



Improving Quality of Life and Enhancing Sustainable
Economic Development in KwaZulu-Natal

VISION

Leader in sustainable water services in the developing world.

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



MISSION

To create value for our customers by providing water services at the right quality and quantity, within acceptable levels of reliability and affordability to support sustainable economic development in KwaZulu-Natal.

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

STRATEGIC INTENT

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

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

BENEVOLENT INTENT

Enhancing sustainable economic development to improve human dignity and quality of life by provide water and related services

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

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



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STATEMENTS, GOVERNANCE AND STRATEGIC OVERVIEW

PART

A



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

01

REPORT PROFILE

uMngeni-uThukela Water's Annual Report complies fully with the statutory disclosure requirements of the Public Finance Management Act and Water Services Act, and is aligned with King IV principles of Integrated Reporting.



The scope covered by internal and external auditors is provided in the Corporate Governance chapter of this report

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

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

This report covers the 12-month period from 1 July 2024 to 30 June 2025. Annexure to this report is information of subsidiaries of uMngeni-uThukela Water. This report also includes information about the water utility's subsidiaries.

The performance content of this Annual Report shows uMngeni-uThukela Water's progress with meeting predetermined objectives and performance indicators as per the approved Corporate Plan and Shareholder Compact, and contains performance scorecard for 2024/2025.

The financial content of the Annual Report contains the audited financial statements for 2024/2025. uMngeni-uThukela Water has developed and embedded in-house









processes for identifying, collecting, collating, validating and storing information used in managing its performance and work to continually improve these processes.

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

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

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

Additional information that concern all aspects of the report and its contents can be obtained from: uMngeni-uThukela Water's Head Office at, 310 Burger Street, Pietermaritzburg, 3201.

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



2.0 FOREWORD BY THE MINISTER



PEMMY MAJODINA, MP
Minister for Water & Sanitation



In the financial year under review, revenue grew by 10.5% this is a vote of confidence in the product that is purified at and supplied from uMngeni-uThukela Water's treatment plants.

It is pleasing to note that uMngeni-uThukela Water continues to work with local and provincial spheres to address these deficiencies, ensuring that the chain of delivery from source to tap is strengthened and that our citizens enjoy their constitutional right to clean water.

I am pleased to present this Annual Report as a candid account of both the significant progress achieved but also the challenges that have confronted uMngeni-uThukela Water in its quest to deliver on its mandate in the 2024/2025 financial year.

The critical importance of sustainable water resource management cannot be overstated. It necessarily calls for the formation and sustenance of strategic and mutually beneficially partnerships across all spheres of government, communities, the private sector and all stakeholders. These partnerships remain central to the water sector and have allowed uMngeni-uThukela Water to combine expertise and resources to deliver water services that are reliable, inclusive and sustainable.

The State of Water at Local Levels

Our experiences have shown that more often than not, challenges in the water sector lie with water services at municipal levels. In our budget speech to parliament, we highlighted that most challenges in the water space stem, in part, from a lack of technical skills, insufficient resources and inadequate capacity to meet the growing needs of our people. Municipalities, as Water Service Authorities (WSAs) and the final link in the water value chain, are expected to ensure that households receive safe and reliable water services. Yet, they find themselves unable to deliver on this mandate. Appreciating that water is a constitutional right, we have instructed water boards to spare no effort and assist WSAs overcome their water challenges.

It is pleasing to note that uMngeni-uThukela Water continues to work with local and provincial spheres to address these deficiencies, ensuring that the chain of delivery from source to tap is strengthened and that our citizens enjoy their constitutional right to clean water.

Among such collaborative approaches are interventions in the uMkhanyakude District Municipality where, in line with a directive issued by the Department of Water and Sanitation, uMngeni-uThukela Water has successfully revived a number of dysfunctional water schemes, thereby ensuring water availability and restoring confidence among communities in that District. Negotiations are also at an advanced stage between the uThukela District Municipality and uMngeni-uThukela Water to assist the District with its long-standing water challenges. In the eThekweni Metropolitan Municipality, uMngeni-uThukela Water has also made commendable progress, including the completion of a 2

mega-litre Package plant in KwaXimba, which has brought immediate and lasting relief to some 3,000 households that previously had no access to water.

The successful commissioning of the R865 million project to raise the wall of the Hazelmere Dam is also a reflection of our commitment to responding directly to the increasing demand for potable water in key municipalities, including the eThekweni Metropolitan Municipality, iLembe District Municipality and KwaDukuza Local Municipality. The additional water secured through this intervention plays a vital role in stabilising supply in one of the country's fastest growing economic regions, where the demand for water continues to rise due to population growth and industrial development in the Province of KwaZulu-Natal.

The Department has also undertaken measures to ensure that affected communities are not left behind in the wake of this achievement. The raising of the Hazelmere Dam wall required the expropriation of 34 properties, which inevitably affected several families. As part of the resettlement and compensation programme, we completed the construction of seventeen houses at a cost of R40 million. These houses were handed over in July 2025 to fifteen families who had been displaced. This process reflects the Department's commitment to the principle of "leaving no one behind", ensuring that the human impact of water infrastructure projects is properly mitigated, and that dignity is preserved for all affected households.

A Commitment to Prudent Water Resource Management

Despite these advances, our sector continues to grapple with systemic challenges. One of the most pressing issues is water curtailment, which arises largely from high water losses at municipal level. Non-revenue water remains unacceptably high in many parts of the country, with some municipalities losing more than 40% of their potable water due to leaks, illegal connections, or poor maintenance of infrastructure. These losses translate into wasted resources and reduced supply for communities that are already vulnerable. Addressing water losses must be a collective priority, requiring not only technical interventions but also stronger governance, accountability and civic responsibility.

In the year under review, the Department of Water and Sanitation issued a directive to uMngeni-uThukela Water to review its bulk water supply volumes to three municipalities namely: the eThekweni Metropolitan Municipality, the Msunduzi Local Municipality and the uMgungundlovu District Municipality, to be in line with the contracted volumes. In

this regard, a Joint Operating Committee comprising the Department of Water and Sanitation, uMngeni-uThukela Water and the mentioned municipalities has since been established to come up with concrete plans to reduce the unusually high water loss patterns and also monitor and report on water usage trends in the uMngeni system.

Rising Municipal Water Debt

A further challenge is the persistent accumulation of bulk water debt by municipalities. uMngeni-uThukela Water, like other water boards, is placed under significant strain when municipalities fail to honour their payment obligations. This debt undermines the financial sustainability of the entity and poses a serious threat to the implementation of capital expenditure projects that are critical for expanding water security in the province. We must confront this matter decisively, not only through intergovernmental engagement but also by instilling a culture of payment and financial discipline, without which our efforts at infrastructure development will be compromised.

Amid these challenges, I must commend the good progress being made on the uMkhomazi Dam Project, which is set to be one of the largest and most significant water infrastructure projects in KwaZulu-Natal. This project promises to augment the water supply to the Durban metropolitan area and surrounding regions, reducing reliance on existing dams and diversifying sources of supply. Once completed, the uMkhomazi Dam will stand as a cornerstone of regional water security, with benefits extending not only to urban centres but also to rural communities and industries that are reliant on sustained water access.

The provision of water is as much a technical as it is a social endeavour. Our goal is not only to build dams, pipelines, and treatment plants, but also to build hope, dignity and opportunity for our people.

Towards a More Equitable Supply of Water

It is, however, important to remember that the burden of water scarcity is not borne equally across society. It is women, particularly in rural areas, who continue to suffer the greatest hardship when water is unavailable. According to the 2024 Statistics South Africa (Stats SA) General Household Survey, while 71.8% of urban residents have access to safe drinking water, only 36.7% of rural populations do. The bulk of these households still depend on women and girls to fetch water, often walking distances exceeding two kilometres per trip.

This human face of water scarcity compels us to act with urgency and compassion, ensuring that our policies and projects deliberately advance gender equality and empower rural communities in particular, and women in general. This is also enshrined in Goal Six (6) of the 2030 Agenda for Sustainable Development which impresses the need for equitable and universal access to safe drinking water for all.

Engendering a Culture of Clean Governance

The governance of water boards remains a matter of utmost importance. I wish to emphasise the critical role of adhering strictly to the prescripts of the Public Finance Management Act (PFMA). Compliance with these legislative requirements is not optional. It is the bedrock of accountability, transparency and financial stewardship in the public sector. I am happy to report that the Board of uMngeni-uThukela Water has continued to exercise its role of providing strategic oversight of the entity's affairs in line with the Shareholder's expectation.

It is only through strong oversight, coupled with a commitment to clean and accountable governance that the entity will continue to maintain the confidence of stakeholders and to secure the financial stability required for sustainable water delivery.

Water as a Greater Societal Good

As we reflect on uMngeni-uThukela Water's achievements and challenges over the past financial year, we must, at all times, be reminded that the provision of water is as much a technical as it is a social endeavour. It requires engineering skill and financial investment, but it also requires compassion, fairness and inclusivity. Our goal is not only to build dams, pipelines, and treatment plants, but also to build hope, dignity and opportunity for our people, particularly women, children and those living in rural and underdeveloped areas.

I extend my sincere appreciation to the leadership and staff of uMngeni-uThukela Water for their commitment and resilience in the face of challenges. Your work is at the forefront of our collective mission to secure water for all. I also call on municipalities, communities, the private sector and all stakeholders to join hands with us in building a more water-secure KwaZulu-Natal.



Ms Pemmy Majodina
Minister Water and Sanitation
31 October 2025



3.0 CHAIRPERSON'S REPORT

ADV. VUSI KHUZWAYO SC
Chairperson of the Board



The 2024/2025 financial year has been a defining period for uMngeni-uThukela Water as we solidified our role as a key driver of sustainable water provision in KwaZulu-Natal.

The 2024/2025 financial year marked a period of strategic focus, institutional consolidation and operational excellence for uMngeni-uThukela Water (Uuw). Now in its second year of operation following the reconfiguration of the erstwhile Mhlathuze Water and Umgeni Water Boards, the organisation continues to deliver on its critical mandate of ensuring bulk water provision in KwaZulu-Natal.

As the Board, we remain committed to good governance, financial integrity and high-impact service delivery. In today's dynamic and often unpredictable environment, the role of public institutions has never been more important. Faced with growing service delivery demands, socio-economic disparities, climate pressures and fiscal constraints, public entities must operate with agility while maintaining absolute integrity.

For an institution such as ours, whose core purpose is the provision of essential water and sanitation services, success depends not only on operational efficiency but also on the strength of our governance frameworks. Navigating this complexity requires a deliberate focus on accountability, transparency and ethical leadership in order to build trust and deliver consistent value to citizens.

Throughout the reporting period, uMngeni-uThukela Water remained steadfast in upholding the highest standards of corporate governance, fully aligned with the Public Finance Management Act, the Water Services Act and the King IV Code of Governance Principles. Our governance model is grounded in clarity of roles, effective risk management and a commitment to oversight at all levels. The organisation continues to benefit from the strategic direction of a capable and effective Board, supported by a focused executive leadership team and well-established governance structures. Together, these pillars have enabled us to fulfil our developmental mandate with discipline, foresight and resilience. This ensures that every decision serves the broader public interest while safeguarding the organisation's long-term sustainability and supporting the development of water infrastructure that promotes inclusive economic growth and social well-being.

As a public institution, we cannot lose sight of the fact that South Africa's developmental agenda remains anchored in driving inclusive economic growth, accelerating infrastructure development, creating sustainable employment opportunities and restoring good governance across all spheres of the state. The true test of uMngeni-uThukela Water's developmental impact lies in our ability to uplift communities where we operate, particularly through the implementation of large-scale infrastructure programmes, employment creation and strict adherence to ethical practices.

Summary of Notable Achievements for the Year

The 2024/2025 financial year was marked by significant progress across multiple areas of Uuw's operations. The organisation advanced its strategic objectives, recording improvements in infrastructure delivery, financial

performance and service reach. Major capital projects progressed through various implementation stages, with milestones achieved within budget and required timeframes.

In line with our mandate, bulk water services were expanded to previously underserved areas, operational efficiencies were enhanced and full compliance with national water quality standards was maintained. Financially, the organisation demonstrated strong revenue growth and prudent cost management, contributing to a healthy surplus. Workforce development efforts, strengthened stakeholder partnerships and an ongoing commitment to clean governance further reinforced our position as a high-performing public entity dedicated to sustainable service delivery and developmental impact.

Our governance model is grounded in clarity of roles, effective risk management and a commitment to oversight at all levels

Key Financial Outcomes

The strain of poor water management at municipal level, including ageing infrastructure and a poor culture of household payment for water, has increasingly affected Uuw's financial sustainability. While the utility continues to maintain a healthy balance sheet, it is concerning that some municipal accounts for bulk water services remain in arrears. During the year under review, the Board took the extraordinary step of instructing Executive Management to implement a partial water reduction strategy for municipal customers who failed to make arrangements to settle outstanding debt. Despite these challenges, uMngeni-uThukela Water recorded net profits of R1 406 million. This was achieved through tariff reviews and increased sales volumes.

Sustainable Infrastructure Investment for Water Security

Uuw remains committed to ensuring the stability and reliability of its bulk water infrastructure in order to meet current and future customer needs. The organisation seeks to provide infrastructure that supports high levels of service delivery, manageable operational risks and the anticipated demand associated with future growth.

Infrastructure condition and capacity are assessed annually, and these assessments inform long-term maintenance and development planning. Projects implemented during the year included upgrades, extensions, rehabilitation, expansion and the development of new assets to ensure a sustainable and reliable supply of high-quality water. These initiatives align with population growth, expansion into new areas and the reduction of service backlogs, especially in rural and underserved municipalities.

UUW aims to maximise the socio-economic impact of all infrastructure programmes. Local labour is prioritised to support local economies and promote skills development. The organisation also enforces its Broad-Based Black Economic Empowerment (B-BBEE) policies to ensure meaningful inclusion of historically disadvantaged individuals and enterprises.

All infrastructure projects were implemented in compliance with environmental legislation and sustainability best practices. Where required, full Environmental Impact Assessments were conducted, and Environmental Management Plans were developed and independently monitored to ensure compliance and minimise environmental impact.

A total of 17 projects were implemented during the 2024/2025 financial year at a cost of R3 100 million, including:

- uMkhomazi Water Project
- Lower uMkhomazi Bulk Water Supply Scheme
- Impendle Bulk Water Supply Scheme (Stepmore and Nzinga)
- uMshwathi Bulk Water Supply Scheme Phase 4 (Southern Ndwedwe)
- uMshwathi Bulk Water Supply Scheme Phase 6
- Lower Thukela Bulk Water Supply Scheme Phase 2
- Maphumulo Bulk Water Supply Scheme Phase 3 (Water Treatment Works Upgrade: 6 ML/d to 12 ML/d)
- Mhlabatshane Sub-Regional Scheme Phase 2
- Vulindlela Bulk Water Supply Scheme Upgrade
- Mpophomeni Wastewater Treatment Works
- South Coast Pipeline Phase 3
- South Coast Pipeline Phase 2B
- Emergency Rehabilitation to Nagle Aqueduct 3 and 4, Clermont Siphon 6
- Rehabilitation of Nagle, Durban Heights, Inanda and Wiggins Systems
- Augmentation of Nsezi Water Treatment Works
- Thukela Goedertrouw Transfer Scheme Upgrade
- uThukela District Municipality Section 63 Intervention (Ministerial Directive)

These initiatives strengthened water security, expanded service coverage and enhanced operational resilience. They also contributed significantly to job creation and local economic participation.

Economic Empowerment Through Participation

The Contract Participation Goals (CPGs) programme is a strategic tool used to drive inclusive economic growth and ensure meaningful participation by targeted enterprises. All applicable contracts carried a CPG target of 35 percent,

including a minimum of 10 percent for black-owned enterprises and 10 percent for local businesses within project areas. These targets were fully achieved, amounting to R1.412 billion.

Of this amount, R601 million was awarded to black women-owned enterprises. Local enterprises received R399 million, which represents 10 percent of total awards. A total of 1 220 local labourers were employed and 147 local companies participated as CPGs. Training was provided to 120 community members across various projects.

Corporate Social Investment

uMngeni-uThukela Water's CSI programme targets underdeveloped communities to address service delivery gaps and uplift living conditions. Investments focus on long-term socio-economic development and resilience. In line with the CSI Policy, initiatives undergo rigorous internal screening to ensure alignment with organisational objectives.

In the 2024/2025 period, R11.075 million was invested in CSI initiatives, representing a 1 percent increase from the previous year. Focus areas included education, training and skills development, public health, community support, environmental conservation and employee voluntarism. UUW allocates 1 percent of its Net Profit After Tax annually towards CSI in accordance with good governance practices.

Satisfying Customer and Stakeholder Expectations

Operationally, UUW met with all customers during the year to review performance in line with signed bulk supply agreements. Customer requirements were largely met regarding supply volumes, pressure, service levels and metering accuracy. Structured consultations addressed future demands, infrastructure plans and tariff assumptions.

The Board, through its Cluster Champions, engaged widely with political leaders, civil society, traditional authorities and communities in areas with active infrastructure projects. Some engagements were led by the Minister of Water and Sanitation, Honourable Pemmy Majodina. These engagements fostered collaboration, aligned priorities, addressed concerns and enhanced transparency and trust.

A Focus on Strategic Oversight

During the financial year, the Board focused on driving the organisation's strategic mandate through strong governance, oversight and performance monitoring. Key priorities included infrastructure investment approvals, financial sustainability, risk management and transformation. Cluster Champions played an important role in strengthening oversight and stakeholder engagement across operational regions. Leadership stability, ethical conduct and governance excellence were also prioritised.

Regrettably, UUW lost one of its Board members, Ms Senamile Masondo, who passed away suddenly following a short illness. She was a valued member whose expertise and dedication will be deeply missed.

Conclusion

The 2024/2025 financial year was a defining period for uMngeni-uThukela Water. Guided by strong governance and a clear strategic mandate, the organisation advanced critical infrastructure projects while maintaining financial discipline and operational efficiency. These achievements reflect our commitment to delivering reliable bulk water services that support economic growth and social development.

We extend our appreciation to the Minister of Water and Sanitation, Honourable Pemmy Majodina, for her support and partnership. We also thank our customers and stakeholders for their cooperation throughout the year.

Looking forward, UUW remains committed to innovation, stakeholder collaboration and inclusive economic empowerment. With a continued focus on governance, sustainability and community impact, we will work to build a resilient water future for KwaZulu-Natal.



Adv. Vusi Khuzwayo SC
Chairperson of the Board
31 October 2025



4.0 CHIEF EXECUTIVE'S REPORT



MR SANDILE MKHIZE
Chief Executive



The past year has demonstrated that while the road is challenging, progress is possible. Through coordinated action, partnerships and investment in infrastructure, the situation is improving.

We present this 2024/2025 Annual Report as a reflection on the journey traversed by uMngeni-uThukela Water towards ensuring universal, sustainable and cost-effective access to water for all. We invite you to engage with the detail contained within these pages, to share in our successes, to understand the obstacles we face, and to partner with us in shaping a water-secure KwaZulu-Natal.

The year under review has been a period of consolidation, resilience, and innovation. As an entity that carries the mandate of providing bulk water to municipalities, industries, and communities across KwaZulu-Natal, our task has never been more urgent. South Africa, like many parts of the African continent and indeed the globe, faces pressing water security challenges. Climate change, recurring drought cycles, urbanisation, ageing infrastructure, and rising demand are converging to place immense pressure on our country's water systems. These are further compounded by a lack of the requisite technical skills at municipal levels to both operate and maintain water infrastructure systems.

KwaZulu-Natal, with its rapidly growing urban centres and vulnerable rural communities, epitomises these challenges. At the same time, the province is uniquely positioned to demonstrate how integrated planning, sustainable investment, and strong partnerships can ensure a water-secure future. The mammoth task of delivering water to all our stakeholders, be they in urban or rural areas, has served as a call to action to all spheres of government to work towards the common vision of achieving the United Nation's Sustainable Development Goal 6.

In her address to the 2024 National Water Summit, the Minister of Water and Sanitation, Honourable Pemmy Majodina, exhorted all water sector players to intensify their efforts and tackle water backlogs with a simple yet powerful reminder that "our collective responsibility is to ensure that no community is left behind." This statement resonates strongly with our mission at uMngeni-uThukela Water. Every drop of water we treat and deliver to our customers is part of a broader social contract: to advance equity, dignity, and development in line with the vision of universal access.

The past year has demonstrated that while the road is challenging, progress is possible. Across KwaZulu-Natal, communities continue to face intermittent supply constraints, and certain municipalities are struggling to cope with maintenance backlogs. Yet, through coordinated action, partnerships and investment in infrastructure, the situation is improving. Strategic augmentation projects, upgrades to treatment works, and the extension of key pipelines have collectively enabled tens of thousands of households to enjoy improved and more reliable access to water compared with previous years.

Our efforts are underpinned by a philosophy of sustainability. Water infrastructure is capital-intensive, but it is also foundational to economic growth, food security, and public health. To finance and implement the scale of projects required, partnerships remain essential. These

include collaborations with all our contracted Water Services Authorities, engagements with industrial clients who depend on reliable supply, and ongoing alignment with the Department of Water and Sanitation as our shareholder. Moreover, partnerships are also forged with a view of extending into new and previously unserved areas. Negotiations started in the financial year under review culminated in the signing of a partnership between ourselves and the uThukela District Municipality to resuscitate water infrastructure in that District.

Again, these initiatives of going over and above our role as a bulk water service provider resonate with the call made by Minister Majodina in her maiden budget speech where she called upon all water sector actors to address water scarcity with urgency and innovation. This is an injunction that continues to guide our approach to water stewardship. Our goal is to be efficient in our operations, transparent in our governance, and bold in our vision.

Indeed, uMngeni-uThukela Water is acutely aware that its responsibility extends beyond pipes and reservoirs. It encompasses building a culture of water conservation, promoting community awareness, and preparing for the impacts of climate change. The devastating floods of recent years in KwaZulu-Natal serve as stark reminder that resilience must be built into every aspect of water planning. Accordingly, our strategic initiatives now prioritise not only the expansion of access but also the protection of ecosystems, the diversification of water sources, and the strengthening of disaster preparedness.

The activities highlighted in this report demonstrate how, with the support of our Board, Executives and dedicated staff, uMngeni-uThukela Water continues to make meaningful strides. From large-scale capital projects to operational efficiencies and skills development, the entity has worked tirelessly to fulfil its mandate. Importantly, this work is not confined to engineering and technical solutions. It also embraces governance, stakeholder engagement, and social responsibility.

Looking forward, the journey towards universal access to safe water will demand even greater resolve. The pressures of population growth, economic expansion, and climate variability will test the resilience of our systems. But as Minister Majodina affirmed: "The future of South Africa's development hinges on our ability to guarantee sustainable water supply. It is a challenge we dare not fail." These words encapsulate the spirit with which uMngeni-uThukela Water approaches the coming years: undaunted, committed, and motivated by the knowledge that water is life.

A Focus on Infrastructure Resilience

According to Statistics South Africa's General Household Survey (GHS), 2023, some ground has been covered in terms of pushing back the water deficit in KwaZulu-Natal, with 833 of households in the province now having access to basic water services.

The future of South Africa's development hinges on our ability to guarantee sustainable water supply. It is a challenge we dare not fail.



In the same vein however, it is cause for serious concern that in spite of this modest progress, the reliability of water supply at household levels is on the decline. The GHS notes that the proportion of households experiencing water interruptions increased from 21,5% in 2012 to 43,6% in 2023."

Beyond household access, municipalities in KZN face an estimated R3.98 billion backlog in water infrastructure investment. Combined with high non-revenue water losses averaging 52.6% in 2023, these factors build a case for urgent interventions to tackle the infrastructure challenge.

uMngeni-uThukela Water's infrastructure strategy directly targets these deficits by prioritising backlog reduction, loss mitigation, and the rehabilitation of ageing systems to safeguard sustainable water provision for the province.

Our ultimate goal is to extend the benefits of reliable water provision beyond our current bulk water infrastructure footprint, to include even those Municipalities that currently do not fall within our areas of supply. This we do in the knowledge that many communities in KwaZulu-Natal still remain outside the reach of uMngeni-uThukela Water's supply system and are not yet served by alternative water schemes. These areas often face severe service backlogs and limited access to safe and sustainable water sources. To address this, our long-term infrastructure development plans specifically prioritise these underserved communities, ensuring that current and future projects are inclusive, equitable, and aligned with provincial and national development goals to improve the quality of life for all residents.

In collaboration with national and provincial stakeholders, the Department of Water and Sanitation and the KZN Department of Cooperative Governance and Traditional Affairs we completed the development of Universal Access Plans (UAPs) for all Water Services Authorities (WSAs) in KwaZulu-Natal in 2019.

The strategic importance of these UAPs is immense; they provide an understanding of the status quo, the expected future supply needs and recommendations for infrastructure projects to provide regional supply to all areas.

Guided by these plans, significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year, for the parent company was R3 059m, of which R2 946m was spent on infrastructure work and R1 005m of this amount went towards project for rural development. Notably, more than 85% of planned milestone targets were met.

Targeted and Progress with Key Bulk Infrastructure Developments

uMngeni-uThukela Water continues to drive the implementation of large-scale bulk water infrastructure projects across KwaZulu-Natal, aimed at expanding access, reducing backlogs, and improving system reliability for municipalities, industries, and communities. Below is an update on key schemes:

- **uMkhomazi Water Project** – Serving six Water Service Authorities, Phase 1 includes a dam, raw water tunnel, pipelines, treatment works, and reservoirs. Major milestones have been achieved, including the signing of Water User and Off-take Agreements in April 2024. Treasury approved a cost-sharing model where the State funds 50% and users contribute via a unit charge of R2.58/kl. Site access has been secured, procurement packages approved, and stakeholder engagements are ongoing.
- **Lower uMkhomazi Bulk Water Supply Scheme** – Serving eThekweni and Ugu, Phase 1 construction is progressing, with Ngwadini Dam at 13% completion and targeted for July 2027. Goodenough Abstraction Works are 80% complete, and additional pipeline and reservoir contracts are in tender or early works stages. Phase 2, which includes a 100 ML/d water treatment works and bulk pipeline, is scheduled for completion in 2029.
- **Greater Mpofana Bulk Water Supply Scheme** – Phase 1 was completed in 2023, providing treatment works, reservoirs, and pipelines to Nottingham Road and Bruntville. Phase 2, a 25 km steel pipeline to Lions River, is at design stage with construction planned for 2024/25.
- **Impendle Bulk Water Supply Scheme** – The Stepmore and Nzinga schemes are in preparation. Stepmore (1.6 ML/d, expandable to 3 ML/d) is scheduled to begin in 2026. Nzinga (13 ML/d, expandable to 18.5 ML/d) is in detailed design and planned to commence in 2027.
- **uMshwathi and Southern Ndwedwe Projects** – Phase 4 of the Southern Ndwedwe Scheme is 75% complete with multiple work packages underway, while the Regional Scheme Phase 6 remains in detailed design.

- Other Major Schemes – Progress has been achieved on the Lower Thukela Phase 2 upgrade (design finalised, procurement planned in 2025), Maphumulo Phase 3 (treatment works upgrade nearing completion), Mhlabatshane Phase 2 (environmental approvals underway), Vulindlela upgrade (construction of reservoirs and mains progressing), Mpophomeni Wastewater Treatment Works (practical completion reached), and South Coast Pipeline Phases 2B and 3 (construction and design progressing).

In addition, emergency rehabilitation works following the April 2022 floods have restored critical capacity to Durban Heights WTW through aqueduct repairs, ensuring resilience against future climate shocks. Completed upgrades to Darvill WWTW, Nsezi WTW, and the Thukela-Goedertrouw Transfer Scheme further strengthen provincial water security.

Through these investments, we are confident that in the medium to long term we would have addressed backlogs, enhanced supply resilience, and lay the foundation for equitable, long-term water security across KwaZulu-Natal.

Customer Commitment and Growth Path

Our operations continue to be underpinned by a commitment to meet and exceed the expectations of our customers and stakeholders alike. With extensive experience in bulk water and wastewater management, we understand that our success is ultimately measured through the satisfaction of those we serve, namely the Water Service Authorities.

Our growth path is guided by a strategy that ensures both sustainability and responsiveness to demand.

The focus areas are:

- Deepening our presence in KwaZulu-Natal, through the expansion of bulk water services and related activities to address local needs and backlogs.
- Extending services to other provinces, providing bulk water and wastewater solutions on request, in alignment with municipal and national priorities.
- Exploring regional opportunities in Africa, sharing expertise through knowledge management, technical support, and bilateral cooperation agreements between South Africa and other countries.

A defining feature of our growth has been the ability to consistently maintain high standards of bulk water delivery. In the year under review, we continued to strengthen infrastructure, improve operational performance, and build partnerships that ensure reliable, sustainable water services.

A total of 639 million kl cubic metres of potable water per annum (1 822ML/d) was supplied to customers who serve a population of 6.7 million people or 1.9 million households

through reticulation networks. This is 1.5% year on year decrease compared to previous year.

While we managed to remain committed to service excellence, there were some challenges which disrupted our supply volumes. In the year under review, there were unplanned supply disruptions of 6.8 supply days in two of the 16 supply systems as follows:

- A supply disruption of 1.076 days at the Lower Thukela WTW during Quarter 3 as a result of Service water pipeline burst;
- A supply disruption of 2.73 days during Quarter 3 at Empangeni pump No 2 due to gasket failure which resulted in flooding of the pump station. Electrical components which are sensitive to water were affected and that required replacement of the cables. There was also a delay in getting the high voltage cable within market; and,
- A supply disruption of 3 days during Quarter 4 at Lower Thukela WTW for 3 days- HLP tripped due to motor failure at Lower Thukela WTW. Command Reservoir isolated.

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

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

Bulk Supply Agreements

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

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

Supply Capacity and Constraints

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

Operational Performance and Service Planning

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

Asset Condition, Maintenance and Management

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

Assessments of the condition of assets remain a vital part of determining the useful life and future investments required to maintain the level of service to customers. In the year the total asset maintenance spend was R798 million.

uMngeni-uThukela Water has continued to maintain its assets and invested 6.93% on asset maintenance. Based on assessments conducted over the past year, there are no assets that pose significant risk to supply and the organisation does not envisage major interruptions to its business over the next five (5) years and beyond.

Stakeholder Understanding and Support

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

as well as opportunities for growth, jobs and partnerships within the utility.

Water Loss Management and Metering

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

Environmental Stewardship and Ecological Infrastructure

uMngeni-uThukela Water remains committed to environmental sustainability as a core component of its operations. In alignment with the United Nations Sustainable Development Goals, specifically Goal 13 (Climate Action), Goal 14 (Life Below Water), and Goal 15 (Life on Land), the organisation prioritises the protection, rehabilitation, and sustainable management of ecological infrastructure across all areas of operation.

Recognising that long-term water security is intrinsically linked to the health of natural ecosystems, uMngeni-uThukela Water views sustainable water availability as equally critical to its mandate as physical infrastructure development. To this end, the entity has continued to invest in ecological infrastructure initiatives that align with national priorities as outlined in South Africa's National Development Plan (NDP).

These investments are further guided by the principles recommended by the South African National Biodiversity Institute (SANBI), ensuring an evidence-based and strategic approach to ecological sustainability. Key ecological infrastructure initiatives undertaken during the reporting period include:

Wetland Restoration and Management

During the 2024/2025 financial year the following wetland management targets were achieved to support sustainable water supply at strategic dams:

- Monitoring and Maintenance of the Mphophomeni Sakabula, Upper Mthinzima and Lower Mthinzima wetland rehabilitation for reducing the impacts of effluent from the Mphophomeni WWTWs as well as the impacts of the raw sewage discharges from the poorly maintained Mpophomeni Sewer infrastructure.
- Finalisation of the Baynespruit Wetland Rehabilitation strategy.
- Finalisation of the Ixopo Homefarm Dam Wetland Rehabilitation strategy.
- Monitoring of the Darvill artificial wetland construction.

- Completion of the costing of the EI component of the Pongolo-Mzimkhulu Catchment Management Strategy.
- Completion of the Biodiversity Offsets Review.

Infrastructure Stability

In collaboration with national and provincial stakeholders, uMngeni-uThukela Water successfully completed the development of Universal Access Plans (UAPs) for all Water Services Authorities (WSAs) in KwaZulu-Natal in 2019. These comprehensive plans outline conceptual bulk water supply schemes for each municipality across the province, providing a strategic framework to address service backlogs and accommodate future demand through to 2045.

We have made headway in the implementation of capital infrastructure projects during the reporting period. The total expenditure for the year amounted to R3 059 million, with R2 946 million allocated specifically to infrastructure-related projects. Of this amount, R1 005 million was directed towards initiatives focused on rural development, underscoring the organisation's commitment to inclusive and equitable growth.

The projects that we implemented in the reporting period are as follows:

uMkhomazi Water Project

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

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

The detailed feasibility study for Phase 1 was completed in 2015 and the Environmental Authorisation was obtained at the end of 2020. The process of appointing an Environmental Assessment Practitioner (EAP) who will amend the conditions in the approved Environmental Authorisation and undertake the Water Use Licence (WUL) application was initiated in August 2021. The Political Steering Committee, comprising CoGTA, DWS, TCTA, UUW and Water Users, was set in 2021 to facilitate the development of solutions regarding the funding model for the project and affordability of tariffs for Water Users. The Steering Committee continues to function on a weekly basis.





The Committee's latest resolution was that the State will fund 50% of the project and the balance will be funded by water users through a capital unit charge of R 2.58 per kilolitre, which has since been approved by National Treasury. The outstanding matter of signing of off-take agreements as well as water user agreements was resolved. All Six Water Service Authorities that will benefit from this project signed both the Water User Agreement and offtake agreements on the 5th of April 2024. The Department of Water and Sanitation Minister signed a memorandum of understanding with Water Service Authorities Political Leadership on 19th April 2024.

Significant progress has been made on the Umkhomazi Water Project Phase 1 across multiple work streams, marking key milestones in funding, procurement, and operational readiness. The Capital Expenditure (Capex) Committee has approved the release of funds for all packages i.e. the Water Treatment Plant, Reservoir and Pipeline. A significant step towards mobilising the required technical expertise. The appointment of WTWPS has been concluded.

Operational readiness has also progressed well, with the KwaZashuke Tribal Authority formally granting TCTA access to the site to begin geotechnical investigations. This approval allows essential early-stage work to proceed without delay and is running concurrently with ongoing stakeholder engagements involving TCTA, uMngeni-uThukela Water (UW), and other Tribal Authorities. These discussions aim to resolve outstanding issues and ensure continued community support for the project. In terms of governance and coordination, the second Project Committee meeting is scheduled for September 2025, providing a platform to review progress, align on next steps, and enhance collaboration. Additionally, the Political Steering Committee meeting is expected to take place in October 2025, pending confirmation by the Minister, and will play a crucial role in maintaining political oversight and strategic alignment at the highest levels of government.

Lower uMkhomazi Bulk Water Supply Scheme

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

The planned infrastructure comprises:

Phase 1: Consists of a 10 million meter cube dam at Ngwadini and two approximately 146ML/day Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and 25ML Raw Water Reservoirs; the construction of Ngwadini Advance Works to prepare for the construction Ngwadini Dam and Associated Structures was complete in April 2024 where R37million was spent of Local CPGs and approximately R8.3million of local labour including labour intensive activities, i.e. clearing of the dam basin. Construction of Goodenough Raw Water Rising Main, Reservoir & Gravity Main, construction expected to commence in September 2025.

Goodenough Abstraction Works & pumping system, works commenced on the 1 June 2022, and progress to date is approximately 80%. Time elapsed is 81.8% based on the due completion date of 11 April 2026. Expenditure to date is 90%.. Ngwadini Dam and Associated Structures, works commenced on 17 January 2024, progress to date is approximately 50%. Time elapsed is 46% based on the due completion date of 18 July 2027. Expenditure to date is 41%. Construction of Ngwadini Abstraction Works, Pumping System and Rising Main, works commenced on 24 January 2025, progress to date is approximately 5.5%. Time elapsed is 13.8% based on the due completion date of 30 May 2028. Expenditure to date is 9.3%. Overall, the project is planned for completion in November 2028.

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



These discussions aim to resolve outstanding issues and ensure continued community support for the project



The detailed feasibility and preliminary designs were completed in 2017 and the detailed design was completed in 2021. The design documentation stage is complete. WTW went out to tender but due to legal proceedings the process has stopped until the court outcome is finalised. Project is planned for completion in December 2029. The Earthworks contract which was in preparation of the Water Treatment Works was completed in April 2023, where R86M was spent to local SMME's and more than R3.9M was spent on local communities through temporary employment.

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

Impendle Bulk Water Supply Scheme

Stepmore Scheme

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

The Bulk Water Supply Scheme: Stepmore Scheme is designed to supply 1.6ML/d upgradeable to 3ML/d. Construction of the Stepmore scheme is planned to commence in 2026, with targeted completion in the latter part of the year in 2028. Design and Tender documentation are complete and being reviewed in preparation for Tender Advert. While Environmental authorization, Land and servitude acquisition are being reviewed to align with recent design amendments and revised regulations. The variance in program was unavoidable to address design

technical requirements and those requested by the WSA.

Nzinga Scheme

Serves uMgungundlovu District Municipality (Impendle Local Municipality)

The Bulk Water Supply Scheme: Nzinga Scheme is designed to supply 13ML/d upgradeable to 18.5ML/d. The detailed design for the Nzinga is 45% complete. Construction of the Nzinga scheme is planned to commence in 2027, with targeted completion early 2030. The Environmental Impact Assessment, Land and servitude acquisition are underway incorporating conceptual design outcome and amendments to the applicable regulations including H&S and these from WSAs. The variance in program was unavoidable to address design technical requirements and those requested by the WSA.

uMshwathi Bulk Water Supply System Phase 4 (Southern Ndwedwe)

Serves iLembe District Municipality and the Southern Ndwedwe areas

The scheme will draw 22.85 ML/d bulk potable water from the existing 12ML Ozwathini Reservoir and supply by gravity to the entire Southern Ndwedwe area, under the Ndwedwe Local Municipality. The detailed design stage is complete. The three work packages are at various stages of implementation. The pipe supply contract was awarded in June 2023 and completion was achieved in March 2025. Work package 2 was awarded and is 70% complete and final completion envisaged in October 2025. Work package 3 to be advertised for construction by end of October 2025. Procurement for the appointment of an independent Environmental Control Officer was concluded at the end of May 2024.

uMshwathi Regional Bulk Water Supply Scheme: Phase 6

Serves uMgungundlovu and iLembe District Municipality and eThekweni Metro

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

Lower Thukela Bulk Water Supply Scheme Phase 2

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

The project will upgrade the existing Lower Thukela Water Treatment Works from 55ML/d to 110 ML/d. The detailed design has been reviewed by an external PSP and currently the recommendations received are being incorporated. The Engineering Services team is also preparing the construction tender document for advertising towards the end of 2025.

Maphumulo Bulk Water Supply Scheme Phase 3

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

Phase 3 includes the upgrade of the Water Treatment Works from 6ML/d to 12ML/d plant, raw water abstraction and booster Pump Stations. The upgrade of the Pump Stations is complete. The Construction of the Water Treatment Works is 95% complete, Upgrade of Filters, Clarifiers, Reservoir, Reactor, Administration building, Chlorine room and Head of Works are complete. The Environmental Authorisation, Works Permit, WULA and Waste Management Licence are all in place and the project is in compliance with all Legislation requirements. The planned practical completion date is October 2025, on automation. The manual commissioning has begun to deliver the desired water supply volumes of 12ML/d. The rehabilitation of Imvutshane Dam is completing, snagging is underway.

Mhlabatshane Bulk Water Supply Scheme Phase 2 – Mzimkhulu River Abstraction

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

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station and pipeline to deliver water to the Mhlabatshane Water Treatment Works and an upgrade of the Water Treatment Works from 4ML/d

to 12ML/d supply. Environmental Authorisation was granted and scheduled to be presented on 2 Sept 2025. Design amendments anticipated. Review of draft design and update of design taking into account EA to commence Sept 2025.

Vulindlela Bulk Water Supply Scheme Upgrade

Serves Msunduzi Local Municipality

Phase 1 & 2 includes a new 20ML reservoir, 6km of pipelines (rising main and gravity pipelines), one Pump Station at Howick West Reservoir and two at Mpophomeni, 9.37km rising mains and a new 10ML Reservoir at Mpophomeni. The construction of Phase 1 has commenced and 80% completion in line with the latest programme. Phase 2. has been amended to include additions to ensure UUW 's Operations are in-line with the latest equipment and construction is in-line with best guaranteed supply. Added pipe route to the original design has been concluded as well the as environmental approval process. Phases 1 and 2 are planned to run concurrently with a targeted completion date of 2027.

Delays in implementing Phase 2 is due to outstanding compliance to Ezemvelo KZN Wildlife requirements and permission to occupy the proposed rising main routes through private property.

Mpophomeni Wastewater Treatment Works

Serves uMgungundlovu District Municipality and uMngeni Local Municipality

The infrastructure development comprised of a 6ML/d Wastewater Treatment Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020. The project has reached practical completion stage with only commissioning activities remaining.

South Coast Pipeline Phase 3

Serves the Umdoni, Umzumbe and Ray Nkonyeni Local Municipalities within the Ugu District Municipality, and Ward 99 of eThekweni Metro

The South Coast Pipeline is intended to provide a supply of potable water to the South Coast Region via a single bulk pipeline that will stretch from the Quarry reservoir in Umkomaas to the Catalina reservoir in the town of Hibberdene. Phases 1 and 2A are complete, with Phase 2B currently undergoing construction. South Coast Pipeline Phase 3 (SCP Ph3) will extend the scheme from Umdoni to Mthwalume and then to Hibberdene, and will also augment Phase 1B and Phase 2A, as the existing diameters are insufficient. Phase 3 is currently at Detailed Feasibility and Preliminary Design Stage, which was completed in August 2024, (Gate 4 review scheduled for August 2024), with Construction targeted to commence in June 2028. Environmental assessments have commenced, as well as landowner consultations. Both are making good progress. Detailed design is scheduled to commence by December

2025. At the Gate 4 review, the only major finding was the need to conduct further work for costed options of crossing the seven major rivers. A variation order was therefore submitted and approved to address that finding. This includes further geotechnical investigations at the seven major rivers, including drilling of boreholes (for geotech). That particular work is scheduled to be complete by September 2025 and meetings with SANRAL are ongoing (options of using existing SANRAL bridges for crossing the seven major rivers). The estimated cost of the project is now at R1.4billion (includes detailed study, design, construction and site supervision, excluding VAT). The water source for the SCP Ph3 project/pipeline is the Lower uMkhomazi Bulk Water Supply Scheme, which is in construction. Consequently, the SCP Ph3 project is somewhat behind on implementation and work is being fast tracked by UUW. Furthermore, the supply area is in desperate need for the potable water, which makes the SCP Ph3 a critical project for UUW.

Serves eThekweni Metropolitan Municipality

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

This project is currently suspended due to the emergency rehabilitation to Nagle Aqueducts 1 & 2 project which had to be implemented in April 2022- this project was completed. However, post this project, investigative studies had revealed that the rehabilitation to the elevated structures and the cement mortar lining had to be implemented immediately. As a result, the CML project is underway and once it is completed, work on the slip lining project can commence.

South Coast Pipeline Phase 2B

Serves Ugu District Municipality, including Pennington, Kelso, Malangeni and Shayamoya

The pipeline is designed to supply approximately 16.7ML/d and will link Scottburgh South to Pennington and then to Malangeni Reservoir. The contract was awarded in August 2020 and construction commenced in March 2021. The Project is currently undergoing the complex construction of the N2 Umzinto Pipe Bridge. The project is at 95% complete and is envisaged to be completed and commissioned in March 2026, with an estimated project cost of R 481 000 000.00 and local CPG participation development and SMME development worth R 187 590 000 (39%).



Rehabilitation of Nagle/ Durban Heights/ Inanda/ Wiggins Systems

Serves eThekweni Metropolitan Municipality

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

- Emergency Rehabilitation to Aqueducts 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Project has been awarded and the appointed contractor was scheduled to commence with work however the April 2022 floods had damaged Nagle Aqueducts 1 & 2. Subsequently, the Nagle Aqueducts 3 & 4 could not be handed over to the contractor and the project has been suspended until the Emergency Rehabilitation of Nagle Aqueducts 1 & 2 has been completed- Project is currently suspended until the CML project has been completed.
- Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under the Rehab. The rehabilitation of the Nagle Aqueducts 1 & 2 is currently underway. The Project is 98% completed with a due completion date of November 2025.
- Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Project is scheduled to only be implemented once the Emergency Rehabilitation to Nagle Aqueducts 1 & 2 as well as the slip-lining project for Nagle Aqueducts 3 & 4 Siphon 6 has been completed. Project is to be undertaken by Project Office.
- Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts- Project is being undertaken by Project Office- Currently the PSP has been appointed and the finalisation of scope is currently underway.
- PSP appointment underway for upgrade/ rehabilitation of Old, New degs and pulsator clarifiers at Durban Heights- This is part of the Filters scope for Durban Heights that is being implemented by Project Office.

Augmentation of Nsezi Water Treatment Works

Serves uMhlathuze Local Municipality

The project entailed, an increase in capacity of the Nsezi water treatment plant from 205ML/day to 260ML/day, through construction of additional water treatment process units. The project has been successfully completed and handed over to Operations. The defects and liability period will conclude in August 2025 at which point the final Approval Certificate will be issued.

Thukela-Goedertrouw Transfer Scheme

Serves King Cetshwayo District Municipality (KCDM) and Local Farmers

The project entailed, Completion of the upgrade of the Thukela-Goedertrouw transfer scheme to duplicate the existing scheme and transfer an additional 1.2 m³/s of raw water from the uThukela River to the Mvuzane River, a tributary of the Mhlathuze River, upstream of the Goedertrouw Dam. Thukela-Goedertrouw transfer scheme has achieved practical completion in all aspects of the project despite power supply challenges. Provision for interim power supply were implemented while the process for a permanent power supply is ongoing. The project commissioning commenced in June 2025.

uMkhanyakude District Municipality Section 63 Ministerial Directive

Serves four (4) Local Municipalities with UKDM

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

A total of 28 business plans were submitted and approved by DWS in four local municipalities within uMkhanyakude District Municipality (UKDM). Currently all 28 projects are at construction stage, with six (6) completed and the progress for five (5) projects is 95% complete. The overall progress of the remainder of the projects is averaged at 77%.

Financial Viability

The net profits of R1380m were realised from the following:

- Increase in total revenue by 11% of which the increase from sale of bulk water was 8.8% based on an average tariff increase of 10% offset by the negative growth in sales volume of -1.4% y-o-y. Waste water revenue rose by 27% attributable to the work being done in the waste water plants managed by UUW on behalf of the eThekweni Municipality. Revenue from Section 30 activities increased by 14% mainly as a result of the bulk potable sales and effluent disposal servicing the industrial customers in the Richards Bay area.
- Direct costs increased by 20% year on year due to higher energy costs and increased maintenance costs as well as employee costs.

However, administration and support costs increased by 11.6% year on year mainly due to asset impairment reversals.

- The organisation remained in a net finance income position however, 0.3% lower than the prior year due to the lower interest rate environment.

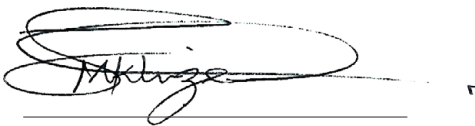
The strength of the balance sheet and access to other strategic financial resources remain vital to uMngeni-uThukela Water for expanding services to new areas and implementing the strategy of enabled and innovative growth.

Future Outlook

uMngeni-uThukela Water has entered an exciting phase of expansion and opportunity. We are confident that we will deliver our mandate of bulk water and wastewater management services with diligence, integrity, and ethical responsibility. In this regard, we continue to look to the Board and the Minister of Water and Sanitation, Honourable Pemmy Majodina who have been consistent and unwavering in their support and guidance.

Central to our success will be the dedication of the men and women who make up this remarkable organisation. Their commitment and resolve are essential as we navigate the opportunities and challenges that lie ahead.

We remain the trusted choice and ultimate resource for communities seeking efficient, consistent, and future-ready water solutions. We are fully prepared to meet this responsibility.



Mr Sandile Psychology Mkhize

Chief Executive

31 October 2025



5.0 ORGANISATIONAL PROFILE



5.1 Legislative Mandate

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

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

5.2 Activities of uMngeni-uThukela Water

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

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

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

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

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

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

Serving more than 74% of KwaZulu-Natal's households across a 94 000 km² area, uMngeni-uThukela Water continues to deliver water to municipalities, industries and communities that drive the province's economy.

5.3 Supply Area and Customers (shown on map)

KwaZulu-Natal is the gazetted supply area of uMngeni-uThukela Water, which straddles a total geographical area of 94 359 km² and is home to 12.42 million people and 2.9 million households.

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

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

- eThekweni Metropolitan Municipality;
- iLembe District Municipality;
- Ugu District Municipality;
- Harry Gwala District Municipality;
- uMgungundlovu District Municipality;
- Msunduzi Local Municipality;
- Mhlathuze Local Municipality (City of Mhlathuze); and
- SIZA Water

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

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

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

uMngeni-uThukela Water Operational Area



5.4 Structure of uMngeni-uThukela Water

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

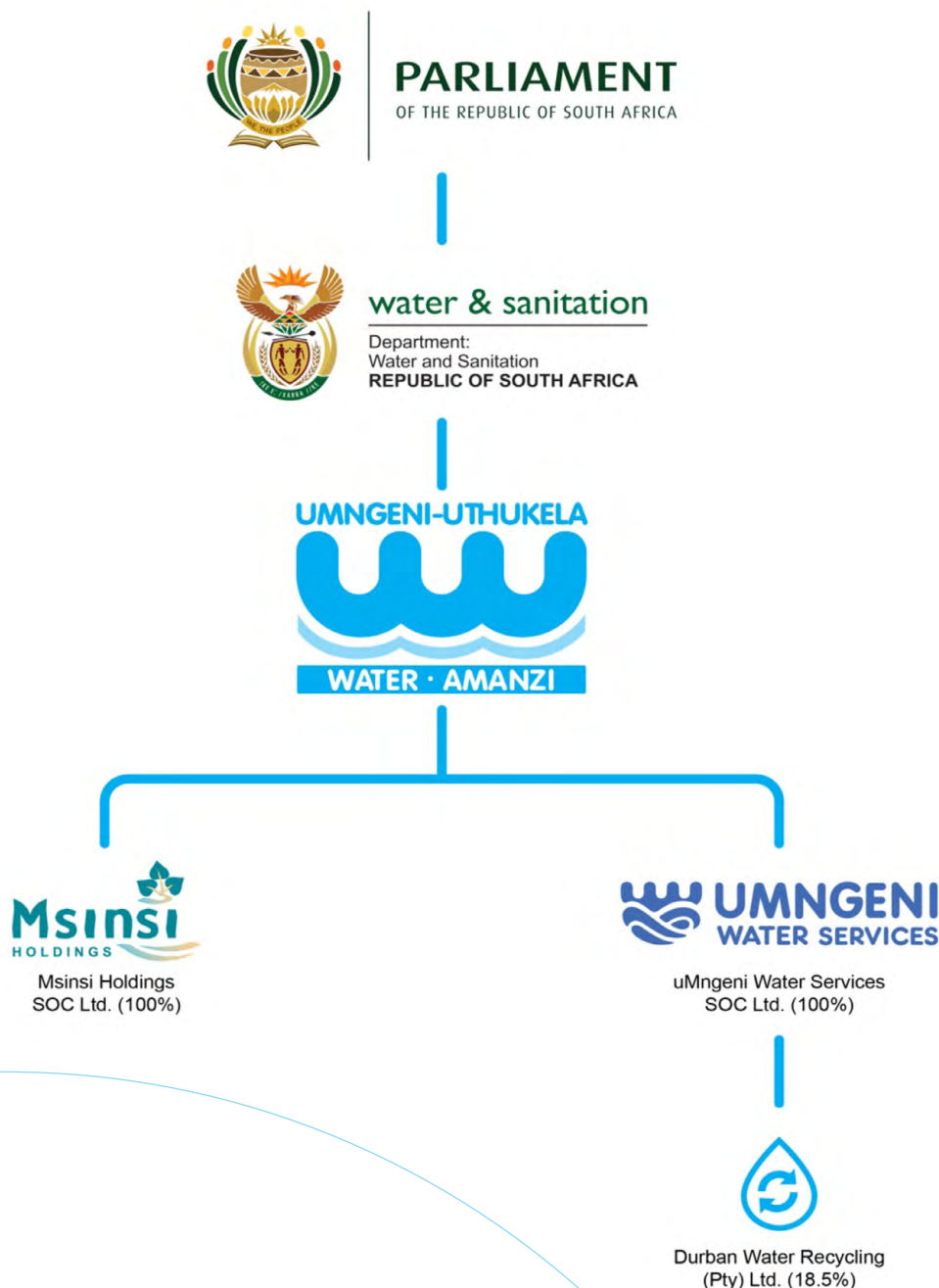
The Executive Committee is the top management structure of uMngeni-uThukela Water Parent, and for the reporting year comprised eight (8) members including the Chief Executive, the Chief Operations Officer, the Chief Governance and Compliance Officer, Chief Financial Officer, Chief Corporate Services Officer, Chief Procurement Officer, Chief Audit Executive and Company Secretary. The Chief Executive guides the day-to-day operations of the entity with powers delegated to him by the Board.

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

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

The uMngeni-uThukela Water Group as at 30 June 2025 comprised:

- A head count of 1 845 employees;
- Revenue for the year of R7.6 billion with R1.4 bn net surplus generated;
- Balance sheet asset value of R24.9 bn



Strategic Statements of uMngeni-uThukela Water and its Functional Divisions

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

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

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

Governance & Compliance: Provide combined assurance, champion corporate governance, risk and legal compliance within the Group.

Chief Operations: Provide and ensure security of supply of high quality water, wastewater and related services to ensure customer satisfaction

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

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

- **Infrastructure Development:** To be a transformational leader and key partner in the development of appropriate source to source water infrastructure in an innovative, environmentally sustainable and cost-effective manner utilising an enabled, globally recognised skills base to ensure socio-economic development.
- **Special Projects:** Execute the strategic projects as mandated by the Shareholder to improve access to affordable, safe and reliable water services.

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

Corporate Services: Create value for internal and external customers, through an engaged and capacitated workforce that is capable of delivering on the mandate

Procurement: Deliver value-driven procurement solutions by optimising resources, developing strategic supplier relationships, ensuring cost efficiency and supporting the organisation's objectives.

6.0 CORPORATE GOVERNANCE



6.1 Composition And Functioning Of The Board

The Board

Board members are appointed by the Minister of Department of Water and Sanitation (DWS) in terms of the Water Services Act, 1997 (Act 108 of 1997). The 12 member Board was appointed on 1 October 2023 for a four year term.

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

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

1. Audit, Finance and Risk Committee (AFRC),
2. Social and Ethics Committee (SEC),
3. Capital Projects and Fixed Assets Committee (CAPEX),
4. Human Resources and Remuneration Committee (HR&REMCO),

5. Innovation, Technology and Information Committee (ITIC); and
6. The Governance Committee (GOV COM).

The list of Board and Committee members is shown in Table 6.1 and Figure 6.1 shows the race, age and gender profiles of the Board members.

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

Non-executive board members receive remunerative benefits and fees as determined by the Minister on an annual basis and in line with their terms of appointment. Therefore, no Board member is involved in determining his / her own remuneration. The remuneration of all the Board Members is fully disclosed in uMngeni-uThukela Water's Annual Report.

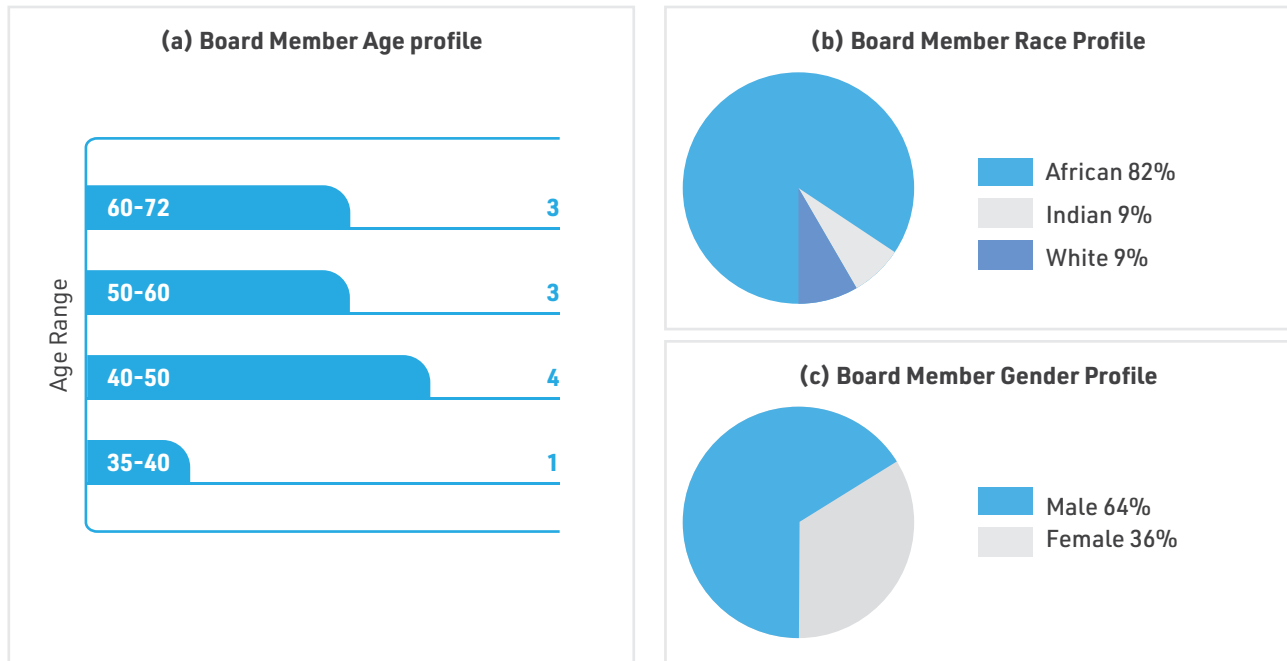
Table 6.1. Board and Committee Memberships.

Board Member	Gender	Board	Audit, Finance and Risk	HR & REMCO	CAPEX	Governance Committee	Social and Ethics	ITI
Adv. V Khuzwayo SC ^{1,6}	M	✓				✓		
Ms N Mkhize ^{2,8}	F	✓			✓	✓	✓	
Ms T Mhlongo ³	F	✓	✓			✓		✓
Ms H Mvubu	F	✓		✓	✓		✓	
Mr K Shandu	M	✓			✓	✓		✓
Adv. L Gopaul	M	✓	✓				✓	
Mr S Mkhize ⁴	M	✓		✓		✓		✓
Adv. K Mshengu	M	✓	✓	✓		✓		
Ms D Hoorzuk ⁵	F	✓		✓	✓	✓	✓	
Mr T Cornish ⁷	M	✓			✓	✓	✓	✓
Mr S Mtolo	M	✓	✓	✓				
Mr SP Mkhize ⁹	M	✓		✓	✓		✓	✓
Mr T Mkhwanazi ¹⁰	M	✓		✓	✓		✓	✓

✓ Denotes Committee Member

1. Board Chairperson
2. Deputy Board Chairperson
3. Audit, Finance & Risk Committee Chairperson
4. Human Resources and Remuneration Committee Chairperson
5. Capital Projects and Fixed Assets Committee Chairperson

6. Governance Committee Chairperson
7. Innovation, Technology and Information Committee Chairperson
8. Social & Ethics Committee Chairperson
9. Chief Executive and ex officio member
10. Chief Financial Officer and ex officio member

Figure 6.1: Board Member Age, Race and Gender Profiles

Regulatory Framework

- The Board Charter provides a framework for fiduciary duties, responsibilities and overall functioning of the Board. The Board Charter is read in conjunction with:
- The Public Finance Management Act (Act 1 of 1999), as amended, hereinafter referred to as the PFMA;
- Treasury Regulations (GG 27338) as amended;
- The Water Services Act (Act 108 of 1997), as amended;
- The King IV Report on Corporate Governance for South Africa, 2016. (King IV).

Table 6.2. Board Meeting Attendance 2024/2025 (01 July 2024 – 30 June 2025)

Board Member	Gender	Special Board Meeting	Special Board Meeting	423 rd Board Meeting	Special Board Meeting	424 th Board Meeting	Special Board Meeting	Special Board Meeting	Special Board Meeting	Special Board Meeting	Special Board Meeting	Special Board Meeting
		05 Nov 2024	11 Nov 2024	28 Nov 2024	12 Dec 2024	30 Jan 2025	26 March 2025	30 Apr 2025	28 May 2025	13 Jun 2025	27 Jun 2025	31 July 2024
1. Adv. Vusi Khuzwayo SC ^{1 & 6}	M	✓	✓	#	✓	✓	✓	✓	✓	✓	✓	✓
2. Ms Nothando Mkhize ^{2 & 8}	F	✓	✓	✓	✓	✓	✓	✓	✓	#	#	#
3. Ms T Mhlongo ³	F	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Ms D Hoorzuk ⁵	F	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. MR T Cornish ⁷	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Mr S Mkhize ⁴	M	#	✓	✓	✓	✓	✓	✓	#	✓	✓	✓
7. Adv. L Gopaul	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
8. Mr K Shandu	M	✓	#	✓	✓	✓	#	✓	✓	#	✓	✓
9. Mr S Mtolo	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10. Adv. K Mshengu	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
11. Ms S Masango	F	✓	✓	✓	✓	#	n/a	n/a	n/a	n/a	n/a	✓
12. Ms S Mvubu	F	✓	✓	✓	✓	✓	✓	#	✓	✓	#	✓
13. Mr Thami Mkhwanazi ⁹	M	✓	✓	✓	✓	✓	✓	✓	✓	#	✓	✓
14. Mr Sandile Mkhize ¹⁰		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

- Board Chairperson
- Deputy Board Chairperson
- Audit, Finance and Risk Committee Chairperson
- Human Resources and Remuneration Committee Chairperson
- Capital Projects and Fixed Assets Committee Chairperson
- Governance Committee Chairperson
- Innovation, Technology and Information Committee Chairperson

- Social & Ethics Committee Chairperson
 - Chief Financial Officer
 - Chief Executive
- ✓ Denotes member attendance
Denotes member apology
N/A – refers to the passing of Masango

6.2. Board Committees and Assurance Providers

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

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

At the beginning of each meeting of the Board or its committees, all members are required to declare conflict of interest in relation to matters on the agenda. During the period under review, no conflict of interests were declared by the members.

6.2.1 Audit, Finance and Risk Committee

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

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

Table 6.3: Audit, Finance and Risk Committee Meeting Attendance 2024/2025 (01 July 2024 – 30 June 2025)

Members	Q4 Meeting	Special Audit, Finance and Risk Committee	Special Audit, Finance and Risk Committee	Special Audit, Finance and Risk Committee	Special Audit, Finance and Risk Committee	Q1 Meeting	Continuation of Committee Meeting held on the 24 th of October 2024
	24 July 2024	29 July 2024	23 August 2024	28 August 2024	18 September 2024	24 October 2024	29 October 2024
1. Ms. Thandazile Mhlongo ¹	✓	✓	✓	✓	✓	✓	✓
2. Adv. Kwazikwenkosi Mshengu	✓	✓	✓	#	#	✓	✓
3. Mr. Sipho Mtolo	✓	✓	✓	✓	✓	✓	✓
4. Adv. Lavandran Gopaul	✓	✓	✓	✓	✓	✓	✓
5. Ms. Senamile Masango	✓	✓	✓	✓	✓	✓	✓

Members	Joint Capex and Audit, Finance and Risk Committee	Special Audit, Finance and Risk Committee	Q2 Meeting	Special Audit, Finance and Risk Committee	Q3 Meeting	Special Meeting
	01 November 2024	25 November 2024	23 January 2025	25 March 2025	22 April 2025	19 May 2025
1. Ms. Thandazile Mhlongo ¹	✓	✓	✓	✓	✓	✓
2. Adv. Kwazikwenkosi Mshengu	#	#	✓	✓	✓	✓
3. Mr. Sipho Mtolo	✓	✓	✓	✓	✓	✓
4. Adv. Lavandran Gopaul	✓	✓	✓	✓	✓	✓
5. Ms. Senamile Masango	✓	✓	#	n/a	n/a	n/a

✓ Denotes Attendance
 # Denotes absence with apology
 1 Chairperson
 N/A - refers to the passing of Masango



6.2.2 Social and Ethics Committee

The Board acknowledges its responsibility to ensure that uMngeni-uThukela Water is a fair, transparent and ethical entity and continues to exercise its main responsibility for oversight and reporting on organisational ethics, responsible corporate citizenship, sustainable development and stakeholder relationships as stated in the King IV Report on Corporate Governance, Paragraph 68 to 70 under Principle 8.

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

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

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

Table 6.4: Social and Ethics Committee Meeting Attendance 2024/2025 (01 July 2024 – 30 June 2025)

Members	Q4 Meeting	Q1 Meeting	Q2 Meeting	Q3 Meeting	Special
	19 July 2024	18 Oct 2024	22 Jan 2025	14 Apr 2025	13 Jun 2025
1. Ms. Nothando Mkhize ¹	✓	✓	✓	✓	✓
2. Ms. Diana Hoorzuk	✓	✓	✓	✓	✓
3. Adv. Lavandran Gopaul	✓	✓	✓	✓	✓
4. Ms. Hlengiwe Mvubu	✓	✓	#	✓	✓
5. Mr. Timothy Cornish	✓	✓	✓	✓	✓
6. Mr SP Mkhize	✓	✓	#	#	✓
7. Mr T Mkhwanazi	✓	✓	#	✓	#

✓ Denotes Attendance
Denotes absence with apology
1 Chairperson

6.2.3 Capital Projects and Fixed Assets Committee

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

- Infrastructure Stability
- Operational Resiliency
- Customer Satisfaction
- Water Resource Adequacy
- Product Quality: Water & Wastewater
- Community and environmental sustainability and the reduction and management of risks associated with the above aspects.



Table 6.5: Capital Projects and Fixed Assets Committee Meeting Attendance 2024/2025 (01 July 2024 – 30 June 2025)

Members	Q4 Meeting	Q1 Meeting	Joint AFRC & Capex	Continuation of Capex Meeting held on the 21 st October 2024	Q2 Meeting		Special Capex Meeting	Q3 Meeting	Special Meeting
	17 July 2024	21 Oct 2024	01 Nov 2024	01 November 2024	21 Jan 2025	20 Feb 2025 Joint Capex and REMCO	26 March 2025	16 April 2025	26 June 2025
1. Ms. Diana Hoorzuk	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr. Tim Cornish	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Ms. Hlengiwe Mvubu	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Ms. Nothando Mkhize	✓	✓	✓	✓	✓	✓	#	✓	✓
5. Mr. Khanyisani Shandu	✓	✓	✓	✓	✓	#	✓	✓	✓
6. Mr SP Mkhize Chief Executive– ex officio	✓	✓	✓	✓	✓	✓	✓	✓	✓
7. Mr T Mkhwanazi CFO – ex officio	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Denotes Attendance
 # Denotes absence with apology
 1 Chairperson

6.2.4 Human Resources and Remuneration Committee (HR & REMCO)

Objective

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

Key Responsibilities of the HR and Remuneration Committee

The Committee provides strategic guidance and oversight over human resource issues and matters connected therewith,

including any strategic restructuring, realignment and re-organising of the organisation, in particular on the following key focus areas:

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

Table 6.6: Human Resources and Remuneration Committee Meeting Attendance 2024/2025 (01 July 2024 – 30 June 2025)

Members	Q4 Meeting	Special HR and Remco	Q1 Meeting	Special HR and Remco	Special HR and Remco	Q2 Meeting	Special HR and REMCO	Joint Capex & REMCO	Special HR and REMCO	Q3 Meeting	Special HR and REMCO
	23 July 2024	29 July 2024	11 Nov 2024	22 Nov 2024	27 Nov 2024	20 Jan 2025	29 Jan 2025	20 Feb 2025	16 April 2025	23 April 2025	20 June 2025
1. Mr. Sibusiso Mkhize ¹	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Ms. Hlengiwe Mvubu	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. Mr. Sipho Mtolo	✓	#	✓	✓	✓	✓	✓	✓	✓	✓	✓
4. Adv. KwazikweNkosi Mshengu	✓	✓	✓	✓	#	✓	#	✓	✓	✓	✓
5. Ms. Diana Hoorzuk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
6. Mr SP Mkhize Chief Executive– ex officio	✓	✓	✓	✓	#	✓	✓	✓	#	✓	✓
7. Mr T Mkhwanazi CFO – ex officio	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

✓ Denotes Attendance
 # Denotes absence with apology
 1 Chairperson

As reflected in the table above, meeting attendance by all members was excellent, the Committee was able to discharge its duties and responsibilities. In the conduct of its duties, the Committee operated in accordance with its Terms of Reference, which were reviewed during the period under review. The Committee is satisfied that it complied with legal, regulatory and other responsibilities. During the period under review, the Committee performed the following duties in line with its key focus Areas:

i. Salary Harmonisation

Following the regrading of the entity, harmonisation was implemented with effect from 01 July 2025. The Committee, through the Board, finalised the salary harmonisation process in alignment with the structure of the reconfigured entity. Salaries for all employees were aligned to address existing anomalies, promote equity, consistency, and organisational stability, taking into account the financial impact on the entity and ensuring compliance with applicable legislative requirements.

ii. Approval of Organisational Structure

The Committee, through the Board, concluded the process of aligning the organisational structure to ensure that all employees are appropriately placed in line with the reconfigured entity.

iii. Approval of Policies

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

iv. Performance Management

The Committee reviews organisational performance reports on a quarterly basis and recommends to the Board for approval and ultimate submission to the shareholder.

v. Conclusion

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

- Accountability;
- Transparency;
- Responsibility;
- Confidentiality
- Good Faith; and,
- Disclosure.

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

6.2.5 Innovation, Technology and Information Committee

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

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

Table 6.7: Innovation, Technology and Information Committee Meeting Attendance 2024/2025 (01 July 2024 – 30 June 2025)

Members	Committee Meeting	Committee Meeting	Committee Meeting	Committee Meeting
	19 July 2024	22 Oct 2024	22 Jan 2025	14 April 2025
1. Mr. Tim Cornish ¹	✓	✓	✓	✓
2. Mr. Sibusiso Mkhize	✓	✓	✓	#
3. Mr. Khanyisani Shandu	✓	✓	✓	✓
4. Ms. Senamile Masango ^{N/A}	✓	✓	#	n/a
5. Ms. Thandazile Mhlongo	✓	✓	✓	✓
6. Mr Sandile P Mkhize	✓	✓	✓	✓
7. Mr Thami Mkhwanazi	✓	✓	✓	✓

✓ Denotes Attendance

Denotes absence with apology

¹ Chairperson

N/A – refers to the passing of Masango

6.2.6 Governance Committee

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

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

Table 6.8. Governance Committee Meeting Attendance 2024/2025 (01 July 2024 – 30 June 2025)

Members	Committee Meeting	Committee Meeting
	28 July 2024	04 Nov 2024
1. Adv. Vusi Khuzwayo SC ¹	✓	✓
2. Ms Nothando Mkhize ²	#	✓
3. Ms T Mhlongo ³	✓	✓
4. Ms D Hoorzok ⁴	✓	✓
5. MRT T Cornish ⁴	✓	✓
6. Mr S Mkhize ⁵	✓	✓
7. Adv. K Mshengu ⁷	✓	✓
8. Mr K Shandu ⁸	✓	✓
9. Mr SP Mkhize ⁹	✓	✓

✓ Denotes Attendance

Apology

1. Board Chairperson
2. Social and Ethics Committee Chairperson
3. Audit, Finance and Risk Committee Chairperson
4. ITI Committee Chairperson

5. HR and REMCO Chairperson

6. CAPEX Committee Chairperson

7. Subsidiary Chairperson – Msinsi Holdings SOC Ltd

8. Subsidiary Chairperson – UWS SOC Ltd

9. Chief Executive

Compliance with Laws and Regulations

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

Internal Audit

Internal Audit is an independent assurance and advisory function, the purpose, authority and responsibility of which is formally defined in the Internal Audit Charter approved by the Audit, Finance and Risk Committee in line with stipulations of the Institute of Internal Auditors. The Board delegated the Audit, Finance and Risk Committee to approve Internal Audit activities. In line with the requirements of the Public Finance Management Act (PFMA) and Global Internal Audit Standards, the internal audit function gives the Audit, Finance and Risk Committee and management assurance on the appropriateness and effectiveness of internal controls.

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

- Compliance Audits;
- Internal Controls and Process Audits;
- Audit of the Pre-determined Objectives; ,
- Information Communication Technology Audits;
- Determination tests on irregular expenditure; and
- Probity Audits.

The Board can take "Reasonable Assurance" on the adequacy and effectiveness of Governance, Risk Management and Internal Control, within those areas that were reviewed. Some matters require management's attention in control design or compliance with low to moderate impact on residual risk exposure until they are resolved.

In collaboration with Management and Integrated Risk Management, Internal Audit function coordinated various assurance providers to establish and implement the Combined Assurance Framework for uMngeni-uThukela Water and its subsidiaries.

External Audit

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

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

The external auditors express an opinion on the consolidated financial statements and report on matters related to the audit of predetermined objectives, as well as compliance with applicable laws and regulations.

Delegation of Authority

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

Executive Committee

The Board has delegated the day-to-day running of the entity to the Chief Executive, who works with Chief Executives, each heading a Division, to assist with this

task. The Executive Committee is the highest executive decision-making structure in the entity. Central to its role is the formulation and implementation of the Board's strategy and policy direction, and ensuring that all business activities are aligned in this respect.

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

Company Secretariat

The Company Secretary oversees the portfolio of secretariat, governance advisory services and plays a critical role in legal and governance advisory to the board, risk and compliance management, and attends all Board and Committee meetings as secretary at group level, which includes subsidiaries.

The Board as a whole and individual Non-Executive Directors and members of the Executive have access to the Company Secretary who is enjoined to provide guidance on how members should discharge their duties and responsibilities in the best interests of the Company. The Company Secretary continues to oversee the preparation and coordination of the induction and on-going training of Board members and assists the Board and its Committees in formulating annual plans, agendas, minutes, and terms of reference as warranted.

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

King IV Disclosure

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

King IV Principle	2024/2025 Disclosure
1. The governing body should lead ethically and effectively.	The Board is the accounting authority on all issues relating to ethical and effective leadership. The arrangements by which the board is held to account include the codes of conducts, the Board Charter and performance evaluations. The Board is accountable to the Executive Authority and accounts to Parliament for its performance which includes financial and non-financial matters.
2. The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board, through the Social and Ethics Committee provides oversight on ethics matters and ensures that periodic reports are received by the Board on the work of the Committee. The terms of reference of the Social and Ethics Committee ensure that there is a system of monitoring and reporting ethics matters and that the work of the Committee is properly planned and focused on promoting ethical culture across the organisation.
3. The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board has in place an Enterprise Development Strategy and CSI policy. These documents serve as the foundations of ensuring that the organisation has systems in place to gear itself as a responsible corporate citizen. With these policies put to full implementation, the entity will become a visible caring organisation. The organisation reports to the Social and Ethics Committee on its ESG activities, through the disclosure of environmental, social and corporate governance data while improving investor and stakeholder transparency.
4. The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The board appreciates the expectations of its stakeholders and its benevolent intent through its strategies indicates the board's awareness that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.
5. The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.	The Board encourages management to be transparent in all its endeavours. All key documents are approved by the Board prior to being publicised on the organisation's website or other platforms, for access by stakeholders: <ul style="list-style-type: none"> • corporate governance disclosures; integrated reports; • annual financial statements; • other external reports. • Media statements are released periodically to address areas of concern from stakeholders and there is continuous engagements with the media.
6. The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The board's annual reports contain full disclosures on the status of corporate governance matters affecting the organisation, which include the members of the board, their expertise, number of meetings held during reporting period and attendance, whether the board is satisfied that it has fulfilled its responsibilities in accordance with its Charter and applicable Codes and legislation.
7. The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The annual report discloses: <ul style="list-style-type: none"> • The board's comfort that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence • Categorisation of its members as either executive/ independent non-Executive • Qualifications and experience of members and executives • Period of service • Age • Other professional positions held
8. The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	The Board operates in accordance with a Board Charter. All Committees of the Board operate in accordance with delegations, recorded in the Terms of Reference, given to each Committee by the Board with clear roles and responsibilities/functions. The annual report discloses: <ul style="list-style-type: none"> • Composition, qualifications and experience of members; • Number of meetings held and attendance; • Whether the board / committee is satisfied that it has fulfilled its responsibilities; • Statement as to whether audit committee is satisfied that the external auditor is independent, specifically addressing: <ul style="list-style-type: none"> – the policy/controls and nature and extent of non-audit services – tenure of external audit firm – rotation of designated external audit partner – significant changes in the management of the organisation during external audit firm's tenure • Significant matters considered in relation to the annual financial statements, and how these were addressed; • Views on quality of the external audit; • Views on effectiveness of the chief audit executive and arrangements for internal audit; • Views on effectiveness of design and implementation of internal financial controls; • Views on effectiveness of CFO and finance function; • Arrangements in place for combined assurance and views on its effectiveness.

King IV Principle	2024/2025 Disclosure
9. The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.	The Board has over the years relied on formal self-assessment process as one of the tools to assess board / committee effectiveness. This method has been reviewed and benchmarked against peers to incorporate both formal and informal assessments, facilitated internally. An annual self-evaluation / performance report is submitted to the executive authority highlighting key issues identified during the evaluation.
10. The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.	The organisation has in place a clearly defined delegation of authority framework that contributes to role clarity and effective exercise of authority.
11. The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The risk identification and management process is firmly entrenched in the organisation's business processes and the Board exercises the appropriate platform for this and gives enough space to management to manage risks and report periodically to the Board, through the Audit, Finance and Risk Committee, on risk related matters.
12. The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives	The Information, Technology and Innovation committee of the Board is charged with the responsibility of assisting the board to conduct appropriate oversight on matters related to ICT and Innovation. Management is required to provide periodic reports on ICT governance, develop actions to monitor effectiveness of technology and information and provide plans that are meant to enhance the ICT systems for future focus.
13. The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen	The Board is accountable for ensuring organisation-wide compliance. Overview of arrangements for governing and managing compliance and the annual report addresses how the board seeks to ensure compliance in all layers of the organisation. In additions, on a quarterly basis, the Audit, Finance and Risk Committee is presented with the organisational compliance report.
14. The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.	<p>The HR & Remuneration committee of the board exercises oversight on all HR related matters, including but not limited to remuneration matters.</p> <p>The annual report fully discloses remuneration of Board members and Executives in detail and provides the basis for remuneration strategies.</p>
15. The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports	<p>Assurance of external reports</p> <p>The annual report fully discloses assurance processes applied in addition to the independent, external audit opinions, including:</p> <ul style="list-style-type: none"> • brief description of nature and scope of assurance functions, and services and processes underlying preparation of report • statement by governing body on integrity of report and basis of this statement <p>Internal audit</p> <ul style="list-style-type: none"> • Refer to Audit, Finance and Risk committee's disclosures in Principle 8 above
16. In the execution of its governance roles and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time	The annual report fully discloses the organisation's benevolent intention in relation to transparency and how stakeholders are kept abreast of all developments regarding the organisation. In the reporting year, stakeholders have been kept abreast of key matters / developments regarding the entity through various mediums of communication. The Social and Ethics committee of the board exercises oversight on all stakeholder related matters.

Board Members



ADV. VUSI KHUZWAYO SC

Period of Service: 1 year and 8 months

Age: 63

Appointed as Board Member and Chairperson in October 2023

Qualifications and experience: B. Proc, LLB, Advocate, Snr Counsel

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

Professional Registrations and/or Positions held on other Boards

Member of KZN Appeals Tribunal; Has chaired Commissions, as well as Inquiries into allegations of Misconduct, And/or Disciplinary Inquiries.



MS NOTHANDO NONKULULEKO MKHIZE

Period of Service: 1 year and 8 months

Age: 33

Appointed as Board Member and Deputy Chairperson in October 2023

Qualifications and experience: B Tech Civil Engineering, Post Grad Diploma Project Management, Global Executive Development Programme

Ms Mkhize is certified Director with the Institute of Directors in South Africa. She holds a degree in Civil Engineering specialising in Water, a Postgraduate diploma in Project Management, and a diploma in Civil Engineering. Her experience spans across both the public and private sector. She served as a non-Executive director at former Mhlathuze Water. She has a deep understanding of the public sector governance and oversight, statutory compliance requirements, PFMA, Treasury Regulations King IV Code on Good Corporate Governance in South Africa. (King IV), the Companies Act and other legislation applicable to the public sector including municipal entities.

Professional Registrations and/or Positions held on other Boards

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



MR SIPHO MAXWELL MTOLO

Period of Service: 1 year and 8 months

Age: 51

Appointed as Board Member in October 2023

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

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

Professional Registrations and/or Positions held on other Boards

KZN Ezemvelo Wildlife Board, Msinsi Holdings SOC, IoDSA

**MS DIANA GLORIA HOORZUK****Period of Service:** 1 year and 8 months**Age:** 69

Appointed as Board Member in October 2023

Qualifications and experience: Diploma in Executive Leadership Municipal Development

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

Professional Registrations and/or Positions held on other Boards

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

**ADV. KWAZIKWENKOSI INNOCENT MSHENGU****Period of Service:** 1 year and 8 months**Age:** 41

Appointed as Board Member in October 2023

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

Adv. Mshengu has 11 years' experience in government administration and 3 years as MEC for Education. Leadership: former Chairman of IDT and former Board Member of OR Tambo School

Professional Registrations and/or Positions held on other Boards

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

**MS THANDAZILE SYLVIA MHLONGO****Period of Service:** 2 years and 3 months**Age:** 45

First appointed in March 2023 as Interim Board Member

Re-appointed as a Board Member in October 2023

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

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

Professional Registrations and/or Positions held on other Boards

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

MR KHANYISANI STANLEY SHANDU**Period of Service:** 1 year and 8 months**Age:** 47

Appointed as Board Member in October 2023

**Qualifications and experience**

National Diploma Chemical Engineering, Master's in Business Administration

Mr Khanyisani Shandu is a distinguished businessman and community leader with an exceptional track record. He is the founder and driving force behind a highly successful business operating in the Civil Construction and Engineering Sector, known as Lltshah Africa. With a background as a Chemical Engineer, Mr. Shandu possesses over 5 years of invaluable experience in Plant Management and Operation at Sappi Salcor. His expertise in managing large-scale projects across various industries showcases his proficiency in leveraging world-class engineering infrastructure. Under his exemplary leadership as the Managing Director, the company has achieved remarkable growth and established itself as a significant player in the Construction and Engineering Sector. Mr. Shandu's commitment to social responsibility is evident in his employment and development of over 2000 young South Africans. Moreover, he actively promotes young talent by providing sponsorship opportunities and serving as a mentor. With a strong business acumen, extensive experience in engineering, and a dedication to community empowerment, Mr. Khanyisani Shandu is a highly respected figure in both the business and social spheres.

Professional Registrations and/or Positions held on other Boards

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

MS BUHLE HLENGIWE MVUBU**Period of Service:** 1 year and 8 months**Age:** 49

Appointed as Board Member in October 2023

**Qualifications and experience**

Bachelor of Arts, Advanced Project Management

Hlengiwe Mvubu is an accomplished Public Affairs and Stakeholder Engagement Executive with over 22 years of experience in corporate communications, stakeholder management, and corporate responsibility. She holds a Bachelor of Arts degree and an Advanced Project Management qualification.

Her distinguished career includes leadership roles at Foskor, where she made history as a first black Public Relations Professional in 2004 and later served as Group Stakeholder Manager across the Richards Bay, Phalaborwa and Johannesburg head office. She currently works at the leading industry in Pulp and Paper in South Africa, overseeing Stakeholder Engagement, Reputation Management, Risk, and Corporate Responsibility.

Ms. Mvubu's leadership extends beyond the corporate sphere. She is the President of the Zululand Chamber of Commerce and Industry, Board Member of 1KZN TV, Chairperson of Ethembeni Care Centre and active member of several community organisations. Her leadership earned her the prestigious award of KZN: Richards Bay Businesswoman of the Year in the Corporate category in 2010. Former Council member of University of Zululand, uThungulu Community Foundation, Businesswomen Association (BWA) and Business Against Crime.

Professional Registrations and/or Positions held on other Boards

A member of the Institute of Directors in South Africa (IoDSA), Ms Mvubu is recognised for her strategic leadership, community impact and commitment to ethical and inclusive development.

**MR TIMOTHY JAMES CORNISH****Period of Service:** 1 year and 8 months**Age:** 71

Appointed as Board Member in October 2023

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

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

Professional Registrations and/or Positions held on other Boards

Engineering Council of CSA, SAICE, SACPCMP, IoDSA

**ADV. LAVANDRAN NANDA GOPAUL****Period of Service:** 2 years and 3 months**Age:** 58

First appointed in March 2023 as Interim Board Member

Re-appointed as a Board Member in October 2023

Qualifications and experience: Advocate of the High Court of South Africa, MPA, LLM, LLB, BCom, and Mason Fellow

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

Professional Registrations and/or Positions held on other Boards

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

Professional Qualification

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

Ms Senamile Khethekile Ntombizothando Masango

Period of Service to UUW: 1 year and 3 months**Age:** 38

Appointed as Board Member in October 2023 and passed on 09 February 2025

MR SIBUSISO WYCLIFF MKHIZE**Period of Service:** 2 years and 3 months**Age:** 58First appointed in March 2023 as Interim Board Member
Re-appointed as a Board Member in October 2023**Qualifications and experience:** Master of Public Administration, Executive Leadership Programme, and Law Certificate for Municipal & local Government Personnel, Secondary Teachers Diploma

Mr Mkhize is Public Administrator and has accumulated over 20 years experience in various public and service delivery management roles within Local, Provincial and National Government. These roles, included being a Transformation Manager, responsible for amalgamation and integration of policies, structures, systems and procedures from various erstwhile Transitional Local Authorities into a single wall-to-wall then Hibiscus Coast Municipality. A vast experience of more than 10 years as an accounting officer at Local Government including a Water Service Authority. A Ministerial Representative at one distressed Municipality responsible for financial, governance and service delivery recovery plan. A General Manager: Corporate Services responsible for organisational efficiency and effectiveness at a provincial department.

Professional Registrations and/or Positions held on other Boards

Board Member of uMngeni Water Services, IoDSA

Ex-Officio Members**MR SANDILE PSYCHOLOGY MKHIZE****Period of Service:** 11 months**Age:** 54

Appointed as Chief Executive in July 2024

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

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

Professional Registrations and/or Positions held on other Boards

Member of WISA, IoDSA

MR THAMSANQA MKHWANAZI CA(SA)**Period of Service:** 3 years and 4 months**Age:** 47

Appointed as Chief Financial Officer in February 2022

Qualifications and experience: B. Com (Accounting), B. Com Honours (CTA)

Mr. Mkhwanazi has over 25 years of experience of which 12 years was in the private sector which spans across the automotive, retail and wholesale, import and export of medical equipment, and the logistics sectors. Two of the entities were part of the listed group of companies. 13 years in the public sector as Chief Financial Officer. Of the 25 years, 16 years has been at the senior management level. The public sector experience spans across a municipality, two municipal entities, and two owned entities.

Professional Registrations and/or Positions held on other Boards

Chartered Accountant South Africa, IoDSA

Company Secretary



MS SIMANGELE MBATHA

Period of Service to UUW: 5 years, 6 months

Age: 41

Appointed as Company Secretary of the reconfigured entity in July 2024

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

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

Professional Registrations and/or Positions held on other Boards

Legal Practice Council, IoDSA, Ethics Institute

6.3 Functions and Management Structure

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

uMngeni-uThukela Water has the following structure that responds to its strategy. The core functions pertaining to each is articulated in the strategic statements that follow. uMngeni-uThukela Water will continue to ensure a structure is aligned to the functions and mandate of a regional water utility. During the 2023/24 financial year, the Board conducted a review of the strategy and emphasised on the urgent need to focus on the execution of the strategy. And as such, the Board deemed it urgent to ensure that the organisation is “fit-for-purpose” in that it responds to the urgent expectations of delivering on the mandate of providing water to all citizens of the Province of KwaZulu-Natal. This “fit-for-purpose” alignment, which is founded on ensuring the effective way of implementing the strategy, has culminated in the review of the organisation’s macro-structure and has further been drilled down the entire organisation, through informal and formal consultation processes that are compliant to legislation and internal policies.



EXCO Members' Appointment Dates and Details



MR SANDILE PSYCHOLOGY MKHIZE

Period of Service: 11 months

Age: 54

Appointed as Chief Executive in July 2024

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

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

Professional Registrations and/or Positions held on other Boards

Member of WISA, IoDSA



MR THAMSANQA MKHWANAZI CA (SA)

Period of Service: 3 years and 4 months

Age: 47

Appointed as Chief Financial Officer in February 2022

Qualifications and experience: B. Com (Accounting), B. Com Honours (CTA)

Mr. Mkhwanazi has over 25 years of experience of which 12 years was in the private sector which spans across the automotive, retail and wholesale, import and export of medical equipment, and the logistics sectors. Two of the entities were part of the listed group of companies. 13 years in the public sector as Chief Financial Officer. Of the 25 years, 16 years has been at the senior management level. The public sector experience spans across a municipality, two municipal entities, and two owned entities.

Professional Registrations and/or Positions held on other Boards

Chartered Accountant South Africa, IoDSA



MS MOKETENYANE FORTUNATE MOLEKO

Period of Service: 3 years and 4 months

Age: 60

Appointed as Chief Officer Corporate Services in February 2025

Qualifications and experience: BComm, MDP, Post Grad Diploma in Business Management

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

Professional Registrations and/or Positions held on other Boards

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

**MR SANELE MAZIBUKO****Period of Service to Uuw:** 11 years**Age:** 40

Appointed as Chief Operating Officer in July 2024

Qualifications and experience: BSc Chemical Engineering, BEng (Hon) Water Utilisation, MEng Chemical Engineering, BCom Financial Management.

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

Professional Registrations and/or Positions held on other Boards

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

**MR SBUSISO MADONSELA****Period of Service to Uuw:** 3 years and 5 months**Age:** 45

Appointed as Chief Governance and Compliance Officer in July 2022.

Qualifications and experience: Bachelor of Laws (LLB), Postgraduate Diploma in Compliance, Master of Laws (LLM)

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

Professional Registrations and/or Positions held on other Boards

Legal Practice Council, IRMSA, IoDSA

**MS SIMANGELE MBATHA****Period of Service to Uuw:** 5 years, 6 months**Age:** 41

Appointed as Company Secretary of the reconfigured entity in July 2024

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

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

Professional Registrations and/or Positions held on other Boards

Legal Practice Council, IoDSA, Ethics Institute

MS NONTOKOZO MAKHUBU**Period of Service to UUW:** 4 years and 6 months**Age:** 39

Appointed as Chief Audit Executive in November 2024

Qualifications and experience: BCom Accounting, Post Graduate Diploma in Accounting (PGDA), Post Graduate Diploma in Internal Auditing and Master's in Business Administration (MBA).

Ms Makhubu has over 18 years of experience in Auditing and Finance. She has held prominent leadership positions, including Chief Financial Officer and Chief Audit Executive, where she successfully led strategic initiatives in finance, audit, risk management, and compliance. Ms. Makhubu has served as a member of various Audit and Risk Committees within entities governed by the Public Sector. She is also a former committee member of the Institute of Internal Auditors – KwaZulu-Natal Region, where she contributed to the advancement of internal audit practices in the province.

Professional Registrations and/or Positions held on other Boards

Certified Internal Auditor (CIA), Fellow member of the Institute of the Internal Auditors South Africa: IIA (SA) and Member of the Institute of Directors in South Africa (IoDSA)

MS PHETSILE MAGAGULA CA (SA)**Period of Service to UUW:** 4 months**Age:** 48

Appointed as Chief Procurement Officer in February 2025.

Qualifications and experience: Honours Bachelor of Accounting Science - B. Compt Hon; Bachelor of Commerce Accounting

Ms Magagula has over 20 years of work experience in the field of financial accounting, supply chain management, financial information systems management and integrated reporting. Ms Magagula, has held various Chief Financial Officer roles in the public sector, financial services and NGO sectors. She is passionate about promoting ethical leadership and sound governance. She voluntarily serves as finance, audit and risk expert on boards of Non Profit Organisations; currently; on the Initiative for Social Performance In Renewable Energy; previously on the board of World Vision South Africa.

Professional Registrations and/or Positions held on other Boards

Chartered Accountant South Africa, IoDSA

7.0

SOCIAL AND ETHICS COMMITTEE REPORT

MS NOTHANDO MKHIZE
Chairperson of Social
and Ethics Committee



Foreword

I am honoured to present the Social and Ethics Committee Annual Report for the fiscal year ending June 2025. At uMngeni-uThukela Water, we remain steadfast in our commitment to ethical leadership, upholding honesty, transparency, and accountability in every facet of our operations. We recognise that social and ethical considerations are fundamental to sustainable success, and we have embedded these principles into our governance framework at the highest level.

During the reporting period, the Social and Ethics Committee has diligently fulfilled its mandate, guided by the approved Integrated Ethics Management framework. The framework promotes a closer alignment between the roles and responsibilities of the Social and Ethics Committee and other Board committees, ensuring a unified and coherent governance strategy. This alignment strengthens our oversight, supports sound decision-making, and reinforces our commitment to responsible stewardship of the organisation's social and ethical footprint.

As we look ahead, we will continue to strengthen our ethical culture, deepen our engagement with stakeholders, and pursue actions that advance sustainable development, fair treatment, and environmental stewardship. We will continue to refine and expand the Integrated Ethics Management framework to address emerging ethical challenges, strengthen the synergy with other governance bodies, and uphold the highest standards of integrity across the organisation.

I extend my gratitude to the members of the Social and Ethics Committee for their diligent oversight, to our leadership team for steadfast support, and to our employees for their ongoing commitment to upholding the values that define us.

Together, we will continue to build trust, resilience, and long-term value for all stakeholders.

Integrated Ethics Management Framework

During the reporting period, the Social and Ethics Committee undertook a comprehensive review of the Integrated Ethics Management Framework to ensure alignment with our strategic objectives and to drive continual improvement. The framework remains the cornerstone of our governance, guiding how ethics is integrated into decision-making, operations, and culture.

- Ethics risks were tracked every quarter, with prompt action taken to manage any exceptions. This proactive approach supports early detection and mitigation of potential ethics-related issues.
- The ethics strategy and implementation plan were reviewed and updated to reflect the evolving maturity of ethics within the organisation. This ensures our commitments stay relevant and practical as risks and stakeholder expectations change.
- We refined our fraud prevention plans to address fraud, misconduct, and ethical conduct, ensuring clarity, accessibility, and enforceability across the organisation.
- The Code of Ethics awareness reflected contemporary standards and the organisation's evolving needs, reinforcing expected behaviours and accountability.

- The ethics programmes have been institutionalised through mechanisms to audit and verify their effectiveness. Assessment findings are reported transparently to stakeholders, reinforcing accountability and informing continuous improvement.

Roles and Responsibilities

uMngeni-uThukela Water's Social and Ethics Committee mandate underscores our commitment to promoting responsible practices that align with our strategic objectives, ensuring that ethical integrity guides all aspects of our operations and stakeholder engagements.

Our approach is guided by four (4) foundational principles:

- **Economic Impact:** Promote fair competition, support local economic development, and avoid practices that destabilise markets or limit opportunities.
- **Workplace Well-being:** Prioritise health, safety, and the professional development of our people, fostering a safe, inclusive, and supportive work environment.
- **Social Responsibility:** Positively influence communities by ensuring our products and services promote safety, health, and well-being for consumers and affected populations.
- **Environmental Stewardship:** Minimise environmental impact through pollution reduction, responsible waste management, and sustainable use of natural resources.

During this financial year, the approved Board plan ensured that the Social and Ethics Committee's objectives, as set out in the Terms of Reference, were executed through four (4) quarterly meetings. This cadence provided a stable forum to address matters contemplated by the Companies Act (and read with Regulation 43 of the Companies Regulations, 2011), as well as the committee's mandate. Quarterly reports discussed at SEC meetings supported strategic decision-making by the Board regarding ethical leadership.

Performance Highlights (2024 - 2025)

We proudly report that uMngeni-uThukela Water achieved all the ethics milestones and targets set for 2024-2025, marking meaningful progress in embedding ethical practices across our operations. The tracking and evaluation of social and ethics performance were guided by the explicit activities outlined in our Ethics Implementation Plan for 2024-2025, ensuring disciplined execution, transparent reporting, and ongoing refinement of our ethical programme.

Governance of ethics

The Board has established a robust ethical governance architecture anchored by a Code of Ethics and a Pledge, complemented by a Board Charter. This framework reflects our commitment to ethical leadership and aligns with uMngeni-uThukela Water's core values for ethical behaviour. Ethics is deeply embedded in our corporate culture, with policies, structures, systems, and processes in place to ensure that the Board, employees, and service providers are familiar with and consistently adhere to the organisation's ethical standards.

During this reporting period, we elevated ethics on the agenda by implementing a comprehensive communication drive to raise awareness of the Code of Ethics, its dos and don'ts, and the behavioural expectations embedded within the organisation. This has reinforced a shared understanding of ethical conduct across all levels.

A strategic enhancement introduced an electronic feedback link for Social and Ethics Committee members, enabling timely, streamlined input. This approach supported efficient monitoring of key governance metrics. Internal Audit aggregated and analysed the feedback, delivering actionable insights into our ethical governance practices and identifying both strengths and opportunities for improvement.

During the reporting period, the Committee further supported the sponsorship within our delegation of authority to ensure we advanced the water and sanitation agenda, with anticipated long-term benefits for the sector.

Ethics Risk

uMngeni-uThukela Water remains committed to proactively managing risk to safeguard organisational sustainability. To equip the organisation with robust early warning capabilities, we conducted a formal ethics opportunity-risk assessment that culminated in a comprehensive ethics risk profile. This process ensures we have timely indicators to detect ethics-related risks and implement effective mitigations. The organisation's performance in managing ethics risk during the period demonstrates disciplined governance, timely escalation, and actionable mitigation. By maintaining early warning capabilities, rigorous divisional reviews, and ongoing collaboration between Risk Management and the Ethics Office, uMngeni-uThukela Water is well-positioned to sustain ethical integrity and long-term value creation for stakeholders.

Ethics risk reports are prepared and presented at divisional risk review meetings. These sessions interrogate controls, validate risk ratings and scores, and confirm control effectiveness and reliance.

Confirmed control effectiveness, risk ratings, and scores are discussed at the Corporate Risk Committee and elevated to the Social and Ethics Committee. This ensures alignment across governance layers and timely attention to material risks.

Mitigation planning and monitoring: Management ensures that recommended risk mitigation plans are reviewed, agreed, and implemented within defined timeframes. The Ethics Office, in collaboration with Risk Management, monitors progress and reports back to the Social and Ethics Committee on status and outcomes.

There are six (6) divisional ethics-related risks linked to strategic objectives. All six remain within the organisation's risk appetite and tolerance levels, reflecting effective controls and governance.

External assurance: An ethics risk assessment is planned to be conducted by an external service provider as part of the 2025/26 FY strategy. This external input will enhance objectivity, validate internal assessments, and provide independent recommendations for continuous improvement. The integrated risk management approach reinforces accountability for ethical performance across divisions, management, and the Ethics Office.

Ethics Management Strategy

To keep the integrated frame work active and to track progress toward a firmly embedded ethical culture, the organisation reviewed and approved the Ethics Management Strategy during the reporting period. The ethics management strategy outlines a coordinated plan of action designed to achieve our ethics goals and is translated into an annual implementation plan that guides execution across the organisation.

An explicit annual review assesses the scale of ethics maturity and identifies cosmetic changes following the previous review. This process confirms our transition from a compliance-focused posture to an integrity-based operating model.

Achieving a fully embedded ethical culture is inherently evolutionary. We recognise that sustaining and deepening ethical practices requires continuous leadership commitment and concerted effort over time. Realising an ethical culture depends on steadfast, ongoing leadership endorsement and role modelling at all levels of the organisation.

The ethical journey will be guided by ongoing evaluation, learning, and refinement of policies, practices, and incentives to reinforce ethical behaviour. The 2024-2025 period marked a deliberate shift toward an integrity-based framework, underpinned by a formal Ethics Management Strategy and an annual implementation plan. While the pathway to full ethical maturity spans several years, the organisation is positioned to advance steadily driving accountable leadership, reinforcing ethical behaviours, and delivering sustainable value for all stakeholders. The ethics management strategy encompasses a plan of coordinated actions designed to achieve the ethics goals and is translated into an implementation plan every year.

Ethics Awareness and Training

Ethical awareness is a critical driver of ethical behaviour, serving as a constant reminder of acceptable conduct within the organisation. We recognise that leadership example is a powerful catalyst; visible demonstrations of ethical leadership from our senior team reinforce the standards expected across all levels. A sustained focus on ethical awareness supports a reduction in misconduct by acting as a deterrent and shaping everyday decision-making.

uMngeni-uThukela Water continued to embed ethics within its existing infrastructure by integrating ethics and human resources training into multiple delivery channels. This includes new employee orientations, management development, compliance and legal training, business and strategy meetings, planning sessions, and routine day-to-

day activities. The goal is to ensure ethics is inseparable from all operational and strategic processes through posters, intranet, flyers with invoices and vendor payments, articles in internal and external communications, staff briefings, and supplier engagements. The objective is to deter fraud while signalling the organisation's unwavering commitment to integrity.

We maintained and promoted awareness of our fraud prevention hotline across all channels, posters, intranet, staff information sessions, induction programmes, supplier forums, and divisional ethics ambassadors. Suppliers and contractors are informed of the hotline number to encourage reporting and early intervention.

Our ethics programme will include brochures and internal alerts, digital and non-digital awareness campaigns, an ethics advice facility or helpdesk, and a network of ethics ambassadors who relay information from employees to the ethics office. Induction for new employees will include a dedicated ethics module, and ethical performance targets will be set to measure progress.

A fully resourced Ethics Office will underpin ongoing ethics training and awareness initiatives, ensuring sustained focus and accountability. This structure supports continuous improvement in our ethics programme in response to changing legislation and emerging risks.

We focused the spotlight on International Fraud Awareness Week (17–23 November 2024), aligning with a global initiative to educate staff and stakeholders about fraud risks, the importance of ethical behaviour, and the collective responsibility to prevent fraud and corruption.

Global and regional learning experiences: Participation in the World Whistleblower Webinar, Ethics Ambassador training, and Ethics Learning forums through The Ethics Institution has broadened our knowledge base and reinforced best practices in ethics governance.

We subscribe to The Ethics Institution's resources for the Social and Ethics Committee, ensuring members remain current with evolving ethics guidance, research, and training opportunities.

Hotline Facility

uMngeni-uThukela Water maintains an assurance framework that supports effective, organisation-wide prevention of fraud and corruption. The Social and Ethics Committee (SEC) monitors that complaints and allegations are managed appropriately, followed up systematically, and investigated efficiently to uphold our integrity standards.

We operate a 24/7 external whistleblowing hotline managed by an external service provider. This facility offers anonymity and confidentiality for all stakeholders to report suspected fraud or unethical conduct and serves as a core component of our fraud detection and ethical culture.

Hotline reports are reviewed and discussed to identify hotspots and inform leadership on potential risk areas. Where possible, de-personalised feedback on hotline outcomes is shared in staff information sessions to promote learning while protecting privacy and retaliation safeguards.

We will continue to promote awareness of the hotline through posters, intranet, and other effective channels. All hotline calls are treated seriously, assessed promptly, and investigated with results used to strengthen controls and reduce fraud risk.

During the reporting period, the hotline protocol was reviewed and approved. To preserve objectivity, initial investigations are conducted independently from the area of concern. The Chief Audit Executive now leads the investigation of all hotline reports to ensure thoroughness and independence, with escalation as appropriate. Investigations are conducted promptly and thoroughly, with outcomes informing disciplinary actions when warranted and reinforcing a culture of accountability.

The Social and Ethics Committee contributed inputs and recommendations to the Board for approval of the Whistleblowing Policy, strengthening our channels for reporting unethical conduct and protecting those who raise concerns, during this reporting period. This policy encourages openness and accountability, enabling employees to report misconduct without fear of retaliation. The policy confirms protections for whistleblowers who act in good faith and clarifies consequences for false or malicious allegations, ensuring fairness and safeguarding both individuals and the organisation.

The period under review demonstrates a disciplined approach to ethics management, with effective prevention of fraud, transparent reporting, and robust whistleblowing mechanisms. By strengthening independent investigations, promoting a speak-up culture, and embedding ethics across governance, we are advancing our commitment to integrity, accountability, and sustainable value creation for all stakeholders.

Ethics Ambassadors

During 2024/2025, uMngeni-uThukela Water continued to empower Ethics Ambassadors by actively implementing their Terms of Reference (TORs). The divisional ambassadors serve as the primary ethics contacts within divisions, regions, departments, or sections, and they act as facilitators and champions of the ethics management framework. Through a structured ethics workplan and quarterly ambassador meetings, targeted ethics communication was delivered, positioning ambassadors as conduits of ethics awareness and information.

All Ethics Ambassadors completed training on their duties and responsibilities, ensuring a consistent understanding of ethics concepts, policies, and escalation channels across the organisation. Ambassadors function as the voice of the ethics management function, disseminating and amplifying the ethics message beyond the central communications effort.

This decentralised approach enhances reach and relevance, enabling rapid pulses of ethical culture within local contexts. By embedding ethics into routine activities and leadership communications, ambassadors help sustain a proactive ethical culture that supports compliance and integrity.

Fraud Prevention

Ethics management is foundational to promoting an ethical culture, while fraud prevention represents the practical safeguarding of ethical conduct by mitigating opportunities for unethical behaviour to occur. uMngeni-uThukela Water recognises that, despite robust policies and procedures, instances of fraud can arise. Accordingly, we maintain a dual focus on preventive and detective controls to reduce exposure and strengthen resilience.

The Fraud Prevention Plan was reviewed and approved during this reporting period. By integrating fraud prevention into culture and operations, we contribute to sustainable performance and resilient service delivery. A robust fraud prevention framework protects valuable resources and supports our standing as a responsible and ethical organisation. The Integrated Ethics Management Framework remains the primary reference for managing fraud and ethical issues, complemented by the Fraud Prevention Plan as a standalone document requested by the department for corporate planning purposes.

Our approach comprises policies, procedures, training, and communication designed to deter unethical conduct. These preventive measures establish clear expectations, reduce opportunities for fraud, and embed ethical behaviour into daily operations.

We implement activities and programmes intended to identify fraud or misconduct that is occurring or has occurred. Early detection enables timely investigation, remediation, and deterrence of future occurrences.

A suite of potential controls supports prevention, including the Code of Ethics, disclosure of interests, delegation of authority limits, background checks, induction programmes, information security protocols, performance management systems, and transaction-level controls for third-party and related-party transactions, as well as robust business process controls.

We will maintain momentum in adapting antifraud controls to evolving risks, legislation, and operating contexts, ensuring alignment with the organisation's strategic objectives. In summary, the 2024/2025 period reflects a disciplined, proactive stance on fraud prevention and ethical governance. By embedding preventive and detective mechanisms within our Integrated Ethics Management Framework and Fraud Prevention Plan, uMngeni-uThukela Water remains committed to integrity, accountability, and the delivery of sustainable value to employees, stakeholders, and the communities we serve.

Independent Assessment and External Reporting

The Board will ensure that the organisation's ethics performance is assessed, monitored, reported, and disclosed. There will be an independent assessment of the adequacy and effectiveness of the ethics management framework and processes.

Looking Ahead

In 2024/2025, uMngeni-uThukela Water reaffirmed its pledge to embed an ethical culture across every facet of the organisation. The year has been characterised by strengthened governance, deeper stakeholder engagement, and a proactive stance on social impact, ethics risk, and transparency. As we look ahead, our trajectory is clear: elevate ethics as a core driver of value creation for communities, customers, and all stakeholders.

The Social dimension remains the Committee's central focus, ensuring that social responsibilities and community well-being inform every ethical decision.

Stakeholder engagement is being strengthened to ensure sponsorships, donations, and related activities are conducted with the utmost transparency, accountability, and alignment with our values.

An independent ethics risk assessment will provide objective assurance, validate internal findings, and identify opportunities for improvement in ethics governance and risk management.

Ethics communications will be broadened across diverse channels to keep ethics front and centre, ensuring timely and accessible messaging throughout the organisation.

The Ethics Office will receive the resources needed to drive ethical leadership and compliance.

Visible leadership commitment will be sustained through role modeling, incentive structures, and ongoing education, cultivating a durable speak-up culture and ethical decision-making at all levels.

Looking forward, we remain confident that these strategic priorities will drive a more ethical organisation, empower employees to act with integrity, and reinforce trust with communities and stakeholders. By continuing to invest in governance, education, and transparent communication, uMngeni-uThukela Water will not only meet regulatory expectations but set a benchmark for ethical performance in the sector.

We will pursue a steadfast, organisation-wide commitment to ethical conduct, ensuring governance and operations consistently reflect basic ethical standards of what is good, right, and fair. The journey toward an established ethical culture is deliberate and gradual, underpinned by ongoing leadership commitment, aligned governance, and rigorous measurement. As we progress, we will continue to reinforce ethical norms, safeguard integrity, and elevate value for employees, communities, and other stakeholders.



Nothando Mkhize
Chairperson of the Social and Ethics Committee
31 October 2025

8.0 STAKEHOLDER UNDERSTANDING AND SUPPORT



8.1 Stakeholder Interaction and Engagements

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



In all instances, uMngeni-uThukela Water engages with its stakeholders driven by the following strategic considerations:

- Increase customer and stakeholder value, understanding, and support.
- Build and maintain constructive relationships.

Engagements with stakeholders on crucial issues

During the financial year under review, uMngeni-uThukela Water strived to maintain the cordial relations it enjoys with all stakeholders. At a Board level, engagements were led by Board Cluster Champions, with support from the Executive Management. Some engagements were championed at the level of the Minister and Deputy Ministers of Water and Sanitation, especially those that required mass public participation or to launch water infrastructure projects. These engagements culminated in robust discussions and resolutions being taken on how to improve bulk water provision or plans to develop potable water infrastructure in instances where such was lacking.

Ministerial interventions

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

Some of the engagements and oversight visits took place as follows:

- **Ugu District** – Lower uMkhomazi Bulk Water Scheme oversight visit
- **eThekweni District** – Handover of houses to community displaced by Hazelmer Dam Wall project
- **Thekwini District** – Launch of the KwaXimba Package Plant
- **uMgungundlovu District** – Launch of the Mpophomeni Waste Water Works
- **uMkhanyakude District** – Launch of the Machibini Bulk Water Supply Scheme

uMngeni-uThukela Water's other pre-arranged engagements continued with other stakeholders during the period under review. These included meetings with the Office of the Public Protector; Ingonyama Trust Board; other municipal customers of uMngeni-uThukela Water; the Department of Water and Sanitation; and, the the Trans-Caledon Tunnel Authority (TCTA). Numerous strategic focus areas were discussed during these engagements, including;

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

Engagements also took place with all WSAs and customers of uMngeni-uThukela Water within its area of supply to discuss water provision, progress on infrastructure implementation and the process of mediation over municipal outstanding debt for services provided by uMngeni-uThukela Water.

In the year under review, a Joint Operations Committee on Water Curtailments was established by DWS and UUW. This committee had monthly engagement meetings with eThekweni, Msunduzi and the uMgungundlovu Districts to discuss measures to decrease water consumption in line with curtailment volumes.

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

8.2 Key Areas of Discussions with Stakeholders

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

- Presentation of uMngeni-uThukela Water's 2024/2025 annual performance to stakeholders;
- Participation in oversight by KZN MEC for COGTA to assess state of water provision in Msunduzi;
- Engagements between the Board and Amakhosi to give updates on UUW infrastructure projects;

- Internal Stakeholder Engagements (Employees and Labour);
- Engagements with unions (NEHAWU and SAMWU);
- Ministerial and Board site visits, staff engagement sessions, and, commemorative events; and,
- Communication on Board and Ministerial decisions and announcements.

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



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

uMngeni-uThukela Water Stakeholders, Basis for Engagement and Value Proposition

Statutory Stakeholders

Stakeholders who have a regulatory or Woversight function over uMngeni-uThukela Water, among them the Minister of Water and Sanitation, the Department of Water and Sanitation, the Portfolio Committee with oversight on Water and Sanitation and the National Treasury. uMngeni-uThukela Water, a State-owned entity, is required to interact with these stakeholders on a formal and regular basis to ensure that statutory obligations are met and there is alignment with the Government's objectives, strategies and plans.

- | | |
|--|---|
| <ul style="list-style-type: none"> • Minister of Water and Sanitation • Portfolio Committee with oversight on Water and Sanitation | <ul style="list-style-type: none"> • Department of Water and Sanitation • National Treasury |
|--|---|

Basis for engagement: Delivery on mandate, compliant with the Water Services Act, the Public Finance Management Act and other pertinent legislation and regulations, delivering strategy and plans aligned to the Government outcomes and Executive Authority expectations, demonstrating adequate water resource planning mobilisation, investing in water infrastructure, ensuring efficient water use and conservation and water quality management, demonstrating a well-governed and efficiently run entity, ensuring performance in line with financial and predetermined objectives and plans to deliver sustainability, a partner that shows alignment with water sector communication strategies and plans, and a leader that contributes to establishing synergies in value chain and the water sector.

uMngeni-uThukela Water and the National Government both desire: A high-performing, well-governed state-owned entity that mobilises resources in an equitable and cost-effective manner to advance key national objectives.

Strategic Stakeholders

Provincial and some national stakeholders to whom uMngeni-uThukela Water provides information relating to organisational performance, water resource status, capital infrastructure plans, solutions to prolonged bulk water supply interruptions and expertise available to assist vulnerable water boards and municipalities.

- | | |
|--|--|
| <ul style="list-style-type: none"> • KwaZulu-Natal (KZN) Provincial Stakeholders, including the Office of the Premier, KZN EDTEA, CoGTA and KZN Planning Commission • South African Local Government Association (SALGA) • South African Association of Water Utilities (SAAWU) | <ul style="list-style-type: none"> • South African Human Rights Commission • Water Sector Institutions • Professional organisations representing sector employees |
|--|--|

Basis for engagement: Structured implementation plan to enhance assurance of supply and extend water services to previously unserved communities, affordable tariff, water resource adequacy and sustainability as a catalyst for economic expansion, delivery on mandate and alignment to policy and National and Provincial Development Plans, partner in service delivery, accelerated service delivery, corporate governance, benchmarking and strategic information exchanges, collaboration in major events and celebrations and proactive measures to mitigate effects of prolonged water shortages and supply interruptions.

uMngeni-uThukela Water, KZN Province and other Strategic Stakeholders desire: Sound water services delivery partnerships, affordable services, role in ensuring regional economic growth and development and exchange of strategic information.

uMngeni-uThukela Water, sector institutions and professional organisations desire: Sound water services delivery partnerships, information exchange, partnerships to enhance knowledge and service delivery and collaboration in projects

Basis for engagement: Information exchange and knowledge management, collaboration in water research and development, support for water centres of excellence, student internships and experiential training and exposure, study tours and site visits, collaboration in major events, such as National Water Week, participation in international exhibitions, specifically in Africa, knowledge management, networking and responding to bilateral agreements between South Africa and other African countries and continental water utilities.

uMngeni-uThukela Water and water sector-related institutions desire: A partner and sector collaborator that contributes to knowledge and skills development for the country, province and region

Contracted Stakeholders

Stakeholders with whom uMngeni-uThukela Water has contracted to provide or purchase products, services and goods. They include customers, suppliers and investors and, in the case of employees and organised labour, provision of employment and accompanying service benefits.

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

- | | |
|--|--|
| <ul style="list-style-type: none"> • eThekweni Metropolitan Municipality • Msunduzi Municipality • uMgungundlovu District Municipality • uMhlathuze Municipality | <ul style="list-style-type: none"> • Harry Gwala District Municipality • Ugu District Municipality • iLembe District Municipality |
|--|--|

uMngeni-uThukela Water Stakeholders, Basis for Engagement and Value Proposition

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

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

- Employees of uMngeni-uThukela Water

- National Education, Health and Allied Workers' Union (NEHAWU)

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

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

Non-contracted Stakeholders

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

- Community and Civil Society Institutions and Formations

Basis for engagement: uMngeni-uThukela Water's demonstration of conservation and responsible use of resources, provision of clean and safe environment, exercising of responsible corporate citizenship, demonstration of transparency in corporate governance, job creation and provision of information and opportunities. In turn, uMngeni-uThukela Water requires endorsement of social licence to operate, recognition for creating value, respect for property and collaboration in protecting remotely situated water assets.

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

- Chambers of Commerce, Business and Industry

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

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

- South African Weather Service

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

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

- Media and the general public

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

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

8.3 Frequency of Media Engagement, Nature of Coverage Received and Elaboration of Tonality

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

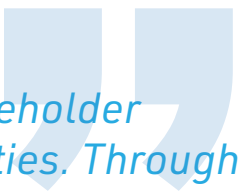
The nature of media coverage received is categorised as Positive, Neutral and Negative, all of which are explained in this section. In the financial year under review, the majority of coverage received was a combination of Positive and Neutral in tonality, which means there was no adverse impact on the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

Positive: Favourable or Positive media coverage is a powerful image-enhancement and image-building tool that assists in promoting the reputation of uMngeni-uThukela Water as a stable and sustainable entity that is attuned to the needs and expectations of its stakeholders. In the financial year 2024/2025 uMngeni-uThukela Water received Positive

coverage that, together with Neutral coverage, ensured that the organisation's good standing and sound reputation remained intact and were protected.

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

Negative: Research has shown that reports of this nature have a profound effect on public opinion and impressions, leading to significant damage to the reputation of an individual, organisation or entity on which a report is based. Reports of this nature are sometimes the result of an unwelcome incident or incidents that is/are beyond the control of the individual, organisation or entity to whom these reports pertain. Increased publicity through “follow ups” exacerbate the situation. Managing such damage is imperative and should be instituted immediately. The table above shows that uMngeni-uThukela Water has also had instances of negative media and had to deal with them appropriately.



uMngeni-uThukela Water recognises that strong stakeholder relationships are the foundation of resilient communities. Through consistent dialogue, meaningful engagement, and a shared commitment to progress, we translate understanding into support, and support into sustainable water solutions.

BUSINESS MODEL AND PERFORMANCE INFORMATION

PART

B



9.0 ANNUAL PERFORMANCE REPORT



2024/2025 Performance Report against Predetermined Objectives

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

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

Collectively, the scorecard enables the organisation to achieve its ten Outcomes and ultimately its Mission, which is to create value for customers by providing water services at the right quality and quantity, within acceptable levels of reliability and affordability, to support sustainable economic development in KwaZulu-Natal.

For the period 1 July 2024 to 30 June 2025, the planned initiatives were implemented and progress was assessed by the entity. The detailed scorecard follows.

Percent indicators met: 97.59%

Percent indicators not met: 2.41%

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

For the Customer and Stakeholder Perspective: 100% performance was achieved, of which:

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

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

For the Financial Perspective: 95.53% performance was achieved, of which:

- SO 3 – Improve Financial Sustainability achieved 95.53%;

Key outcome: Financial Viability

For the Process Perspective: 100% performance was achieved, of which:

- SO 4 – Improve stakeholder engagement 100%;
- SO 5 – Improve governance processes achieved 100%;
- SO 6 – Improve internal efficiency and effectiveness achieved 100%;
- SO 7 – Increase customers and services achieved 100%;
- SO 8 – Improve product and service quality achieved 100%

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

For the Organisational Capacity Perspective: 93.75% performance was achieved, of which :

- SO 9 – Improve skills and competency achieved 100%;
- SO 10 – Improve the use of data and technology achieved 100%;
- SO 11 – Improve work culture achieved 100%.
- SO 12 – Increase supply security achieved 75.00%.

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

Figure 9.1.: uMngeni-uThukela Water Overall Performance

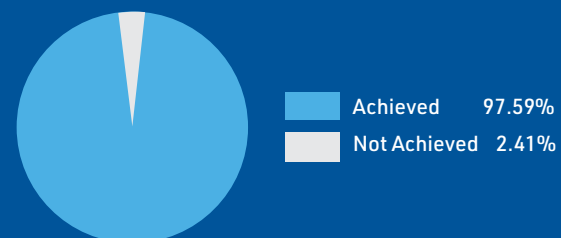
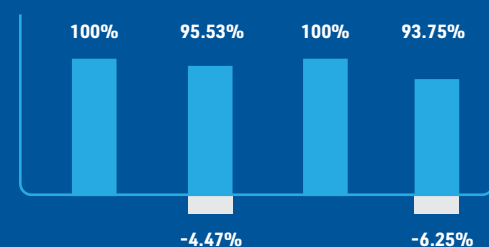


Figure 9.2.: Performance per Strategic Perspective



	Customer & Stakeholder	Financial	Process	Organisational Capacity
Achieved	100%	95.53%	100,00%	93.75%
Not Achieved	0%	-4,47%	0,00%	-6,25%

The detailed performance of the organisation against indicators and targets for 2024/2025 follows, with further expansion in each of the Annual Report chapters.

Scorecard 2024/2025

#	Result Indicator	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: CUSTOMER AND STAKEHOLDER PERSPECTIVE				
OUTCOMES: Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability				
Strategic Objective 1: Improve Stakeholder Value				
KPI 1:	Per cent Stakeholder Satisfaction improvement Action Plan milestones met	≥ 80%	87%	N/A
Strategic Objective 2: Improve Customer Value				
KPI 2:	Per cent Customer Satisfaction Improvement Action Plan milestones met	≥ 80%	86%	N/A
#	Result Indicator	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: FINANCIAL PERSPECTIVE				
OUTCOMES: Financial Viability				
Strategic Objective 3: Improve financial sustainability				
KPI 3:	Operating cash flows	≥ R 1587m	R 2773m	N/A
KPI 4:	Current Ratio (SHC)	≥ 1.5	2.08	N/A
KPI 5:	Debt to Equity ratio (SHC)	≤ 5.7%	5.66%	N/A
KPI 6:	Interest cover ratio	≥ 6.39	6.34	A variance of 0.05 is because of a decrease in operating profit due to an increase in expenditure, specifically the cost of Chemicals, Energy and staff.
KPI 7:	Number of debtor days (SHC)	≤ 66	50	N/A
KPI 8:	Per cent return on assets (SHC)	≥ 3.96%	5.38%	N/A
KPI 9:	Employee related costs as a % of total operating expenditure (SHC)	≤ 35%	25%	N/A
KPI 10:	Total s29 revenue	R 6.722bn ± 10%	R 6.698 bn (within allowable limit)	N/A
KPI 11:	Total expenditure (SHC)	R 7.271bn ± 10%	R 7.048 bn (within allowable limit)	N/A
KPI 12:	Total surplus (loss)	R 944m ± 10%	R1.407bn	Surplus exceeded the targeted higher range of R1 038m by R362m due to higher interest income from investments, which is higher than projected.
KPI 13:	Total s30 revenue (SHC)	R 1.263bn ± 10% 16% turnover	R915m 12% turnover	A variance of R221,7m from the lower range of R1.136bn and 4% is due to low sales for Greater Mbizana Ph2 project due to contract termination for DWS construction unit services
KPI 14:	Gross profit margin for primary activity (SHC)	≥ 52%	52%	N/A
KPI 15:	Net profit margin for primary activity (SHC)	≥ 12%	18%	N/A
KPI 16:	Gross profit margin for secondary activity (SHC)	≥ 30%	39%	N/A
KPI 17:	Net profit margin for secondary activity (SHC)	≥ 11%	21%	N/A

#	Result Indicator	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: PROCESS PERSPECTIVE				
OUTCOMES: Community and Environmental Sustainability, Stakeholder Understanding and Support, Operational Resilience, Operational Optimisation, Product Quality				
Strategic Objective 4: Improve Stakeholder Engagement				
KPI 18:	Actual vs Planned stakeholder management plan deliverables met	≥ 80%	84%	N/A
KPI 19 :	Invoice payment turnaround times	≥ 80% SMME invoices paid within 15 days of receipt	96% SMME invoices paid within 15 days of receipt	N/A
		≥ 80% Supplier invoices paid within 30 days of receipt	98% invoices paid within 30 days of receipt	N/A
KPI 20:	Number of statutory submissions made on time (Quarterly Reports, Annual Reports, Tariff, Corporate Plan, Policy Statement, SHC) (SHC)	17 submissions	17 submissions	N/A
KPI 21:	Actual B-BBEE spend as a % of total expenditure and Number of new B-BBEE entrants awarded work (SHC)	≥ 80%	131%	N/A
		≥ 10 new entrants awarded work	13	N/A
KPI 22:	Number of permanent and temporary jobs created (SHC)	HR report on new posts created on the permanent establishment	HR report on new posts created on the permanent establishment. 69 positions created	N/A
		≥ 500 capex jobs	525	N/A
Strategic Objective 5: Improve Governance Processes				
KPI 23:	Per cent actual vs planned controls improved	≥ 80% combined assurance milestones met	89%	N/A
KPI 24:	Per cent internal and external audit findings resolved within target dates	≥ 80% internal and external audit findings resolved within target dates	92%	N/A
KPI 25:	Increase in Risk Responsiveness of mitigation measures for all strategic risks identified	≥ 80% of strategic risks have a Response Effectiveness greater or equal to REASONABLE	80%	N/A
KPI 26:	Actual vs Planned Integrated Ethics Management Framework milestones met	≥ 80% Integrated Ethics Management Framework milestones met	100%	N/A
KPI 27:	Board / Committee meetings attended as a % of planned meetings (SHC)	≥ 80% Board / Committee meetings attendance	93%	N/A
KPI 28:	Resolutions taken by the board as a % of resolutions required (SHC)	≥ 80% resolutions taken	98%	N/A
KPI 29:	Unqualified audit report with no emphasis of matters (SHC)	Unqualified audit report with no emphasis of matters	unqualified audit opinion with a matter of emphasis	Please refer to the audit report
KPI 30:	Number of repeat and number of unresolved findings (SHC)	0 repeat findings ≤ 7 unresolved findings	0 repeat findings 0 unresolved findings	N/A
KPI 31:	Number of breaches in materiality and significance framework (SHC)	NIL	NIL	N/A

#	Result Indicator	Target	Actuals	Reason for Variance
Strategic Objective 6: Improve Internal Efficiency and Effectiveness				
KPI 32:	Number of alternate funding and pricing strategies developed	≥ 80% milestones on Business process performance Improvement met	100%	N/A
Strategic Objective 7: Increase Customers and Services				
KPI 33:	Total number of signed contracts (bulk supply agreements) in place as a % of total customers (SHC)	100% (6 of 6)	117%	N/A
KPI 34:	Per cent Directives implemented in accordance with plan (SHC)	≥ 80% planned implementation plan milestones met	90%	N/A
KPI 35:	Number of signed contracts/MOUs with rural Municipalities for provision of support (SHC)	≥ 2 Signed contracts/ MOUs	3 Signed contracts/MOUs	N/A
KPI 36:	Number of dysfunctional schemes in rural communities resuscitated	≥ 5 dysfunctional schemes resuscitated	5	N/A
Strategic Objective 8: Improve Product and Service Quality				
KPI 37:	Per cent compliance of WTW Systems with SANS 241 water quality standard per risk category (SHC)	Compliant with five SANS 241 categories: Acute Microbiological Health ≥99% Acute Chemical Health ≥ 97% Chronic Chemical Health ≥ 97% Operational ≥ 95% Aesthetic ≥ 95%	Compliant with five SANS 241 categories: Acute Health – Microbiological 99.60% Acute Health – Chemical 100% Chronic Health – Chemical 99.78% Operational 96.06% Aesthetic 97.57%	N/A
KPI 38:	Per cent compliance against Licence or General Authorisation or Green Drop Standards as a minimum (SHC)	9 WWTW ≥ 90% compliant 3 WWTW ≥ 80% compliant	9 WWTW ≥ 90% compliant 3 WWTW ≥ 80% compliant	N/A
KPI 39:	Per cent compliance against Coastal Waters Discharge Permit	≥ 85%	85.70%	N/A
S09: Improve Skills and Competency				
KPI 40:	Actual vs planned HR plans delivered to progressively close identified strategic skills gaps	≥ 6 Skills Development Programmes implemented	8 Skills Development Programmes implemented	N/A
KPI 41:	Number of staff terminations, excluding normal retirements, as a % of the total staff complement (SHC)	≤ 8%	1.54%	N/A
KPI 42:	Percent decrease in outsourcing of critical internal functions	≥ 80% Workshop Revitalisation milestones met	28% Workshop Revitalisation milestones met	A variance of 52% is because of delays in procurement processes which led to a late submission of the final Business plan which then contributed to non-execution of several milestones
		≥ 80% Rapid Response Team development milestones met	18% Rapid Response Team development milestones met	A variance of 62% is because of delays in procurement processes which led to a late submission of the final Business plan which then contributed to non-execution of several milestones

#	Result Indicator	Target	Actuals	Reason for Variance
Balanced Scorecard Perspective: ORGANISATIONAL CAPACITY PERSPECTIVE				
OUTCOMES: Operational Optimisation and Resilience, Leadership and Employee Development, Water Resources Adequacy, Infrastructure Stability				
Strategic Objective 10: Improve the use of Data & Technology				
KPI 43:	Actual vs planned Group ICT Strategy and Programme milestones met	≥1 Project completed	4	N/A
KPI 44:	Per cent RDI projects on track against planned milestones	≥ 70%	92%	N/A
Strategic Objective 11: Improve Work Culture				
KPI 45:	Per cent change management programme milestones met over total milestones	≥ 80%	88%	N/A
KPI 46:	Percent of Persons living with disabilities employed	≥ 2%	2.13%	N/A
Strategic Objective 12: Increase Supply Security				
KPI 47:	Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (SHC)	0 days > 24 hours	6.8 days > 24 hours	A variance of 6.8 days is because of the following interruptions. 1) Q3 - Supply disruption recorded at Lower Thukela WTW for 1.076days - Service water pipeline burst at Lower Thukela WTW; 2) Q3 - Supply disruption recorded at Nsezi WTW for 2.73days - Empangeni pump No 2 gasket failed which resulted in flooding of the pump station. Electrical components which are sensitive to water were affected and that required replacement of the cables which were affected. There was also a delay in getting the high voltage cable within market. 3) Q4 - Supply disruption recorded at Lower Thukela WTW for 3 days- HLP tripped due to motor failure at Lower Thukela WTW. Command Reservoir isolated.
KPI 48:	Avoidable water lost (mil m ³) over total water produced (mil m ³) (SHC)	≤ 5%	3.51%	N/A
KPI 49:	Per cent actual vs. planned CAPEX programme milestones met (SHC)	≥ 85% milestones met for strategic projects	85.29%	N/A
KPI 50:	Total CAPEX spent against budget (SHC)	R4 555m ±20%	R3 059m	A variance of R585m from the lower range of R3,644m is due to delays in procurement and CPG negotiation processes that resulted in late commencement of construction of a number of key infrastructure projects with significant financial value. Furthermore, delays in the conclusion of off-take agreements between UUW and Nyanza Metals also contributed to significant under expenditure.
KPI 51:	Capital expenditure for rural expansion (development) projects as % of total capex budget spent (SHC)	± 16% of Annual Capex Budget (R898m of R4 555m)	R1 005m 33%	N/A
KPI 52:	Repairs and Maintenance as a percentage of PPE (SHC)	R822m±10% ≥3% of PPE	R 798 m (within allowable limit) 6.93%	N/A
KPI 53:	Decrease in infrastructure theft, vandalism, and servitude encroachment incidents	≥95%	100%	N/A
KPI 54:	Per cent Environmental Sustainability Programme milestones met over total milestones	≥ 70%	90%	N/A

10.0 CREATING VALUE



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

10.1 Product Quality

Management Approach

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

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

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

All potable and wastewater sampling and analysis are undertaken in accordance with an ISO 9001 certified monitoring programme and SANAS 17025-accredited laboratory methods respectively. Information on water and wastewater effluent quality compliance is regularly conveyed to customers, stakeholders and regulators in accordance with the organisation's stakeholder communication plan. This data is also uploaded to the national Integrated Regulatory Information System (IRIS) as per the requirements.

uMngeni-uThukela Water supports the relaunch of the Department of Water and Sanitation (DWS) Blue Drop and

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

Potable Water Quality Performance

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

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

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

Table 10.1: DWS shareholder compact performance targets

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

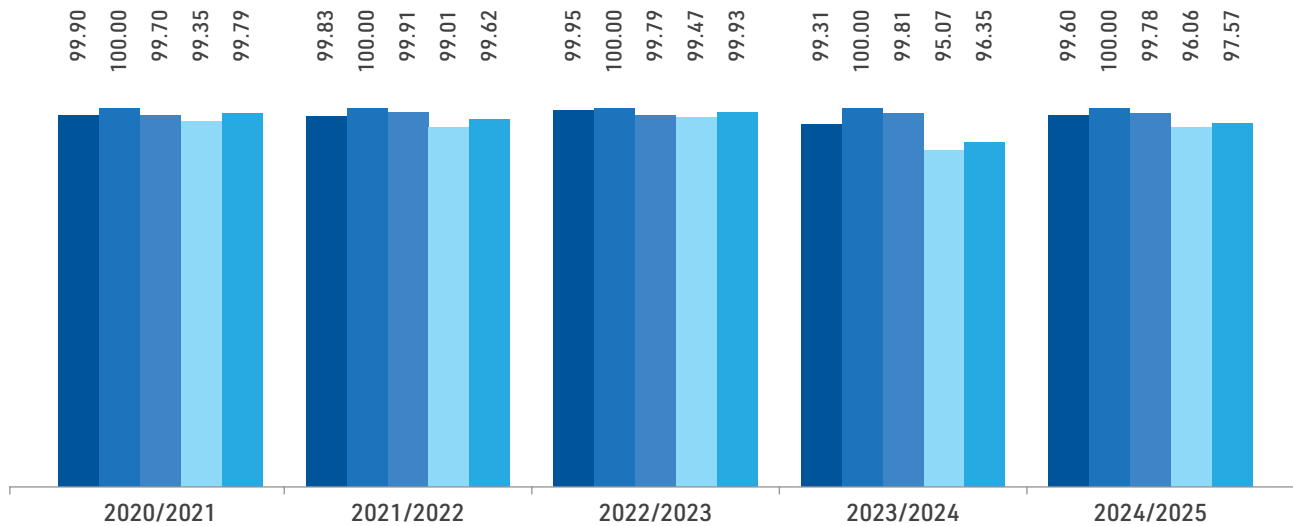
During the reporting period, all Water Treatment Works (WTWs) maintained and operated by the uMngeni-uThukela Water were measured against the Department of Water and Sanitation Shareholder Compact targets for Key Performance Area 1 (Bulk potable water quality compliance). All five (5) institutional potable water quality compliance targets referenced in the Shareholder Compact were achieved during FY2024/2025 (Table 10.2).

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

Risk	DWS Shareholder Compact Targets	Compliance Performance
Acute Microbiological Health	≥99%	99.60%
Acute Chemical Health	≥97%	100.00%
Chronic Chemical Health	≥97%	99.78%
Operational	≥95%	96.06%
Aesthetic	≥95%	97.57%

Overall, the aggregate/combined compliance of the potable water supply systems operated and maintained by uMngeni-uThukela Water achieved the specified targets in all the risk categories (Figure 10.1). The aggregate UUW water supply system for this reporting period (2024/2025) is constituted by UUW bulk water supply systems, as well as Umgungundlovu District Municipality (UMDM) schemes and King Cetshwayo District Municipality (KCDM) Schemes. UUW is contracted to operate and maintain on behalf of these District Municipalities. However, UUW's operation of KCDM water treatment systems was discontinued at the end of Q3.

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



Wastewater Quality Performance

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

Figure 10.2.: Wastewater Quality Compliance (%)

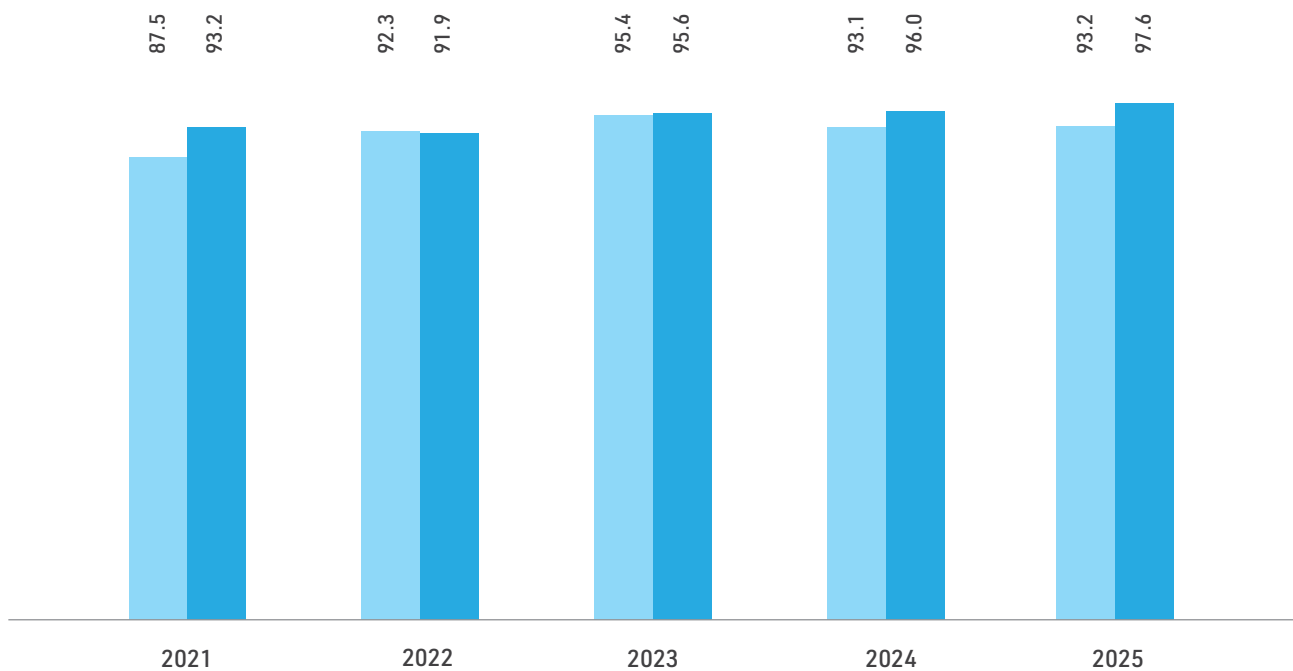


Table 10.3: Wastewater Compliance per Treatment Works

Wastewater Treatment Works		Average daily volume treated		Percent Compliance					
		(ML/d)	(%)	2021 Actual	2022 Actual	2023 Actual	2024 Actual	2025 Target	2025 Actual
1	Darvill	64.27	80.90%	84.05%	90.44%	94.57%	92.30%	≥ 90%	94.53%
2	Howick	9.62	12.11%	93.33%	95.56%	94.40%	92.73%	≥ 80%	92.97%
3	Ixopo	0.56	0.71%	88.13%	94.58%	93.33%	96.67%	≥ 90%	94.81%
4	Lynnfield Park	0.30	0.38%	96.79%	95.65%	96.79%	96.18%	≥ 90%	95.60%
5	Mpofana	3.23	4.07%	86.92%	87.30%	92.08%	92.36%	≥ 80%	94.76%
6	Richmond	0.59	0.74%	96.67%	99.17%	97.14%	96.09%	≥ 90%	97.50%
7	Cool Air	0.56	0.71%	100.00%	98.33%	97.69%	98.15%	≥ 90%	100.00%
8	Camperdown	0.07	0.09%	94.44%	100%	98.61%	98.61%	≥ 90%	100.00%
9	Appelsbosch	0.15	0.19%	97.22	93.06%	91.23%	97.44%	≥ 90%	97.62%
10	Albert Falls North	0.03	0.04%	100.00%	100.00%	100.00%	100.00%	≥ 90%	91.11%
11	Albert Falls South	0.05	0.06%	100.00%	100.00%	94.44%	96.67%	≥ 90%	100.00%
12	Trustfeed	-	-	-	-	-	-	≥ 80%	86.36%

Compliance per System

Compliance for twelve (12) wastewater treatment works (WWTW) was assessed against the relevant standards, with all twelve (12) WWTW being compliant with the set performance targets.

and the Environment (DFFE). The system comprises of two pipelines; the A-line which discharges industrial wastewater sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze; and the C-Line which discharges gypsum effluent from Foskor.

Coastal Discharges: Wastewater Effluent Quality Performance

The effluent discharged offshore is authorised by the Coastal Waters Discharge Permit (2012/02/KZN/MHLATHUZE WATER) issued by the Department of Forestry, Fisheries

and the Environment (DFFE). The system comprises of two pipelines; the A-line which discharges industrial wastewater sludge from Nsezi Water Treatment Plant and macerated sewage from the City of uMhlathuze; and the C-Line which discharges gypsum effluent from Foskor.

Compliance for two (2) coastal discharges was assessed against the Coastal Waters Discharge Permit, and the overall compliance met the performance target (Table 10.4). However, the A line recorded a decline in compliance which culminated in an annual compliance figure (83.70%) that is below 85%.

Table 10.4: Compliance to Coastal Water Discharge Permit

Effluent Line	Quarterly Cumulative				Cumulative Performance (Jul 24- Jun 25)
	2024/25 Performance Target	Q1 (Jul -Sep) 2024/2025	Q2 (Jul - Dec) 2024/2025	Q3 (Jul - Mar) 2024/2025	Q4 (Jul - Jun) 2024/2025
1. A line dilute	≥ 85.00 %	88.56%	85.14%	84.61%	83.70 %
2. C line dilute	≥ 85.00 %	89.32%	88.20%	87.54%	87.67%
Overall Compliance					85.70%
UUV Target					≥ 85%

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

A penalty system has been introduced as a deterrent for non-compliant discharges. Non-complying contributors are charged a penalty fee based on monthly failures.

10.2 Customer Satisfaction

Geographical Markets and Customers

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

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

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

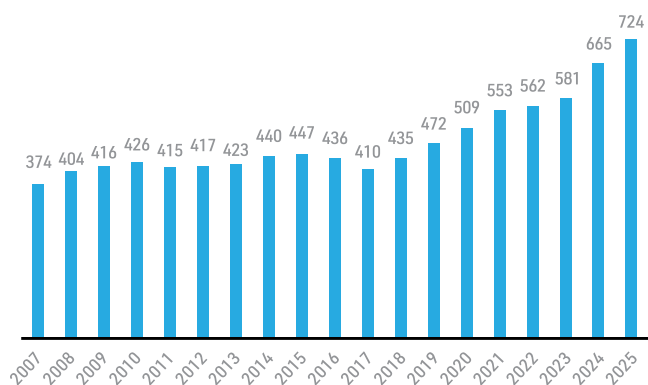
1. eThekweni Metropolitan Municipality:	Retain and grow
2. Msunduzi Local Municipality:	Retain and grow
3. iLembe District Municipality:	Retain and grow
4. uMgungundlovu District Municipality:	Retain and grow
5. Mhlathuze Local Municipality (City of Mhlathuze)	Retain and grow
6. King Cetshwayo District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

Bulk Provision and Infrastructure Assets

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

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

Figure 10.3: Customer Volumes Supplied (million m³)



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

- Approximately one thousand one hundred and sixty-seven (1 167) km of pipelines (water and wastewater) and fifty-three (53) km of tunnels.
- Fourteen (14) impoundments;
- Twenty-two (22) water treatment works;
- One (1) effluent pump station; and
- Twenty-three (23) wastewater treatment works

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

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

In the year under review, there were unplanned supply disruptions of 6.8 supply days in two of the 16 supply systems as follows :

- A supply disruption of 1.076 days at the Lower Thukela WTW during Quarter 3 as a result of Service water pipeline burst;
- A supply disruption of 2.73 days during Quarter 3 at Empangeni pump No 2 due to gasket failure which resulted in flooding of the pump station. Electrical components which are sensitive to water were affected and that required replacement of the cables. There was also a delay in getting the high voltage cable within market; and,

- A supply disruption of 3 days during Quarter 4 at Lower Thukela WTW for 3 days- HLP tripped due to motor failure at Lower Thukela WTW. Command Reservoir isolated.

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

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

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

Bulk Supply Agreements

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

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

Figure 10.4: Water and Wastewater Treatment Works Capacity and Utilisation

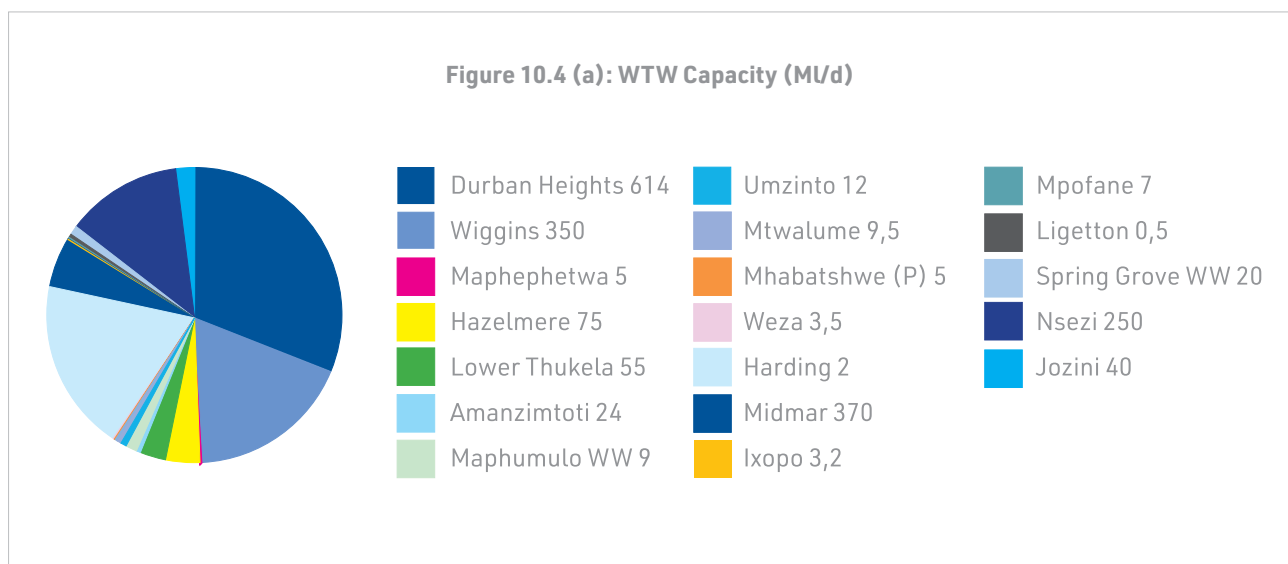


Figure 10.4 (b): WWTW % Utilisation

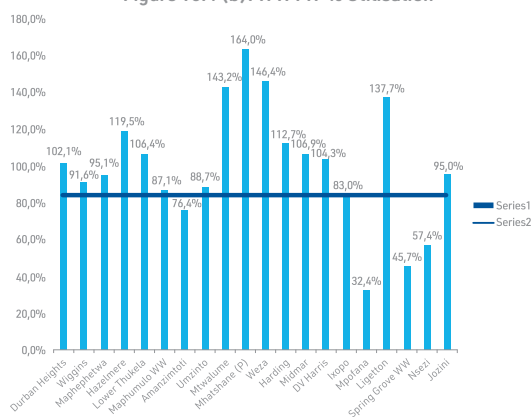


Figure 10.4 (d): WWTW % Utilisation

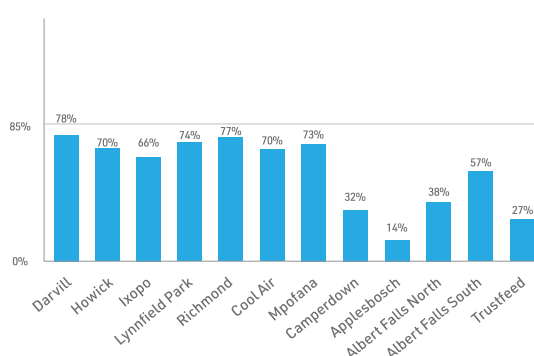
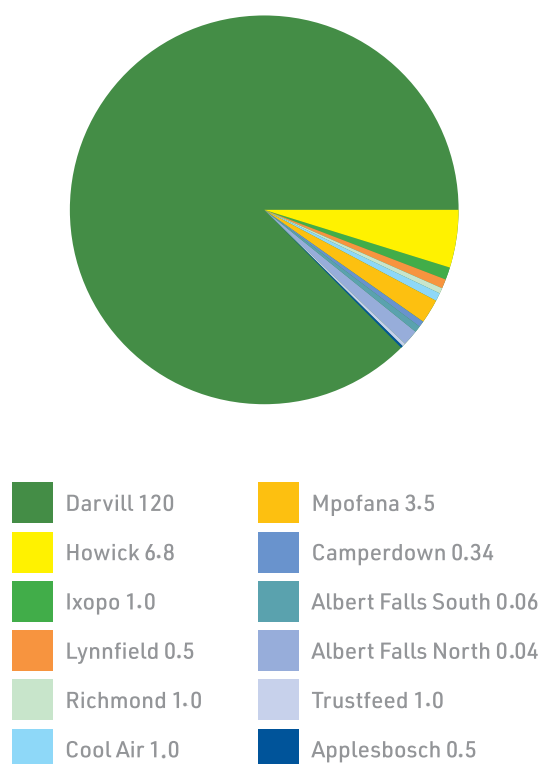


Figure 10.4 (c): WWTW Design Capacity (ML/d)



Supply Capacity and Constraints

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

Operational Performance and Service Planning

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

Conceptual plans for growth and expansion of water services and provision of universal access have been developed, for existing and new customers in KwaZulu-Natal (KZN). Discussion and communication with customers and stakeholders regarding these, notably implementation priorities and funding and financing will become the

focus over the next few years. Customer engagement and consultation is core to uMngeni-uThukela Water successfully extending access to unserved areas in KZN.

Drought Management

Most of KwaZulu-Natal including uMngeni-uThukela Water's area of operation, received relatively normal to above normal rainfall during the 2024/2025 rainfall season. The UUW rainfall station analysis, indicates that the inland and coastal region generally received above normal rainfall during the first half of the 2024/25 rainfall season. This resulted in all of the dams in the uMngeni-uThukela Water Operational Area reaching full supply capacity for most part of 2025. As a result of the relatively good rainfall season during the 2024/25 hydrological year, most UUW-operated dams are at an acceptable water resource status. However, it is important to note that the demand for water from various systems (e.g. uMngeni System) exceed sustainable levels, as a result, there is a critical need to make water conservation a priority.

The models are currently showing weather conditions to be in a neutral state, showing early signals of both La Niña and El Niño cycles for the latter part of 2025.

The raising of Hazelmere Dam wall has been completed and DWS issued an impoundment license towards the end of 2024. The dam storage level improved significantly and maintained full supply capacity since the beginning 2025. The repairs on iMvutshane Dam wall are complete and full impoundment took place after DWS issued a licence to impound in April 2025 marking the completion of the wall rehabilitation project.

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

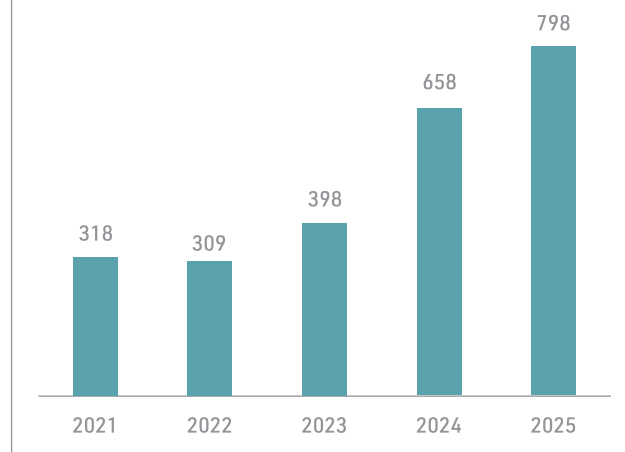
- The frequency of water resource monitoring, status updates and projections continue at an increased level;
- Advice and support for drought intervention initiatives is being provided to the Department of Water & Sanitation (DWS), Water Service Authorities and the KZN Department of Co-operative Governance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

Asset Condition, Maintenance and Management

Regular maintenance and inspection of all assets was undertaken in the reporting period as an intrinsic part of continued operations management. Maintenance is implemented in accordance with the asset management strategy and implementation plan for the year. This comprises planned maintenance – inclusive of preventative maintenance, repairs, redesign and modifications – complemented by ongoing unplanned, reactive and corrective maintenance. Assessments of the condition of assets remains a vital part of determining the useful life and future investments required to maintain the level of service to customers. In the reporting year the total asset maintenance spend was R798m (Figure 10.5).

Over the years uMngeni-uThukela Water has continued to maintain its assets and invested 6.93% on asset maintenance. Based on assessments conducted over the past year, there are no assets that pose significant risk to supply and the organisation does not envisage major interruptions.

10.5: Maintenance spend (Rm)



Water Loss Management and Metering

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

10.3 Infrastructure Stability

Management Approach

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

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

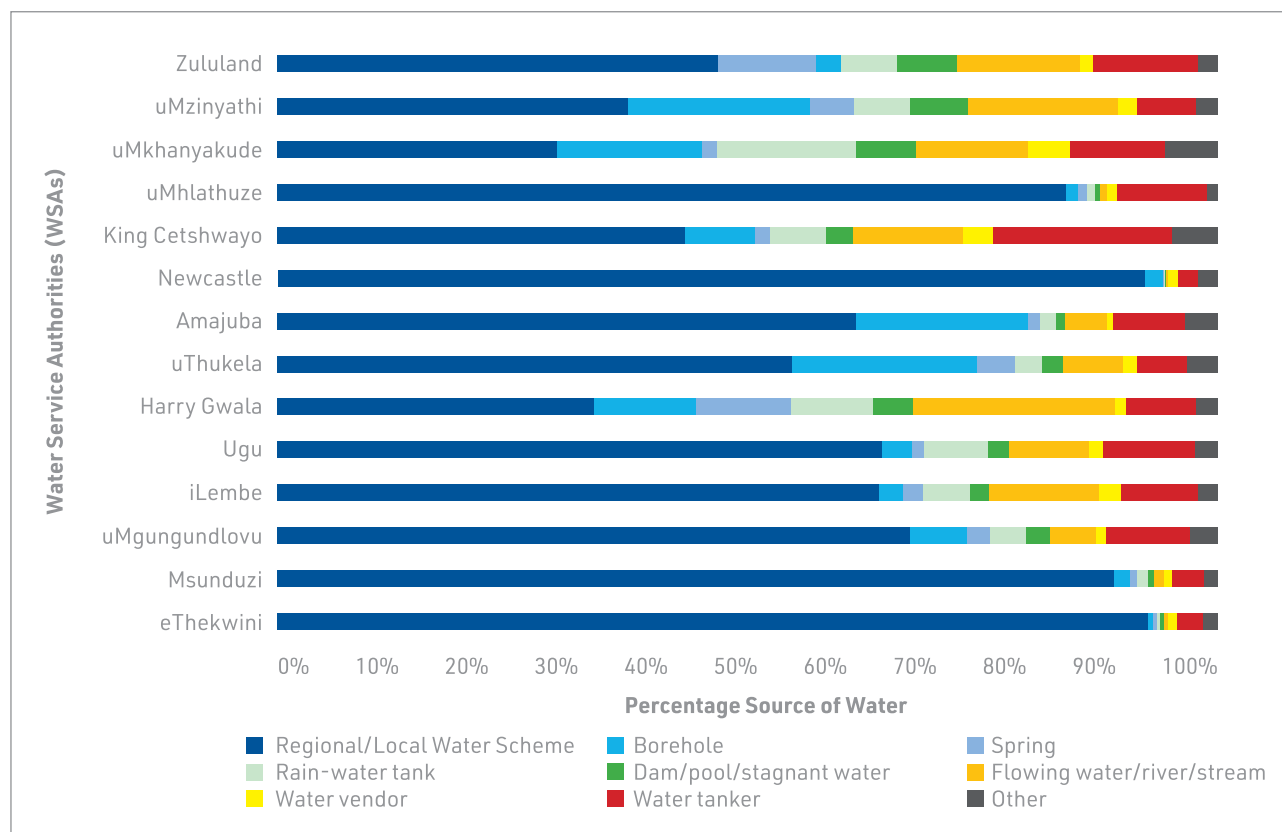
In implementing infrastructure projects, uMngeni-uThukela Water prioritises the use of local labour as its preferred workforce to facilitate skills transfer and economic support to local communities. uMngeni-uThukela Water further ensures that there is meaningful Broad-based Black Economic Empowerment (B-BBEE) by enforcing policies that drive the provision of meaningful economic opportunities to targeted enterprises.

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

Status of Water Access in the Supply Area

Within uMngeni-uThukela Water's area of focus in the reporting period, access to potable water inside the dwelling/ house/ yard comprise 70% of the total number of people with access to water (Figure 10.6 – Census 2022). There are many areas that fall outside the supply of uMngeni-uThukela Water's bulk water infrastructure footprint, that are still not benefiting from any other water schemes. In addition, components of the served areas that are characterised by small schemes have been found to be unsustainable.

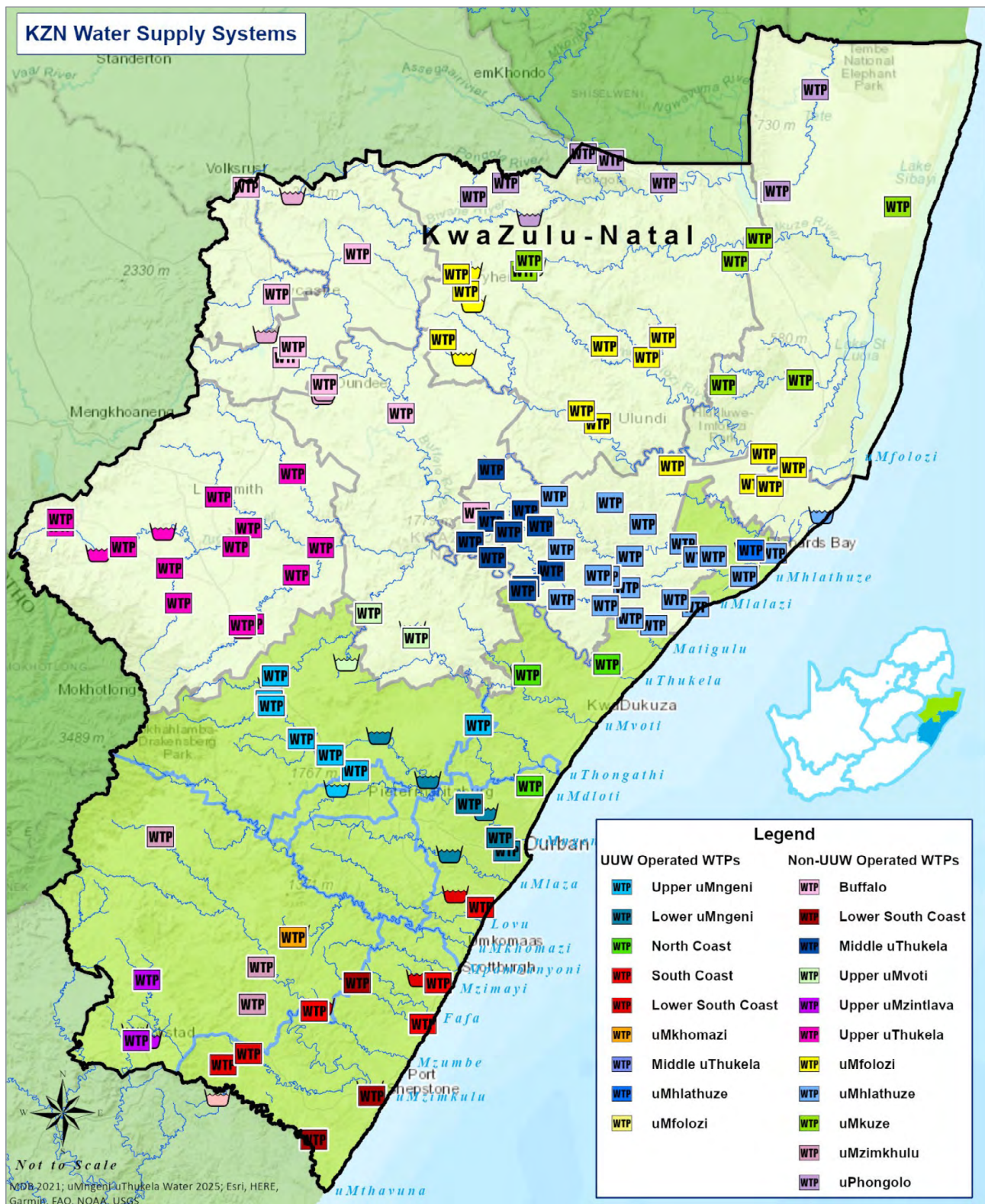
Figure 10.6: Main Source of Water for Drinking by WSA (Stats SA, Census 2022)



Universal Access Plan

Working closely with national and provincial stakeholders in KwaZulu-Natal, uMngeni-uThukela Water completed the planned development of Universal Access Plans (UAPs) for all Water Services Authorities (WSAs) in KwaZulu-Natal in 2019. The outputs comprise conceptual bulk water supply scheme plans per municipality for all KZN. The plans reconcile backlogs and growth in demands with bulk infrastructure to meet the needs for the 2045 planning horizon. The plans further include the secondary bulk that would be needed to link regional schemes to community areas.

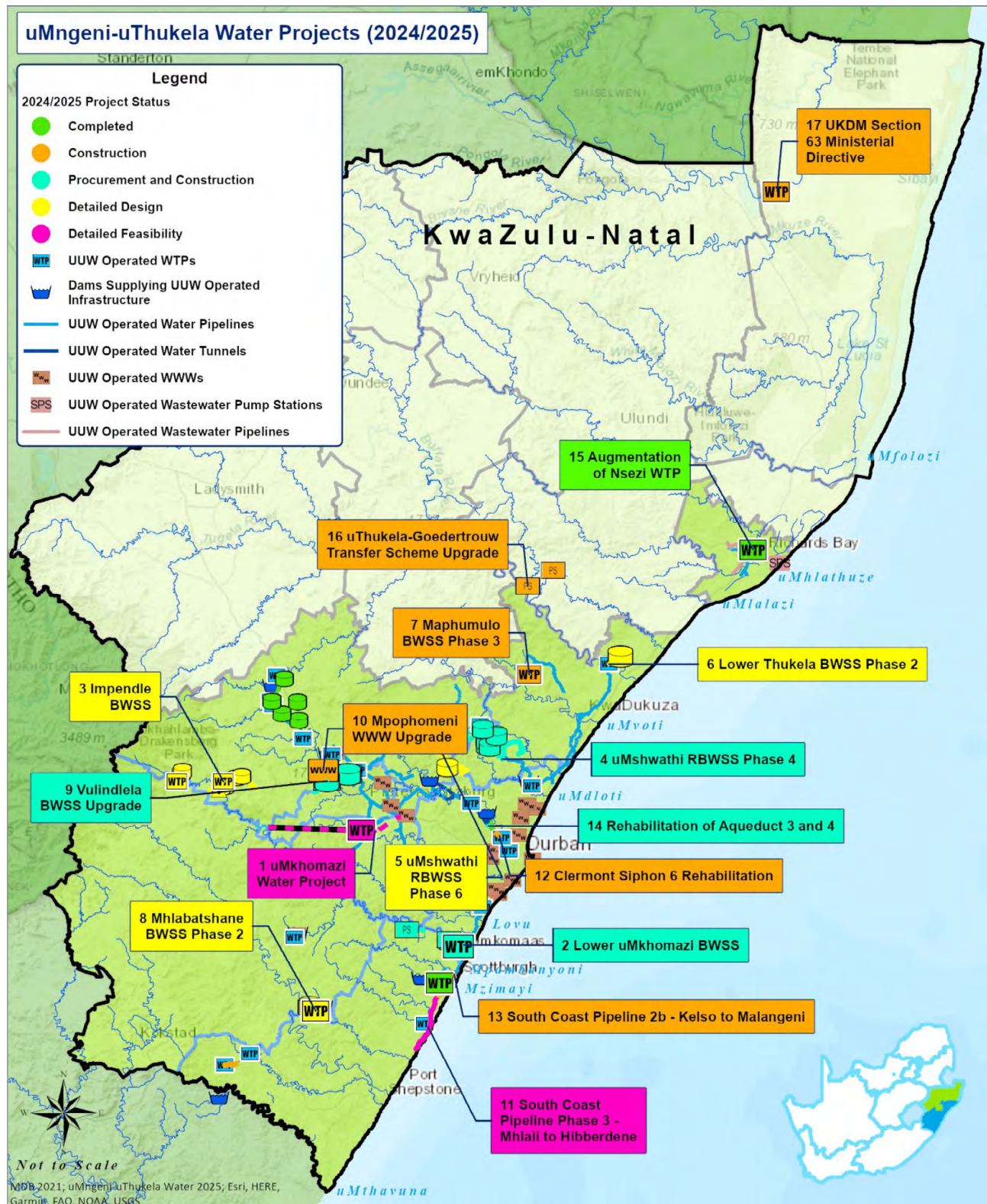
In addition to the UAP suite of projects, uMngeni-uThukela Water has developed bulk water Infrastructure Master Plans for the entire province of KwaZulu-Natal. They are available on the uMngeni-uThukela Water website and provide an understanding of the status quo of the existing water resource and supply infrastructure as represented by Figure 10.7 (a) and Figure 10.7 (b), the expected future supply needs and recommendations for infrastructure projects to provide regional supply to all areas.

Figure 10.7 (a): KZN Primary Water Supply Systems as identified in the uMngeni-uThukela Water Infrastructure Master Plan 2024

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

uMngeni-uThukela Water's Current Bulk Infrastructure and Supply Footprint and the Status of Bulk Infrastructure implemented in the reporting period are shown in **Figure 10.7 (b)**.

Figure 10.7 (b): Current Bulk Supply Footprint and Status of Bulk Infrastructure implemented in the reporting period under review



Performance with Capital Infrastructure Plan

Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year was R3 059m, of which R2 946m was spent on infrastructure work and R1 005m of this amount went towards projects for rural development as shown **Figure 10.8**. Greater than 85% of planned milestone targets were met on infrastructure projects. Key projects implemented are shown in **Table 10.5**.

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

Figure 10.8: Capital Infrastructure Implemented (Parent) (RM)

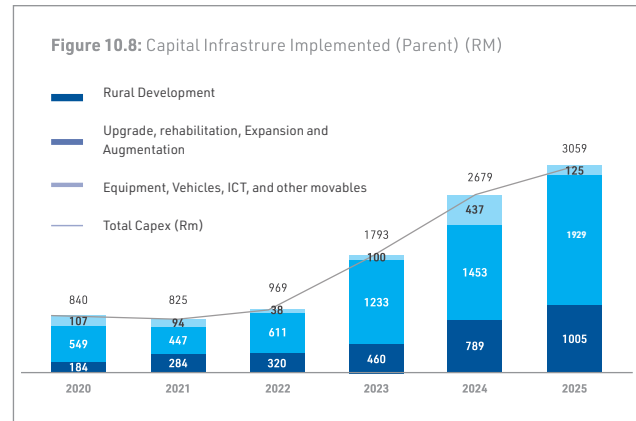


Table 10.5: Major Projects Implemented in 2024/2025

	Project Name	Project Status	Objective	Major Customer	Total Project Budget (Rm)
1	uMkhomazi Water Project	Detailed Feasibility	Augmentation	eThekweni MM, uMgungundlovu DM	8 856
2	Lower uMkhomazi Bulk Water Supply Scheme	Procurement and Construction	Augmentation	eThekweni MM, Ugu DM,	6 191
3	Impendle BWSS: Stepmore	Detailed Design	Rural Expansion	uMgungundlovu DM Harry Gwala DM	260
	Impendle BWSS: Nzinga	Detailed Design	Rural Expansion	uMgungundlovu DM	649
4	uMshwathi BWSS Phase 4 (Southern Ndwedwe)	Procurement and Construction	Rural Expansion	iLembe DM	1 362
5	uMshwathi Phase 6	Detailed Design (On-Hold)	Rural Expansion	uMgungundlovu DM	322
6	Lower Thukela BWSS Phase 2	Detailed Design	Rural Expansion	iLembe DM	1 406
7	Maphumulo BWSS Phase 3: WTW Upgrade (6ML/d to 12ML/d)	Construction	Rural Expansion	iLembe DM	396
8	Mhlabatshane Sub-Regional Scheme Ph 2	Detailed Design & Construction of access road	Rural Expansion	Ugu DM	852
9	Vulindlela BWSS Upgrade	Procurement and Construction	Augmentation	Msunduzi LM	633
10	Mpophomeni Wastewater Treatment Works (WWTW)	Construction	Rural Expansion	uMgungundlovu DM	554
11	South Coast Pipeline Phase 3	Detailed Feasibility	Expansion	Ugu DM, eThekweni MM (Ward 99)	820
12	Emergency Rehabilitation to Nagle Aqueduct 3 & 4 Siphon 6 Clermont Siphon 6 Rehabilitation	Project has been suspended due to other active projects on Nagle Aqueducts.	Rehabilitation	eThekweni MM	194
13	South Coast Pipeline Phase 2B	Construction	Expansion	eThekweni MM, Ugu DM	339
14	Rehabilitation of Nagle / Durban Heights / Inanda / Wiggins Systems/	Construction	Rehabilitation	eThekweni MM	164
15	Augmentation of Nsezi Water Treatment Works	Complete (Contract 1)	Augmentation	uMhlathuze Local Municipality	525
16	Thukela-Goedertrouw Transfer Scheme Upgrade	Construction	Upgrade	King Cetshwayo DM and Local Farmers	420
17	UKDM Section 63 Ministerial Directive	Construction	Refurbishments, Upgrades, Replacements and New infrastructure	UKDM	1 300

Customers Targeted and Progress with Key Bulk Infrastructure Developments

(1) uMkhomazi Water Project

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

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

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

Significant progress has been made on the Umkhomazi Water Project Phase 1 across multiple work streams, marking key milestones in funding, procurement, and operational readiness. The Capital Expenditure (Capex) Committee has approved the release of funds for all packages ie the Water Treatment Plant, Reservoir and Pipeline. A significant step toward mobilising the required technical expertise. The appointment of WTW PSP has been concluded.

Operational readiness has also progressed well, with the KwaZashuke Tribal Authority formally granting TCTA access to the site to begin geotechnical investigations. This approval allows essential early-stage work to proceed

without delay and is running concurrently with ongoing stakeholder engagements involving TCTA, uMngeni-uThukela Water (UUW), and other Tribal Authorities. These discussions aim to resolve outstanding issues and ensure continued community support for the project. In terms of governance and coordination, the second Project Committee meeting is scheduled for September 2025, providing a platform to review progress, align on next steps, and enhance collaboration. Additionally, the Political Steering Committee meeting is expected to take place in October 2025, pending confirmation by the Minister, and will play a crucial role in maintaining political oversight and strategic alignment at the highest levels of government.

(2) Lower uMkhomazi Bulk Water Supply Scheme

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

The planned infrastructure comprises:

Phase 1: Consists of a 10 million meter cube dam at Ngwadini and two approximately 146ML/day Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and 25ML Raw Water Reservoirs; the construction of Ngwadini Advance Works to prepare for the construction of Ngwadini Dam and Associated Structures was completed in April 2024 where R37million was spent of Local CPGs and approximately R8.3million of local labour including labour intensive activities, i.e. clearing of the dam basin. Construction of Goodenough Raw Water Rising Main, Reservoir & Gravity Main, construction expected to commence in September 2025. Goodenough Abstraction Works & pumping system, works commenced on the 1 June 2022, and progress to date is approximately 80%. Time elapsed is 81.8% based on the due completion date of 11 April 2026. Expenditure to date is 90%. Ngwadini Dam and Associated Structures, works commenced on 17 January 2024, progress to date is approximately 50%. Time elapsed is 46% based on the due completion date of 18 July 2027. Expenditure to date is 41%. Construction of Ngwadini Abstraction Works, Pumping System and Rising Main, work commenced on 24 January 2025, progress to date is approximately 5.5%. Time elapsed is 13.8% based on the due completion date of 30 May 2028. Expenditure to date is 9.3%. Overall, the project is planned for completion in November 2028.

Phase 2: a 100ML/d Water Treatment Works, storage reservoir and Bulk Potable Water Pipeline. The detailed feasibility and preliminary designs were completed in 2017 and the detailed design was completed in 2021. The design documentation stage is complete. WTW went out to tender but due to legal proceedings the process has stopped until the court outcome is finalised. Project is planned for completion in December 2029. The Earthworks contract which

was in preparation of the Water Treatment Works was completed in April 2023, where R86M was spent on local SMME's and more than R3.9M was spent on local communities through temporary employment.

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

(3) Impendle Bulk Water Supply Scheme

Stepmore Scheme

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

The Bulk Water Supply Scheme: Stepmore Scheme is designed to supply 1.6ML/d upgradeable to 3ML/d. Construction of the Stepmore scheme is planned to commence in 2026, with targeted completion in the latter part of the year in 2028. Design and Tender documentation are complete and being reviewed in preparation for Tender Advert. While Environmental authorisation, Land and servitude acquisition are being reviewed to align with recent design amendments and revised regulations. The variance in program was unavoidable to address design technical requirements and those requested by the WSA.

Nzinga Scheme

Serves uMgungundlovu District Municipality (Impendle Local Municipality)

The Bulk Water Supply Scheme: Nzinga Scheme is designed to supply 13ML/d upgradeable to 18.5ML/d. The detailed design for the Nzinga is 45% complete. Construction of the Nzinga scheme is planned to commence in 2027, with targeted completion early 2030. The Environmental Impact Assessment, Land and servitude acquisition are underway incorporating conceptual design outcome and amendments to the applicable regulations including H&S and those from WSAs. The variance in program was unavoidable to address design technical requirements and those requested by the WSA.

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

Serves iLembe District Municipality and the Southern Ndwedwe areas

The scheme will draw 22.85 ML/d bulk potable water from the existing 12ML Ozwathini Reservoir and supply by gravity to the entire Southern Ndwedwe area, under

the Ndwedwe Local Municipality. The detailed design stage is complete. The three work packages are at various stages of implementation. The pipe supply contract was awarded in June 2023 and completion was achieved in March 2025. Work package 2 was awarded and is 70% complete and final completion envisaged in October 2025. Work package 3 to be advertised for construction by end of October 2025. Procurement for the appointment of an independent Environmental Control Officer was concluded at the end of May 2024..

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

Serves uMgungundlovu and iLembe District Municipality and eThekweni Metro

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

(6) Lower Thukela Bulk Water Supply Scheme Phase 2

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

The project will upgrade the existing Lower Thukela Water Treatment Works from 55ML/d to 110 ML/d. The detailed design has been reviewed by an external PSP and currently the recommendations received are being incorporated. The Engineering Services team is also preparing the construction tender document for advertising towards the end of 2025.

(7) Maphumulo Bulk Water Supply Scheme Phase 3

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

Phase 3 includes the upgrade of the Water Treatment Works from 6ML/d to 12ML/d plant, raw water abstraction and booster Pump Stations. The upgrade of the Pump Stations is complete. The Construction of the Water Treatment Works is 95% complete, Upgrade of Filters, Clarifiers, Reservoir, Reactor, Administration building, Chlorine room and Head of Works are complete. The Environmental Authorisation, Works Permit, WULA and Waste Management Licence are all in place and the project is in compliance with all Legislation requirements. The planned practical completion date is October 2025, on automation. The manual commissioning has begun to deliver the desired water supply volumes of 12ML/d. The rehabilitation of Imvutshane Dam is completing, snagging is underway.

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

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

The infrastructure development comprises an abstraction works on the Mzimkhulu River, pump station and pipeline to deliver water to the Mhlabatshane Water Treatment Works and an upgrade of the Water Treatment Works from 4ML/d to 12ML/d supply. Environmental Authorisation was granted and scheduled to be presented on 2 September 2025. Design amendments anticipated. Review of draft design and update of design taking into account EA to commence in September 2025.

(9) Vulindlela Bulk Water Supply Scheme Upgrade

Serves Msunduzi Local Municipality

Phase 1 & 2 includes a new 20ML reservoir, 6km of pipelines (rising main and gravity pipelines), one Pump Station at Howick West Reservoir and two at Mpophomeni, 9.37km rising mains and a new 10ML Reservoir at Mpophomeni. The construction of Phase 1 has commenced and 80% completion in line with the latest programme. Phase 2. has been amended to include additions to ensure UUW's Operations are inline with the latest equipment and construction is inline with best guaranteed supply. Added pipe route to the original design has been concluded as well the as environmental approval process. Phases 1 and 2 are planned to run concurrently with a targeted completion date of 2027. Delays in implementing Phase 2 are due to outstanding compliance to Ezemvelo KZN Wildlife requirements and permission to occupy the proposed rising main routes through private property.

(10) Mpophomeni Wastewater Treatment Works

Serves uMgungundlovu District Municipality and uMngeni Local Municipality

The infrastructure development consisted of a 6ML/d Wastewater Treatment Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020. The project has reached practical completion stage with only commissioning activities remaining.

(11) South Coast Pipeline Phase 3

Serves the Umdoni, Umzumbe and Ray Nkonyeni Local Municipalities within the Ugu District Municipality, and Ward 99 of eThekweni Metro

The South Coast Pipeline is intended to provide a supply of potable water to the South Coast Region via a single bulk pipeline that will stretch from the Quarry reservoir in Umkomaas to the Catalina reservoir in the town of Hibberdene. Phases 1 and 2A are complete, with Phase 2B currently undergoing construction. South Coast Pipeline Phase 3 (SCP Ph3) will extend the scheme from Umdoni to Mthwalume and then to Hibberdene,

and will also augment Phase 1B and Phase 2A, as the existing diameters are insufficient. Phase 3 is currently at Detailed Feasibility and Preliminary Design Stage, which was completed in August 2024, (Gate 4 review scheduled for August 2025), with Construction targeted to commence in June 2028. Environmental assessments have commenced, as well as landowner consultations. Both are making good progress. Detailed design is scheduled to commence by December 2025. At the Gate 4 review, the only major finding was the need to conduct further work for costed options of crossing the seven major rivers. A variation order was therefore submitted and approved to address that finding. This includes further geotechnical investigations at the seven major rivers, including drilling of boreholes (for geotech). That particular work is scheduled to be complete by September 2025 and meetings with SANRAL are ongoing (options of using existing SANRAL bridges for crossing the seven major rivers). The estimated cost of the project is now at R1.4billion (includes detailed study, design, construction and site supervision, excluding VAT). The water source for the SCP Ph3 project/pipeline is the Lower uMkhomazi Bulk Water Supply Scheme, which is in construction. Consequently, the SCP Ph3 project is somewhat behind on implementation and work is being fast tracked by UUW. Furthermore, the supply area is in desperate need for the potable water, which makes the SCP Ph3 a critical project for UUW.

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

Serves eThekweni Metropolitan Municipality

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

This project is currently suspended due to the emergency rehabilitation to Nagle Aqueducts 1 & 2 project which had to be implemented in April 2022 - this project was completed. However, post this project, investigative studies had revealed that the rehabilitation to the elevated structures and the cement mortar lining had to be implemented immediately. As a result, the CML project is underway and once it is completed, work on the slip lining project can commence.

(13) South Coast Pipeline Phase 2B

Serves Ugu District Municipality, including Pennington, Kelso, Malangeni and Shayamoya

The pipeline is designed to supply approximately 16.7ML/d and will link Scottburgh South to Pennington and then to Malangen Reservoir. The contract was awarded in August 2020 and construction commenced in March 2021. The Project is currently undergoing the complex construction of the N2 Umzinto Pipe Bridge. The project is at 95% complete and is envisaged to be completed and commissioned in March 2026, with an estimated project cost of R 481 000 000.00 and local CPG participation development and SMME development worth R 187 590 000 (39%).

(14) Rehabilitation of Nagle/ Durban Heights/ Inanda/ Wiggins Systems

Serves eThekweni Metropolitan Municipality

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

- Emergency Rehabilitation to Aqueducts 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Project has been awarded and the appointed contractor was scheduled to commence with work however the April 2022 floods had damaged Nagle Aqueducts 1 & 2. Subsequently, the Nagle Aqueducts 3 & 4 could not be handed over to the contractor and the project has been suspended until the Emergency Rehabilitation of Nagle Aqueducts 1 & 2 has been completed - Project is currently suspended until the CML project has been completed.
- Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under the Rehab. The rehabilitation of the Nagle Aqueducts 1 & 2 is currently underway. The Project is 98% completed with a due completion date of November 2025.
- Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Project is scheduled to only be implemented once the Emergency Rehabilitation to Nagle Aqueducts 1 & 2 as well as the slip-lining project for Nagle Aqueducts 3 & 4 Siphon 6 has been completed. Project is to be undertaken by Project Office.
- Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts - Project is being undertaken by Project Office - Currently the PSP has been appointed and the finalisation of scope is currently underway.
- PSP appointment underway for upgrade/rehabilitation of Old, New degs and pulsator clarifiers at Durban Heights - This is part of the Filters scope for Durban Heights that is being implemented by Project Office.

(15) Augmentation of Nsezi Water Treatment Works

Serves uMhlathuze Local Municipality

The project entailed an increase in capacity of the Nsezi water treatment plant from 205ML/day to 260ML/day, through construction of additional water treatment process units. The project has been successfully completed and handed over to Operations. The defects and liability period will conclude in August 2025 at which point the final Approval Certificate will be issued.

(16) Thukela-Goedertrouw Transfer Scheme

Serves King Cetshwayo District Municipality (KCDM) and Local Farmers

The project entailed completion of the upgrade of the Thukela-Goedertrouw transfer scheme to duplicate the existing scheme and transfer an additional 1.2 m³/s of raw water from the uThukela River to the Mvuzane River, a tributary of the Mhlathuze River, upstream of the Goedertrouw Dam. Thukela-Goedertrouw transfer scheme has achieved practical completion in all aspects of the project despite power supply challenges. Provision for interim power supply were implemented while the process for a permanent power supply is ongoing. The project commissioning commenced in June 2025.

(17) uMkhanyakude District Municipality Section 63 Ministerial Directive

Serves four (4) Local Municipalities with UKDM

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

A total of 28 business plans were submitted and approved by DWS in four local municipalities within uMkhanyakude District Municipality (UKDM). Currently all 28 projects are at construction stage, with six (6) completed and the progress for five (5) projects is 95% complete. The overall progress of the remainder of the projects is averaged at 77%

10.4 Economic Empowerment

Management Approach

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

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

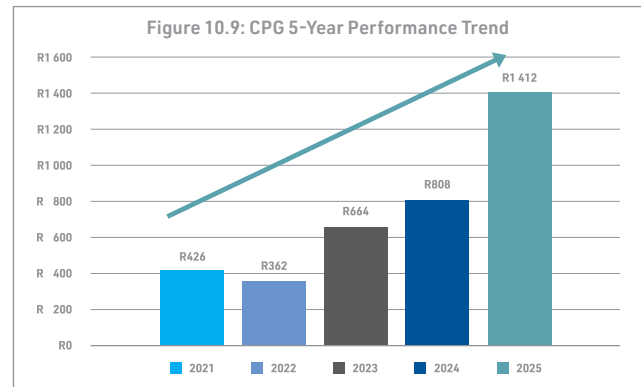
Contract Participation Goals

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

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

An average of 35% was achieved with a total CPG value of R1,412bn. R601m (15%) was awarded to Black women-owned enterprises. Local businesses in the project footprint benefitted to the value of R399million which represents 10% of the value of contracts awarded.

Through this CPG programme, more than R1,412bn was awarded to targeted enterprises. Below in **Figure 10.8** is the graphical representation of uMngeni-uThukela Water's 5 year CPG performance in Billions of Rands.



B-BBEE Spend Performance

uMngeni-uThukela Water continues to monitor and ensure sourcing from B-BBEE compliant suppliers. The B-BBEE spend target of $\geq 80\%$ for the reporting period was achieved. Spend performance for the year exceeded 100% (131%).

Of the new CPGs added to the database, 40 were awarded work for the first time at uMngeni-uThukela Water.

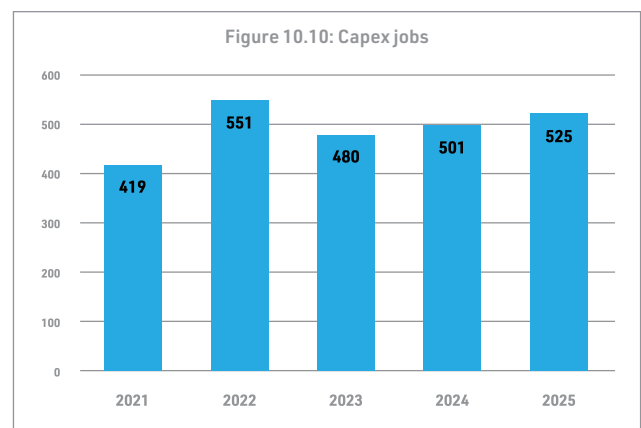
Monitoring B-BBEE/ CPG implementation of awarded contracts is undertaken to confirm that:

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

Skills Development and Job Creation

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

uMngeni-uThukela Water continues to monitor jobs created through its Capex Programme. In the year under review, a total of 525 temporary jobs were created refer to figure below



10.5 Corporate Social Investment

Management Approach

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

- **Strategic / Discretionary CSI:** These are initiatives that are implemented at the discretion of the Chairperson of the Board and the Chief Executive;
- **Targeted CSI Initiatives:** These initiatives are submitted in response to the call for CSI proposals, from different targeted areas within uMngeni-uThukela Water's area of operation. Ideally, these initiatives will assist to build relationships in the areas where uMngeni-uThukela Water will be rolling out Capex projects; and,
- **Legacy Projects:** These initiatives are meant to leave a physical and visual memento, for the communities to remember uMngeni-uThukela Water for years to come.

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

- Education, Training and Skills Development;
- Public Health and Community Support;
- Environmental Conservation; and,
- Volunteerism and Support.

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

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

Water Education and Community Outreach

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

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

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

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

Themed Activations

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

Schools and Community Outreach Programmes:

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





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

The areas reached were as follows:

- eThekweni Municipality: Durban North, Merewent and Hazelmere Dam, Hammarsdale, KwaMashu, Silverglen, KwaXimba, Amahlongwa; Kensington (Morningside area), KwaNyuswa, KwaMashu, Dube Trade Port, Cato Manor, Umlazi, Westville and Riverside
- Umzumbe LM: Esibanini, Nseni, Kwasosibo and Turton
- Msunduzi LM: KwaMpumuza, Sweetwaters (Gandaganda, Tailors and Mabane areas), Vulindlela, Sobantu, Botanical Gardens Nyamazane, Copesville, KwaMpumuza, Ngqebeni, KwaPata and the CBD
- Impendle LM: Novuka, Impendle Village, Inguga and Stoffelton
- Umshwathi LM: Trustfeed/Wartburg and Albert Falls Dam
- Mkhambathini LM: KwaMyavu/Ophokweni, Enkanyezini and Camperdown
- Richmond LM: CBD, Inhlazuka, KwaGengeshe, Hopewell, Silahla and Thornville
- Umngeni LM: Howick, Shiyabazali, KwaMpumuza, Copesville and Mpophomeni
- Ndwedwe LM: KwaNodwengu, Nsuze-Dalibho
- KwaDukuza LM: Gledhow, Shakaville and Darnall
- Maphumulo LM: Khazimula, Nyamazane and Maqumbi
- Mandeni LM: Sundumbili and Kwasithebe and Waterfall
- Umlalazi LM: Eshowe Dr Nkosazana Dlamini Zuma LM: Amangwane

Schools outreach engagements were conducted at 94 schools within UuW's operational area. 18 Workshops for educators representing various schools were conducted in Vulindlela (Emafakatini and Nadi Areas), Sweetwaters, Sobantu, Enguka, Vulindlela/Nadi, Bulwer, Mbali, Fernhill, Groutville, Nagina.

Inanda, Ntuzuma, KwaMashu, Chatsworth, Phoenix and Cato Manor). 40 Plant tours were conducted for schools and higher institutions of learning at Durban Heights Water Treatment Works, Lower Thukela Water Treatment Works, Midmar Water Treatment Works, Umzinto Water Treatment Works, Mhlabatshane Water Treatment Works and Darvil Wastewater Treatment Works and Howick Wastewater Treatment Works.

Adopt-A-School Programme:

The schools adopted during the reporting period were part of the schools that have been adopted for a period of three years, from July 2022 until June 2025. The distribution of the 21 adopted schools are as follows: six (6) schools within UMgungundlovu District Municipality, one (1) school within Harry Gwala District Municipality, three (3) schools in eThekweni Metropolitan Municipality, four (4) school in Ugu District Municipality and seven (7) schools within iLembe District Municipality.

Activities implemented at these schools included waste management, climate change, Cleaning and greening awareness, tree planting, career guidance, Invasive plants, marine awareness, handwashing, health, hygiene and sanitation awareness, wetlands and water awareness, tapped buckets for each classroom sponsored to each school to be used for water management, Earth Day Awareness, Biodiversity Awareness, World Environment Day Awareness as well as Water and Dam Safety Awareness. Umhloti Primary attended the Reptile Awareness Workshop held at Hazelmere Dam. CSI Handover was done at Egori Primary. The funds were used for a new school gate as well as a jungle gym for the Grade Rs. Zamukwe Primary visited Mhlabatshane WW for a site tour and Umhloti Primary attended a Biodiversity Day Awareness programme held at Hazelmere Dam.

Institutional Support and Development (ISD)

Institutional Support and Development (ISD) is one of the vehicles that the organisation is using to engage more broadly with the community and in ways that promote participation and collaborated decision making. This is due to the realisation that the organisation cannot solve complex problems without the combined efforts of the community it



serves. Whilst there has been improvement and less project disruptions due to the early involvement of ISD and the Social facilitation teams, there is much work to be undertaken in the rollout of strategies that will ensure community buy-in when it comes to local business participation.

During this financial year, 22 projects were supported under ISD. Eighteen of the projects were managed successfully without any stoppages, and four were completed. uMngeni-uThukela Water has ensured that meaningful community inclusion and sustainable development is undertaken by fostering local community engagements, providing economic opportunities, and enhancing social cohesion as highlighted below.

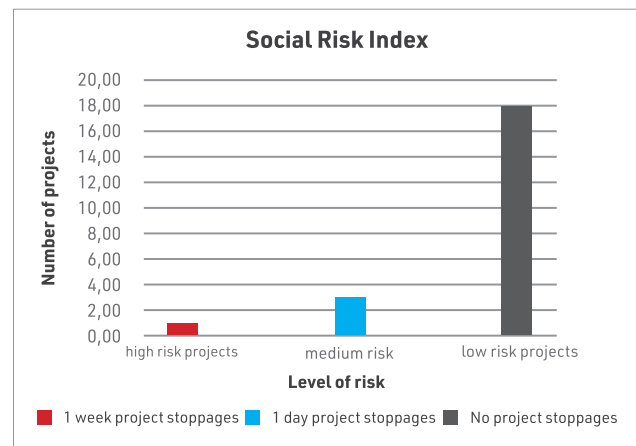
Socio Economic Participation

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

A total of 1220 local labour has been employed during this reporting period whilst 147 local companies have participated as CPGs in the various projects. During this reporting period UUW has offered training to 120 community members under various projects. Training programmes included skills relevant to the construction industry including shutter hand, concrete Hand, bricklaying, steel fixing, concrete mixing, form work, Plastering, Carpentry, Gabions, working on heights, health and safety, basic first aid and CPR, soil analysis, conflict resolution, minute taking & report writing. Graduate Trainees programmes were offered to five candidates.

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

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



During the reporting period, the total CSI investment was R11 075 00.00. This represents 1% increase in CSI investment compared to the previous year of 2023/2024.

During the reporting period of 2024/2025, 13 projects were completed as tabulated in Table 10.7

Table 10.7: CSI Projects Completed

#	PROJECT NAME	DESCRIPTION	FOCUS AREA	SPENT TO DATE	APPROVED AMOUNT	
1.	Sterkspruit Top-Performing Schools	Procurement of the Uniform for 6 schools	Education & Training	R1 532 000.00	R1 500 000.00	
2.	Themba Mzizi	Procurement of the Uniform for 100 Learners	Education & Training	R150 500.00	R150 500.00	
3.	Inzuzwenhle Full-Service School	Rehabilitation of the Water reticulation system for the school	Education & Training	R288 375.66.	R288 375,66	
4.	Khethindlelenhle Primary School	Drilling and equipping of the Borehole for drinking water	Education & Training	R670 000.00	R670 000.00	
5.	Ride 4 Hope 2024	Legacy Ride for Hope renovated 3 classrooms for Jabula Combined School.	Education & Training	R500 000.00	R500 000.00	
6.	Vezobala High School	Borehole for Drinking Water	Education & Training	R570 000.00	R630 000.00	
7.	Ngcolosi School	Procurement of uniform for identified Ngcolosi learners and Classroom furniture for Kwabazothini High School	Education & Training	R413 622.00	R327 370.00	
8.	Star for life	Mavuso was selected as one of the Mandela Day Initiatives. The area suffered from the Tornado and UUW assisted with school uniform, food parcels and the dignitary packs	Education and Training	R107 000.00	R107 000.00	
9.	Insika Yokundiza	Career Day at Tongaat	Education & Training	R733 500.00	R767 000.00	
10.	Jolwayo Secondary School	Renovation of school Science lab and other ancillary works	Education & Training	R461 632.00	R461 632.72	
11.	UUW Staff Volunteerism	Mandela Day Initiatives	Various Focus Areas	R1 096 665.17	R963 000.00	
12.	UUWYP Tutoring Programme	Grade 10-12 Tutoring programme (Umqhele, Mpophomeni & Hluma)	Education and Training	R 718 095.00	R1308 555.00	
13.	UUW Awareness Campaign	Awareness campaign under Umhlathuze Municipality	Education and Training	R1 854 170.00	R1 854 170.00	

As per Impact shown in Table 10.7 above, the implementation of the CSI projects created opportunities for 33 Local SMMEs, 73 employment opportunities and assisted more than 10 000 individuals.

	WSA	LOCATION	STATUS	IMPACT ON COMMUNITY:		
				SMMEs	Work	Benefit
	Joe Gqabi	Senqu Local Municipality	The project is 100% complete	1	0	300 Learners
	Bizane	Winnie Madikizela Mandela	The project is 100% complete	2	0	100 Learners
	uMgungundlovu	Umsunduzi	The project is 100% complete.	1	5	1387 Learners
	uMgungundlovu DM	Umsunduzi	The project is 100% complete.	1	7	1051 Learners
	uMgungundlovu	Mphophomeni	The project is 100% complete	2	10	561 Learners
	uMkhanyakude	Dukuduku	The project is 100% complete	1	6	1678 Learners
	eThekwini	eThekwini	The project is 100% complete	2	0	200 Learners
	uMkhanyakude	Kwa Nibela	The project is 100% complete	1	0	437 Learners
	iLembe	KwaDukuza	The project is 100% complete	2	20	2000 Learners
	Ugu	Muziwabantu	The project is 100% complete	2	9	1432 Learners
	KZN	KZN	The project is 100% complete	9	0	300
	eThekwini/ uMgungundlovu/King Cetshwayo	Inanda/Mpophomeni/	The project is 100% complete for 2024 school calendar	6	5	497
	King Cetshwayo	Richards Bay	The project is 100% complete	3	10	1000

11.0 CONSERVING OUR NATURAL RESOURCES



11.1 Environmental Sustainability, including Water Resources Adequacy

Management Approach

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

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

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

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

uMngeni-uThukela Water adheres to all mandatory environmental disclosure requirements as a public water services entity in South Africa. Notwithstanding this, the entity continues to improve alignment of environmental indicators with both national and internationally recognised

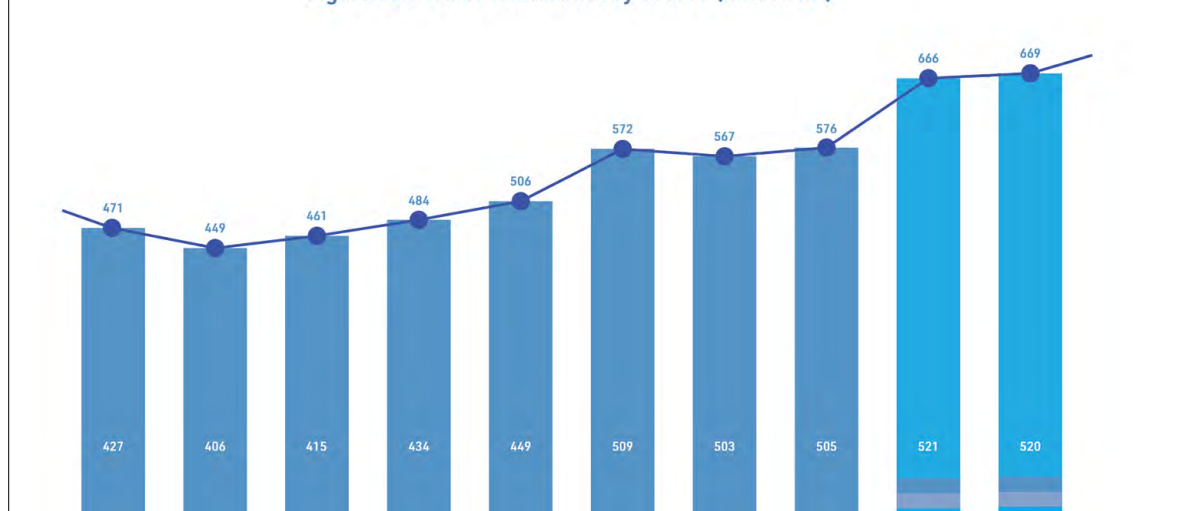
indicator disclosure requirements, including the Global Reporting Initiative (GRI) and King IV Report on Corporate Governance, in terms of materiality and relevance. Relevant aspects include materials, including chemicals and water resources, energy efficiency, greenhouse gas emissions, carbon footprint mapping, biodiversity and waste management.

Water Resources Adequacy

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

The primary water sources used by the entity are distributed across five major water resource systems, namely, the uMngeni System (Mooi and uMngeni Rivers), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers), the South Coast System (Nungwane, Mzimayi, Ixopo, uMuziwezinto and Mhlabatshane rivers), the uMhlathuze System (uMhlathuze River) and the KCDM System which UUW stopped managing at the end of February 2025. Total water withdrawal by source is shown in Figure 11.1. In addition, UUW is currently planning to re-purpose the equipment installed in the KCDM area to other areas.

Figure 11.1 Water Withdrawal by Source (million m³)





uMngeni-uThukela Water is committed to protecting every drop, preserving every ecosystem, and securing a climate-resilient future for generations to come.

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

- The construction of Phase 1 of the uMkhomazi Water Project (Smithfield Dam) is anticipated to be completed by 2032. The Professional Service Provider (PSP) for the tunnel/pipeline component was appointed in April 2024. Topographical surveys were completed in March as part of both the tunnel/pipeline and dam components. For the tunnel/pipeline, the preparation phase includes a completed Inception Report, a Ground Truthing Investigation (GTI) that has been submitted to the Department of Water and Sanitation (DWS), and a final draft of the Design Criteria Memorandum (DCM). Tender design work is progressing, with the Optimisation Report being maintained as a live document. Geotechnical investigations for the tunnel/pipeline are currently ongoing and are expected to continue until September 2025. Environmental and social baseline studies are also underway. The PSP for the dam component was appointed in July 2024. For the dam, the Inception Report is completed, while both the GTI and DCM are ongoing. Geotechnical investigations for the dam are scheduled to commence in July 2025;
- Hazelmere Dam raising - DWS issued a licence to impound in October 2024 and since then full impoundment has taken place, resulting in the dam reaching full supply capacity in January 2025;
- Ngwadini Dam and Associated Structures forms part of Lower uMkhomazi Bulk Water Supply Scheme Phase 1 commenced on January 2024, construction progress to date is approximately 50%. Time elapsed is 46%. The anticipated completion date is July 2027.

Climate Change and Water Resources

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

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

During 2024/2025 a climate change implementation plan was implemented. This plan is integrated to the overarching uMngeni-uThukela Water sustainability implementation plan and incorporates targets for both mitigation and adaptation responses, where the mitigation targets are aimed at reducing the organisation's greenhouse gas emission, while the adaptation initiatives respond directly to water resource and water supply sustainability and are aimed at building the organisation's resilience to the current and projected impacts of climate change, which includes reduced streamflow,



extreme weather events (wet spells and dry spells), poor water quality, catchment degradation and ecological collapse.

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

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

In terms of climate-change related stakeholder engagement, during 2024/2025, uMngeni-uThukela Water actively participated at the KwaZulu-Natal Climate Change Committee quarterly meetings that are chaired by the Department of Economic Development, Tourism and Environmental Affairs, which is the regulator for climate change in SA.

Wastewater Reuse

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

UW has participated on the advisory committee that assisted the City of Cape Town with their large-scale Faure New Water Scheme and currently chairs the Water Institute of Southern Africa's Water Reuse Division. There is a project which investigates the use of biotechnology to achieve reuse water quality.

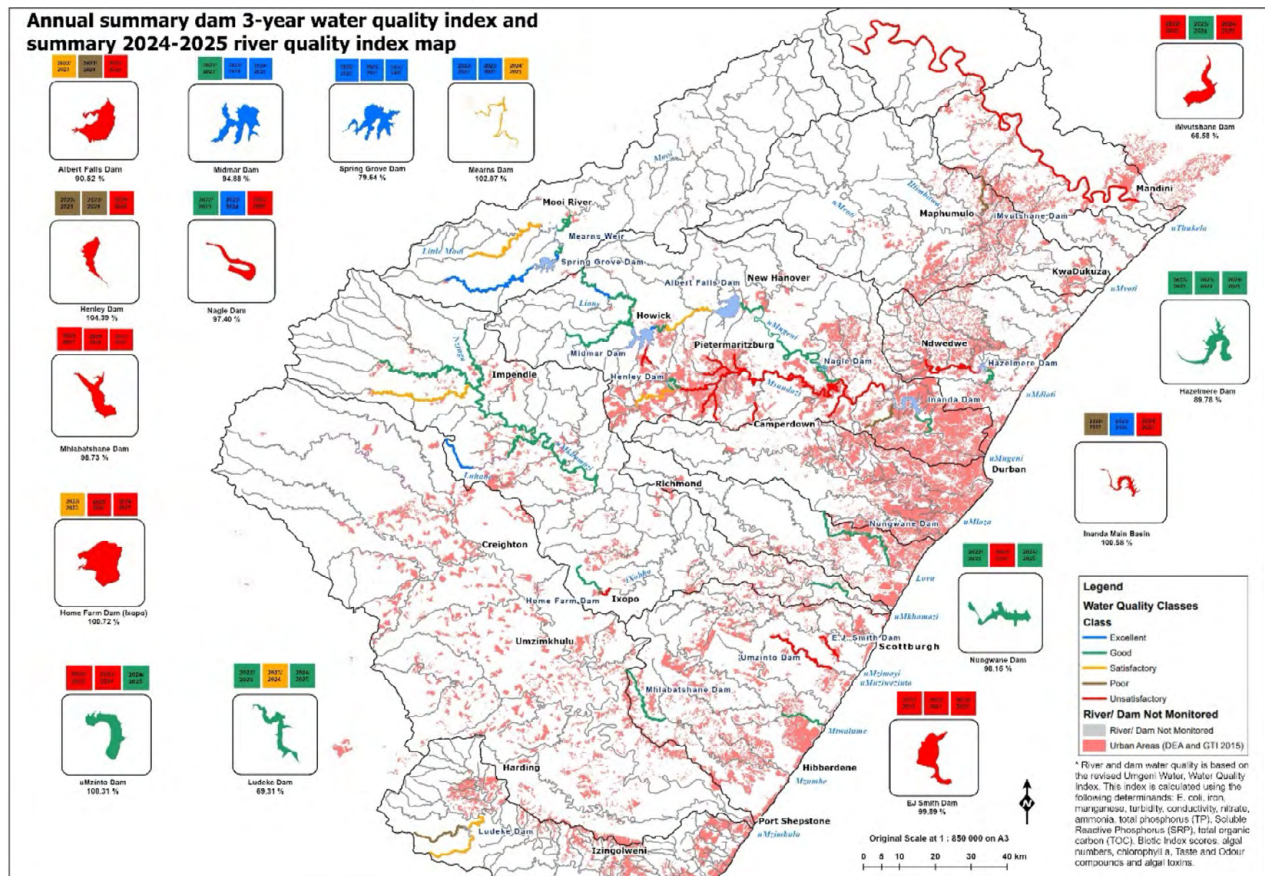
Raw Water Quality

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

Table 11.1: Resource Water Quality

System	Catchment	Impoundment/ Abstraction	Abstraction Water Quality Status and Trends		Abstraction Water
			2021	2022	2023
Inland & Central Coast	Mooi	Spring Grove Dam	Excellent	Excellent	Excellent
		Mearns Dam	Good	Excellent	Excellent
	uMgeni	Midmar Dam	Good	Excellent	Good
		Albert Falls Dam	Satisfactory	Unsatisfactory	Satisfactory
		Nagle Dam	Satisfactory	Good	Good
		Inanda Dam	Good	Unsatisfactory	Poor
North Coast	uMdloti	Hazelmere Dam	Excellent	Good	Good
	uMvoti	iMvutshane Dam & River abstraction	Unsatisfactory	Unsatisfactory	Unsatisfactory
	uThukela	River abstraction	Unsatisfactory	Unsatisfactory	Unsatisfactory
South Coast	iLovu	Nungwane Dam	Good	Good	Good
	uMzimayi	EJ Smith Dam	Unsatisfactory	Unsatisfactory	Unsatisfactory
	uMhlabatshane	Mhlabatshane Dam	Unsatisfactory	Unsatisfactory	Unsatisfactory
	uMzinto	uMzinto Dam	Unsatisfactory	Unsatisfactory	Unsatisfactory
	uMtamvuna	Ludeke Dam	Good	Good	Good
	uMthwalume	uMthwalume River abstraction	Satisfactory	Unsatisfactory	Unsatisfactory
	Ixopo	Home Farm Dam	The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam levels and presence of weeds		Satisfactory

Quality Status and Trends		Comments
2024	2025	Adverse Raw Water Quality
Excellent	Excellent	-
Excellent	Satisfactory	-
Excellent	Excellent	-
Poor	Unsatisfactory	Albert Falls Dam showed unsatisfactory water quality status due to elevated total organic carbon, chlorophyll "a", algal count (dominated by Anabaena), Geosmin and total phosphorus associated with nutrients enrichment (largely from commercial farming in the area) and sewage inputs.
Excellent	Unsatisfactory	Nagle Dam Main Basin showed unsatisfactory water quality status due to elevated algal counts (dominated by Anabaena), chlorophyll "a" and Geosmin associated with nutrient laden water from Albert Falls dam, and due to reduced water quantity in dry season and Albert Falls dam spilling in wet season, leading to recent algal challenges. Nagle Dam New Abstraction showed unsatisfactory water quality status due to elevated algal counts (dominated by Anabaena), and chlorophyll "a" associated with the current algal blooms in the system.
Excellent	Unsatisfactory	Inanda Dam showed unsatisfactory water quality status due to elevated ortho-phosphate, turbidity, chlorophyll "a", Borzia, Geosmin, E. coli, total phosphorus and algal count (Dominated by Anabaena) associated with catchment nutrient inputs and sewer problems from Pietermaritzburg area.
Good	Good	-
Good	Unsatisfactory	The iMvutshane Dam showed unsatisfactory water quality status due to elevated total organic carbon, chlorophyll "a" and Anabaena associated nutrient loads from agricultural activities and catchment runoff inputs.
Unsatisfactory	Good	-
Unsatisfactory	Good	-
Unsatisfactory	Unsatisfactory	EJ Smith dam showed unsatisfactory water quality status due to elevated E. coli, Giardia, total organic carbon, turbidity, total phosphorus, chlorophyll "a" and iron associated with catchment run-off from rainfall events and on-going sewer inputs from Umzinto town.
Unsatisfactory	Unsatisfactory	Mhlabatshane Dam showed unsatisfactory water quality status due to elevated total phosphorus, total organic carbon, iron and turbidity associated with catchment rainfall events as well as poor catchment conditions such as overgrazing and erosion.
Unsatisfactory	Good	-
Satisfactory	Good	-
Poor	Unsatisfactory	Raw water abstraction from uMthwalume river showed unsatisfactory water quality due to elevated E. coli, iron, turbidity, total organic carbon, and Giardia associated with catchment rainfall events.
Good	Unsatisfactory	Home Farm Dam showed unsatisfactory water quality status due to elevated E. coli, iron, manganese, Geosmin, chlorophyll "a" and total organic carbon associated with catchment nutrient inputs and on-going sewage problems in the Ixopo Town. Hornwort weed continues to be a problem in the impoundment. However physical removal is being undertaken.

Figure 11.2: Map of Water Quality Status of Water Resources.

Catchment water quality management plans include:

- Monitoring of water resource quality to assess raw water treatability;
- Assessing risks associated with deteriorating trends in eutrophication, chemical contamination, pathogens and turbidity;
- Engaging in catchment management activities to influence resource quality and quantity objectives that will balance environmental objectives and safeguarding consumer health;
- Monitoring and improving the quality of waste discharges from operational sites.

The Department of Water and Sanitation (DWS), as the custodian of South Africa's water resources, is regularly informed about the quality, trends and potential risks associated with raw water resources.

Rivers and Dams Water Quality Challenges:

- It is important to understand that uMngeni-uThukela Water (UUW) does not have control of the upstream land-use activities that impact on the quality of water resources. The organisation relies on building strategic relationships with other stakeholders, including the mandated departments and communities, providing information on identified water quality and catchment problems and influencing where possible relevant decision-making.
- It is also important to note that the status of dams can fluctuate due to natural processes such as heavy rainfall events (seasonal).

- There are potential areas where UUW can improve on water resources and aquatic ecosystems through improved impoundment management and water release mechanisms such as freshet releases. While requiring more involved dam management, these need to be followed up with the national Department.
- Interventions will be prioritised for water resources that have consistently shown unsatisfactory status for a long time (past 1-2 years and more) due to nutrient inputs from upstream catchments. The resources that have unsatisfactory status due to seasonal variation will not be prioritised.
- For interventions to be effective, they must be implemented at a catchment (large) scale. This is costly, therefore it is important to create partnerships with relevant stakeholders.
- Collaboration with all relevant stakeholders, particularly DEFF, DHSWS and Communities, is essential, with impacts of interventions only be visible in the long term (5-10 years).

Catchment Water Quality Interventions

In response to the water quality issues highlighted under the raw water quality section, uMngeni-uThukela Water implements an integrated catchment management programme. The interventions that were implemented during 2024/2025 are shown in **Table 11.2**.

Table 11.2: Catchment management interventions

Water Resource		Intervention	Target	Actual		Comment
Mooi-Mngeni: Midmar	1	Update catchment assessment for the Midmar Resource Unit	Final catchment assessment report by 31 March 2025.	Achieved	✓	Midmar Catchment Assessment was finalised by 31 March 2025.
	2	Develop and Implement a catchment strategy specific to the Midmar Catchment management plan.	Develop Final Midmar Integrated Catchment Management plan by 30 June 2025.	Achieved	✓	Midmar catchment specific integrated management plan was finalised by 30 August 2024. 100% of the planned milestones achieved by 30 June 2025. Amanzi Champions community-based team of 12 people established to respond to water pollution and water loss issues in the Mpophomeni (Mngeni River) catchments.
		Undertake monthly catchment inspections focusing on pollution hotspots and report to relevant authorities for compliance enforcement interventions.	Monthly catchment sewer inspections undertaken at Mpophomeni Township and assessment reports submitted to UMDM and DWS.	Achieved	✓	Monthly catchment sewer inspections undertaken at Mpophomeni Township and assessment reports submitted to UMDM and DWS on a monthly basis.
		Active participation at the Upper Mngeni CMF	Attend 2 out of planned CMF meetings during the 2024/2025 FY.	Achieved	✓	Two CMF meetings attended during 2024/2025, The first CMF meeting took place during Q1 on 21 November 2024 and the second one took place during Q3 on 27 February 2025. At both forum meetings UUW Catchment Management presented on the utility's catchment challenges and interventions.
		Monitoring and maintenance of the Mpophomeni rehabilitated Wetlands.	Develop and implement a wetland monitoring and maintenance plan for Mpophomeni wetlands by 30 June 2025.	Achieved	✓	The Mpophomeni wetlands monitoring and maintenance plan developed by 30 August 2025. 100% of the planned milestones achieved by June 2025.
Mooi-Mngeni: Albert Falls – Nagle	1	Update catchment assessment for the Albert Falls –Nagle Resource Unit.	Final catchment assessment report by 30 June 2025.	Achieved	✓	Albert Falls-Nagle Catchment Assessment undertaken between September 2024 and March 2025 report finalised by 30 June 2025.
Mooi-Mngeni: Albert Falls – Nagle	2	Develop and implement the Albert Falls-Nagle Catchment Management Plan	Develop and Implement the Albert Falls integrated catchment management plan.		✓	Albert Falls Integrated Catchment Management Plan developed by 30 August 2024. 100% of the planned milestones achieved by 30 June 2024. Additionally, an Action plan was developed between UUW Wastewater Operations, Catchment Management, Water and Environmental Services and UMDM was developed to respond to the sewer issues that are highlighted on the Howick Catchment Inspection Report. Amanzi Champions community-based team of 24 people established to respond to water pollution and water loss issues in the Howick and Mpophomeni (Mngeni River) catchments.

Water Resource		Intervention	Target	Actual		Comment
Mooi-Mngeni: Albert Falls – Nagle		Active Participation at the Inanda/Nagle CMF	Attend 2 out of the planned quarterly CMF meetings during 2023/2024.	Achieved	✓	Two Upper Mngeni Catchment Management Forum (CMF) meetings during this 2024/2025. The first meeting was held on 21 November 2024, and the second took place on 27 February 2025. At both meetings, UUW's Catchment Management team presented on the utility's catchment challenges and the interventions being implemented. All UUW targets have been achieved. The UMDM targets have not been achieved.
		Monitoring of the Mpophomeni Sakabula Wetland	Develop a wetland monitoring and maintenance plan by 30 June 2024.	Achieve	✓	Sakabhula Wetland monitoring and maintenance plan is integrated into the Mpophomeni Westalnds Monitoring and Maintenance plan. 100% of the planned milestones achieved.
Mooi-Mngeni: Inanda	1	Undertake catchment assessment for the Inanda Resource Unit	Final catchment assessment report by 30 June 2025.	Achieved	✓	Inanda Catchment Assessment undertaken between September 2024 and March 2025 report finalised by 30 June 2025.
		Implement the Inanda Integrated catchment management plan	≥80% of the milestones achieved by 30 June 2024.		✓	Inanda integrated catchment management plan updated on 30 August 2024. 95.45% of the planned milestones achieved by 30 June 2025. Amanzi Champions community-based team of 36 people established to respond to water pollution and water loss issues in the Mnsunduzi and Inanda catchments.
		Active participation at the Msunduzi CMF	Attend 2 out of planned CMF meetings during the 2023/2024 FY.	Achieved	✓	Three CMF meetings have attended during 2024/2025; the first took place in July 2024, the second took place on 20 February 2025, and the third one took place on 12 June 2025. At all these forum meetings, UUW CM and WQM presented on the utility's catchment water quality and use efficiency challenges and interventions that are implemented by UUW.
South Coast: Umzinto	1	Update catchment assessment for Mzimayi Resource Unit	Final catchment assessment report by 31 June 2025.	Achieved	✓	EJ Smith Catchment Assessment finalised by 30 June 2025.
	2	Implement the Mzimayi / EJ Smith integrated catchment management plan	≥80% of the milestones achieved by 30 June 2025.	Achieved	✓	EJ Smith Integrated catchment management developed by 30 August 2024. 88.85% of the planned milestones achieved by 30 June 2025. Amanzi Champions community-based team of 12 established to implement pollution management interventions at Mzinto town.
South Coast: Mhlabatshane		Update catchment assessment for the Mhlabatshane catchment.	Final catchment assessment report by 30 June 2025.	Achieved	✓	Mhlabatshane Catchment Assessment finalised by 30 June 2025.

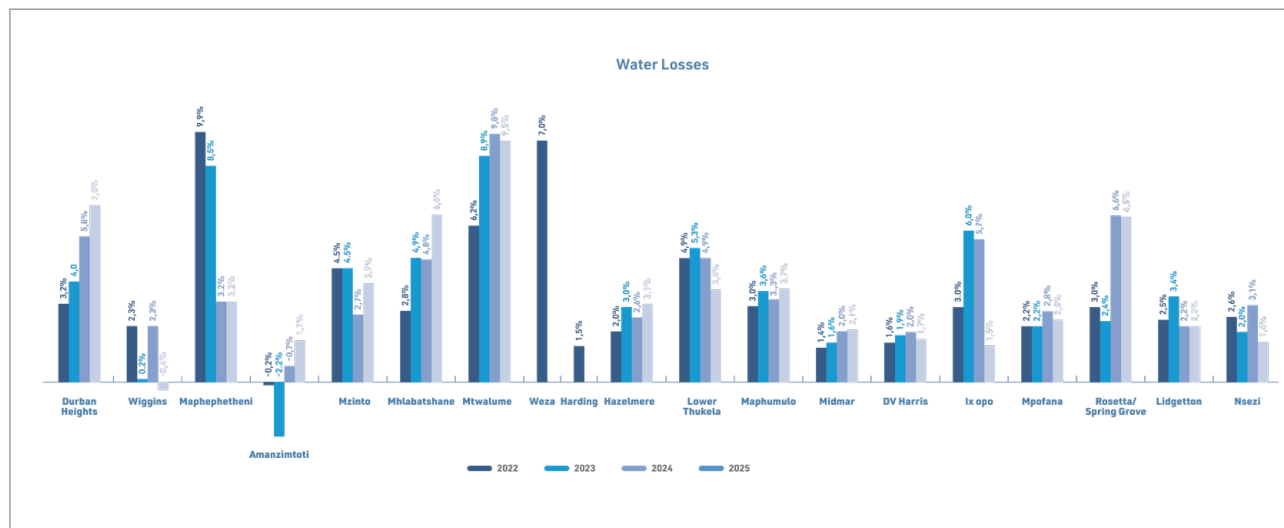
Water Resource		Intervention	Target	Actual		Comment
North Coast: Hazelmere		Undertake/update catchment or land use assessment for Hazelmere Resource Unit.	Final catchment assessment report by 30 June 2025.	Achieved	✓	Hazelmere Catchment Assessment finalised by 30 June 2025.
		Develop and implement a catchment management plan for the hazelmere catchment.	Develop Integrated Catchment Management Plan for Hazelmere Resource Unit by 30 June 2025.		✓	Hazelmere Integrated Catchment Management Developed by 30 June 2025.
North Coast: Imvutshane		Undertake/update catchment or land use assessment for the IMvutshane resource unit	Imvutshane catchment assessment report by 30 June 2025.	Achieved	✓	Imvutshane Catchment Assessment finalised by 30 June 2025.
Inland: Ixopo		Update catchment assessment for the Ixopo system.	Final catchment assessment report by 30 June 2025.	Achieved	✓	Ixopo Catchment Assessment finalised by 30 June 2025.
		Implement the Ixopo integrated catchment management plan.	≥80% of the milestones achieved by 30 June 2025.	Achieved	✓	Ixopo Integrated Catchment Management Plan updated by 30 August 2025. 100% of the planned milestones achieved by 30 June 2025. Amanzi champions community-based team of 12 established to respond to pollution and water use efficiency issues.
Catchment wide interventions		Undertake catchment water quality modelling for former UUW Strategic Dams.	Hydrodynamic Modelling and Limnology of strategic dams undertaken by June 2025.	Achieved	✓	Hydrodynamic modelling report submitted by 30 March 2025 and Limnology modelling report submitted by 30 June 2025.
		Implement Ecological Infrastructure for water security project in collaboration with SANBI	Finalise the ecological infrastructure for water security project by 30 March 2025.		✓	Ecological Infrastructure for water security project finalised by 30 March 2025 with the following deliverables 1) Mapping of woody alien plants in the greater Mngeni Catchment; 2) review of biodiversity offset guidelines; 3) Suitability of the Waste Discharge Charge System as a pollution management instrument study; 4) Full cost of water supply in the greater Mngeni Catchment; Costing of the Ecological Infrastructure component of the Pongolo-Mzimkhulu Catchment Management Strategy.



Water Loss Management

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

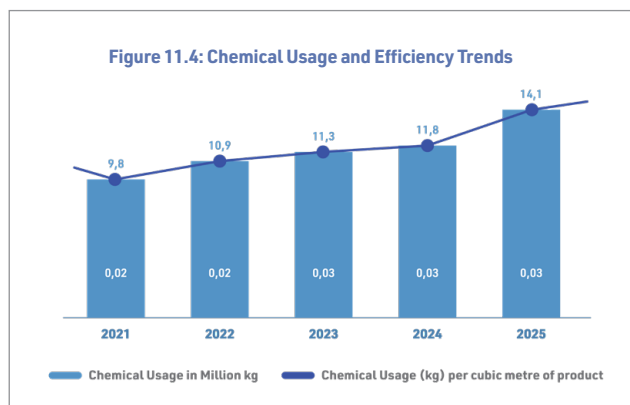
Figure 11.3: Water Losses



Materials Usage and Efficiency

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

Chemicals Usage and Efficiency



The chemical usage trend for the past five years is presented in Figure 11.4. During the current assessment period, uMngeni-uThukela Water utilised a total of 14.1 million kg of water treatment chemicals. A notable increase in chemical usage was observed compared to the previous year. This escalation is likely due to the need to treat larger volumes of raw water of suboptimal quality, a consequence of catchment activities, as

well as the operation of additional plants and the expansion of our operational footprint. The use of water treatment chemicals was essential to ensuring that potable water consistently met the required quality standards and maintained these standards up to the point of use.

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

- Testing the effectiveness of water treatment chemicals for each raw water system / plant. This informs the selection of the optimal treatment chemical and therefore prevents inefficiency unnecessary usage;
- Monthly chemical optimisation audits to ensure that optimal use of treatment chemicals is maintained and to facilitate a prompt response should a problem be identified through the monthly sampling;
- Monitoring and evaluation of the water treatments process per plant, which identifies areas of process improvement and operational efficiency;
- Monitoring and assessing seasonal variation of the water column / dam levels to assess levels with optimal raw water quality;
- Participating in catchment management activities and forums and contributing to the information base, including provision of water quality data. This influences decisions on catchment land use activities and more

sustainable development.

Energy Usage, Carbon Footprint and Emissions Reduction Initiatives

Carbon footprint can be described as the total amount of carbon dioxide and other greenhouse gas (GHG) emissions (expressed as carbon dioxide equivalents or CO₂e) for which an organisation or site is responsible or has control over, resulting from business activities. The entity's carbon emissions are shown in **Figure 11.5**.

uMngeni-uThukela Water wants to take full ownership of all emissions that it can control, influence and reduce. Scope

1 emissions refer to direct emissions that the organisation can control, whereas scope 2 and 3 emissions are indirect emissions controlled by third party organisations.

Table 11.3 shows the GHG Emissions for scopes 1, 2 and 3 where the increment is notable in association with expansion of the operational area. uMngeni-uThukela Water's direct CO₂ emission (Scope 1) contributions emanate mainly from vehicles, boats, generators and methane production from anaerobic wastewater treatment process (**Figure 11.5**). Indirect GHG emissions are predominantly due to electricity consumption (>99%) which is one of the main inputs to water and wastewater treatment processes. (Table 11.3).

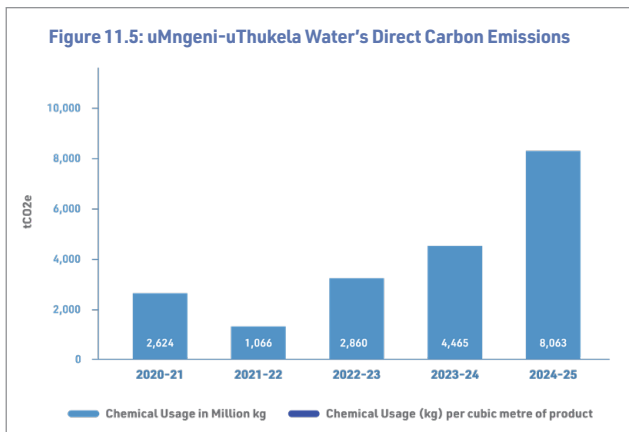


Table 11.3: Direct and indirect greenhouse gas emissions in tons of CO₂ equivalents

Emission type	Activity	Tons of CO ₂ equivalents per activity				
		2021	2022	2023	2024	2025
Direct (Scope 1)	Combustion: Generators, Cars, boats & Mobile Plant	1 442	1 066	2 860	3 211	4 884
	Methane from Anaerobic wastewater treatment	1 182	-	-	1 254	3 179
Indirect (Scope 2)	Electricity	123 228	15 752 648	6 064 825	15 974 994	16 800 262
Indirect (Scope 3)	Travel: Air & Car Hire	305	-	-	-	430
TOTAL		126 157	15 753 714	6 067 685	15 979 459	16 808 755

- Data unavailable for the reporting period

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

Green Building

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

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

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

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

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

Integrated Catchment Management

The deterioration of source water quality, declining catchment yield, ecological degradation and the associated impacts of climate change are some of the key strategic risks that affect uMngeni-uThukela's ability to meet current and future demand. Implications include supply limitation, high water treatment costs, high infrastructure design costs, decreased affordability for customers, non-payment for water services by customers and several other risks. The source of the problem of poor catchment health stems from several factors including poorly managed land use practices, poorly maintained sewer infrastructure leading to raw sewage discharges to water resources; poor mindset and behaviour of water users towards water resources, lack of pollution reduction/prevention from source, lack of coordination of water resource management activities at catchment level, poor compliance monitoring and enforcement by regulators, lack of institutional capacity within the mandated departments for environmental and water resource protection and lack of integration between water users/stakeholders.

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

- participation of all water users/stakeholders including communities in water resource management decision-making;

- coordinated development and management of water, land and related resources to maximise socio-economic welfare without compromising the sustainability of vital ecological infrastructure and the associated ecosystem services; and
- where every water user is responsible for managing their water use and preventing/minimising/treating pollution at source.

In response to the serious and urgent challenge of deterioration of catchment health, uMngeni-uThukela Water Catchment Management Department has assessed the land use impacts on water resources and has in collaboration with other stakeholders developed and implemented an integrated catchment management programme. The catchment management initiatives undertaken by uMngeni-uThukela Water during the 2024/2025 period are discussed below.

Catchment Assessments

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

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

- Mooi
- Midmar
- Albert Falls Dam –Nagle
- Inanda
- Ixopo
- Nungwane
- Mthwalume
- Umzinto - Mzimayi
- Mhlabatshane
- Imvusthane
- Mhlathuze and
- Middle uThukela catchments.

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

Biodiversity Management – Aquatic Alien Invasive Weeds Management

Well-managed water resources are critical to uMngeni-uThukela Water's core function of providing sustainable water supply. Alien aquatic weeds invading various water resources pose a significant risk to water security. The aquatic weeds of main concern at uMngeni-uThukela Water impoundments and supply rivers include Water Hyacinth (*Pontederia crassipes*); Water lettuce (*Pistia stratiotes*); Kariba weed (*Salvinia molesta*); Parrots feather (*Myriophyllum aquaticum*) and Hornwort (*Ceratophyllum demersum*). These free-floating and submerged aquatic alien invasive weeds are extremely difficult to control in eutrophic water resources due to their exponential growth rate. To ensure the effective management of these invasive weeds, interventions are implemented both in the upstream catchments as well as at the infested uMngeni-uThukela Water operated dams. An integrated approach is adopted at both upstream catchments and at the infested dams, where a combination of biocontrol, manual removal and herbicide spraying is undertaken to ensure effective management of the weeds. In order to be effective, this work is undertaken in collaboration with key stakeholders including Rhodes University Centre for Biological Control, Msinsi Holdings and uMngeni-uThukela Water Amanzi Champions.

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

- Development and implementation of integrated catchment management plans for aquatic weeds infestation at Inanda Dam, Ixopo Home Farm Dam and E.J. Smith Dam in collaboration with the uMngeni-uThukela Water internal stakeholders (Operations, Water and Environmental Services); Centre for Biological Control (CBC) of Rhodes University; Msinsi Holdings and DFFE. The management plans outline the procedures for the monitoring, control and the management approaches that are being adopted to control the infestation.

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

- Regular (Monthly to Quarterly) inspections at all infested sites.
- Undertaking desktop assessments using satellite remote sensing imagery.
- Providing support to the Municipalities for sewer leaks/ infrastructure monitoring.
- Achieving low residual risk of infestation at 8% of the strategic Dams.
- Operation and maintenance of the Inanda Dam and Lynnfield Park biocontrol mass rearing facilities.
- Mass release of biocontrol agents at infested sites.
- Procurement/sourcing of herbicide for spraying at infested sites.
- Appointment of contractors to undertake herbicide spraying at infested sites.
- Continuous aquatic weeds research and training in collaboration with the CBC of Rhodes University

- Aerial herbicide spraying and the associated water quality monitoring of Inanda Dam.
- Undertaking monthly progress meetings with uMngeni-uThukela Water Aquatic Weeds Management Working Group consisting of internal and external stakeholders to support the implementation.

Investment in Ecological Infrastructure

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

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

Wetland Restoration and Management

During the 2024/2025 financial year the following wetland management targets were achieved to support sustainable water supply at strategic dams:

- Monitoring and Maintenance of the Mphophomeni Sakabula, Upper Mthinzima and Lower Mthinzima wetland rehabilitation for reducing the impacts of effluent from the Mphophomeni WWTWs as well as the impacts of the raw sewage discharges from the poorly maintained Mpophomeni Sewer infrastructure.
- Finalisation of the Baynespruit Wetland Rehabilitation strategy.
- Finalisation of the Ixopo Homefarm Dam Wetland Rehabilitation strategy.
- Monitoring of the Darvill artificial wetland construction.
- Completion of the costing of the EI component of the Pongolo-Mzimkhulu Catchment Management Strategy.
- Completion of the Biodiversity Offsets Review.

Soil Erosion Management: The Upper Mkhomazi Catchment Restoration

The Department of Water and Sanitation, uMngeni-uThukela Water and the Trans-Caledon Tunnel Authority are planning to implement the Mkhomazi-Mngeni Transfer Scheme to

meet the current and future water demands of eThekweni Metro and surrounding areas. The major challenge is that the catchment upstream of the proposed Smithfield Dam in the uMkhomazi River is already highly degraded and a significant proportion of the remainder is at a high risk of future similar degradation. Technical experts have generated a number of scenarios related to the rate of sediment deposition that might occur in the proposed dam and the most reasonable scenario indicates that the dam would lose about half of its volume to sediment over 100 years.

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

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

The overall objective of this project is to use nature based solutions to address the severe land degradation and invasive alien plant infestation in the Upper Mkhomazi Catchment so as to improve water security, the livelihood prospects of local residents and biodiversity outcomes. This is being achieved through implementation of catchment management and ecological infrastructure interventions at degraded areas located upstream of the proposed Smith Field Dam. During 2024/2025 the following targeted interventions were implemented:

- Expanding on restoration activities and implementing improved rangeland management at restoration sites. This included establishing 2 additional hectares of degraded land protected by Vetiver hedgerows in conjunction with brushpacks; 40 additional hectares of invasive alien wattle cleared to create brushpacks; 29 additional hectares of household agricultural land

applying conservation agriculture in collaboration with 100 local farmers who successfully implemented conservation agriculture and had herbicide and seed supply assistance.

- Building and supporting local institutional development for sustainability. This included hosting a farmer's exchange workshop that was meant to promote knowledge sharing and collaborations among farmers, officials, and stakeholders.
- Monitoring and Evaluation of implemented interventions. This entailed undertaking monitoring of the brushpacks that were established during phase 2 at 4 restoration sites.
- Training and Capacity Development. This included training and supporting 60 Eco-rangers across the 15 Dip Tank Committees. In addition, specialised training was provided in Inzinga for enterprise management and bioturbation, which is a technique for ecological restoration through the controlled trampling of livestock.
- Influencing the development of Municipal Integrated Development Plans to creating an enabling environment for catchment management. This included engaging 4 municipalities to include catchment management on their IDPs.
- Building and strengthening partnerships. This included holding 2 Mkhomazi Working group workshops/ engagements to develop a vision and strategy for the Mkhomazi Working Group Partnership.
- Facilitating further investment from local and international investors. This entailed submitting proposals to potential funders and collaborators for co-funding and catchment management related work that can be implemented in the Upper Mkhomazi focus areas.

Ecological Infrastructure for Water Security Project (EI4WS) – uMngeni-uThukela Water-SANBI Collaboration.

The Ecological Infrastructure for water security project is a five year \$7.2 million (approximately R90 million) worth investment from the Global Environment Facility (GEF) with considerable cofinance from collaboration with various South African partners. The Department of Environmental Affairs is the National focal point for this project. The Development Bank of South Africa (DBSA) is the Implementing Agent for the project and SANBI is the project executing agency. The Project aims to transform the way people think about, value and invest in water and ecosystems, and will result in increased investment in the management of ecological infrastructure the future.

The project acknowledges the reality that South Africa's water security depends not only on our built water infrastructure, but also on well managed land and biodiversity ecosystems in our catchments. As such the project also recognises the urgent need to bring investment in the management, maintenance and restoration of ecosystems into the planning, financing and development in the water sector. It is anticipated that such investments will create more jobs and advance SA's developmental agenda, especially in the face of a changing climate. The EI4WS project was designed in close consultation

with the Department of Water and Sanitation (DWS), and supports the implementation of the National Water Resource Strategy and the Call to Action of the Water and Sanitation Master Plan. Project implementation is through a suite of partnerships involving several other public, private and civil society organisations, such as the DWS, the WRC, WWF-SA and uMngeni-uThukela Water.

The project was launched as a development finance institution with the ability to take the country's natural capital into account in development financing.

As part of the signed collaboration agreement between uMngeni-uThukela Water and SANBI, the following achievements were attained in the year under review:

- Final report for the mapping of woody alien invasive Vegetation in the Greater Mngeni System
- Final report for the review of biodiversity offsets framework;
- Project management of the Mpophomeni Amanzi Champions that are contracted to undertake community-based water resource management at Mpophomeni including using citizen science tools to monitor the health status of Mthinzima Stream that supplies Midmar Dam; identification and repair of potable water leaks; identification of sewer infrastructure failures and reporting to authorities for repairs; rehabilitation of solid waste disposal sites into community gardens; community awareness campaigns as well as monitoring and maintenance of the Mthinzima wetland.
- Final report for the project/study to confirm the eligibility/suitability of catchments for the implementation of the Waste Discharge Charge System.
- Final report for project/study to develop a detailed costing for the ecological infrastructure component of the Pongola-Mthamvuna Catchment Management Strategy;
- Final report for the project study to investigate the full cost of water for different water user groups in the catchment and explore opportunities within the water value chain to ensure equitable allocation of full costs of water amongst different users.

Smart Catchment Management

The smart catchment management initiatives that were undertaken during the period under review included undertaking hydrodynamic modelling and Limnology Modeling as part the catchment water quality modelling study of uMngeni-uThukela Water Strategic Catchments;

testing the satellite based water quality monitoring system for Albert Falls, Midmar, Nagle and Inanda Dams; establishing more than 112 Amanzi Champions at 12 Catchment/Communities to undertake community-based water resource management projects including river health monitoring using citizen science tools; identification and reporting of sewer infrastructure failures; identification and repairing of potable water leaks; rehabilitation of illegal solid waste disposals into community food gardens or park spaces; removal of alien invasive plants; door-to-door water awarenesses and wetland health monitoring and maintenance.

Water Use Compliance: Licence Status

The National Water Act, Act No 36 of 1998 (NWA), requires that water-use licences are obtained before any water-use activity or development can be undertaken. Water use is defined as undertaking activities that have an impact on a water resource. The impact may be on the amount of water in the resource, the quality of water in the resource and the environment surrounding the resource. Section 21 of the NWA lists 11 water uses as requiring a water-use licence before they can be undertaken. Of the 11 listed water uses, only seven are applicable to uMngeni-uThukela Water and include:

- Taking water from a water resource (water abstractions);
- Storing water (raw water storage in a dams);
- Impeding or diverting the flow of water in a watercourse (river or wetland crossing or construction of a dam or weir);
- Discharging waste or water containing waste into a water resource through a pipe, canal, sewer, sea outfall or other conduits (discharges from WWTW and WTW to the river);
- Disposing of waste in a manner which may detrimentally impact a water resource (sludge solids disposal);
- Altering the bed, banks, course or characteristics of a watercourse (river or wetland crossing or construction of a dam or weir);
- Engaging in a controlled activity (Irrigation with wastewater/sludge).

Water users can include any entity or individual whose operations trigger the water uses that are listed in section 21 of the NWA. To ensure compliance with the requirements of the NWA, the water-use licence status and compliance was monitored and quarterly reporting was undertaken. This included developing and implementing action plans to obtain outstanding licences and compliance with the conditions of the existing authorisations.

The status of water use licence applications for CAPEX Projects (new infrastructure development projects) is presented in the figure below:

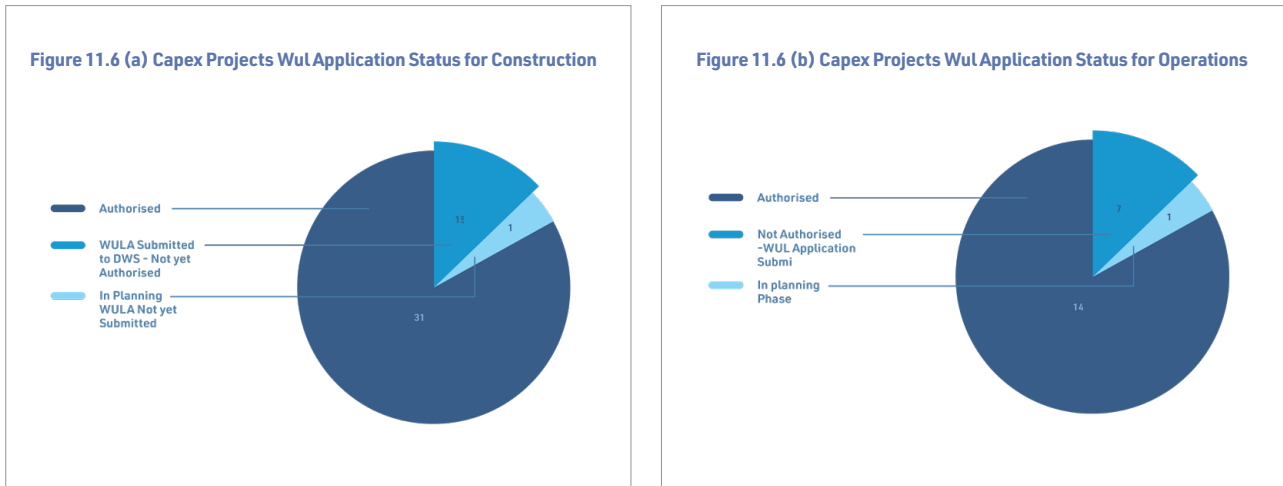
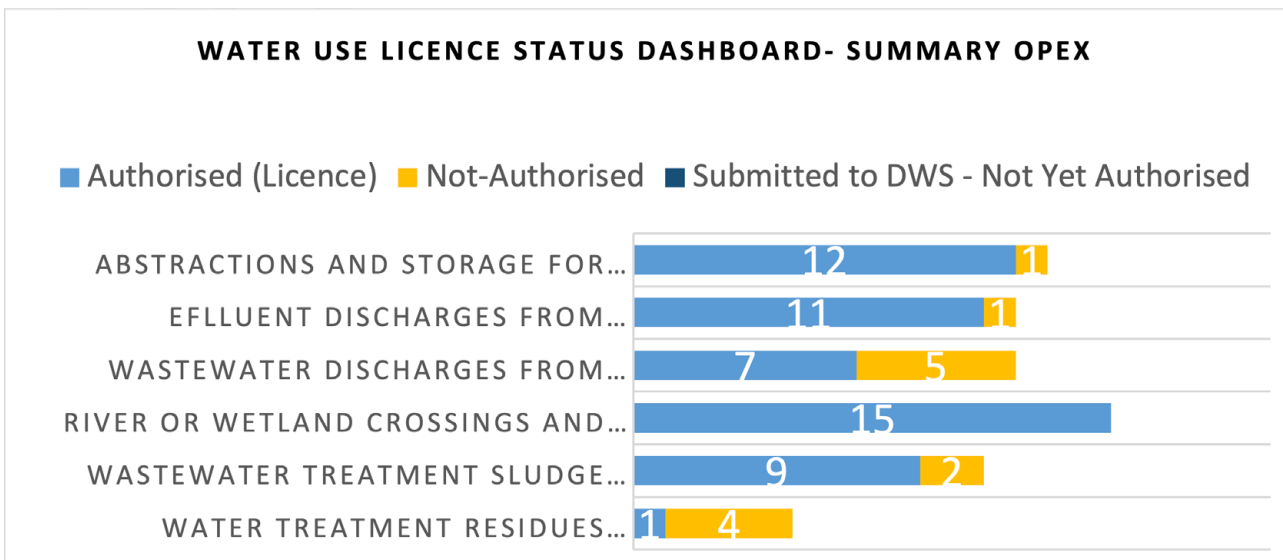


Figure 11.7: Water use Licence Status Dashboard - Summary Opex

The Status of Water Use Licences for Operational Water Uses (existing water uses) is presented in the figure below:



Compliance with Water Use Licence (WUL) conditions

A comprehensive audit assessing compliance with Water Use Licence (WUL) conditions was conducted and finalised in the 2024/2025 reporting year. The non-compliances raised were mainly due to issues related to flood damage and increased demand. An external audit of the Mhlathuze River abstraction license was completed and submitted to DWS. The audit revealed a few minor issues, such as the need to remove alien plants, which can be resolved through regular daily operations.

Collaborative efforts are in progress to rectify these issues, these include maintaining communication with DWS, and ensuring continuous improvement in all of UuW operational sites.

In terms of the offshore discharge system, UuW is compliant with most of the permit conditions. The only challenging area is that of quality compliance due to poor performing Contributors. The problematic Contributors have been

identified and have been requested to put together a project plan that seeks to address these compliance issues. The plan is monitored quarterly as well as through frequent engagements with the relevant contributing industries. The authorities are also kept updated on the performance offshore in terms of effluent volumes, quality as well as in the case of Section 30 incidents.

In terms of the non-compliance with water use licence abstraction limits in the the Mngeni System, uMngeni-uThukela Water assisted uMsunduzi and eThekweni Municipality to develop a plan of action to reduce their water demand volumes within a period of 6 months from 10 October 2023 to 10 April 2024. The action plan also indicated that, should any of the Municipalities fail to reduce their planned demand within 6 months, uMngeni-uThukela Water will have to curtail water supply at the water treatment plants to force compliance with the licence limits. Regarding progress, as a result of the Municipalities not meeting their Plan of Action targets for water demand reduction, curtailments were implemented at all the

three Municipalities on the 10th of October 2024. Following the implementation of curtailments, CoGTA met with DWS and UUW to request that the curtailments not be implemented for a period of three months from December 2024.

Further engagements were held between DWS, UUW and eThekweni Municipality to discuss the way forward with curtailments and on 23 February 2025, UUW Executive and Senior Management received a letter from DWS granting UUW permission to temporarily deviate from another concession on compliance with the licensed volumes from the Mngeni Water Supply System. According to the letter from DWS, this allowance was possible due to favourable rainfall and high water storage levels at Midmar and Albert Falls Dams that were imminent at the time.

To date, Midmar and Albert Falls Dams in the Mngeni System are no longer at Full Supply Capacity and as a result, the target volumes committed in the Plan of Action (PoA) now have to be met. As such, DWS have instructed UUW to enforce the PoA and curtail supply if necessary to meet the agreed figures.

Msinsi Holdings Sustainable Land and Resource Management

Msinsi Holdings SOC Ltd, a wholly-owned subsidiary of uMngeni-uThukela Water, is mandated to manage the land and biodiversity of the areas around the dams owned or managed by uMngeni-uThukela Water in a manner that balances the divergent factors of local community development provision of recreational facilities for the public and water resources/ biodiversity protection.

These reserves are located at:

- Spring Grove Dam;
- Albert Falls Dam;
- Nagle Dam;
- Inanda Dam;
- Hazelmere Dam.

The following sites have been incorporated into the scope of Msinsi for implementing catchment management interventions associated with alien invasive plant eradication:

- Nungwane Dam;
- Imvutshani Dam;
- Mhlabatshane Dam;
- Umzinto Dam;
- EJ Smith Dam;
- Darvill Wastewater Treatment Works;
- Ixopo Dam (aquatic weeds).

Detailed management plans for each of the reserves in line with industry best practice have been completed and form the basis for all operations in the reserves. In the past year, Msinsi succeeded in protecting the habitats and ensuring an ecologically sustainable and protected water environment through implementing its resource management plans which focused on:

- The management of the game and species according to the carrying capacity of each reserve;
- Local community development;
- Recreation for the public;
- Grassland management;
- Pollution control within purchase areas;
- Removal of alien invasive plants (terrestrial and aquatic).

The ecological balance was managed effectively during this period through the implementation of Reserve Management Plans. In particular, carrying capacity was managed to ensure sustainability of wildlife populations and measures to mitigate poaching, which has been a significant threat to the reserve wildlife, were put in place.

Security patrols are conducted as per a patrol plan to identify and mitigate security risks to the reserves including ensuring reserve fence lines are in good condition.

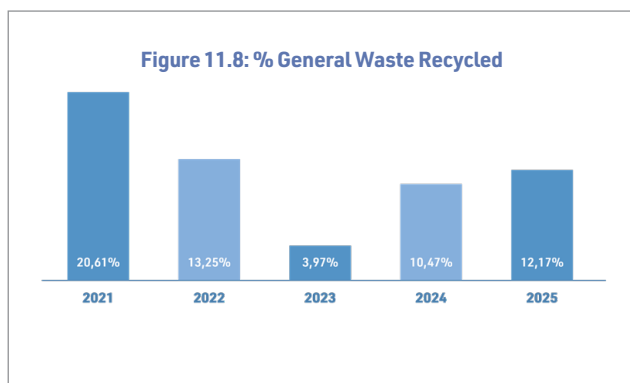
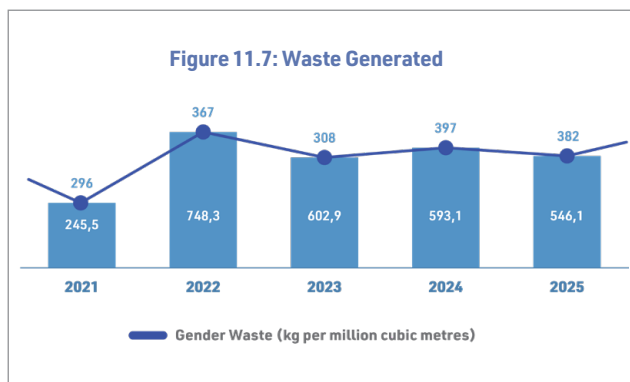
Msinsi Holdings continues to be seen as a significant player in the conservation and tourism sector in KwaZulu-Natal. The state-owned company will continue to ensure that ecosystem services provided by water and environmental resources continue to be sustainable.

Stakeholder engagement successfully created value for Msinsi's operations and the communities at large during this reporting period. As a result, there was no interruption of Msinsi's operations as a result of community instability in the neighbouring areas.

Waste Management: Reducing Waste and Consumption Pressure

South African businesses must comply with stringent waste management regulations to promote sustainability and environmental responsibility. The National Waste Management Strategy (NWMS), aligned with the Waste Act (NEM:WA), sets the framework for integrated waste management, ensuring that waste is minimised, reused, or recycled wherever possible. uMngeni-uThukela Water's waste management approach centres on complying with applicable regulatory requirements and adhering to circular economy principles. uMngeni-uThukela Water's commitment to environmental sustainability and the circular economy is documented in the Environmental Sustainability Plan. The initiatives aim to transform the organisation from the typical wasteful linear economic model (take-make-use-dispose) to an economic model that enables economic growth, while aiming to optimise the operation chain in a more sustainable approach. Waste minimisation was identified as one of the crucial initiatives in reducing the amount of waste that is disposed at landfill sites. A target was set in 2024/2025 to divert five percent (5%) of the waste from the landfill sites through recycling. During the reporting period, 12.2% was diverted from landfill through recycling.

A slight decrease in the volume of waste generated by the organisation was observed during 2024/2025 (**Figure 11.6 and 11.7**) The reported recyclable waste was 12.2% which is above the target of 10%. There were a number of recycling initiatives that were employed by uMngeni-uThukela Water including separation of the waste from source, 3 in 1 recycling bins placed in strategic positions. These initiatives not only reduce environmental impact but also create value-added opportunities that contribute to local communities.



uMngeni-uThukela Water continues to support SA's recycling businesses. These businesses do not only remove waste in the form of glass, paper, plastic and other non-biodegradable materials from the environment, but also create work for many families that collect and sell waste to recyclers. Recycling also creates alternative income streams for factories where waste materials may be sold to recycling

entities rather than being dumped in landfills

Water Treatment Residues and Waste Water Sludge

Management and disposal of sludge and water treatment residues remains a critical issue across uMngeni- uThukela Water operation. Current sludge management practices include on and off-site disposal and river discharges. These current practices are not sustainable due to increasing costs, limited space, environmental concern, and the required legislative requirements. As a result, uMngeni-uThukela Water developed a comprehensive Sludge Management Plan (SMP) for its operational sites.

The water treatment residues will be applied to agricultural land as a soil conditioner whilst the wastewater sludge will be used as organic compost. Land application of water treatment residues offers a sludge management option with potential benefits when applied to soil. The application of water treatment residues to the land helps conserve landfill disposal capacity and natural resources. Wastewater sludge contains organic matter and nutrients that can provide soil benefits. Preliminary process designs for both options were concluded during the year under review.

Environmental Performance of Operational Sites

Annual environmental audits are undertaken at operational sites. The objectives are;

- To assess whether the site complies with all applicable environmental legislation and regulations;
- To assess internal policy and procedural compliance in relation to environmental management;
- To assess the status of energy consumption, waste management and biodiversity management at the site and alignment with corporate environmental sustainability initiatives;
- To recommend mitigation measures to address areas of non-conformance.

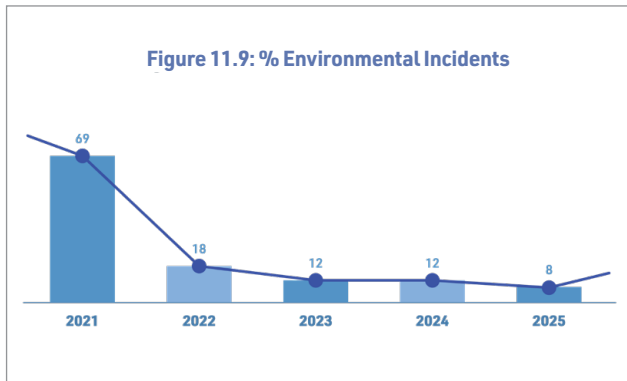
Operational environmental audits were conducted at 18 sites for 2024/2025. Out of 28 findings, 12 findings were rated major. There was a notable increase in the number of major findings as compared to the previous year.

Table 11.4: Environmental Findings Classification

Risk Rating	No. of Findings	%
Minor	16	57.14
Major	12	42.86
TOTAL	28	100

Environmental Incidents

In the year under review, there were 8 environmental incidents recorded for the 2024/2025 financial year. This indicates a 33.33% decline in the number of environmental incidents compared to the previous financial year (2023/2024). **Figure 11.9** provides the comparative analysis for the past five years.



Integrated Environmental Management

Figure 11.10: Integrated environmental management system in the implementation of new infrastructure projects



uMngeni-uThukelaWater (UuW) recognises that infrastructure development activities can have significant impacts on the natural environment, local communities, and broader society. As the primary provider of bulk water supply to municipalities and other institutions, we are committed to minimising negative environmental impacts, enhancing positive contributions, and fostering sustainable development across our operations. Central to our approach is the implementation of an Integrated

Environmental Management (IEM) system, which adopts a holistic perspective in managing environmental resources and addressing associated challenges. IEM supports informed decision-making by integrating environmental, social, and economic considerations, and actively engaging a diverse range of stakeholders throughout the project lifecycle. Our IEM framework incorporates a suite of tools and processes, applied at all stages, from planning to design, construction,

operation, and decommissioning. These include undertaking environmental screenings, Environmental Impact Assessments (EIA), Environmental Management Plans (EMPs), compliance audits, and specialist studies. Through these mechanisms, we demonstrate our commitment to sustainable development and the provision of safe water and sanitation services for the people of KwaZulu-Natal.

uMngeni-uThukela Water fully complies with all relevant environmental legislation and regulations when pertaining to infrastructure development, most notably the National Environmental Management Act (No. 107 of 1998) (NEMA). NEMA sets out the guiding principles and procedural requirements for environmental management in South Africa. Infrastructure projects that trigger Listed Activities in terms of the EIA Regulations require Environmental Authorisation (EA) before proceeding. The EIA Regulations outline the processes for assessing potential environmental impacts and determine whether authorisation is to be secured through a Basic Assessment or a comprehensive Environmental Impact Assessment. The organisation's ongoing commitment to environmental stewardship ensures that we continue to deliver essential services while upholding our responsibility to protect and enhance the environment for current and future generations.

Projects in the planning and design phases

During the 2024/2025 financial year, uMngeni-uThukela Water managed 29 projects in the planning and design stages. Of these, two projects successfully received environmental authorisations. The majority, 22 projects, remain in the environmental authorisation application process, while one project is undergoing an amendment to an existing authorisation. Four projects did not trigger any listed activities under the EIA Regulations and therefore did not require environmental authorisation. Nonetheless, internal environmental management plans are being developed for

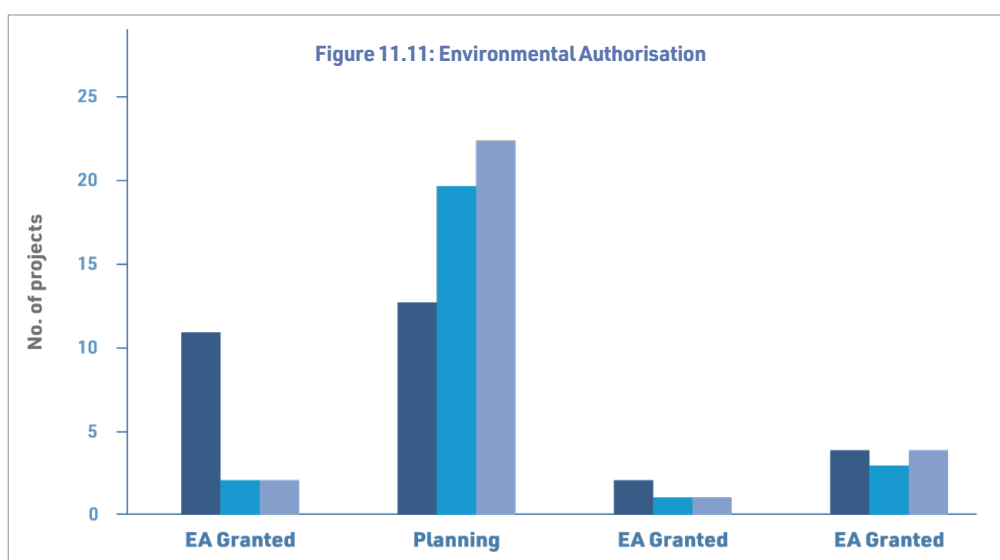
these projects to ensure effective mitigation of potential environmental impacts during subsequent construction. At year-end, 15 projects were completed and moved to the construction phase, reflecting uMngeni-uThukela Water's ongoing commitment to environmental compliance and responsible project delivery.

Projects in the construction and rehabilitation phases

At the beginning of the 2024/2025 financial year, uMngeni-uThukela Water had 14 active projects in the construction phase, all of which had secured the necessary environmental authorisations and permits. By year-end, this number had increased to 15 projects. Throughout the year compliance to the conditions of the granted environmental permits was ensured through environmental audits undertaken by external Environmental Control Officers (ECOs) as well as UUW's internal Environmental Officers.

Common findings across multiple projects included issues such as inadequate topsoil management, challenges with alien plant control, waste management, erosion, and instances of soil contamination. However, these were progressively mitigated in alignment with the environmental approvals to minimise impacts. Authority Compliance Notices were received for both the Mpophomeni Wastewater Treatment Works (WWTW) Upgrade and the Hilton N3 Corridor projects. Corrective action for the Mpophomeni WWTW Upgrade was completed to the satisfaction of the relevant authority, while mitigation measures are ongoing for the Hilton N3 Corridor project.

Importantly, there were no fines or environmental permits repealed as a result of environmental non-compliance noted during the reporting period. uMngeni-uThukela Water remains committed to minimising environmental impact and ensuring responsible management of the natural and built environments.





12.0 ENABLING OUR PEOPLE



12.1 Leadership and Employee Development

Management Approach

uMngeni-uThukela Water promotes and encourages ethical behaviour and decision-making by all employees, Board Members and stakeholders. This is facilitated through a Code of Ethics. During the reporting period, the Social and Ethics Committee monitored and assessed the following activities of uMngeni-uThukela Water:

Labour and employment matters, including:

- Human capital and workforce matters: recruitment and selection, succession and coaching, health and safety, HIV awareness, wellness programmes, disciplinary and dispute resolution processes, training and development.

Social and economic development, including:

- Human capital and workforce matters: recruitment and selection, succession and coaching, health and safety, HIV awareness, wellness programmes, disciplinary and dispute resolution processes, training and development.

Social and economic development, including:

- This includes uMngeni-uThukela Water's standing in terms of the goals and purposes of:
- The 10 principles set out in the United Nations Global Compact Principles and OECD recommendations regarding corruption, including human rights, child and forced labour, environment, anti-corruption, bribery, extortion and transparency;
- The Employment Equity Act, No 55 of 1998;
- The Broad-Based Black Economic Empowerment Act, No 53 of 2003.

Good corporate citizenship, including:

- Promotion of equality, prevention of unfair discrimination and measures to address corruption;
- Corporate social contribution and development of the communities in which uMngeni-uThukela Water conducts its business;
- Impartial/objective sponsorship, donations and charitable giving.

The environment, health and public safety, including:

- Impact of uMngeni-uThukela Water's activities, products and services.

Consumer relationships, including:

- uMngeni-uThukela Water's policies and records relating to advertising, public relations and compliance with consumer protection laws.

Labour Practices and Decent Work

The entity's goals and human resources needs are mutual, compatible and strongly interdependent and Human Resources policies seek to ensure a competent, motivated and engaged workforce.

Employment

The workforce profile is shown in Table 12.1 and Figure 12.1.

- The entity seeks to maintain a workforce that enables it to deliver quality services to all stakeholders;
- All employees are based in KwaZulu-Natal and within commuting distance from all operational sites;
- All full-time and fixed-term contract employees are provided with several benefits, including membership of provident fund or retirement fund, housing allowance and medical aid;
- All female employees are entitled to maternity leave. During the reporting period, 14 (2,55%) female employees qualified for 100% maternity leave benefits.

Succession, Mentoring and Coaching

The Succession Planning Policy focuses on executing a systematic and multi-dimensional workforce management and succession strategy that promotes uMngeni-uThukela Water as an employer of choice, supports career growth and development of talent at all levels of the organisation and optimises W to ensure the continuity and success of uMngeni-uThukela Water operations and service delivery to communities. The goals / strategies include:

- Attracting talent to the organisation through:
 - Graduate Development Programmes
 - Updated processes relating to recruitment
- Ensuring Leadership is developed to meet Existing and Future Challenges through:
 - Management Development Programme
 - Leadership Development Programme
 - Executive Development Programme

The annual target is set based on the premise that a division has an employee who is about to retire and occupies a critical position that in order for skills transfer and retention of institutional memory to happen; a succession planning route is followed.

Table 12.1 2024/2025 workforce by employment type/category, and race and gender is shown for the permanent establishment for (a) parent company and (b) wholly-owned subsidiary.

Table 12.1:(a) uMngeni-uThukela Water (Permanent Establishment)

Occupational Category	Total	Male				Female			
		African	Coloured	Indian	White	African	Coloured	Indian	White
Top management *	18	10	0	1	0	7	0	0	0
Senior management	30	15	1	4	3	5	0	2	0
Professionally qualified and experienced specialists and mid-management	326	120	9	28	11	130	4	19	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	501	223	4	26	7	212	5	20	4
Semi-skilled and discretionary decision-making	209	187	2	0	0	17	1	2	0
Unskilled and defined decision-making	56	34	0	0	0	22	0	0	0
Total	1140	589	16	59	21	393	10	43	9

Table 12.1: (b) Msinsi Holdings SOC Ltd (Permanent Establishment)

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management (P4)	0	0	0	0	1	0	0	0	0	0	1
Senior management (P5)	2	0	0	0	1	0	0	0	0	0	3
Professionally qualified and experienced specialists and mid-management (P6-8)	4	0	0	0	5	0	1	0	0	0	10
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (P9-12)	10	0	0	0	21	0	0	0	0	0	31
Semi-skilled and discretionary decision making (P13-15)	25	0	0	0	10	0	0	0	0	0	35
Unskilled and defined decision making (P16)	21	0	0	0	34	0	0	0	0	0	55
Total Permanent + 1 Contract	62	0	0	0	72	0	1	0	0	0	135

* Top management consists of the Managing Director on a five-year fixed-term contract

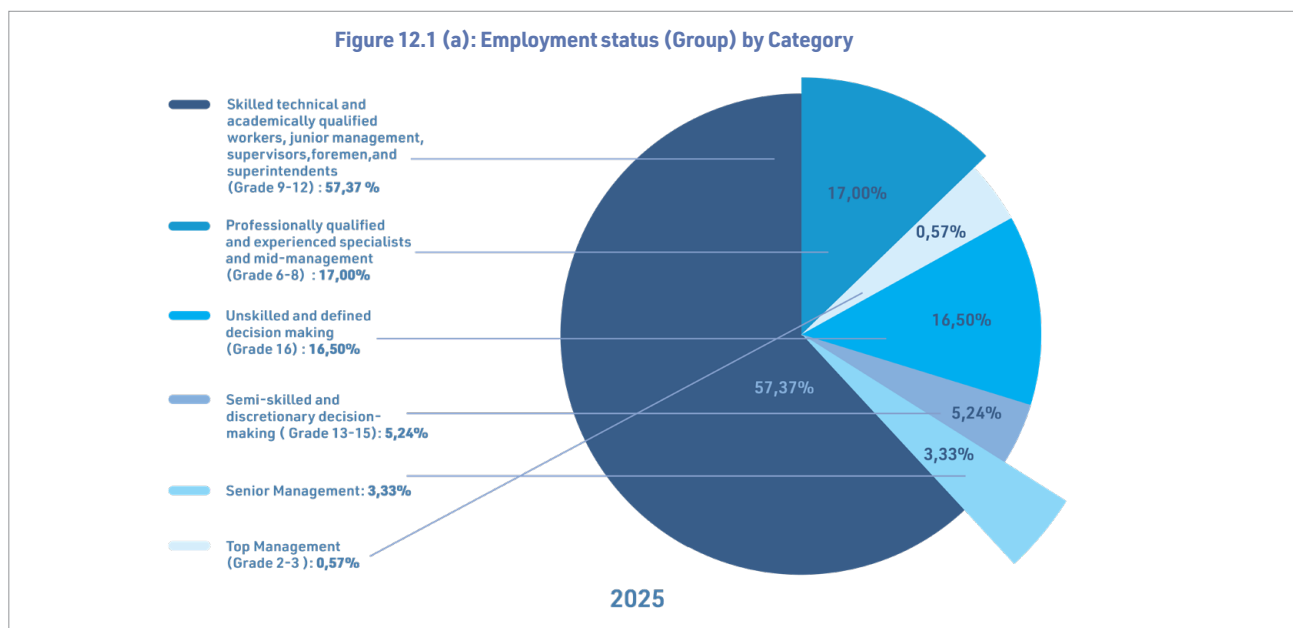
Figure 12.1: Employment in 2024/2025 showing (a) category, (b) race, (c) gender, (d) age and (e) disability

Figure 12.1 (b): Employment status (Group) by Race

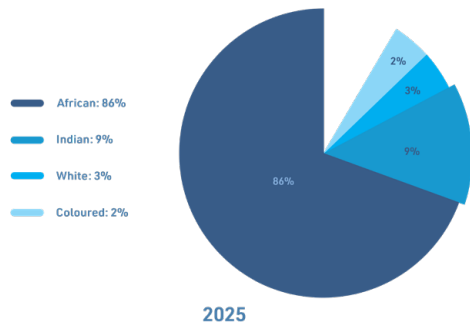


Figure 12.1 (c): Employment status (Group) by Gender

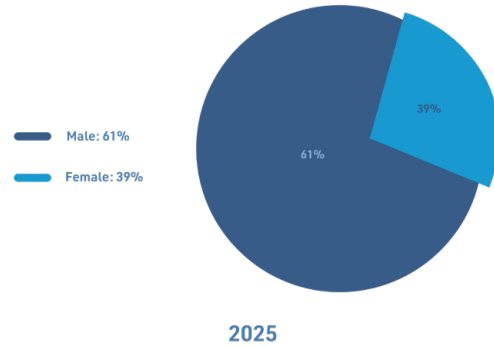


Figure 12.1 (d): Age Profile (Parent)

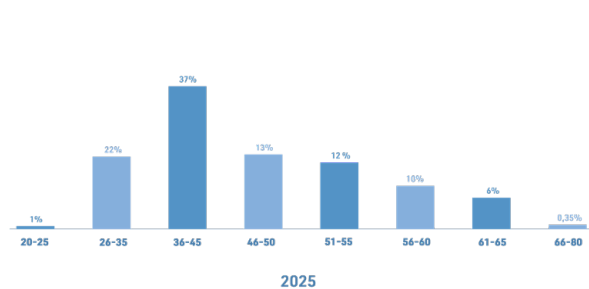


Figure 12.1 (e): Employee Disability Profile (Parent)

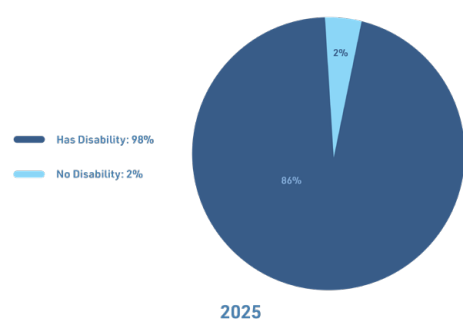


Table 12.2 Summary of staff numbers as at 30 June 2025

Staff Numbers	Total
Parent permanent	1140
Msinsi permanent	135
Group permanent	1275
Group fixed-term contracts	244
Group Total	1 801

Recruitment and Turnover

In the reporting period the entity recruited 43 employees, comprising:

- 5 (five) contract employees; and
- 39 (thirty-nine) graduates, interns and in-service trainees.

Terminations were 46 including:

- 4 (four) resignations;
- 6 (six) natural deaths;
- 3 (three) early retirement;
- 12 (twelve) normal retirements;
- 3 (three) because of medical boarding,
- 27 (twenty-seven) operational requirements; and
- 2 (two) dismissals

The entity's labour turnover percentage for the year is 1.54% and is below the industry benchmark of 8%.

Labour/Management Relations

uMngeni-uThukela Water strives to create an environment in which employees feel valued and support the organisation's values, strategies and priorities. The rights and well-being of all employees are safe-guarded and protected through alignment of corporate policies with relevant legislation and regulations. Specifically, with its unions, NEHAWU and SAMWU, the entity has in place a Collective Agreement that is maintained. Currently, 82% of the total workforce are union members and 78% are within the collective bargaining unit.

Quarterly Union-Management meetings were held in the reporting period, excluding special meetings that were held to provide more timely feedback. The collective agreement serves as the minimum terms of engagement, as the entity is committed to information sharing and to always provide reasonable response to organised labour regarding any significant operational changes that affect employees. During the engagement sessions, management actively engaged labour regarding concerns raised and sought to achieve resolution of issues without any stand-offs. The reconfiguration of the two entities has brought in various dynamics in terms of culture, policies and conditions of service.

Management and organised labour have worked very hard to ensure that the harmonisation of policies and conditions of employment are aligned to ensure the smooth transition.

Occupational Health and Safety

uMngeni-uThukela Water places great importance on the protection of the health, safety and welfare of its employees, contractors and other stakeholders and firmly believes in risk prevention and the promotion of health and safety in the workplace, as these are key factors that improve job quality, working conditions, competitiveness and sustainability of operations. Health and Safety is a way of doing business and it is not the responsibility of a single person or department, but a collective effort where every employee is responsible for playing their part.

The entity's commitment is driven by:

- Acknowledging that while we operate in an inherently high-risk industry, we cannot ignore our moral and legal obligation to safeguard the well-being of our people and community and other stakeholders;
- The introduction of a safety article by the Chief Executive to demonstrate leadership and commitment;
- By ensuring that employees understand the hazards and risks associated with their activities;
- By prioritising and addressing and mitigating health and safety risks;
- Our approach is that health and safety comes first at all times and that there are no shortcuts;
- Our continuous efforts to create a culture where every employee understands the importance of working safely and can go home safe and healthy to their family after every shift;
- Ongoing supervision and inspections by supervisors and line management;
- Introduction of site Health and Safety IMBIZOs to promote Health and Safety Awareness amongst all employees;

- By instilling our beliefs and culture to our employees and relevant stakeholders, that a safe site is a productive site and that safety and production go hand in hand;
- Maintaining the health and safety of our employees, as well as within the communities in which we operate;
- Promoting Dam Safety awareness to schools and communities, which are located near the dams;
- Scheduled compliance audits are conducted on all sites to ensure maximum SHEQ compliance, and these include management audits to instil participative leadership;
- Continuously providing resources, information, training, equipment, systems and other support to all individuals as they have a role to play; to enable all to understand their role, to work safely, healthily, and to participate in improving performance overall and minimise business impact upon the environment;
- The migration from an Operations Division SHEQ policy to a corporate SHEQ policy. This further strengthened our top management leadership commitment.

uMngeni-uThukela Water applies international, as well as South African standards. The entity also drives programmes to support it in complying with relevant legislation and regulations that govern its operations and operating environment. In this regard, the organisation has retained its OHSAS 18001 accreditation and was duly awarded ISO 9001:2015 accreditation. To maintain the integrity and continuous improvement of this system, regular SHEQ legal compliance audits were conducted by an independent, competent and accredited service provider.

One of the measures adopted by uMngeni-uThukela Water in measuring its safety performance is the Disabling Injury Frequency Rate (DIFR). There was a noticeable decrease in the number of disabling incidents recorded in the year compared with previous years. Our final DIFR was recorded at 0.03. **(Figure 12.2)**

Figure 12.2: DIFR Comparison Year on Year

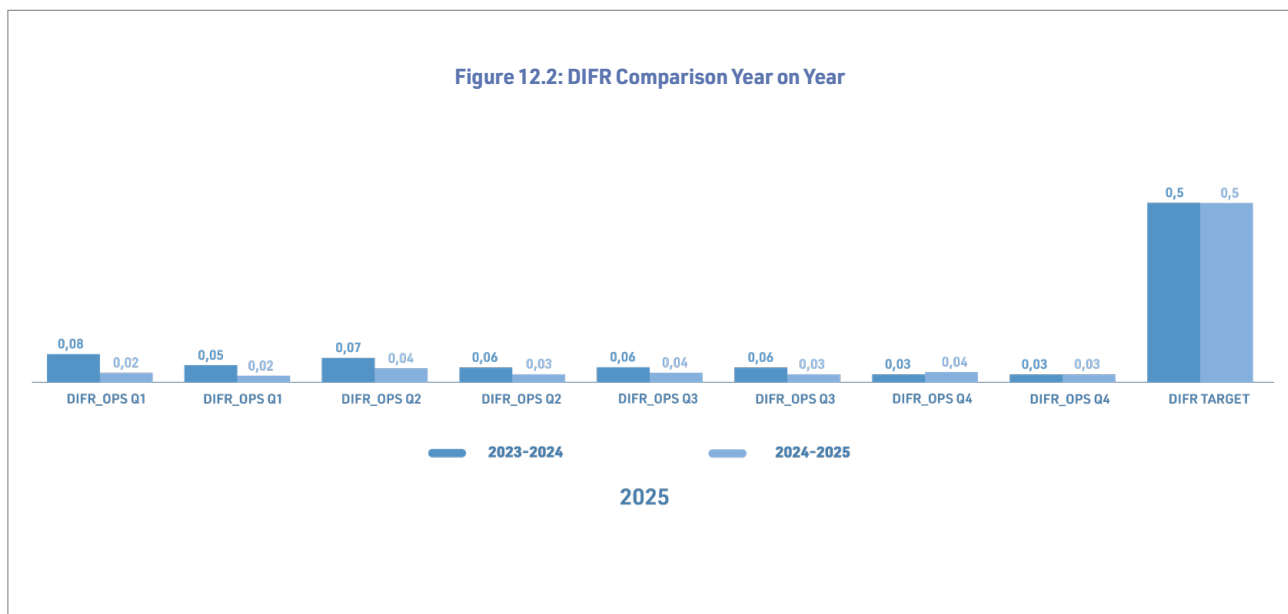
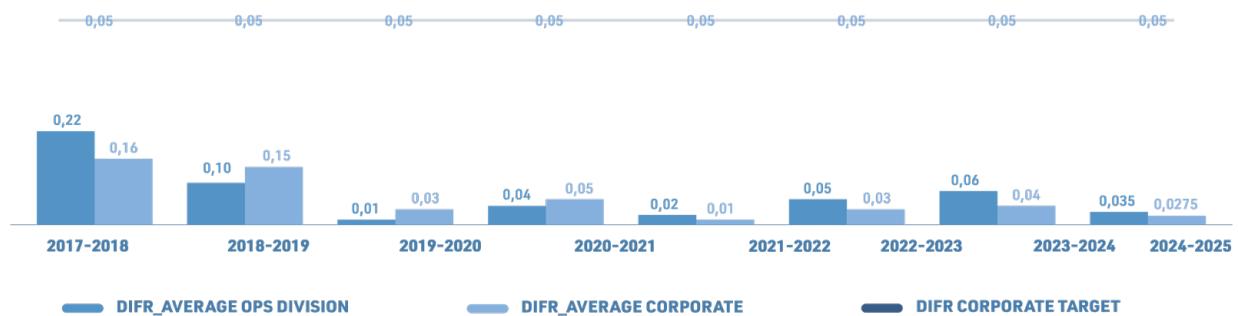


Figure 12.3 (a): DIFR Average Operations vs Corporate



Skills Development

Every year, uMngeni-uThukela Water compiles and submits a Workplace Skills Plan and Annual Training Report to the Energy and Water Sector Education Training Authority (EWSETA), which guides the implementation of skills and development initiatives through the identification of the skills needs of the entity and ensures the effectiveness of skills development plans. The skills development programmes include:

- Employee training and development;
- Assisted education programme;
- Learnership and apprenticeship programmes;
- Bursary programme;
- Graduate trainee and Internship programmes;
- Leadership Development;
- National Treasury (NT) Programme; and,
- Work Integrated Learning (WIL) Programme.

Skills Audit & Capacity Building Framework

The outcome of the uMngeni-uThukela Water Skills Audit provided the entity with a five-year multi-layered competency framework that guides the identification of skills development gaps, scarce and critical skills and prioritisation of training and development initiatives to support the entity's continuity. For this reporting period, the entity is on year four of the skills audit of the implementation plan.

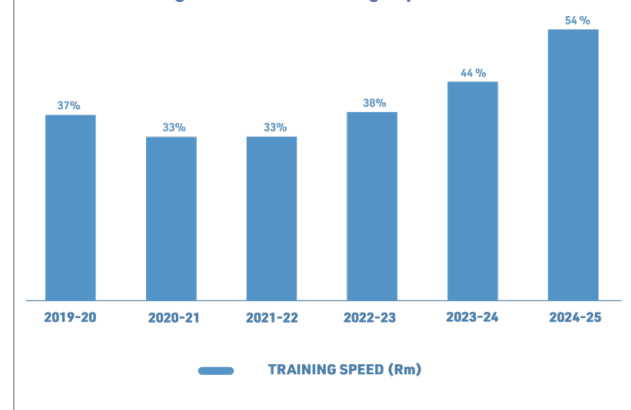
For the reporting period, the entity continued with the application of the approved three-layered Capacity Building Framework that offers a simplified and systematic approach to organisational capacity building to aid the implementation and evaluation of capacity building programmes - that is, individual, organisational and environmental levels.

Training and Development

The implementation of training and development initiatives is aligned with the Skills Development Act Number 97 of 1998 and other related legislation for purposes of developing the workforce skills requisite to improve the quality of life, productivity and competitiveness, and delivery of social services. Furthermore, to respond to the water sector skills requirements.

The organisation has consistently invested in skills development of its employees. This is graphically represented in **Figure 12.3**.

Figure 12.3 (b): Training Expenditure



Leadership, Learnership and Apprenticeships

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

As part of the continued endeavours to strengthen organisational leadership capacity; one (1) Executive enrolled for an Global Executive Development Programme at Gordon Institute of Business Science (GIBS). A multi-layered assessment was adopted, focusing on key areas namely: behaviour change, attitudinal and technical skills. The outcomes of the capacity impact assessment report will be used as a baseline for the design and decision-making on future Leadership Development initiatives.

A total of 13 employees completed the Management Development Programme (MDP) at the University of KwaZulu-Natal and two (2) at the Stellenbosch University. Seven (7) Laboratory employees completed the Supervisory training with Civil Engineering Southern Africa (CESA). The purpose of this programme is to equip the newly appointed managers and supervisors with new set of skills and current individuals who are already occupying leadership roles, to ensure the achievement of the organisation's Vision and organisational sustainability. The MDP, ELDP and SDP

programmes further aim to assist with the achievement of the short and long-term goals of the organisation.

The Apprenticeships programme provided training, development and exposure to both internal and external candidates. On completion of trade tests, the Apprentices are deemed to be competent as Artisans. The Apprentices are then appointed as junior artisans for a two-year period to gain experience that is in line with the minimum requirements of the artisan positions. A total of 57 apprentices were appointed in the apprenticeship programme and will receive theoretical training at Majuba TVET College and Shukela Training Centre in the Automotive Motor Mechanics, Boiler making, Electrical, Instrumentation, Fitting and Millwright trades. In 2024/2025 apprentices received practical work exposure from various operational sites within the entity as per the requirements of the programme. There are two (2) unemployed learners who completed Apprenticeship in the Instrumentation Trade at Shukela Training Centre, they were found competent, now appointed as Junior Artisans, and are waiting to receive their Trade Certificates. Seven (7) employed learners completed phase three (3) in various Trades and are now due for Trade Tests.

Four (4) Unemployed Learners who completed the NQF3 National Certificate in Water and Wastewater Treatment Process received their certificates. 12 Unemployed Learners (18.2) who completed theoretical training of Learnership NQF Level 3 are still waiting for their certificates. uMngeni-uThukela Water assessed the skills and competency levels of internal personnel against the requirements of Regulation 3630 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-year training plan to fill the skills and competency gaps. The internal positions include Superintendent, Process and Quality Technician, Senior Process Controller and Process Controller positions. In the reporting period a total of 504 Process Controllers were enrolled in either the Learnership and Skills Programme Level NQF 2 and in Level NQF3 and 4 Water and Waste Treatment and various courses in water and wastewater treatment.

Assisted Education

The organisation continued to provide employees with financial support to further their studies in disciplines related to the entity's core and support business for improved performance to meet the current and future skills needs through the Assisted Education Programme (AEP). For the period under review, 32% of employees enrolled in formal qualifications that respond directly to critical and scarce skills needs. The qualifications range from NQF level 3 to NQF level 10, consisting of undergraduate and post-graduate qualifications.

uMngeni-uThukela Water Young Professionals

The existence of uMngeni-uThukela Water Young Professionals (UUWYP) proves the entity's ongoing acknowledgement and support towards initiatives aimed at developing the youth. Since the inception of UUWYP in 2014, the forum has an active membership of 180, consisting of employees below the age of 35. UUWYP is a solution-oriented platform that aims to cultivate professional development, leadership and social responsibility

among the entity's young workforce.

The forum continues to aim at being a catalyst in supporting the organisation to achieve its vision and mission, be the proponent of continuous learning, growth and collaboration, and being a key partner to enable the organisation to achieve efficiency gains through innovation and use of best-fit technology. Aligned with uMngeni-uThukela Water growth strategy; the forum's operational model is underpinned by its constitution, strategy and the following objectives:

- To create an enabling environment for professional growth through affiliation and registration;
- To encourage active community and social responsibility participation;
- To create a solid professional and social networking for the young professionals in the organisation;
- To empower uMngeni-uThukela Water Young Professionals (UUWYP) through skills development, resources and information-sharing.

During the reporting period, the UUWYP initiated and advocated for different Initiatives that were seen as being key to the progress and continuous success of the forum. These initiatives were borne of engagements with different internal and external stakeholders.

Notable activities completed by UUWYP in the year include:

- High School tutoring programme for grade 10 – 12 learners at two High schools in three (03) UUW supply areas is still continuing.
- On 16- 20 June 2025, UUWYPs participated in the 10th Annual Green Youth Indaba, where the YPs presented part of the panel discussion and exhibited the different programmes available at the conference.
- Partnered with the Department of Water and Sanitation in planning the 2025 Annual National Youth Indaba. UUWYP was part of the programme and participated in the various task teams.
- UUW divisions were represented by thirteen (13) young professionals, three (03) were UUWYPs that were nominated to be on the National Committee, who assisted with the planning of the Youth Indaba, four (04) of these YPs were part of the programme, who presented on the different topics that are related to the water sector.
- The Director General (DG) launched the South African Water & Sanitation Youth Network which was tasked to the goals of the network are met. In order for the Youth Network to start functioning the Department of Water and Sanitation nominated Young professionals from all the nine (09) provinces to start the planning process of the Network. Two (02) UUW Young Professionals were nominated during the year to be a part of the interim committee.
- Three (03) uMngeni-uThukela Water Young Professionals (YPs) participated in the Young SDG Innovation Accelerator and attended the Young SDG Innovation Accelerator Boot Camps and Conference for 6 months.
- UUWYPs participated in terms of career guidance

and bursary opportunities at a Ministerial Outreach Programme on 23 May 2025 in Sterkspruits, Eastern Cape and 700 learners were present.

- There were UUWYPs who completed and graduated in their qualifications in different fields of study.
- A few young professionals were recognised for the exceptional work they delivered during the year. This was demonstrated by the Young Professionals who were nominated by their departments and awarded Young Professional of the Year.

Bursar, Graduate, Interns and In-service Trainee Programmes

uMngeni-uThukela Water's graduate trainee programme aims to expose trainees to a practical working environment that puts structured learning into practice in order to equip beneficiaries with applicable competencies to allow development of a pool of qualified, skilled and experienced candidates for future employment. In the reporting period, the entity had 38 graduates enrolled in the engineering, science and other required professional fields and 30 in-service trainees.

A total of 15 interns were contracted for a two-year internship programme in multi-disciplinary fields across the organisation.

Six (06) learners received experiential learning in different support services departments for the period of 18 months in order to graduate in different TVET Colleges.

uMngeni-uThukela continued with its bursary programme and funded nine (9) bursary students through the Bursary Scheme with students enrolled at various universities in disciplines of Civil Engineering, Mechanical Engineering, Electrical Engineering, Chemistry, Microbiology and Computer Science

- Cyber Security. Three (03) completed their studies in this reporting period, they are now placed under the Graduate Development Programme for a period of three (3) years.

uMngeni-uThukela Water has in place a Memorandum of Agreement for Infrastructure Skills Development Grant Transfer of Funds with eThekweni Municipality and the National Treasury department, whereby uMngeni-uThukela Water offers training to graduates in various Engineering disciplines. The main purpose of the programme is to prepare the graduates for professional registration with the appropriate statutory bodies. The ISDG Programme has 39 Graduate Trainees enrolled under the different Engineering disciplines.

During this reporting period, eight (8) Graduate Trainees were professionally registered with SACNASP and ECSA. Currently, the programme has 31 Graduate Trainees enrolled in different Engineering disciplines. As a result of UUW's graduate programme/s, two (2) Town and Regional Planners (TRP) were deemed competent on 1st July 2025. The other two (2) have submitted their application for Professional Registration with the South African Council for Planners (SACPLAN), one (1) TRP will remain in the programme beyond their completion date.

Key Memberships and Associations

uMngeni-uThukela Water employees subscribe to a wide range of memberships and associations (**Table 12.3**). These straddle governance and risk, water, science and engineering, natural resources, social impact management, business, finance and accounting, and occupational health and safety, among others. The memberships ensure employees keep abreast of developments in their field of expertise and participate in sector knowledge-sharing.



Table 12.3: Key Membership and Associations

Category	Memberships
Governance and Risk	<p>Institute of Directors in Southern Africa (IoDSA) Institute of Risk Management South Africa (IRMSA) Ethics Institute of South Africa (EthicsSA) Institute of Internal Auditors (IIA) Information Systems Audit and Control Association (ISACA) Compliance Institute of South Africa Association of Arbitrators Corporate Counsel Association of South Africa Association of Arbitrators and Corporate Counsel Association of South Africa</p>
Financial and Business	<p>South African Institute of Chartered Accountants (SAICA) Association of Corporate Treasurers of Southern Africa (ACTSA) Chartered Institute of Management Accountants (CIMA) South African Institute of Professional Accountants (SAIPA) National Business Initiative (NBI) Durban Chamber of Commerce and Industry (DCCI) Pietermaritzburg Chamber of Business (PCB) Chartered Institute of Purchasing (CIPS) SA Accounting Academy (SAAA)</p>
Product Quality, Infrastructure Stability, Research, Innovation, Science and Technology	<p>Water Institute of Southern Africa (WISA) South African Association of Water Utilities (SAAWU) International Desalinisation Association South African Institute of Agricultural Engineers South African Institute of Mechanical Engineers International Association of Hydrological Sciences American Water Works Association (AWWA) International Water Association (IWA) Engineering Council of South Africa (ECSA) South African Institute of Civil Engineers (SAICE) Construction Industry Development Board (cidb) South African Institute of Chemical Engineers (SAIChE) Project Management Institute South African Council for Planners South African Planning Institute South African National Committee on Large Dams (SANCOLD) The Association of SA Quantity Surveyors Concrete Society of Southern Africa NPC South African Council for the Project and Construction Management Professions (SACPCMP) The Southern African Institute of Mining and Metallurgy (SAIMM) South African Geomatics Council American Chemical Society (ACS) South African National Standards (SANS)</p>
Community and Environmental Sustainability, Science and Technology	<p>International Association for Impact Assessment (IAIAsa) South African Council for Natural Scientific Professions (SACNASP) Institute of Waste Management</p>
Employee and Leadership Development, Operational Resilience, Operational Optimisation	<p>Institute of Information Technology Professional of South Africa (IITPSA) South African National Standards Association (SABS) South African Institute of Draughting Electrical Contractors' Association NACE International South African Right of Way Association (SARWA) Institute of Safety Management. Fire Protection Association of South Africa South African Board of People Practice (SABPP) South African Nursing Council (SANC) South African Reward Association (SARA) South African Society of Occupational Health Nursing Practitioners (SASHON) Chartered Institute for Purchasing and Supply (CIPS) State-Owned Entities Procurement Forum (SOEPF) Society of South African Archivists (SASA) Library and Information Association of South Africa (LIASA) South African Institute of Occupational Safety and Health (SAIOSH) Toastmasters International The Association for Office Professionals of South Africa (OPSA)</p>

Performance, Alignment to Strategy and Remuneration

uMngeni-uThukela Water continues to implement successfully a three-component performance management system in the organisation. The system ensures that all employees have conceptual knowledge, and an understanding of the role and purpose of their jobs with line of sight to the entity's strategy and performance objectives and targets.

The Board of uMngeni-uThukela Water assesses the entity's performances against predetermined objectives on a quarterly and annual basis, while formal employee performance assessments are undertaken twice a year.

The Remuneration Policy and Strategy are aligned to the Performance Management Policy to ensure that the performance management process at uMngeni-uThukela Water is development oriented and intended to cultivate effective human resources management and career development. As a result, appraisals are constructively used to provide feedback and coaching to individual employees concerning their job performance.

Through this structured performance management system, uMngeni-uThukela Water ensures implementation of its strategic goals through skilled, competent, motivated and engaged employees, while recognising and rewarding good performance.

Diversity and Equal Opportunity

uMngeni-uThukela Water's workforce by employment type/category, race and gender is shown in **Table 12.1** and **Figures 12.1**. The organisation annually submits an Employment Equity Plan to the Department of Labour and prepares quarterly equity reports to track the status of its workforce diversity against its plan. uMngeni-uThukela Water does not discriminate between men and women in terms of remuneration.

Change Management

Improving Work Culture

Employees need to understand that change is inevitable. Change is enabled when employees are involved and equipped. They need to see visible commitment to the change. The Change Management Programme serves to provide generic guidance for Change implementation in the organisation. The organisation remains committed to

effectively managing change and is confident that the Change Management Programme will contribute to the effective transformation that will benefit the sector.

Human Rights

Investment and Procurement Practices

uMngeni-uThukela Water is an entity of the State that is committed to a system of acquisition of goods and services that is fair, equitable, transparent, competitive and cost-effective and promotes the objectives of Broad-Based Black Economic Empowerment.

Awareness continues to be built amongst the entity's employees through requesting mandatory disclosures of interests in support of fair, equitable, transparent and competitive procurement practices. The entity remains confident that it is contributing to effective economic transformation that will benefit the sector.

Child and Forced Labour

uMngeni-uThukela Water, as a state-owned entity, subscribes fully to National Legislation that ensures a healthy and safe work environment for its employees. The entity's Human Resources Policies comply and are in line with the Labour Relations Act (Act No 66 of 1995), Basic Conditions of Employment Act (Act No 75 of 1997) and their relevant Codes of Good Practice. The entity is also aligned to the United Nations Global Compact Principles and OECD recommendations in this regard. uMngeni-uThukela Water does not practise child and forced labour.

Non-Discrimination

In the year under review, zero incidents of discrimination were reported.

Indigenous Rights

uMngeni-uThukela Water subscribes fully to the Bill of Rights in terms of the Constitution of the Republic of South Africa (Act 108 of 1997). During the year, there were zero reported incidents of violation of rights of indigenous people in any aspect of the organisation's business.

Human Rights Remediation

Zero grievances related to human rights issues / contraventions were filed.

13.0 IMPROVING RESILIENCE



13.1 ISO/IEC 17025 Accredited Laboratory Services Assuring Water Quality

Four (4) modern ISO/IEC 17025-accredited laboratories make up the entity's Laboratory Services. They are Chemistry, Microbiology, Hydrobiology and Soil Chemistry Testing, all with a long-established reputation of meeting international standards. Highly skilled and dedicated scientists, technicians and laboratory support staff, utilising modern analytical techniques enable this facility to provide a world-class service 365 days a year.

During the financial year, the laboratory supported core business activities through:

- Providing assurance that the entity produces potable water that complies with drinking water standards;
- Assuring that treated effluent complies with wastewater and effluent discharge limits;
- Assuring, via the above, public health protection from water-borne diseases and water-related health impacts;
- Undertaking research and development and generation of scientific data for new infrastructure developments;
- Supporting water treatment for process selection and optimisation;
- Undertaking catchment and river health monitoring to assess the status of water resources and quality of raw water supply;
- Immediate provision of early warnings and alerts to stakeholders when a breach of quality standards is detected and ensuring that the incident-management protocol is followed to contain and remedy the breach.
- Maintaining analytical results database which allows all uMngeni-uThukela Water users access to over 30-years of test results for trend forecasting. This is critical for construction of dams, water and wastewater treatment works and other capital projects.

Water samples from the entire supply system (catchment to consumer) are collected by a team of dedicated well-trained sampling officers daily throughout uMngeni-uThukela Water's operational area, and are assessed in terms of physical, chemical and microbiological characteristics, as per SANS 241 standard requirements. The sampling activities are also governed and guided by ISO/IEC 9001 certification standard, to which they have to conform.

The analytical results are produced within specified times that form part of Service Level Agreements with end users. Supported by LabWare Laboratory Information Management System (LIMS), water quality results are captured, validated, stored and reported timeously. Laboratory Services generates 30 000 to 40 000 analytical results per month from its four accredited laboratories, split as follows: Chemistry (Central Region), approximately 20 000; Chemistry (North East Region), approximately 10 000; Microbiology (Central Region), 5 000; Microbiology (North East Region), 1 000; Hydrobiology, 700 and Soil Chemistry, 100. The laboratories generated 443 292 test

results in this financial year. Direct access to the results is also provided to external users via the Electronic Water Quality Management System (eWQMS), the IRIS Blue Drop System (BDS) and the IRIS Green Drop System (GDS).

In addition to assuring the quality of bulk water produced, Laboratory Services provides water testing and sampling services to municipalities and various private sector clients. This valuable service supports and assists municipalities to improve their IRIS Blue and Green Drop compliance.

uMngeni-uThukela Water laboratories are ISO/IEC 17025-accredited, and have to constantly keep up with the requirements of the standard, in order to maintain their accreditation status. As such, Laboratory Services have successfully retained their ISO/IEC 17025:2017 Accreditation status after SANAS completed the Surveillance Assessment on the 20th August 2024 for the Pietermaritzburg laboratory, and on the 15th of May 2025 for the Richards Bay laboratory. The Pietermaritzburg Laboratory Management System with a minimum 25% of the Laboratory's Chemistry Scope of Accreditation, which includes methods and Technical Signatories were assessed, with two non-conformance raised and cleared by SANAS after corrective action/s were implemented. Conversely, the latter was applicable for the Richards Bay laboratory in May 2025, where both Chemistry and Microbiology Scope of Accreditation was assessed, and five nonconformances were raised and cleared by SANAS. Both the Pietermaritzburg and Richards Bay's Certification of Accreditation shall be valid for five years considering successful SANAS Surveillance Assessments every 18 to 24 months, to ensure major efforts and commitments to the standard, thus achieving and enhancing customer and stakeholder quality assurance.

The Microbiology and Hydrobiology laboratories voluntarily suspended their accredited methods in May 2023 to allow for major refurbishment of the facilities. The refurbishment was successfully completed in April 2025, enhancing the laboratories' infrastructure and capacity. Throughout this period, the laboratories remained committed to the requirements of ISO/IEC 17025 and ensured that all test results produced were accurate, reliable, and credible. With the refurbishment now complete, the process of regaining accreditation has begun, with quality checks on methods finalised and preparations underway to apply to SANAS for assessment and reinstatement of accreditation.

uMngeni-uThukela Water will increase revenue streams by deploying responsive water and related solutions to the market using its intellectual capacity to minimise its heavy reliance on the tariff as a main source of revenue.

Laboratory Services

uMngeni-uThukela Water provides an extensive array of ISO/IEC 17025 accredited laboratory-testing services to various municipalities in Kwa-Zulu Natal. Currently contracts/MoUs are in place for water and/or wastewater quality monitoring with the Harry Gwala DM, Ugu DM and

Alfred Nzo DM. The primary objective of the partnership with the WSAs is to improve the level of compliance in terms of the Integrated Regulatory Information System – IRIS and Green Drop Systems. In addition, Laboratory services are provided to various other water entities including eThekweni Metro, as well as to over 3000 other clients.

Laboratory Services also collaborates with academic institutions, other municipalities to provide in-service training, and National Treasury graduate training to various students annually.

Support to Municipalities

uMngeni-uThukela Water is supporting vulnerable customers to implement projects to improve water service delivery. Interventions vary from emergency refurbishment of reticulation infrastructure to upgrades of municipal wastewater systems.

uMngeni-uThukela Water is piloting a flood early warning system for selected local communities within uMgungundlovu District Municipality. The project aims to increase the resilience of vulnerable communities through interventions that include community-based early warning systems, climate-smart agriculture and climate proofing of settlements. This work will continue in the corporate planning period.

uMngeni-uThukela Water also provides IRIS, Sampling, SANS 241:2015 and Testing Methods training to various municipal staff to enable better understanding of legislation and general requirements; thus improving their capabilities and performance.

13.2 Information and Communication Technology

13.2.1 ICT Governance & Compliance

In alignment with the King IV Report on Corporate Governance for South Africa (2016), ICT Governance is designed to enable the organisation to achieve its strategic objectives. The Board has entrusted this oversight to the Innovation, Technology & Information (ITI) Committee, which monitors ICT governance and reports quarterly to the Board.

Key governance and implementation points:

- The Board has approved the ICT strategy, and the ICT Department is currently in Year 2 of a 4-year implementation plan.
- The ICT Strategy aligns with the Government Wide Enterprise Architecture (GWEA) framework as mandated by the Department of Public Service and Administration (DPSA).
- The ICT Strategy is integrated with uMngeni-uThukela Water's overarching organisational strategy, supporting goals and outcomes through enhanced synergy across business processes, process optimisation, adoption of innovative technologies, and a single source of corporate-wide data.

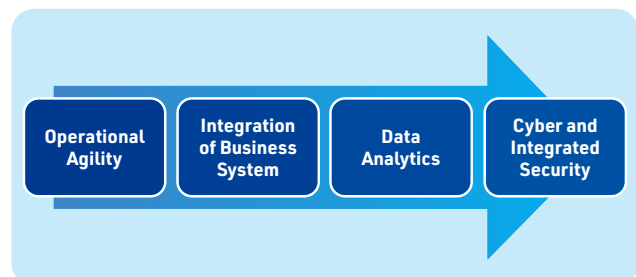
- Our transition from a "best of breed" approach to a consolidated solution (Enterprise Resource Planning, ERP) ensures adherence to best practices and government standards.
- With technology evolution and an expanded operational footprint, the ICT Strategy now encompasses uMngeni-uThukela Water as a Group, including both Information Technology (IT) and Operational Technology (OT) environments.

13.2.2 Digital Transformation

Digital Transformation and its impact:

- Digital transformation (as depicted in **Figure 13.1**) involves embedding digital technology into all facets of uMngeni-uThukela Water, driving substantial changes in how it operates.
- The organisation aims to deliver collaborative, integrated services, with the ICT Strategy serving as the foundation for a structured, planned digital transformation.
- Moving transactions, activities, and data from offline or isolated systems to digital channels yields meaningful time and cost savings.
- Centralising information enables easy access to data from a single, secure location, supporting more informed decision-making and more efficient operations.

Figure 13.1: Digital Transformation



13.2.3 ICT Operational Agility

In support of its objectives of providing bulk water and wastewater services, uMngeni-uThukela Water prioritised the availability and reliability of its systems. uMngeni-uThukela Water leads initiative to identify automation opportunities both internally and with external customers to streamline business processes effectively. A key component of successful water production at uMngeni-uThukela Water was the ongoing improvement of the SCADA system. Consequently, additional enhancements and automation of the SCADA environment will maximise these benefits into the future.

With the anticipated upgrade of the SAP system to its latest version during financial year 2025/2026; uMngeni-uThukela Water will leverage additional functionalities that will automate critical business processes in areas such as Asset Management, Supply Chain Management (SCM) and Human Resources (HR). These sub-projects within SAP

will further enhance, automate, and digitalise essential business functions within the Enterprise Resource Planning (ERP) environment.

Revitalising the previously established Research Task Teams added value, as substantial research was conducted that aligned with the goals of the Digital Transformation effort. These teams focused on reassessing the training and development of uMngeni-uThukela's human capital by creating digital literacy throughout the organisation.

To standardise connectivity and maximise uptime across all uMngeni-uThukela Water sites, the organisation selected fibre optic cables for fixed-line connectivity. This decision enhanced the organisation's readiness for future 5G connectivity. Additionally, uMngeni-uThukela Water implemented an integrated wireless network that used load balancing and quality of service to ensure continuous availability of connectivity.

The development of an on-premise private cloud to securely host all corporate data was in progress. This initiative ensured that uMngeni-uThukela's critical data remained within South African borders and complied with relevant data regulatory requirements. Additionally, the Extranet served as a portal for Board and external data sharing and was integrated into this private cloud infrastructure.

In an increasingly connected world, the enhancement of mobility through tools such as Microsoft Teams and video conferencing was essential. uMngeni-uThukela Water continued to deploy these mobility solutions to accelerate business decision-making while reducing costs and improving employee efficiency.

13.2.4 Integration of uMngeni-uThukela Water Business Systems

In 2017, uMngeni-uThukela Water made a strategic decision to consolidate its operating environment by implementing an ERP system. Following the reconfiguration of the two entities, the organisation successfully migrated the former Mhlathuze Water into the SAP environment. Additionally, SAP had been deployed during this period in one of its subsidiaries, Umngeni Water Services, which operates as a commercial entity on behalf of the utility.

The ERP system, specifically SAP, had been instrumental in supporting and enabling uMngeni-uThukela Water's operations. However, an upgrade to SAP S/4HANA became imperative due to the impending end of support for the current software version. This upgrade would integrate enhancements aligned with the approved ICT Strategy and further advance the integration goals outlined in the corporate plan. The SAP S/4HANA upgrade would also include Msinsi Holdings and Umngeni Water Services.

13.2.5 Data Analytics

The Board, EXCO, and Management at uMngeni-uThukela Water recognised the critical need for timely access to

data and insights to drive strategic decision-making and enhance organisational performance. To achieve this objective, the organisation strategically consolidated its diverse data sources into a unified platform, establishing a single source of truth that empowered leaders with accurate and actionable intelligence. The successful completion of the SAP BW/BI Reports and Dashboards project, along with comprehensive training programmes, significantly strengthened management's ability to make informed decisions and improved corporate reporting capabilities.

By ensuring a cohesive and reliable data framework across operational areas, the integrity and trustworthiness of the system were upheld, ultimately deriving greater value from data as a strategic asset. In this digital era, where information is paramount, uMngeni-uThukela Water implemented an Enterprise Information Management (EIM) solution to transition from paper-based processes to an electronic medium, laying the foundation for comprehensive digital transformation. The organisation also upgraded its digital signature solution to an enhanced version to further improve business processes and operational efficiencies.

To promote seamless integration of data sources, uMngeni-uThukela Water initiated a data architecture analysis aimed at reviewing existing business systems and identifying critical integration points essential for effective data-driven transformation. This strategic analysis focused on delivering data across a wide variety of subject areas and data structures, ensuring that the organisation met the consumption requirements of all applications and business processes. The initiative encompassed a diverse array of data sources, including Business Systems, SCADA, drone data, sensors, and third-party systems, ultimately reinforcing the organisation's commitment to data-driven excellence.

13.2.6 Cyber & Integrated Security

In a drive to protect people, assets, and reputations, as well as physical security technology, ICT continued to support security in the business by integrating technology and security to produce an integrated security solution. The integration of Physical Guarding and Technology enabled the security guards to be more proactive in responding to security threats and risks. The merger of these functions also enhanced the integration of systems, including Access Control and CCTV.

uMngeni-uThukela Water recognised that with new technologies in the world of the Fourth Industrial Revolution (4IR), the organisation was prone to cyber-attacks. This made cybersecurity a critical mechanism in safeguarding uMngeni-uThukela Water's information and assets. The organisation upgraded its Information Security Infrastructure to the latest technology on both the Corporate and Operational networks. uMngeni-uThukela Water attained, and continued to maintain, National Key Point (NKP) accreditation at three key Operational sites,

namely Durban Heights, Wiggins, and Midmar.

uMngeni-uThukela Water (UUW) experienced a significant ransomware virus during January 2025 that resulted in the complete Corporate ICT System shutdown to all uMngeni-uThukela Water sites and its subsidiaries. However, the Operational SCADA environment was not affected at a site level. All ICT Business Systems were back online in accordance with the Service Level Agreement response time.

13.3 Research, Development and Innovation.

13.3.1 UUW RDTI Plan

uMngeni-uThukela Water (UUW) has invested in the Research, Development, Technology and Innovation (RDTI) Department to formulate the RDTI Plan. The Department was established to address business and operational challenges through a systematic process of investigation, experimentation, and innovation aimed at creating new products, processes, and technologies.

The main objectives of RDTI are to:

1. Reduce operational costs while maintaining and/or improving quality.
2. Implement alternative treatment methods for water and wastewater.
3. Increase effectiveness and optimise existing processes.
4. Improve and optimise monitoring and control systems.
5. Generate new knowledge, create new products and processes, and apply them to drive socio-economic development and competitiveness.

An implementation plan covering the period 01 July 2024 – 30 June 2025 was developed, with quarterly targets. A total of 18 initiatives, aligned to the four RDTI pillars, were identified across the following six focus areas:

- Water Resources Management
- Pollution and Environmental Management
- Water and Wastewater Treatment Process Optimisation
- Energy Optimisation and Alternatives
- Business Processes & Data Management
- Infrastructure Development and Asset Management

These focus areas are informed by key national and global frameworks, including the Science, Technology and Innovation (STI) White Paper, National Development Plan (NDP), South Africa's Water Research, Development and Innovation Roadmap (2015–2025), Sustainable Development Goal (SDG) 6, and the National Water Resource Strategy (NWRS-3), as well as internal and external drivers of change.

The RDTI Plan is aligned with the UUW Corporate Plan, specifically Strategic Objective (SO) 10:

"Improve the Use of Data and Technology."

It also supports six (6) of the Ten Attributes of Effectively Managed Water Sector Utilities:

- Product Quality
- Operational Optimisation
- Water Resource Sustainability
- Infrastructure Stability
- Operational Resiliency
- Community Sustainability

Alignment with National and Sectoral Policies

STI White Paper: Positions South Africa to leverage rapid technological advancements, foster economic growth, and enhance competitiveness.

Water RDI Roadmap (2015–2025): Provides strategic guidance for water sector research and innovation, which UUW leverages in its projects.

NWRS-3: Promotes research, development, and innovation for effective and sustainable water and sanitation management, ensuring water security, productive use, and ecosystem services.

RDTI Pillars

1. Research Pillar

Focus on applied research to address operational challenges, optimise processes, improve efficiency, reduce turnaround times, and lower treatment costs.

Research is conducted using internal expertise and through external partnerships with academic and research institutions such as universities, WRC, and CSIR.

2. Development Pillar

Given UUW's limited resources and the absence of a dedicated Business Development Unit, its subsidiary, Umgeni Water Services, will drive the development of new technologies, products, methods, and services related to water and related industries.

3. Technology Pillar

Involves adoption, piloting, and optimisation of existing technologies to improve water and wastewater service delivery and product quality.

Umgeni Water Services will also lead in developing new technologies for the sector.

4. Innovation Pillar

Focuses on adopting and evaluating new or improved methods and technologies, including automation, to improve production, reduce costs, and enhance efficiency in the use of resources.

2024/2025 Initiatives by Focus Area

- Water Resources Management: 2 initiatives (1 Innovation, 1 Research)
- Pollution and Environmental Management: 2 initiatives (1 Research, 1 Development)

- Water and Wastewater Treatment Process Optimisation: 4 initiatives (2 Innovation, 1 Research, 1 Development)
- Energy Optimisation & Alternatives: 1 initiative (1 Innovation)
- Business Processes & Data Management: 3 initiatives (2 Innovation, 1 Technology Development)
- Infrastructure Development and Asset Management: 1 initiative (1 Innovation)

Implementation Progress (as at 30 June 2025)

- 13 projects are on track.
- 1 project is slightly behind schedule.
- 4 projects are being transitioned to the Operations (OPS) team for implementation.

13.3.2 Research initiatives/projects

uMngeni-uThukela Water research outputs/ dissemination

Publication

Tlou B. Chokwe, Nomathemba Themba, Precious N. Mahlambe, Sihle V. Mngadi, and Linda L. Sibali. 2024. Poly- and per-fluoroalkyl substances (PFAS) in the African environments: progress, challenges, and future perspectives. Environmental Science and Pollution Research <https://doi.org/10.1007/s11356-024-35727-z>

13.3.2 UUW-UKZN Chair of Water Resources Research and Innovation - Supervised Projects

The UUW Chair of Water Resources Research and Innovation commenced in April 2021, under a ten-year Memorandum of Agreement (MOA), extending to April 2031.

Key objectives of the Chair are to:

- Establish a world-class research group and deliver high-impact innovative and use-inspired research outputs.
- Supervise and mentor UW bursars, or delegate such duties to suitable academic staff members and industrial leaders within UW.
- Maintain a three-year research programme aligned to

the UW R&D Master Plan, and other National plans and strategies.

- Solicit prioritised research projects from the UW R&D Master Plan to be undertaken at UKZN.
- Facilitate and promote interdisciplinary projects within UKZN.
- Translate scholarly work into high-impact innovations for current and future socio-economic development and sustainability.
- Undertake applied research in support of evidence-based policy development, quality teaching, learning and community engagements to have a positive impact on society and the environment.
- Develop a cohort of water scientists, engineers and researchers to create a growing knowledge economy.
- Collaborate both nationally and internationally on research projects of mutual interest.

These objectives continued to be actively addressed during the 2024-2025 financial Year.

Funding and Impact

Funding of the uMngeni-uThukela Water Chair of Water Resources Research and Innovation continued as our contribution in support of research, and Human Capital Development. The collaboration with the University of KwaZulu-Natal has proven hugely successful, particularly in supporting post-graduate studies in water resources management and related studies. In the 2024/2025 fiscal year;

- 23 students were supervised (9 x PhD, 14 x MSc)
- 3 students graduated, comprising:
- 2 x PhD (Engineering)
- 1 x PhD (Agriculture, Earth and Environmental Sciences)
- 1 X MSc.

Annual funding provided by UUW covers the costs of:

- Remuneration and operational support for the Chair
- Research projects
- Studentbursaries.

Currently, 23 current projects are underway, with details summarised in the table below.



Table 13.1: Current UUW-funded post-graduate initiatives supervised by the UKZN Chair: research projects status

No.	Title/Description of Project	Degree	% Progress as at 30 June 2025
1	Development of a predictive mathematical model of the activated sludge process in wastewater treatment	PhD	90
2	Developing an equity and equality assessment method for water resources allocation in South Africa	PhD	75
3	Modelling Small and Larger-Scale Interventions to Limit Soil Erosion and Improve the Quality of Water Flowing into the Proposed Smithfield Dam on the Umkhomazi River	MSc Eng	70
4	Flood impacts and trend analysis: documentation of historical flood events in South Africa	MSc	40
5	Borehole yield study	MSc	70
6	Modelling, Assessment and Optimisation of Rules for Selected Umgeni Water Distribution Systems	MSc Eng	78
7	Sustainable plant-derived coagulating agents in a heterogeneous platform for water treatment	PhD	95
8	New technologies for wastewater treatment and management that can be adopted for the removal of impurities/contaminants	PhD	88
9	Development of solar thermal drying technologies for the treatment of fecal sludge from on-site sanitation facilities and sewage sludge from wastewater treatment plant	MSc	98
10	The use of activated carbon for the removal of pharmaceutical compounds in the effluent from a decentralised water treatment system	MSc	93
11	Improved Performance of the SCS-SA Model and Development of a Framework for Uncertainty Estimation for Design Flood Estimation in South Africa using the SCS-SA Model as a Case Study	PhD Eng	100
12	Detecting trends in hydrological extremes and incorporation of nonstationary hydrological data into design flood estimation and risk assessment in South Africa	PhD Eng	66
13	Research and Development of a Solar Parabolic Trough Collector for Drying Fecal Sludge and Urine Evaporation	MSc Eng	92
14	An evaluation of the State of Citizen Science (CS) in Water Resource Quality Monitoring	MSc	80
15	An Assessment of 22Rn Level In Aquifers Along The Umgeni Catchment: Health And Geohydrological Significance	MSc	58
16	Assessing Flood Vulnerability in the Umgeni River Basin through Hydrological and Hydraulic Modelling	MSc Eng	60
17	Disrupting bound water in fecal sludge to improve water removal processes	MSc Eng	90
18	The Development of Standardized Methods for the Analysis of Emerging Contaminants in Wastewater for the Enhancement of Water Quality Management.	PhD	30
19	Investigation and Improvement of Design Flood Hydrograph Generation for Design Flood Estimation in South Africa	PhD Eng	25
20	Water governance in uMsunduzi Catchment: Politics and Construction of Socio-economic and Environmental Values of the uMsunduzi River	PhD	85
21	An Investigation into the Presence of Organic and Metal Chemical Pollutants in the Reuse Water Plant at Darvill Wastewater Treatment Plant	MSc	22
22	Alternate Disinfection Solutions: Use Essential Oils from Plants to Make Green, Affordable Disinfectants for the Removal of Microbes and Antibiotics	MSc	35
23	Drivers of Eutrophication and Algal Proliferation in the uMngeni System Dams	MSc	15

Overall Progress

- The average progress is 67.6% (± 27);
- 10 projects have achieved $\geq 80\%$ completion, reflecting strong research progress and nearing final outputs.
- 3 projects ($\leq 30\%$ completion) remain in the early stages of completion.

Research outcomes and dissemination

The 2024/2025 research outputs associated with the (UKZN) Chair of Water Resources Research and Innovation funded by uMngeni-uThukela Water, are as follows:

Conference Proceedings/Presentations

- Dladla, S.S., Smithers, J.C., Kjeldsen, T.R., Maharaj, U., 2024. Joint probability modelling of flood variables for the design of flood hydrographs in South Africa, Second Hydrology Conference. South African Hydrological Society Cape Town, South Africa.
- Dladla, S., 2024. Enhancing Flood Risk Assessment Through Multivariate Frequency Analysis: A South African Perspective. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa.
- Loot, I., Smithers, J.C., Kjeldsen, T.R., Coetzee, L., 2024. Finding causes for lower-than-expected urban flood peaks through remote sensing, field investigation and hydraulic modelling, Second Hydrology Conference. South African Hydrological Society, Cape Town, South Africa.
- Maharaj, U., Smithers, J., Pike, T., Singh, K., Johnson, K., Du Plessis, J., Loots, I., Gericke, O., Pietersen, J., Kjeldsen, T., Maswuma, Z., Nyflis, E., 2024. The transformation of research outputs into flood estimation tools in support of the National Flood Studies Programme in South Africa, 2nd Hydrology Conference: The Future of Hydrology and Water Security. South African Hydrology Society, Cape Town, RSA.
- Maharaj, U., Smithers, J.C., 2024. Improved performance and uncertainty estimation in design flood estimation models used in South Africa: SCS-CN model case study, Second Hydrology Conference. South African Hydrological Society, Cape Town, South Africa.
- Mukansi, D.V., Smithers, J.C., Johnson, K.A., Kjeldsen, T.R., Mutema, M., 2024a. Detecting Trends in Hydrological Extremes and Non-Stationary Extreme Value Analysis of Flood Data in KwaZulu-Natal, South Africa, Second Hydrology Conference. South African Hydrological Society, Cape Town, South Africa.
- Mukansi, D.V., Smithers, J.C., Johnson, K.J., Kjeldsen, T.R., Mutema, M., 2024b. Detecting Trends in Hydrological Extremes and Non-Stationary Extreme Value Analysis of Flood Data In KwaZulu-Natal, South Africa, EGU General Assembly Vienna, Austria, pp. 14–19 Apr 2024.
- Ngcobo, S., Schutte, S., Smithers, J.C., 2024. Quantifying Hydrological Drought and Assessing Water Resource Availability in the Kouga Dam Catchment in Eastern Cape, South Africa: A Review, Second Hydrology Conference. South African Hydrological Society, Cape Town, South Africa.
- Oakes, E., Kjeldsen, T.R., Smithers, J.C., 2024. An evaluation of selected precipitation loss models for the derivation of unit hydrographs, Second Hydrology Conference. South African Hydrological Society, Cape Town South Africa.
- Smithers, J.C. 2024. Progress with the Implementation of The National Flood Studies Programme in South Africa. The South African Institute of Agricultural Engineers and 6th Pan African Society for Agricultural Engineering International Symposium, SAIAE, Grabouw, South Africa.
- Smithers, J.C. 2025. Challenges for Water Resource Management and Flood Estimation in a Highly Variable and Uncertain Environment: Case Study in South Africa. (Invited keynote presentation). Global Chairs Symposium, Centre for Regenerative Design and Engineering for Net Positive World (RENEW) University of Bath, Bath, UK.
- Adegoke, O.R. 2024. Isotherm and kinetic studies on the adsorption of Zn^{2+} onto biochar/graphene oxide composites. Oral Presentation at the SACI Inorganic and Carman Chemistry conference held at Cathkin Park, South Africa. 2–6 June 2024.
- Adegoke, O.R., 2024. Adsorption of sulfamethoxazole onto biochar/graphene oxide composites. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>
- Ally, N., 2024. Standardised Methods for Analysing Emerging Contaminants in Wastewater to Enhance Water Quality Management. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Curtis, T., 2024. An Evaluation of the State of Citizen Science for Water Quality Monitoring. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Higgs, C., 2024. Developing an Indicator System to Assess Water Equity in South Africa: A Delphi Consensus. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.

- Mkonta, G., 2025. Coupling Hydrological and Hydraulic Models for Flood Prediction in the Lower uMngeni Catchment. National Flood Studies Research Workshop, Stellenbosch, South Africa.
- Mnguni, K., 2025. Modelling, Assessment and Optimisation of Rules for Selected Umgeni Water Distribution Systems. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Morake, R., 2024. Evaluation of Biochar and Activated Carbon Produced from Different Feedstock for Use as an Adsorbent. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Mukansi, D., 2024. Detecting Trends in Rainfall and Flood Extremes and Non-Stationary Design Flood Estimation in KwaZulu-Natal. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Ngwazi, T., 2024. An Assessment of Radon (^{222}Rn) Level in Aquifers Along the Umgeni Catchment: Health and Geohydrological Significance. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Pather, Y. 2024. Methods to Disrupt Bound Moisture in Faecal Sludge and Faeces to Improve Dewatering and Drying. Oral Presentation at the Biennial WISA 2024 Conference: Turn the Tide held in Durban, South Africa. 12-14 June 2024.
- Pather, Y., 2024. Disrupting Bound Water in Faecal Sludge to Improve Water Removal Processes. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, South Africa. <https://pris.ukzn.ac.za/>.
- Ramlucken, A., 2024. Development of Solar Thermal Drying Technologies for the Treatment of Faecal Sludge from On-site Sanitation Facilities and Sewage Sludge from Wastewater Treatment Plant. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Rampersad, K., 2024. Development of a Urine Evaporator for Innovative Non-Sewered Sanitation Systems. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.
- Risko, S., 2024. Water Governance in uMsunduzi Catchment: Politics and Construction of Socio-Economic and Environmental Values. [Conference presentation]. Post Graduate Research and Innovation Symposium 2024, Industry Session: uMngeni-uThukela Chair in Water Resources Research and Innovation, Durban, KwaZulu-Natal, South Africa. <https://pris.ukzn.ac.za/>.

Research Reports

- Johnson, K.A., Smithers, J.C., Mukansi, D.V., Schulze, R.E., Kjeldsen, T.R., Schütte, S., du Plessis, J.A., 2024. Development of a Toolbox for Design Flood Estimation: Accounting for Non-Stationary Data in Design Rainfall Estimation - KwaZulu-Natal Pilot Study. WRC Project C2022/2023-00773, Water Research Commission, Pretoria, South Africa, 177 pp.
- Smithers, J.C., du Plessis, J., Gericke, O., Pieterse, J., Loot, I., Kjeldsen, T.R., 2025a. Transforming Research Outputs into Industry Tools and Capacity in Support of the National Flood Studies Programme in South Africa. RAENG Project TSP-2324-6\198, NFSP, South Africa, 26 pp.
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Research publications

- Gericke, O.J., Pietersen, J.P.J., Smithers, J.C., Du Plessis, J.A., 2024. Alternative streamflow-based approach to estimate catchment response time in medium to large catchments: case study in Primary Drainage Region X, South Africa. *Water SA*, 50(1): 20-31.
- Johnson, K., Smithers, J., Schulze, R., Kjeldsen, T., 2025. Non-stationary frequency analysis of extreme rainfall events on the east coast of KwaZulu-Natal, South Africa. *Hydrological Sciences Journal*: 1-11.
- Loots, I., Smithers, J.C., Kjeldsen, T.R., 2025. Quantifying urban land cover imperviousness as input for flood simulation using machine learning: South African case study. *Water Science and Technology*, 91(10): 1141-1156.
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- Pietersen, J.P.J., Gericke, O.J., Smithers, J.C., 2024a. Estimation of Areal Reduction Factors in South Africa, Part 1: Development and evaluation of a software interface. *Journal of the South African Institution of Civil Engineers*, 66(4, Paper 1723): 25-36.
- Pietersen, J.P.J., Gericke, O.J., Smithers, J.C., 2024b. Estimation of Areal Reduction Factors in South Africa, Part 2: Application and validation at catchment level.

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- Byaruhanga, N, Kibirige, D, Gokool, S and Mkhonta, G. 2024. Evolution of Flood Prediction and Forecasting Models for Flood Early Warning Systems: A Scoping Review. Water 16 (13): 1763. <https://www.mdpi.com/2073-4441/16/13/1763>
- Higgs, C.J., Hill, T.R., Meissner, R. 2024. Equity in water resource management: A theoretical dynamism. Natural Resources Forum (a United Nations Sustainable Development Journal). <https://onlinelibrary.wiley.com/doi/full/10.1111/1477-8947.12501>.
- Higgs, Carla, Trevor Hill & Richard Meissner, 2025. Water Equity: The South African Case, Society & Natural Resources, <https://doi.org/10.1080/08941920.2025.2475498>.
- Inarmal, N., Moodley, B. 2024. Removal efficiencies and environmental risk assessment of selected pharmaceuticals and metabolites at a wastewater treatment plant in Pietermaritzburg, South Africa.

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13.4 Risk Management

uMngeni-uThukela Water defines risk as all sources of uncertainty that could, positively or negatively, affect the entity's ability to achieve its strategic objectives and outcomes. Risk management at uMngeni-uThukela Water is guided by an Integrated Risk Management Framework and the risk management process is aligned to strategy, which ensures a focused and integrated process of risk management in the entity.

The entity has ten strategic risks as presented in **Table 13.1** below, which are sorted by descending risk score, linked to strategic objectives and indicating their appetite/tolerance positions. One risk is outside both risk appetite and risk tolerance, six risks are outside risk appetite but within risk tolerance and the remaining three risks are within both risk appetite and risk tolerance.

Eight out of ten strategic risks (80%) have been managed to a level of equal to or above reasonable ($\geq 55\%$) overall response effectiveness as presented in **Figure 13.2**.

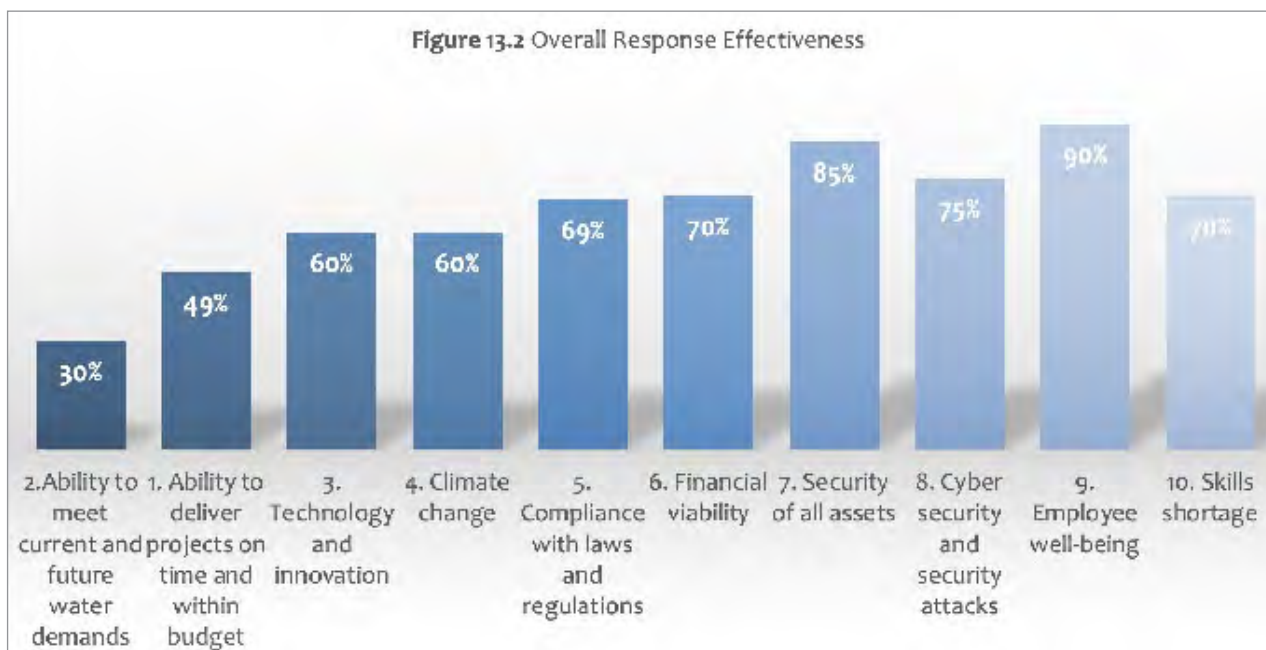




Table 13.2: Strategic Risks as at 30 June 2025

Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
1	<p>Ability to deliver projects on time and within budget.</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Poor 49% Severity: Major-High : 200 Probability: 90% Highly probable and / or certain to occur within 1 year Risk Owner: Executive: Infrastructure Development <div> <div>Score 180</div> <div>Medium</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	<p>Cause & Context:</p> <p><u>Project planning and design phase:</u> Different Professional Service Providers undertaking the planning and design. Poor alignment of planning, design and environmental studies. Poor timing of land acquisition (purchasing of land only commences at the construction or at the design phase). Internal and external budget constraints (Re-prioritisation of capex due to tariff reductions, external funding constraints and the re-prioritisation of UUW's growth strategy). Dependency of approvals from external stakeholders.</p> <p><u>Procurement process:</u> Global challenge in goods and services resulting in the delay of ICT products. Lengthy & bureaucratic procurement process including Bid Specification Committee process delays. Incorrect specifications. Complex and Ineffective CPG and Enterprise Development Processes. Appeals after intention to award. Internal capacity constraints. Possible inefficient forms of contract. Reduction or complete erosion of anticipated return on asset due to higher cost to implement than planned (VOs due to Extension of Time, lengthy negotiation times, increase in scope, significant difference in design and tender estimates to prices received from contractors).</p> <p><u>Project construction phase:</u> Social disruption during construction during all project phases. Changes during design and construction leading to over runs and time delays. Ineffective project and contract management. Constantly changing CPG processes. Changes in legislative requirements. Political interference with water services delivery.</p> <p><u>Treatment Approach:</u> Optimised contracting strategies. Strategic engagements with stakeholders. Timeous acquisition or design of facilities and land acquisition. Streamlined procurement process. CPG policy & procedure. Clarity of tender documentation. Proactive social facilitation. Improved project/contract management. Mandatory attendance of appropriate divisional staff at individual project steering committee meetings. Hold poorly performing PSPs and contractors accountable.</p>	<p>Customer and stakeholder perspective: S01: Improve Stakeholder Value S02: Improve Customer Value</p> <p>Process perspective: S04: Improve Stakeholder Engagement S07: Increase Customers and Services</p> <p>Organisational Capacity Perspective: S012: Increase Supply Security</p> <p>Outcomes: Customer Satisfaction</p> <p>Stakeholder Understanding and Support Community Sustainability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability Infrastructure Strategy and Performance</p>

Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
2	<p>Ability to meet current and future water demands</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 30% Severity: Major- High - : 200 Probability: 90% Highly probable and / or certain to occur within 1 year Risk Owner: Executive: Infrastructure Development <div> <div>Score 160 180</div> <div>Medium</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context:</p> <p><u>Long-term water resources:</u> Delays in the implementation of water resource development projects. Non-conformity with the National Water Resources Reconciliation Strategy. Inability to implement National Water Masterplan.</p> <p><u>Short-term water resources:</u> Drought; Lack of system resilience in the short-term. (Integrated planning and implementation for medium (5 years) and long-term (greater than 10 years) augmentation of systems with stakeholders).</p> <p><u>Infrastructure Adequacy:</u> Mis-managed urbanisation, ineffective demand management (demand out-stripping supply). Delays in developing infrastructure. Deteriorating catchment water quality and declining quantity or catchment yield. Compromised Ecological Infrastructure. Delayed implementation of the 'National Water and Sanitation Infrastructure Master Plan' by the government. Funding resources and financial appetite. Inability to increase service area and universal access.</p> <p><u>Treatment Approach:</u> Augmented supply of water. Timeously implemented Infrastructure Master Plan. Demand Side Management. Engaging in multi-stakeholder water resource management initiatives. Embarking on initiatives to improve catchment management and ecological infrastructure. Engaging in the DWS system operating forums. Restricting supply to municipalities. Extensive communication campaigns. Funding strategy for financing new resources. Progress DWS has appointed a professional services provider (PSP) to undertake the design of the tunnel and raw water delivery system. UUW will procure a PSP for the design of the WTP during the second half of this calendar year. With respect to the design of the Lower uMkhomazi BWSS, the WTW design is complete. The construction of Lower uMkhomazi BWSS is to be completed by 2028. An appointment of a PSP for a review of the design of the Stephen Dlamini Dam is being concluded with SCM, an appointment of a PSP to design the Cwabeni Dam has been made and a review of the Detailed Feasibility Study report undertaken for DWS is currently being done. The preliminary design for Cwabeni Dam has been completed. The dam basin and road alignment tender is anticipated to be advertised in July/August 2025. The estimated award date is December 2025.</p>	<p>Customer and stakeholder perspective: S01: Improve Stakeholder Value S02: Improve Customer Value</p> <p>Financial perspective: S02: Improve Financial Sustainability</p> <p>Increase access to services</p> <p>Process perspective: S07: Increase Customers and Services</p> <p>Manage costs within approved budget</p> <p>Organisational Capacity Perspective: S012: Increase Supply Security</p> <p>Outcomes: Customer Satisfaction Stakeholder Understanding and Support</p> <p>Community Sustainability Financial viability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability</p> <p>Infrastructure Strategy and Performance</p>


Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
3.	Technology and Innovation <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 60% Severity: Major-Low: 100 Probability: 90% Highly probable and / or certain to occur within 1 year Risk Owner: Executive: Scientific Services  Risk Appetite and Tolerance <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	Cause & Context: Starting projects without the end-user, a lot of technology and innovation is at a feasibility phase, slow uptake of new technologies, researcher only doing the research, project execution not adapted due to end user absence, stakeholder mapping to be done at the beginning of the project. Difficulty in procurement due to following one option. Technology/innovation not specific to the challenge. Personnel may not be adequately trained for the new technology/innovation, restrictions imposed by procurement regulations, innovation revolution, lack of clear business case. Slow uptake of technology and innovation. Digital technology adoption (AI, ERP, IoT etc.), technology on management and maintenance of infrastructure. The end-user not consulted when the project starts. Treatment Approach: Corporate Innovation, Technology and Information Committee. Research, Technology and Innovation (RTI) Strategy. Research, Technology and Innovation (RTI) Programme/ Masterplan.	Customer and stakeholder perspective: S02: Improve Customer Value Process perspective: S06: Improve internal efficiency and effectiveness Process perspective: S08: Improve Product and Service Quality Organisational capacity perspective: S010: Improve the use of data and technology Outcomes: Customer Satisfaction Stakeholder Understanding and Support Community Sustainability Financial Viability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability Infrastructure Strategy and Performance
4	Climate change <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 60% Severity: Major-Low: 100 Probability: 65% Even probability and/or could occur within 1-2 years Risk Owner: Executive: Scientific Services  Risk Appetite and Tolerance <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	Cause & Context: Climate change results in changing rainfall patterns, increased intensity of storms, more extreme droughts and floods, increased evaporation and decreased run off in the critical water source catchments . <ul style="list-style-type: none"> Water availability, infrastructure stability, water security and water quality are threatened, exacerbated by competing demands. Poor and marginalised communities impacted by climate change. Excessive / sole reliance of fossil fuels for water business. Includes: <ul style="list-style-type: none"> Electricity for pumping and for water and wastewater treatment processes. Treatment process associated with direct greenhouse emissions (e.g. methane gas a by-product of waste digestion). Electricity use in office buildings. Fossil fuel used for transport, business flights, generators and boats. Contributing to greenhouse gas emissions by dumping waste at landfill sites. Poor condition of ecological systems in key catchments, due to poor land-use management, lack of monitoring and coordination of activities, poor behaviour of water users and lack of compliance and enforcement. Historical focus on hard engineering as opposed to soft or "green" engineering solutions to address water management and climate change impacts. Lack of awareness and shared-learning on water-related risks of climate change and response to address these, coupled with how measures will benefit people. Climate change affects all life and response requires participation by all people, enterprises, communities and government entities. Lack of institutional planning, funding and financing of climate response interventions. Treatment Approach: Reducing vulnerability and enhancing resilience. Reducing greenhouse gas emissions. Water resource protection and climate resilient ecological infrastructure investment. Influence behavioural change for enhanced climate response. Climate Change Policy/ Strategy. Early-flood warning systems. Water resource analysis and assessments. Modified designs for Water and Wastewater Treatment Works.	Customer and stakeholder perspective S01: Improve Stakeholder Value Process perspective S04: Improve Stakeholder Engagement S08: Improve Product and Service Quality Organisational Capacity Perspective: S010: Improve The Use of Data and Technology S012: Increase Supply Security Effective Internal Controls, Compliance and Risk Management Outcomes: Stakeholder Understanding and Support Community Sustainability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability Infrastructure Strategy and Performance

Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
5	<p>Compliance with laws and regulations</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 69% Severity: Moderate-High40 Probability: 65% Even probability and/or could occur within 1-2 years Risk Owner: Chief Executive <div> <div>Score 26</div> <div>Low</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	<p>Cause & Context:</p> <p>Material mis-statements; material irregularities or adjustments to financial statements, inconsistency in performance results against pre-determined objectives. Non-compliance to laws and regulations, policies and procedures as a result of dishonest behaviour and/or poor performance.</p> <ul style="list-style-type: none"> Ever-changing regulatory environment and the lack of agility to adapt to the operating environment by aligning and implementing policies and procedures. Poor document management system control. <p>Non-renewal of licences.</p> <p>Lack of understanding, misinterpretation or non-compliance to procurement processes and contract management, as required by regulations.</p> <p>Inadequate and untimely consequence management.</p> <p>Outdated Standard Operating Procedures not aligned to latest laws and regulations. Lack of adherence to controls.</p> <p>Increase in irregular expenditure, fruitless and wasteful expenditure.</p> <p>The Water Use Licence in the Mngeni System has been exceeded for two years. The Department of Water and Sanitation has issued a pre-directive asking for UUW to develop a plan which would reduce supply over 12 months starting in October 2024.</p> <p>Treatment Approach:</p> <p>Adequate and timely consequence management.</p> <p>Strategic oversight and combined assurance framework.</p> <p>Implementation of the Ethics Management Framework.</p> <p>Committee towards a clean audit.</p> <p>Tracking of licenses and/or permits.</p> <p>Compliance monitoring.</p> <p>Assurance of compliance:</p> <ul style="list-style-type: none"> On-going assessment of control effectiveness. Compliance to policies and procedures. Proactive policy review process. Regulatory analysis. <p>Delegation of Authority.</p> <p>Focused training on SCM.</p>	<p>Customer and stakeholder perspective</p> <p>S01: Improve Stakeholder Value</p> <p>Process perspective:</p> <p>S05: Improve Governance Processes</p> <p>S08 : Improve Product & Service Quality</p>

Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
6	<p>Financial Viability</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Good 70% Severity: Moderate-High: 40 Probability: 65% Even probability and/or could occur within 1-2 years Risk Owner: Chief Financial Officer <div> <div>Score 26</div> <div>Low</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	<p>Cause & Context:</p> <p>High allowance for credit losses. High impairment costs on assets and capex projects. Project cost escalations in excess of budgets. Value creation by subsidiaries not defined its expected ROI for UUW and significant reliance on S29 revenues to fund subsidiary shortfalls. Cost-containment strategies not effective when contracts already committed. Managed growth – meeting stakeholder expectations at all costs.</p> <p>Treatment Approach:</p> <p>Sustainable tariff model for potable water. Annual tariff review. Operating cost plan. Monitoring and reporting on payment plans and cash flows. Developing and implementing debt collection programme for all customers. Grant funding to support social investment in projects. Revenue Enhancement strategies. Business case for all projects. Efficient & effective gate-review process. Improved project/contract management. Contracting strategies. Debtors collection strategy. Debtors management strategy. Develop contracting strategies for gradual take on of new customers. Financial Evaluation on Capex infrastructure. Full Project Lifecycle Process is followed. Improve Shareholder value from subsidiaries. Maintain investments to match 12 to 18 months of working capital requirements. Policy change: Ring-fence equitable share. Secure funding facilities.</p>	<p>Customer and stakeholder perspective SO1: Improve Stakeholder Value SO2: Improve Customer Value</p> <p>Financial perspective: So3: Improve financial sustainability</p> <p>Increase access to services</p> <p>Process perspective: SO4: Improve Stakeholder Engagement SO5: Improve Governance Processes</p> <p>Manage costs within approved budget</p> <p>Outcomes: Customer Satisfaction Stakeholder Understanding and Support Community Sustainability Financial viability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability</p>

Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
7	<p>Security of all assets.</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Good 85% Severity: Moderate-High: 40 Probability: 65 % Even probability and/or could occur within 1- 2 years Risk Owner: Chief Corporate Services Officer <div> <div>Score 26</div> <div>Low</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Within Tolerance 	<p>Cause & Context:</p> <p>Physical assets: Breach of/ damage to/ loss of physical assets (property). Land claims on prospective servitudes. Illegal settlements and encroachments on properties & servitudes. Remote locations that are difficult to secure or monitor theft and vandalism. Service delivery protests may affect site accessibility or cause damage to infrastructure. Site disruptions. Personal safety and occupational health and safety hazards. Sustainability of natural resources (air, land, water, energy) Deterioration of natural resources due to pollution and land-use activities. Injury and loss of human capital. Business forums and Military Veteran disruptions. Threats to stop Capex. Theft of copper cables leading to disruption of connectivity. Load shedding. Service delivery protests may affect site accessibility or cause damage to infrastructure.</p> <ul style="list-style-type: none"> Remote locations that are difficult to secure or monitor theft and vandalism. Personal safety and occupational health and safety hazards. <p>Information Assets: Loss of/damage to information assets and resources (non-physical assets). Cyber-attacks and social engineering. Sabotage.</p> <ul style="list-style-type: none"> Inappropriate use or transmission of confidential data. Breach of confidentiality. <p>Ecological Infrastructure Assets: Damage, degradation and deterioration of ecological infrastructure due to pollution and land-use activities.</p> <p>Treatment Approach: Implementation of physical security processes and procedures. Establish and maintain good relationship with provincial and local SAPS. Gather intelligence. Identification of hot spot areas & project sites. Deployment of additional resources. Implementation of the Occupational Health and Safety Management System (ISO 45001 -Clause 7.1): Resources which deals with security of physical and or human resources. Monitoring of inflows/outflows of raw and potable water pipelines and reservoirs to detect reduction in volumes and pressure, which could indicate that there has been tampering with infrastructure. Information Assets: Implementation of ICT-related policies and strategies. Implementation of the Environmental Sustainability Plan which encompasses initiatives that cause no serious harm to the environmental systems (air, land, water and energy) upon which Uuw depends. Implementation of the Environmental Sustainability Plan focusing on Climate Change interventions. Climate Change Response Policy.</p>	<p>Customer and stakeholder perspective S02: Improve Customer Value</p> <p>Process perspective: S08: Improve Product and Service Quality</p> <p>Organisational Capacity Perspective: S010: Improve The Use of Data and Technology S012: Increase Supply Security</p> <p>Outcomes: Stakeholder Understanding and Support Customer Sustainability</p> <p>Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability Infrastructure Strategy and Performance</p>


Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
8	<p>Cyber Security & Security Attacks</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Very Good 90% Severity: Minor-Low: 5 Probability: 65% Even probability and/or could occur within 1- 2 years. Risk Owner: Chief Shared Services Officer <p>Score 26 Low</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Within Appetite Within Tolerance 	<p>Cause & Context:</p> <p>Ransomware, theft of corporate information, access to sensitive information and data and corporate records, destabilise corporate systems (operations). Malicious attack originating from anonymous sources. De-face of organisational site. The failure of system protection mechanisms to identify and treat the cyber attacks. Malicious or a virus attack. Failure to observe IT policies and recommended working practices. Remote working on unsecured environment. Impersonation of UUW-Social, Brand, User Awareness. Inadequate ICT skills set to perform - Cyber and information security management. System sabotage by officials. Outdated software not compatible with existing ICT infrastructure. Availability of Information.</p> <p>Fraud risks:</p> <p>Inadequate security and system controls. Sabotage. Collusion between service providers and employees. Phishing Social engineering. Non-adherence to policies and procedures. Outdated ICT infrastructure.</p> <p>Treatment Approach:</p> <p>Cyber intelligence system. Anti-virus solution. Regular back-ups (daily, weekly, monthly). Cyber Security Insurance Policy. Implementation of the Cyber security strategy. Firewalls and firewall management system. Interaction with authorised domains for exchange. Isolated operational LAN network. Monitor secured social media platforms. Penetration testing. System Information Event Management. Web filtering.</p>	<p>Process perspective:</p> <p>S05: Improve Governance Processes S06: Improve internal efficiency and effectiveness</p> <p>Organisational capacity perspective:</p> <p>S09: Improve Skills and Competency S010: Improve the use of data and technology</p> <p>Outcomes:</p> <p>Operational Optimisation Enterprise Resiliency</p>
9	<p>Employee well-being</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Very Good 90% Severity: Negligence: 1 Probability: 80% Likely and/ or could occur within 1 year. Risk Owner: Chief Corporate Services Officer <p>Score 1 Low</p> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Within Appetite Within Tolerance 	<p>Cause & Context:</p> <p>Mental wellbeing (financial, personal challenges, high stress levels). Poor work-life balance Unhealthy life style and communicable diseases. Poor job design. Overtime and number of hours worked. Failure to provide employees with social support. Conflict between work and family commitments. Perceived unfairness and injustice at work. Job insecurity uncertainty of the future.</p> <p>Treatment Approach:</p> <p>Employee Assistance Programmes (EAP). Policies aligned to the basic conditions of employment. Wellness programmes.</p>	<p>Process perspective:</p> <p>S06: Improve internal efficiency and effectiveness</p> <p>Organisational Capacity Perspective:</p> <p>S011: Improve Work Culture</p> <p>Outcomes:</p> <p>Customer Satisfaction Stakeholder Understanding and Support Community Sustainability Financial Viability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability Infrastructure Strategy</p>

Risk #	Risk Name, Risk Rating and Risk Score	Cause and Context and Risk Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
10	Skills shortage <ul style="list-style-type: none"> Overall Response Effectiveness: Good 70% Severity: Negligence: 1 Probability: 50% Fairly poor and/or could possibly occur within 2 years Risk Owner: Chief Shared Services Officer  Risk Appetite and Tolerance <ul style="list-style-type: none"> Within Appetite Within Tolerance 	Cause & Context: Competitive external employment opportunities. Non-competitive remuneration structure leading to unaffordability of skills. Difficulties in recruiting key personnel (Executives). Failure to attract scarce and critical skills. Too much reliance on consultants. Under-investment in skills development. Failure to attract digitally wise and/or adaptive workforce. Treatment Approach: Competitive remuneration structure. Internal and external recruitment and research. Skills transfer from consultant services. Policies aligned to the basic conditions of employment. Succession Planning Programmes.	Process perspective: S05: Improve Governance Process S07: Increase customers and services S08: Improve product and service quality Outcomes: Customer Satisfaction Stakeholder Understanding and Support Community Sustainability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability Infrastructure Strategy and Performance

In accordance with the Integrated Risk Management risk priority table, risks that are outside the risk appetite and tolerance levels require specific sign-off by the uMngeni-uThukela Water Board and disclosure in the Annual Report. The entity's divisional risks outside appetite and tolerance are shown in **Table 13.2**.

There are three divisional risks outside both risk appetite and tolerance.

Table 13.3: Divisional Risks outside appetite and tolerance as at 30 June 2025

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
1	SCM Process – Tendering Phase Risks <ul style="list-style-type: none"> Overall Response Effectiveness: reasonable 60% Severity: Major-High: 200 Probability: 100% Virtually certain and/or already occurred Risk Owner: Chief Financial Officer  Risk Appetite and Tolerance <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	Cause & context: Procurement process cycle time takes too long to finalise (delays). Lack of responsiveness and flexibility in decision-making by SCM process participants, stakeholders and Delegation of Authority (DOA) holders. Insufficient stakeholder interaction between SCM and divisions / Department heads. Procurement process cycle time takes too long to finalise (delays). Inadequate planning by procurement end-users. High frequency of adhoc purchases. Unclear, inadequate selection and award criteria or unskilled, negligent/biased technical evaluation teams may lead to non-achievement of planned projects due to appeals. Treatment Approach: Checklist to guide SCM compliance to legislation. Quarterly Internal stakeholder engagements. Reduce procurement process turnaround time. SCM policies and procedures in place. Training and capacity building of SCM practitioners.	Process perspective: S05: Improve Governance Process S06: Improve Internal Efficiency and Effectiveness S06: Improve Internal Efficiency and Effectiveness Outcomes: Customer Satisfaction Stakeholder Understanding and Support Community Sustainability Operational Optimisation Enterprise Resiliency Product Quality Employee and Leadership Development Water Resources Sustainability Infrastructure Strategy and Performance

Risk #	Risk Name, Score and Status	Cause, Context and Treatment	Main Strategic Perspectives, Objectives and Outcomes Impacted
2	<p>Credit Risk.</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Good 80% Severity: Moderate-High: 40 Probability: 100% Virtually certain and /or already occurred Risk Owner: Chief Financial Officer. <div> <div>Score 5</div> <div>Low</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context:</p> <p>The ability of customers to collect from end users and pay water bills to uMngeni-uThukela Water on time due to poor cash flow management of the municipalities. Instability in municipality leadership increasing risk of non-payment. Municipalities under administration and financial pressure. Inability of customers to manage their cash flows and make payments on time. Increased credit risk with new customers in new areas taken over and existing customers who are behind on payments and in some instances contractual disputes. Services rendered without signed contract.</p> <p>Non-revenue water losses</p> <p>Economic down turn resulting in the inability to recover debt:</p> <p>Political instability, Global & geopolitical context, Macro economic climate – recession and municipalities unable to service debt</p> <p>Debtor's collections</p> <p>Treatment Approach:</p> <p>Debtor's monthly report and age analysis.</p> <p>Monthly reporting and age analysis on debtors to DWS and National Treasury in terms of Section 41.</p> <p>Debtors Policy & procedure in place.</p> <p>Enhanced customer engagement.</p> <p>Liquidity buffer is maintained</p>	<p>Customer and stakeholder perspective:</p> <p>S02: Improve Customer Value</p> <p>Financial perspective:</p> <p>S03: Improve financial sustainability</p> <p>Process perspective:</p> <p>S05: Improve Governance Processes</p> <p>Outcomes:</p> <p>Customer Satisfaction</p> <p>Stakeholder Understanding and Support</p> <p>Community Sustainability</p> <p>Operational Optimisation</p> <p>Enterprise Resiliency</p> <p>Product Quality</p> <p>Employee and Leadership Development</p> <p>Water Resources Sustainability</p> <p>Infrastructure Strategy and Performance</p>
3	<p>Post Award SCM Risks</p> <ul style="list-style-type: none"> Overall Response Effectiveness: Reasonable 60% Severity: Minor-Low: 5 Probability: 90% Highly probable and / or certain to occur within a year Risk Owner: Executive: Chief Financial Officer. <div> <div>Score 40</div> <div>Low</div> </div> <p>Risk Appetite and Tolerance</p> <ul style="list-style-type: none"> Outside Appetite Outside Tolerance 	<p>Cause & Context:</p> <p>Terms & conditions/ documents tailored for construction instead of goods & services. Use of generic SLA's not adequately customised to suit each transaction. Inadequate contracts to address business requirements and inadequate document management. Deviations from contract terms and conditions. Timeous renewal of contracts. Contracts not in place.</p> <p>Treatment Approach:</p> <p>All contracts are aligned to DOA processes for approval.</p> <p>Ensure appropriate contract management provisions are included in the standard bidding documents used.</p> <p>Identify repetitive purchases on items eligible to be placed on contract.</p> <p>Electronic Contract Management System in SAP for all contracts.</p>	<p>Process perspective:</p> <p>S05: Improve Governance Processes</p> <p>S06: Improve Internal Efficiency and Effectiveness</p> <p>Outcomes:</p> <p>Customer Satisfaction</p> <p>Stakeholder Understanding and Support</p> <p>Community Sustainability</p> <p>Operational Optimisation</p> <p>Enterprise Resiliency</p> <p>Product Quality</p> <p>Employee and Leadership Development</p> <p>Water Resources Sustainability</p> <p>Infrastructure Strategy and Performance</p>

Financial risks are detailed in the annual financial statement section of this annual report.

Mitigated Risks

Mitigated risks refer to risks that have been treated to an acceptable level, with continual monitoring by Internal Audit to ensure the controls in place are still effective and efficient. There were no strategic risks mitigated.

Emerging Risks

Emerging risks refer to those uncertainties that have a potential to affect the organisation meeting its objectives but which an organisation does not fully understand. The entity regularly reviews the internal and external landscapes with a view to identifying emerging risks.

Emerging strategic and divisional risks are constantly monitored and no emerging risks have been identified for the 2024/2025 period.

13.5 Business Continuity Management

uMngeni-uThukela Water has a well-established Business Continuity Management Programme, the objective of which is to:

- Protect the business, including its staff and stakeholders, by minimising the impact of a material disruption to critical business activities;
- Understand and communicate the recovery needs of the business and ensure an appropriate recovery capability is provided;
- Recover the business in a planned and controlled manner, meeting the requirements of the business

whilst complying with applicable laws, contracts, regulations etc.; and

- Ensure that business continuity is an essential part of business planning and development in order to enhance organisational resilience.

The relevant structures and roles that are required to ensure that the Business Continuity Programme is entrenched and executed within the organisation are mature, continually reviewed and improved, through quarterly scenario/stress-testing of the Crisis Management Plan (CMP), Business Continuity Plans (BCPs) and Emergency Response Plans (ERPs), as an integral component of the Corporate-wide Integrated Risk Management Framework.

14.0

PFMA AND OTHER COMPLIANCE DISCLOSURES



14.1 Irregular, Fruitless and Wasteful Expenditure, and, Material Losses

On 23 December 2022 National Treasury issued Instruction Note No. 4: PFMA Compliance and Reporting Framework of 2022/23 in terms of section 76(1)(b), (e) and (f), 2(e) and (4)(a) and (c) of the PFMA, which came into effect on 3 January 2023. As per this framework, irregular as well as fruitless and wasteful expenditure incurred in previous

financial years is no longer disclosed in the notes to the consolidated and separate financial statements but only the current year and prior year figures are disclosed in note 28 to the consolidated and separate financial statements. The reconciliation and details of the irregular expenditure and fruitless and wasteful expenditure is as follows:

Irregular Expenditure PFMA Disclosure

PFMA AND OTHER COMPLIANCE DISCLOSURES FOR ANNUAL REPORT

The following table include disclosure of the total Irregular Expenditure balance, including the historic closing balances.

		DISCLOSURE UUW CONSOLIDATED	
Total Irregular Expenditure		2025	2024
Opening Balance		4 807 308	2 674 608
Less: condonations in prior years not removed		-	-
Less: condonations in prior years		-	-
Add: prior year error		-	-
Less: Irregular Expenditure that was under assessment in prior		-(134 575)	
As restated		4 672 733	2 674 608
Add: Irregular Expenditure confirmed	a.	134 575	1 497 881
Add: Irregular Expenditure for the current year -	a.	1 034 799	634 819
Less: Irregular Expenditure condoned	c.	-	-
Less: Irregular expenditure not condoned and removed		-	-
Less Irregular expenditure recoverable	e.	-	-
Less: Irregular expenditure not recovered and written off	f.	-	-
Closing balance		5 842 107,00	4 807 308,00
<i>All balances include VAT</i>			
a. Reconciling notes to the annual financial statements disclosure		2025	2024
Irregular Expenditure that was under assessment in 2023/24		-	0
Irregular Expenditure that relates to 2023/2024 and identified in 2024/25			775 014
Irregular Expenditure for the current year		1 034 799	634 810
Total		1 034 799	1 409 824

Irregular expenditure incurred relates to continuing contracts identified in prior year whose services could not be terminated due business continuity requirements

b. Details of current year and previous year irregular expenditure under assessment, determination and investigation	2025	2024
Irregular Expenditure under assessment	-	134 575
Irregular Expenditure under determination	1 034 799	1 363 305
Irregular Expenditure under investigation	0	0
Total	1 034 799	1 497 880

c. Details of current and previous year irregular expenditure condoned	2025	2024
Irregular Expenditure condoned by the Board	0	
Total	0	

DISCLOSURE
UW CONSOLIDATED

d. Details of current and previous year irregular expenditure removed not condoned		2025	2024
Irregular Expenditure not condoned and removed		0	0
Total		0	0

e. Details of current and previous year irregular expenditure recoverable		2025	2024
Irregular Expenditure recoverable		0	0
Total		0	0

Awaiting determinaton report recommendations

f. Details of current and previous year irregular expenditure written off (irrecoverable)		2025	2024
Irregular Expenditure written off		0	0
Total		0	0

g. Details of non-compliance cases where an institution is involved in an inter-institutional arrangement, where such institution is not responsible for the non-compliance		2025	2024
Preferential Procurement Regulations 2017 on subcontracting Preferential Procurement Regulations 2017 on local content thresholds Regulation 25(1) of the Regulations in terms of the Construction Industry Development Board Act No 38 of 2000		0	0
Total		0	0

h. Details of non-compliance cases where an institution is involved in an inter-institutional arrangement, where such institution is responsible for the non-compliance		2025	2024
Description		0	0
None		0	238 648
Total		0	0

i. Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure		2025	2024
Number of cases where officials were disciplined and issued reprimand letters		0	9

i. Details of current and previous year disciplinary or criminal steps taken as a result of irregular expenditure		2025	2024
Number of official disciplined: resigned prior to concluding DC		0	0
Number of official disciplined: dismissed as result of DC		0	0
Number of official disciplined: not-guilty as result of DC		0	0

14.2 Supply Chain Management

In compliance with the SCM Instruction Note 3 of 2021/2022 "Enhancing Compliance, Transparency and Accountability in SCM, the transaction below was a variation approved which exceeded the 15% of the original contract value

Reporting of Expansions and Variations of Contracts

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value Excl. VAT	Value of Variation/ Contract expansion	Value of previous contract expansion or variation of contract
1	Appointment of a PSP to Undertake Contract Administration, Inspection, Close Out and Construction Monitoring for the Construction of the Mpophomeni Waste Water Works	Royal Haskoning DHV	2015/138	The extension and adjustment of PSP basic fees for construction monitoring and other services is necessary to ensure that construction progresses in line with all other requirements and project specifications desired by the employer.	R18 933 107	R5 588 000	R77 493 982
2	Refurbishment of Mkalazi Pump Station valves DN700 suction valve, DN500 Ball valve	Zenzele Valves	PO000038149	Extension of claims time ruling as a result of delays associated with, access to site challenges, CPG issues, work stoppages resulting from interferences by local taxi association, local Inkosi and communities and late approval of environmental authorisation.	R1 181 228	R56 459	-
3	Repair Fencing at Umbilo WTW	Verulam Fencing	Q24-609-VM	Fencing repairs are 95% completed, however, variation is requested to cover the security risk of fencing at the bridge. The bridge fencing at the WTW needs to be attended to address the high-security risk. The Works will then resume a 24-hour operation and this will improve the Quality Compliance. The PM did not include contingencies to cover for any additional costs.	R462 093	R44 712	-
4	Design and Upgrade of Intranet, internet, extranet and board pack for UUW	Blackspot Designs	2022/020(A)	To develop the website for UW Services	R4 568 410	R297 703	-
5	Supply and Sudfloc 3456	Improchem	2019/173	Expansion of contract to EWS	R89 150 720	R1 690 293	-
6	Supply of Sand Filter Nozzles at eKombe, Qhuden, Nomponjwana & Melmoth	ASW Engineering	Q24-522-VM	Expansion of contract	R471 631	R25 299	-

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value Excl. VAT	Value of Variation/ Contract expansion	Value of previous contract expansion or variation of contract
7	PSP for Strategy Review	PMI Africa (PTY) LTD	Q22/312/NS	The PSP is already enlisted to provide the aforementioned service to the organisation and already has delivered 83% in accordance with the contract. This is by far the most cost-effective method of attaining the objective of empowering EXCO and Senior Management with the knowledge and toolkit to repackage the 24/25 Annual Performance Plan into suitable Divisional Operating Plan before the end of July 2024. as directed by the Board.	R396 629	R11 304	0,0%
8	Construction of 8.5KM DN 800 Steel Pipeline from scottburgh South to Umdoni	Cerimele Ukhasi JV	2020/085	The cost to complete South Coast Pipeline 2B	R79 221 209	R12 186 293	R211 789 391
9	Supply and delivery of Chlorine Gas to UUW various sites	Protea Chemicals and NCP	2017/121	03rd contract extension. SCM is currently at tender evaluation stage - advertised in November 2023 and closed in February 2024, however the process was halted due to another tender process that is done by National Treasury as a Transversal Contract	R103 204 125	R20 000 000	R86 187 334
10	Consultant to carry out the Environmental Impact Assessment for Mhlathuze Water's Effluent pipelines	CSIR	MW-37-01-20-21 4500111385	It is a 2 year extension of an existing offshore marine impact assessment contract to enable compliance with the CWDP	R1 959 412	R217 149	-
11	uMngeni-uThukela IAS19 Valuation as at 30.06.2024	Marsh - Alexandra Forbes	4600000617	Extension of scope	R413 800	R39 200	R374 600
12	Supply, Delivery and Offloading of Polymeric coagulant for uMngeni-uThukela Water.	Metsi Chem International	2019/173	It is an extension to include Northern Region sites	R196 190 900	R36 050 052	R196 190 900
13	Provision of unit process cleaning service for Darvill Wastewater Works	Udonga Contracting	2024/007	For the upcoming presidential site	R2 841 187	R109 866	R2 841 187
14	Supply and delivery of Furniture for UUW	Versatile Interiors	2021/105	Supply furniture to the new offices	R3 749 490	R1 877 231	R3 749 490
15	Provision of Security to uMngeni uThukela Water for a period of five years	Tactical Security Services cc	2021/074A	The VO is for the additional of Msinsi Sites	R87 324 407	R18 896 186	R129 637 351

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value Excl. VAT	Value of Variation/ Contract expansion	Value of previous contract expansion or variation of contract
16	Provision of accounting technical services	Malte Advisory	Q25/027/NS	Due to additional hours for technical support in responding to AG findings	R197 000	R27 950	-
17	ICT Operations Maintenance Support	Gagasi IT	2021/068-VO2	The VO is for the critical requirements for migration of the domain from former UW and former MW to UUW	R98 725 848	R43 100 954	R11 229 385
18	HDPE sewer pipeline repair in the eThekweni Metropolitan Municipality	Sinako Engineering Solution	2024/006 4500125793	Extension of scope - The current project will be carried out in the other 50m pipeline because the existing pipeline is gravity whereas the newly constructed 65m pipeline will be charged by pressure. Therefore where the two pipeline tie-in there will be a pipe burst. Hence the 50m pipeline has to be replaced with HDPE class 16.	R3 546 647	R403 371	-
19	Hire of buses for the UUW staff award	Shane Jayram Couches	Q25/515/NS	Additional hire of buses for staff awards	R94 000	R84 700	-
20	Provision of record offsite storage facility, collection, retrieval, destruction, delivery of records and supply of archiving boxes	Document Warehouse	4600000840	Due to the merger of the former Umgeni Water and former Mhlathuze Water to uMngeni-uThukela Water, having one supplier to manage the archiving	R205 000	R242 057	-
21	Provision for Bioremediation of wastewater treatment works and polluted rivers in the eThekweni Metropolitan Municipality	BioPower KwaZulu Pty Ltd	4500126408	Due to emerging pollution concerns	R17 217 200	R3 255 000	-
22	Provision of Seat Management for a period of 5 years	Spec Com Pty Ltd	2023/055	Extension of scope	R65 159 792,92	R129 945,10	-
23	Provision of layer 2 data connectivity links to all remote sites	Liquid Telecommunications	4500094395	ensure rentals for Feb - June 2025	R10 963 143,80	R3 500 000,00	0
24	Provision of Deep Cleaning and Hygiene Services at the 11 EWS sites under UUW O & M Contract	Bidvest Steiner	Q24/424/VM	The provision of Additional hygiene equipment	R462 212,37	R55 465,48	

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value Excl. VAT	Value of Variation/ Contract expansion	Value of previous contract expansion or variation of contract
25	Ministerial Directive-Upgrade of the Existing Schemes and Boreholes in the North East Region (Vryheid-Abaqulusi)	Vumesa Consulting	SCM004/2021/2021	Additional new borehole	R15 054 916,86	R2 024 783,47	
26	Internet -Intranet Revamp project	Blackspot Designs		Azeus Convene Saas User Licence -Annual Subscription	R4 568 410	R196 696	
27	ICT Operations Maintenance Support	Gagasi IT	2021/068-V03	The VO includes the new uMngeni Water Services and the domain migration and a single email address from umngeni.co.za; mhlathuze.co.za to uuw.co.za, which has resulted in ICT infrastructure incremented and required to be maintained and supported.	R98 725 848	R10 162 137	R54 330 339
28	Copesville War-on-leaks	Plumbkor (Pty)Ltd	2021/115	It is the request for additional materials and the replacement of unexpected items to ensure the effective execution of the leak detection project. The adjustment is necessary to enhance system accuracy and meet project performance standards	R338 490	R48 622	-
29	Provision of record offside storage facility collection, retrieval, destruction, deliver of records and supply of Archiving Boxes	The Document Warehouse	46000000480	The VO is to include 4500 boxes of records for former Mhlathuze Water, which about 2066 are stored at Metrofile offside storage. The former MW had a contract with Metrofile which has expired on 31 Jan 2025, hence the request to move the files from Metrofile to Document Warehouse	R205 000,00	R590 000,00	R242 057
30	Vehicle tracking contract	Tracker Connect Pty Ltd	2019/078	the process of sourcing a new tracker contract started later	R9 647 334	R760 000	
31	Vehicle tracking contract	Tracker Connect Pty Ltd	2019/079	additional scope and extending the milestones of the project	R9 647 334	R1 140 000	R760 000
32	Application for Exclusion of WTR from the definition of Waste	AT Gededer CC	Q24/701/NS	DFFE constulation and pre-application meeting sampling of the WRTs sample from the Midmar WTWs and sludge classification results of the Water Treatment Residues.	R452 508	R239 448	

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value Excl. VAT	Value of Variation/ Contract expansion	Value of previous contract expansion or variation of contract
33	Supply, Delivery and Offloading of polymeric coagulant for uMngeni-uThukela Water	Metsi Chem International (Pty) Ltd and Improchem (Pty) Ltd	2019/173-177	Variation to existing contracts 2019/173 to 177 for the Supply, Delivery and Offloading of polymeric coagulant for uMngeni-uThukela Water to include supply to Spring Grove WW, Harding WW and Weza WW	R196 190 900	R17 546 700,00	R188 853 750 720 36 050 052
34	Review of remuneration system & benchmarking exercise	21 First Century	Q25/083/VM	Expansion of scope	R419 900	R166 950	
35	Design, design review, contract administration and construction monitoring of imvutshane dam remedial works.	Hi-Tech Consulting Engineers	2024/001	The additional PSP work is required in order for the Dam to be compliant to safety operating procedure and applicable legislation.	R17 238 500	R3,996, 500.00	R5,994, 000.00
36	Darvill upgrade wwtw: appointment of a psp for the completion of the project	Hatch Africa	2020/041	Additional time to deal with Completion/ Finalisation of project documentation (Issuing of Drawings	R 26 000 000.00	R 2 922 388.74	R 6 349 872.39
37	Appointment of a psp to undertake detailed design and construction monitoring for the hazelmere sludge plant upgrade	IX Engineers	2015/025	Extension of time	R 2 098 500.00	R 1 872 025.79	R 31 944.00
38	Lower Umkhomazi Bulk Water Supply Scheme (Phase 1), Construction of Ngwadini Abstraction Works, Pumping System and Rising Main: Civil, Mechanical & Electrical)	WBHO	2022/084	Provision for strategic security	R 862 388 695,65	R 7200 000.00	-
39	THE Design, Construction and operation of the Hilton N3 Corridor 1.2 ML/D WasteWater Treatment Plant	Klomag Engineering	2023/017	Electric item (MCC Panel omitted in the BoQ	R 51 075 909.45	R 4 382 208,60	R 14 606 637,95
40	Appointment of a PSP to Undertake Contract Administration, Inspection, Close out and Construction Monitoring for the Construction of the Mpophomeni Water Works	Royal Haskoning DHV	2015/138	Extension and Adjustment of PSP basis fee for construction monitoring and other services	R 18 933 106,50	R 6840 000,00	R 5 588 000,00

No	Project Description	Name of Supplier	Contract Number	Reason for expansion or variation of contract	Original contract value Excl. VAT	Value of Variation/ Contract expansion	Value of previous contract expansion or variation of contract
41	Construction of a 6ML/DAY Mpophomeni Wastewater Works	Stefanutti Stocks/ Axsys Mpophomeni JV	2018/071	Due to items that were not covered in the settlement agreement and claims submitted post settlement agreement	R 275 830 230,51	R 36 311 301,46	R 110 000 000,00
42	Appointment of a PSP to for Design, Construction Supervision and Monitoring of Wiggins HLPS	Knight Piesold Consulting	2017/179	Expansion of scope	R 4 720 958,88	R 34 098 547,38	-
43	Emergency Upgrade of the Babanago Spring Water Supply Scheme	Cerimele	2024/087	Expansion of scope	R 60 042 376,33	R 16 958 478,74	-
44	Microbiology and Hydrobiology Laboratory Refurbishment	Globacon (Pty)Ltd	2022/097	Expansion of scope	R 4 938 182,61	R 1 400 000.00	R 1 245 038,57
						R300,552, 270.01	

Contracts Variations and Expansions

Table 14.x: Contract Variations / Expansions

Variations as at 30 June 2025	Number of Variation Orders (VOs)	Value of Variation/ Contract Expansion
VOs for Goods and Services		
Variations exceed 15% or R15m for Goods and Services	13	R140,093,777
Variations below 15% or R15m for Goods and Services	13	R22,063,830
Total VO's for Goods and Services	26	R162,157,607
Variations exceed 20% or R20m for construction works		
Variations below 20% or R20m for construction works	6	R2,761,689
Total VO's for Construction	9	R22,413,213
Grand Total	35	R184,570,820
Variations exceed 20% or R20m for construction works	3	19,651,524

14.3 Procurement by Other Means

Effective 01 April 2022, the "PFMA SCM Instruction 03 of 2021/22: Enhancing Compliance Transparency and Accountability in SCM", repealed the requirement of prior approval by the National Treasury related to deviations from normal bidding procedures and the expansion and variations of contracts. The repeal aligns with section 51(1)(iii) of the Public Finance Management Act, 1999, confirming the authority and responsibility of the Accounting Authority to determine an appropriate procurement and provisioning system that is fair, equitable, transparent, competitive and cost effective. The purposes of the instruction note, is to improve compliance, accountability, transparency in the procurement of goods and services, ensuring value for money and reducing the abuse of the SCM system.

SCM Instruction No 03 of 2021/22 allows the Accounting Authority to approve the deviation or extension and report only to National Treasury thereafter. This together with

other steps taken by the entity will no doubt contribute to improving uMngeni-uThukela Water's procurement responsiveness to operational demands and will lead to faster commercially orientated procurement practices.

uMngeni-uThukela Water is cognisant that deviations/ procurement by other means should be the exception rather than the norm and should be applied only when absolutely necessary. In that if the entity is frequently requesting approval to deviate from standard procurement processes, it can be an early warning sign that it is planning its procurement adequately. Over reliance on the use of procurement deviations can also serve as an indication of possible poor governance practices and service delivery issues.

A total of one hundred and eighty one (181) deviations requests were approved during the year under review. These deviations amount to R123,163,710.40. There were thirty five (35) contract variations with a sum total of R184,570,820 as at the end of 30 June 2025.

Table 14.x: Procurement by Other Means

Deviation Type/ Category	Number	Value (Incl Vat)
Accepting less than 3 Quotes	75	R13,547,198.19
Closed Tender (multiple source)	2	R11,919,389.60
Emergency Case	12	R6,059,291.41
Single Source	46	R78,410,898.27
Sole Supplier	46	R13,226,932.93
Total	181	R123,163,710.40

No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number	Name of Buyer
1	Supply and delivery of Impellers (LCC-R300-710-5 Gathane)	KSB Pump & Valves	R804 167,40	PO4500128394	Silungile mtshare
2	Installation of EPDM Seals on leaking sections of the 53 Pipeline and road crossing inspections along the N3 upgrade project around the Lion Park area	Berita Construction and Civils	R300 000,00	PO 4500115810	Londeka Dladla
3	Hire Excavator for Jozini	WM and M Trading	R147 576,74	PO4500118531	Mpho Biyela
4	Supply of Weir Diesel	Opil General Sales	R267 375,00	PO4500117817	Sindisiwe Ntuli
5	Installation of temporary water supply jojo tanks at empangeni areas	Abasegudu	R363 245,90	PO4500116087	Thandeka Hudla
6	TLB required for the repair of the burst DN350 bulk supply between Ridge 1 & Ridge 2 Jozini Scheme	WM and M Trading	R95 772,98	PO4500118786	Silungile Mtshare
7	Provide excavator for the exposing of burst bDN400 PVC bulk water pipeline supplying Othobothini Wards under Jozini	Umusa Industrial Cleaning	R37 923,60	PO4500120783	Silungile Mtshare
8	Provision of service to unlock blockage at the collecting chamber	One Tower projects	R370 000,00	PO4500116099	Thandeka Hudla
9	Hire Excavator for Jozini	WM and M Trading	R147 576,74	PO4500118531	Mpho Biyela
10	Expose, cut and remove existing damaged HDPE Pipe	Isandiso Pipelines & Engineering	R349 600,00	PO4500118320	Mpho Biyela
11	TLB hire for Jozini DN300 Pipeline repairs	Umusa Industrial Cleaning	R87 055,00	PO4500119218	Mpho Biyela
12	Emergency procurement: Armstrong avenue - sewer Rising main Repairs and reinstatement	Impophoma Water Services	R3 088 998,05	PO4500134565	Bongisani Myeni

R6 059 291,41

Procurement through Urgent Cases

None

Procurement through Single Source Deviation

Ref. No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number
173	Appointment of a service provider to undertake diquat herbicide spraying at Home Farm Dam to Control the invasive weed Hornworth submerged aquatic weed	Envirokonsult Scientific Services Pty Ltd	R989 000,00	PO4500133072
7	Development of Dam Polygons Across all Districts	Isikhungusethu Environmental Services (Pty) Ltd	R252 065.63	4500118090
9	Perform live cleaning of MV Variable Speed Drive and MV/LV switchgear using Nono-material cleaning solution technology	Nueva Modo	R2 000 000,00	4500063712
10	License and software support for UUW Email	NTT Data - Dimension Data	R3 771 933,94	4500120791
11	Payment for the use of Educos	Educos Division of EOH Abantu (Pty) Ltd	R774 069,60	4500123164
17	Ansys Licensing & Software Support	Qfinsoft	R350 124,40	4500122998
25	Supply and delivery of ICA analyser spares and automate old poly-dosing system at Hazelmere Water Treatment plant	Lechintech Pty Ltd	R571 368,96	po 4500120102
30	HPE MAINTENANCE AND SUPPORT CONTRACT FOR HPE HARDWARE FOR 12 MONTHS	Hewlett-Packard South Africa	R2 161 130,29	PO4500122912
39	Urgent supply, installation and commissioning of a new gear-box unit for a DN500 butterfly valve at Jozini WTP by Zenzele valves	Zenzele Valves	R38 255,90	PO4500115992
46	SAMRAS Classic licence renewal	Solvem Consulting (Pty) Ltd	R165 340,15	PO4500118528
49	Onsite service of Axio Imager A2-SN 3527001826 instrument	Carl Zeiss	R13 156,00	PO4500120182
61	Repairs on 900kW Electric motor	LH Marthinusen Durban	R111 623,60	PO4500117957
62	Inanda Dam Wall Standby Generator controller replacement	Power Electric Manufacturers	R119 636,11	PO 4500121817
63	Amanzimtoti water Treatment Works Generator Controller Replacement and Auxillary Works	Power Electric Manufacturers	R119 636,11	PO 4500121117
66	Supply and Deliver Aesseal Package	Aeseal	R250 000,00	PO 4500124832
78	Supply of Nonocolour agents for COD analysis	Separations	R60 000,00	PO4500125240
100	Annual Service of YL Aquamax 362, 372 and Aquapuri 541 Water Purification Systems	Water purifications Systems	R100 000,00	PO4500130879
103	Skills audit for eThekwin EWS	QUE HR SOLUTIONS	R492 500,00	supplier has issues with csd. Po 4500133581
106	Request to procure customised leather bags for UUW contracted and strategic customers	Brando Leather Goods	R85 870,12	paid by cheque
109	Supply and install Rockwell legacy software at lower Thukela Waterworks	Rockwell Automation	R138 846,12	4500132376
110	Supply, deliver and install Maphumulo and Nyamazane pump station and outlet meters	Pulse Control Systems cc	R390 597,90	4500131206
116	Repairs of major defects in the Schindler lift at the North East Region	Schindler Lift SA	R100 000,00	4500129042
117	Read AI Enterprise + extra IT controls - 1 year subscription	First Technology	R426 500,00	PO4500127968

Ref. No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number
118	Jozini high lift pumpstation VSD	WEG Group	R500 000,00	4500128546
119	Supply, deliver and offload of poly for Darvil	Thuthukani SNF Chemical	R319 947,25	PO 4500129409
126	Supply of HOB0 U12-015 stainless steel logger calibration of HOB0 U12-015 stainless steel logger @ 115 & 121	InterCal	R37 478,50	4500128786
129	Provision of décor and sound for Zamah Gas memorial service	Mzansi Sounds	R20 500,00	PO generated-4500127106
131	Supply and deliver flow and pressure transmitter spares for Lower Thukela Waterworks	Endress and Hauser	R200 000,00	4500132472
132	Appointment of a service provider to undertake chemical control of hornwort at home farm dam	Envirokonsult	R989 000,00	OP4500133072
133	Supply and deliver polyelectrolytes for 20 KCDM plants	Rheochem	R8 137 947,60	KCDM contract got terminated hence RFQ cancelled,
135	Supply and delivery of programmable logic controller (PLC) spares	Rockwell Automation	R246 527,39	po 4500132701
136	Renewal of SAP annual maintenance license for a period of 12 months	G3G Pty Ltd	R14 041 474,90	PO4500129700
140	Supply, Delivery and offloading of Rheofloc at Spring Grove	Rheochem	R650 000	PO4500133274
141	Service of the Mantech Autotitrator	Test IT	R100 000,00	PO4500133078
152	supply, deliver, install 800A ABB Circuit Breaker for Amanzimtoti WTP standby generator	ABB South Africa	R190 144,11	po 4500133705
155	Scientific Services - Process Services	Optron Pty Ltd	R27 496,50	PO4500134008
156	Appointment of Blue IQ Services for the evaluation of the UuW's Organisational Structure and its Subsidiaries and the current Shared Services Framework	Blue IQ Services	R862 500,00	4500132747
157	Provision of core signature licences for the period of 36 months	Speccom	R1 997 846,68	PO Generated-4500134300
158	Procurement of massage services for UuW wellness day	Ekhaya Professional c	R190 000,00	PO4500134018
161	Programme in Asset and Maintenance Management (WITH 5 ECSA Points)	Enterprises University of Pretoria	R49 950,00	PO4500130107
164	Effluent Compliance Audit	Anchor Research and Monitoring	R800 000,00	PO4500134572
170	Ministerial visit and community engagement in the eThekweni municipality to officially launch the kwaximba package plant and hold a community engagement at kwaximba community hall, 2 May 2025	L E Nduli (Pty) Ltd	R100 000,00	4500133496
171	Qlikview licensing and software support for 3 years	Direct Insight Consulting Pty Ltd	R124 200,00	PO4500134045
174	Renewal of SAP annual Maintenance Licence for 12 Months	G3G (Pty) Lrd	R16 147 696,14	PO4500129700
176	Monthly servicing of Richards Bay regional office lift	Schindler Lifts (SA)	R131 100,00	PO4500134310
2	Procurement of skills and expertise from UKZN EECE department for artificial intelligence, machine, learning data, science and internet of things to enhance and optimise UuW Control Ssystem	UKZN	R19 830 000,00	4500121007

R78 273 398,27

Procurement through Sole Supplier – Original Equipment Manufacturer (OEM) Deviation

149	Supply and deliver PALL Envirochek capsules	Separations	R966 690,00	PO4500131827
172	To service the thermofisher scientific equipment	Anatech Instruments	R568 465,63	PO4500132360
76	Onsite service of Kingfisher flex with 96 DW head serial no. 711-2640 & Simpli Amp-Thermal cycler serial no. Quant studio 3 Real Time PCR 96 well 0.1ml block serial no. 272311159	LTC Tech South Africa (Pty) Ltd (Thermo Fisher Scientific)	R80 000,00	PO 4500127596
77	Annual service of the Omnis Autotitrator	Metrohm SA Pty Ltd	R100 000,00	PO4500124538
81	Supply & Deliver Suppressor AERS 500 for Integriion HPIC ION Chromatographs & Repair of ICS-3000 Pump due to leak	Anatech Instruments	R88 454,43	PO450012067
88	Supply and Delivery of Flowmeter Promag 10L, DN250	Endress ang Hauser	R55 468,10	PO4500121073
108	Supply, install and commission of Wallace & Tiernan Chlorine leak detector alarm panel at Amanzimtoti ww	Klomac Engineering	R55 771,29	4500129907
114	Service on instrument (HACH HQ40D Multi-meter)	Universal Water Solutions	R52 846,60	4500132128
125	Supply and deliver of PTS for Microbiology and Hydrobiology	National Laboratory Association	R34 520,00	PO4500127813
127	Supply and deliver of Enterococci, colilert, crypto and giardia consumables	Idexx	R809 421,52	PO Generated-4500129366
128	Servicing of vitek 2 compact instrument optics	Biomerieux South Africa Pty Ltd	R36 661,21	4500130357
130	Zeiss Microscope repairs	Carl Zeiss	R106 264,60	Contract signing stage
134	Service of thermofischer scientific equipments (ICAP 7400, gallery plus and repairs to Aquakem 250)	Anatech Instruments	R568 645,63	PO4500132360
137	Collect, strip, assess and perform complete repairs on 2 x LCC bearing assemblies from A-line Pumpstation	KSB Pumps & Valves	R600 000,00	PO4500133045
138	Service of Hach Meters	Universal Water Solutions	R100 000, 00	PO4500133457
139	Supply and delivery of laboratory consumables used in the analysis for the detection of bacteria (Total coliform and E. coli)	IDEXX Laboratories	R865 179,50	PO4500133263
143	Supply and deliver Pulsar reflect level sensor with bluetooth and web access app	Mega Measurements	R80 000,00	PO4500133739
144	Supply and deliver of merck range lab consumables	Merck	R25 650,50	PO4500132362
145	Supply and delivery of PALL Envirochek capsules	Separations	R966 090,00	PO4500131827
147	Conduct flowmeter verification at Nsezi Water Treatment Plant/Alkastrand Waste Disposal Pump Stations & Jozini Water Treatment Plant	Endress + Hausser/Siemens/Khrohne	R500 000,00	4500134080 & PO4500134012
151	Payment of annual fees for the Participation in the Water Microbiology Proficiency Testing Scheme 2025	National Laboratory Association	R22 000,00	PO4500134009
154	Wastewater treatment bio-enzyme lab evaluation	Iyanla Enterprises Pty Ltd	R49 876,32	4500134429
159	Supply and Delivery of Colilert 18 and Enterolete EW	Idexx	R856 636,00	PO Generated-4500133573

163	Annual Services of PerkinElmer ICP-OES Avio 200(i) Avio 200(ii) and ICP-MS 350X Nexion	Perkin Elmer South Africa	R220 000,00	PO4500133074
168	Supplr pressure transducer	Anatech Instruments	R106 779,63	PO4500132909
169	Gas monitor repair	GFG (Pty) Ltd	R133 503,50	PO4500133328
5	DataViewer TDM- Licencing and Software Support	NanoServe	R447 005,00	4500119913
6	WRMDSS & Fews Technical Support and Mike Software Licenses	Ekosource Insight (Pty) Ltd	R1 387 465,88	4500122302
13	Supply and delivery of Crypto and Giardia consumables	Idexx	R823 060.00	4500119556
14	Supply and delivery of Vitek GN and GP Cards	Biomerieux	R137 186,54	4500119606
15	Supply and delivery of Colilert 18, Enterolert-DW and	Idexx	R820 305.00	4500119552
16	Supply and delivery of colilert consumables	Idexx	R993 900.73	4500119289
18	TDM-Licencing and Software support for 3 Years	NanoServe	R447 005.00	4500119913
20	Supply and deliver of HP Probes for Lab Meter	Universal Water Solutions	R28 385,80	po 4500120093
21	Conduct service and Calibration for Laboratory Equipments in the KCDM Region	Universal Water Solutions	R359 039,95	po 4500124736
22	Lower Thukela Water Treatment Works Backwash 22 kW Variable Speed Drive Replacement for duty and standby pumpset and auxiliary works	ABB SA	R472 236,00	PO 4500120314
23	Supply and delivery of Change Over Switch T4/T5 Circuit Breaker with motor for T6 circuit braker for Mgozhini Pumpstation Stndby Generator	ABB SA	R106 473,18	po 4500120101
24	Procurement of portable operational monitoring equipment and start up consumables to aid in the commissioning of KwaXimba Package Plant	Universal Water Solutions	R257 761,71	po 4500119469
28	License and software support for LabWare	LabWare Pty Ltd	R1 262 260.70	PO4500126438
32	Instrument service and consumables	Metrohm SA Pty Ltd	R170 000,00	PO Generated-4500119691
33	Procuring the supply of 1x Metrohm OMNIS Rod stirrer, 2x20 mL Dosino (867 System), and 1x50mL Dosino (855 System).	Metrohm SA Pty Ltd	R70.000,00	PO Generated-4500119691
65	Supply and delivery of Lab Equip Turbidity meter TL2300 LAB	Universal Water Solutions	R464 213,02	4500133222
68	Supply and deliver KSB Pump Spares	KSB Pump & Valves	R600 000,00	PO45000124735
72	Weg to repair and supply faulty 185kW, 400VAC CFW11 VSD	WEG South Africa	R589 932,54	PO4500122230
75	Supply and delivery of WEG Variablr speed drives to Mgozhini Pumpstation	WEG South Africa	R228 805,60	PO 4500129499
93	Peromnes job evaluation & grading system annual licence renewal fees	Deloitte Consulting	R29 503,25	PO45127769
			R13 226 932,93	

Procurement with Less than Three Quotations

Ref. No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number	Name of Buyer
1	Dev No.01 -F25	Lab gases: Argon, helium, air synthetic and nitrogen	R168 371,30	PO4500115195	Silungile Mtshare
3	Supply , delivery, & Installation and Commissioning of scrubber pump at Midmar.	Turbo Fluid Engineering	R316350,58	PO 4500117152	Londeka Dladla
8	Supply, delivery and offloading of ammonia to Midmar	Collaborative Scientific Solutions	R806 594,00	4500118016	Londeka Dladla
19	Provision of coprpoarte video -DWS	Mark D Young	R15 800,00	PO Generat-ed-4500117612	Nozipho Sibiya
26	REVIEW OF REMUNERATION SYSTEM & BENCHMARKING EXERCISE	21st Century	R480 000.00	4500117858	Victor Mhlongo
27	Provide Diving Services to Decommission the entire Abstraction System	Subtech South Africa	R256 749,00	po 4500120099	Asheena Singh
31	SUPPLY AND DELIVERY OF FOOD PACKS FOE HERITAGE GAMES	KANEEZ CATERRING	R24 000,00	PO4500120596	Daphne Mseleku
34	Repair of inter leading access control door into ICT	Chaptronix CC	R77 165,00	PO Generated-4500120230	Nozipho Sibiya
35	LAPTOP BAG AND BACK PACK FOR CE	Laduma Sports	R17 825,00	PO Generated-4500118085	Nozipho Sibiya
37	Provision of Drivers Assessment Services	Too Easy Projects t/a Easy Way Driving School	R69 000,00	4500121058	Sindisiwe Ntuli
38	6inch Flygt Pump Repairs	The Pump Smith	R179 815,15	PO4500118028	Sindisiwe Ntuli
40	750mm Valve Replacement	KSB Pump & Valves	R134 884,65	PO4500116642	Sindisiwe Ntuli
41	Profressional service provider to conduct safety assessment on elevator	Theshani Trading Enterprises	R548 387,85	PO4500116087	Thandeka Hudla
43	Supply CFW11 HMI or equivalent	WEG South Africa	R12 983,96	PO4500116325	Silungile Mtshare
44	Hire excavotor for Weir-Nsezi lake pipeline	Umusa Industrial Cleaning	R51 646,50	PO4500118075	Silungile Mtshare
45	Service Siemens sinamics G130 power modules	Sietech Projects and Solutions (Pty) Ltd	R35 903,00	PO4500118481	Silungile Mtshare
48	Onsite calibration of fridges, incubators, water baths and heating blocks	DNRL Technical t/a Labfix	R33 741,00	PO4500120050	Silungile Mtshare
50	Computer Training required by the Uuw Richards Bay Regional Employees	Infoavenue (Pty) Ltd	R247 600,00	PO4500120210	Silungile Mtshare
51	Supply and delivery of 300mm armflex and 350mm link flex rubber bellows	Sqalo Tec (Pty) Ltd	R37 923,60	PO4500120716	Silungile Mtshare
53	Empangeni Pump 1 main contactor Re-gas	Tamasco Trading and Projects	R126 500,00	PO4500117792	Spha
54	Emergency repairs to the odour control system at kwamashu and northern waste treatment works	Odour Engineering Systems	R454 098,20	PO4500117955	Spha
55	Health and safety posters for all ews sites	Capital number plates and signs	R53 762,00	PO4500117361	Spha
56	Excavator Hire for Jozini Scheme	Mtonqos Trading	R215 000,00	PO4500119022	Thandeka Hudla

Ref. No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number	Name of Buyer
58	Supply and delivery of Sudfloc poly aluminium chloride - Jozini Water Treatment Plant	Vitox (Pty) Ltd	R263 925,00	PO4500116499	Mpho Biyela
59	Supply and delivery of ultrasonic water flow meter	United Scientific SA	R40 250,00	PO4500118506	Mpho Biyela
64	Supply and delivery of Lint Free Wipes	JVL Lab	R201 250,00	PO 4500122263	Asheena Singh
67	supply and deliver sodim hypochlorite to weza ww	wetspec	R310 845,00	po 4500122882	Asheena Singh
69	Bus hire with the driver to Limpopo for Mmmat-sie's funeral	Shane Jay Coaches	R57 500,00	PO4500121840	Silungile Mtshare
70	Supply and delivery of colilert, quanti-tray 51, quanti-tray 2000	Idexx Laboratories	R849 977,07	PO4500121833	Silungile Mtshare
71	Repairs of DN500 needle / plunger Ozan valve	STM Corporation	R368 000,00	PO4500122257	Silungile Mtshare
74	Supply and delivery of breakfast for Cultural Survey workshop at PMB Showground on the 25 October 2024	CHC Caterers	R24 892.50	PO4500122791	Daphne Mseleku
79	Supply and Delivery of Branded Envelopes	Songo Africa	R34 449,25	PO4500123226	Sindisiwe Ntuli
80	Hire of portable vip toilet for WWDS	Thumbela Communi-cations	R29 325,00	PO4500123321	Silungile Mtshare
82	Repairs of Mkhalazi 10T Overhead Crane	North Coast Cranes & Lifting	R87 092,17	PO4500122793	Silindile Hudla
84	Deco for Memorial service for late Ms Sekokotla	Function foods	R39 974,88	PO4500121839	Mpho Biyela
85	Fixed gas monitoring Annual Calibration and Repairs	GFG (Pty) Ltd	R241 215,95	PO4500120780	Mpho Biyela
86	Repairs of Empangeni DN800 Pipeline on Bridge	Isandiso Pipelines & Engineering	R512 957,50	PO4500122937	Mpho Biyela
87	TLB Hire for TG Scheme	Ubenathi Business Enterprise	R95 500,00	PO4500121902	Sindisiwe Ntuli
89	Supply , install and commissioning of COU Generator	B and V Electrical	R86 250,00	PO4500119741	Mpho Biyela
90	Cleaning of gland services	Umusa Industrial Cleaning	R20 999,94	PO4500117906	Mpho Biyela
92	Switchgear annual service and clearing earth faults	AMJ Electrical	R289 968,38	PO4500124226	Silungile Mtshare
94	Supply and deliver of Braai Carving Set for Mens Day Gifts	Laduma Sports	R600 000,00	4500124397	Nozipho Sibiya
95	Provision of marquee and décor for Uuw mens day event	Nomnomcreative and Events	R410 850.00	PO4500124743	Daphne Mseleku
96	Supply and delivery of watches for long service awards	SD Pather Jewel-lers cc	R451 158,00	PO4500124928	Daphne Mseleku
97	Bus hire for men's day on 19/11/24	Kallito Tours	R21 450,00	PO4500124569	Silungile Mtshare
98	Supply and Install Oil Free Compressor	Prestige Laboratory Supplies	R137 942,50	PO4500124834	Sindisiwe Ntuli
99	Supply and Install A-LINE MCC Wooden Door	Patracon	R29 900,00	PO4500126437	Sindisiwe Ntuli
101	Upgrade of Nsezi rotary screw compressor	Osgananda group	R699 349,50	PO4500125816	Silungile Mtshare

Ref. No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number	Name of Buyer
102	Servicing, inspection & load testing of lifting equipment	Osgananda group	R163 242,50	PO4500126080	
104	Caloibtation of auto-pipettes	Trilab Support	R10 240,78	PO4500125801	Silungile Mtshare
105	Provision of cleaning and Hygiene Services in RB Region	Sanitech	R235 217,35	PO4500126357	Sindisiwe Ntuli
107	Branding required for year end function	Konar & Co (Pty) Ltd	R45 000,00	PO Generated: 4500125426	Nozipho Sibiya
111	Hire of buses for Uuw staff award/year-end function	Shane Jay Coaches	R40 000,00	PO Generat-ed:4500125590	Nozipho Sibiya
112	Laundry services	Isiphosikancane Group	R11 774,00	PO4500128158	Mpho Biyela
113	Hydraulic hand pump	Phuthuma Enterprise	R24 000,00	PO4500128160	Mpho Biyela
115	Remove existing signage, supply and install new safety signage at Pineside Regional Office	Action Signs & Graphics	R44 111,70	po 4500126323	Asheena Singh
120	Hire of 4x4 double cab bakkie for 3 months	Key Vehicles Management	R102 892,00	PO4500126531	Daphne Mseleku
121	Supply and deliver lab gases	Air Product	R178 460,48	PO4500126826	Silungile Mtshare
122	Cleaning of collecting chamber	One Tower projects	R476 000,00	PO4500127821	Silungile Mtshare
123	Refurbishment of DN500 valve	Phuthuma Enterprise	R52 012,00	PO4500126043	Silungile Mtshare
124	Inspection and loadtesting of lifting equipment for one year	IY Safety Inspection and Training Specialist Pty Ltd	R662 956,14	po 4500126905	Asheena Singh
146	Provision of change management workshop for Uuw	Aziye Solutions Pty Ltd	R348 641,59	PO4500131072	Daphne Mseleku
148	WEIR 25Kv safe plus incomer breaker SF6 re-gas	AMJ Electrical Services	R27 063,88	PO4500129891	Silungile mtshare
150	Inspection and pressure testing vessels	OCA Global	R483 271,40	po 4500131629	asheena singh
153	Provision of furniture removal from JHB to KZN for the CPO	Stanley Removals	R29 785,00	PO4500130709	Daphne Mseleku
160	Supply of Reagents	Anatech Instruments	R63 653,91	PO4500131191	Sindisiwe N
162	Supply Hoists and Trolleys	Crane Inspection & Repair Services	R106 210,32	PO4500130543	Sindisiwe N
165	Supply & deliver branded t-shirts for Assets Management team	KZN Safety & Industrial Supplies	R26 444,25	PO4500130792	Silungile mtshare
166	Hiring 2x60000 BTU floor standing air cons for A line	Specialist Mechanical Engineering	R121 302,00	PO4055130827	Silungile mtshare
167	pH buffers for Analysis	Laboquip	R13 748,94	PO4500131251	Silungile mtshare
175	Supply and delivery of water bottled (still) for sponsorship	Konar and Co	R24 990,00	PO4500133834	Daphne Mseleku
177	Ergonomics survey and biokinetics evaluation of operating systems including machinery & tools for North East Region	Amashamase Health and Wellness	R745 584,00	PO4500134313	Silungile Mtshare
178	Intermediate Computer Course -RB Region	Info Avenue	R100 800,00	PO4500134323	Sindisiwe Ntuli

Ref. No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number	Name of Buyer
179	Supply and Deliver Telemetry Units for Jozini WTP	KJ Instruments	R324 235,60	PO4500133847	Sindisiwe Ntuli
180	Supply 400mm Pipe and Flanges	SA Water Products	R48 530,00	PO4500132963	Sindisiwe Ntuli

R13 547 198,19

Procurement through Limited / Closed Tender Deviation

No.	Project Description	Name of Supplier	Est. Value (Incl. VAT)	Comments or PO/OA Number	Name of Buyer
13	Mimecast Email Security License	Limited bidding	R3 159 321,72	Q25/179/DM	Daphne Mseleku
73	Opentext Licenses	Open Text	R8 760 067,88	Q25/428/DM	Daphne Mseleku

R11 919 389,60

PFMA and other compliance disclosures for annual report

Fruitless and Wasteful Expenditure PFMA Disclosure

	30 Jun 2025	30 Jun 2024
	R'000	R'000
(a) Reconciliation off fruitless and wasteful expenditure		
Opening amount	154 795	54 668
Add: Fruitless and Wasteful expenditure - prior year identified in the current year	59 658	56 214
Add: Fruitless and Wasteful expenditure - current year	8 168	43 877
Less: Losses written off	(17 961)	-
Less: Losses recovered or pending recovery	(5)	-
Less: Losses transferred to receivables	(6 797)	-
Less: Removal from Fruitless and Wasteful expenditure	(42 617)	-
Closing balance	155 242	154 795
Details of fruitless and wasteful expenditure incurred		
Transfer of Fruitless and Wasteful Expenditure from Mhlathuze Water from 1 July 2023 resulted in Fruitless and Expenditure of R78m being incorporated to uMngeni-uThukela Water. Mhlathuze Water refunded a customer that was billed a levy during 2009 to 2013. Full amount of claimed levy that was disputed by CoU as not payable for Lake, was initially disclosed as Contingent Asset receivable in FY2022/23. This amount was then incorrectly adjusted as Fruitless Expenditure to resolve the finding instead of adjusting as per remittance, by limiting it to only the part of payment relating to Levy disputed for lakes, not the mark-up. A correction of R21.8m was effected on prior period disclosed amount	-	56 214
Fines and penalties - This relates to penalties on late payment of invoice for construction project - Cerimele-Ukhasi Joint Venture that was incurred in 2022/23 but was identified in the current year.	59 658	
Financial losses	18	43 872
Interest paid	8 150	5
	67 826	100 091
Reconciling note		
Fruitless and wasteful expenditure that was under assessment & determination	73 736	110 882
Fruitless and wasteful expenditure that relates to prior years and identified in 2024/25	59 658	-
Fruitless and wasteful expenditure for the current year	8 168	43 877
Fruitless and wasteful expenditure investigated and referred to criminal and civil cases	13 679	-
Total	155 242	154 759
(b) Details of current previous year fruitless and wasteful expenditure (under assessment, determination and investigation)		
Fruitless and wasteful expenditure that was under assessment	141 563	-
Fruitless and wasteful expenditure that was under determination	-	108 423
Fruitless and wasteful expenditure that was under investigation	13 679	2 464
Total	155 242	110 887
Fruitless and wasteful expenditure that was identified as alleged during the audit has been referred to an assessment to confirm whether it meets the definition or not, this expenditure has not been included above.		
(c) Details of current and previous year expenditure recovered		
An official was booked into the Hotel due to a Ministerial site visit but did not use the accommodation booked.		
The amount of R5 050.00 was declared to be as fruitless and wasteful expenditure. The employee signed an Acknowledgement of Debt and the amount of R5050.00 has already been recovered from her October 2024 salary; hence no further action is required in respect of the recovery of the money.	5	-
Total	5	-

(d) Details of current and previous year expenditure not recovered and written off**Written off/removed as the definition of Fruitless and Wasteful Expenditure is not met**

Cancellation fees on travel bookings during lockdown	(66)
Damages paid on hired vehicles	(92)
CoU Interest on late payments and related fees	(237)
Interest paid per court order to MSW Consulting	(379)
Sobek restatement of fruitless and wasteful expenditure amount	(41 843)

Approved write offs-FY2024/25

Poly Electrolyte overdose	(161)
Interest on overdue account-GR Investment	(18)
Interest paid on late payment of rental	(,058)
Interest paid per court order to Veolia Services Southern Africa	(5614)
Interest paid on late payment of rental	(,078)
Penalties for late vehicle licenses renewal	(12)
Penalties for late truck licenses renewal	(31)
Interest on overdue account-EThekweni	(,214)
Settlement paid to previous CE	(5226)
Former Employee Back Pay	(5954)
Former Employee Back Settlement	(945)

Total**(e) Details of current and previous year disciplinary or criminal steps taken as a result of fruitless and wasteful expenditure****Disciplinary steps taken:**

Disciplinary steps are taken as per recommendation of the completed investigations and determination reports.

3 Late and/non-payment of suppliers**Information on payment of supplier's invoices**

Valid invoices received	28 292	7 395 532
Invoices paid within 30 days or agreed period	25 652	6 471 235
Invoices paid after 30 days or agreed period	2 061	515 051
Invoices older than 30 days or agreed period (unpaid and without dispute) - current invoices as at 30 June 2024	265	92 718
Invoices older than 30 days or agreed period (unpaid and in dispute due to pending investigations)	314	316 528

30 Jun 2025	30 Jun 2024
R'000	R'000
(42 617)	
(66)	
(92)	
(237)	
(379)	
(41 843)	
(17 961)	
(161)	
(18)	
(,058)	
(5614)	
(,078)	
(12)	
(31)	
(,214)	
(5226)	
(5954)	
(945)	
(60 578)	-

FINANCIAL SUSTAINABILITY

PART

C



The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained.

15.0 FINANCIAL OVERVIEW



15.1 Introduction

uMngeni-uThukela Water group has realised a surplus of R1 380m (2024: R1 468m) for the year ended 30 June 2025, a decreased by 6%. Gross profit increased by 3% from R3 743m to R3 853m. The analysis of revenue and cost of sales is in section 2 of this report. The highlights in terms of financial performance is the R755m increase in revenue which is 11%.

Total assets improved by 14% which was mainly driven by the increase in Property, plant & equipment. The Property, plant & equipment increased by 18% equivalent to R2.3 billion for the group.

uMngeni-uThukela Water measures its financial performance in terms of its achievement against financial indicators which are aligned to the organisation's strategic objectives and are included in the key performance indicators 2024/25 section of the annual report, page 69 to 73.

15.2 Operating Performance

15.2.1 Overview Of Operating Performance

15.2.1.1. Year on year changes of group operating performance

uMngeni-uThukela Water's operating profits have decreased by 12% to R693m (2024: R785m). Revenue increased by 11%, the main contributor to this achievement is the bulk water sales that increased by 8.8%.

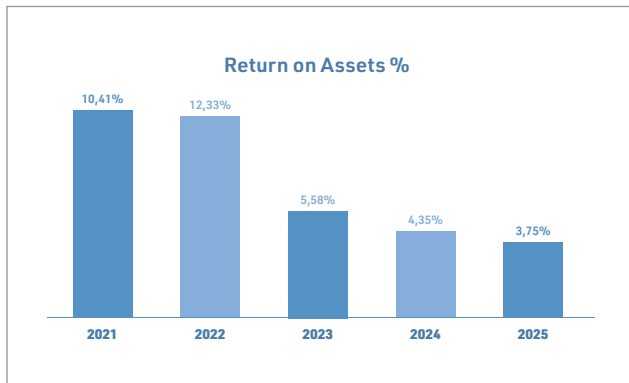
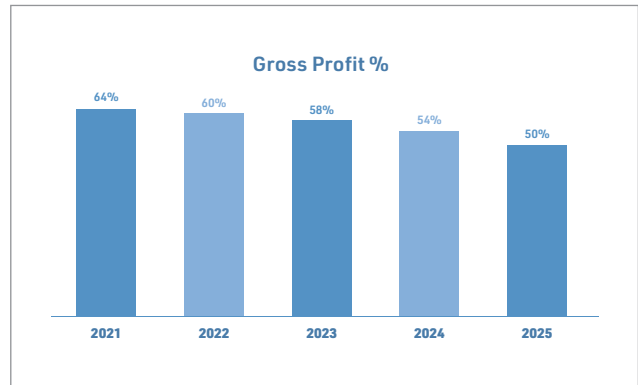
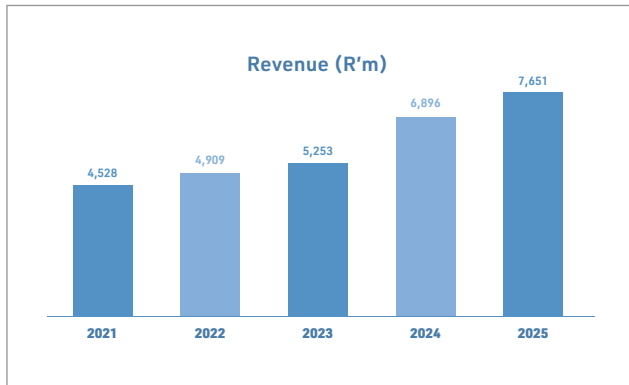
Other operating and administrative expenses increased by 10% and are further discussed under section 2.1.4. The following table summarises the year on year operating financial performance of the group.

Statement of Profit and Loss

for the year ended 30 June 2025

	2025	2024	Movement
	R'm	R'm	R'm
Revenue	7 651	6 896	755
Cost of Sales	(3 798)	(3 153)	(645)
Gross Profit	3 853	3 743	110
GP%	50%	54%	-4%
Other income	161	15	146
Other operating and administration expenses	(2,799)	(2,549)	(250)
Expected credit losses	(522)	(425)	(97)
Profit from operations	693	785	(92)
Net finance income	682	680	3
Interest income	684	682	2
Finance costs	(2)	(3)	1
Share of profit from associate	5	4	1
Profit before tax	1 380	1 468	(88)

Year on year changes of Group Performance



15.2.1.2. Revenue

Bulk water revenue increase of 8.8% compared to prior year, due to an increase in the average bulk water tariff of 10%.

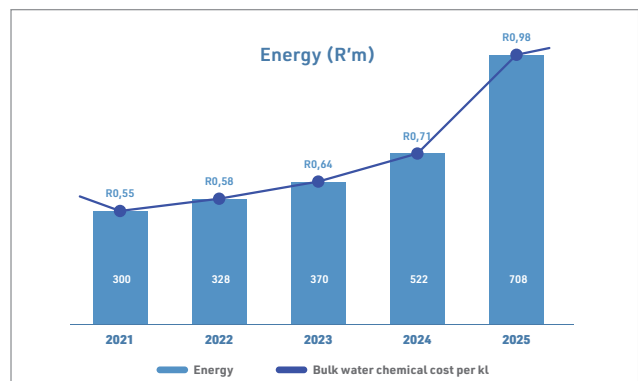
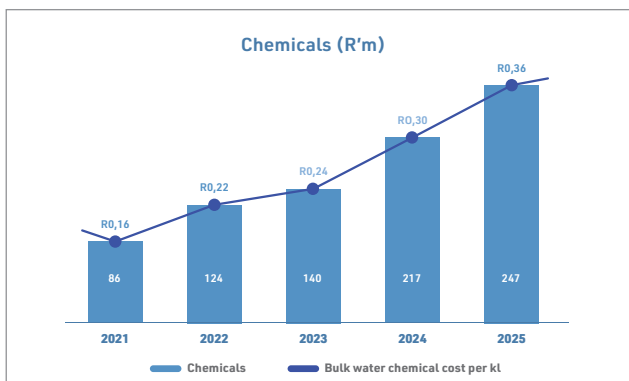
Wastewater revenue increased by 27% from prior year mainly due to the introduction of eThekweni Water Services Wastewater Operating & Maintenance (O&M) contract in the prior year leading to an additional R140m revenue.

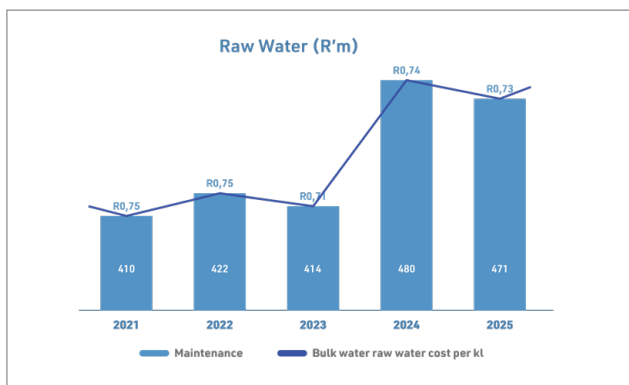
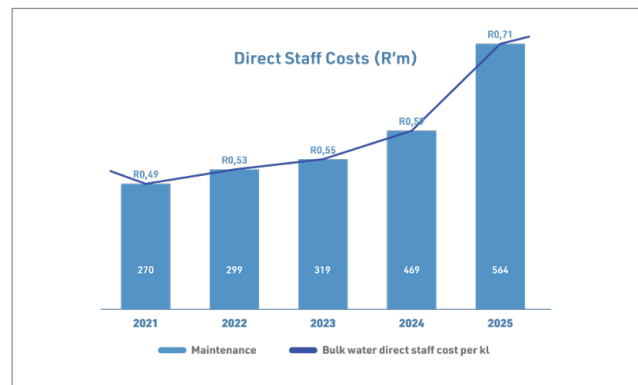
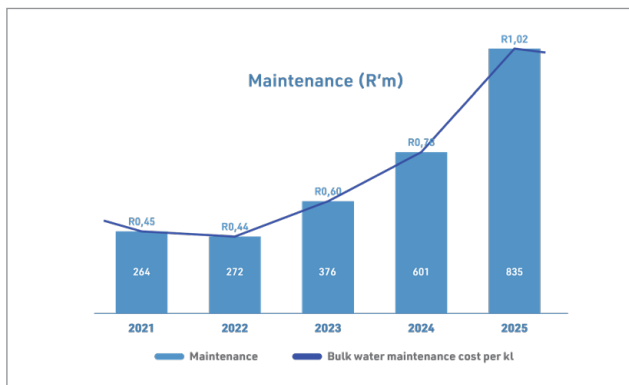
Section 30 revenue increased by 14% over prior year mainly being driven by water infrastructure projects revenue in the Richards Bay region being higher than last year resulting from additional work being completed mainly on the TG scheme and other regional projects.

Total revenue increased by R755m (11%) as a result of the information presented above.

15.2.1.3. Main Cost Drivers Included In Cost Of Sales

The main cost drivers for direct operating costs are chemicals, energy, maintenance, raw water and staff costs.





Chemicals

Chemicals increased by R30m (14%) against the prior year. The cost increase against the prior year is primarily due to the usage increase of 26% mainly on coagulants and lime, with coagulant usage of 29% higher than the prior year. R32m incurred expenditure at Durban Heights due to a significant increase in dosing rates of poly-coagulant and bentonite caused by the poor water quality from Nagle & Inanda, with algae issues, which increased the costs this year.

Energy

Energy increase over prior year amounts to R185m (36%). The overall increase over prior year is due to both tariffs (12.7%) and usage with Midmar system and KCDM being the highest contributors to the increase, resulting from lower pumping required from Spring Grove last year and the KCDM catch-up.

Maintenance

Maintenance expenditure increase over prior year amounts to R234m (39%) resulting from higher external maintenance costs, internal maintenance recoveries for spares and other external costs together with increased labour recoveries. Expenditure on the pump refurbishment costs incurred at

Durban Heights and Wiggins are the major contributors to the increase compared to last year, including the R72m higher spend on the EWS Wastewater plants this year.

External maintenance costs increased by R209m with external repairs being the major contributor in the King Cetshwayo District Municipality (KCDM) area.

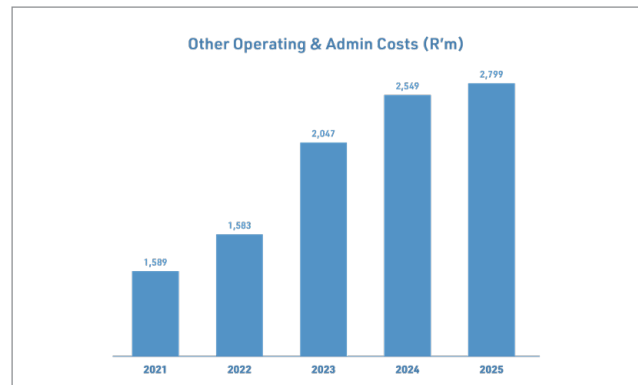
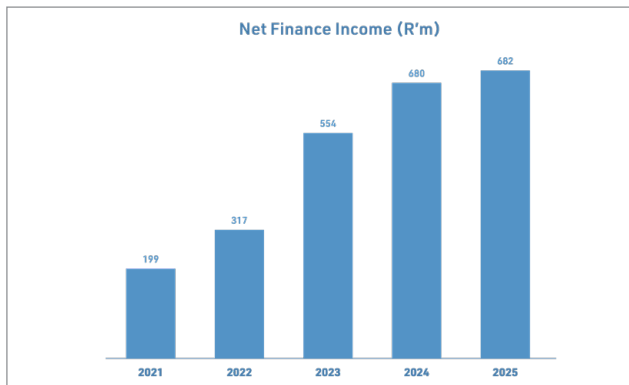
Raw & Potable Water

Total raw & potable water cost decreased by R10m (2%) compared to last year. Increase over the prior year for raw water was primarily due to the tariff increases with volumes slightly lower across most systems. Mgeni system volume has reduced compared to prior year by 1% in line with reduced volumes sold to eThekweni. Potable water purchases are lower than the prior year by R16m, resulting from the actual invoices provided by KCDM being lower than accrued for over the last few years.

Staff Costs

Staff costs increased year by R95m (20%), driven by ST Bonus provision, overtime, standard pay and other pay-related increases.

15.2.1.4. Other Operating and Administration Expenses and Net Finance Income



Expected credit Losses

Expected credit losses raised during the year has increased by R97m compared to last year due to the increase in credit risk compared to last year.

Staff Costs

Staff costs over prior year mainly due to a R67m increase on the Short term Bonus provision, standard pay and other pay related increases. Short term bonus provision increased due to the top-up of prior year provision following conclusion of performance assessment increased provision for 2025 based on the revised performance management policy.

Other Admin Expenses

Total increase over prior year of R250m (10%) with enterprise supplier development initiatives, ICT system

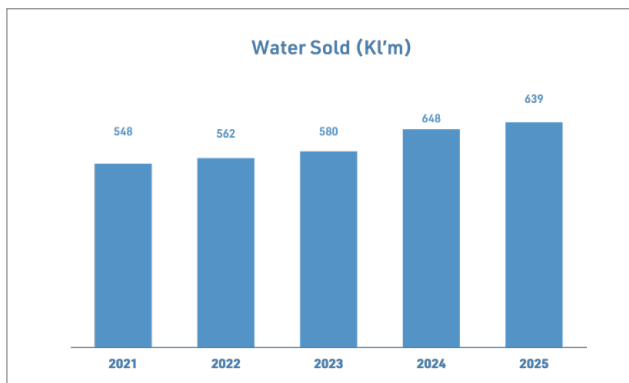
support costs, security, licences and insurance costs being the major contributors to the increases.

Licence costs exceeded the budget by R27m and increased by R29m (44%) with additional costs incurred for ICT network software and security licencing. Microsoft also significantly increased with the higher userbase and software required.

ICT maintenance costs has exceeded the budget by R105m with the additional SAP support team in the Richards Bay region of R35m up to Dec and the cost of R40m incurred for domain migration. Additional costs of circa R28m has been incurred relating to the network and system recovery following the cyber-attack.

15.2.2. Bulk Water Sales Volume Analysis

Bulk water sales volumes decreased by 1.2%.



Volume by customer and % change

	2021	2022		2023		2024		2025	
	KL'000	KL'000	%	KL'000	%	KL'000	%	KL'000	%
Ethekwini	379 325	396 623	4,6%	409 534	3,3%	416 919	1,8%	413 301	(0,9%)
Other customers	169 222	165 860	-2,0%	170 731	2,9%	231 945	35,9%	226 080	(2,5%)
Msunduzi	74 238	80 844	8,9%	79 092	(2,2%)	79 389	0,4%	82 902	4,4%
Umgungundlovu	26 425	26 805	1,4%	26 714	(0,3%)	28 643	7,2%	28 482	(0,6%)
Siza	3 612	4 080	12,9%	5 015	22,9%	5 191	3,5%	6 181	19,1%
Ugu	14 272	14 566	2,1%	13 865	-4,8%	23 647	70,5%	18 326	(22,5%)
iLembe	23 536	22 686	(3,6%)	24 995	10,2%	25 190	0,8%	25 894	2,8%
Harry Gwala	1 125	1 230	9,3%	1 311	6,6%	1 294	(1,3%)	1 329	2,7%
Uthukela	13 874	-	(100,0%)	-	-	-	-	-	-
King Cetshwayo	12 054	15 529	0,288330497	19 610	100,0%	20 170	100,0%	14 861	(26,3%)
Other	86	120	40,07%	129	7,5%	107	(16,8%)	104	(3,1%)
Mondi	-	-	-	-	-	25 394	100,0%	23 357	(8,0%)
COU - Empangeni	-	-	-	-	-	12 867	100,0%	13 016	1,2%
COU - R/Bay	-	-	-	-	-	10 054	100,0%	11 628	15,7%
Total	548 547	562 483	2,5%	580 265	3,2%	648 864	11,8%	639 381	(1,5%)

15.2.3. Bulk Water Cost Per Kilolitre (KL)

The cost of bulk water per kl increased by 27.3% mainly due to the increases in the main cost drivers which includes raw and potable water charges and maintenance costs, associated with the Richards Bay region with additional volumes abstracted to meet the higher demand and the increased tariff.

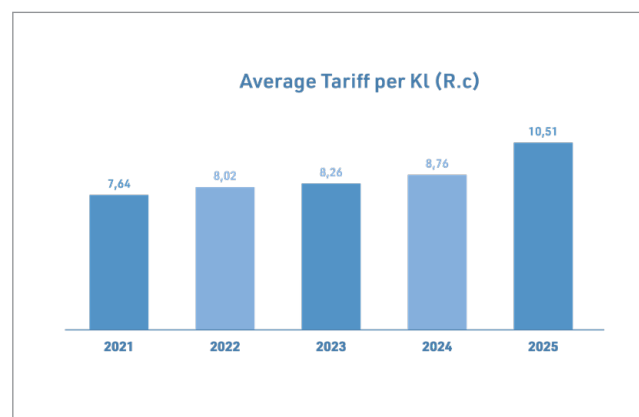
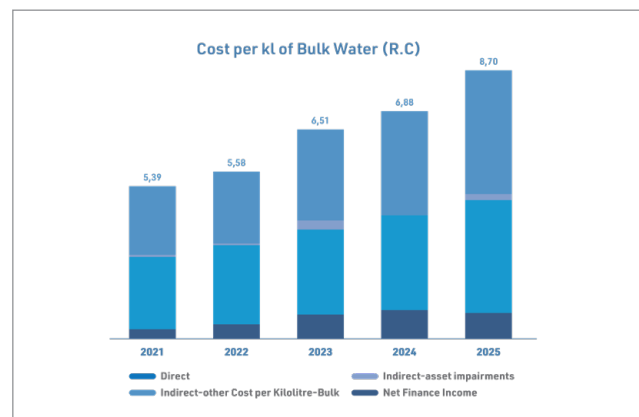
15.3 Bulk Water Tariff

The average uMngeni-uThukela Water bulk water tariff increase for 2024/25 was approved and the bulk water tariff increase for the financial year 2024/2025, effective 1 July 2024. The average tariff per KL increased from R8.76 to R10.51 per kilo litre.

15.4 Cash Flow Analysis

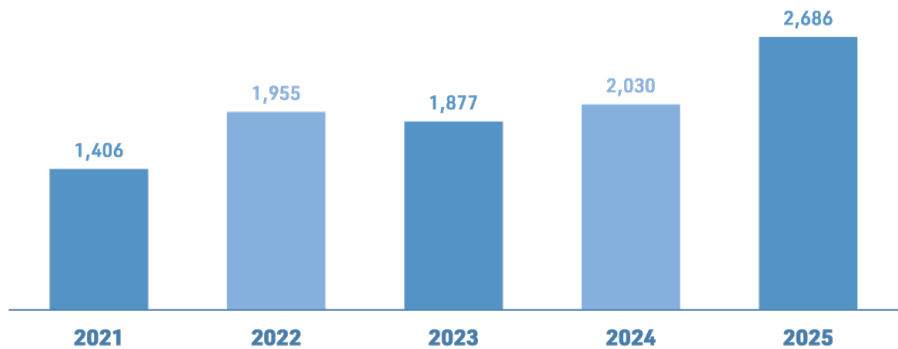
Operating cash flows totalled R2 686m (2024: R2 030m). The 32% increase is primarily due to the increase in cash from operations before the working capital changes.

Net cash used in investing activities were R1 624m (2024: R1 498m) consisting of R3 006m (2024: R2 297m) additions to property, plant & equipment offset by R406m (2024: R234m) Regional bulk infrastructure grant funding received for development projects, while additions to intangible assets were R129m (2024: R231m).

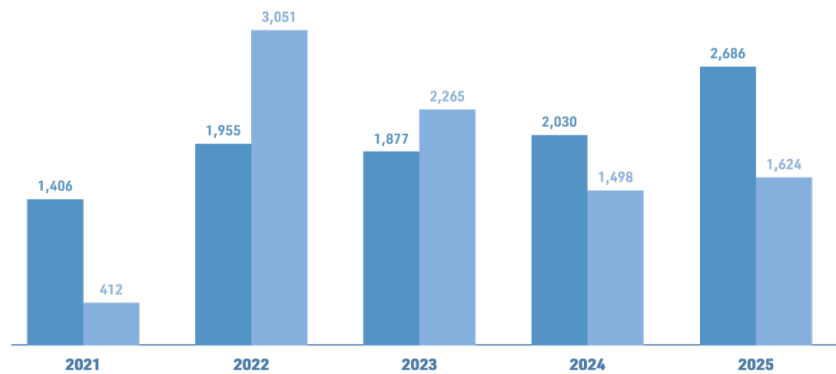


Net cash used in financing activities totalled R161m (2024: R165m) which consisted of R35m (2024: R35m) loan repayments, interest paid of R118m (2024: R122m), lease payments and interest on lease liabilities paid.

Cashflow from Operations (R'm)



Cash flow from Operations vs Cash Used in Investing Activities (R'm)



15.5 Capital Projects

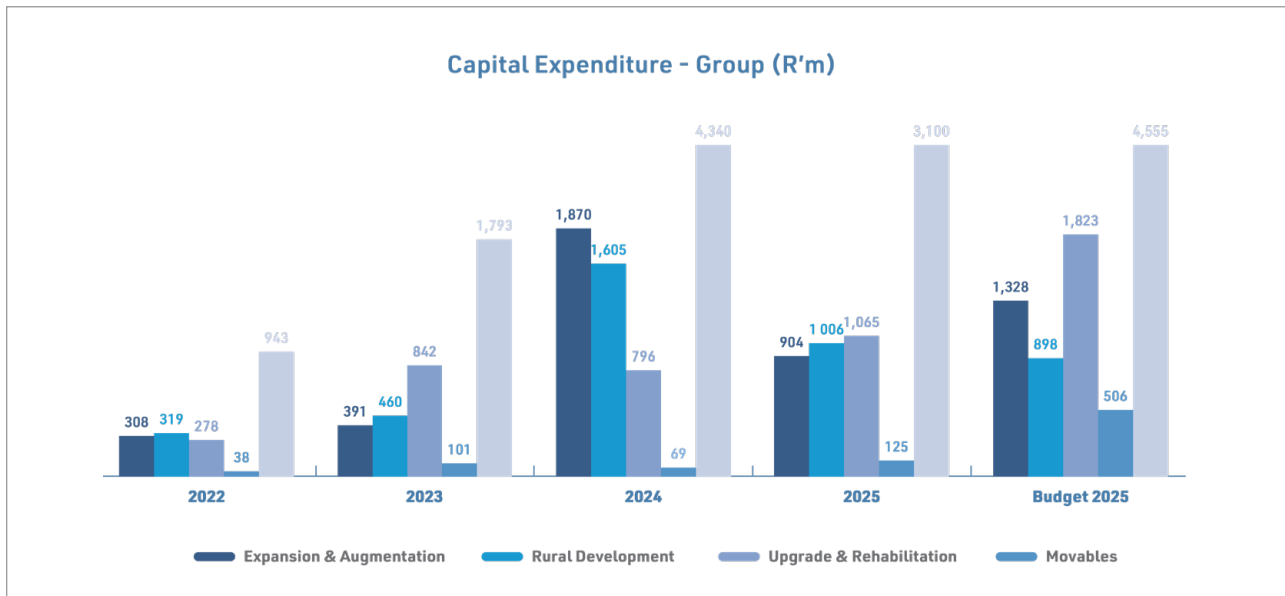
The capital expenditure programme is based on uMngeni-uThukela Water's Infrastructure Master Plan which is aligned to the KZN Bulk Water Supply Plan. The Infrastructure Master Plan is updated annually and outlines the organisation's future bulk infrastructure requirements to meet the regional demands. The capital infrastructure programme is drawn from this Master Plan and structured according to provincial and local strategic priorities. The capital expenditure programme is estimated at R15 billion for the next 5 years as per the Corporate Business Plan for 2024.

The capital expenditure commitments for the next five years will be funded through a combination of available cash investments, operating cash flows, new debt and regional bulk infrastructure grants.

For further details on the funding requirements, refer to section 8.1.

15.5.1 Capital Expenditure

During the year capital expenditure including intangible assets against the targets set for 2024/2025 totalled R3 274m (2024: R2 839m). Details of major projects are included in the infrastructure section of the annual report on pages 85.



5.5.2 Development Projects

In response to customer water demands and the need to eliminate water service delivery backlogs, a specific allocation of R5.2 billion for development projects has been made for the period 2023 to 2027.

Due to their developmental nature, there is a need for government support via subsidy or grant funding for part of the social component of the development projects which cannot be recovered through the existing tariff structure. The social component carried by UMngeni-uThukela Water is reflected in the statement of profit and loss as impairments. These impairments are recognised during the construction period and reflected in work in progress on a progressive basis.

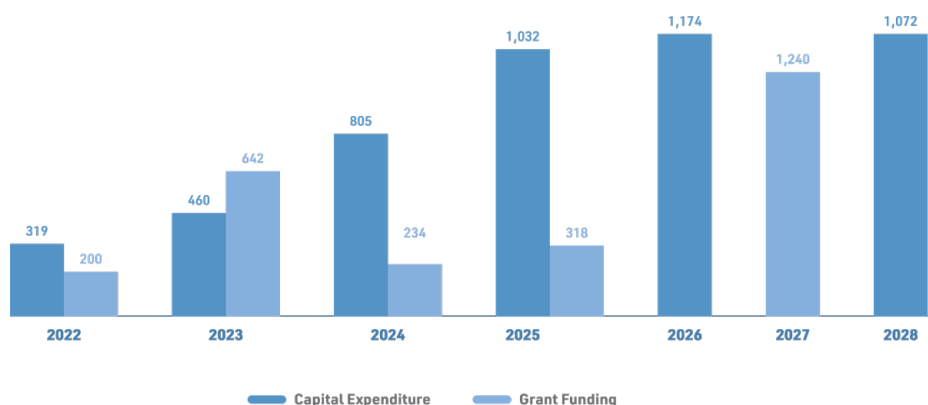
Development projects funding & impairments June 2025

Project	System	Projected funding split			Total project cost June 2025	Impairment	2025 Impairment
		Total Projected cost	Regional bulk infrastructure grand funding	UW funding			
		R'000	R'000	R'000	R'000	%	R'000
Mhlabatshane Sub Regional Scheme ph2 (Mzimkhulu)	South Coast	1 260 879	0%	1 260 879 100%	24 923	66%	1 841
Lower Umkomazi Bulk Water Scheme	South Coast	11 420 234	936 059 8%	10 484 175 92%	1 375 701	8%	48 203
Maphumulo Bulk Water Supply (Phase 3 and 4)	Upper Mvoti	1 208 527	109 241 9%	1099 286 91%	127 114	34%	43 270
Mpophomeni WWW and Mpophomeni Sewer Outfall	WWW	774 740	0%	774 740 100%	673 462	56%	-215 624
Trustfeeds WWW Plant Automation	WWW	17 427	0%	17 427 100%	13 443	23%	-6 713
Weza Harding Abstraction and Pipeline	South Coast	333 339	0%	210 821 100%	262 791	28%	69 899
N3 Corridor WWW	WWW	182 559	0%	182 559 100%	147 765	0%	-55 296
TOTAL		15 197 705	1 045 300	14 029 888	2 625 199		(114 386)

*Total project cost include interest

Impairments on development infrastructure commissioned and included under buildings and infrastructure totalled R87m impairment reversal (2024: R187m). Further details on impairments are included in note 11 of the financial statements.

Capital Expenditure on Development Projects & Grant Funding (R'm)



The projected capital expenditure is per the approved 2025 business plan, whilst the projected grant funding is per the latest approved RBIG funding schedule received from the Department of Water and Sanitation.

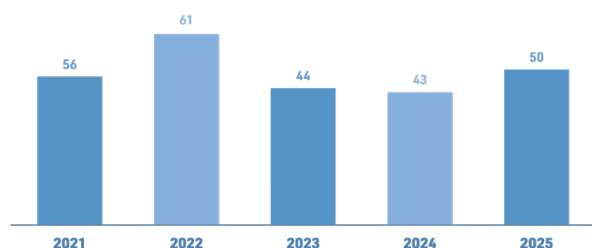
15.6 Accounts Receivable

Group trade and other receivables totalled R1 790m (2024: R1 429m) which comprises both current and non-current components. This amounts to 25.2% increase from prior year. Trade debtor's days were 50 (2024: 43) at the end of the reporting period.

The allowance for credit losses were R2 783m (2024: R2 142m), a 30% increase after taking into account the increase in credit risk as a result of the overdue amounts from bulk customers.

Further details on trade and other receivables are included in note 20 of the financial statements.

Debtors Days



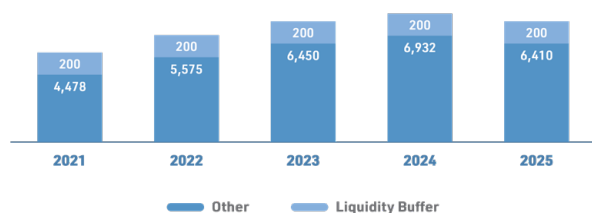
15.7 Investments

Financial investments totalled R6 410m (2024: R6 932m), a 7.5% decrease due money market assets decreasing.

15.8 Debt Management

Debt Management is a key focus area at uMngeni-uThukela Water and is integral to the delivery of sustainable financial business solutions. uMngeni-uThukela Water targets a debt: equity ratio of 0.30 and an interest rate structure of 70% fixed and 30% variable.

Investments (R'm)

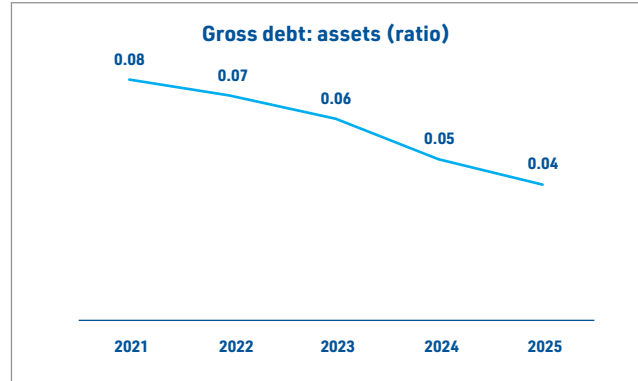
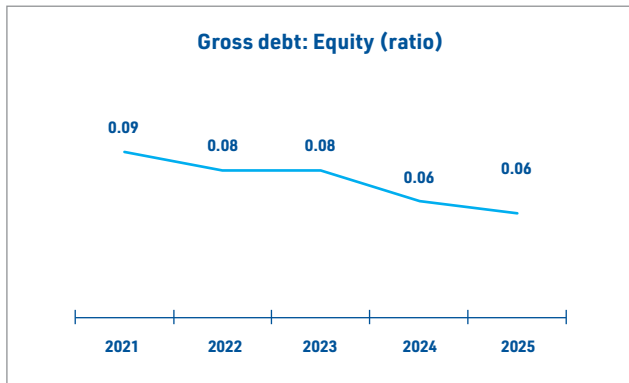


The gross debt: equity ratio has been maintained at 0.06 (2024: 0.06) while the interest rate structure was 96% fixed and 4% variable (2024: 95% fixed and 5% variable). The high fixed rate structure is as a result of the UG26 bond in issue. The gross weighted average cost of capital was 11.05% (2024: 11.05%).

All loan covenant requirements were met during the financial year ended 30 June 2025.

During the year R35m collectively was repaid towards the EIB and RMB loans and R935m will be repaid on the redemption of the UG26 bond in March 2026.

	Jun 2025	Jun 2024
	R '000	R '000
Long-term	(74 032)	(1 039 043)
Short-term	(998 408)	(68 719)
Total debt	(1 072 440)	(1 107 763)



15.8.1 Funding Requirements

uMngeni-uThukela Water will continue to fund its operating and capital expenditure requirements in the most cost-effective way while diversifying its sources of funding. UMngeni-uThukela Water's funding sources encompass:

- General banking facilities.
- Development funding institutions include the RMB and the EIB.
- Issuing short-term and long-term notes under the DMTN Program.
- Bank loans include bridging facilities and revolving credit facilities that can be used in the short term.

As per the Corporate Business Plan for 2025 detailed cash flow forecasts have been prepared for the next five years, taking into account the group's R15 billion planned capital expenditure (unescalated) and is detailed in the table that follows:

	Short Term		Medium Term			Long Term
Financial Year	2025	2026	2027	2028	2029	2030
	R'm	R'm	R'm	R'm	R'm	R'm
Operational Cash flows	1,381	1,592	2,096	2,600	2,982	3,542
CapEx - (Escalated)	(3,764)	(4,635)	(4,493)	(3,759)	(3,576)	(4,428)
Net Operating cash (shortfall) after capex	(2,383)	(3,043)	(2,397)	(1,159)	(594)	(886)
Capex - Grants: Confirmed	318	-	408	408	408	408
Net Financing activities	(22)	(244)	1,915	684	61	446
Annual Funding Requirements	(2,087)	(3,287)	(74)	(67)	(125)	(32)

The funding requirements in the short to medium term will be funded via operating cash flows, the utilisation of existing financial investments, grant funding and new debt to be raised in 2025/2026. The funding strategy takes cognisance of the funding levels projected in terms of determining the required borrowing limits for the years 2025/2026 to 2029/2030 as well as compliance with the covenants. Further details of the various sources of funding available to UMngeni-uThukela Water can be found in note 34 of the financial statements.

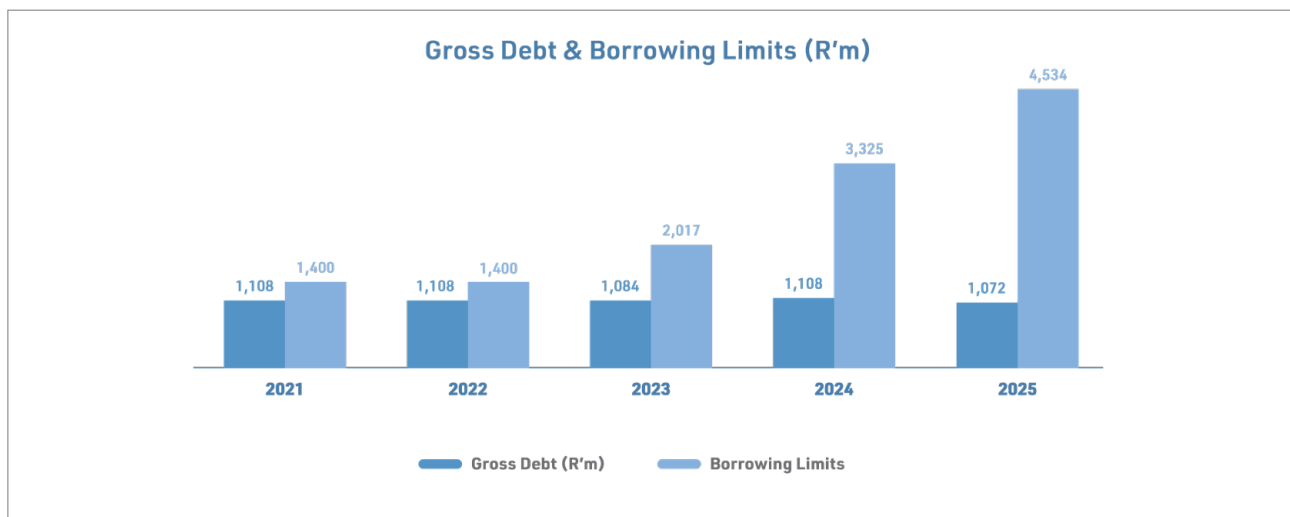
15.8.2 Borrowing Limits

The borrowing limits for the period 2025 to 2027 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance. The borrowing limits are applicable to the value of gross borrowings, collateral & guarantees exposure and may not exceed the approved limits.

	Total Borrowing Limit R'm
30 June 2025	4 534
30 June 2026	4 534

Utilisation of the borrowing limit as at 30 June 2025 was as follows:

Actual gross borrowings	R1 072m
Collateral and guarantees	R 7m
Total actual borrowings	R1 079m
Borrowing limit	R4 534m
Underutilisation	R3 455m



15.8.3 Credit Ratings

There were revisions to the credit ratings in the current year.

Rating Agency	Date of rating re-affirmation or change	Long-term Rating	Short-term rating
Standard & Poor's (National Scale)	23 May 2025	zaAAA	zaA-1+
Fitch Ratings	23 May 2025	AA+(zaf)	F1+(zaf)

Standard & Poor's places particular emphasis on the critical role of UMngeni-uThukela Water to the government and the integral link thereto, whilst Fitch Ratings places more emphasis on UMngeni-uThukela Water's liquidity position.

15.9 Retirement Benefit Obligations

Defined Benefit Pension Plan

In terms of IAS19, the group's retirement benefit plan is in an under-funded position of R8.5m (2024: R9m) and in terms of the approved accounting policy the full amount has been recognised in the statement of financial position in order to account for this liability. Further details are disclosed in note 30 of the financial statements.

Retirement Medical Aid

This scheme is currently unfunded and the group has recognised its full past service liability in the statement of financial position at the actuarial valuation of R383m (2024: R392m). Further details are disclosed in note 30 of the financial statements.

15.10 Financial Risks

As in most state owned enterprises/entities, uMngeni-uThukela Water is faced with financial risks that need to be effectively managed in order to ensure that any negative impact on the group's financial performance and position is minimised.

Credit risk remained one of the top strategic financial risks faced by the organisation. All customers assessed with a high credit risk with overdue amounts have been included in the allowance for credit losses. Processes are in place with monitoring at Accounting Authority level to manage this risk and the group will follow the necessary processes as legislated to allow for collection of the overdue amounts whilst managing the service delivery objectives.

The operating environment has been assessed and where municipal customers were considered an increase in credit risk exposure, these were provided for in terms of the potential impact on credit losses to the organisation.

The major financial risks to the organisation and the mitigating strategies are analysed in note 34 on financial risk management to the financial statements and the Corporate Risk Management Framework on pages 137 - 146 of the annual report.

15.11 Looking Ahead

The financial results of 2024/25 financial indicates a stable water board with a growing asset base. The overall decrease in surplus for the year is dedicated to costs that were incurred to adapt to change and maintain stability as uMngeni-uThukela Water was regraded from being an A2 entity to be an A1 entity. The financial sustainability and viability indicated that UUW has what it takes to continue with improving lives and servicing the province of Kwa-Zulu Natal. The increase in revenue contributes in reducing a risk of any financial difficulties that may be experienced. The approval of business plan and projection for gross borrowings also provides assurance that in the near future, the origination is on a right track financially and can be able to accomplish its strategic goals in the short term and long term.

Group five-year key performance indicators

	2025	2024	2023	2022	2021	2024-2025 Movement
Performance criteria/indicators						
Total revenue (R'm)	7 651	6 896	5 253	4 909	4 528	10,94%
Profit from operations/revenue	0,09	0,10	0,23	0,19	0,23	(7,14%)
Total expenditure/revenue	0,93	0,79	0,71	0,75	0,74	6,51%
Cost of sales/revenue	0,50	0,46	0,42	0,40	0,39	8,58%
Capex spend (R'm) (including intangibles)	3 274	2 839	1 802	943	842	2,09%
<i>Bulk water business segment</i>						
Treated water volume sold (Kl'000)	639 380	648 864	580 266	562 483	548 547	(1,46)
Raw water volume sold Kl'000)	1 225	556	460	593	544	120,32%
Total water sold Kl'000)	640 605	649 420	580 726	563 076	549 091	(1,36%)
Bulk water tariff 1 - Other Water Service Authority customers (Rc/kl)	10,121	9,118	8,365	8,121	7,734	11,00%
Bulk water tariff 2 - eThekweni MM (Rc/kl)	9,473	8,651	8,200	7,961	7,582	9,50%
Bulk water tariff 3 - KCDM (Rc/kl)	14,577	13,132	12,048	11,697	11,140	11,00%
Bulk water tariff 3- CoU (Rc/kl)	6,757	6,437	-	-	-	100,00%
Bulk water tariff 3 - RB Industries (Rc/kl)	8,221	7,347	-	-	-	100,00%
Bulk water tariff 3 - Siza (Rc/kl)	15,022	13,533	-	-	-	-
WRC levy (Rc/kl)	0,067	0,067	0,067	0,067	0,067	-
Total bulk cost/volume sold (Rc/kl) ⁽¹⁾	8,70	7,13	5,58	5,41	5,02	22,08%
Kl'000 sold per employee ⁽¹⁾	347	420	383	405	401	(17,29%)

	2025	2024	2023	2022	2021	2024-2025 Movement
Operating risk Indicators						
Working ratio	0,85	0,81	0,71	0,73	0,69	4,21%
Operating costs (excl depreciation and amortisation) divided by Revenue						
Rate of return on assets	3,75%	4,28%	10,47%	8,86%	10,76%	(13,75%)
Profit from operations divided by assets (excl investments)						
Gross profit margin ratio	50,36%	54,28%	57,92%	59,95%	64,08%	(7,22%)
Debtors collection period (days) after provision for doubtful debts	50	43	44	61	56	16,28%
Trade and other receivables (excluding amount amounts not recognised in revenue) divided by revenue (Incl. VAT) x365						
Financial risk indicators						
Current ratio	2,10	3,93	6,13	6,56	4,88	(46,51%)
Current assets divided by current liabilities						
Interest cover before interest capitalised	5,80	5,47	9,86	10,78	6,40	7,68%
Profit from operations divided by finance costs before interest capitalised						
Debt: equity ratio	0,06	0,07	0,08	0,09	0,10	(7,60%)
Total interest-bearing debt divided by capital and reserves						
Debt: equity ratio	0,04	0,05	0,06	0,07	0,08	(12,59%)
Total interest-bearing debt divided by total assets						

⁽¹⁾ These indicators have been calculated using treated water volumes only.

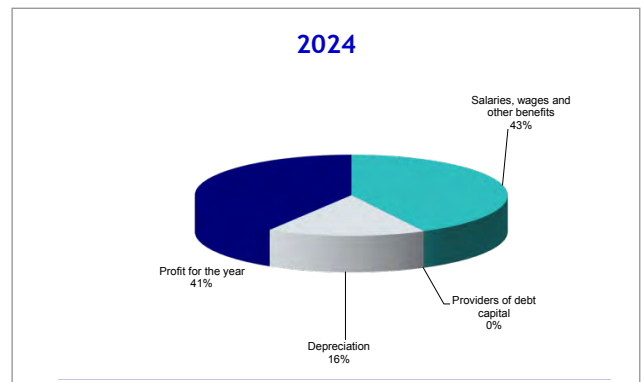
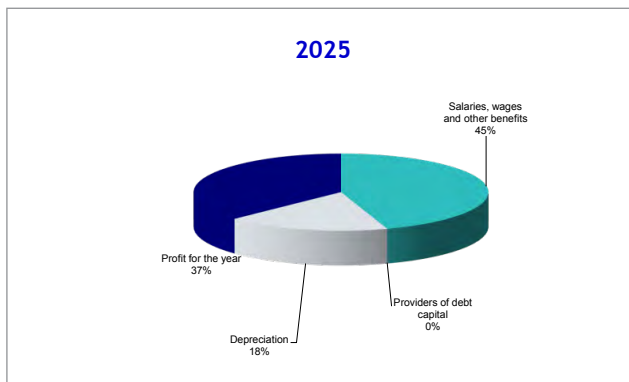
Group five-year key performance indicators

	2025	2024 Restated	2023 Restated	2022 Restated	2021
	R'000	R'000	R'000	R'000	R'000
Financial position					
Capital and reserves	19 018 386	17 602 329	14 395 119	13 152 530	9 119 947
Net debt	(5 337 299)	(5 069 062)	(5 180 436)	(3 876 488)	(1 086 515)
Assets excluding investments	18 473 479	15 609 894	11 284 792	11 145 789	9 864 092
Total interest-bearing debt ` (normal value)	1 072 440	1 074 227	1 133 226	1 133 226	1 792 900
Total investments	6 409 739	6 932 072	6 297 299	5 018 186	2 933 144
Total assets	24 883 218	21 786 780	17 582 091	16 131 392	12 797 236
Financial performance					
Revenue	7 650 698	6 895 941	5 252 802	4 909 454	4 528 237
Cost of sales	(3 797 973)	(3 152 893)	(2 210 254)	(1 966 084)	(1 788 513)
Gross Profit	3 852 725	3 743 049	3 042 548	2 943 370	2 739 724
Other income (expenses)	160 899	15 371	190 377	13 840	81 688
Other operating and administration expenses	(3 320 755)	(2 973 738)	(2 641 046)	(1 582 732)	(1 762 966)
Profit from operations	692 869	784 682	591 879	1 374 478	1 058 446
Net finance income	682 410	679 698	553 985	316 716	199 376
Share of profit from associate	5 036	4 011	2 548	4 088	4 853
Profit before taxation	1 380 215	1 468 390	1 148 412	1 695 282	1 262 675
Taxation	(465)	(184)	(187)	(42)	(23)
Profit for the year	1 379 850	1 468 206	1 148 225	1 695 240	1 262 652

	2025	2024 Restated	2023 Restated	2022 Restated	2021
	R'000	R'000	R'000	R'000	R'000
Cash flow					
Net cash from operating activities	2 686 204	2 030 480	1 863 596	1 875 365	1 563 404
Net cash used in investing activities	(1 623 839)	(1 498 065)	(2 251 818)	(609 107)	(1 047 016)
Net cash generated (utilised)	1 062 365	532 415	1 266 258	516 389	799 674
Net cash used in financing activities	(161 297)	(164 954)	(146 270)	(973 376)	(1 332 307)
Net (decrease) increase for the year	657 882	290 421	824 912	(20 654)	66 049
Net cash (utilised) generated	1 558 950	657 882	(1 266 258)	(516 389)	(799 674)

Value added statement

	2025	2024	2023	2022	2021
	R'000	R'000	R'000	R'000	R'000
Gross revenue	7 650 698	6 895 941	6 895 942	4 528 237	4 154 375
Paid suppliers for materials & services	(4 357 368)	(4 439 510)	(3 134 039)	(2 188 260)	(1 734 039)
Value added	3 293 330	2 456 431	3 761 903	2 339 977	2 420 336
Income from investments and customers	580 293	525 623	554 603	249 397	285 917
Total wealth created	3 873 623	2 982 054	2 706 253	2 582 420	2 218 247
Salaries, wages and other benefits	1 646 336	1 506 263	1 076 081	926 652	968 990
Providers of debt capital	1 919	2 565	619	10 335	104 629
Depreciation	661 878	579 318	448 441	371 338	367 639
Profit for the year	1 379 850	1 468 296	1 148 225	1 241 363	1 264 995
Total wealth distributed	3 689 983	3 556 352	2 673 366	2 549 688	2 706 253



Employee statistics

	2025	2024	2023	2022	2021	2024-2025 Movement
Number of employees as at year-end	1845	1547	1 519	1 355	1 273	19,26%
Gross revenue per employee (R'000)	4 147	4 458	3 458	3 342	3 263	(6,97%)
Value added per employee (R'000)	1 785	1 789	1 428	1 727	1 901	(0,25%)
Wealth created per employee (R'000)	2 011	2 299	1 793	1 882	2 126	(12,53%)

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Statement of Directors Responsibilities and Approval of the Annual Financial Statements

The Directors are responsible for the integrity, preparation and fair presentation of the annual financial statements of uMngeni-uThukela Water and its subsidiaries (the group). The Directors are required by the Public Finance Management Act No.1 of 1999 to keep full and proper records of the financial affairs of the group and its performance against predetermined objectives at the end of the year.

The financial statements set out in this report have been prepared in accordance with IFRS Accounting Standards as approved by National Treasury in terms of section 79 of the Public Finance Management Act No.1 of 1999, as amended, and in the manner required by the Water Services Act No. 108 of 1997. The preparation of financial statements in conformity with IFRS® Accounting Standards requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

The Directors are also responsible for the oversight of the group's system of internal controls. To enable the directors to meet their responsibilities, the Board sets standards and management implement systems of internal control aimed at reducing the risk of error or loss in a cost effective manner. These standards include policies, procedures, proper division of responsibilities within a clearly defined framework and effective accounting procedures to ensure an acceptable level of risk. Both management and internal audit monitor controls and actions are taken to correct deficiencies when they are identified.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risks cannot be fully eliminated, the group strives to minimise these risks by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The external auditor is responsible for independently auditing and expressing an independent opinion on the financial statements in accordance with International Standards on Auditing, the Public Audit Act No. 25 of 2004, Public Finance Management Act No.1 of 1999 and the Companies Act No. 71 of 2008. The entity's external auditor, Auditor-General of South Africa, has audited the financial statements after having been provided unrestricted access to all financial records and related data. The Directors believe that all representations made to the external auditor during the audit were valid, appropriate and complete.

Apart from the non-compliance to legislation noted in the SCM processes resulting in irregular expenditure, nothing significant has come to the attention of the Directors to indicate that any material breakdown in the functioning of controls, procedures and systems has occurred during the year under review. The Directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements and that accountability for assets and liabilities is maintained.

The Audit Committee has evaluated uMngeni-uThukela Water and the group's financial statements and has recommended its approval to the Directors. The Audit Committee's approval is set out in this report.

The Directors have reviewed the group's forecast financial performance for the year to 30 June 2026 as well as the longer-term business plans and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue as a going concern for the foreseeable future. Any increase in credit risk has been adequately taken into account in the allowance for credit losses.

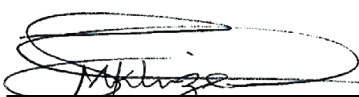
In the opinion of the Directors, based on the information available to date, the annual financial statements fairly present the financial position of uMngeni-uThukela Water and the group as at 30 June 2025 and the results of its operations and cash flow information for the year ended.

PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS

The consolidated and separate financial statements have been prepared on a going concern basis under the supervision of the Chief Financial Officer, Mr Thamsanqa Mkhwanazi CA(SA). The financial statements set out in this report were approved by the Accounting Authority on 30 October 2025.

Approval of financial statements


 Adv. B.S. Khuzwayo (Chairperson)


 Mr SP Mkhize (CE)

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Report of the Audit Committee in terms of Regulation 27.1 of the Public Finance Management Act No. 1 of 1999, as amended

The Audit Committee is pleased to present its report for the financial year ended 30 June 2025, prepared in accordance with Regulation 27.1 of the Public Finance Management Act (PFMA) No. 1 of 1999, as amended.

The Committee operates in terms of an approved Audit Committee Charter, has regulated its affairs in compliance with this charter, and has discharged all responsibilities contained therein.

The Debt Officer for the period under review was Mr. Thamsanqa Mkhwanazi, CA(SA). The Committee met regularly during the year and fulfilled its oversight responsibilities in respect of financial reporting, internal control, risk management, and compliance with applicable laws and regulations. In the conduct of its duties, the Audit Committee has reviewed and assessed the following:

Financial and non-financial reporting and disclosures:

- The adequacy, reliability and accuracy of financial information provided by management;
- The experience, expertise and resources of the Chief Financial Officer and the finance function;
- Considered whether the annual financial statements met the fair presentation requirements of the PFMA and International Financial Reporting Standards;
- Considered the appropriateness of key judgements, estimates and accounting treatment related to significant transactions in the annual financial statements;
- The committee acknowledged that improvement is required in respect of compliance with applicable laws and regulations. In line with the Board's commitment to ensure proper governance protocols, all of the recommendations in the Auditor-General's report are being implemented so that the governance vision and objectives set by the Board are achieved. Additional legal support being received will strengthen measures already implemented to address the issue of irregular expenditure and consequence management thereof.

Internal control, risk management and compliance with legal and regulatory provisions:

- The effectiveness of the internal control systems;
- The risk areas of the entity's operations covered in the scope of
- Internal and external audits;
- The effectiveness of the system and process of risk management
- Including the following specific risks:
 - » financial reporting;
 - » internal financial controls;
 - » fraud risks relating to financial reporting; and
 - » information technology risks relating to financial reporting;
- The effectiveness of the entity's compliance with legal and regulatory provisions.

Internal and external audit:

- Accounting and auditing concerns identified as a result of internal and external audits;
- The effectiveness of internal audit;
- The activities of internal audit, including its annual work programme, coordination with the external auditor, the reports of significant investigations and the responses of management to specific recommendations; and
- The independence and objectivity of the external auditor, the Auditor General.

Based on information from management, internal audit, and discussions with the external auditors, the Committee is of the opinion that:

- The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained;
- The expertise, resources and experience of the Chief Financial Officer and the finance function are adequate;

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

- The system and process of risk management and compliance processes are adequate;
- The effectiveness of the combined assurance function is adequate and the internal audit charter was approved by the audit committee; and
- It is satisfied with the independence and objectivity of the external auditors.

Nothing significant has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review. The Audit Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

In line with the principles of combined assurance as outlined in the King IV report on corporate governance, uMngeni-uThukela Water has developed a combined assurance model which provides a coordinated approach to all assurance activities.

The Audit Committee has evaluated the financial statements of uMngeni-uThukela Water and the group for the year ended 30 June 2025 and, based on the information provided to the Audit Committee, considers that they comply, in all material respects, with the requirements of the Public Finance Management Act No. 1 of 1999, as amended, and International Financial Reporting Standards. The Audit Committee concurs with the Accounting Authority that the adoption of the going concern premise in the preparation of the financial statements is appropriate. The Audit Committee has therefore recommended, at their meeting held on 30 October 2025 the adoption of the financial statements by the Accounting Authority.



Ms Thandazile Mhlongo
Audit Committee Chairperson

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Directors' Report

In terms of the Public Finance Management Act No. 1 of 1999, as amended, the Board of uMngeni-uThukela Water is the Accounting Authority. The Board presents their report for the year ended 30 June 2025.

Nature of Business

uMngeni-uThukela Water is a state-owned business enterprise, established in 1974 to supply potable water in bulk to municipalities within its operational area. uMngeni-uThukela Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of section 29 of the Act are to provide water services (potable bulk water supply and bulk sanitation services) to other water services institutions within its area of operation.

In terms of section 30 of the Water Services Act, uMngeni-uThukela Water also engages in other services that complement bulk water service delivery such as laboratory services, water quality monitoring, environmental management and also provides other support services to water services institutions in order to promote co-operation in the provision of water services.

Compliance with Legislation

The financial statements are prepared in accordance with International Financial Reporting Standards, approved by National Treasury in terms of section 79 of the Public Finance Management Act No. 1 of 1999, as amended, as well as the application of Directive 12 – The Selection of an Appropriate Accounting Framework for Entities as issued by the Accounting Standards Board and the following relevant statutes:

- Water Services Act No. 108 of 1997;
- Public Finance Management Act No. 1 of 1999, as amended (PFMA);
- Public Audit Act, 25 of 2004;

uMngeni-uThukela Water is not required to comply and has not fully complied with the provisions of the Companies Act No 71 of 2008, as amended. The organisation has, however, incorporated into its processes some aspects of the Act that relate to the accounting records, financial statements and other ancillary matters which may impact the annual financial statements.

Governance, Compliance and Risk Management

The Board supports the Code of Governance Principles as set out in King IV. The organisation's policies, procedures and processes are continuously reviewed to ensure alignment with King IV and the Board provides the required oversight and is pleased with the commitment that prevails at all spheres of the organisation in as far as compliance with King IV applicable legislations and regulations is concerned. Where the organisation has not fully complied with a certain principle of King IV applicable legislation or regulation, a rational reason and explanation for such deviation exists and is provided where required.

The Board is responsible for monitoring the risk management process. For further details on corporate governance and risk management, refer to the section on corporate governance detailed on pages 26 to 40 and risk management on pages 121 to 131.

The Board of uMngeni-uThukela Water will continue to ensure there is full compliance with legislation that seeks to curb wasteful, irregular and fruitless expenditure and promotes good governance. Investigations conducted in response to the Auditor-General's findings and in terms of the National Treasury Framework for irregular, fruitless and wasteful expenditure have made good progress in unravelling some of the details pertaining to non-compliance regarding approvals and accompanying possible transgressions of the Public Finance Management Act.

The Board is at a stage now where intense examination of these matters has separated possible common errors or deficiencies from issues that could potentially form the basis for disciplinary action and consequence management, including where possible institution of legal action for recovery of monies. During the reporting period, corrective action has been taken against a number of officials for reasons as recommended by investigations conducted and this process is on-going until all identified action against relevant individuals have been taken. This teasing out of issues creates a clearer picture about what motivations are to be made in terms of the National Treasury Framework for condonation. Amendments to the Public Audit Act No. 25 of 2004 have become an important guide in assisting the Board through this process.

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Directors' Report (Continued)

Share Capital and Directors' Interests

The entity has no share capital and therefore no director has any equity interest in the organisation.

Directorate

The Board as constituted during the year under review is set out on pages 47 to 52 of the annual report.

Members of the Board and Executive Committee's emoluments are disclosed in note 34 of the financial statements in the remuneration report on pages 284 to 288 in terms of regulation 28.1 of the PFMA.

Company Secretary and Registered Address

The Company Secretary, Ms. S Mbatha was appointed on 01 July 2024.

The registered address of the Company Secretary and that of the registered office during the current financial year are as follows:

Business address

310 Burger Street
Pietermaritzburg
3201
simangele.mbatha@uuw.co.za

Postal address

PO Box 9
Pietermaritzburg
3200

Auditors

The Auditor-General of South Africa will continue to conduct external audit services for uMngeni-uThukela Water for the next financial year.

Pricing Policy

Section 34 of the Water Services Act No. 108 of 1997 states that the water tariff must allow for the following:

- Repayment and servicing of debt;
- Recovery of capital, operational and maintenance costs;
- Reasonable provision for depreciation of assets;
- Recovery of costs associated with the repayment of capital from revenues (including subsidies) over time; and
- Reasonable provision for future capital requirements and expansion.

Thus in setting its pricing policy uMngeni-uThukela Water has committed to the following underlying principles:

- the promotion of the efficient and sustainable use of water;
- the equitable access to water supply services, whereby the basic water service should be affordable; and
- the solvency and sound financial management of uMngeni-uThukela Water.

In implementing the pricing policy uMngeni-uThukela Water uses a 30-year tariff model which is based on the cash flow methodology underpinned by a financially viable tariff. As a result of this cash flow methodology the organisation is able to manage its debt level which is the ultimate output of this model.

The annual tariff review process is carried out in terms of the requirements of Section 42 of the Municipal Finance Management Act No.56 of 2003 and Circular 23 issued by National Treasury. This process encompasses the principle of consultation and transparency and aims to assist uMngeni-uThukela Water's stakeholders with their long term planning.

uMngeni-uThukela Water bulk water tariff increase for 2025/2026 effective 1 July 2025 has been approved at 11.4% for all Water Service Authorities. The directors, after full analysis of its projected cash flows including the revision of the five-year capital expenditure programme together with prudent management of controllable operating costs, are of the opinion that the tariff for 2025/2026 will not adversely affect uMngeni-uThukela Water's gearing levels or its financial sustainability.

	2024	2025	2026
	R./KI	R./KI	R./KI
Bulk Tariff 1			
- Bulk Tariff 1			
- Bulk Tariff	8.365	9.118	10.121
- Tariff Increase	0.753	1.003	1.316
- New Tariff - uMngeni-uThukela Water Tariff	9.118	10.121	11.437
- % Increase - UUW	9.0	11.0	13.0
Add Capital unit charge	-	-	-
- Spring grove	-	-	-
- uMkhomazi (Potable)	0.182	0.202	0.229
- uMkhomazi (Raw Water)		2.139	2.256
- Total Tariff	9.300	12.462	13.922
- % Increase Total	9.0	34.0	11.7
- Bulk Tariff 2 eThekweni	-	-	-
- Base Tariff	8.200	8.651	9.473
- Tariff Increase	0.451	0.822	1.229
- New uMngeni-uThukela Water Tariff	8.651	9.473	10.702
- % Increase UUW	5.5	33.7	13.3
Add Capital unit charge	-	-	-
- Spring grove	-	-	-
- uMkhomazi (Potable)	0.173	0.189	-
- uMkhomazi Raw Water		2.139	0.214
- Total Tariff	8.824	11.801	2.256
- % Increase - Total	5.5	33.7	13.3
- Bulk Tariff 3 - Siza			
- Base Tariff	12.416	13.533	15.022
- Tariff Increase	1.117	1.489	1.978
- New Tariff uMngeni-uThukela Water Tariff	13.533	15.022	17.00
- % Increase - UUW	9.0	11.0	13.2
Add Capital unit charge	-	-	-
- Spring grove	-	-	-
- uMkhomazi (Potable)	0.271	0.300	0.340
	-	2.139	2.256
- Total Tariff	13.804	17.461	19.596
- % Increase - Total	(9.0)	9.0	11.0
- Bulk Tariff 4 - KCDM			
- Base Tariff	12.048	13.132	14.577
- Tariff Increase	1.084	1.445	1.918
- New uMngeni-uThukela Water Tariff	13.132	14.577	16.495
- % Increase - Total	9.0	11.0	13.2
- Bulk Tariff 5 - MSUNDUZI			
- Base Tariff	8.365	8.951	9.891
- Tariff Increase	0.586	0.940	1.285
- uMngeni-uThukela Water Tariff	8.951	9.891	11.176

	2024	2025	2026
	R./KI	R./KI	R./KI
- % Increase-UUW	7.0	10.5	13.0
Add Capital unit charge	-	-	-
- Spring grove	-	-	-
- uMkhomazi (Potable)	0.179	0.198	0.224
- uMkhomazi (Raw Water)	-	2.139	2.256
- Total Tariff	9.130	12.228	13.656
- % Increase Total	7.0	33.9	11.7
- Bulk Tariff 6 - HGGDM / ILLEMBE DM	-	-	-
- Base Tariff	8.365	9.118	9.984
- Tariff Increase	0.753	0.866	1.295
- New uMngeni-uThukela Water Tariff	9.118	9.984	11.279
- % Increase UUW	9.0	9.5	13.0
Add Capital unit charge	-	-	-
- Spring grove	-	-	-
- uMkhomazi (Potable)	0.182	0.200	0.226
- uMkhomazi Raw Water	-	2.139	2.256
- Total Tariff	9.300	12.323	13.761
- % Increase-Total	9.0	32.5	11.7
- Bulk Tariff 7 - City of Umhlathuze	-	-	-
- Base Tariff	6.018	6.437	6.757
- Tariff Increase	0.419	0.320	0.722
- New Tariff uMngeni-uThukela Water Tariff	6.437	6.757	7.479
- % Increase-UUW	7.0	5.0	10.7
- Bulk Tariff 8 - Potable Water Charge to Industry in Richards Bay Area	-	-	-
- Base Tariff	6.962	7.347	8.221
- Tariff Increase	0.385	0.874	0.920
- New uMngeni-uThukela Water Tariff	7.347	8.221	9.141
- % Increase - Total	5.5	11.9	11.2

FINANCIAL PERFORMANCE:

The group profits for the year have decreased by 6%, which totalled R1 380m (2024: R1 468m). Bulk water revenue grew by 8.8% as a result of the 10% bulk water tariff increase, whilst bulk water direct operating costs increased by 16.2%. This was mainly due to the increases in chemical costs directly associated with staff costs due to increases in the establishment combined with the annual wage increases and performance incentives. Total other operating and administrative expenses increased by 10% mainly as a result of the increase in staff costs.

Impairments of property, plant and equipment totalled a reversal of R219m (2024: R187m) whilst asset write-offs totalled R127m (2024: R3m). Impairment of buildings and infrastructure was a reversal of R86.7m (2024: R8.8m) while impairment of projects included in capital work in progress were a reversal of R129.6m (2024: R178.4m). Refer to note 11 of the financial statements for further details on impairments.

Operating cash flows totalled R2 686m (2024: R2 030m). The 32.3% increase is primarily due to the increase in cash from operations before the working capital changes. Net cash used in investing activities were R1 624m (2024: R1 498m) consisting of R3 006m (2024: R2 297m) additions to property, plant & equipment offset by R406m (2024: R234m) Regional bulk infrastructure grant funding received for development projects, while additions to intangible assets were R129m (2024: R231m). Net cash used in financing activities totalled R161m (2024: R165m) which consisted of R35m (2024: R35m) loan repayments, interest paid of R118m (2024: R122m), lease payments and interest on lease liabilities paid.

During the year capital expenditure including intangible assets against the targets set for 2024/2025 totalled R3 274m (2024: R2 839m). The group's capital commitments are set out in note 12. of the financial statements and the funding thereof is discussed in the financial review on page 180 - 182.

Loan covenants remain un-breached at financial year end and uMngeni-uThukela Water remained within its approved borrowing limits of R4 534m. The main loan covenant triggers are: reductions in operating profits; operating cash flows; and accumulated profits and increases in gross borrowings and finance costs. None of these were in the proximity of triggering any breaches in loan covenants for the period under review. Further details on the loan covenants and debt management are included in note 34.1. to the financial statements. Full details of the financial results of the group and company are set out in the financial statements and summarised in the financial review on pages xx to xx.

SUBSIDIARY AND ASSOCIATE COMPANIES

uMngeni-uThukela Water is the sole shareholder of uMngeni-uThukela Water Services SOC Limited and Msinsi Holdings SOC Limited. There were no changes to subsidiary and associate companies during the year. Further details are set out in note 17 of the financial statements.

EVENTS AFTER THE REPORTING PERIOD

There are no events to report after the reporting period.

GOING CONCERN

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position, it has sufficient liquidity, and that it has adequate access to sufficient borrowing facilities to meet its foreseeable cash requirements. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

INFORMATION REQUIRED BY THE PUBLIC FINANCE MANAGEMENT ACT NO.1 OF 1999, AS AMENDED

MATERIALITY FRAMEWORK

In terms of Section 28.3.1 of the regulations of the PFMA, for the purposes of materiality and significance, the accounting authority has developed and agreed a framework of acceptable levels of materiality and significance established at 0.5% of gross revenue which equates to R38.3m (2024: R34.5m). Management also apply a qualitative aspect to all errors found.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure incurred for the year was R8.2m (2024: R43.9m) which arose primarily from interest on late payments. Further details are set out in note 33 of the financial statements.

IRREGULAR EXPENDITURE

Irregular expenditure incurred during the year totalled R1.0b (2024: R1.4b) which arose due to, non-compliance with legislation relating to deviations, procurement procedures and contract management.

FRAUD & FINANCIAL MISCONDUCT

There were allegations of possible fraud; corruption and financial misconduct in the current financial year. These came through the whistle-blowers hotline as well as through the media reports and other written communication addressed to the Board. The Board, through its structures – notably the Social and Ethics Committee, have overseen that investigations into these allegations are instituted, concluded and reported on to the Board timeously. As a standing protocol, once the investigations are concluded the necessary corrective actions must be implemented to ensure that any fraud; corruption and financial misconduct is dealt with in accordance with the relevant legislation and policies of the group, including legal action for recovery of monies where possible. Further details relating to the Board's commitment to good governance relating to the non-compliance matters are included in the governance and risk management section of this report.

PERFORMANCE AGAINST FINANCIAL TARGETS (PARENT ONLY)

The performance of uMngeni-uThukela Water against the key financial indicators as agreed in the shareholder's compact is illustrated on page 70 and 73 of the annual report.



Report of the auditor-general to Parliament on uMngeni-uThukela Water and its subsidiaries

Report on the audit of the consolidated and separate financial statements

Opinion

1. I have audited the consolidated and separate financial statements of the uMngeni-uThukela Water and its subsidiaries (the group) set out on pages 204 to 287, which comprise the consolidated and separate statement of financial position as at 30 June 2025, consolidated and separate statement of profit or loss and other comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, as well as notes to the consolidated and separate financial statements, including material accounting policy information.
2. In my opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 30 June 2025 and their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the consolidated and separate financial statements section of my report.
4. I am independent of the group in accordance with the International Ethics Standards Board for Accountants' *International Code of ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
6. In terms of the Independent Regulatory Board for Auditors (IRBA) Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities, published in Government Gazette No. 49309 dated 15 September 2023 (EAR Rule), I report:

Final materiality

7. The scope of my audit was influenced by my application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error, and they are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.
8. My determination of materiality is a matter of professional judgement and is affected by my perception and understanding of the financial information needs of intended users, which is the quantitative and qualitative factors that determine the level at which relevant decisions taken by users would be affected by a misstatement. These factors helped to determine the scope of the audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated and separate financial statements as a whole.
9. Based on my professional judgement, I determined final materiality for the consolidated and separate financial statements as follows:

Materiality considerations	Consolidated financial statements	Separate financial statements
Final materiality amount	R138 million	R137 million
Basis for determining materiality	2% of total revenue for the 2023-24 financial year as disclosed in note 5 to the financial statements.	2% of total revenue for the 2023-24 financial year as disclosed in note 5 to the financial statements.
Rationale for benchmark applied	Total revenue is an appropriate quantitative indicator of materiality as the core function is the provision of bulk water and the group is expected to be self-sustainable.	Total revenue is an appropriate quantitative indicator of materiality as the core function is the provision of bulk water and the entity is expected to be self-sustainable.

10. In assessing the risk associated with procurement and contract management, I evaluated the potential impact of irregular expenditure on the consolidated and separate financial statements. Based on this assessment, I determined a specific final materiality of R40 million for irregular expenditure to ensure that any identified irregular expenditure is appropriately considered in forming my audit opinion. This determination was guided by the significance of procurement related transactions and their susceptibility to non-compliance with supply chain management legislation.
11. In applying the 2% judgement to the base amount for overall materiality, I considered factors such as the group's exposure to media attention, organisational changes, user focus, significant operational shifts and changes to both the regulatory environment and leadership.

Group audit scope

12. I tailored the scope of the audit in order to perform sufficient work to enable me to provide an opinion on the consolidated financial statements as a whole, considering the structure of the group and the accounting processes and controls. I performed a reasonable assurance engagement on uMngeni-uThukela Water and its subsidiaries.

Key audit matters

13. Key audit matters are those matters that, in professional judgement, were of most significance in my audit of the consolidated and separate financial statements for the current period. These matters were addressed in the context of my audit of the consolidated and separate financial statements as a whole and in forming my opinion, and I do not provide a separate opinion on these matters.
14. I have determined the matter described below to be the key audit matter to be communicated in my report.
15. In terms of the EAR Rule, I am required to also report the outcome of audit procedures or key observations with respect to the key audit matter and this is included below:

Key audit matter	How the matter was addressed and outcomes or key observation
Material impairment of infrastructure assets	
<p>Included in note 11 to the consolidated and separate financial statements were material reversal of impairments of R218.97 million (2023-24: material impairments of R187.20 million) that were processed on significant water infrastructure assets for uMngeni-uThukela Water. These assets are subject to annual impairment assessments which require significant judgement.</p> <p>The value in use method of valuation is applied to determine the recoverable amount of the water infrastructure assets, which makes use of the future estimated cash flows and other assumptions to determine the recoverable amount.</p> <p>The expected performance of these assets is based on the sales volume demand and the operating cost structure.</p> <p>Key assumptions include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand for significant water infrastructure assets.</p> <p>Future cash flows are estimated and projected over the expected useful life of the assets to reflect the long-term plans for uMngeni-uThukela Water using key economic indicators such as consumer price inflation, producer price inflation and energy costs.</p>	<p>I obtained an understanding of the process for impairment and the key assumptions and estimates used by management in determining the recoverable amounts.</p> <p>This included testing the reasonableness of the discount rates, cash flows, assets' useful lives as well as other management estimates used in the calculation. The forecasted inputs were assessed to determine whether they were consistent with inputs and judgements included in the rest of the business, including management's forward-looking corporate plan.</p> <p>The completeness of the information supporting the assumptions and estimates was assessed and it was confirmed that assessments were carried out for all infrastructure assets where there was a possibility of reduced cash flows.</p> <p>Having performed an independent assessment of estimates, budgets and calculations, the assumptions and resulting valuations were found to be reasonable.</p>

Emphasis of matter

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

Material impairments

17. As disclosed in note 20 to the consolidated and separate financial statements, material impairments of R640.70 million (2023-24: R534.95 million) were raised by uMngeni-uThukela Water for the year under review on trade and other receivables due to debtors not being able to settle outstanding amounts.

Responsibilities of the accounting authority for the consolidated and separate financial statements

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

Responsibilities of the auditor-general for the audit of the consolidated and separate financial statements

20. My objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.
21. A further description of my responsibilities for the audit of the consolidated and separate financial statements is included in the annexure to this auditor's report. This description, which is located at page 200, forms part of my auditor's report.

Report on the audit of the annual performance report

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

Objective	Page numbers	Purpose
Improve product and service quality	72	To produce water in full compliance with statutory and reliability requirements consistent with customer and environmental needs
Increase supply security	73	To have reliable supply, minimise resource loss and ensure that asset repairs, rehabilitation and replacement efforts are coordinated to minimise disruptions

24. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the entity's planning and delivery on its mandate and objectives.
25. 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.
26. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance opinion or conclusion.
27. I did not identify any material findings on the reported performance information for the selected objectives.

Other matters

28. I draw attention to the matters below.

Achievement of planned targets

29. The annual performance report includes information on reported achievements against planned targets.
30. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report.

Increase supply security

Targets achieved: 75%		
Key service delivery indicator not achieved	Planned target	Reported achievement
Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (SHC)	0 days > 24 hours	6,8 days > 24 hours
Total capex spend against budget (SHC)	R4 555m ±20%	R3 059m

Material misstatements

31. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of the increase supply security objective. Management subsequently corrected all the misstatements and I did not include any material findings in this report.

Report on compliance with legislation

32. 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.
33. 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.
34. 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.
35. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Financial statements

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

Expenditure management

37. Effective and appropriate steps were not taken to prevent irregular expenditure disclosed in note 33 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA.

Procurement and contract management

38. Some of the goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

Other information in the annual report

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

41. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
42. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

Internal control deficiencies

43. I considered internal control relevant to my audit of the consolidated and separate financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
44. The matter reported below is limited to the significant internal control deficiencies that resulted in the material findings on compliance with legislation included in this report.
45. The accounting authority did not provide effective oversight regarding the preparation and reporting of financial information and compliance with applicable legislation. Furthermore, senior management did not adequately implement controls over daily and monthly processes resulting in numerous material misstatements to the financial statements and non-compliances in the procurement processes.

Material irregularities

46. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Status of previously reported material irregularities

Payments for consultancy services not received

47. A tender for R338,10 million was awarded on 20 May 2020 to a supplier for social facilitation. Officials of uMngeni-uThukela Water accepted invoices submitted by the supplier and processed payments to the supplier without proof of services having been received by the entity. This resulted in the uneconomical use of the entity's resources by the responsible officials, in contravention of section 57(b) of the PFMA.
48. The non-compliance resulted in a likely cumulative financial loss of R167,04 million as at 30 June 2025. The accounting authority was notified of the material irregularity on 3 December 2021 and invited to make a written submission on the actions taken or to be taken to address the matter.
49. The accounting authority responded on 14 March 2022 by disagreeing that there were any losses incurred on the contract as the accounting authority maintained that goods and services had been received.
50. I referred the material irregularity to the Special Investigating Unit (SIU) for investigation as provided for in section 5(1A) of the PAA. The SIU investigated the contract in terms of Proclamation 122 of 2023, issued in Government Gazette 48693 of 2 June 2023.
51. The SIU investigation was finalised and the report was submitted to the President on 11 November 2024. The SIU reported that the entity instituted civil litigation proceedings to review and set aside the award and therefore the SIU did not pursue civil litigation. The SIU made systemic recommendations for consideration and implementation by the entity and disciplinary, criminal and administrative referrals. I followed up on the status of the civil litigation process, the implementation of the SIU recommendations and disciplinary and administrative referrals with the entity during my current audit.
52. In response by the entity on 23 September 2025 on the civil litigation process, the entity indicated that the recovery process was successfully concluded through an out-of-court settlement. In this instance the entity made reference to an addendum to the initial contract that was signed between the entity and the supplier on 29 November 2023, whereby a revised implementation plan together with a rates based billing system was adopted to address the discrepancies that

were identified previously in the billing of costs and to strengthen controls in verifying invoices against value for money received. I am following up with the entity on how the prior losses suffered from the services not delivered against invoices paid were recovered or addressed through this addendum.

53. The entity is in the process of implementing actions to address the disciplinary and administrative referrals and the systemic recommendations made by the SIU. I will follow up on the progress with these actions and the criminal referrals in the next audit.

Invalid payments for security services

54. uMngeni-uThukela Water entered into a security contract with a security service provider on 26 November 2018. uMngeni-uThukela Water further entered into an addendum with the service provider on 25 January 2019. Officials of uMngeni-uThukela Water accepted invoices and processed payments to the amount of R14,10 million to the supplier without adequate verification of supporting documentation. This resulted in the uneconomical use of the entity's resources by the responsible officials, in contravention of section 57(b) of the PFMA.
55. The non-compliance resulted in a likely material financial loss of R3,41 million for uMngeni-uThukela Water if the losses are not recovered from the supplier. The accounting authority was notified of the material irregularity on 31 January 2022 and invited to make a written submission on the actions taken or to be taken to address the matter.
56. The accounting authority responded on 28 February 2022 by disagreeing that there were any losses incurred on the contract as the accounting authority maintained that payments made to the security service provider were based on valid charges.
57. I referred the material irregularity to the Special Investigating Unit (SIU) for investigation as provided for in section 5(1A) of the PAA. The SIU investigated the contract in terms of Proclamation 122 of 2023, issued in Government Gazette 48693 of 2 June 2023.
58. The SIU investigation was finalised and the report was submitted to the President on 11 November 2024. The SIU reported that the entity instituted civil litigation proceedings to set aside the award and to recover the irregular payments made to the supplier and therefore the SIU did not pursue civil litigation. The SIU made systemic recommendations for consideration and implementation by the entity and disciplinary, criminal and administrative referrals. I followed up on the status of the civil litigation process, the implementation of the SIU recommendations and disciplinary and administrative referrals with the entity during my current audit.
59. In response by the entity on 23 September 2025 on the civil litigation process, the entity confirmed that invalid payments were made to the supplier, and a legal expert was appointed to assist the entity with the recovery process. It however subsequently established that the supplier is undergoing liquidation. The entity has subsequently filed their claim at the liquidator to be considered as part of the liquidation process.
60. The entity is in the process of implementing actions to address the disciplinary and administrative referrals and the systemic recommendations made by the SIU. I will follow up on the progress with these actions and the criminal referrals in the next audit.

Standing time costs incurred due to ineffective controls over payments to suppliers

61. uMngeni-uThukela Water awarded tender number 2020/085 on 17 September 2020 for R91,10 million to a service provider for the construction of the South Coast Pipeline Phase 2B. The total cost on the tender including variation orders amounted to R155,88 million. Management did not maintain effective systems over the approval of payment certificates and variation orders resulting in delays in payments to the contractor. As a result, the contractor suspended all work on the site. This breakdown in internal controls and financial management processes resulted in a non-compliance with Section 51(1)(a)(i) of the PFMA.
62. During the suspension of works the contractor continued to bill uMngeni-uThukela Water for standing time resulting in an extension of time payment of R36,79 million. These costs were incurred from July 2022 to 20 October 2022 and were eventually paid by uMngeni-uThukela Water on 23 June 2023.
63. The non-compliance has resulted in a material financial loss of R36,79 million by 30 June 2023 for uMngeni-uThukela Water. This loss was disclosed as fruitless and wasteful expenditure in note 28 of the annual financial statement for the period ending 30 June 2023. The accounting authority was notified of the material irregularity on 18 October 2023 and invited to make a written submission on the actions taken or to be taken to address the matter.
64. The accounting authority responded on the 14 November 2023 and committed to specific actions to be taken.
65. The accounting authority appointed a service provider to conduct a determination assessment into fruitless and wasteful expenditure incurred. On 13 June 2025, the finalised determination process identified additional fruitless and wasteful expenditure resulting in a cumulative total of R96,49 million. The determination assessment further recommended

the implementation of controls to prevent re-occurrence of similar matters, the initiation of additional consequence management processes against the identified official, and referral of the matter for legal advice regarding the possibility of loss recovery from the official.

66. A member of the accounting authority has been identified as having a conflict of interest in the service provider and failing to disclose the interest. The matter was reported to the shareholder on 25 September 2025. An additional investigation is planned which will determine the possibility of recovering the losses from the member.
67. I determined that the accounting authority is not taking appropriate actions to resolve the MI. I am in the process of making a decision on further actions to be taken.

Other reports

68. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted. These reports did not form part of my opinion on the consolidated and separate financial statements or my findings on the reported performance information or compliance with legislation.

Investigation

69. The internal audit unit conducted six investigations covering the period July 2024 to May 2025. These investigations related to allegations of procurement irregularities and misappropriation of assets. Two investigations had been completed, where the accounting authority is currently assessing the outcomes and recommendations while four investigations were still in progress at the date of this report.

Auditor - General

Pietermaritzburg

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 consolidated and separate financial statements and the procedures performed on reported performance information for selected objectives and on the entity's compliance with selected requirements in key legislation.

Consolidated and separate financial statements

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

- identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the consolidated and separate financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the entity and its subsidiaries to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated and separate financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the consolidated and separate financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause the entity and subsidiaries to cease operating as a going concern.
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and determine whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

Communication with those charged with governance

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

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

From the matters communicated to those charged with governance, I determine those matters that were of most significance in the audit of the consolidated and separate financial statements for the current period and are therefore key audit matters. I describe these matters in this auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in this auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest of such communication.

Compliance with legislation – selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	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)

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

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A report of the directors has not been prepared as the group is a wholly owned subsidiary of which is incorporated in South Africa.	

Statement of Directors Responsibilities and Approval of the Annual Financial Statements

The Directors are responsible for the integrity, preparation and fair presentation of the annual financial statements of uMngeni- uThukela Water and its subsidiaries (the group). The Directors are required by the Public Finance Management Act No.1 of 1999 to keep full and proper records of the financial affairs of the group and its performance against predetermined objectives at the end of the year.

The financial statements set out in this report have been prepared in accordance with IFRS Accounting Standards as approved by National Treasury in terms of section 79 of the Public Finance Management Act No.1 of 1999, as amended, and in the manner required by the Water Services Act No. 108 of 1997. The preparation of financial statements in conformity with IFRS® Accounting Standards requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

The Directors are also responsible for the oversight of the group's system of internal controls. To enable the directors to meet their responsibilities, the Board sets standards and management implement systems of internal control aimed at reducing the risk of error or loss in a cost effective manner. These standards include policies, procedures, proper division of responsibilities within a clearly defined framework and effective accounting procedures to ensure an acceptable level of risk. Both management and internal audit monitor controls and actions are taken to correct deficiencies when they are identified.

The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risks cannot be fully eliminated, the group strives to minimise these risks by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The external auditor is responsible for independently auditing and expressing an independent opinion on the financial statements in accordance with International Standards on Auditing, the Public Audit Act No. 25 of 2004, Public Finance Management Act No.1 of 1999 and the Companies Act No. 71 of 2008. The entity's external auditor, Auditor-

General of South Africa, has audited the financial statements after having been provided unrestricted access to all financial records and related data. The Directors believe that all representations made to the external auditor during the audit were valid, appropriate and complete.

Apart from the non-compliance to legislation noted in the SCM processes resulting in irregular expenditure, nothing significant has come to the attention of the Directors to indicate that any material breakdown in the functioning of controls, procedures and systems has occurred during the year under review. The Directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the systems of internal control provide reasonable assurance that the financial records may be relied on for the preparation of the consolidated financial statements and that accountability for assets and liabilities is maintained.

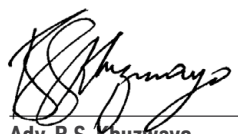
The Audit Committee has evaluated uMngeni-uThukela Water and the group's financial statements and has recommended its approval to the Directors. The Audit Committee's approval is set out on page 184-185

The Directors have reviewed the group's forecast financial performance for the year to 30 June 2026 as well as the longer-term business plans and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue as a going concern for the foreseeable future. Any increase in credit risk has been adequately taken into account in the allowance for credit losses.

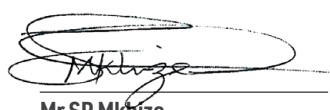
In the opinion of the Directors, based on the information available to date, the annual financial statements fairly present the financial position of uMngeni-uThukela Water and the group as at 30 June 2025 and the results of its operations and cash flow information for the year ended.

Preparation and Approval of Financial Statements

The consolidated and separate financial statements have been prepared on a going concern basis under the supervision of the Chief Financial Officer, Mr Thamsanqa Mkhwanazi CA(SA). The financial statements set out on pages 204 - 287 were approved by the Accounting Authority on 31 August 2025.



Adv. B.S. Khuzwayo
(Chairperson)



Mr SP Mkhize
(Chief Executive)

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Statement of Profit or Loss for the year ended 30 June 2025

	Note(s)	Group		Parent	
		2025	2024 Restated *	2025	2024 Restated *
		R '000	R '000	R '000	R '000
Revenue	5	7 650 698	6 895 941	7 613 583	6 889 592
Cost of sales	7	(3 797 973)	(3 152 893)	(3 797 972)	(3 152 892)
Gross profit		3 852 725	3 743 048	3 815 611	3 736 700
Other income	6	160 899	15 371	161 477	15 826
Other operating and administration expenses		(2 798 640)	(2 548 979)	(2 726 290)	(2 526 399)
Expected credit losses		(522 115)	(424 759)	(522 115)	(424 759)
Profit from operations	7	692 869	784 681	728 683	801 368
Net finance income		682 410	679 698	678 132	674 855
Interest income	9	684 329	682 263	679 518	677 071
Finance costs	10	(1 919)	(2 565)	(1 386)	(2 216)
Share of profit from associate	17	5 036	4 011	-	-
Profit before taxation		1 380 315	1 468 390	1 406 815	1 476 223
Income tax expense	8	(465)	(184)	-	-
Profit for the year		1 379 850	1 468 206	1 406 815	1 476 223

Statement of Other Comprehensive Income for the year ended 30 June 2025

	Group		Parent	
	2025	2024 Restated *	2025	2024 Restated *
	R '000	R '000	R '000	R '000
Profit for the year	1 379 850	1 468 206	1 406 815	1 476 223
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Remeasurement of retirement benefit obligations	36 207	(7 078)	36 207	(7 078)
Total comprehensive income for the year	1 416 057	1 461 128	1 443 022	1 469 145

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position for the year ended 30 June 2025

	Note(s)	Group		Parent	
		2025	2024	2025	2024
		R '000	R '000	R '000	R '000
ASSETS					
Non-Current Assets					
Property, plant and equipment	11	14 694 939	12 408 429	14 658 815	12 387 115
Investment property	14	-	-	8 030	8 252
Intangible assets	15	303 537	262 394	184 862	259 377
Biological assets	16	4 949	4 693	-	-
Investments in associates and subsidiaries	17	15 603	10 566	71 001	-
Investments - financial assets	18	60 338	755 249	60 338	755 249
Loans to group companies	39	-	-	128 386	-
Trade and other receivables	20	31 686	30 941	31 360	30 621
Right-of-use assets	28	13 449	10 600	6 483	8 065
		15 124 501	13 482 872	15 149 275	13 448 679
Current Assets					
Investments - financial assets	18	6 349 401	6 176 823	6 349 401	6 176 823
Inventories	19	80 025	68 322	80 025	68 322
Trade and other receivables	20	1 758 479	1 398 052	1 752 573	1 406 318
Bank and cash	21	1 558 950	657 882	1 475 709	572 410
		9 746 855	8 301 079	9 657 708	8 223 873
Non-current assets held for sale and assets of disposal groups	13	11 862	2 829	11 862	2 829
Total Assets		24 883 218	21 786 780	24 818 845	21 675 381
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Capital	23	442 847	442 847	442 847	442 847
Other comprehensive income reserves		540 182	503 975	540 182	503 975
Accumulated profit		18 035 357	16 655 507	17 974 813	16 567 999
		19 018 386	17 602 329	18 957 842	17 514 821
LIABILITIES					
Non-Current Liabilities					
Debt - financial liabilities	24	74 032	1 039 043	74 032	1 039 043
Contract liabilities	25	721 029	620 066	721 029	620 066
Provisions	26	53 359	21 188	53 359	21 188
Lease liabilities	28	6 473	7 043	2 392	4 056
Post-retirement benefit obligations	30	360 528	368 574	360 528	368 574
Five-year long service benefit	31	11 571	15 601	11 571	15 601
		1 226 992	2 071 515	1 222 911	2 068 528

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Statement of Financial Position for the year ended 30 June 2025 (Continued)

	Note(s)	Group		Parent	
		2025	2024 Restated *	2025	2024 Restated *
		R '000	R '000	R '000	R '000
Current Liabilities					
Debt - financial liabilities	24	998 408	68 719	998 408	68 719
Provisions	26	268 353	278 900	262 588	276 640
Trade and other payables	27	3 270 061	1 651 491	3 280 100	1 634 181
Contract liabilities	25	52 165	72 499	52 165	72 499
Lease liabilities	28	9 589	5 476	5 722	4 142
Post-retirement benefit obligations	30	23 400	23 614	23 400	23 614
Five-year long service benefit	31	15 864	12 237	15 709	12 237
		4 637 840	2 112 936	4 638 092	2 092 032
Total Equity and Liabilities		24 883 218	21 786 780	24 818 845	21 675 381

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Statement of Changes in Equity for the year ended 30 June 2025

Group

Restated* Balance at 01 July 2023

Profit for the year	-	-	1 468 206	1 468 206
Other comprehensive income	-	(7 078)	-	(7 078)

Total comprehensive income for the year

Equity acquired through business combination	-	-	1 746 269	1 746 269
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Total contributions by and distributions to owners of company recognised directly in equity

Balance at 01 July 2024	442 847	503 975	16 655 507	17 602 329
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Profit for the year	-	-	1 379 850	1 379 850
Other comprehensive income	-	36 207	-	36 207

Total comprehensive income for the year

Balance at 30 June 2025	442 847	540 182	18 035 357	19 018 386
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Note(s) 23

Parent

Restated* Balance at 01 July 2023

Profit for the year	-	-	1 476 223	1 476 223
Other comprehensive income	-	(7 078)	-	(7 078)

Total comprehensive income for the year

Equity acquired through business combination	-	-	1 746 269	1 746 269
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Total contributions by and distributions to owners of company recognised directly in equity

Balance at 01 July 2024	442 847	503 975	16 567 998	17 514 820
-------------------------	---------	---------	------------	------------

Profit for the year	-	-	1 406 815	1 406 815
Other comprehensive income	-	36 207	-	36 207

Total comprehensive income for the year

Balance at 30 June 2025	442 847	540 182	17 974 813	18 957 842
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Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Statement of Cash Flows for the year ended 30 June 2025

		Group		Parent	
	Note(s)	2025	2024	2025	2024
		R '000	R '000	R '000	R '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash receipts from customers		6 970 086	6 432 574	6 942 352	6 422 279
Cash paid to suppliers and employees		(4 357 368)	(4 439 510)	(4 240 225)	(4 449 055)
Cash from operating activities	22	2 612 718	1 993 064	2 702 127	1 973 224
Interest received	9	73 951	37 600	70 861	32 408
Tax paid		(465)	(184)	-	-
Net cash from operating activities		2 686 204	2 030 480	2 772 988	2 005 632
CASH FLOWS FROM INVESTING ACTIVITIES					
Additions to property, plant and equipment	11	(3 006 187)	(2 296 615)	(2 987 542)	(2 290 640)
Proceeds from disposal of assets	11	185	159	185	159
Purchases of intangible assets	15	(129 002)	(230 888)	(13 391)	(230 520)
Dividend received from associate	17	7 400	2 273	-	-
Assets acquired through business combination		-	634 055	-	634 055
(Increase) / decrease in investment in subsidiaries	39	-	-	(212 966)	-
Purchases of investments	18	766 100	(118 366)	766 100	(118 366)
Receipt of Regional Bulk Infrastructure grants		405 624	233 916	405 624	233 916
Purchases of redemption assets		(248 252)	(248 252)	(248 252)	(248 252)
Interest received	9	580 293	525 653	578 551	525 653
Net cash from investing activities		(1 623 839)	(1 498 065)	(1 711 691)	(1 493 995)
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of borrowings	24	(35 184)	(35 408)	(35 184)	(35 408)
Cash repayments on lease liabilities	28	(6 801)	(5 710)	(4 072)	(5 511)
Interest paid on lease liabilities	28	(1 657)	(1 399)	(1 657)	(1 399)
Finance costs	10	(117 655)	(122 437)	(117 085)	(122 087)
Net cash from financing activities		(161 297)	(164 954)	(157 998)	(164 405)
Total cash movement for the year		901 068	367 461	903 299	347 232
Cash and cash equivalents at the beginning of the year		657 882	290 421	572 410	225 178
Cash and cash equivalents at the end of the year		1 558 950	657 882	1 475 709	572 410

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Accounting Policies

CORPORATE INFORMATION

uMngeni-uThukela Water is a water board established in terms of Section 28 of the Water Services Act (Act 108 of 1997) and a National Government Business Enterprise as per Schedule 3B of the Public Finance Management Act (Act 1 of 1999), as amended, domiciled in South Africa. The consolidated consolidated & separate annual financial statements comprise that of the uMngeni-uThukela Water and its subsidiaries (collectively 'the group' and individually 'Parent'). The accounting policies are applicable to both the group and parent entity. The following material accounting policies were applied by the group for the year ended 30 June 2025.

The consolidated and separate consolidated & separate annual financial statements for the year ended 30 June 2025 were authorised for issue in accordance with a resolution of the directors on 29 August 2025.

1. Material Accounting Policies

Management has considered the principles of materiality in IFRS Practice Statement 2 Making Materiality judgments, and only those accounting policies which are considered material have been presented in these consolidated & separate annual financial statements.

2. Basis of preparation and measurement

2.1 Statement of compliance

The consolidated Consolidated & Separate Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of those standards, as issued by the International Accounting Standards Board (the IASB), and the Public Finance Management Act (Act 1 of 1999), as amended (PFMA).

In terms of section 79 of the PFMA, National Treasury has issued an approval authorising the use of IFRS as the financial reporting framework. In addition, uMngeni-uThukela Water has applied Directive 12 the Selection of an Appropriate Reporting Framework by *Public Entities*; issued by the Accounting Standards Board. The directive states that "An entity shall apply International Financial Reporting Standards (IFRS) as its reporting framework if it meets the criteria in paragraph 11. Otherwise it shall apply Standards of GRAP".

Paragraph 11 provides that "In assessing whether an entity shall apply IFRS Standards, it considers whether it meets one of the following criteria:

- (a) the entity is a financial institution;
- (b) the entity has ordinary shares or potential ordinary shares that are publicly traded on capital markets; or
- (c) its operations are such that they are:
 - (i) commercial in nature; and
 - (ii) only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government."

uMngeni-uThukela Water satisfies the criteria in paragraph 11 as its operations are of a commercial nature which aim to provide services to generate profits to self-fund operating and capital expenditure requirements, and only an insignificant portion of the entity's funding is acquired through government grants or other forms of financial assistance from government. Thus, the criteria in paragraph 11 (c) are met and uMngeni-uThukela Water has applied IFRS as its accounting framework in the preparation of the consolidated financial statements.

Basis of measurement of financial results

The consolidated Consolidated & Separate Annual Financial Statements are prepared using the historic cost basis except for the following items in the statement of financial position:

- Biological assets are measured at fair value less costs to sell; and
- The defined benefit plan obligation and post-retirement healthcare obligation are measured at the projected unit credit method.

The consolidated Consolidated & Separate Annual Financial Statements are prepared on the going concern basis using the accrual basis of accounting except for cash flow information.

Except as otherwise disclosed, these accounting policies are consistent with those applied in all periods presented in these consolidated financial statements.

The defined benefit plan obligation and post-retirement healthcare obligation are measured at fair value through profit or loss using the projected unit credit method.

Current and non-current classification of assets and liabilities

Current assets are assets that are expected to be realised in the entity's normal operating cycle, held primarily for the purpose of trading, expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless the asset is restricted from being

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Accounting Policies (Continued)

exchanged or used to settle a liability for at least 12 months after reporting date. All other assets are non-current.

Current liabilities are those liabilities expected to be settled within the entity's normal operating cycle, held for purpose of trading, due to be settled within 12 months for which the entity does not have an unconditional right to defer settlement beyond 12 months. Other liabilities are non-current.

Functional and presentation currency

These consolidated Consolidated & Separate Annual Financial Statements are presented in Rands, which is the group's functional and presentation currency. All financial information presented in Rands has been rounded to the nearest thousand.

Use of estimates and judgements

Significant judgments in applying the group's accounting policies

The preparation of consolidated & separate annual financial statements in conformity with IFRS requires management, from time to time, to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Satisfaction of performance obligations

Refer to the accounting policy for revenue recognition in note 5 for the judgements applied when determining the satisfaction of performance conditions

Allowance for credit losses

As detailed under the accounting policy for impairment of financial assets, the group recognise a loss allowance for expected credit losses (ECL) on financial assets measured at amortised cost and trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group uses all available information, in assessing and measuring expected credit losses (ECLs), including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument. There is significant judgement in applying forward looking data.

Significant influence over associate

Refer to the accounting policy for associates in note 2.2 as well as Note 17. Refer to the accounting policy for associates in note 2.2.

Business model for financial assets

Classification and measurement of financial assets depends on the results of the Sole Payments of Principal and Interest and the business model test. The group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective which is to fund the entities infrastructure requirements as well as operating expenditure requirements. This assessment includes judgement reflecting whether the financial asset continues to be held for the purposes of reducing the liquidity risk or whether value will be derived from selling of the asset.

uMngeni-uThukela Water holds financial assets to meet its working capital requirements which includes funding capital expenditure over a period of at least five years or more. The entity invests its excess cash in short and long-term financial assets so that it can fund the expenditure when the need arises. At least 12 to 18 months of working capital requirements are invested in term investments. The objective therefore, is to collect contractual cash flows and redeem investments on redemption date for term investments or call upon same day liquidity investments placed with banks should an immediate funding requirement arise. Financial assets with same day liquidity (demand deposits) are reviewed for insignificant risk of changes of value and are then classified as cash equivalents. Investments in money market funds whilst deemed to have same day liquidity may have assets that are longer than three months duration. Therefore it cannot be established if there is an insignificant risk of changes in value. These investments are not included in the cash and cash equivalents balance.

There were no other significant judgements in the process of applying the group's accounting policies

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Accounting Policies (Continued)

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option: or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Potential future cash outflows of R - have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, there were no financial effect of revising lease terms.

Key sources of estimation uncertainty

Value-in-use calculations for impairment of property, plant and equipment

The recoverable amount of development infrastructure is determined based on value-in-use calculations. Key assumptions relating to these valuations include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand per scheme. Future cash flows are extrapolated over the useful life of the assets to reflect the long-term plan for the group using the growth rates as projected by the economic indicators (CPI, PPI, energy).

Management determines the expected performance of these assets based on the sales volume demands and the operating cost structure aligned to the system from which water will be drawn. Refer to note 9 for further details on impairments of property, plant and equipment.

Residual values and useful lives of property, plant and equipment

Property, plant and equipment are depreciated over its useful life taking into account residual values, where appropriate. Assessments of useful lives and residual values are performed annually after considering factors such as technological innovation, maintenance programs, relevant market information, manner of recovery and management consideration. In assessing residual values, the group considers the remaining life of the asset, its projected disposal value and future market conditions. Refer to note 11.

Fair value of biological assets

The carrying amounts of biological assets are recognised at fair value. The fair values of game were determined with reference to market prices as at 30 June 2025. Refer to note 16 for further detail on biological assets.

Defined benefit plans

The key assumptions relating to the defined benefit plan sensitivity analysis are disclosed in note 30.

The group has defined benefit plans. The defined benefit plans are actuarially valued for accounting purposes by professional independent consulting actuaries on an annual basis. The benefit costs and net defined benefit liability (asset) under each plan are determined separately using the projected unit credit method.

The methodology used makes assumptions on forward looking data like mortality rates, life expectancy, inflation rates as such judgement is made

Calculation of a loss allowance

When measuring expected credit losses (ECL) the group uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Further details are included under the impairment of financial assets accounting policy. Contingent liabilities

When measuring best estimates for contingent liabilities disclosure, management considers all legal assumptions and uncertainties regarding on-going court cases.

2.2. Summary Of Material Accounting Policies

Basis of consolidation of financial results

The Consolidated & Separate Annual Financial Statements reflect the financial results of the group. All financial results are consolidated by combining like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries except for investments in associates, which are included in the group's results as set out below.

Elimination of inter-company transactions

Inter-company transactions, balances and unrealised gains and losses between entities are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an

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Accounting Policies (Continued)

impairment loss of a non-current asset, that loss is charged to the statement of profit and loss.

In respect of associates, unrealised gains and losses are eliminated against the investment in the associate, to the extent of the group's interest in these entities.

Business combinations

A business is defined as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods and services to customers, generating investment income or generating other income from ordinary activities. A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities.

Business combinations are accounted for using the acquisition method which is the date on which control is transferred to the group. On acquisition date, fair values are attributed to the identifiable assets, liabilities and contingent liabilities. Fair value of all identifiable assets and liabilities included in the business combination are determined by reference to market values of those similar items, where available, or by discounting expected future cash flows using the discount rate to present values. The consideration transferred is the fair value of the group's contribution to the business combination in the form of assets transferred, liabilities assumed or contingent consideration at the acquisition date. Transaction costs directly attributable to the acquisition are charged to the statement of profit and loss except if related to the issue of debt or equity securities.

A non-controlling interest at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net identifiable assets of the entity acquired. On acquisition date goodwill is recognised when the consideration transferred and the recognised amount of the non-controlling interests exceeds the fair value of the net identifiable assets of the entity acquired. Goodwill is tested at each reporting date for impairment. To the extent that the fair value of the net identifiable assets of the entity acquired exceeds the consideration transferred and the recognised amount of non-controlling interests, the excess is recognised in the statement of profit and loss on acquisition date.

When an acquisition is achieved in stages (step acquisition), the identifiable assets and liabilities are recognised at their full fair value when control is obtained, and any adjustment to fair values related to these assets and liabilities previously held as an equity interest is recognised in the statement of other comprehensive

income or statement of profit and loss as appropriate.

When there is a change in the interest in a subsidiary after control is obtained, that does not result in a loss in control, the difference between the fair value of the consideration transferred and the amount by which the non-controlling interest is adjusted is recognised directly in the statement of changes in equity.

When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying value of any related goodwill.

Business combination under common control

A business combination under common control occurs when two or more entities all under the control of the same parent entity combine their operations. This policy applies to all business combinations involving entities under common control including acquisitions mergers or other forms of business combination where the combining entities are ultimately controlled by the same parent entity both before and after the transaction.

Business combinations under common control are not accounted for at fair value. Instead, the assets and liabilities of the acquired entity are recorded at their carrying amounts as of the date of the combination.

Consideration Transferred: The consideration if any transferred in a business combination under common control is measured based on the carrying amounts of the assets and liabilities exchanged.

Assets and Liabilities: All identifiable assets acquired and liabilities assumed in a Business combination under common control are recorded at their carrying amounts as of the combination date. The carrying amounts should be consistent with the amounts reflected in the books of the combining entities immediately before the combination.

No goodwill is recognized in a Business combination under common control. Any difference between the carrying amount of the net assets acquired and the consideration transferred should be recognized in equity as an adjustment to retained earnings. uMngeni-uThukela Water discloses information

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Accounting Policies (Continued)

about the nature and effect of business combinations under common control. This includes the names of the combining entities the date of the combination and a description of the transaction. Additionally, entities should disclose the impact on the financial statements including the carrying amounts of the assets and liabilities involved.

Subsidiaries

A subsidiary is an entity controlled by the group.

The group has two subsidiaries which are wholly owned and further details are included in note 17 of the financial statements.

The assets, liabilities, income, expenses and cash flows of subsidiaries are consolidated from the date of acquisition, being the date on which the group obtains control, and continue to be consolidated until the date that such control ceases. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the group controls an investee if and only if the group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary.

Where necessary, adjustments are made to the financial

statements of subsidiaries to bring the accounting policies used in line with those used by the group. All inter-company balances and transactions are eliminated. In the parent financial statements, the parent accounts for investments in subsidiaries at cost.

Associates

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The group has an associate via its subsidiary Umgeni Water Services SOC Ltd. Further details on the associate are included in note 17 of the financial statements.

The financial results of associates are included in the group's results according to the equity method from acquisition date until disposal date. Under the equity method, the investment in associate is initially recognised at cost including transaction costs and the carrying amount is increased or decreased to recognise the group's share of profit or loss of the associate after the acquisition date.

The group's share of profits or losses and other comprehensive income are recognised in the statement of profit and loss as equity accounted earnings. Distributions received from associates reduce the carrying amount of the investment. All cumulative post-acquisition movements in other comprehensive income of associates are adjusted against the carrying amount of the investment. When the group's share of losses in associate equals or exceeds its interest in those associates; the group does not recognise further losses, unless the group has incurred a legal or constructive obligation or made payments on behalf of those associates. Goodwill relating to associates forms part of the carrying value of those associates.

The total carrying value of each associate is evaluated annually, as a single asset, for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to the statement of profit and loss as part of equity accounted earnings of that associate.

When significant influence over an associate is lost, the group

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Accounting Policies (Continued)

measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

Where the reporting date of an associate differs from that of the group, adjustments are made to the associate's most recent audited financial results for material transactions and events that occur since then to the reporting date of the group.

Where a group entity transacts with an associate of the group, unrealised profits and losses are eliminated to the extent of the group's interest in the relevant associate.

In the parent financial statements, the parent accounts for investments in associates at cost.

Operating segments and segment reporting

The group has two reportable segments:

- The primary segment as defined by section 29 of the Water Services Act No. 108 of 1997; and
- other activities as defined by Section 30 of the Water Services Act No. 108 of 1997.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, assets and liabilities.

The basis of segmental reporting has been set out in note 4.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Land is not depreciated.

Costs include expenditure that is directly attributable to the acquisition of the asset. Works under construction are stated at cost less accumulated impairment losses and grant funding. Cost includes the cost of materials, direct labour, allocated

portion of direct project overheads and any costs incurred which is directly attributable to bringing it to its present location and condition. Work-in-progress is commissioned on date of significant completion net of grant funding in accordance with the accounting policy on grant funding.

Servitudes are considered an integral part of the asset and are essential to the operation of the asset and therefore forms part of the cost of the relevant asset. Borrowing costs are capitalised on qualifying assets in accordance with the relevant accounting policy on finance costs.

When property, plant and equipment comprise major components with different useful lives, these components are accounted for as separate items. Expenditure incurred to replace or modify a significant component of plant is capitalised if it meets the recognition criteria and any remaining carrying amount of the component replaced is written off in the statement of profit and loss. All other expenditure is charged to the statement of profit and loss.

Subsequent expenditure is only capitalized if it is probable that the future economic benefits associated with the expenditure will flow to the group.

The carrying amount of property plant and equipment will be derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

Property, plant and equipment are depreciated to its estimated residual values on a straight-line basis over its expected useful life. The depreciation methods, estimated remaining useful lives and residual values are reviewed at least annually and adjusted prospectively where appropriate.

Land is not depreciated and it carried on a cost model.

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Accounting Policies (Continued)

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

Asset category	Estimated useful life (Years)	Estimated residual value
Buildings and infrastructure		
□ Buildings	40	0% - 2%
□ Dams and weirs	45	0% - 2%
□ Pipelines	30 - 45	0% - 2%
□ Pump stations	10 - 30	0% - 2%
□ Reservoirs and intake work	45	0% - 2%
□ Tunnels	45	0% - 2%
□ Water treatment works	10 - 45	0% - 2%
□ Waste water	10 - 45	0% - 2%
□ works Roads	15 - 30	0% - 2%
□ Fences and gates	15	0% - 2%
□ Temporary and timber structures	25	0% - 2%
Equipment and vehicles		
□ Plant and equipment, furniture and fittings	5	0% - 10%
□ Vehicles	5	0% - 10%
□ Computers	3 - 5	0% - 10%
□ ERP Hardware	5	0% - 10%
□ ERP Software	5	0% - 10%

Capital commitments

Capital commitments are not recognised in the statement of financial position as a liability but are included in the disclosure notes.

A contractual amount for each class of capital expenditure committed is disclosed in the financial statements for the acquisition of Property Plant and Equipment or intangible assets less expenditure recognised in the statement of financial position and financial performance.

Investment property

Investment property, which is property held to earn rentals is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and any accumulated impairment losses. The depreciation method and rate is aligned to the buildings class under property plant and equipment. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. Rental income earned on investment property is included in other income.

Item	Depreciation method	Average useful life
Property - buildings	Straight line	40

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Accounting Policies (Continued)

Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification except to the extent that there is a delay caused by events or circumstances beyond the group's control and there is sufficient evidence that the group remains committed to its plan to sell the asset (or disposal group).

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

Where a disposal group held for sale will result in the loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling interest in the former subsidiary is to be retained after the sale.

At the time of classification as held for sale, immediately before the initial classification of the asset as held for sale, the carrying amount of the asset is measured in accordance with applicable accounting policy. After classification as held for sale, non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's carrying amount and fair value less costs to sell. No depreciation or amortisation is provided on non-current assets from the date they are classified as held for sale.

Upon classification of a non-current asset or disposal group as held for sale it is reviewed for impairment. Any impairment loss is recognised in profit or loss. After classification as held for sale, any impairment loss is calculated based on the difference between the adjusted carrying amounts of the asset/disposal group and fair value less costs to sell. Any impairment loss that arises is recognised in profit or loss.

If a non-current asset or disposal group is classified as held for sale, but the criteria for classification as held for sale is no longer met, the disclosure of such non-current asset as held for sale is ceased. On ceasing classification, the non-current assets are reflected at the lower of:

- The carrying amount before classification as held for sale adjusted for any depreciation or amortisation that would have been recognised had the asset not been classified as held for sale; and
- the recoverable amount at the date the classification as held for sale ceases.

The recoverable amount is the amount at which the asset would have been recognised after the allocation of any impairment loss arising on the cash generating unit as determined in accordance with the group's policy on the impairment of non-financial assets.

Any adjustments required to be made on reclassification are recognised in profit or loss on reclassification.

Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

No contracts were identified that required specific judgement as to whether they contained leases.

Group as lessee

Lease liability

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease.

The lease liability is initially measured at the present value of the lease payments that have to be paid over the lease term. There are no variable lease payments that would impact on the determination of the lease liability.

The lease payments are discounted using the group's incremental borrowing rate (weighted average cost of capital) if the interest rate implicit in the lease contract is not readily determinable.

After the commencement date the group measures the lease liability by:

- Amortised cost using the effective interest method;
- Increasing the carrying amount to reflect interest on the lease liability;
- Reducing the carrying amount to reflect lease payments made and;
- Re-measuring the carrying amount to reflect any reassessment or lease modifications;

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Accounting Policies (Continued)

Right-of-use assets

The group recognises right of use assets at commencement of the lease when the asset is available for use. The cost of right of use assets comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentive received.

Subsequent to initial recognition right-of-use assets are measured at cost less any accumulated depreciation and any accumulated impairment losses and adjusted for any re-measurement of the lease liability.

Depreciation is calculated using the straight-line method over the shorter of the assets estimated useful lives in terms of the accounting policy for that class of asset and the lease term, except for land which is depreciated over the term of the lease.

If the lease transfers ownership of the underlying asset to the group by the end of the lease term or if the cost of the right-of-use asset reflects that the group will exercise a purchase option, the group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset.

An impairment review is undertaken for any right of use lease asset that shows indicators of impairment and an impairment loss is recognised against any right of use leased assets that is impaired.

Short-term leases and leases of low-value assets

The group elected to apply exemptions for short term leases that have a lease term of 12 months or less; and for leases for which the underlying asset is of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

In case of lease contracts based on which the group is a lessor; each of its leases is classified as either operating or finance lease. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rental income is recognised in profit or loss on a straight-line basis over the lease term as other income.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee.

Intangible assets

Intangible assets are initially recognised at cost.

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

Amortisation is provided to write down the intangible assets, on a straight-line basis. The useful life and amortisation method of intangible assets are reviewed at the end of each reporting. No material changes were made.

There were no indicators of impairment for intangible assets and no impairment tests were performed.

Research and development

Research expenditure is charged to the statement of profit and loss when incurred. Development expenditure relating to the production of new or substantially improved products is capitalised if the following conditions are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the intangible asset;
- it can be demonstrated how the intangible asset will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

Development costs that do not meet the criteria are recognised in profit and loss. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

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Accounting Policies (Continued)

Intangible assets are amortised to profit or loss from the time it's ready for use on a straight-line basis over its useful life.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Software

Software is carried at cost less accumulated amortisation and impairment losses. Internally developed and packaged software and the direct costs associated with the development and installation thereof are capitalised and recognised as intangible assets.

Software is amortised in full on a straight-line basis as follows:

- customised software 5 years; and
- shelf software 2 years.

Costs associated with research and development of computer software programs are recognised as an expense as they are incurred as these costs do not meet the criteria for capitalisation. Development costs are capitalised if it meets the criteria for capitalising development expenditure. Costs relating to the license renewals are treated as an expense in the period in which the license is renewed.

The useful lives of intangible assets are reviewed annually and adjusted prospectively if appropriate. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount and are recognised in the statement of profit and loss when the asset is derecognised.

Biological assets

Game stock is measured at their fair value less estimated point-of-sale costs. The fair value of biological assets is determined annually based on market prices of similar age, genies, and genetic merit after considering its highest and best use. All changes in fair values are recognised in the statement of profit and loss in the period in which they arise.

Impairment of non-financial assets

At each reporting date, the group reviews the carrying amounts of its non-financial assets other than inventories to determine whether there is any indication that the carrying value may not be recoverable and whether those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to

determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. In assessing value-in-use the estimated future cash flows are discounted to their present value using the weighted average cost of capital that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount the carrying amount of the asset or cash-generating unit (CGU) is reduced to its recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount the carrying amount of the asset or cash-generating unit (CGU) is reduced to its recoverable amount.

For impairment testing assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised as an expense immediately in Profit or Loss in the period it is incurred and allocated to assets within the CGU.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, not exceeding the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash generating unit, in prior years.

A reversal of an impairment loss is recognised as income immediately.

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Accounting Policies (Continued)

Inventories

Inventories are stated at the lower of the weighted average cost and net realisable value. Obsolete, redundant and slow-moving inventories are identified and written down to the estimated net realisable value. Inventories are measured using weighted average cost.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated costs of completion, selling and distribution expenses.

uMngeni-uThukela water capital and grant funding

Capital grants for infrastructure received by uMngeni-uThukela Water are reflected against property, plant and equipment which leads to lower carrying value and resultant lower depreciation expense per annum recognised in profit or loss.

Government grants towards staff training are recognised as in profit/loss in the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Employee benefits

Retirement benefit costs - Defined contribution

Contributions to the defined benefit provident fund are recognised as an expense when employees have rendered service entitling them to the contributions.

Retirement benefits - Defined benefits

For the defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in other comprehensive income in accordance with IAS 19 revised. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefit becomes vested.

Defined benefit - Pension

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation is adjusted for unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available funds and reductions in future contributions to the plan.

The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss.

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Short-term employee benefits include salaries, bonuses, allowances and other fringe benefits. Short-term employee benefit obligations are measured on an undercounted basis and are expensed as the related service is provided. Remuneration of employees is charged to the statement of profit and loss. The group recognises a liability for leave and performance bonuses which is included in provisions and accrues for other short-term employee benefits if the group has a present legal or constructive obligation to pay the amount and the obligation can be estimated reliably.

Other long-term employee benefits

Other long term employee benefits comprise a five-year long service leave benefit that is either taken as leave or equivalent cash value and the long term incentive bonus which is raised in terms of the group's performance policy and is based on a five- year performance period. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses are recognised immediately in profit and loss in accordance with IAS 19 revised.

Defined benefit - Healthcare

Post-retirement healthcare benefits are provided to certain of the group's retirees. The cost of providing benefits is determined using the projected unit credit method with actuarial valuations being carried out at the end of each reporting period. This liability is not matched with any plan assets.

Contingent liabilities

A contingent liability is disclosed for a possible obligation dependent on a future event for which the timing of payment

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Accounting Policies (Continued)

is uncertain or the amount cannot be measured reliably.

Provisions.

Provisions are estimates recognised by management using the information available at the reporting date. Required disclosures relating to these provisions are included in relevant notes.

Financial assets

The group classifies its financial assets as financial assets measured at amortised cost. These financial assets relating to investments comprise redemption assets as well as money market investments. The money market investments are categorised into call (demand deposits) and term investments. To the extent that there is insignificant risk of changes in value, the demand deposits are classified as cash equivalents and the term investments and remaining money market investments are classified under investing activities. Other financial assets include trade and other receivables and cash and cash equivalents.

The classification is based on the group's business model to collect cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding over the life of the instruments. Management re-evaluates such designation at least at each reporting date.

Financial assets are recognised on transaction date when the group becomes party to the contracts and thus obtains rights to receive economic benefits and are derecognised when those rights no longer exist. Financial assets are initially measured on transaction date at fair value including transaction costs.

Trade and other receivables

Trade and other receivables both current and non-current are initially measured at their transaction price as they do not have significant financing components. Subsequent to initial recognition these are measured at amortised cost less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits held with the banks. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents

are held for the purpose of meeting short-term liquidity requirements rather for investment or other purposes.

Impairment of financial assets

The group recognises a loss allowance for expected credit losses (ECL) on investments measured at amortised cost, trade and other receivables as well as cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The loss allowance is recognised in the statement of financial position and the movement is accounted for in profit and loss.

Trade receivables

The Group always measures the loss allowance at an amount equal to lifetime expected credit losses for trade receivables in accordance with IFRS 9's simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience adjusted for factors that are specific to the debtors general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date including time value of money where appropriate. Irrespective of the outcome of the above assessment the group presumes that the credit risk on trade receivables has increased significantly since initial recognition when contractual payments are more than 30 days past due based on customer payment behaviours.

Short term investments and cash balances

The group's short-term investments and bank balances, which are carried at amortised cost are considered to have low credit risk, and the loss allowance recognised on these assets is therefore limited to 12-months ECLs. Short term deposits and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. If the group considers that credit risk on a financial instrument has increased significantly since initial recognition, the expected credit losses are estimated based on the lifetime ECLs. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months expected credit losses.

Lifetime ECL represents the expected credit losses that will

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Accounting Policies (Continued)

result from all possible default events over the expected life of a financial instrument.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward looking information that is available without undue cost or effort.

In applying the forward-looking approach, a distinction is made between:

- Financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (Stage 1); and
- Financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (Stage 2).
- Stage 3 covers financial assets that have objective evidence of impairment at the reporting date.

Irrespective of the outcome of the above assessment, the group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

Derecognition of financial assets

The entity derecognises a financial asset only when:

- The contractual rights to the cash flows from the asset expire; or
- It transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or
- Retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement.

Financial assets - write off

The group shall derecognise the gross carrying amount and accumulated impairment of a financial asset (partially or in full) when the group has no reasonable expectations of

recovering that whole or part of the financial asset e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings or all collection efforts have failed.

Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss as a reduction to the impairment loss for the period as these cash flows relates to recoveries on financial assets that has been written-off.

Financial liabilities

Financial liabilities are initially recognised at the transaction date when the group becomes party to a contract, at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest method. Premiums or discounts arising from the difference between the fair value of financial liabilities raised and the amount repayable at maturity date are charged to the statement of profit and loss as finance costs based on the effective interest rate method. Financial liabilities comprise loans as well as trade and other payables.

Trade and other payables

Trade payables are short-term, not interest bearing and are stated at their nominal value.

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

Offset

Financial assets and financial liabilities are only offset if there is a currently enforceable legal right to offset and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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Accounting Policies (Continued)

Fair value of financial instruments not measured at fair value

A number of the group's financial instruments require the disclosure of fair value even though these assets are not measured at fair value.

When determining the fair value of an asset or liability for disclosure purposes the group uses observable market data as far as possible. Fair values are categorised into different levels in the fair value hierarchy based on inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets and liabilities that are not based on observable market data (unobservable inputs).

Revenue from contracts with customers

The group recognises revenue from the following major sources:

- Sale of potable bulk water
- Treatment of bulk waste water
- Providing other services in the bulk water value chain in terms of Section 30 of the Water Services Act

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when it transfers control of a product or service to a customer.

The following major revenue streams and significant judgments made for each revenue stream in applying IFRS 15 were relevant to the group.

The group applies the practical expedient in IFRS 15 with regards to the transaction price allocated to performance obligations unsatisfied or partially satisfied. Revenue has been recognised at the amount to which the group has a right to invoice which corresponds directly to the value to the customer of the group's performance obligation completed to date.

Sale of potable bulk, raw and clarified water

Raw water is abstracted from dams; distributed via bulk water infrastructure to the bulk water treatment plants for

treatment processes and stored at reservoirs. The treated Potable water is then distributed via the reservoirs and bulk water pipelines to customers and the bulk meters are the source of transfer of control of the bulk water from uMngeni-uThukela Water to the customer. This revenue is recognised at a point in time when potable bulk water is metered at these bulk water metering points which is the point at which uMngeni-uThukela Water satisfies its performance obligation in terms of the bulk water supply contract with its customers. Revenue is recognised based on the water volumes sold at the bulk water tariff approved by the Minister of Water and Sanitation.

Treatment of bulk waste water

Operating and Maintaining: Revenue is recognised at a point in time when performance obligations are satisfied relating to operating and maintaining activities of the bulk waste water work on behalf of the customer according to the agreed upon standards in terms of the contract, when the customer accepts these invoices with supporting schedules. The transaction price is as per the contractual arrangement and based on the actual cost of carrying out these activities plus an agreed mark-up.

Bulk Waste Water treatment; which includes sewage; trade effluent and contaminated storm water: Revenue is recognised at a point in time when waste water is accepted from the municipality and treated to an acceptable standard and released to rivers, in terms of the agreed period of the contract with the customer. The performance obligation is satisfied when the customer accepts these invoices. The transaction price is a fixed fee as per the contractual arrangement and based on the expected costs associated with operating the infrastructure to treat waste water.

The advance payments for bulk water and wastewater services encompass the costs associated with the infrastructure necessary to facilitate the consistent supply of water to our customers. The primary objective of these advance payments is to mitigate the tariff rate payable by the customer in the future in relation to the quantity of water delivered to them.

Other activities revenue

Other activities consist of other services included in the bulk water value chain such as laboratory services, water quality monitoring, operating and maintenance contracts acting as an implementing agent for any sphere of government for projects related to water service delivery as well as

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Accounting Policies (Continued)

subsidiaries revenue, which includes eco-tourism.

uMngeni-uThukela Water is the principal in implementation projects because it typically controls the delivery of construction contracts over time and assumes all risks until performance obligations are met. Revenue from implementing projects is recognised over time according to completed deliverables or stage of completion basis.

A cost-to-cost method is used on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS 15. This revenue includes the initial amount agreed in the contract plus any variations in contract work to the extent that they will result in revenue and can be measured reliably. The transaction price is determined based on the type of goods/services to be delivered and in accordance with the pricing policy of uMngeni- uThukela Water.

Advances relating to these contracts are recognised as contract liabilities and amounts invoiced for work performed but not collected from customers are included under trade receivables.

Revenue from laboratory services and water quality monitoring is recognised at a point in time when the requested service is completed. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

Revenue from eco-tourism is recognised at a point in time when the control of goods has been transferred and title has transferred to the customer, with the exception of the wild card revenue where performance obligations are met over a period of time. The transaction prices are determined in accordance with costs associated to perform these services and are approved annually.

Cost of sales

Cost of sales includes the costs of raw water and all other direct operating costs associated with the production processes. The costs directly attributable to sales for other activities, as defined in Section 30 of the Water Services Act (Act 108 Of 1997), are disclosed as cost of sales. All other costs are considered to be administration expenses.

Taxation

uMngeni-uThukela Water and Msinsi Holdings SOC Ltd are tax-exempt entities in terms of Section 10 (1) (cA) (i) of the Income Tax Act and therefore the policy is only in respect of its subsidiary, Umgeni Water Services SOC Ltd and associates.

The income tax charge represents the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from profit as reported in the statement of profit and loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable income, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. No deferred tax is recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the entity intends

Annual Financial Statements

Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Accounting Policies (Continued)

to settle its current tax assets and liabilities on a net basis.

Interest income

Interest income is accrued by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Interest income is calculated using the effective interest method on the financial asset's gross carrying amount when the asset is not credit impaired and on the amortised cost when the asset is credit impaired.

Finance costs

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation to those assets.

All other finance costs are reflected in the statement of profit and loss in the period in which they are incurred.

Fruitless, wasteful and irregular expenditure

Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is defined as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

Where a transaction, event or condition was undertaken without value or substance and which did not yield any desired results or outcome and careful application, attentiveness and caution was applied to ensure that the probability of a transaction, event or condition not being achieved as planned is being managed to an acceptable level, such transaction, event or condition is recognised as fruitless and wasteful expenditure.

Fruitless and wasteful expenditure is recorded in the notes to the annual financial statements when and at amounts confirmed, and it comprises of:

- Fruitless and wasteful expenditure incurred in the current year; and
- Fruitless and wasteful expenditure relating to previous financial year and identified in the current year.

Irregular expenditure

Where expenditure has been incurred that does not comply with any law or regulation, the group recognises that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with IFRS.

Irregular expenditure is derecognised when it is either:

- (a) condoned by the relevant authority if no official was found to be liable in law;
- (b) recovered from an official liable in law;
- (c) written-off if it is irrecoverable from an official liable in law; or
- (d) written-off if it is not condoned and not recoverable.

Events after the reporting date

Only events that provide further evidence about conditions that existed at the end of the reporting period are adjusted for in the annual financial statements. Non-adjusting events are disclosed in the annual financial statements accordingly.

Capital and reserves

Other comprehensive reserve relates to remeasurement of retirement benefit obligation.

Remeasurement to retirement benefit obligation are recognised immediately in other comprehensive income in accordance with IAS 19 as follows:

- Actuarial gains and losses
- Return on plan assets, excluding amounts included in net interest on the net defined benefit liability (asset).
- Any change in the effect of the asset ceiling, excluding amounts included in the net interest on the net defined liability (asset)

The remeasurement are transferred to equity and not reclassified to profit and loss.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements

3. New Standards and Interpretations

3.1 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group's accounting periods beginning on or after 01 July 2025 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit/loss or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit/loss or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

This is a new standard which replaces IAS 1 Presentation of Financial Statements and introduces several new presentation requirements. The first relates to categories and subtotals in the statement of financial performance. Income and expenses will be categorised into operating, investing, financing, income taxes and discontinued operations categories, with two new subtotals, namely "operating profit" and "profit before financing and income taxes" also being required. These categories and sub totals are defined in IFRS 18 for comparability and consistency across entities. The next set of changes requires disclosures about management-defined performance measures in a single note to the financial statements. These include reconciliations of the performance measures to the IFRS

defined subtotals, as well as a description of how they are calculated, their purpose and any changes. The third set of requirements enhance the guidance on grouping of information (aggregation and disaggregation) to prevent the obscuring of information.

The effective date of the amendment is for years beginning on or after 01 January 2027.

The group expects to adopt the amendment for the first time in the 2028 consolidated & separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures

Annual Improvements to IFRS Accounting Standards - Volume 11 - Gain or loss on derecognition - Amendment to delete an obsolete reference that remained in IFRS 7 after the publication of IFRS 13 Fair Value Measurement, as well as to improve consistency of wording of the requirements of IFRS 7 with IFRS 13 concepts regarding disclosure of a gain or loss on derecognition.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group expects to adopt the amendment for the first time in the 2027 consolidated & separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

Amendments to IFRS 9 Financial Instruments

Annual Improvements to IFRS Accounting Standards - Volume 11 - Derecognition of lease liabilities. The amendment clarifies that if a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to recognise any resulting gain or loss in profit or loss.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group expects to adopt the amendment for the first time in the 2027 consolidated & separate annual financial statements.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

Amendments to IFRS 9 Financial Instruments

Annual Improvements to IFRS Accounting Standards - Volume 11 - Transaction price. The amendment clarifies that trade receivables must be measured initially, in accordance with IFRS 9, at the amount determined by applying IFRS 15 Revenue from Contracts with Customers.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group expects to adopt the amendment for the first time in the 2027 consolidated & separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

Amendments to IFRS 10 Consolidated Financial Statements

Annual Improvements to IFRS Accounting Standards - Volume 11 - Determination of a 'de facto agent'. The amendment is to clarify whether a party acts as a de facto agent in assessing control of an investee.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group expects to adopt the amendment for the first time in the 2027 consolidated & separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

Amendments to IAS 10 Statement of Cash flows

Annual Improvements to IFRS Accounting Standards - Volume 11 - Cost method - Amendment to replace the term 'cost method' with 'at cost' following the earlier removal of the definition of cost method from IFRS Accounting Standards.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group expects to adopt the amendment for the first time in the 2027 consolidated & separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments.

The amendments clarify the classification of financial assets with environmental, social and corporate governance (ESG) and similar features, as such features could affect whether the assets are measured at amortised cost or fair value. The amendment also clarifies the date on which a financial asset or financial liability is derecognised in cases where liabilities are settled through electronic payment systems.

The effective date of the amendment is for years beginning on or after 01 January 2026.

The group expects to adopt the amendment for the first time in the 2027 consolidated & separate annual financial statements.

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

Lack of exchangeability - amendments to IAS 21

The amendments apply to currencies which are not exchangeable. The definition of exchangeable is provided as being when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. The amendments require an entity to estimate the spot exchange rate at measurement date when a currency is not exchangeable into another currency. Additional disclosures are also required to enable users of financial statements to understand the impact of the non-exchangeability on financial performance, financial position and cash flow.

The effective date of the amendment is for years beginning on or after 01 January 2025.

The group expects to adopt the amendment for the first time in the 2026 consolidated & separate annual financial statements.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

It is unlikely that the amendment will have a material impact on the group's consolidated & separate annual financial statements.

4. Operating Segments and Segment Reporting

uMngeni-uThukela Water has two reportable segments:

- (i) The primary activities as defined by section 29 of the Water Services Act No. 108 of 1997 which is made up of bulk water and wastewater treatment; and
- (ii) Other activities as defined by Section 30 of the Water Services Act No. 108 of 1997. This business segment consists of non-regulated activities which are mainly defined as services that complement bulk water service provision such as laboratory services, water quality monitoring, environmental management and where uMngeni-uThukela Water acts as an implementing agent

for any sphere of government for projects related to water service delivery. Included in this segment are the subsidiaries which meet the definition of other activities in terms of Section 30 of the Water Services Act.

- (iii) Trade debtors comprise bulk water and wastewater sales to municipalities of which eThekweni Municipality R3 917 m (2024:R3 606m) and Msunduzi Municipality R 820m (2024:R 711m) which contributes to 61,93% (2024: 81,50%) of revenue. Additional information on the major customers per segment are included in note for Trade and other receivables.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. In the current year the segment report has been summarised to include reportable segments in line with the primary and secondary activities.

For the year ended 30 June 2025

Revenue
Cost of sales
Chemicals
Depreciation
Energy
Maintenance
Raw water
Section 30 activities
Staff costs
Other direct operating expenses
Gross profit

Group		
Primary	Other activities	Total
R '000	R '000	R '000
6 698 369	952 329	7 650 698
(3 235 458)	(562 515)	(3 797 973)
(232 979)	(14 111)	(247 090)
(497 008)	(29 418)	(526 426)
(632 005)	(75 782)	(707 787)
(778 083)	(56 594)	(834 677)
(424 137)	(46 394)	(470 531)
-	(321 957)	(321 957)
(547 690)	(16 711)	(564 401)
(123 556)	(1 544)	(125 100)
3 462 911	389 818	3 852 729

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

4. Operating Segments and Segment Reporting (Continued)

For the year ended 30 June 2025

	Group		
	Primary	Other activities	Total
	R '000	R '000	R '000
Other income	161 478	(578)	160 900
Other operating and administration expenses	(3 036 448)	(285 969)	(3 322 417)
Impairments of property, plant and equipment	218 966	-	218 966
Amortisation	(87 095)	(5 445)	(92 540)
Depreciation	(122 798)	(12 654)	(135 452)
Asset written off	(126 656)	(162)	(126 818)
Staff costs	(983 397)	(98 538)	(1 081 935)
Other expenses and recoveries	(1 438 962)	(141 904)	(1 580 866)
Expected credit losses	(510 085)	(12 030)	(522 115)
Profit from operations	574 362	118 507	692 869
Interest income	678 332	5 997	684 329
Finance costs	(53 455)	51 536	(1 919)
Share of profit from associate	-	5 036	5 036
Profit before tax	1 199 239	181 076	1 380 315
Taxation	-	(465)	(465)
Profit for the year	1 199 239	180 611	1 379 850
Capital expenditure	2 893 313	5 363	2 898 676
Segment assets	16 261 487	531 557	16 793 044
Bank and Investments	7 916 523	52 165	7 968 688
Unallocated	-	-	121 486
Consolidated total assets			24 883 218
Segment liabilities	1 793 469	52 165	1 845 634
Unallocated	-	-	4 019 198
Consolidated total liabilities			5 864 832

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

4. Operating Segments and Segment Reporting (Continued)

For the year ended 30 June 2024

	Group		
	Primary	Other activities	Total
	R '000	R '000	R '000
Revenue	6 059 205	836 737	6 895 942
Cost of sales	(2 696 383)	(456 510)	(3 152 893)
Changes in water inventory	82	-	82
Chemicals	(201 691)	(15 742)	(217 433)
Depreciation	(459 551)	(32 326)	(491 877)
Energy	(480 941)	(41 390)	(522 331)
Maintenance	(570 453)	(30 132)	(600 585)
Raw water	(436 513)	(43 825)	(480 338)
Section 30 activities	-	(279 500)	(279 500)
Staff costs	(456 428)	(12 881)	(469 309)
Other direct operating expenses	(90 888)	(714)	(91 602)
Gross profit	3 362 822	380 227	3 743 049

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

4. Operating Segments and Segment Reporting (Continued)

For the year ended 30 June 2024

	Group		
	Primary	Other activities	Total
	R '000	R '000	R '000
Other income	15 134	237	15 371
Other operating and administration expenses	(2 318 043)	(230 937)	(2 548 980)
Impairments of property, plant and equipment	(187 202)	-	(187 202)
Amortisation	(68 574)	-	(68 574)
Depreciation	(82 286)	-	(82 286)
Asset written off	(3 333)	-	(3 333)
Staff costs	(801 377)	(65 859)	(867 236)
Other expenses and recoveries	(1 175 271)	(165 078)	(1 340 349)
Expected credit losses	(398 145)	(26 614)	(424 759)
Profit from operations	661 768	122 913	784 681
Interest income	677 071	5 192	682 263
Finance costs	(2 216)	(349)	(2 565)
Share of profit from associate	-	4 011	4 011
Profit before tax	1 336 623	131 767	1 468 390
Taxation	-	(184)	(184)
Profit for the year	1 336 623	131 583	1 468 206
Capital expenditure	2 832 941	6 528	2 839 469
Segment assets	14 028 560	71 258	14 099 818
Interest in associate	-	10 567	10 567
Bank and Investments	6 859 573	72 499	6 932 072
Unallocated	-	-	744 261
Consolidated total assets			21 786 718
Segment liabilities	1 727 828	72 499	1 800 327
Unallocated	-	-	2 383 879
Consolidated total liabilities			4 184 206

Unallocated items comprise mainly corporate assets, head office expenses, assets and liabilities.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

5. Revenue

The group recognises revenue for both goods and services at a point in time and over time in accordance with the accounting policies described on page 209 to 224 of the consolidated & separate annual financial statements. Revenue is derived from the sale of goods and services within the KwaZulu-Natal Province from the major product/service lines as per the disaggregation of revenue table below.

The group applies the practical expedient in IFRS 15 with regards to the transaction price allocated to performance obligations unsatisfied or partially satisfied. Revenue has been recognised at the amount to which the group has a right to invoice, which corresponds directly to the value to the customer of the group's performance completed to date.

Bulk water revenue comprises 83% (2024: 84%) of total revenue for the group. Revenue increased by 10.5% mainly due to the bulk water tariff increase of 10%.

Disaggregation of revenue from contracts with customers

Sale of goods and services

For the year ended 30 June 2025

Revenue from major products/service lines as a result of performance obligations satisfied

	Primary activities	Other Activities	Total Parent	Total Group
	R '000	R '000	R '000	R '000
Bulk water sales	6 004 598	303 035	6 307 633	6 333 404
Waste water sales	611 567	254 927	866 494	866 494
Clarified water	25 771	-	25 771	25 771
Scientific and environmental services	-	1 932	1 932	8 849
Operating and maintenance	56 433	16 226	72 659	72 659
Training and capacity building	-	25 144	25 144	25 144
Other	-	313 950	313 950	318 377
	6 698 369	915 214	7 613 583	7 650 698

Timing of revenue recognition

At a point in time	6 698 369	576 120	7 274 489	7 313 262
Over time	-	339 094	339 094	337 436
	6 698 369	915 214	7 613 583	7 650 698

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

5. Revenue (Continued)

For the year ended 30 June 2024

Revenue from major products/service lines as a result of performance obligations satisfied

	Primary activities	Other Activities	Total Parent	Total Group
	R '000	R '000	R '000	R '000
Bulk water sales	5 539 977	279 328	5 819 305	5 819 305
Waste water sales	443 318	237 588	680 906	680 906
Clarified water	23 137	-	23 137	23 137
Scientific and environmental services	-	3 122	3 122	3 122
Operating and maintenance	52 773	10 607	63 380	63 380
Training and capacity building	-	29 669	29 669	29 669
Other	-	270 073	270 073	276 423
	6 059 205	830 387	6 889 592	6 895 942

Timing of revenue recognition

At a point in time	6 059 205	530 645	6 589 850	6 592 225
Over time	-	299 742	299 742	303 717
	6 059 205	830 387	6 889 592	6 895 942

Revenue from contract liabilities

Revenue recognised that was included in the contract liability balance at the beginning of the period, due to performance obligations satisfied.

Contract liabilities

25

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
74 410	301 056	74 410	301 056

6. Other Income

Sundry Income
Fees earned
Other rental income

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
156 213	11 141	155 582	10 450
1	1	-	-
4 685	4 229	5 895	5 376
160 899	15 371	161 477	15 826

Sundry income comprises primarily: Insurance proceeds of R126.1 million (2024: R1.5 million) and income from the sale of tender documents.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

7. Profit from Operations

Profit from Operations is stated after taking the following items into account:

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Total cost of sales	3 797 973	3 152 891	3 797 972	3 152 892
Changes in water inventory	(404)	(82)	(404)	(82)
Chemicals	247 090	217 433	247 090	217 433
Depreciation	526 425	491 876	526 425	491 876
Energy	707 787	522 331	707 787	522 331
Maintenance	834 677	600 585	834 677	600 585
- Internal labour	187 103	176 471	187 103	176 471
- Other internal costs	40 851	26 587	40 851	26 587
- External maintenance	606 723	397 527	606 723	397 527
Raw and potable water	470 531	480 338	470 531	480 338
Section 30 activities	321 957	279 500	321 957	279 500
Staff costs	564 401	469 309	564 401	469 309
Other direct operating expenses	125 509	91 601	125 508	91 602
Amounts included in operating and admin expenses	(92 329)	190 535	(92 329)	190 535
Asset impairments and write-offs	(92 329)	190 535	(92 329)	190 535
- Buildings & infrastructure impairments (refer to note 11)	(86 671)	8 784	(86 671)	8 784
- Buildings & infrastructure write-offs (refer to note 11)	83 523	2 295	83 523	2 295
- Capital work-in-progress impairments (refer to note 11)	(129 575)	178 403	(129 575)	178 403
- Capital work-in-progress write-offs (refer to note 11)	41 142	-	41 142	-
- Intangible assets write-offs (refer to note 15)	-	10	-	10
- Other asset impairments (reversals)	(2 720)	-	(2 720)	-
- Other asset write-offs (reversals)	1 972	1 043	1 972	1 043
Amortisation	92 674	68 576	87 906	68 574
- Right of use agreement	134	1	-	-
- Amortisation of intangible assets (Refer to note 15)	92 540	68 575	87 906	68 574
Auditors' remuneration	12 728	9 152	11 163	7 711
- Audit fees - current year	11 163	7 787	11 163	6 317
- Audit fees - prior year (over) under provision	1 565	1 365	-	1 394
Board members' emoluments (note 38)	12 354	14 809	9 866	13 109
Depreciation	130 783	82 286	124 772	78 737
- Property plant and equipment	124 645	77 638	120 638	74 252
- Investment property (refer to note 14)	-	-	222	222
- Right of use Asset (refer to note 28)	6 138	4 648	3 912	4 263

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

7. Profit from Operations (Continued)

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Consultants' fees	88 497	90 254	74 408	90 254
Insurance premiums	95 798	87 919	95 798	87 919
Financial losses (goods and services not received)	-	9 228	-	9 228
Fair value adjustment of biological assets (refer to note 16)	(167)	(162)	-	-
Indirect maintenance	72 977	62 381	68 780	57 102
Maintenance ICT	370 421	347 678	370 421	347 587
Loss (Profit) on disposal of PPE	(472)	(68)	(185)	(159)
Research and Development	13 647	16 485	13 647	16 485
Salaries and other staff costs	1 081 935	867 237	983 397	801 377
Security	191 694	173 937	191 694	170 467
Number of employees as at 30 June 2025				
Permanent	1 662	1 301	1 128	1 168
Fixed term contracts	183	246	183	246
	1 845	1 547	1 311	1 414

8. Taxation

Major components of the tax expense

Current

Local income tax - current period

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
465	184	-	-

Reconciliation of the tax expense

Taxation arose from a 100% owned subsidiary Umgeni Water Services (SOC) Ltd, which is the only entity not yet exempt from taxation which the group.

The parent entity is exempt from income taxation.

Taxation arose from a 100% owned subsidiary Umgeni Water Services (SOC) Ltd

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

8. Taxation (Continued)

Reconciliation between accounting profit/loss and tax expense.

Accounting profit: Subsidiary - UWS

Tax effect of adjustments on taxable income

Tax at the applicable tax rate of 27% (2024: 27%)

Profit from associate

Disallowed expenses

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
(47 117)	(11 309)	-	-
(12 722)	(14 733)	-	-
(1 360)	(1 083)	-	-
14 547	16 000	-	-
465	184	-	-

9. Interest Income

Interest income

Investments in financial assets:

Investments, bank and other cash

Trade and other receivables

Other financial assets

Total interest income

Group		Parent	
2025	2024	2025	2024
000	000	000	000
646 219	677 406	643 129	673 357
36 389	3 714	36 389	3 714
1 721	1 143	-	-
684 329	682 263	679 518	677 071

10. Finance Costs

Bonds

Loans

Other interest paid

Total finance costs

Less: Capitalised to qualifying assets

Total finance costs expensed

Group		Parent	
2025	2024	2025	2024
000	000	000	000
108 181	106 618	108 181	106 618
9 128	15 749	9 128	15 749
2 096	1 748	1 563	1 399
119 405	124 115	118 872	123 766
(117 486)	(121 550)	(117 486)	(121 550)
1 919	2 565	1 386	2 216

Capitalisation rates used on work-in-progress during the period were 11,05% (2024:11,05%) on gross weighted average cost of funds borrowed generally by the uMngeni-uThukela Water.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

11. Property, Plant and Equipment

	Land	Buildings and infrastructure	Equipment and Vehicles	Capital - Work in progress – Infrastructure assets	Total Parent	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Cost						
At 01 July 2023	3 941	13 948 048	606 492	3 333 304	17 891 785	17 908 025
Additions	-	-	236 022	2 366 399	2 602 421	2 608 396
Commissioning cost	-	1 741 315	-	(1 741 315)	-	-
Grant funding	-	(2 476 455)	-	(1 061 680)	(3 538 135)	(3 538 135)
Borrowing costs capitalised	-	-	-	121 550	121 550	121 550
Additions through business combinations	1 779	895 169	41 928	280 352	1 219 228	1 219 226
Disposals/Asset write - offs	-	(5 926)	(5 398)	-	(11 324)	(11 413)
Transfers to right of use asset	-	-	(9 857)	-	(9 857)	(9 857)
Transfers between Asset classes	-	101	(101)	-	-	-
At 30 June 2024	5 720	14 102 252	869 086	3 298 610	18 275 668	18 297 792
Additions	-	36 095	125 043	2 973 702	3 134 840	3 150 742
Grant funding	-	-	-	(405 624)	(405 624)	(405 624)
Borrowing costs capitalised	-	-	-	117 486	117 486	117 486
Disposals/Asset write - Offs	-	(132 158)	(21 393)	(41 142)	(194 693)	(194 855)
Transfers to Non Current asset held for sale	-	(16 767)	-	-	(16 767)	(16 767)
Commissioning Transfers from WIP	-	537 981	-	(537 981)	-	-
Transfers between Asset Classes	-	270 289	4 602	(265 794)	9 097	9 097
At 30 June 2025	5 720	14 797 692	977 338	5 139 257	20 920 007	20 957 871
Depreciation and impairment losses At 01 July 2023	-	(4 193 594)	(374 342)	(568 975)	(5 136 911)	(5 134 113)
Disposal - Accumulated depreciation	-	3 630	4 369	-	7 999	7 999
Transfers to right of use assets	-	-	3 271	-	3 271	3 271
Depreciation	-	(501 278)	(74 432)	-	(575 710)	(579 318)
Impairment loss recognised in profit and loss	-	(8 784)	(15)	(178 403)	(187 202)	(187 202)
At 30 June 2024	-	(4 700 026)	(441 149)	(747 378)	(5 888 553)	(5 889 363)
Disposal - Accumulated depreciation	-	48 635	19 402	-	68 037	68 038
Accumulated Depreciation- Non Current Asset held for sale	-	7 733	-	-	7 733	7 733
Accumulated depreciation and Impairment loss - Transfers between asset classes	-	(1 185)	(8 327)	-	(9 512)	(6 428)
Depreciation	-	(536 720)	(121 143)	-	(657 863)	(661 878)
Impairment loss reversal recognised in Profit and loss	-	86 671	2 720	129 575	218 966	218 966
At 30 June 2025	-	(5 094 892)	(548 497)	(617 803)	(6 261 192)	(6 262 932)

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

11. Property, Plant and Equipment (Continued)

	Land	Buildings and infrastructure	Equipment and Vehicles	Capital - Work in progress – Infrastructure assets	Total Parent	Total Group
	R'000	R'000	R'000	R'000	R'000	R'000
Carrying amount						
Cost	5 720	14 102 252	869 086	3 298 610	18 275 668	18 297 792
Accumulated depreciation and impairment losses	-	(4 700 026)	(441 149)	(747 378)	(5 888 553)	(5 889 363)
At 30 June 2024	5 720	9 402 226	427 937	2 551 232	12 387 115	12 408 429
Cost	5 720	14 797 692	977 338	5 139 257	20 920 007	20 957 871
Accumulated depreciation and impairment losses	-	(5 094 892)	(548 497)	(617 803)	(6 261 192)	(6 262 932)
At 30 June 2025	5 720	9 702 800	428 841	4 521 454	14 658 815	14 694 939

Infrastructure consist of: pipelines, dams, weirs, reservoirs, tunnels, pump stations, sludge plants, wastewater treatment works and water treatment works.

Equipment and vehicles consist of: motor vehicles, computer hardware and furniture and fittings. The subsidiaries property, plant and equipment are all classified as equipment and vehicles.

A schedule of land and buildings is available for inspection at the registered office of uMngeni-uThukela Water. The group has an agreement with its major customer to operate and maintain the South Coast Booster pump station with the option for the customer to acquire the pump station at the end of its useful life of 14 years. The asset has a remaining useful life of 2 years. The pump station has a carrying amount of R14m (2024 :R18m) and is used by the customer to guarantee supply to a portion of its operational areas.

These assets are not restricted nor are they pledged as security.

Changes in estimates

During the current year residual values and remaining useful lives of some equipment and vehicles were revised based on the age and condition of these assets and the amount expected to be obtained from the sale of these assets at the end of their useful lives. The impact of the change in estimate associated with the residual values and remaining useful lives was an increase in depreciation of R1.2 million (2024: R2.7 million).

Impairment and reversal of impairment

Due to the nature of the rural development schemes which serve indigent communities, it is necessary to calculate the recoverable amount of these assets to determine whether there is an indication of impairment. The impairment losses recognised arose from projects/bulk supply schemes relating to the rural development infrastructure where the recoverable amount is less than the carrying amount. During the current year, reversal of impairments was also recognised on UMDM WWW projects including the commissioned Trustfeeds WTW asset due to updated valuations and improved expected future economic benefits. The recoverable amount is the estimated value in use using the weighted average cost of capital as at 30 June 11,05% (2024: 11,05%). The recoverable amount of buildings and infrastructure assets in the current year was R95 912 000 for the Trustfeeds WTW and nil for the rest, resulting in the impairment/impairment reversal disclosed. The KCDM contract was terminated in March 2025 and all the assets were written off, hence the reversal of the impairment previously recorded. The impairment losses to work-in-progress were calculated as a pro-rata impairment based on the final projected impairment value.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

11. Property, Plant and Equipment (Continued)

Summary of impairments

Buildings & infrastructure

Primary activities

Maphumulo bulk water supply scheme
Mhlabatshane bulk water supply scheme
Mpambanyoni emergency scheme
Pipeline Ngcebo bulk water
Other assets
Trustfeeds WWW
Lovu Emergency Scheme
KCDM assets

Accumulated Impairment	Impairment / (Impairment reversal)	Accumulated Impairment
30 June 2024	30 June 2025	30 June 2025
R '000	R '000	R '000
496 828	-	496 828
108 574	-	108 574
15 465	-	15 465
38 774	-	38 774
6 153	-	6 153
124 053	(95 912)	28 141
67 910	15 155	83 065
8 634	(8 634)	-
866 391	(89 391)	777 000

Total buildings and infrastructure

Work in progress

Mhlabashane Bulk Water Supply Scheme
Maphumulo Ph3 and 4
Lower Mkomazi Bulk Water Scheme
Lovu Emergency Scheme
Weza Harding Abstraction and Pipeline
Mpophomeni WWW and Mpophomeni Sewer Outfall
N3 Corridor
Trustfeeds Automation

Recoverable Amount	Progressive Impairment	Progressive Impairment	Accumulated Impairment	Impairment / (Impairment reversal)	Accumulated Impairment
	30 June 2024	30 June 2025	30 June 2024	30 June 2025	30 June 2025
R '000	%	%	R '000	R '000	R '000
431 687	67 %	66 %	14 549	1 841	16 390
724 791	0 %	34 %	-	43 270	43 270
9 679 610	6 %	8 %	57 369	48 203	105 573
-	100 %	100 %	17 087	(15 155)	1 932
241 035	2 %	28 %	2 870	69 899	72 769
343 552	100 %	56 %	590 445	(215 624)	374 821
253 464	62 %	0 %	55 296	(55 296)	-
13 474	100 %	23 %	9 763	(6 713)	3 050
11 687 613	- %	- %	747 379	(129 575)	617 805

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

12. Capital Commitments

Authorised capital expenditure

Already contracted for but not provided for

Property, plant and equipment

Intangible assets

Total capital commitments

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
11 915 173	3 114 910	11 913 321	3 114 910
195 097	198 563	195 097	197 150
12 110 270	3 313 473	12 108 418	3 312 060

13. Non-Current Assets Held for Sale

The assets comprise vehicles and equipment. The assets are approved by the Disposal Committee to dispose via auction. This will ensure that the group obtains optimal value from the disposal of the assets, which is fair, equitable, transparent, competitive and cost-effective. The motor vehicles are to be disposed via an auction at a future date. Consultations are currently in progress with the appointed auctioneer to undertake the disposal of these assets in 2026, UUW is still committed to the disposal pending the process of procuring the auctioneers. The assets held for sale relate to the primary bulk water segment of the group, with the exception of the subsidiary assets held for sale which fall within the other activities segment.

As at 30 June 2025

Balance as at 01 July 2024

Transferred from Property, plant and equipment

Balance as at 30 June 2025

Equipment and vehicles	Total Parent	Total Group
R '000	R '000	R '000
2 829	2 829	2 829
9 033	9 033	9 033
11 862	11 862	11 862

As at 30 June 2024

Balance as at 01 July 2023

Disposals

Balance as at 30 June 2024

Equipment and vehicles	Total Parent	Total Group
R '000	R '000	R '000
2 943	2 943	2 943
(114)	(114)	(114)
2 829	2 829	2 829

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

14. Investment Property

UMngeni-uThukela Water accounts for the investment property using the cost model. The fair value of the building is estimated at R11.9 million as at 30 June 2025, based on a market price assessment performed by Wakefield Real Estate Agents.

	2025			2024		
	Cost/ Valuation	Accumulated Depreciation	Carrying Value	Cost/ Valuation	Accumulated Depreciation	Carrying Value
Parent						
Investment property	9 062	(1 032)	8 030	9 062	(810)	8 252

Reconciliation of investment property - Parent

Cost

At 01 July 2023

At 30 June 2024

At 30 June 2025

Depreciation and impairment

Transfers

Transfers to (from) inventories

Transfers to (from) property, plant and equipment

Depreciation

Impairment loss recognised in income

Impairment reversal in income

At 30 June 2024

Transfers

Transfers to (from) inventories

Transfers to (from) property, plant and equipment

Depreciation

Impairment loss recognised in income

Impairment reversal in income

Foreign exchange movements

At 30 June 2025

Carrying amount

Carrying amount

Cost

Accumulated depreciation and impairment

At 30 June 2024

Cost

Accumulated depreciation and impairment

At 30 June 2025

Investment property
9 062
9 062
9 062
-
-
-
(588)
(222)
-
(810)
-
-
-
(222)
-
-
-
(1 032)
9 062
(810)
8 252
9 062
(1 032)
8 030

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

15. Intangible Assets

	Software	Work in progress Software	Total parent	Total Group
Cost				
At 01 July 2023	413 656	13 882	427 538	430 879
Additions	65 502	165 018	230 520	231 073
Additions through business combinations	762	-	762	762
Transfers (to) and from assets classified as held for sale	164 253	(164 293)	(40)	(39)
At 30 June 2024	644 173	14 607	658 780	662 675
Additions	-	1 497	1 497	122 810
Commissioning	12 844	(1 244)	11 600	11 600
Transfers	294	-	294	294
At 30 June 2025	657 311	14 860	672 171	797 379
Depreciation and impairment				
At 01 July 2023	(330 857)	-	(330 857)	(331 735)
Disposals	29	-	29	29
Amortisation	(68 575)	-	(68 575)	(68 575)
At 30 June 2024	(399 403)	-	(399 403)	(400 281)
Amortisation	(87 906)	-	(87 906)	(92 540)
At 30 June 2025	(487 309)	-	(487 309)	(492 821)
Carrying amount				
Cost	413 656	13 882	427 538	-
Accumulated amortisation and impairment	(330 858)	-	(330 858)	-
At 30 June 2023	82 798	13 882	96 680	-
Cost	644 173	14 607	658 780	662 675
Accumulated amortisation and accumulated impairment	(399 403)	-	(399 403)	(400 281)
At 30 June 2024	244 770	14 607	259 377	262 394
Cost	657 311	14 860	672 171	796 358
Accumulated amortisation and accumulated impairment	(487 309)	-	(487 309)	(492 821)
At 30 June 2025	170 002	14 860	184 862	303 537

These assets are not restricted nor are they pledged as security.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

These assets are not restricted nor are they pledged as security.

Included in intangible assets is the SAP ERP system with a carrying amount of R6.2 million (2024: R14.4 million) with a remaining amortisation period of 0.75 years (2024: 1.7 years) and SAP BI software of R1.3 million (2024: R16.9 million) with a remaining amortisation period of 0.08 years (2024: 1.08 years). Work in progress relates to software.

Change in estimated residual values and remaining useful lives

During the current year residual values and remaining useful lives of some intangible assets were revised based on the age and condition of these assets and the amount expected to be obtained from the sale of these assets at the end of their useful lives. The impact of the change in estimate associated with the residual values and remaining useful lives was a decrease in amortization of R33 thousand (2025:R886 thousand).

16. Biological Assets

16.1. Game

	Group		Parent	
	2025	2024	2025	2024
	R'000	R'000	R'000	R'000
Opening carrying amount	4 949	4 693	-	-
Fair value adjustment	4 693	4 531	-	-
	256	162	-	-
	4 949	4 693	-	-

The carrying amount was based on an estimated 499 (2024: 530) game, the most significant categories being Buffalo, Giraffe, Zebra, Bushbuck and Wildebeest. The fair values of game are based on market related prices and is therefore classified as level 2 fair values in terms of IFRS 13.

These assets are not restricted nor are they pledged as security.

17. Investments In Associates And Subsidiaries

The following table lists all of the associates and subsidiaries in the group:

17.1. Investments In Subsidiaries

During the current year UUW investment in subsidiary: Msinsi increased.

Furthermore, during the current year, UUW advanced a loan of R205 million to the subsidiary: UWS. The loan carries an interest rate that is below market rates. In accordance with IFRS 9, the loan was initially recognised at fair value of R141 million, determined using a market-related discount rate.

The difference between the nominal amount advanced (R205 million) and the fair value recognised (R141 million), being R64 million, represents an equity contribution and has been accounted for as an addition to the cost of the investment in the subsidiary.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

17. Investments In Associates And Subsidiaries (Continued)

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Cost: opening balance	-	-	30 000	30 000
Cost additions: Investment in UWS	-	-	63 401	-
Cost additions: Investment in Msinsi Holding	-	-	7 600	-
Accumulated impairment: Msinsi Holding	-	-	(30 000)	(30 000)
Total investments in subsidiaries	-	-	71 001	-

17.2. Investments In Associates

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Cost	2 590	2 590	-	-
Share of profit from associate	5 036	4 011	-	-
Share of post-acquisition reserves	7 977	3 966	-	-
Total investments in associates	15 603	10 567	-	-

Investments in Subsidiaries	Principal Activity	Place of Incorporation	Proportion of ownership interest		Proportion of voting power held	
			2025	2024	2025	2024
			- %	- %	- %	- %
Subsidiary						
Umgeni Water Services	Water services	RSA	100	100	100	100
SOC Limited						
Msinsi Holdings SOC Limited	Land and environmental management	RSA	100	100	100	100

The above entities remained subsidiaries throughout the year.

The impairment in the parent's investment in Msinsi Holdings SOC Ltd was re-assessed in 2025 based on value-in-use calculations using the projected operating cash flows of Msinsi and the weighted average cost of capital as at 30 June 2025 of 11.5% (2024:11.4%). uMngeni-uThukela Water continues to provide financial support to Msinsi Holdings SOC Limited to ensure that the company continues to trade in the foreseeable future without any disruption in its business. There is no impairment reversal due to the recoverable amount having not increased.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

17. Investments In Associates And Subsidiaries (Continued)

Investments in associate of Umgeni Water Services SOC Limited	Principal Activity	Place of Incorporation	Proportion of ownership interest		Proportion of voting power held	
			2025	2024	2025	2024
			- %	- %	- %	- %
Associate						
Durban Water Recycling (Pty) Limited	Water recycling	RSA	18,5	18,5	18,5	18,5

Umgeni Water Services SOC Limited has significant influence over Durban Water Recycling (Pty) Limited through the exercise of voting rights due to representation on the board of directors and is thus accounted for as an associate. Durban Water Recycling (Pty) Limited's financial year end is 31 December. The consolidated annual financial statements is prepared using the draft Annual financial statements of Durban water Recycling (Pty) Ltd since the final approved audited financial statements were not received as at the date of authorisation of this report. Assessments for material changes that occurred between 31 December and 30 June are done and considered as at 30 June.

Investments in associate of Umgeni Water Services (Pty) Limited	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Durban Water Recycling (Pty) Limited	15 603	10 566	-	-
Net Investment	15 603	10 566	-	-

18. Investments - Financial Assets

Investments - Financial Assets	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Money market assets	5 688 171	6 506 647	5 688 171	6 506 647
Redemption assets	721 568	425 425	721 568	425 425
	6 409 739	6 932 072	6 409 739	6 932 072
Long-term investments - Financial assets				
Money market investments	60 338	329 824	60 338	329 824
Redemption assets	-	425 425	-	425 425
	60 338	755 249	60 338	755 249
Short-term investments - Financial assets				
Money markets investments	5 627 833	6 176 823	5 627 833	6 176 823
Redemption assets	721 568	-	721 568	-
	6 349 401	6 176 823	6 349 401	6 176 823

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

18. Investments - Financial Assets (Continued)

Financial assets comprise money market investments.

Refer to note 34 for financial risk management and financial instruments for interest rates and maturity profile of investments. The carrying amount of investments approximates its fair value. For short term financial instrument this is due to the short term nature of the instruments and for long-term instrument this is because the instruments interest rates are market related.

19. Inventories

STORES

Pipe inventories

Maintenance spares

Chemicals

Miscellaneous

WATER INVENTORY

Water inventory consists of closing inventory of raw and treated water.

Total Inventories

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
75 938	64 638	75 938	64 638
3 243	3 709	3 243	3 709
22 759	24 060	22 759	24 060
23 410	14 911	23 410	14 911
26 526	21 958	26 526	21 958
4 087	3 684	4 087	3 684
80 025	68 322	80 025	68 322

20. Trade And Other Receivables

20.1 Current

Trade receivables

Less: Allowance for credit losses

Opening Balance

Written off during the year

Raised during the year

Sub-total trade receivables

Sundry debtors

Prepayments

VAT

Current trade and other receivables

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
2 307 622	2 426 521	2 307 280	2 425 130
(1 123 330)	(1 512 233)	(1 123 308)	(1 512 220)
(1 512 233)	(908 709)	(1 512 220)	(908 410)
13	299	-	-
388 890	(603 823)	388 912	(603 810)
1 184 292	914 288	1 183 972	912 910
215 991	147 062	210 432	156 706
358 169	336 702	358 169	336 702
27	-	-	-
1 758 479	1 398 052	1 752 573	1 406 318

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

20. Trade And Other Receivables (Continued)

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Trade receivables	1 691 026	660 694	1 690 700	660 374
Less: Allowance for credit losses	(1 659 340)	(629 753)	(1 659 340)	(629 753)
Opening balance	(629 753)	(698 630)	(629 753)	(698 630)
Raised during the year	(1 029 587)	68 877	(1 029 587)	68 877
20.2 Non-current trade and other receivables	31 686	30 941	31 360	30 621

Trade debtors are granted credit terms of 30 days from date of invoice to settle outstanding debts. The average credit period for uMngeni-uThukela Water, at financial year-end, is 50 Days (2024: 43 days). Trade receivables to the value of R1 659 million (R122mil Uthukela DM; R942mil Msunduzi; R595 mil Ugu) is expected to be realised beyond the 12 month period and has been fully impaired as at 30 June 2025.

A significant increase in credit risk is presumed for amount outstanding for more than 30 days.

A financial asset is credit-impaired when there is observable evidence that one or more event has occurred that has had a detrimental impact on the estimated future cash flows expected to flow from the asset such as:

- significant financial difficulty of the customer
- a breach of contract such as a default or being more than 90 days past due
- restructuring of the payment terms and the debtor being unable to meet those new payment plan terms.

The group measures the loss allowance for trade receivables at an amount equal to the lifetime expected credit loss using the simplified approach. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and the analysis of the debtors' current financial position adjusted for factors that are specific to the debtors general economic conditions, its operational conditions as well as forward-looking information which includes the customers subsequent payments received and possible changes in the macroeconomic conditions and provincial political landscape.

The group recognises a loss allowance of 100% against receivable over 90 days past due based on historical experience and current operational and economic conditions unless there is a payment arrangement in place with the customer which is being complied with, or these are received subsequently prior to approval of the financial statements.

The disclosures that follow relate to the parent only as the impact of the subsidiaries are not material to the group.

Off-Setting a Debtor against the related Liability (KCDM)

The debtor gross balance relating KCDM was offset against the related accrual, refer to Accounts Payable note 27.

IAS 32 paragraph 42 permits offsetting a financial asset and a financial liability only when both conditions are met.

1. Legally enforceable right to offset – UUW has confirmed through the signed agreement with the customer dated 23 July 2025.
2. Intention to settle net or simultaneously – UUW has also confirmed, supported by consistent accounting treatment by KCDM and UUW's alignment to the offsetting.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

20. Trade And Other Receivables (Continued)

The gross debt amount as at 30 June 2025 is R1 231 280 109.22, the amount that has been set off is R383 818 576.50 and the net amount remaining a gross debt is R847 461 532.72. The net amount of the financial asset is still disclosed as gross balance for the debt and related allowance for credit loss.

The gross liability amount as at 30 June 2025 is R383 818 576.50, the amount that has been set off is R383 818 576.50 and the remaining net accrual is R0.

None of the above mentioned financial asset or liability were held as collateral. The bulk water contract was terminated in March 2025. The dispute over the tariff and resolution thereof is on-going, no settlement has been reached as at reporting date on the outstanding balance.

30 June 2025	Current	30 Days	60 Days	90 Days	120 + Days	Amount due
Customer	R '000	R '000	R '000	R '000	R '000	R '000
eThekweni Metropolitan Municipality	588 037	18 462	30 830	19 840	113 423	770 592
Msunduzi Local Municipality	145 951	100 374	99 877	42 531	752 669	1 141 402
uMgungundlovu District Municipality	49 866	-	-	-	(1)	49 865
iLembe District Municipality	36 475	-	-	-	-	36 475
Siza Water	13 540	2 628	2 581	2 492	48 707	69 948
UGu District Municipality	29 259	30 578	25 930	20 081	550 056	655 904
Harry Gwala District Municipality	3 568	1 295	62	47	2 686	7 658
UThukela District Municipality	-	-	-	-	151 301	151 301
King Cetshwayo District Municipality	11 521	12 019	11 544	40 383	766 068	841 535
Retail	1 246	9 395	2 416	860	6 144	20 061
uMhlathuze Municipality	28 213	2 325	2 308	2 308	2 343	37 497
Mondi SA	35 430	-	-	-	(108)	35 322
Mpact	543	-	-	-	-	543
Foskor	10 512	12 532	-	-	-	23 044
Richards Bay Tatanium	2 090	-	-	-	-	2 090
Tronox KZN Sands	3 321	-	-	-	(2)	3 319
South 32	5	(2)	(2)	-	-	1
Hulamin Operations	31	33	-	-	-	64
Richards Bay Mining	164	-	-	-	-	164
Umkhanyakude District Municipality	1 972	3 841	4 655	-	54 957	65 425
Department of Water & Sanitation	12 147	7 125	4 826	11 576	18 736	54 410
Gross carrying amount	973 891	200 605	185 027	140 118	2 466 979	3 966 620
Expected default rate	5,00 %	25,00 %	46,00 %	94,00 %	100,00 %	-
Credit loss allowance (default rate x Gross carrying amount)	(47 485)	(51 070)	(85 283)	(131 831)	(2 466 979)	(2 782 648)
Net carrying amount	926 406	149 535	99 744	8 287	-	1 183 972

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

20. Trade And Other Receivables (Continued)

30 June 2024	Current	30 Days	60 Days	90 Days	120 + Days	Amount due
Customer	"R '000	R '000	R '000	R '000	R '000	R '000
eThekweni Metropolitan Municipality	445 765	4 442	10 192	10 011	20 714	491 124
Msunduzi Local Municipality	109 540	96 354	24 377	17 209	472 225	719 705
uMgungundlovu District Municipality	35 360	-	-	-	-	35 360
iLembe District Municipality	28 138	-	-	-	-	28 138
Siza Water	8 670	2 064	2 137	2 135	115 555	130 561
UGu District Municipality	21 027	17 547	17 059	17 849	344 611	408 120
Harry Gwala District Municipality	2 610	(173)	-	-	12	2 449
UThukela District Municipality	-	-	-	-	166 501	166 501
King Cetshwayo District Municipality	37 607	34 897	34 744	34 650	733 352	875 250
uMhlathuze Municipality	25 643	2 200	-	-	9 393	37 236
uMkhanyakude District Municipality	-	2 294	1 458	4 293	333 817	41 862
Mondi SA	34 285	-	(479)	-	-	33 806
Mpact	535	-	-	-	-	535
Foskor	14 737	9 394	-	22	-	24 153
Richards Bay Tatanium	5 334	2 125	1 606	4	-	9 069
Tronox KZN Sands	3 845	-	13	-	-	3 858
South 32	41	57	182	236	-	561
Hulamin Operations	38	14	743	1	-	796
Richards Bay Mining	164	164	92	570	-	990
DWS	-	-	7 568	10 884	13 357	31 809
Retail + Other sundry debtors	2 939	510	2 016	990	6 592	13 044
Gross carrying amount	776 278	171 916	101 708	98 854	1 906 129	3 054 885
Expected default rate	11.11%	35.64%	64.44%	87.51%	96.66%	-
Credit loss allowance (default rate x Gross carrying amount)	(86 247)	(61 278)	(65 545)	(86 506)	(1 842 396)	(2 141 972)
Net carrying amount	690 031	110 638	36 163	12 348	63 733	912 913

N1 - The Average expected default rate is calculated as: Expected default rate per customer x Gross carrying amount for each aging bracket = Credit loss allowance amount per customer (Add all Credit loss allowance amount per ageing bracket for all customers) ÷ total trade receivables balance per age category.

The changes in the default rate is as a result on changes in customers behaviour i.e. deterioration or improvements in their payment patterns as well as changes to payment plan in place.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

20. Trade And Other Receivables (Continued)

The summary of the impact of expected credit losses is as follows:

Customer	Amount due	Allowance for Credit Losses	Total 2025	Total 2024
eThekweni Metropolitan Municipality	770 592	(138 140)	632 452	420 891
Msunduzi Local Municipality	1 141 402	(827 991)	313 411	297 544
uMgungundlovu District Municipality	49 865	-	49 865	35 360
iLembe District Municipality	36 475	-	36 475	28 138
Siza Water	69 948	(59 037)	10 911	6 610
UGu District Municipality	655 904	(655 904)	-	-
Harry Gwala District Municipality	7 658	(2 584)	5 074	2 281
uThukela District Municipality	151 301	(151 301)	-	-
King Cetshwayo District Municipality	841 535	(841 535)	-	-
City of uMhlathuze Municipality	37 497	(4 637)	32 860	27 271
Umkhanyakude District Municipality	65 425	(65 425)	-	-
Mondi South Africa	35 322	-	35 322	33 806
Mpact	543	-	543	535
Foskor	23 044	-	23 044	24 131
Richards Bay Titanium	2 090	-	2 090	7 264
Tronox KZN Sands	3 319	-	3 319	3 858
Hulamin Operations	64	-	64	30
Richards Bay Mining	164	-	164	285
Retail+Other sundry debtors	20 061	(7 004)	13 057	651
Department of Water and Sanitation	54 410	(29 091)	25 319	24 249
South 32	1	-	1	8
Total trade receivables	3 966 620	(2 782 649)	1 183 971	912 912

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

21. Bank and Cash

Cash and cash equivalents consist of:

Bank and cash on hand
Demand deposits held with banks, includes investments ringfenced for insurance purposes, as security for Bank Guarantees, Rehabilitation investment, insurance and S30 investments held to fund expenditure as and when needed on those projects. These are restricted investments and not available to the business for the daily operational working capital. The balances at year end are as follows:

Unrestricted deposits - Call investments

Restricted deposits - Co-insurance & guarantees

Restricted - Section 30 Advances

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
530 584	239 267	497 440	212 316
754 013	166 592	703 916	108 071
274 353	235 195	274 353	235 195
-	16 828	-	16 828
1 558 950	657 882	1 475 709	572 410

22. Reconciliation of Profit for the year to Net Cash Generated from Operating Activities

Profit before taxation

Adjustments for non-cash items:

Depreciation, amortisation, impairments and reversals of impairments

Operating and admin expenses

Fair value adjustments of biological assets

Movements in provisions

Share of profit or loss of equity accounted investments

Write-offs - fixed assets

Profit or loss on disposal of assets

Adjust for items which are presented separately:

Interest income

Dividends received

Finance costs

Changes in working capital:

(Increase) decrease in inventories

(Increase) decrease in contract liabilities

(Increase) decrease in trade and other receivables

Increase (decrease) in trade and other payables

Cash generated from operations

Interest received

Tax paid

Net cash from operating activities

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
1 380 315	1 468 205	1 406 816	1 476 221
1 066 820	1 373 453	1 066 627	1 369 776
(7 944)	-	-	-
(167)	(162)	-	-
45 534	195 603	45 508	195 493
(5 036)	(4 011)	-	-
126 655	-	126 656	-
(23)	-	(185)	-
(646 219)	(788 138)	(643 129)	(782 946)
(8 510)	-	-	-
1 918	2 565	1 386	2 216
(11 704)	(361)	(11 704)	(361)
80 629	(21 057)	80 629	(21 057)
(897 265)	(443 111)	(869 097)	(483 139)
1 487 715	209 891	1 498 620	217 021
2 612 718	1 993 064	2 702 127	1 973 224
73 951	37 600	70 861	32 408
(465)	(184)	-	-
2 686 204	2 030 480	2 772 988	2 005 632

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

23. Capital

Capital consists primarily of contributions made by the Department of Water and Sanitation to provide financial capacity to the Water Board in terms of rendering water services to the water service authorities in its gazetted area.

Issued

Capital - consists primarily of contributions made by the Department of Water and Sanitation (DWS)

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
442 847	442 847	442 847	442 847

24. Debt - Financial Liabilities

Non-current liabilities

Current liabilities

Total debt

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
74 032	1 039 043	74 032	1 039 043
998 408	68 719	998 408	68 719
1 072 440	1 107 762	1 072 440	1 107 762

24.1. Analysis of Debt Held at Amortised Cost

	Nominal Amount		Interest Rates		Maturity date	Group		Parent	
	2025	2024	2025	2024		2025	2024	2025	2024
Development Funding Institution	104 043	139 227	- %	- %		104 991	140 603	104 991	140 603
EIB-Fixed Rate	53 710	65 645	9,08 %	9,08 %	17 December 2029	54 484	66 251	54 484	66 251
EIB-Variable Rate	45 161	58 065	8,00 %	9,23 %	15 December 2028	45 290	58 701	45 290	58 701
RMB- Fixed rate	5 172	15 517	10,54 %	10,54 %	28 November 2025	5 217	15 651	5 217	15 651
UG 26-Fixed Rate	935 000	935 000	11,31 %	11,31 %	09 March 2026	967 449	967 159	967 449	967 159
Total debt	1 039 043	1 074 227	-	-		1 072 440	1 107 762	1 072 440	1 107 762
	1 039 043	1 074 227	-	-		1 072 440	1 107 762	1 072 440	1 107 762

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

24. Debt - Financial Liabilities (Continued)

Reconciliation of movement in debt for the year

Balance at the beginning of the year

Loan acquired through business combination: RMB Loan

Loans Capital and Interest repaid

UG 26

EIB1

EIB2

RMB Loan

Amortised Interest

EIB1

EIB2

UG26

RMB Loan

Total debt

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
1 107 762	1 116 863	1 107 762	1 116 863
-	26 086	-	26 086
(152 541)	(157 551)	(152 541)	(157 551)
(105 459)	(106 618)	(105 459)	(106 618)
(17 752)	(19 417)	(17 752)	(19 417)
(17 626)	(18 710)	(17 626)	(18 710)
(11 704)	(12 806)	(11 704)	(12 806)
117 219	122 364	117 219	122 364
4 805	6 513	4 805	6 513
5 668	6 773	5 668	6 773
105 748	106 617	105 748	106 617
998	2 461	998	2 461
1 072 440	1 107 762	1 072 440	1 107 762

All loans are not secured.

25. Contract Liabilities

Contract liabilities - Non-current

Net amount invoiced in advance (Mkhomazi Bulk Water supply)

Contract liabilities - Current

Contract liabilities - current

Total contract liabilities

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
721 029	620 066	721 029	620 066
52 165	72 499	52 165	72 499
773 194	692 565	773 194	692 565

Current contract liabilities comprise of section 30 advances, which represents amounts received from customers in terms of the contractual agreements and primarily relate to implementing agent agreements. Performance obligations relating to these contract liabilities will be recognised over time and revenue will be recognised accordingly. Refer to note 5 for revenue recognised relating to performance obligations satisfied.

Non-current contract liabilities include amounts invoiced in advance which relates to UMkomazi Bulk Water supply charge for water resource infrastructure which will be amortised to revenue over the life of the asset when the asset is capitalised.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

25. Contract Liabilities (Continued)

Reconciliation of contract liabilities - Non-current

Opening balance
Liability recognised during the year
Revenue recognised during the year

Reconciliation of contract liabilities - Current

Opening balance
Business combinations
Revenue recognised during the year
Liabilities recognised during the year

Total contract liabilities

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
620 066	485 217	620 066	485 217
126 031	148 849	126 031	148 849
(25 068)	(14 000)	(25 068)	(14 000)
721 029	620 066	721 029	620 066
72 499	119 197	72 499	119 197
-	71 491	-	71 491
(49 342)	(287 056)	(49 342)	(287 056)
29 008	168 867	29 008	168 867
52 165	72 499	52 165	72 499

26. Provisions

	Legal Claims	Provision for land Rehabilitation	Short-term Incentive bonus	Long-term Incentive bonus - current portion	Sub-total current Incentive bonus	Long-term Incentive bonus - non current portion	Total 2025	Total 2024
Group	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
Opening balance as at 1 July 2024	67 186	4 953	195 125	11 637	278 901	21 188	300 089	138 324
Provisions acquired through business combination	-	-	-	-	-	-	-	7 483
Provided during the year	-	-	208 937	11 390	220 327	69 228	289 555	291 742
Utilised/reclassified during the year	(36 421)	(1 590)	(192 864)	-	(230 875)	(37 057)	(267 932)	(137 461)
	30 765	3 363	211 198	23 027	268 353	53 359	321 712	300 088
Parent								
Opening balance as at 1 July 2024	67 186	4 953	192 864	11 637	276 640	21 188	297 828	136 173
Provisions acquired through business combination	-	-	-	-	-	-	-	7 483
Provided during the year	-	-	205 433	11 390	216 823	69 228	286 051	289 476
Utilised/reclassified during the year	(36 421)	(1 590)	(192 864)	-	(230 875)	(37 057)	(267 932)	(135 304)
Closing balance	30 765	3 363	205 433	23 027	262 588	53 359	315 947	297 828

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

26. Provisions (Continued)

The Incentive bonus is raised to recognise the performance of employees, which is payable to employees at the Board's discretion in line with the Performance Management Policy.

The long-term incentive bonus is raised in terms of uMngeni-uThukela Water's performance policy and is based on a five year performance period. Refer to the remuneration report on Note 38 for further detail.

Legal claim provision are raised to the extent that it is probable uMngeni-uThukela Water will be required to honour obligations. The provision relates to a claim from a service provider on the wrongful cancellation of a contract. The claim amount is R192,29 million as per submitted court paper, UUW has used the best estimate as provided by an independent expert in the engineering, the mater is still under arbitration process. All provisions are raised in the ordinary course of business.

The former Mhlathuze Water's wastewater spilled over and damaged the municipal land, a legal obligation in terms of National Environmental Management Act 107 of 1998 section 30 obliged Mhlathuze Water to rehabilitate the damaged land. The best estimate was done internally using public bids obtained from service providers who are to rehabilitate the land. The best estimate is undiscounted.

27. Trade and other Payables

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Trade payables	1 733 996	699 578	1 726 666	693 435
Sundry Creditors	188 894	44 472	212 232	56 572
Other payables	1 059	19 593	1 048	1 048
Trade accruals *	1 008 332	646 517	1 006 730	646 166
Leave accrual	86 422	71 115	84 192	68 388
Bonus accrual	21 972	21 197	20 530	20 009
SARS VAT	75 362	44 874	74 678	44 418
Non-financial instruments:				
Water purchases - DWS	154 024	104 145	154 024	104 145
Total Trade and other Payables	3 270 061	1 651 491	3 280 100	1 634 181

*Off-Setting a Debtor against the related Liability (KCDM)

The accrual amount relating to KCDM liability was off-set against the KCDM gross debt balance disclosed in Trade and other receivable note 20.

The prior year balances were remapped in line with the ERP system to prepare AFS and there were changes within the note of immaterial amounts as a result of mapping/classification of accounts.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

28. Leases

28.1 Current

The groups right of use assets include land, buildings and ICT equipment. Information about these assets is included in the table that follows:

Right-of- use asset	Short description	Number of active agreements	Range of lease terms	Lease with Variable payments	Leases with own/ purchase options
Land	Leases for land, plots and pipeline.	7	3 - 20 years	3	0
Buildings	Leases for buildings and related items of category.	2	5 years	0	0
ICT Equipment	Leases for laptops, computers, printers and servers	20	3 - 5 years	3	2

As at 30 June 2025

Right of use asset

Carrying Amount value 01 July 2024

Cost

Accumulated Depreciation

Additions

Depreciation

Cost

Accumulated depreciation

Total right of use assets

Cost

Accumulated Depreciation

Total right of use assets

Land and Pipelines	Buildings	ICT equipment	Parent Total	Group
R '000	R '000	R '000	R '000	R '000
2 218	656	5 191	8 065	10 600
4 100	2 475	10 999	17 574	20 023
(1 882)	(1 819)	(5 808)	(9 509)	(9 423)
935	-	1 395	2 330	8 716
(2 437)	(656)	(819)	(3 912)	(5 867)
(471)	(2 475)	(624)	(3 570)	(3 570)
471	2 475	624	3 570	3 570
716	-	5 767	6 483	13 449
4 564	-	11 768	16 332	25 169
(3 848)	-	(6 001)	(9 849)	(11 720)
716	-	5 767	6 483	13 449

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

28. Leases(Continued)

As at 30 June 2024

Right of use asset

Carrying Amount value 01 July 2023

Cost

Accumulated Depreciation

Additions

Depreciation

Total right of use assets

Cost

Accumulated Depreciation

Total right of use assets

Land and Pipelines	Buildings	ICT Equipment	Parent Total	Group
R '000	R '000	R '000	R '000	R '000
97	712	1 083	1 892	4 747
249	2 475	1 111	3 835	6 690
(152)	(1 763)	(28)	(1 943)	(1 943)
3 851	-	6 587	10 438	10 501
(1 730)	(56)	(2 477)	(4 263)	(4 648)
2 218	656	5 193	8 067	10 600
4 100	2 475	10 999	17 574	20 023
(1 882)	(1 819)	(5 808)	(9 509)	(9 423)
2 218	656	5 191	8 065	10 600

Lease liabilities

Present value of lease payments

0- 1 year

1 to 5 years

> 5 years

Total lease liabilities

Maturity analysis - contractual undiscounted cash flows

0 - 1 year

1 to 5 years

> 5 years

Total lease liabilities

Lease liabilities included in the statement of financial position

Current liabilities

Non-current liabilities

Capital repayment for the year (Refer: cash flows - financing activities)

Current year

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
9 366	5 476	5 722	4 142
6 696	5 233	2 392	4 056
-	1 810	-	-
16 062	12 487	8 114	8 198
5 784	8 250	2 569	5 410
10 742	9 530	4 995	4 866
1 459	2 108	-	-
17 985	19 888	7 564	10 276
9 589	5 476	5 722	4 142
6 473	7 043	2 392	4 056
6 801	3 592	4 073	5 511
6 801	3 592	4 073	5 511

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

28. Leases (Continued)

Recognised in Profit or loss/Project

Depreciation

Current year

Interest expense on lease liabilities (included in finance cost)

Current year

Reconciliation of lease liability

Opening balance

Leases recognised/(derecognised) during the year

Interest included in finance cost

Capital repayments

Total lease liabilities

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
5 867	4 619	3 912	4 263
5 867	4 619	3 912	4 263
2 378	1 739	1 657	1 399
2 378	1 739	1 657	1 399
12 488	6 336	8 200	1 875
7 997	10 114	2 330	10 437
2 378	1 748	1 657	1 399
(6 801)	(5 710)	(4 073)	(5 511)
16 062	12 488	8 114	8 200

28.2. Group as a lessor

Operating leases

At the reporting date, the group had no outstanding commitments under non-cancelable operating leases.

The group as the lessor - rental income

The group owns a number of properties on the plants, where an insignificant portion of the property is rented out. The properties are insured as part of property, plant and equipment and deposits are held for the duration of the lease to mitigate any risk associated with the underlying asset. Rental income of R4.6m (2024: R4.1m) was earned.

Right-of- use asset	Short description	Number of lease items	Range of lease terms	Number of lease with an option to purchase	Number of leases with an option to extend	Number of leases with variable payments linked to index
Buildings: Properties	Buildings/propertie s leased to employees for dwelling houses and companies as offices.	116	1- 5 years	3	101, others are vacant	0, The lease payments are fixed monthly subject to annual escalations, where applicable.

At the reporting date, the group had contracted with tenants for the following future minimum lease

0 - 1 year

1 - 5 years

Total group as a lessor

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
2 749	2 749	3 842	3 842
1 548	1 548	2 394	2 394
1 201	1 201	1 448	1 448
2 749	2 749	3 842	3 842

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

29. Contingent Liabilities

The contingent liabilities relate to possible obligations on supplier contracts of which both the amount and timing of cash outflows are uncertain.

The uncertainty in amount and timing of cash outflows is due to the cases still being discussed in court and it is possible that the ruling might not be in favour of the group.

Contingent Liabilities

The contingent liabilities relate to possible obligations on supplier contracts of which both the amount and timing of cash outflows are uncertain.

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
10 299	22 841	10 299	22 841

30. Post - Retirement Benefits Obligations

All the uMngeni-uThukela Water retirement benefit plans are governed by the Pension Funds Act (No. 24 of 1956) of South Africa. All full-time employees are compelled to belong to either the defined benefit or the defined contribution plan.

Summary of net liabilities for post-retirement benefit obligations:

Defined benefit plan	30.2
Post-retirement healthcare benefits	30.3

Total post-retirement benefit obligations

Liability current
Liability non-current

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
8 504	9 160	8 504	9 160
375 424	383 028	375 424	383 028
383 928	392 188	383 928	392 188
23 400	23 614	23 400	23 614
360 528	368 574	360 528	368 574
383 928	392 188	383 928	392 188

30.1. Defined contribution plan

The total cost charged to income represents the group's portion of the contribution payable to the provident fund scheme. At reporting date all amounts due and payable to this scheme had been paid.

The total amounts recognised as an expense in profit or loss represents the group's portion of the contribution payable to the provident fund scheme. At reporting date all amounts due.

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
30 997	41 692	27 553	37 629

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

30. Post - Retirement Benefits Obligations (Continued)

30.2. Defined benefit plan

The uMngeni-uThukela Water Retirement Fund was established on 1 December 1985 and was closed to new members with effect from 6 February 2007.

The scheme is funded and actuarially valued every year. The effective date of the most recent valuation is 30 June 2025. The assets of the uMngeni-uThukela Water Retirement Fund are held separately from those of the entity in a trustee administered fund, registered in terms of the Pension Funds Act, 1956. (Act 24 of 1956)

The fair value of the plan is arrived at after considering the following:

Key assumptions used in the actuarial valuation were as follows:

	Group & Parent	
	2025	2024
	R '000	R '000
Discount rate	11,10 %	12,40 %
Inflation rate	5,00 %	6,50 %
Expected rate of salary increases	6,00 %	7,50 %
Future pension increase	3,30 %	4,30 %
Implied Post-retirement discount rate	7,55 %	7,77 %
Statutory discount rate for minimum benefits	5,37 %	5,32 %
Post-retirement discount rate for minimum benefits	7,85 %	7,85 %

Amounts recognised in profit/loss in respect of the defined benefit plan are as follows:

Current service cost	24 785	24 077
Interest on obligation	118 810	117 156
Expected return on plan assets	(116 042)	(119 023)

Total included in staff costs in statement of profit or loss

IAS 19 Remeasurements - recognition of unrecognised gains and losses

Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:

Net actuarial (gain) loss	(3 444)	10 852
Total included in statement of other comprehensive income	(3 444)	10 852

The amount included in the statement of financial position arising from the group's obligation in respect of its defined benefit plan is as follows:

Present value of funded defined benefit obligation	(1 041 637)	(961 945)
Fair value of plan assets	1 033 133	952 785
Net liability in statement of financial position	(8 504)	(9 160)

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

30. Post - Retirement Benefits Obligations (Continued)

Movement in the net liability recognised in the statement of financial position is as follows:

Net liability at start of year

Net expense recognised in the statement of profit and loss

Net expense (income) recognised in the statement of other comprehensive income

Company contributions

Net liability at end of year

Movements in the defined benefit obligation for the year:

Defined benefit obligation at beginning of year

Member contributions

Interest cost

Actuarial (gain) loss

Benefits paid

Risk premiums

Expenses

Defined benefit obligation at end of year

Group & Parent	
2025	2024
R '000	R '000
9 160	-
27 553	22 210
(3 444)	10 852
(24 765)	(23 902)
8 504	9 160
961 945	936 845
9 000	8 905
118 810	117 156
(5 214)	(9 702)
(60 216)	(107 386)
(5 347)	(5 842)
22 659	21 969
1 041 637	961 945

Movements in the present value of plan assets in the current period were as follows:

Fair value of plan assets at beginning of year

Interest on plan assets

Member contributions

Employer contributions

Actuarial (loss)/gain

Benefits paid

Risk premiums

Expenses

Fair value of plan assets at end of year

Group & Parent	
2025	2024
R '000	R '000
952 785	963 925
116 042	119 023
9 000	8 905
24 765	23 902
(1 770)	(47 634)
(60 216)	(107 386)
(5 347)	(5 842)
(2 126)	(2 108)
1 033 133	952 785

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

30. Post - Retirement Benefits Obligations (Continued)

Actual Return on Assets

The net actuarial gain is as follows:

Update of assumptions (discount rate)

Update of assumptions (inflation rate)

Update of assumptions (statutory discount rate for minimum benefits)

Update of assumptions (mortality)

Pension increases

Salary increases

Change in suspended pensioner liability

Demographic experience

Other miscellaneous items

Total

Group & Parent	
2025	2024
R '000	R '000
114 272	71 389
149 358	44 559
(142 568)	(41 875)
-	(980)
-	16 529
(4 734)	(1 679)
(2 590)	(11 192)
(800)	393
(3 883)	(15 456)
3	(1)
(5 214)	(9 702)

Key assumptions used in the actuarial valuation were as follows:

The major categories of plan assets and the expected rate of returns at the end of the reporting period are as follows:

The major categories of plan assets and the expected rate of returns at the end of the reporting period are as follows:

Cash

Equity

Bonds

Property

International

Other

Total

Group & Parent	
2025	2024
R '000	R '000
9,33 %	4,67 %
38,85 %	41,55 %
13,29 %	11,98 %
5,66 %	5,57 %
30,99 %	34,41 %
1,88 %	1,82 %
100,00 %	100,00 %

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

30. Post - Retirement Benefits Obligations (Continued)

Sensitivity Factor	Defined Benefit Plan				
	Central Assumption	Increase		Decrease	
		%	R '000	%	R '000
1% change in discount rates	11,10 %	(6,40)%	(66 884)	10,70 %	111 511
1% change in inflation rates	5,00 %	8,80 %	91 149	(5,10)%	(53 054)
1% change in salary increase rate	6,00 %	3,80 %	40 065	(2,30)%	(23 518)
1 year change in expected future lifetime	8,2 years	(1,10)%	(11 952)	1,10 %	11 747

The sensitivity analysis presented on the table above reflect the changes to the defined benefit obligation in relation to the changes to the factors.

30.3. Post-retirement healthcare benefits

The scheme is unfunded and the group has recognised its full past service liability. Actuarial valuations are done annually. The effective date of the most recent valuation is 30 June 2025.

Employees who joined uMngeni-uThukela Water after 28 February 2002 cannot elect to join this scheme. Key assumptions used in the actuarial valuation were as follows

	Group & Parent	
	2025	2024
	R '000	R '000
Key assumptions used in the actuarial valuation were as follows:		
Discount rate	11,80 %	12,60 %
Expected rate of increase in medical indices	7,20 %	8,10 %
Amounts recognised in profit and loss in respect of the post-retirement healthcare costs are as follows:		
Current service cost	3 487	3 706
Interest on obligation	46 629	45 347
Total included in staff costs in statement of profit and loss	50 116	49 053
Actuarial (gain) loss	(32 763)	(3 774)
Total included in statement of other comprehensive income	(32 763)	(3 774)

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

30. Post - Retirement Benefits Obligations (Continued)

The amount included in the statement of financial position arising from the group's obligation in respect of its post-retirement healthcare obligations is as follows:

	Group & Parent	
	2025	2025
	R '000	R '000
Opening balance	383 028	360 858
Net expense recognised in the statement of profit and loss	50 116	49 053
Company contributions	(24 957)	(23 109)
Net (income) expense recognised in the statement of other comprehensive income	(32 763)	(3 774)
Liability at end of year	375 424	383 028
Movements in the post-retirement healthcare obligation in the current period were as follows:		
Projected benefit obligation at beginning of year	383 028	360 858
Current service cost	3 487	3 706
Interest cost	46 629	45 347
Actuarial (gain) loss	(32 763)	(3 774)
Employer contributions	(24 957)	(23 109)
Projected benefit obligation at end of year	375 424	383 028

The group expects to make a contribution of R23,1m to the post retirement medical aid during the next financial year.

An analysis of the impact of changes in the underlying assumptions used in the actuarial valuation are presented in the table below:

Sensitivity Factor	Post-Retirement Healthcare Benefits				
	Central Assumption	Increase		Decrease	
		%	R '000	%	R '000
1% change in medical aid inflation rates	7,20 %	11,50 %	43 263	(9,80)%	(36 684)
1 year change in expected retirement age	60 years	(2,30)%	(8 569)	1,50 %	5 717
1% change in discount rate	11,80 %	(9,30)%	(34 864)	11,10 %	41 569

The information presented above is as per the latest valuation, which was performed on 30 June 2025. There has been no changes in the method of valuation used i.e. the Projected Unit Credit method as well as the key assumptions applied.

Under the Projected Unit Credit method, the liability accrues uniformly whilst the member is in service. In this way, the liability may be divided into two parts for each current in-service member:

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

30. Post - Retirement Benefits Obligations (Continued)

The risks faced by the company as a result of the post-employment retirement benefits obligation are as follows:

- Inflation: the risk that future CPI Inflation is higher than expected and uncontrolled;
- longevity: the risk that pensioners live longer than expected and thus their pension benefit is payable for longer than expected;
- open-ended, long-term liability: the risk that the liability may be volatile in the future and uncertain;
- future changes in legislation: the risk that changes to legislation with respect to the post-employment liability may increase the liability for the group;
- future changes in the tax environment: the risk that changes in the tax legislation governing employee benefits may increase the liability for the group;
- perceived inequality by non-eligible employees: the risk of dissatisfaction of employees who are non eligible for a post-employment healthcare subsidy; and
- administration: administration of this liability poses a burden to the group.
- Enforcement of eligibility criteria and rules: The risk that eligibility criteria and rules are not strictly or consistently enforced.

31. Five-Year Long Service Benefit

The liability for the employee long service leave benefit arises when qualifying employee remains in the employ of the organisation for at least 5 years. This benefit excludes the Senior Managers and Executives on the long term incentive bonus benefit. This benefit aims at retaining employees and skills for at least 5 years and more. The employee has the option to commute the full benefit to cash or a full 30 days leave to be taken within a specified period or a combination of the both options being 50% cash and the remainder as leave.

The liability has been determined via an actuarial valuation performed as at 30 June 2025.

Key assumptions used in the actuarial valuation were as follows:

Discount rate
Inflation rate
Salary increase rate

Group & Parent	
2025	2024
R '000	R '000
7,90 %	8,80 %
2,50 %	3,50 %
3,50 %	4,50 %

Current service cost
Interest on obligation
Current year (gain)/ Loss

Group & Parent	
2025	2024
R '000	R '000
8 640	6 260
2 895	1 973
(4 922)	7 072
6 613	15 305

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

31. Five-Year Long Service Benefit (Continued)

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Movement in the liability recognised in the statement of financial position is as follows:				
Liability at beginning of year	27 838	17 849	27 838	17 849
Net expense recognised in the statement of profit and loss	6 768	15 305	6 613	15 305
Company/Employer paid benefits	(7 171)	(5 316)	(7 171)	(5 316)
Net liability at end of year	27 435	27 838	27 280	27 838
Liability current	15 864	12 237	15 709	12 237
Liability non-current	11 571	15 601	11 571	15 601

32. Related Parties

The group is wholly owned by its shareholder, the Department of Water and Sanitation. uMngeni-uThukela Water is a schedule 3B public entity in terms of the Public Finance Management Act.

Government related parties include national departments (including the shareholder), constitutional institutions (schedule 1 of the Public Finance Management Act), public entities (schedule 2 and 3 of the Public Finance management Act) and local government (including municipalities). The list of public entities in the national sphere of government is provided by National Treasury on its website www.treasury.gov.za. It also provides the names of subsidiaries of the public entities.

Related parties of uMngeni-uThukela Water comprise of:

- The two 100% owned subsidiaries (Msinsi Holdings SOC Ltd and Umgeni Water Services SOC Ltd);
- the associate Durban Water Recycling Pty Ltd of the group;
- post retirement benefit plans for the benefit of the employees, refer to note 30.
- Key management personnel of uMngeni-uThukela Water or its shareholder and close family members of the related parties. Key management personnel for uMngeni-uThukela include the group's Board of directors and the executive management (EXCO) and their remuneration is disclosed in note 38.

IAS 24 Related Party disclosures provide government related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with government related entities at national and local levels of government.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. Amounts receivable from related parties are included in the simplified approach for trade and other receivables. All related party transactions are carried within normal trade conditions. The following transactions were carried out with related parties.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

32. Related Parties (Continued)

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Relationships				
Related party balances				
Loan accounts - Owning (to) by related parties				
Loan to UWS	-	-	128 386	-
Related party transactions				
Revenue: Section 30				
National Department	326 303	287 056	326 303	287 056
Purchases from (sales to) related parties				
National Department	470 015	439 234	470 015	439 234
Sundry Income				
Subsidiary	-	-	1 209	1 178
Administration fees paid to (received from) related parties				
Subsidiary	-	-	96 973	87 583
Expected credit losses				
National Department	28 580	13 357	28 580	13 357
Work-in-progress: Grant funding for rural developments projects				
National Department	405 624	233 916	405 624	233 916
Investments in subsidiaries and associates				
Associate: DWR	15 603	10 567	-	-
Subsidiary: UWS	-	-	63 401	-
Subsidiary: Msinsi Holding	-	-	7 600	-
Trade and Other Receivables				
National Departments	54 411	18 453	54 411	18 453
Subsidiaries	-	-	4 317	17 385
Other Payables				
Subsidiaries and associates	-	-	23 748	3 856
National Departments - Raw water purchases accrual	(154 024)	(104 145)	(154 024)	(104 145)
Capital Unit Charge Recovery	(38 201)	-	(38 201)	-
Capital Unit Charge Accrual	(1 184 775)	-	(1 184 775)	-
Contract Liabilities				
National Departments	52 165	72 499	52 165	72 499

In relation to sales realised and disclosed above for related party: National Department, the entity incurred purchases from suppliers on the behalf of related party: National department.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

33. Irregular, Fruitless And Wasteful Expenditure

Irregular expenditure incurred in the current year
(excluding VAT)

Fruitless and wasteful expenditure incurred in the
current year

Amounts awaiting condonement or write-off

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
1 034 799	1 363 305	1 007 081	1 363 305
8 168	43 877	8 150	43 524
1 042 967	1 407 182	1 015 231	1 406 829

(1) Amounts of material losses through criminal conduct

No cases identified as resulting from criminal conduct

(2) Criminal or disciplinary steps taken as a result of losses on irregular expenditure

Number of officials issued with reprimand letters for cases up to 2021/2022

Number of disciplinary process

Number of criminal cases opened

Cases for IE incurred from 2017 to 2022 are awaiting submission for condonation
2022/2023 and 2023/2024 are currently awaiting determination/investigation
reports. Action will be taken as recommended

(3) Impracticality Judgement

Determination tests stated the value of service rendered

Parent	
2025	2024
-	-
-	8
-	-
-	-
-	-
-	-

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management

34.1. Capital risk management

		Group		Parent	
		2025	2024	2025	2024
		R '000	R '000	R '000	R '000
Borrowings	24	1 072 440	1 107 762	1 072 440	1 107 762
Lease liabilities		12 910	12 519	8 114	8 198
Trade and other payables	27	3 270 059	1 651 491	3 280 096	1 634 181
Total borrowings		4 355 409	2 771 772	4 360 650	2 750 141
Cash and cash equivalents	21	(1 558 950)	(657 882)	(1 475 709)	(572 410)
Net borrowings		2 796 459	2 113 890	2 884 941	2 177 731
Equity		19 020 648	17 603 543	18 957 839	17 514 819
Gearing ratio		15 %	12 %	15 %	12 %
Capital and reserves is consistent with the prior year and consists of:					
Share capital		442 847	442 847	442 847	442 847
Accumulated profit		18 035 357	16 655 691	17 974 813	16 567 997
Other comprehensive income		540 182	503 975	540 182	503 975
Total		19 018 386	17 602 513	18 957 842	17 514 819
Total interest-bearing debt		1 072 440	1 107 762	1 072 440	1 107 762

34.2. Debt management

Debt management strategies

UMngeni-uThukela Water's treasury strategy focuses on solvency and debt management through the cash flow tariff model, after taking into account the long-term business plans, water demand curves, and future capital expenditure. The liability curve and debt redemption are then actively managed:

- (a) By targeting an optimal debt level;
- (b) by asset liability matching, through a redemption strategy framework which pro-actively manages liquidity and refinancing risk associated with large debt maturities such as bonds;
- (c) within approved borrowing limits; and
- (d) by maintaining an external credit rating.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

(a) Optimal debt level

UMngeni-uThukela Water strives to be within an optimal debt level by not exceeding a gearing ratio of 0.30 and maintains a target debt interest rate structure of 70% fixed and 30% floating which aims to minimise volatility of both the tariff and statement of profit and loss

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Gross Debt - Nominal amount	1 039 043	1 074 227	1 039 043	1 074 227
Interest Rate Structure				
Fixed	96 %	95 %	96 %	95 %
Floating	4 %	5 %	4 %	5 %

	Group		Parent	
	2025	2024	2025	2024
	0,06	0,06	0,06	0,06
Gearing Ratio				

(b) Asset and liability management

Asset and liability matching focuses on two components:

- The first being the matching of maturity dates of financial assets and liabilities whereby financial assets will be used to repay debt on its maturity. This will typically be applied in a redemption strategy.
- The second component is whereby surplus cash (cash after operating expenditure and interest cost) is matched to debt redemption or specific funding requirements.

Taking the business environment and market conditions into account, the following framework is used in managing the redemption portfolio build-up over the years preceding the redemption of the bond.

- 10% of the capital value 3 years before redemption;
- 40% of the capital value 2 years before redemption;
- 75% of the capital value 1 years before redemption;
- the balance is funded during the year of maturity.

In terms of the redemption strategy uMngeni-uThukela Water has placed a deposit as follows:

	2025	2024
UG 26	935 000	935 000
Redemption asset	(721 568)	(425 425)
Capital	(645 510)	(397 258)
Interest	(76 058)	(28 167)
Net debt - UG26	213 432	509 575

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

(c) Managing debt within approved borrowing limits

The borrowing limits for the period 2023 to 2025 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance and are as follows:

Borrowing Limit	2025	2024	2023
Not exceed as at 30 June 2025	4 534 000	3 325 000	2 017 000
Guarantees	54 100	54 100	7 356
	4 588 100	3 379 100	2 024 356

The borrowing authority is further subjected to uMngeni-uThukela Water adhering to the following additional requirements

- The outstanding interest-bearing debt must not exceed the authorised borrowing limit for each financial year;
- A minimum cash interest cover (CIC) ratio of three (3) times;
- A minimum debt service cover ratio (DSCR) of one (1) time;
- A gearing limit of 50% calculated as follows: interest-bearing debt relative to total equity;
- UMngeni-uThukela Water submits bi-annual reports to the Asset and Liability Management division on the progress of major capital expenditure projects and the project plans for the upcoming 6 months;
- UMngeni-uThukela Water submits quarterly progress reports to the Asset and Liability Management division within 30 days after the end of each respective quarter.;
- UMngeni-uThukela Water include information on all its obligations with lenders and noteholders, on a quarterly basis through its reports, (within 30 days after the end of each quarter).

The issuance guarantee authorisation in terms of section 66(3)(b) of the PFMA has the following compliance requirement: .

- uMngeni-uThukela Water is required to have at all times, liquid assets (cash/marketable securities) to the value of R212m in relation to the financial years 2025/26 to 2027/28.

	Group & Parent	
	2025	2024
	R '000	R '000
Utilisation of borrowing limits		
Borrowing limit	4 534 000	3 325 000
Gross borrowings	(1 039 043)	(1 074 227)
Unutilised borrowing limits	3 494 957	2 250 773

Collateral

At 30 June 2025 the group has no collateral held as security.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

(d) Maintaining an external credit rating

The ability of uMngeni-uThukela Water to raise debt at competitive interest rates is significantly dependant on the external credit rating issued by a Ratings Agency. The credit rating is maintained through protection of operating cash flows by anticipating adverse market and business conditions and continuous monitoring of strategies devised to counteract the adverse market conditions.

Rating Agency	Review date	Details	Long-term rating	Short-term rating
Standard & Poor's	23 May 2025	Affirmed rating	zaAAA	zaA-1+
FitchRatings	23 May 2025	Affirmed rating	AA+(zaf	F1+(zaf

34.3. Financial risk management Overview

uMngeni-uThukela Water's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risks relating to the operations of uMngeni-uThukela through the short, medium and long-term funding strategy, and highlights the risk implications of various financial transactions.

The use of financial derivatives is governed by uMngeni-uThukela Water's policies approved by the Board of directors, which provide written principles on foreign exchange risk, interest rate risk, credit risk, and the investment of excess liquidity.

Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis. uMngeni-uThukela does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The principal financial risks to which uMngeni-uThukela Water is exposed as a result of its financial instruments are:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

34.3.1. Credit risk

Credit risk is the risk of financial loss to the group if a customer or other counterparty to a financial instrument fails to meet its contractual obligations.

Credit risk arises principally from the group's receivables and investment securities. Credit risk concentration will result in uMngeni-uThukela Water being exposed to counter party failure. This has the potential to impact on the organisation's ability to remain within its optimal debt level.

Definition of default

The group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- When there is a breach of the water services agreements by the debtor
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the group, in full (without taking into account any collateral held by the group)

Irrespective of the above analysis, the group considers that default has occurred when a financial asset is more than 30 days past due unless the group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

Group		2025			2024		
		Gross Carrying Amount	Credit Loss Allowance	Amortised Cost / Fair Value	Gross Carrying Amount	Credit Loss Allowance	Amortised Cost / Fair Value
Investments	18	6 409 739	-	6 409 739	6 932 072	-	6 932 072
Trade and other receivables	20	4 214 639	(2 782 670)	1 431 969	3 231 991	(2 141 986)	1 090 005
Cash and cash equivalents	21	1 558 951	-	1 558 951	657 882	-	657 882
Total		12 183 329	(2 782 670)	9 400 659	10 821 945	(2 141 986)	8 679 959

Parent		2025			2024		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Loans to group companies	39	141 886	(13 500)	128 386	-	-	-
Investments at fair value through profit or loss	18	6 409 739	-	6 409 739	6 932 072	-	6 932 072
Trade and other receivables	20	4 208 412	(2 782 648)	1 425 764	3 239 923	(2 141 973)	1 097 950
Cash and cash equivalents	21	1 475 709	-	1 475 709	572 410	-	572 410
Total		12 235 746	(2 796 148)	9 439 598	10 744 405	(2 141 973)	8 602 432

a) Investments

According to its Investment Policy uMngeni-uThukela Water will manage investment credit risk by:

- Conducting transactions only with counter parties and issuers who satisfy soundly based and acceptable assessment processes, and only after formal limits have been set;
- same-day settlement limits will be set wherever possible and/or strict settlement procedures set and adhered to, and
- continuous monitoring of the credit quality of counterparties.

Concentration of credit risk is managed by setting credit limits at counterparty-specific level. The credit limit calculation is based on 5% of shareholders funds but subject to a maximum limit of R4 000m as approved by the Board, and limited to parties where 5% of shareholders funds exceeds R100m. The group limits its exposure to credit risk by investing only with counterparties with a credit rating of "Investment Grade" as defined by external credit rating agencies. Utilisation of the credit limit is measured in terms of risk weighting except in the case of zero coupon bonds where credit limit utilisation is based on current market value.

Deposits with banks and bank balances are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Credit ratings are used to determine whether credit risk on an instrument has significantly increased since initial recognition. Where there has been no significant increase and the instrument remains of investment grade quality, no credit risk impairment adjustment is made.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

Maximum credit risk exposure to uMngeni-uThukela Water:

The table below shows uMngeni-uThukela Water's credit exposure to the approved counterparties in context of the credit limits assigned to each counterparty and the nominal value of the investment placed with each counterparty as 30 June.

Counterparty	Credit rating	Group & Parent		
		Credit Limit	2025	2024
		R '000	R '000	R '000
Non-current financial assets			60 338	755 248
Nedbank Limited	Investment Grade N1	3 500 000	-	223 102
Standard Bank of South Africa Limited	Investment Grade N1	2 500 000	60 338	-
First Rand Bank Limited	Investment Grade N1	2 500 000	-	532 146
Current financial assets including cash and bank			7 908 250	6 834 705
ABSA Bank Limited	Investment Grade N1	2 500 000	258 519	1 476 181
First Rand Bank Limited	Investment Grade N1	2 500 000	912 301	438 032
Standard Bank of South Africa Limited	Investment Grade N1	2 500 000	1 010 021	810 610
Nedbank Limited		3 500 000	3 012 134	2 394 551
Nedgroup Money Market Fund Limited	Investment Grade N1	700 000	381 538	302 127
Stanlib Money Market Fund Limited	Investment Grade N1	700 000	322 030	302 154
Ninety One	Investment Grade N1	700 000	352 215	352 443
Ashburton Money Market	Investment Grade N1	350 000	100 642	100 726
Corporation for Public Deposits	Investment Grade N1	3 000 000	-	-
First Rand Bank Limited	Cash	-	50 885	78 407
ABSA	Cash	-	385 850	235 195
Nedbank Bank Limited	Cash	-	1 122 115	344 279
Total			7 968 588	7 589 953

N1 - "Investment Grade" refers to the credit quality of investment grade as per the rating definitions of external credit rating agencies such as S&P ratings, Fitch Ratings, Moody's and Global Credit Ratings. In the context of money market funds, investment grade refers to the fund being rated as low to moderate risk of volatility.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

b) Trade and other receivables

The management of credit risk in relation to trade and other receivables is summarised as follows:

- uMngeni-uThukela Water aims to minimise loss caused by default of customers through specific policies and procedures; and
- compliance with these policies and procedures are the responsibility of the Chief Financial Officer and Financial Manager. Monitoring of compliance with these policies is carried out by internal audit. All known risks are required to be fully disclosed and accounted for and are provided for in the allowance for credit losses. Credit risk relating to bulk supply water service authorities is managed in terms of the contractual arrangements and legislation applicable to organs of state.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are bulk or commercial customers, their aging profile and existence of previous financial difficulties.

The average credit period allowed is 30 days from invoice date. Interest is charged at prime rate on debtors over 30 days from date of invoice.

The group trade and other receivables totalled R1 790m (2024: R 1 429 m) which comprises both current and non-current components. trade debtor's days were 50 (2024: 43) at the end of the reporting period. The allowance for credit losses increased significantly by 30% as a result of the overdue amounts, amounting to R2 783m (2024: R 2 141 m). A detailed analysis of Trade and other receivables is available on Note 20.

Financial assets relating to trade and other receivables exclude amounts relating to employees and VAT receivable

Concentration of credit risks relating to Trade receivables is based significance reliance on revenue from four customers which accounts for 86% of revenue generated and prior year (2024: 81%).

Monitoring exposure

UMngeni-uThukela Water monitors exposures on an on-going basis utilising various reporting tools and flagging potential risks which are reported to National Treasury in terms of Section 41 of the Municipal Finance Management Act. The following reports are used to monitor credit risk:

- Age analysis reports; and
- status report for significant overdue debtors.

The maximum exposure to credit risk for trade and other receivables at the reporting date is disclosed in note 20.

Lifetime Expected Credit Losses

Refer to note 20 for expected credit losses on trade and other receivables.

	Group & Parent	
	2025	2024
	R '000	R '000
30 days	149 535	110 638
60 days	99 744	36 163
90 days	8 287	12 348
120+ days	-	63 733
Analysis of the ageing of financial assets (trade receivables) which are past due but have not been impaired:	257 566	222 882

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

The group believes that the unimpaired amounts that are past due by more than 30 days are still recoverable, based on the customer payment behaviour, subsequent receipts and analysis of customer credit risk.

Cash and Cash Equivalents

The group held cash and cash equivalents of R1 559m at 30 June 2025 (2024: R 658m) of the following which represents the maximum credit exposure on these assets.

Counterparty	Group	Parent	
	2025	2024	2025
	R '000	R '000	R '000
Cash			
ABSA	385 850	235 195	385 850
First Rand Bank Limited	50 885	78 407	-
Nedbank Bank Limited	1 122 115	344 244	1 089 560
Cash	1 558 850	657 846	1 475 410

The remaining balance of R324K (2024: R 189K) for the Group and R40K (2024: R 40K) in for the parent represents petty cash in Rands per thousand for which there is no credit risk attached.

34.3.2. Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

Mitigation approach

To mitigate liquidity risk, uMngeni-uThukela Water:

- Monitoring the level of contractual cash flows of financial assets and compared to those of financial liabilities.
- Short-term funding facilities to meet on-going cash requirements for which facility options are in place with four banks.
- A domestic medium note programme, which has been established allowing for longer dated debt such as bonds to be issued with relative ease.
- A redemption strategy framework, which provides guidelines for managing the risks associated with refinancing large debt maturities (such as UG21 and UG26 bonds), and
- Management of debt within approved borrowing limits by National Treasury.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

34.3.3. Liquidity risk inherent in contractual cash flows

The following tables summarises uMngeni uThukela Water's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which uMngeni-uThukela Water can be required to pay. The table includes both interest and principal cash flows which may differ from the carrying values of the liabilities at the reporting date.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

Group - 2025

		Weighted Average Effective Interest Rate	Up to 1 year	1-5 years	Total
Fixed interest rate instruments	24	11,19%	1 062 419	49 361	1 111 780
Variable interest rate instruments		8,00%	16 166	29 981	46 147
Trade and other payables	27	n/a	3 086 305	-	3 086 305
		-	4 164 890	79 342	4 244 232
Financial Assets - 2025					
Fixed interest rate instruments		8,71%	5 192 975	60 338	5 253 313
Variable interest rate instruments		7,89%	2 632 093	-	2 632 093
Trade and other receivables		n/a	2 523 613	1 691 026	4 214 639
Total		-	10 348 681	1 751 364	12 100 045

Group - 2024

		Weighted Average Effective Interest Rate	Up to 1 year	1 to 5 years	>5 years	Total
Financial Liabilities - 2024						
Fixed interest rate instruments	24	11,15%	134 757	1 105 554	6 239	1 246 550
Variable interest rate instruments		9,31%	17 748	52 413	-	70 161
Trade and other payables		n/a	1 472 809	-	-	1 472 809
		-	1 625 314	1 157 967	6 239	2 789 520
Financial Assets - 2024						
Fixed interest rate instruments		10,34%	5 312 185	1 298 111	-	6 610 296
Variable interest rate instruments		7,57%	1 715 331	-	-	1 715 331
Trade and other receivables		n/a	2 571 297	660 694	-	3 231 991
Total		-	9 598 813	1 958 805	-	11 557 618

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

The group and parent figures remain the same with immaterial difference relating to the subsidiary.

For financial assets, the variable interest rate instruments includes cash and cash equivalents. The interest rate on term deposits held with banks as well as the redemption assets will not charge throughout the investment period till maturity hence these are classified as fixed interest rate instruments. In the prior year, the maturity analysis took into account the cashflows outflows required to build up assets which on maturity would fund the contractual liabilities maturities. Therefore this mismatch was corrected to reflect only the contractual maturities including interest..

The most significant contractual liability in the 1-5 years maturity time bucket is the UG26 bond at R935m. There is an investment in place that will mature at R935m to fund this liability on its due date and is accordingly reflected in the maturity bucket of 1-5 years.

Primary source of funding and unused facilities

The primary source of funding to meet uMngeni uThukela Water's requirements are revenue, cash inflows from maturing financial assets purchased, debt issued in the market and other loans. The following sources of funding are available to uMngeni uThukela Water to meet its short, medium and long-term funding requirements and will supplement the primary liquidity sources under stress conditions:

(a) Domestic Medium Term Note Programme (DMTN)

UMngeni-uThukela Water has established a Domestic Medium Term Note Programme to issue bonds to meet long term capital expenditure funding requirements.

The programme has an authorised amount of R4 billion, and is a useful funding tool in terms of the following:

- Refinancing the duration of the stock of debt;
- refinancing the fixed to floating ratio of the debt book;
- meeting short-term liquidity requirements; and
- filling gaps in the debt maturity profile.

The UG26 was issued at a total nominal value of R935m at a fixed rate of 11.31% on 09 March 2016, under the DMTN Programme. The unutilised portion of the programme as at the 30 June 2025 is R3 065m.

(b) General banking facilities

UMngeni-uThukela Water has the following committed and uncommitted bank facilities available:

General Banking facility

Group & Parent	
Committed	Uncommitted
R '000	R '000
20 000	30 000

(c) Bank Loans

This method of funding allows uMngeni-uThukela Water to refinance short-term debt into longer-term debt with the view of achieving greater asset/liability matching.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

Interest rate risk

Interest rate profile

Interest rate risk is the risk that changes in interest rates cause a reduction/increase in net profit for uMngeni-uThukela Water. uMngeni-uThukela Water is exposed to interest rate risk as funds are borrowed at both fixed and floating interest rates.

Borrowings issued at floating interest rates exposes uMngeni-uThukela Water to cash flow interest rate risk.

Mitigation approach

The risk is managed by maintaining an appropriate mix between fixed and floating rate borrowings: 70% fixed to 30% floating interest rate profile.

	Group & Parent	
	2025	2024
	%	%
Ratio of fixed to floating interest rate		
Fixed	70 %	95 %
Floating	30 %	5 %

At reporting date the interest rate profile of the group's interest bearing financial instruments is as follows:

	Group & Parent	
	2025	2024
	R '000	R '000
Fixed rate instruments		
Financial assets	4 931 843	5 547 052
Financial liabilities	(992 882)	(1 016 162)
Net position	3 937 961	4 530 890
Variable rate instruments		
Financial assets	2 122 938	1 619 408
Financial liabilities	(45 161)	(58 065)
Net position	2 077 777	1 561 343

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

Interest rate sensitivity analysis

A sensitivity analysis to a change in interest rates has been performed based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date. For floating rate liabilities and investments, the analysis is prepared assuming the amount of liability and investment outstanding at the reporting date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonable possible change in interest rates. The sensitivity analysis assumes that all other variables remain constant and has been prepared on the same basis for the prior year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the group's profit for the year ended 30 June 2025 would decrease/increase by R10.8m (2024: R5.5m)

Price risk

34.4. Accounting classifications and fair values

The following tables show the carrying values and the fair value of financial assets and liabilities, including the fair value hierarchy. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of the fair value.

	Group		Parent	
	2025	2024	2025	2024
	R '000	R '000	R '000	R '000
Carrying Values				
Categories of Financial Instruments				
Non-current financial assets				
Financial assets at amortised cost	92 024	786 189	91 698	785 869
Redemption assets	-	425 424	-	425 424
Money market investments	60 338	329 824	60 338	329 824
Trade and other receivables	31 686	30 941	31 360	30 621
Current financial assets				
Financial assets at amortised cost	9 308 561	7 893 735	9 219 516	7 816 529
Redemption Assets	721 568	-	721 568	-
Money market investments	5 627 833	6 176 824	5 627 833	6 176 824
Trade and other receivables	1 400 310	1 059 065	1 394 405	1 067 330
Cash and cash equivalents	1 558 850	657 846	1 475 710	572 375
Financial Liabilities				
Held at amortised cost	4 158 745	2 580 571	4 173 140	2 567 988
Long and short-term debt	1 072 440	1 107 762	1 072 440	1 107 762
Accounts payable	3 086 305	1 472 809	3 100 700	1 460 226

Except as detailed below, the directors' consider the carrying values of the financial assets and financial liabilities recorded at amortised cost in the financial statements to be a reasonable approximation of their fair values.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

34. Financial Instruments and Risk Management (Continued)

		Group		Parent	
		2025	2024	2025	2024
		R '000	R '000	R '000	R '000
Non-current financial assets - Redemption assets	Level 2	730 963	422 196	730 963	422 196
Long and short-term debt	Level 2	(1 082 791)	(1 125 407)	(1 082 791)	(1 125 407)

Financial instruments not measured at fair value

Financial Instrument	Valuation Technique	Significant unobservable inputs
Non-current financial assets	Discounted cash flow analysis using prices from observable current market transactions for similar instruments.	n/a
Long-term and short term debt	Discounted cash flow analysis using prices from observable current market transactions for similar instruments.	n/a

35. Prior Period Errors

1. Related party disclosure

Included in the related party transactions for prior year were purchases incurred on behalf of the shareholder disclosed as cost of sales amounting to R270 783 000 which were incorrectly classified as related party transactions of the national department. This has been removed.

2. Interest charged to customers included in the credit losses calculation

During the preparation of the annual financial statements, it was identified that an error occurred in the prior period's financial statements for the year ended 30 June 2024. There was a reduction in interest income amounting to R105.9 million due to the correction in the interest income calculation for credit-impaired debtors from using the gross carrying amount to using the net carrying amount (i.e. gross amount less the expected credit loss allowance). Interest income was being incorrectly overstated due to calculation of interest income on credit impaired debtors. The contra impact is within income as the interest income billed was immediately impaired as expected credit loss expense, resulting to nil impact in retained earnings.

3. Statement of cash flow: Additions to PPE and cash generated from operations

The statement of cash flow - cash generated from operations (Increase in accounts payables) incorrectly included movement in capital expenditure which also impacted additions to PPE under the cash used in investing activities. Refer to the table below for corrected movement.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

35. Prior Period Errors (Continued)

The effect of the restatements on those financial statements is summarised below.

Statement of Profit or Loss

Profit or Loss

Decrease in Revenue: Interest income: other
Decrease in Expenses: Expected credit losses

Group		Parent	
2025	2024	2025	2024
R '000	R '000	R '000	R '000
-	105 875	-	105 875
-	(105 875)	-	(105 875)

Statement of cash flows

Cash from operating activities

Cash paid to suppliers and employees

Cash used in investing activities

Group			Parent		
As previously reported	Reclassification	Restated	As previously reported	Reclassification	Restated
2024	2024	2024	2024	2024	2024
R '000	R '000	R '000	R '000	R '000	R '000
(4 127 729)	(311 781)	(4 439 510)	(4 137 274)	(311 781)	(4 449 055)
(4 127 729)	(311 781)	(4 439 510)	(4 137 274)	(311 781)	(4 449 055)
(2 608 396)	311 781	(2 296 615)	(2 602 421)	311 781	(2 290 640)
(2 608 396)	311 781	(2 296 615)	(2 602 421)	311 781	(2 290 640)

36. Events After the Reporting Period

1. Siza Water settlement greement

A debtor (Siza Water) with an outstanding amount reached a conclusion of a settlement agreement with UUW on 10 July 2025 resulting to the adjusting event after reporting period as per IAS 10. The decrease in trade receivables is primarily attributable to the outstanding balance owed by Siza Water being impaired. This agreement resulted to the debt by Siza being written off. Consequently, the associated ECL provision against this receivable was also reversed.

2. Loan agreement between UUW and UWS

The increase in Loan receivable was caused by the loan that was granted to UWS (subsidiary) at below the market interest rate. As per IFRS 9 Para. B5.1.2 ("If an entity originates a loan that bears an offmarket interest rate (e.g. 5 per cent when the market rate for similar loans is 8 per cent), and receives an upfront fee as compensation, the entity recognises the loan at its fair value.") IFRS 9 requires the loan to be recognised using the market interest rate. Although the loan agreement was formally concluded after the reporting period, the substance of the funding relationship between UUW and UWS existed prior to 30 June 2025.

The formal agreement merely documents the pre-existing funding practice and therefore, the signing of the agreement on 1 July 2025 is considered to be confirmation of a condition that existed at the end of the reporting period. As such, in accordance with IAS 10.19, the event was classified as an adjusting event which increased the Loan receivable balance.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

36. Events After the Reporting Period (Continued)

Investment in subsidiary - UWS

The increase in Investment in subsidiary was caused by the capital that was invested in UWS in the form of a loan that was granted to UWS at below the market interest rate. The formal agreement merely documents the pre-existing funding practice and therefore, the signing of the agreement on 1 July 2025 is considered to be confirmation of a condition that existed at the end of the reporting period. As such, in accordance with IAS 10.19, the event was classified as an adjusting event which increased the Investment in Subsidiary balance.

37. Going Concern

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position, it has sufficient liquidity, and that it has adequate access to sufficient borrowing facilities to meet its foreseeable cash requirements. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the financial statements.

38. Remuneration Report

Remuneration Committee

The Human Resources and Remuneration Committee assisted the Board during the year in applying:

- (a) the policy set by the Department of Water and Sanitation for the remuneration of the Board of directors and the Chief Executive (CE); and
- (b) the remuneration policy approved by the Board for the Executives.

Remuneration Structure

The remuneration structure of EXCO comprises of the following components:

- Guaranteed amount:

The guaranteed amount comprises a fixed cash portion and compulsory benefits such as medical aid and retirement that altogether comprise the total cost to company.

- Short term incentive bonus:

The short term incentive bonus rewards the achievement of individual predetermined performance objectives and targets.

- Long term incentive bonus:

The long term incentive bonus is designed to attract, retain and reward the Chief Executive, Executives and Senior Managers at grade level 4 for meeting the organisational objectives set by the Board and the Shareholder.

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

38. Remuneration Report (Continued)

Executive

2025

				2025	2024
Directors' emoluments	R '000	R '000	R '000	R '000	R '000
	Fees for services/ salary	Allowances & Bonuses	Expense allowances	Retirement contributions	Total
Non-Executive Board Members					
Mr. M. Msiwa (Interim Chairperson)	-	-	-	-	377
Ms. H.P. Majosi	-	-	-	-	255
Ms. T.S. Mhlono	760	-	268	-	1 138
Mr. S.W. Mkhize	487	-	151	-	1 245
Mr. J. Ndlovu	-	-	-	-	316
Adv. L. Gopaul	596	-	88	-	1 103
Ms. K.M. Mbonambo	-	-	-	-	442
Adv. B.S. Khuzwayo (Chairperson)	1 320	-	304	-	1 712
Ms. D. Hoorzuk	691	-	170	-	833
Ms. H.B. Mvubu	591	-	178	-	760
Mr. K.S. Shandu	580	-	161	-	1 000
Adv. K.I. Mshengu	542	-	86	-	519
Ms. N.N. Mkhize	747	-	352	-	1 021
Ms. S.K. Masango	279	-	34	-	755
Mr. S.M. Mtolo	627	-	149	-	804
Mr. T. Cornish	618	-	173	-	831
Total Non Executive Board Members	7 838	-	2 114	-	13 111

				2025	2024
	R '000	R '000	R '000	R '000	R '000
	Fees for services/ salary	Allowances & Bonuses	Expense allowances	Retirement contributions	Total
Executive Board Members and Subsidiaries					
Mr SP Mkhize (CE)	3 519	348	2	-	-
DR. S. Manana (ACE)	-	-	-	-	4 022
MR T.S. Mkhwanazi (ACE)	2 382	3 592	2	347	3 622
Total	5 901	3 940	4	347	7 644

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

38. Remuneration Report (Continued)

				2025	2024
	R '000	R '000	R '000	R '000	R '000
	Fees for services/ salary	Allowances & Bonuses	Expense allowances	Retirement contributions	Total
EXCO Members					
DR. S. Manana (ACE)	1 063	13 876	1	-	14 940
Mr. S. Mjwara	2 273	1 044	159	-	3 476
Mr S. Dube	2 100	1 120	2	343	3 565
Ms. N. Makhubu	1 439	941	343	-	2 723
Mr. X.J.Chamane	-	-	-	-	-
Mr. S.B. Mazibuko	2 247	9 031	49	276	11 603
Dr. D. Ntsapokazi	2 120	3 199	172	346	5 837
Mr D.S.D. Madonsela	2 549	1 318	53	-	3 920
Mr N.E. Cele	1 717	6 162	108	242	8 229
Ms. M. Moleko	2 379	1 220	21	-	3 620
Ms. C. Dlulane	-	-	-	-	-
Mr B.S. Ntlthoro	1 848	817	181	237	3 083
Mr P. Maponya	2 618	89	88	-	2 795
Ms. N. Soji	2 175	979	-	-	3 154
Ms. P. Magagula	2 590	126	1	201	2 918
Mr P.Maisiri	-	-	-	-	-
	27 118	39 922	1 178	1 645	69 863
Total	40 857	43 862	3 296	1 992	90 007

Long-term incentive bonus

In terms of the approved Remuneration Strategy, uMngeni-uThukela Water aims to attract and retain talented high performing employees who can contribute technically, operationally and financially at a higher than average level, solving problems for customers and finding solutions that will contribute to the overall profitability of the organisation whilst operating in a safe and responsible manner. As a result remuneration consists of a variable pay portion is made up of Short-term incentives (STIs) and Long-term incentives (LTIs). It is designed to reward performance and productivity based on the achievement of specific annual performance criteria. The qualifying criteria for Variable Pay will always be conditional upon set performance outcomes/criteria and is not guaranteed and will always remain at the Board's discretion.

Performance linked to the long-term incentive is only applicable to the Chief Executives, General Managers, Senior Managers Graded level 4. The available variable pay is calculated on a maximum of 20% of the audited surplus after considering the covenant level for infrastructure sustainability. The available variable pay shall be apportioned with 70%/30% split to reflect the higher risk associated with the Executive team. Therefore, 70% of the available long-term performance bonus will be divided equally between the Chief Executive and Executives and the 30% divided equally between Grade 4 Senior Managers.

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

38. Remuneration Report (Continued)

In terms of the uMngeni-uThukela Water Performance Management Policy, the long-term incentive bonus, based on variable pay, is payable when the following conditions are met:

- The pay-out of the long term performance bonus is calculated in accordance with an AD VALOREM schedule which reflects the cumulative incentive earned up to that point and only a given percentage is applied.
- Should an employee leave employment of uMngeni-uThukela Water before the payout stage, they do not qualify to receive the payout that would have been due if they had stayed.
- In the event that an Executive's contract comes to an end and the employee is not offered a contract renewal, they shall be entitled to receive the full payout due at the end of their 5 year performance contract.

Conditions met were approved by the board in December 2023, as a result the following long term incentive bonuses have accrued to Executives:

Name	Designation	Opening Balance	Accrued/ (Reversed)	Sub-total	Utilised	Total provided
		01 July 2024		30 June 2025	2025	30 June 2025
		R '000	R '000	R '000	R '000	R '000
Mr S. Madonsela	Chief Governance and Compliance Officer	2 495	5 872	8 367	-	8 367
Dr. S. Manana	Executive: Corporate Service	2 288	(2 276)	12	(12)	-
Mr. T. Mkhwanazi	Chief Financial Officer	2 288	3 417	5 705	-	5 705
Mr. S. Mazibuko	Chief Operations Officer	2 098	5 495	7 593	(7 593)	-
Dr. N. Deppa	Executive: Scientific Services	2 098	3 464	5 562	-	5 562
Ms M. Moleko	Chief Officer: Corporative Services	-	5 690	5 690	-	5 690
Mr N. Cele	Executive: Infrastructure Development	1 348	3 700	5 048	(5 048)	-
Ms N. Makhubu	Chief Audit Executive	-	5 690	5 690	-	5 690
Mr P. Maponya	Executive: Operations	-	5 690	5 690	-	5 690
Ms P. Magagula	Chief Procurement Officer	-	5 690	5 690	-	5 690
Mr S. Dube	Executive: Special Projects	5 175	6 066	11 241	-	11 241
Total Executives		17 790	48 498	66 288	(12 653)	53 635
Management						
Mr D. Naidoo	General Manager: North East Region	3 628	3 749	7 377	(7 377)	-
Mr Mbambo	General Manager: South & Central	3 045	4 054	7 099	-	7 099
Mrs N Sikutshwa	General Manager: Strategy Management	3 529	3 747	7 276	(7 276)	-
Ms. N. Soji	General Manager: Technical Services	-	5 690	5 690	-	5 690
Mr. s. Mdunge	Regional Manager: Izintaba Region	1 348	(1 348)	-	-	-
Ms. M.	General Manager: Central Region	1 348	2 370	3 718	-	3 718
Muringwathoho						
Mr BS Ntlhoro	Senior Manager: Scientific Services	-	5 690	5 690	-	5 690
Total Management		12 898	23 952	36 850	(14 653)	22 197
Long - term incentive bonus provided		30 688	72 450	103 138	(27 306)	75 832

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Notes to the Consolidated & Separate Annual Financial Statements (Continued)

38. Remuneration Report (Continued)

Service contract period of executives

Executives	Designation	Date first appointed by the Board	Date last re-appointed	Date due for re-appointment/ Contract terminated
Mr S.P. Mkhize	Chief Executive	01 July 2024	n/a	30 June 2029
Mr. S. Mjwara	General Manager: Special Projects	01 November 2018	n/a	01 November 2023
DR. S. Manana (ACE)	Executive: Corporate Service (Acting Chief Executive)	01 July 2022	n/a	31 December 2024

Executives	Designation	Date first appointed by the Board	Date last re-appointed	Date due for re-appointment/ Contract terminated
Mr S. Dube	General Manager: Special Projects	01 February 2021	n/a	31 January 2026
Ms. N. Makhubu	Chief Audit Executive	01 February 2021	n/a	31 January 2026
Mr. T. Mkhwanazi	Chief Financial Officer	01 February 2022	n/a	31 January 2027
Mr. S.B. Mazibuko	Chief Operations Officer	01 June 2024	n/a	31 May 2029
Dr. D. Ntsapokazi	Executive Scientific Services	01 August 2022	n/a	31 July 2027
Mr D.S.D. Madonsela	Chief Governance and Compliance Officer	01 July 2022	n/a	30 June 2027
Ms. M. Moleko	Chief Officer: Corporate Services	04 July 2022	n/a	30 June 2027
Mr B.S. Ntlthoro	GM Scientific Services	07 April 2008		
Mr P. Maponya	GM Operations and Maintenance	18 January 2021	n/a	17 January 2026
Ms. N. Soji	GM Technical Services	17 October 2022	n/a	31 December 2027
Ms. P. Magagula	Interim CFO	17 January 2023	01 April 2024	31 December 2024
Ms. P. Magagula	Chief Procurement Officer	01 February 2025	n/a	31 January 2030
Mr P. Maponya	Executive: Operations	18 January 2021		17 January 2026
Mr M.E. Cele	Executive Infrastructure Development	01 August 2024		31 July 2029

UMngeni-uThukela Water Executives are also appointed, from time to time, as directors in the wholly owned subsidiaries and Associate firms of uMngeni-uThukela Water. No remuneration was received by the directors from the subsidiaries for the services rendered in the current and prior year. Details of the Directorship are as follows:

Subsidiary non-executive directors (Employed as executive in uMngeni-uThukela water)

Executives	Designation	Date first appointed by the Board	Msinsi Holdings SOC Limited	Umgeni Water Services SOC Limited	Resignation Date
Ms. N. Deppa	Non Executive Director	01 January 2023	✓	n/a	n/a
Mr SP Mkhize was appointed as Chief Executive on the 1 July 2024.					
Ms P Magagula was appointed as Chief Procurement Officer on the 1 February 2025.					
Mr P Maponya was appointed as Executive: Operations on the 2025.					
Mr M.E. Cele was appointed as Executive: Infrastructure Development on 01 August 2024					
Mr S. Dube was appointed as Executive: Special Projects on the 1st of February 2024.					

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Consolidated & Separate Annual Financial Statements for the year ended 30 June 2025

Notes to the Consolidated & Separate Annual Financial Statements (Continued)

39. Loans To Group Companies

	Gross Carrying Amount		Impairment Allowances		Net Carrying Amount	
	2025	2024	2025	2024	2025	2024
At 30 June						
Indebtedness by subsidiaries						
Non-Current						
Umgeni Water Services	141 886	-	(13 500)	-	128 386	-
	141 886	-	(13 500)	-	128 386	-

Nature and Terms of the Loan

Principal Amount: R205 million with R64m classified as investment in subsidiary given the interest rate was at below market rate, refer to Note 17.1.

Effective Date: 1 July 2025.

Interest Rate: 7.33% (based on the budget investment rate for UUW).

Maturity: 10 years with first five years on a capital grace period.

Security: unsecured.

Purpose: To fund operational and capital expenditure of the subsidiary.

Impairment of the loan receivable was assessed using the lifetime ECL calculation given that the subsidiary is in a loss making position and may continue to operate at a loss until 2029.



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