	66	47
Convention bureau	19	-
Delivery expenses	49	-
Designs and creative services	59	25
Electricity and water	3,245	2,938
Equipment hire	147	560
Equipment small value items	31	104
Fees: Technical services	321	2,178
Fraud hotline	48	48
Fuel and oil	7,474	9,654
Health and safety	324	191
Inaugurations and events	129	86
Insurance	5,289	3,314
Insurance Workman's Compensation	1,072	1,142
Laundry and cleaning expenses	286	287
Legal expenses	9,262	7,842
Magazines, books and periodicals	9	7
Medical expenses	12	105
Membership fees	228	902
Other expenses	3	-
Personnel recruitment cost	843	728
Postage and courier	-	5
Printing and stationery	434	513
Promotional Aids and gifts	71	55
Protective clothing	892	809
Publicity and advertising	309	409
Refreshments: Seminars and meetings	712	759
Secretarial fees	1,969	51
Security	10,757	6,637
Services Data	3,180	1,666
Services: Courier	8	4
Software licences	5,550	4,814
Sponsorship & social investment	114	133
Stores write off and adjustments	4	149
Subscriptions and membership fees	1	-
Surcharges- CIDB	-	872
Telephone and fax	1,050	1,209
Training	1,984	2,999
Uniforms	68	-
Vehicle licence fees	416	494
Venue expenses	-	23
	72,579	**68,820**

Figures in Rand thousand	2025	2024

28. Cash used in operations

Deficit for the year	(159,103)	(159,031)
Adjustments for:		
Depreciation and amortisation	70,738	75,841
Loss on disposal of assets	614	1,985
Interest income	(37,068)	(40,195)
Impairment loss	2,062	6,738
Debt impairment	8,756	(29,157)
Bad debts written off	9,926	13,147
Movements in provisions	427	10,245
Finance income from receivables	26,841	26,234
Changes in working capital:		
Inventories	(472)	155
Receivables from exchange transactions	(24,608)	(111,514)
Payables from exchange transactions	89,428	151,420
Statutory receivables	1,656	(6,355)
VAT Payable	-	(837)
	(10,803)	**(61,324)**

29. Auditors' remuneration

External audit fees	5,682	5,106

Figures in Rand thousand	2025	2024

30. Contingent Assets and liabilities

Contingent assets

Other matters	900	900

The contingent assets relates to two matters amounting R0,9 million where the entity has instituted legal proceedings to funds

Contingent liabilities

Debt applications	3,784	14,750
Labour matters	1,500	1,500
Other matters	11,701	9,701

Debt application matters

1. A service provider is claiming payment to the sum of R3.14 million with interest according to the law for wasted standing time. The parties have filed their discovery notices.

2. An amount of R0.65 million is claimed against Amatola Water for not honouring payment as agreed on appointment.

Labour matters

1. An employee launched an application to review and set aside an arbitrator's award confirming her dismissal in the amounts of R1.5 million. The allocation of a date for the hearing is awaited from the Labour Court.

Other matters

1. The Plaintiffs are suing Amatola Water for alleged negligence resulting from holes dug and left open with no precautionary steps to prevent harm, and or injury or death of human beings to the amount of R6 million. As result of the alleged negligence, the plaintiff's minor children drowned and died in a hole flooded with water and mud that was left open by a contractor employed by Amatola Water.

2. A service provider instituted a claim for payment in the amount of R1.18 million. The matter is still on going and the last consultation was held on the 29th of April 2024.

3. Amatola Water received summons in three matters, with possible outflow of financial resources amounting to R3 million for the breach of a legal duty owed to members of the public. Amatola Water has filed its appearances to defend in each matter. The matter is still pending.

4.The plaintiff is claiming an amount of R 1.5 million being damages for financial loss relating to the annual escalation cost that were not claimed when the contract going back from the start of the project. The matter is still on going.

Figures in Rand thousand	2025	2024

31. Related parties

Relationships

Members	Refer to members' report paragraph 5
Ultimate controlling entity	National Government
Controlling entity	Department of Water and Sanitation
Entities under the control of the Minister of Water and Sanitation	Vaal Central Water
	Overberg Water
	Lepelle Northern Water
	Magalies Water
	Umngeni-Uthukela Water
	Rand Water

The entity is controlled by the Department of Water and Sanitation (DWS). Amatola Water is a Schedule 3B public entity in terms of the Public Finance Management Act. Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance management Act) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of the public entities.

Amatola Water Board has entered into various purchase and service transactions with Department of Water and Sanitation (DWS), in the ordinary course of business. These transactions were at arm's length.

Executive and non-executive members are the members of the board and its sub-committees and management of Amatola Water Board delegated to run the entity on a day-to-day basis. The list of key management personnel is disclosed in note 20.

Related party balances

Statement of Financial Position		
DWS receivable	29,781	51,910
Retention receivable	6,184	9,139
DWS Payable	(464,367)	(383,367)
DWS provision for water research levy and interest	(83,437)	(83,437)
Statement of Financial Performance		
Dam management fees paid by DWS to Amatola Water Board	17,775	16,095
Construction costs_ DWS	(44,319)	(71,175)
Construction revenue_ DWS	46,535	74,734
Raw water purchases _ DWS	(125,473)	(114,482)
Interest on outstanding debt _ DWS	-	(8,941)
Water research levy	6,093	3,365

32. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

32. Prior period errors (continued)

2024

	Note	As previously reported	Correction of error	Re-classification	Restated
Receivables from exchange transactions - Trade receivables - 1	4	214,866	(19,658)	-	195,208
Receivables from exchange transactions - Prepaid expenses - 1	4	2,762	28	-	2,790
Receivables from exchange transactions - Sundry receivables - 1	4	45,399	247	-	45,646
Statutory receivables - 2	6	1,913	4,441	-	6,354
Receivables from exchange- employee debtors - 1	4	678	60	-	738
Payables-trade payables - 3	11	(441,359)	(15,263)	-	(456,622)
Payables-other payables - 3	11	(87,257)	272	-	(86,985)
VAT Accrual - 1	4	29,321	94	-	29,415
Receivables from exchange transactions- Project receivables	4	-	12,499	-	12,499
Property, plant and equipment - 14	8	1,570,171	(27)	-	1,570,144
Property, plant and equipment - Pipelines and distribution - 16	8	682,208	-	(14,417)	667,791
Property, plant and equipment - Reservoirs - 16	8	293,758	-	627	294,385
Property, plant and equipment - Pumpstations - 16	8	58,641	-	37,731	96,371
Property, plant and equipment - Treatment works - 16	8	406,479	-	(28,335)	378,148
Property, plant and equipment - Boreholes - 16	8	5,838	-	4,394	10,232
Accumulated surplus		(1,189,493)	(5,520)	-	(1,195,012)
		1,593,925	**(22,827)**	**-**	**1,571,102**

Statement of financial performance

2024

	Note	As previously reported	Correction of error	Restated
Revenue from exchange transactions - 5	13	454,330	(11,468)	442,862
Finance income - 6	18	42,434	(2,239)	40,195
Contract revenue - 11	16	218,954	26,790	245,744
Other income - 7	17	10,232	251	10,483
Employee cost - 8	19	(82,043)	272	(81,771)
General expenses - 12	27	(69,149)	329	(68,820)
Cost of sales - 9	14	(457,950)	47,780	(410,170)
Contract cost - 13	16	(215,117)	(25,514)	(240,631)
Depreciation - 15	10	(75,846)	5	(75,841)
Distribution losses - 10	15	-	(47,780)	(47,780)
Debt impairment - 11	5	12,063	17,094	29,157
Surplus for the year		**(162,092)**	**5,520**	**(156,572)**

Cash flow statement

Figures in Rand thousand | 2025 | 2024

32. Prior period errors (continued)

2024

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services		598,870	8,583	607,453
Employee costs		(236,448)	272	(236,176)
Suppliers		(423,502)	(17)	(423,519)
Interest paid		-	(9,082)	(9,082)
		(61,080)	**(244)**	**(61,324)**
Cash flow from investing activities				
Purchase of property, plant and equipment		(14,175)	244	(13,931)
Additions to WIP		(6,977)	-	(6,977)
Proceeds from PPE		751	-	751
Purchase of intangible assets		(1,991)	-	(1,991)
Interest income from investments		13,961	-	13,961
		(8,431)	**244**	**(8,187)**

Errors

The following prior period errors adjustments occurred:

1. Receivables from exchange transactions

The receivables from exchange transactions in trade and other receivables from exchange transactions is due to the following adjustments:

- Reversal of incorrect billing made to Amathole District Municipality including VAT and the related debt impairment.
- Reassessment of the workmens's compensation insurance resulting in an increase in prepaid expenditure.
- Recognition of sundry debtors not raised in the prior year due to cut off issues.
- Reversal of billing made to SETA due to an agreement that was not approved at the time of billing.
- Recognition of an employee debt that was not raised in the prior year.
- VAT accrual was reduced due to correction of an overstatement of bulk water purchases for old accounts and the reversal of the debt impairment due to incorrect billing to Amathole District Municipality.
- Project receivables also increased due to transfer of materials-on-site from contract costs.
- VAT accrual was increased due to reduction of the VAT clawback by DWS paid invoices.

2. Statutory receivables

Statutory receivables increased in the prior year due to a reversal of incorrect billing made to the Amathole District Municipality.

3. Payables from exchange transactions:

The increase in payables in exchange transactions is due to the following adjustments in the prior year.

- Correction of an overstatement of bulk water purchases for old accounts.

Figures in Rand thousand	2025	2024

32. Prior period errors (continued)

- Recognition of accruals relating to the prior year.
- Reversal of incorrectly captured expenditure.
- Transfer of materials-on-site from contract costs which resulted in an increase in sundry project creditors.
- VAT clawback was reduced due to DWS paid invoices

4. Accumulated surplus

The overall changes made resulted to a decrease in accumulated surplus.

5. Revenue from exchange transactions

In the prior year revenue was overstated due to the following:

- section 29 revenue was overstated due to incorrect billing of the Amathole District Municipality.
- section 30 revenue was overstated due to agency fees on construction contracts that were erroneously recognised as section 30 revenue instead of contract revenue.

6. Finance income

The decrease in finance income is due to the following adjustments:

- Overstatement of interest charged incorrectly to Amathole District Municipality in the prior years.
- Reversal of billing made to SETA due to an agreement that was not approved at the time of billing.

7. Other income

In the prior year other income was understated due to the following errors:

- Income not recognised due to cut off issues
- Reversal of billing made to SETA due to an agreement that was not approved at the time of billing.

8. Employee costs

The adjustment was due to overpayment of group life benefits.

9. Cost of sales

The decrease in cost of sales is due to the following adjustments:

- An accrual relating to the 2024 financial year that was not raised.
- Distribution losses that were not presented seperately in the Statement of financial performance.

10. Distribution losses

The increase in distribution losses is as a result of distribution losses being presented separately from cost of sales in the Statement of financial performance.

11. Debt impairment

The adjustment relates to the reversal of incorrect billing made to Amathole District Municipality and the related debt impairment.

Figures in Rand thousand	2025	2024

32. Prior period errors (continued)

12. General expenses

The adjustment relates to the following adjustments:

- Reversal of incorrectly captured expense
- Reassessment of the workmens's compensation insurance resulting in an increase in prepaid expenditure.

13. Contract revenue and costs

AW Board is a contractor in terms of GRAP 11 for certain contracts entered into with clients. The entity regularly appoints sub-contractors to assist in construction projects and makes upfront payments to the contractors to acquire materials to be used in construction. At year-end some of the material remains on hand. The unused material on site at the end of the reporting period represents a prepayment as the costs are paid for future construction activity. AW Board incorrectly expensed the amount paid for unused material on site. The impact of this error is that construction expenses and construction revenue were overstated**.**

AW Board regularly enters into contracts that involve the refurbishment of another party's assets. Judgement is applied in determining whether the refurbishments result in the restoration of those assets and consequently the contracts should be accounted for as construction contracts in terms of GRAP 11. The following contracts which involve the restoration of assets were incorrectly classified as contracts for repairs and maintenance resulting in AW Board accounting for the contracts in terms of GRAP 109: This affected the Makana Emergency Intervention.

14. Property, plant and equipment

The decrease in PPE is due to a removal of assets that were included as Amatola Water assets as well as the reversal of a CAP 38 capitalisation processed incorrectly.

15. Depreciation

The decrease in depreciation is due to the adjustments in PPE.

16. Property, plant and equipment- WIP allocation reclassification adjustment

The adjustment is due to the reallocation of the WIP balance.

Cash flow statement

During the current financial year, the Entity identified errors in certain cash flow items in the statement of cash flows for the prior year. The error has been corrected by restating the comparative information. The correction had no impact on closing cash and cash equivalents.

Accounting by principals and agents

In the prior year, contracts which involve the restoration of assets were incorrectly classified as contracts for repairs and maintenance resulting in AW Board accounting for the contracts in terms of GRAP 109 instead of Constructions contracts.

Project advances		
Amount as previously disclosed	-	14,054
Correction of error	-	(12,441)
Restated amount	**-**	**1,613**
Section 30 Revenue		
Amount as previously disclosed	-	19,637
Correction of error	-	(1,901)
Restated amount	**-**	**17,736**

Figures in Rand thousand	2025	2024

32. Prior period errors (continued)

Cost of sales		
Amount as previously disclosed	-	21,834
Correction of error	-	1,230
Restated amount	**-**	**23,064**
Sundry receivables		
Amount as previously disclosed	-	45,399
Correction of error	-	247
Restated amount	**-**	**45,646**
Project payables		
Amount as previously disclosed	-	11,831
Correction of error	-	(9,328)
Restated amount	**-**	**2,503**

Figures in Rand thousand	2025	2024

33. Commitments

Capital commitments are commitments relating to the infrastructure upgrades approved which its expenditure is indicated under Note 8 as Work in Progress. These will be expedited in the next financial year. The proposed capital expenditure will be funded by internally generated funds.

Authorised capital expenditure		
Already contracted for but not provided for		
• Pipelines and distribution	-	2,928
• Pumpstations	-	5,488
• Treatment works	3,616	17,420
	3,616	**25,836**
Total capital commitments		
Already contracted for but not provided for	3,616	25,836
Total commitments		
Total commitments		
Authorised capital expenditure	3,616	25,836

Operating leases - as lessee (expense)

Motor Vehicle

The entity has entered into a new lease agreement for 82 vehicles for a period of 5 years with ABSA operating lease contract. The lease payments include a maintenance portion for the duration of the lease term. The lease term is for five years started on 1 April 2024 and ending 31 March 2029.

Operating lease commitment- vehicles		
- within one year	11,047	11,047
- in second to fifth year inclusive	30,380	41,427
	41,427	**52,474**

Rental of Office Space

The Trevleen Properties lease was for 3 years starting on 1 June 2019 and ending on May 2022 but was extended for further three years and ten (10) months ending in March 2026.

The total future minimum sublease payment expected to be received under non-cancellable sublease	565	525

Office Equipment

Amatola Water Board entered into a new transversal agreement with Konica Minolta for a period of 3 years starting in September 2023 and ending July 2026.

Operating lease commitments- office equipment		
- within one year	274	274
- in second to fifth year inclusive	133	407
	407	**681**

34. Financial instruments disclosure

Categories of financial instruments

Figures in Rand thousand	2025	2024

34. Financial instruments disclosure (continued)

2025

Financial assets

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	322,884	322,884
Cash and cash equivalents	107,095	-	107,095
	107,095	**322,884**	**429,979**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	667,699	667,699

2024

Financial asset

	At fair value	At amortised cost	Total
Trade and other receivables from exchange transactions	-	323,434	323,434
Cash and cash equivalents	130,225	-	130,225
	130,225	**323,434**	**453,659**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	587,337	587,337

Residual interest

	At cost	Total
Share capital / contributed capital	274,557	274,557

Figures in Rand thousand	2025	2024

34. Financial instruments disclosure (continued)

Financial instruments in Statement of financial performance

2025

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	37,068	37,068
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(288)	(288)
	36,780	**36,780**

2024

	At amortised cost	Total
Interest income (calculated using effective interest method) for financial instruments at amortised cost	40,195	40,195
Interest expense (calculated using effective interest method) for financial instruments at amortised cost	(9,082)	(9,082)
	31,113	**31,113**

35. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure identified - current	288	9,082

Fruitless and wasteful expenditure relates to interest charged on the late payment vat and interest charged on Bluroca litigation matter that was settled in the current financial year.

36. Irregular expenditure

Irregular expenditure identified in the current year

Irregular Expenditure Amatola Water Board	5,529	19,642
Irregular Expenditure incurred on behalf of principals	69,788	63,215
	75,317	**82,857**

Irregular expenditure is presented inclusive of VAT.

Irregular expenditure identified in the current year

Nature of irregular expenditure		
Non-compliance with SCM Regulations	56,550	61,516
Expenditure incurred on expired contracts	18,767	17,529
Old service contracts with no agreements	-	36
Expenditure above contract value	-	3,776
	75,317	**82,857**

The amount disclosed is inclusive of VAT.

Figures in Rand thousand	2025	2024

37. Budget differences

Material differences between budget and actual amounts

Variances over R5 million or above 10% are considered to be material and explained below:

37.1 Revenue - Section 29 is under the budgeted amount by 3.26%

The underperformance is due to the following:

- Planned production of 84ml per day, however, during the year plants were producing water at 88.8ml per day.

37.2 Revenue - Section 30 under budget by 66.82%

The underperformance in Section 30 is due requirements of GRAP 11 that were not considered in budget revenue and delays in the finalisation of SCM processes for the James Klynhans. Phase 3 project which was cancelled due to bidders being non-responsive.

37.3 Construction revenue increased by 100%

The entity did not consider construction revenue (GRAP 11) in its budget.

37.4 Other Income increased by 508.73%

Research council project money received during the year under review for student bursary.

37.5 Interest income is over budget by 5.91%

Interest income is over budget due to increase in ADM debt hence more interest charged on outstanding debt.

37.6 Employee Related Cost under spending by 2.62%

Moratorium on vacancies due to financial distress the entity is facing.

37.7 Non-executive directors emoluments under spending by 27.72%

The under spending on Board Fees is a result of improved board operations with fewer meetings being held compared to budgeted meetings.

37.8 Accommodation and travel under spending by 33.07%

The under spending is due to Board and committee meetings being attended virtual vs. the planed physical meetings.

37.9 Depreciation under overspending by 3.77%

This is due to the capitalisation of assets done at year end.

37.10 Construction costs 100%

The entity did not take into account construction expenditure in its budget. The service provider for GRAP 11 was appointed after the budget was approved.

37.11 Lease rentals on operating lease 31.23%

The overspending is mainly attributed to delays and bottlenecks in returning the old vehicles from the previous contract which were not budgeted for in 2024/25 financial year.

37.12 Debt impairment over budget by 41.63%

The decrease is due to improved payment trends on receivables.

37.13 Bad **debts written-off overspending by 100%**

Figures in Rand thousand	2025	2024

37. Budget differences (continued)

The entity does not budget for bad debts written-off.

37.14 Bulk water purchases overspending by 35.55%

The overspending in bulk water purchases is due to abstraction volumes planned based on producing 84mld. The production was produced at 90mld.

37.15 Inventories over budget by 5.27%

Overspending due to stock items that are purchased without budget then only accommodated to their relevant budget item when they are issued.

37.16 Receivables from exchange transactions over budget by 160.83%

The increase in trade receivables is mainly due to major debtor payments not covering their current consumption as well as the recognition of retention asset on construction contracts and reclassification of VAT accrual from Statutory receivables.

37.18 Property Plant and Equipment over budget by 23.88%

Albany Coast and Roointranks were anticipated to be transferred back to Ndlambe Local Municipality and BCMM respectively.

37.19 Intangible assets over budget by 565.27%

The budget did not take into account the intangible work in progress.

37.20 Payables from exchange transactions over budget by 113.01%

The increase in accounts payables is attributed to the appointment of more service providers in the current year as well as the recognition of construction retention liability and the inability by the entity to service the debt of DWS as was planned.

37.21 Provisions over budget by 7006.76%

Provision was made only for long service awards on the budget. The legal proceedings that arose from two litigations were not budgeted due to insufficient funds.

37.22 Accumulated surplus under budget by 8.45%

The increase is due to treated water sales.

38. Risk management

Financial risk management

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

At 30 June 2025	Less than 1 year	1-3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	-	695,696	-	-
At 30 June 2024	Less than 1 year	1-3 months	Between 2 and 5 years	Over 5 years
Trade and other payables	-	606,268	-	-

Figures in Rand thousand	2025	2024

38. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise of mainly bulk water customers and historical individual customers like industrial, farmers and few domestic customers that are not in municipal provision line. Management evaluates credit risk relating to customers on application stage by assessing the affordability of the customers. Applications are approved when they pass the affordability assessment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	**2025**	**2024**
Cash and cash equivalent	107,095	130,225
Trade and other receivables from exchange transactions	322,884	323,434

The movement in the allowance for impairment in respect of the trade receivables during the year was as follows:

The ageing of trade receivables at the reporting date was:	**Gross 2025**	**Impairment 2025**	**Gross 2024**	**Impairment 2024**
Not past due date	48,885	7,599	47,446	3,599
One month past due date	15,386	7,228	16,819	7,707
Two months past due date	15,437	7,666	14,653	6,767
Three months past due date	11,455	5,746	14,280	6,629
More than four months past due	319,171	161,433	268,540	141,828
	410,334	**189,672**	**361,738**	**166,530**

The movement in the allowance for impairment in respect of the sundry receivables during the year was as follows:

The ageing of sundry receivables at the reporting date was:	**Gross 2025**	**Impairment 2025**	**Gross 2024**	**Impairment 2024**
Not past due date	34,110	5,110	34,369	13,055
One month past due date	5,147	1,736	2,579	1,108
Two months past due date	852	417	979	454
Three months past due date	571	289	5,444	2,233
More than four months past due	28,347	14,946	37,448	18,323
	69,027	**22,498**	**80,819**	**35,173**

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Balance as at 01 July	166,530	177,949
Impairment provision increase	23,142	(11,419)
	189,672	**166,530**

The movement in the allowance for impairment in respect of sundry receivables during the year was as follows:

Balance as at 01 July	35,173	55,057
Impairment provision decrease	(12,675)	(19,884)
	22,498	**35,173**

Figures in Rand thousand	2025	2024

38. Risk management (continued)

Market risk

Interest rate risk

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit term	11.38%	322,884	-	-	-	-
Cash in current banking institutions	8.33%	107,095	-	-	-	-
Trade and other payables - extended credit terms	11.38%	667,699	-	-	-	-

Capital risk management

The Amatola Water Board's objective for managing capital is to enhance Executive Authority value by providing an efficient and reliable water services to customers at the lowest economic cost while reducing debt, remaining financially self-sufficient and generating sufficient funds to meet the required capital expenditure programme and thus sustaining future development of the business and its ability to continue as a going concern. This objective has remained consistent with the prior years.

As a government business enterprise, Amatola Water Board strives towards a target optimal capital structure, which is made up of a combination of financial liabilities, capital and reserves as disclosed in the statement of changes in net assets.

Capital contribution	274,557	274,557
Accumulated surplus	1,035,910	1,195,236

39. Events after the reporting date

Amatola Water Board entered into a memorandum of understanding with Ndlambe Local Municipality to temporarily operate Albany Coast Water Supply system from the from the 25th of September 2025 until the finalisation of the legal transfer process by the Department of Water and Sanitation.

Members are not aware of any other matter or circumstances arising since the end of the financial year.

40. Going concern

As at 30 June 2025, the entity has an annual deficit of R159,103,000 however the entity has an accumulated surplus of R 1,035,910,000 and that the entity's total assets exceed its liabilities by R 1,310,467,000.

The audited annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The key adverse events and conditions that have been identified that negatively impact the financial viability of the entity include:

- Continuous realization of deficits
- Historical recurring negative cash flows from operations
- Increasing debtor collection period and creditors payment period
- High value of creditors as a percentage of cash and cash equivalents

Figures in Rand thousand	2025	2024

40. Going concern (continued)

- Depleting current ratio

There is a material uncertainty relating to the events and conditions therefore, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The entity has the following measures and plans to mitigate and improve these adverse events:

- Application for Capital Funding through BFI to refurbish and expand capacity of entity's infrastructure is in the process
- The entity is in discussion with the Department of Water Affairs for funding to deal with reticulation infrastructure
- One of the non-profitable plant has been transferred back to the municipality
- The entity is currently undertaking the organizational structure review process aiming reducing employee related cost, mitigating inefficiencies and consideration of decentralization of some operational units to maximize efficiency and reducing costs
- Determine and implement cost reflective tariffs by considering cost containment and customer affordability
- Strategies to deal with increasing debtors and creditors are in place

41. Accounting by principals and agents

The entity act as an agent on agreements entered with Eastern Cape Department of Education and Department of Water and Sanitation.

Amatola Water Board engages with service providers on behalf of the government departments, Water Service Authorities that it has agreements with in the execution of various capital and operational water service projects.

Agency fees or cost incurred under each agreement are charged by Amatola Water Board at a rate agreed upon in the agreement.

The agreements do not contain significant areas of judgement on behalf of the agency as the agreement are legally enforceable and the risk and rewards are clearly articulated in the agreement that provides a definitive process of directive for work allocation and resource utilisation.

Figures in Rand thousand	2025	2024

41. Accounting by principals and agents (continued)

Entity as agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements

Project advances	1,078	1,613

Project advances are recognised under cash and cash equivalent in the entity's own financial statement.

Revenue recognised

Section 30 Revenue	19,419	17,736

Amount of Expenditure incurred

Cost of sales	30,041	23,064

Receivables and/or payables recognised based on the rights and obligations established in the binding arrangement(s)

Project receivables

Sundry receivables	46,529	45,646
Payables relating to projects	2,672	2,503

Project payables relates to payables raised on projects that are implemented by the entity on behalf of the principals.

42. Segment information

General information

Identification of segments

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Amatola Water Segments

Amatola Water is organised and reports to management are on the basis of three(3) major functional areas: primary business, secondary business and the support services and the financial performance and position of the organisation is reported as such.

Primary business (section 29) is the core business of Amatola Water which is to provide bulk raw or treated water to clients like Municipalities, government institutions and other businesses.

Secondary business (section 30) - Amatola Water act as an implementing agent for other institutions like Municipalities and government departments and implement water and sanitation projects on an agent basis.

Support services- are administrative and shared internal functions to support business operations of Amatola Water.

Figures in Rand thousand	2025	2024

42. Segment information (continued)

Aggregated segments

Segments are not aggregated on the basis of services delivered as management considered that the economic characteristics of the segments throughout Eastern Cape were not sufficiently similar to warrant aggregation.

Geographical Segment Reporting

The entity operates throughout the Eastern Cape.

Information reported about these segments is used by management as a basis for evaluating the segments' performances and for making decisions about the allocation of resources. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Figures in Rand thousand

42. Segment information (continued)

Segment surplus or deficit, assets and liabilities

2025

	Primary Business	Secondary Business	Support	Total
Revenue				
Revenue from exchange transactions	471,930	19,419	-	491,349
Construction revenue	-	220,572	-	220,572
Other income	6,401	3,950	1,020	11,371
Interest revenue	24,164	5,386	7,518	37,068
Total segment revenue	**502,495**	**249,327**	**8,538**	**760,360**
Entity's revenue				**760,360**
Expenditure				
Employee related cost	134,490	26,903	86,780	248,173
Non-executive directors emoluments	-	-	3,614	3,614
Depreciation and amortisation	65,295	1,219	4,225	70,739
Finance costs	-	522	(234)	288
Lease rentals	11,701	3,438	2,081	17,220
Impairment loss	3,061	(251)	(748)	2,062
Debt impairment	20,124	(11,022)	(346)	8,756
Bad debts written-off	18	9,583	325	9,926
Bulk purchases	125,473	-	-	125,473
Construction costs	-	210,502	-	210,502
Other operating expenditure	176,004	7,111	39,595	222,710
Total segment expenditure	**536,166**	**248,005**	**135,292**	**919,463**
Total segmental surplus/(deficit)	**(33,671)**	**1,322**	**(126,754)**	**(159,103)**

Figures in Rand thousand

42. Segment information (continued)

Assets				
Non-current assets	1,437,971	20,131	67,561	1,525,663
Inventories	2,049	-	3,780	5,829
Receivables from exchange transactions	271,276	97,831	4,995	374,102
Statutory receivables	4,699	-	-	4,699
Cash and cash equivalents	97,528	8,547	1,020	107,095
Total segment assets	**1,813,523**	**126,509**	**77,356**	**2,017,388**
Total assets as per Statement of financial Position				**2,017,388**
Liabilities				
Payables from exchange transactions	627,292	61,605	6,799	695,696
Provisions- current	3,000	7,266	252	10,518
Provisions- non-current	-	-	707	707
Total segment liabilities	**630,292**	**68,871**	**7,758**	**706,921**
Total liabilities as per Statement of financial Position				**706,921**

	Primary Business	Secondary Business	Support Services
Cash Flows			
Operating activities	119,019	2,796	(132,618)
Investing activities	(17,089)	(109)	4,871

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

2024

	Primary Business	Secondary Business	Support Services	Total

Figures in Rand thousand

42. Segment information (continued)

Revenue				
Revenue from exchange transactions	425,126	17,736	-	442,862
Construction revenue	-	245,743	-	245,743
Interest revenue	26,456	-	13,739	40,195
Other Income	5,857	3,153	1,473	10,483
Total segment revenue	**457,439**	**266,632**	**15,212**	**739,283**
Entity's revenue				**739,283**
Expenditure				
Salaries and wages	133,572	21,338	81,771	236,681
Non-Executive directors emoluments	-	-	4,143	4,143
Depreciation and amortisation	69,551	1,301	4,989	75,841
Finance costs	8,941	141	-	9,082
Lease rentals	8,328	2,305	4,900	15,533
Impairment loss	5,013	531	1,194	6,738
Debt impairment	(9,929)	(17,292)	(1,936)	(29,157)
Bulk purchases	114,482	-	-	114,482
Construction costs	-	240,631	-	240,631
Other operating expenditure	153,344	7,524	63,472	224,340
Total segment expenditure	**483,302**	**256,479**	**158,533**	**898,314**
Total segmental surplus/(deficit)	**(25,863)**	**10,153**	**(143,321)**	**(159,031)**
Assets				
Non-current Assets	1,488,844	20,984	66,918	1,576,746
Inventories	3,095	-	2,262	5,357
Receivables from exchange transactions	227,417	139,853	906	368,176
Statutory receivables	6,355	-	-	6,355
Cash and cash equivalents	19,845	14,271	96,109	130,225
Total segment assets	**1,745,556**	**175,108**	**166,195**	**2,086,859**
Total assets as per Statement of financial Position				**2,086,859**

42. Segment information (continued)

Liabilities				
Payables from exchange transactions	502,405	100,412	3,451	606,268
Provision - current	3,000	7,266	127	10,393
Provisions- non-current	-	-	405	405
Total segment liabilities	**505,405**	**107,678**	**3,983**	**617,066**
Total liabilities as per Statement of financial Position				**617,066**

	Primary Business	Secondary Business	Support Services
Cash Flows			
Operating activities	44,736	(21,151)	(84,914)
Investing activities	(12,962)	(2)	(965)

Following a change in the composition of its reportable segments, the corresponding items of segment information for earlier periods has been restated.

43. Change in estimate

Property, plant and equipment

A change in the estimated useful life of various assets of the entity has resulted in the following decreases in depreciation for the mentioned asset categories for the financial year:

	Depreciation 2025	Depreciation before change	Decrease
Other assets (movable)	1,002	(2,410)	(1,408)
Infrastructure assets	5,906	(10,815)	(4,909)
Land, buildings and community assets	199	(350)	(151)
	7,107	**(13,575)**	**(6,468)**

The amount of the effect in future periods is not disclosed because estimating it is impracticable to do so.

Figures in Rand thousand

43. Change in estimate (continued)

Intangible assets

A change in the estimated useful life of intangible has resulted in decreases in amortisation as per below:

	Amortisation 2025	Amortisation before change	Decrease
Intangible assets	106	(277)	(171)

The amount of the effect in future periods is not disclosed because estimating it is impracticable to do so.

44. Share capital / contributed capital

Issued

Ordinary	274,557	274,557



Annexure: A

FIVE-YEAR HISTORICAL STATISTICAL OVERVIEW

ANNEXURE A: FIVE YEAR HISTORICAL STATISTICAL OVERVIEW

Annexure A 5-Year Historical Statistical Analysis									
			2025 vs 2024			**2024 vs 2023**			**2022 vs 2021**
	2025 Audited R000	2024 Audited R000	%	2024 Audited R000	2023 Restated R000	%	2022 Audited R000	2021 Restated R000	%
OPERATIONS									
Revenue	491,349	442,862	11%	454,330	402,819	12.79	385,862	391,535	(1.49)
Cost of Sales	441,383	410,170	8%	457,950	401,245	14.13	380,297	371,393	2.39
Contract Revenue	220,572	245,743	-10%	218,954	152,175	43.88			
Contract costs	(210,502)	(240,631)		(215,117)	(145,118)	48,24			
Other income	11,371	10,483	-13%	10,232	6,120	67,19	4,346	5,459	(20.38)
Grant Funding					-	-	-	-	-
Public Donations						-	-	25,611	(100.0)
Operating and Admin Expenses	(267,578)	(247,578)	8%	217,432	256,424	-15,21	216,308	179,153	20.73
Net finance income	37,068	40,195	-8%	42,434	38,127	11.30	32,008	29,389	8.9
Net Operating (Deficit)/Surplus	(159,103)	(159,031)	0%	-164,549	-203,546	-19.16	-174,389	-98,552	76,95
						-			
FINANCIAL POSITION						-			
Capital Contribution	274,557	274,557	-0%	274,557	274,557	-	274,557	274,557	-
Reserves						-			-
Retained (Deficit)/Surplus	1,035,910	1,195,236	-13%	1,212,543	1,377,093	(11.9)	1,571,148	1,751,942	(10.3)
Long-term Liabilities					-	-	-	-	-
Current Liabilities	706,921	617,066	15%	601,667	455,837	31,99	374,090	498,529	(24.96)
Total Equity and Liabilities	2,107,388	2,086,859	1%	2,089,173	2,107,893	(0.89)	2,219,795	2,525,028	(12.1)
Non-current Assets	1,525,663	1,576,746	-3%	1,576,772	1,638,945	(3.79)	1,710,208	1,825,548	(6.3)
Current Assets	491,725	510,113	-4%	512,401	468,948	(9.27)	509,587	699,480	(27.1)

Annexure A 5-Year Historical Statistical Analysis									
			2025 vs 2024			**2024 vs 2023**			**2022 vs 2021**
	2025 Audited R000	2024 Audited R000	%	2024 Audited R000	2023 Restated R000	%	2022 Audited R000	2021 Restated R000	%
Total Assets	2,017,388	2,086,859	-3%	2,089,173	2,107,893	(0,88)	2,219,795	2,525,028	(6.3)
CASH FLOW POSITION						-			
Cash flow from Operating Activities	(10,803)	(61,324)	-82%	-61,080	-47,112	29,65	-160,661	-74,301	116.2
Cash Flow util. in /gen. from Investing Activities	(12,327)	(8,187)	51%	-8,431	-5,697	47.99	-17,625	-45,532	(61.3)
Cash Flow utilised in Financing Activities						-	13,221	13,393	(1.3)
Net Cash Increase/(Decrease) for year	(23,130)	(69,511)	-67%	-69,511	-52,709	(31.88)	-165,065	-106,440	55.1
RATIOS						-			
Revenue (Kilolitres x 1000)									
Treated Water Sales	31,930	24,147	32%	28 147	29 904	5.8	28 810	31 064	(7,3)
Raw Water Sales	6,617	7,719	-14%	7 792	8,156	(4.46)	9 399	8 875	5,9
Total Water Sales	38,547	35,939	7%	35 939	38,060	(5.57)	38 209	39 939	(4,3)
Revenue (R'000)						-			
Treated Water Sales	451,519	406,878	11%	406,878	360,688	12.80	330 436	330 811	(0,1)
Raw Water Sales	20,411	18,248	12%	27, 815	24,398	(14.00)	26 769	23 972	11,7
Total Water Sales	471,930	425,126	11%	434,693	385,086	12,88	357 205	354 783	0,7



Annexure: B

GRI CONTENT INDEX

AMATOLA WATER GRI INDEX 2024/2025

Amatola Water has reported "in accordance" with the comprehensive option resented by the GRI's G4 guidelines.
An independent assurance report can be found on page 159 to 166

GENERAL STANDARD DISCLOSURES	PAGE
G4-1: Provide a statement from the most senior decision-maker of the organisation (such as CE, Chairperson, or equivalent senior position) about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability	8 -9, 11-12,13-15
G4-2: Provide a description of key impacts, risks and opportunities	21 – 28, 61-62
G4-3: Report the name of the organisation	Throughout the report
G4-4: Report the primary brands, products and services	20 – 22, 123 – 137, 139 - 143
G4-5: Report the location of the organisation's headquarters	2, 22,24
G4-6: Report the number of countries where the organisation operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report	2, 22,24
G4-7: Report the nature of ownership and legal form	2, 22,24
G4-8: Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	2, 22,24, 20- 22, 123
G4-9: Report the scale of the organisation, including: • Total number of employees • Total number of operations • Net sales (for private sector organisations) or net revenues (for public sector organisations) • Total capitalisation broken down in terms of debt and equity (for private-sector organisations) • Quantity of products or services provided	2, 22,24, 20- 22, 123, 108-110, 139-143,
G4-10: Report the composition of the workforce, including: • Total number of employees by employment contract and gender • Total number of permanent employees by employment type and gender • Total workforce by employees and supervised workers and by gender • Total workforce by region and gender • Whether a substantial portion of the organisation's work is performed by workers who are legally recognised as self-employed, or by individuals other than employees or supervised workers, including employees and super vised employees of contractors • Any significant variations in employment numbers	108-110
G4-11: Report the percentage of total employees covered by collective bargaining agreements	113-114
G4-12: Describe the organisation's supply chain	145-148
G4-13: Report any significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain, including: • Changes in the location of, or changes in, operations, including facility openings, closings, and expansions • Changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private-sector organisations) • Changes in the location of suppliers, the structure of the supply chain, or in relationships with suppliers, including selection and termination	145-148, 159-164, 170-243
G4-14: Report whether and how the precautionary approach or principle is addressed by the organisation	Not applicable
G4-15: List externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses	117, 128,
G4-16: List memberships of associations (such as industry associations) and national or international advocacy organisations in which the organisation: • Holds a position on the governance body • Participates in projects or committees • Provides substantive funding beyond routine membership dues • Views membership as strategic	113, 123
G4-17: a. List all entities included in the organisation's consolidated financial statements or equivalent documents b. Report whether any entity included in the organisation's consolidated financial statements or equivalent documents is not covered by the report	2, 19,23, 24,170-243,

GENERAL STANDARD DISCLOSURES	PAGE
G4-18: a. Explain the process for defining the report content and the aspect boundaries b. Explain how the organisation has implemented the reporting principles for defining report content	19 – 20, 249 - 254
G4-19: List all the material aspects identified in the process for defining report content	19,71-73
G4-20: For each material aspect, report the aspect boundary within the organisation, as follows: • Report whether the aspect is material within the organisation • If the aspect is not material for all entities within the organisation (as described in G4-17), select one of the following two approaches and report either: - The list of entities or groups of entities included in G4-17 for which the aspect is not material or - The list of entities or groups of entities included in G4-17 for which the aspect is material • Report any specific limitation regarding the aspect boundary within the organisation	19,71-73
G4-21: For each material aspect, report the aspect boundary outside the organisation, as follows: • Report whether the aspect is material outside of the organisation • If the aspect is material outside of the organisation, identify the entities, groups of entities or elements for which the aspect is material, and describe the geographical location where the aspect is material for the entities identified • Report any specific limitation regarding the aspect boundary outside the organisation G4-22: Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements G4-23: Report significant changes from previous reporting periods in the scope and aspect boundaries	19,71-73 170-243
G4-24: Provide a list of stakeholder groups engaged by the organisation	76-82
G4-25: Report the basis for identification and selection of stakeholders with whom to engage	76-82
G4-26: Report the organisation's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process	76-82
G4-27: Report key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting, and report the stakeholder groups that raised each of the key topics and concerns	76-82
G4-28: Reporting period (such as fiscal or calendar year) for information provided	Throughout the report
G4-29: Date of most recent previous report	Throughout the report
G4-30: Reporting cycle (such as annual, biennial)	Throughout the report
G4-31: Provide the contact point for questions regarding the report or its contents	Cover pages, 2-259
G4-32: a. Report the "in accordance" option the organisation has chosen b. Report the GRI content index for the chosen option c. Report the reference to the external assurance report	31-63
G4-33: a. Report the organisation's policy and current practice with regard to seeking external assurance for the report b. If not included in the assurance report accompanying the sustainability report, report the scope and basis of any external assurance provided c. Report the relationship between the organisation and the assurance providers d. Report whether the highest governance body or senior executives are involved in seeking assurance for the organisation's sustainability report	58-63
G4-34: Report the governance structure of the organisation, including committees of the highest governance body, and identify any committees responsible for decision-making on economic, environmental and social impacts	31-63
G4-35: Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees	31-63
G4-36: Report whether the organisation has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	31-63
G4-37: Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body	31-63

GENERAL STANDARD DISCLOSURES	PAGE
G4-38: Report the composition of the highest governance body and its committees by: • Executive or non-executive • Independence • Tenure on the governance body • Number of each individual's other significant positions and commitments, and the nature of the commitments • Gender • Membership of under-represented social groups • Competences relating to economic, environmental and social impacts • Stakeholder representation	31-63
G4-39: Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organisation's management and the reasons for this arrangement)	Not applicable
G4-40: Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members, including: • Whether and how diversity is considered • Whether and how independence is considered • Whether and how expertise and experience relating to economic, environmental and social topics are considered • Whether and how stakeholders (including shareholders) are involved	Not applicable
G4-41: Report processes for the highest governance body to ensure conflicts of interest are avoided and managed, and whether conflicts of interest are disclosed to stakeholders, including, as a minimum: • Cross-board membership • Cross-shareholding with suppliers and other stakeholders • Existence of controlling shareholder • Related party disclosures	31-63
G4-42: Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organisation's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts	31-63
G4-43: Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	31-63
G4-44: Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, whether such evaluation is independent or not, and its frequency, whether such evaluation is a self-assessment, as well as actions taken in response to evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics, including, as a minimum, changes in membership and organisational practice	31-63
G4-45: Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities, including the highest governance body's role in the implementation of due diligence processes, and whether stakeholder consultation is used to support the highest governance body's identification and management of economic, environmental and social impacts, risks and opportunities	31-63
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Organisational overview and external environment	• Foreword by the Minister • Chairperson's Statement • Chief Executive's Report • Introduction • Context and Strategy
Governance	• Corporate Governance • Board Charter and Committees' terms of reference
Business model	• Value Creation
Risks and opportunities	• Risk, Compliance and Assurance Reporting • Material Matters
Strategy and resource allocation	• Context and Strategy • Employee and Leadership • Environmental Sustainability • Operation Overview • Financial Overview
Performance	• Performance Information • Audited Financial Statements
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AMATOLA WATER
INTEGRATED ANNUAL REPORT 2024 2025

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