UMGENI WATER · AMANZI

Annual Report 2020/2021

Improving Quality of Life and Enhancing Sustainable Economic Development.

VISION

Global leader in the sustainable provision of water and related services.

MISSION

To create value for our customers through providing innovative, sustainable, effective and affordable water and related services.

Strategic Intent:
Key partner that enables government to deliver effective and efficient water and related services.

Benevolent Intent:
Provide water and related services to impove quality of life and enhance sustainable economic development.

UMGENI WATER'S STRATEGY

Umgeni Water's strategy comprises ten long-term sustainability outcomes. The strategy map illustrates succinctly the manner in which sustainable value is created through integrating ten strategic objectives under four balanced scorecard perspectives in support of the mission and mandate.

CUSTOMER AND STAKEHOLDER PERSPECTIVE

S01
Increase Customers and Services

S02
Increase Customer and Stakeholder Value

FINANCIAL PERSPECTIVE

S03
Improve Financial Systems and Key Financial Ratios

S04
Improve Financial Sustainability and Socio-Economic Development

PROCESS PERSPECTIVE

S05
Improve Governance, Risk and Compliance

S06
Improve Internal Process Efficiency

S07
Improve Service Quality

ORGANISATIONAL CAPACITY PERSPECTIVE

S08
Improve Skills and Competency

S09
Improve the use of Data and Technology

S010
Improve Supply Security and Service Footprint

KWAZULU-NATAL
VOLKSRUST
PONGOLA
AMAJUBA WSA
NEWCASTLE
VRYHEID
NEWCASTLE WSA
ZULULAND WSA
DUNDEE
GLENCOE
ULUNDI
UMZINYATHI WSA
MELMOTH
EMPANGENI
LADYSMITH
KING CETSHWAYO WSA
UTHUKELA WSA
ESHOWE
ESTCOURT
GREYTOWN
MANDENI
aMatigulu
UMGUNGUNDLOVU WSA
uThukela
ILEMBE WSA
uMvoti
HOWICK
OTHONGATHI
PIETERMARITZBURG
MSUNDUZI WSA
ETHEKWINI WSA
uMdloti
DURBAN
RICHMOND
uMgeni
HARRY GWALA WSA
uMlazi
IXOPO
iLovu
SCOTTBURGH
uMkhomazi
UMZINTO
uMzimayi
KOKSTAD
UGU WSA
uMthwalume
HARDING
PORT SHEPSTONE
uMzumbe
uMzimkhulu
MARGATE

UMKHANYAKUDE WSA

UMHLATHUZE WSA

RICHARDS BAY

uMhlathuze

Indian Ocean

Supply Area

KwaZulu-Natal has a total geographical area of 94 359 km² and is home to 11.1 million people and 2.9 million households.

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.

N

0 12.5 25 50 75 100

Kilometres

Legend

UW's Existing Customers

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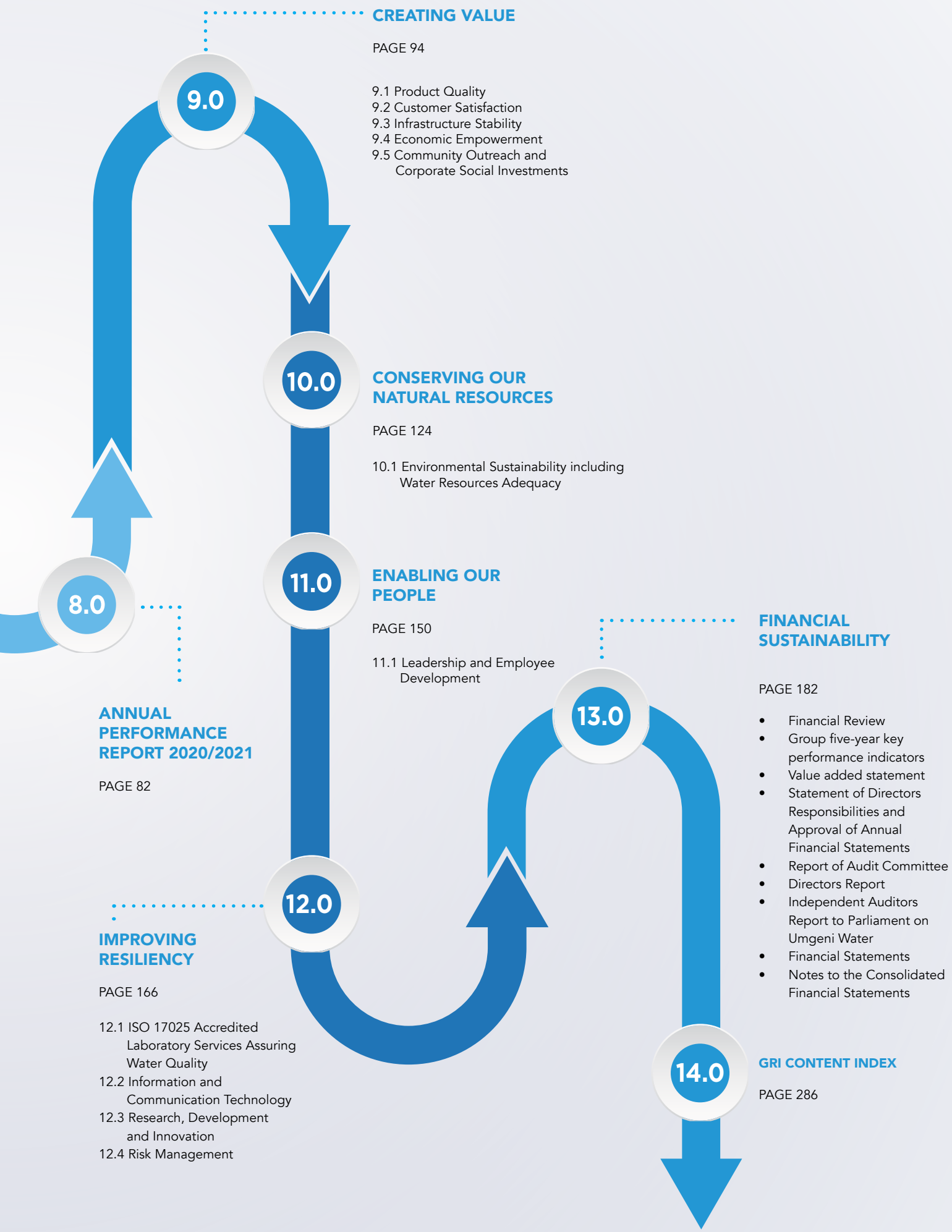

MPOPHOMENI WWTW

01 REPORT PROFILE

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

This report further contains standard disclosures that are in accordance with the Global Reporting Initiative (GRI) Guidelines - fulfilling the GRI Comprehensive criteria.

Information is included in the GRI Content Index, which is at the end of this report. Umgeni Water has prepared annual reports every year since its establishment in 1974. This report covers the 12-month period from 1 July 2020 to 30 June 2021. This report also includes information about the water utility's subsidiaries.

THE ANNUAL REPORT CONTENT IS STRUCTURED TO PROVIDE SUFFICIENT INFORMATION TO ALL STAKEHOLDERS, INCLUDING CUSTOMERS, REGULATORY BODIES, INVESTORS, EMPLOYEES AND CIVIL SOCIETY REGARDING UMGENI WATER'S ANNUAL PERFORMANCE.

The performance content of this Annual Report shows Umgeni Water's progress with meeting predetermined objectives and performance indicators as per its approved Corporate Plan and Shareholder Compact and contains an audited performance scorecard for 2020/2021.

The financial content of the Annual Report contains the audited financial statements for 2020/2021. Over the years, Umgeni 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 Umgeni Water's Internal Audit and the Audit Committee of the Board. In addition, as an SOE, Umgeni 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 Umgeni 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.

LOWER THUKELA WTW

Additional information that concern all aspects of the report and its contents can be obtained from:

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02 ORGANISATIONAL PROFILE

2.1 LEGISLATIVE MANDATE

Umgeni Water is an SOE, established in 1974, to provide water and related services to other water services institutions and other customers in its gazetted service area. The entity operates in accordance with the Water Services Act (Act 108 of 1997) and the Public Finance Management Act (Act 1 of 1999), among others. It is categorised as a National Government Business Enterprise. Umgeni Water reports directly to the Department of Water and Sanitation, 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.

KWAZULU-NATAL IS THE GAZETTED SUPPLY AREA OF UMGENI WATER AND MHLATHUZE WATER, WHICH STRADDLES A TOTAL GEOGRAPHICAL AREA OF 94 359 KM² AND, IS HOME TO 11.1 MILLION PEOPLE AND 2.9M HOUSEHOLDS.

MOOI RIVER, DOWNSTREAM OF SPRING GROVE DAM

2.2 ACTIVITIES OF UMGENI WATER

The primary activities of Umgeni Water, as pronounced in section 29 of the Water Services Act, are 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 Umgeni Water to undertake other activities, provided they do not impact negatively on the entity's ability to perform its primary activity. Which 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;
- Performing water-conservation functions.

Umgeni Water has 100% investment in two subsidiaries, namely Msinsi Holdings and Umgeni Water Services.

2.3 SUPPLY AREA AND CUSTOMERS (SHOWN ON MAP)

KwaZulu-Natal is the gazetted supply area of Umgeni Water and Mhlathuze Water, which straddles a total geographical area of 94 359 km^2 and is home to 11.1 million people and 2.9m households.

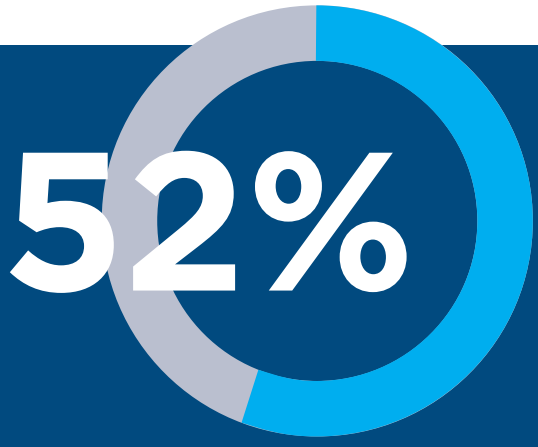
KwaZulu-Natal comprises one Metropolitan Municipality, 10 District Municipalities and 43 Local Municipalities. A total of 14 of these municipalities are Water Services Authorities (direct retail customers) as defined in the Water Services Act.

In the reporting period, Umgeni Water focused on service delivery and largely derived revenues from eight customers:

- eThekwini Metropolitan Municipality;
- iLembe District Municipality;
- Ugu District Municipality;
- Harry Gwala District Municipality;
- uMgungundlovu District Municipality;
- Msunduzi Local Municipality;
- uThukela District Municipality (customer until 30 June 2021);
- King Cetshwayo District Municipality.

Umgeni Water's infrastructure assets in support of its bulk water services business comprises:

- Approximately 930km of pipelines and 53km of tunnels;
- Fifteen impoundments;
- Twenty water treatment works;
- Eleven wastewater treatment works.



Umgeni Water's customers are spread across more than 39% of KZN's geographical area and home to more than 52% households.

2.4 STRUCTURE OF UMGENI WATER

The Umgeni Water Group consists of a parent entity with two small subsidiaries.

The Executive Committee is the top management structure of Umgeni Water Parent, and for the reporting year comprised seven Executives including the Chief Executive, Chief Audit Executive, Chief Financial Officer and Executives for Operations, Infrastructure Development, Scientific Services, and that of Corporate Services. The Chief Executive guides the day-to-day activities 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, Umgeni Water has 100% shareholding in Msinsi Holdings SOC Ltd and Umgeni Water Services SOC Ltd. The latter holds an 18.5% investment in Durban Water Recycling (Pty) Ltd.

The Umgeni Water Group as at 30 June 2021 comprised:

- A head count of 1 355 employees;
- Revenue for the year of R4.5 billion with R1.3bn net surplus generated;
- Balance sheet asset value of R15bn with reserves totalling R11.9bn.

DARVILL WWTW

STRUCTURE OF UMGENI WATER

water & sanitation
Department:
Water and Sanitation
REPUBLIC OF SOUTH AFRICA

MINISTER OF WATER AND SANITATION

UMGENI WATER PARENT

UMGENI WATER SUBSIDIARIES

UMGENI WATER BOARD

Msinsi RESORTS & GAME RESERVES

MSINSI HOLDINGS SOC LTD (100%)

UMGENI WATER SERVICES SOC LTD (100%)

CHIEF EXECUTIVE AND EXECUTIVE COMMITTEE

MSINSI BOARD

DURBAN WATER RECYCLING (PTY) LTD (18.5%)

UMGENI WATER'S STRATEGIC OUTCOMES

01

PRODUCT QUALITY (WATER AND WASTEWATER)

Achieved when Umgeni Water produces potable water and wastewater in full compliance with statutory and reliability requirements and consistent with customer and environmental needs.

WATER RESOURCES ADEQUACY

Achieved when Umgeni Water assesses the scarcity of freshwater resources, investigates sustainable alternatives, manages water abstractions assiduously and has access to stable raw water resources to meet current and future customer needs.

02

03

OPERATIONAL OPTIMISATION

Achieved when Umgeni Water has on-going, timely, cost-effective, reliable and sustainable performance improvements in all facets of its operations, minimises resource use, loss and impacts from day-to-day operations and maintains awareness of information and operational technology developments to anticipate and support timely adoption of improvements.

CUSTOMER SATISFACTION

Achieved when Umgeni Water provides reliable, responsive and affordable services in line with explicit, customer-agreed service levels and receives timely customer feedback to maintain responsiveness to customer needs and emergencies.

04

05

STAKEHOLDER UNDERSTANDING AND SUPPORT

Attained when Umgeni Water engenders understanding and support from statutory, contracted and non-contracted bodies for service levels, tariff structures, operating budgets, capital improvement programmes, risk management decisions and water resources adequacy.

UMGENI WATER'S STRATEGIC OUTCOMES *cont.*

06

FINANCIAL VIABILITY

Achieved when Umgeni Water understands the organisational life-cycle costs and maintains a balance between debt and assets while managing operating expenditures and increasing revenues. In addition, the organisation aims at a sustainable tariff that is consistent with customer expectations, recovers costs and provides for future expansion.

INFRASTRUCTURE STABILITY

Achieved when Umgeni Water understands the condition and costs associated with critical infrastructure assets and maintains and enhances the condition of all assets over the long term. This is done at the lowest possible life-cycle cost and acceptable risk levels, is consistent with customer service and statutory-supported service levels, and consistent with anticipated growth and system reliability goals. The organisation further assures that asset repair, rehabilitation, and replacement efforts are co-ordinated to minimise disruptions and other negative consequences.

07

08

OPERATIONAL RESILIENCE

Achieved when Umgeni Water leadership and staff work together to anticipate and avoid problems and proactively identify, assess, and establish tolerance levels for, and proactively and effectively manages a full range of business risks, consistent with industry trends and system reliability goals.

COMMUNITY & ENVIRONMENTAL SUSTAINABILITY

Achieved when Umgeni Water is explicitly cognisant of and attentive to the impacts it has on current and future community sustainability, supports socio-economic development, and manages its operations, infrastructure, and investments to protect, restore, and enhance the natural environment, while using energy and other natural resources efficiently.

09

10

LEADERSHIP & EMPLOYEE DEVELOPMENT

Achieved when Umgeni Water is a participatory, collaborative organisation dedicated to continual learning and improvement, recruits and retains a workforce that is competent, motivated, and adaptive and works safely, ensures institutional knowledge is retained and improved, provides opportunities for professional and leadership development, and creates an integrated and well co-ordinated senior leadership team.

STRATEGIC STATEMENTS OF UMGENI WATER AND ITS FUNCTIONAL DIVISIONS

UMGENI 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, authorise implementation, manage resources, manage risks and oversee implementation, 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 the government's objectives.

CHIEF EXECUTIVE'S 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.

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.

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

A key partner in the provision of strategic support by enabling a conducive, innovative, transformative and sustainable environment for the organisation to be recognised as a global water brand.

03 MINISTER'S FOREWORD

The National Water and Sanitation Master Plan highlights the top priority issues confronting the water and sanitation sector at this time

MR SENZO MCHUNU, MP
MINISTER OF WATER AND SANITATION

Our mantra, as the Department of Water and Sanitation is: "Water is life. Sanitation is dignity". This is enshrined in the Constitution of the Republic of South Africa in the form of the provisions of proper sanitation as well as access to water, which are basic human rights that need to be realised by the Government working together with all the relevant stakeholders.

This is by no means a small responsibility; it requires all key stakeholders in the sector to work together at maximum effort – now more than ever! The challenges on availability of water services in our communities are well-documented. It has become increasingly difficult to remember a time when our country as a whole was not experiencing some form of drought or water challenges requiring urgent action. The COVID-19 pandemic has further exposed our vulnerabilities when it comes to water and sanitation services. Even in the midst of the pandemic, we are still talking about water restrictions in various areas of South Africa.

The COVID-19 pandemic added another dimension as access to clean water became the first line of defence against the virus. As most of us washed our hands with water, we left the unserved to face the virus bare-handed.

The sector, led by the Department of Water and Sanitation, responded with emergency water and sanitation provision initiatives. These were not designed to provide long-term solutions, hence more permanent and sustainable solutions are still needed.

As we all are aware, our country is facing a water crisis caused by recurrent droughts, driven by climate change and deteriorating water quality. While we cannot tame the climate, we can improve our adaptation measures to ensure the country's water security.

The following are key points that the sector will continue to focus on in order to futureproof our water resources:

- The gap between water supply and water demand continues to increase; We need to work against a situation where water demand exceeds water supply in any of our water management areas;
- A robust water security strategy; Elements of a water security strategy already exist in a number of water sector documents, such as the National Water Security Framework, national policies, regulations, and development plans, but the transition to a water secure country must be a shared effort, measurable, time bound and designed to inform water-related decisions and plans;
- A new sanitation paradigm. Sustained investments in cutting-edge innovative technologies and solutions will revolutionise sanitation; Technologies that can use less water, or no water at all, are the future of our country, the continent and the global community.

The National Water and Sanitation Master Plan highlights the top priority issues confronting the water and sanitation sector at this time and seeks to rally all water sector stakeholders in South Africa to work together in order to ensure that the country gets ahead of the curve in relation to both current and future challenges.

The COVID-19 pandemic has further exposed our vulnerabilities when it comes to water and sanitation services. Even in the midst of the pandemic, we are still talking about water restrictions in various areas of South Africa.

The Master Plan's programme of action focuses on the "3-Is" that are recognised as the core of water security:

- **Institutions** (Water boards, CMAs etc.): The delegation of some of the activities of the Department of Water and Sanitation such as the development and operation of major infrastructure systems, the regulation of the use and protection of water resources, as well as support for municipalities to new specialised organisations;
- **Investment** (infrastructure funding and capital private finance): Infrastructure investment must be guided by our strengthened long-term planning capabilities to unlock economic growth;
- **Information**: Strengthen the information system and networks to be more inclusive, thereby ensuring co-operation of sector institutions and their users. We want to make South Africans more protective and proactive in safeguarding water security. Water should be everyone's business.

Transformation is another key component of the Master Plan. The water sector has, over the past 20 years, struggled to deliver on its mandate for water allocation reform, or the reallocation of water to black water users. This, along with land reform, remains a major challenge facing the country, and one that must be addressed.

The Department of Water and Sanitation and water boards are responsible for the planning and delivery of bulk water services to municipalities, which in turn have been mandated by legislation to reticulate and deliver basic services to communities. This model continued to experience challenges in the past year. The reform in the laws that govern water in South Africa remain critical in addressing these challenges.

Umgeni Water is to be commended on the quality of water delivered to municipalities and progress made with bulk water infrastructure developments, for both economic growth and increasing access to rural areas. The entity continued with its efforts to provide access to water services to the communities and citizens that were previously unserved through infrastructure development, despite the challenges in the operating environment. Umgeni Water made good progress in the past year and has steadily moved forward in its strategic infrastructure projects, in order to increase the water footprint in an equitable and sustainable manner.

Water supply security is crucial for the region as we deal with a future that needs water resources that are more resilient to erratic weather patterns. The Department compliments Umgeni Water in its bulk supply projects through national water resource developments initiatives.

Key water resources projects of relevance that are currently under way include the raising of the Hazelmere Dam wall and detailed feasibility for the uMkhomazi Water Project, a critical project for the long-term needs of the economic hub of the Province of KwaZulu-Natal. Water resource development is an important solution to close the water gap projected for South Africa between supply and demand, and the Department will continue to forge partnerships in this regard. Pollution by sewage and trade effluent remains a big problem in our catchments countrywide. During this reporting period, Umgeni Water

IMVUTSHANE DAM

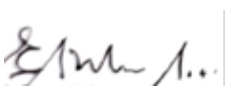
completed the construction of the Trust Feeds Wastewater Treatment Works. The upgrade of the Darvill Wastewater Treatment Works and the construction of the Mpophomeni Wastewater Treatment Works continued to gather pace. All three wastewater treatments works are located within the Umgeni catchment.

When complete, the upgraded Wastewater Treatment Works will sustainably serve the Msunduzi Local Municipality and uMgungundlovu District Municipality respectively as part of a strategy to ensure there is sustainable bulk sanitation into the future, whilst ensuring integrity of the water value chain.

Water and sanitation serve as an important means of uniting South Africa through alleviating poverty, fuelling economic development and creating employment. Umgeni Water has contributed to job creation and economic transformation during this reporting period, through its successful capital infrastructure development programme and implementation of several other programmes that are developing young professionals and women employees.

Umgeni Water as a state-owned entity remains responsive to the Developmental Agenda of the Republic, while maintaining principles of good leadership and ensuring economic transformation, service delivery excellence and financial sustainability.

The entity's Executive Management, guided by the Board, implemented the strategy successfully and ensured that Umgeni Water significantly met its performance and financial targets for the year. Umgeni Water personnel are to be commended for the competent, steadfast and resilient manner in which they serve the entity to achieve these results. In the coming period, I commit myself and the Department to continue to provide the necessary shareholder support and political guidance to Umgeni Water and the entire water sector.



MR SENZO MCHUNU, MP
MINISTER WATER AND SANITATION
Date: 01 March 2022

2021 HAS BEEN DECLARED THE YEAR OF CHARLOTTE MAXEKE

Charlotte Maxeke

7 APRIL 1874 - 16 OCTOBER 1939

Charlotte Makgomo Maxeke was a South African religious leader, social and political activist; she was the first Black woman to graduate with a university degree in South Africa with a BSc from Wilberforce University, Ohio in 1903, as well as the first black African woman to graduate from an American university.

“This work is not for yourselves- kill that spirit of self and do not live above your people but live with them. If you can rise, bring someone with you”.

- Charlotte Makgomo Maxeke

04 CHAIRPERSON'S REPORT

The Board of Umgeni Water is looking forward to working with the Minister and the two Deputy Ministers of Water and Sanitation as we jointly navigate the way into a future where the groundwork is being done for every household in KwaZulu-Natal to have convenient access to safe drinking water.

MS ZIPHOZETHU MATHENJWA
CHAIRPERSON: BOARD OF
UMGENI WATER

After perusing the contents of this Annual Report in my capacity as Accounting Authority, I am satisfied that the information stipulations of the Public Finance Management Act (1999) and the Water Services Act (1997) have been met. A further legislative prerequisite, Chapter 44 of the Water Services Act, for content of an Annual Report is that the report on activities must be accessible to the public. This will be met in the weeks ahead when presentations on annual performance results are done at sessions attended by stakeholders, including the media and civil society formations.

Overview and Institutional Changes: 2020 - 2021

Warm greetings from the Board of Umgeni Water. It is my pleasure to present this review of Umgeni Water's performance and observations of the trading and operating environments following completion of the financial year 2020-2021. Before commencement of assessment of performance in the period under review, it is appropriate to extend a warm welcome to the Minister of Water and Sanitation, Mr Senzo Mchunu, MP, and the Deputy Minister of Water and Sanitation, Ms Dikeledi Magadzi, MP, to the family of water sector institutions. It was also noted in President Cyril Ramaphosa's announcement on changes to the National Cabinet that Human Settlements and Water and Sanitation have been separated as stand-alone Ministries.

The Board of Umgeni Water is looking forward to working with the Minister and the two Deputy Ministers of Water and Sanitation as we jointly navigate the way into a future where the groundwork is being done for every household in KwaZulu-Natal to have convenient access to safe drinking water.

Minister Mchunu is familiar with the Province of KwaZulu-Natal and with the multitude of challenges created by inequity in basic service provision. He first served in the Provincial Government as MEC for Education and later, from 2013 to 2016, as Premier, key positions that brought him to the forefront of implementation of our Government's developmental apexes. The Board of Umgeni Water is convinced the work that began under the watch of his predecessor, Minister Lindiwe Sisulu, MP, to improve the lives of people through extension of water services and provision of proper sanitation will continue at a similar momentum. Umgeni Water is available to assist and collaborate with Minister Mchunu's administration in rolling out its strategic priorities for the year ahead and beyond.

As the financial year began on 1 July 2020, South Africa was at alert level 3 of the lockdown that was declared in terms of the Disaster Management Act. At this level, the spread of the COVID-19 for consistency was considered moderate and many stringent restrictions had been removed, barring the curfew hours of 22h00 – 04h00; 21h00 closure of entertainment establishments and limitations on number of people allowed at indoor and outdoor gatherings. When Umgeni Water's financial year ended on 30 June 2021, the rate of infection from the coronavirus was considered moderate to high, prompting re-introduction of alert level 4 of the lockdown. Although challenging, Umgeni Water continued to deliver on its mandate under these restrictions which, it must be pointed out, were necessary. The long-term economic and financial devastation created by COVID-19 has been firmly embedded in almost every facet of life, as we had known it.

While some countries are slowly extricating themselves from economic calamity, others are still struggling and likely to remain in this state for many years before any positive results are seen.

Umgeni Water's operating environment remains in a fragile state, a situation that developed at least 12 months preceding the financial year under review. This predicament was the consequence of worsening economic conditions, brought on initially by a recession and later by the rapid spread of COVID-19. Employers and employees alike have been seriously affected through loss of production and productivity and accompanying retrenchments.

Civil Unrest: Its Impact

The widespread destruction of buildings and theft from them during the civil unrest of July 2021 in KwaZulu-Natal and Gauteng have exacerbated the already serious problem of unemployment and created additional financial burden for the affected businesses. Umgeni Water's infrastructure is well secured and fortunately, there was no damage to it during the upheaval that prevailed. Analysis done by economists suggest that there was no market panic during this period, in part because South Africa is considered an emerging market and uncertainty is already factored into risk assessments. This comes as a relief because foreign finance houses are vital sources of funding for major infrastructure projects.

Municipalities across South Africa, including the customers of Umgeni Water, are battling the effects of reduced revenue collection in the wake of a record 36% official unemployment rate and worsening levels of inequality and poverty. To their credit, many customers of Umgeni Water are constantly looking at new and innovative ways of improving revenue collection, and have often requested Umgeni Water's input. The current state of matters is evidenced in extended periods that are required by customers to make payment. Umgeni Water's debtor days for some customers have increased over the past few years due to cash flow challenges. At this stage, at least four of Umgeni Water's eight customers (now seven after the contract with uThukela District Municipality was terminated by mutual agreement due to escalating debt) have been able to fulfil their financial obligations to Umgeni Water within the agreed payment period.

Second-guessing the impact of this will be a pointless exercise because delayed payment inevitably leads to future cash flow constraints, and Umgeni Water has already identified this as a risk and is working hard at reducing its impact through appropriate mitigation measures. All pronounced measures will continue to be taken, in line with organisational business continuity programmes, to protect the entity's core business from negative external factors and the consequence of natural disasters.

KEY PERFORMANCE OUTCOMES: 2020 – 2021

The following are highlighted to illustrate the strategic value Umgeni Water brings to its Shareholder, the Provincial Government of KwaZulu-Natal, customers and the population of KwaZulu-Natal. The Acting Chief Executive's review elsewhere in this Annual Report deals in detail with other achievements.

1. Umgeni Water's commitments, as contained in various contractual documents and the Shareholder Compact, were fulfilled again, steering the organisation again on the path of sustained positive financial performance and growth. Other significant outcomes were on-going implementation of infrastructure to meet present and future demands and compliance with potable water quality standards as prescribed by South African National Standards (SANS) 241: 2015.

2. In the financial year under review, revenue grew by 9%. This is a vote of confidence in the product that is purified and supplied from Umgeni Water's treatment plants. Despite a zero percent increase in the tariff for potable water, Umgeni Water was able to record a profit of R1.28 billion. Prudent cost containment, reduced interest payment and reprioritisation of some projects contributed to the financial position, together with increase in volume sales. The trend over the past five financial years points to an upward trajectory in sales, which is a strong indicator of increase in demand and consumption.

3. By the end of June 2021, investments totalling R825 million were made in construction of new projects and maintenance and upgrade of infrastructure. The cumulative outcome of this was job creation, empowerment of Black-owned and women-owned business enterprises and provision of vital support to local economies through procurement of goods and services. This investment will assist in enhancing security of water supply and enable many more households to receive a reliable supply of good quality drinking water, some for the first time. Expenditure of this nature was made possible through the strong financial position of the organisation and its good standing among investors and lenders, who are keen to fund various projects. The five-year infrastructure budget of Umgeni Water, currently estimated at approximately R12.9 billion, will require investor and lender support to enable implementation of some vital projects.

4. Progress continues to be made with four key projects, namely the uMkhomazi Water Project; the Lower uMkhomazi Bulk Water Supply Scheme; additional phases of the uMshwathi Regional Bulk Water Supply Scheme and the Greater Mpofana Bulk Water Supply Scheme. The uMkhomazi Water Project, when completed, will serve eThekwini Metropolitan Municipality's Western Aqueduct, thereby unlocking development in the Outer West region. The Lower uMkhomazi Bulk Water Supply Scheme will serve parts of the eThekwini and Ugu regions, from Amanzimtoti to Hibberdene. The other two projects – uMshwathi Regional Bulk Water Supply Scheme and the Greater Mpofana Bulk Water Supply Scheme – will serve peri-urban and rural communities within iLembe and uMgungundlovu respectively.

5. The organisation continued to fulfil its pledge to share information with its stakeholders in a transparent manner. In this regard, the proposed bulk potable water tariff for FY 2021/22 was presented to customers and other stakeholders. In addition, engagements took place separately with all customers on strategically important matters, among them the status of water resources, infrastructure projects for development to support their reticulation systems and an on-going, and now serious, problem relating to encroachment onto servitudes that house bulk raw and potable water infrastructure.

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High-profile dignitaries, including the then-Minister of Human Settlements, Water and Sanitation Ms Lindiwe Sisulu, the Premier of KwaZulu-Natal Mr Sihle Zikalala and the MEC for Economic Development, Tourism and Environmental Affairs Mr Ravi Pillay, participated in a public function held to officially commission the first three phases of the uMshwathi Regional Bulk Water Supply Scheme. This project was implemented by Umgeni Water and co-funded by the Department of Water and Sanitation to supply potable water to areas within the uMshwathi Local Municipality.

7

Training and development of new skills were major focus areas during the year under review, in line with the employer's pledge to create opportunities for staff to become multi-skilled so that they would be able to compete on an even keel for work opportunities that may become available within the organisation. Training and development opportunities were available for graduates through programmes with National Treasury and tertiary institutions.

Matters of Contention and Challenges: 2020/2021

The year under review also produced some onerous developments, one of which was the subject of mediation by the KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs (CoGTA) over outstanding debt of a customer, the uThukela District Municipality. In the reporting period, there were two focus areas of this intervention:

(1) Development of a payment plan by the uThukela District Municipality in order for Umgeni Water recoup debt that has been accumulating for provision of potable water and allied services since commencement of a contract.

(2) Development of an agreement that will finalise the transfer of staff back to the uThukela District Municipality. The staff are based at three plants that were operated by Umgeni Water until 30 June 2021, namely Ezakheni, Tugela Estate and Olifantskop Water Treatment Works. The staff were transferred to Umgeni Water when it began operating these schemes. This agreement must comply with Section 197 of Labour Relations Act that protects and maintains employees' rights and same benefits when transfer to another employer occurs.

As a matter of context, on 27 November 2017 Umgeni Water and uThukela District Municipality signed a 20-year bulk supply agreement for Umgeni Water to manage, operate and maintain 14 secondary bulk plants. However, due to the municipality's financial constraints and some operational reasons, Umgeni Water began operating, maintaining and managing only three schemes from October 2018.

Since inception of contracted service provision by Umgeni Water, payment had been erratic and not to the full agreed amounts. Following protracted negotiations between Umgeni Water and the uThukela District Municipality, a court case initiated by the municipality and mediation by CoGTA, it was recommended by CoGTA that the Bulk Supply Agreement be discontinued. In view of the escalating overdue debt and associated risks to Umgeni Water, the Board of Umgeni Water endorsed the CoGTA recommendation. It was also accepted by uThukela District Municipality.

Umgeni Water has since withdrawn as bulk water services provider to uThukela District Municipality. An accompanying contract for Umgeni Water's use of assets for provision of bulk water services has also been terminated. Once a payment plan has been accepted by Umgeni Water and formalities and compliance with legislation pertaining to staff transfer have been completed, the process for formal termination of the supplier-client agreement will be initiated.

Zero percent increase on the bulk potable water tariff for FY 2020/2021 meant that budgets had to be adjusted and some capital expenditure projects reprioritised as revenues that were projected to be derived from the tariff for which an application had been made were no longer realisable. Some customers expressed frustration or unhappiness over the decision to repriortise projects that were planned to support their reticulation systems. The changed revenue position that was created by no-increase on the tariff contributed to this situation.

The Operating Environment: Economic, Political and Social Perspectives

The mandate, core business and day-to-day activities of Umgeni Water are aligned to the programmes of Government. Performance results contained in this Annual Report are deliverables identified in the organisation's Five-Year Corporate Plan and in the Shareholder Compact it has signed with the Minister of Water and Sanitation. Therefore, the work Umgeni Water undertakes supports the developmental agenda of the Government and various programmes that are focused on extending or improving service delivery. Which includes:

- The Medium-Term Strategic Framework (MTSF: 2019/24) or implementation plan towards achieving priorities of the National Development Plan 2030;
- MTSF outcomes pertaining to health, economic growth and employment, skills development and infrastructure provision. Umgeni Water makes a contribution to these outcomes in numerous ways;
- Socio-economic development, water and water sector-related priorities of Government;
- National Water Resources Strategy (NWRS), and
- National Water Resources and Sanitation Master Plan

Transformation, underpinned by the National Development Plan, has been set as a priority for the next decade; this is welcomed as added momentum will be given to the roll out of a massive infrastructure development programme that aims to be labour intensive. Government recognition of job creation as a priority focus area must be supported by all sectors of the economy because this is the only hope for reducing the high level of unemployment. It is common knowledge that when large numbers of people do not have jobs and are living in poverty, this creates a situation of desperation that is often manifested in a multitude of social problems. Umgeni Water, for its part, will continue to contribute to job creation and Black Economic Empowerment, women economic empowerment and empowerment of marginalised groups that are ready to participate in the mainstream economy. Where and when possible, opportunities will be created and major corporates that do business with Umgeni Water will be constantly reminded of the role they can play in transformation of the economy through acceptance of progressive initiatives, such as Contract Participation Goals.

The financial year 2020/2021 had been a particularly challenging one as COVID-19 continued to ravage economies, leaving large numbers of people in need of financial assistance. In South Africa, the high level of dependency on State grants became evident in long queues for social relief distress payments. A consequence of poverty of this magnitude undoubtedly translates into failure to meet payment commitments to municipalities and, in turn, municipalities' difficulty in being able to pay in time for bulk services received.

The current situation of a shrinking job market and the possibility of this extending into the future require a serious relook at existing payment models for basic services and if or how they can be adapted to changed circumstances.

In the past year, South Africa's economy contracted by an estimated 7.2%, which meant that fewer companies were in business and fewer people were in employment compared to the previous year. E-Commerce companies, on the contrary, bucked the trend and showed good growth. The impact of the prevailing health emergency is well documented and certainly an important case study from which lessons can be learnt. Collectively, South Africans should salute the men and women in the frontline of health services provision who braved the onslaught of the virus to care for the ill, often at a cost to their health or lives. South Africa has had its share of havoc and hardship. It is to the country's benefit that it is dealing with this situation in a mature manner and appears to be largely in unison that the rate of vaccination has to be accelerated in order to create a protective shield.

There is some encouraging news from the South African Reserve Bank and the National Treasury on the economic outlook. However, realisation of it is dependent on how quickly structural reforms are resuscitated in order to move to a higher growth path. They project that while the economy will remain weak, growth of between 1.2% and 2.4% over the next three years is achievable, subject to economic structural changes and attainment of immunity against COVID-19.

It is clear that attainment of these projections is collectively in the hands of all South Africans; this means that how the Government responds to renewed calls for structural changes and how quickly the populace responds to constant calls and reminders to receive the COVID-19 vaccine will determine the path the country will take in the near future.

The upside in the current situation is that despite views to the contrary, the centre of the economy and governance is still holding. This is underlined by the fact that there are credible institutions that support current and future growth and good governance initiatives, including the South African Reserve Bank, South African Revenue Service and the Auditor-General.

The developmental and economic stimulus priorities of the Government have been given added impetus by Operation Vulindlela, an exciting initiative from the Presidency that has a strong message aimed at kick-starting stalled reforms in the public sector. A priority area of Operation Vulindlela is the water sector because of its potential high impact on economic growth. Others are electricity, digital communications and freight transport.

The following are some of the targeted areas that will be addressed in order to ensure sustainable water supply to meet demands resulting from increased economic activity and extension of service provision to un-served communities:

- Improvement in water licensing processes to ensure that licences are issued within 90 days;
- Revival of the Blue Drop and Green Drop water quality monitoring programmes;
- Establishment of an independent economic regulator for water;
- Finalisation and implementation of the revised raw water pricing strategy;
- Establishment of a water resources infrastructure agency, and;
- Eradication of institutional inefficiencies in municipal water and sanitation services.

All of these objectives have direct relevance to Umgeni Water and will be supported fully by the Board so that long-awaited reforms in the sector are realised and lead to streamlining of processes. In respect of institutional arrangements relating to municipal provision of water services, Umgeni Water has long held the view that management and operation of secondary bulk should be done by water boards, thereby freeing up resources and time for municipalities to plough into enhancement of reticulation services.

The National Treasury, in a separate study, warns that South Africa's economic trajectory will not be sustainable in the absence of effective and urgent interventions that are required. These interventions include modernising network industries and development of labour-intensive projects. State-owned entities, including Umgeni Water, have a crucial role in the success of these interventions. Water is crucial to economic growth and to economic transformation. It is for this reason that strategic projects, among them the uMkhomazi Water Project, have to be implemented without further delay.

Corporate Governance: Board Performance and Ratings: 2020/2021

In August 2020 the then-Minister of Human Settlements, Water and Sanitation (now Water and Sanitation) dissolved the Board that was appointed by her predecessor in May 2019 and appointed an Interim Board as an Accounting Authority. This decision was taken due to non-conformance with protocols pertaining to Cabinet ratification of appointments to Boards of State-owned entities.

In the period under review, Board and Board Committees' meetings were held in accordance with the organisational Business Cycle and well attended. (Full details are provided in the Corporate Governance chapter of this Annual Report). The Board continued to fulfil its commitments as the Accounting Authority and provided leadership and strategic direction in various focus areas. The permanent Board that was disbanded has since resumed office following a ruling to this effect by the High Court, Pietermaritzburg, acceptance of this decision by the Minster of Water and Sanitation and ratification by Cabinet.

As a significant outcome in the financial year under review, Umgeni Water again received an unqualified audit opinion from the Auditor-General. There was adherence to corporate governance requirements, including compliance with the Water Services Act (Act 108 of 1997), internal policies and King IV Code of Governance Principles. Umgeni Water's commitments as per Bulk Supply Agreements with its customers were met through consistent provision of safe drinking water without protracted supply failures occurring. Commissioning of some infrastructure enhanced assurance of supply or made it possible for municipalities to extend water services to formerly un-served or under-served areas.

Two Ministerial directives have been received by Umgeni Water from the Office of the Minister of Water and Sanitation, one for implementation and funding of the Ncwabeni Dam in the Ugu District and the other for implementation and funding of the Stephen Dlamini Dam in the Harry Gwala District on behalf of the Department of Water and Sanitation.

The Ncwabeni Dam will be an off-channel storage facility that will be constructed inland of Port Shepstone. It has been planned to bring relief from water shortages in the Lower South Coast, including Hibberdene, Port Shepstone, Margate and surrounding rural communities. The Board visited the site of this dam in the company of the political leadership of the Ugu District Municipality. The political leadership of this municipality is enthusiastic about the project and want it to go ahead. The Stephen Dlamini Dam will be part of the Greater Bulwer Scheme and constructed upstream of the proposed Smithfield Dam. Discussions with the political leadership of the Harry Gwala District Municipality have brought to the fore some resistance to Umgeni Water implementing this project, although no reasons were given. In the present situation the matter has become complex and Umgeni Water continues to work hard to reach agreement with the customer.

Umgeni Water's position on the matter is that in the absence of formal withdrawal of the Ministerial directives, it has an obligation to implement them. In this regard, preparations have begun for implementation of the projects.

A question that was asked by stakeholders in the financial and investment sectors during engagements is whether progress has been made towards the appointment of a permanent Board and a permanent Chief Executive. (During this review period the Board was dissolved and replaced by an Interim Board by the then-Minister of Human Settlements, Water and Sanitation and the Chief Executive resigned and an Acting Chief Executive appointed by the Interim Board. The disbanded Board has been re-instated following the High Court ruling and progress has been made towards appointment of a Chief Executive).

The appointment of Boards for water sector institutions is made by the Minister of Water and Sanitation in terms of the Water Services Act 108 of 1997. Due processes that precede and follow Board appointments are handled and managed by the Ministry of Water and Sanitation.

At interactions with stakeholders, there were numerous questions about an independent forensic investigation that was commissioned by the Board. This investigation was in response to litigation in High Courts by unsuccessful tenderers over some contracts that were awarded. Litigation is time consuming, costly and results in some vital projects being delayed. This matter was dealt with extensively in at least two communiques that were issued to stakeholders and released through media platforms. The statements issued provided reasons and context for the forensic investigation. The matter has reached a stage now where it is imperative to share some new information.

Following submission of the forensic investigation report, some gaps in supply chain management processes were identified and appropriate corrective measures implemented or are at an advanced stage of implementation.

An external legal team was appointed through Umgeni Water's supply chain processes to advise the Board on further action including, in instances where required, consequence management, disciplinary action or referral of suspected illegal actions or activities to law enforcement agencies for investigation. Good progress has been made in this area.

While on legal matters, the Board is perturbed by what appears to be an increasing tendency to take disputes to court. In addition to the High Court matters that informed the decision to commission an independent forensic investigation, there are at least three others before High Courts at various stages of proceedings and some have been completed. While it remains an individual's or company's right to institute legal action if aggrieved, it must be remembered that a dispute could remain in court for several years before finality is reached. This means that the subject of a dispute is on hold for the duration of the court case while costs mount for all parties. The question that has to be asked is whether all appeal processes and dispute resolution mechanisms were thoroughly exhausted before a decision was made to serve legal papers.

Accolades and Achievements

Umgeni Water had a crucial role in a water summit that was organised under the aegis of the District Development Model and held in iLembe District Municipality. Water challenges being experienced in the iLembe District, including backlogs and supply interruptions, formed the focus of discussions at this meeting. The political leaderships of iLembe District Municipality, Ndwedwe, Maphumulo and KwaDukuza Local Municipalities, as well as civil society formations, participated to try to find cost-effective solutions to identified challenges.

The keynote address was presented by the Mayor of iLembe, Cllr Siduduzo Gumede, who spoke about the importance of eradicating backlogs within the District and the need to improve service delivery. Frequent water supply interruptions caused by infrastructure failure has resulted in the municipality having to use water tankers to deliver water to some communities. Umgeni Water has made significant investments in the District, including the Lower Thukela Bulk Water Supply Scheme and upgrades to infrastructure in Ndwedwe. There will be additional investment of approximately R1 billion in three new phases of the uMshwathi Regional Bulk Water Supply Scheme that will supply water to parts of Ndwedwe and

later to Maphumulo. It is projected that approximately 210 000 people will ultimately receive water from the new phases.

A presentation by Umgeni Water dealt extensively with progress with projects being implemented for Ndwedwe, future water security plans for Maphumulo and mitigation measures that have been implemented to deal with operational challenges. The audience was satisfied with the plan that was presented by Umgeni Water to improve current and future water supply assurance. There was also acknowledgement of the support provided by Umgeni Water to the Water Services Authority to reduce the extent of water supply interruptions, which has led to numerous community-driven protests. The water summit served to quell community concerns through sharing of information related to projects.

Strategic Priorities in the Year Ahead

The change in Executive Authority of Umgeni Water and creation of a separate Water and Sanitation Ministry and Department hold exciting prospects for the future of the industry. Minister Mchunu is committed to excellence in service provision and to sustainable organisations that support Government developmental initiatives. In this regard, the Government has 10 priority areas that are being implemented to achieve a much-needed economic turnaround.

In the year ahead, there will be many opportunities for the public and private sectors to forge closer ties with the Government in order to fast track positive outcomes from these priorities. Umgeni Water foresees that it will collaborate with various forums to develop additional strategies that will support and give impetus to the economic turnaround priorities.

Key priority areas for Umgeni Water in the near future will be to address, in conjunction with agencies of State and civil society formations, the issue of encroachment onto bulk potable and raw water infrastructure, vandalism of water infrastructure and illegal sand mining at some dams that is affecting raw water quality. In this regard, outreach initiatives will be held with community organisations to obtain their assistance in creating awareness of the impact of these increasing problems on security of water supply and on personal safety where informal dwellings have been built on pipelines. Assistance of the public is vital to preventing proliferation, particularly of servitude encroachment and infrastructure vandalism.

Opportunities for engagement with all major stakeholders in national, provincial and local governments are now immense and this will be followed through in an effort to identify new areas for co-operation, partnerships and support. At national level, interactions will continue with the Department of Water and Sanitation on the subject of provision of additional grant funding for rural development projects that will support the Universal Access Plan.

Post the 1 November 2021 local government elections, environmental scanning has been completed to determine the composition of the municipal landscape. Umgeni Water will use information sourced from this process to entrench ties with its existing municipal customers and establish ties with new Councillors and Mayors. A key strategic priority of the organisation is to create links with all municipalities in KwaZulu-Natal that provide water services. There are many challenges related to water services and Umgeni Water is able to support Water Services Authorities that want to enhance delivery.

There will be two focus areas for interaction with Water Services Authorities:

- Sharing of details and data on the Universal Access Plan, developed by Umgeni Water, CoGTA and the Department of Water and Sanitation, as a road map for water services provision to all citizens of KwaZulu-Natal, and;
- Sharing of details about Umgeni Water's reviewed growth and expansion strategy.

These interactions will allow the organisation to identify new markets and products that may be required.

A natural outcome of the District Development Model (DDM) is collaboration and partnerships across all spheres of Government as this concept is premised on the need to integrate and streamline service delivery at municipal level to bring it in line with the priorities of Government. Umgeni Water will have a role in the efficient implementation of the DDM because it is already integral to the service delivery value chain.

Words that still have relevance, 60 years on.

Finally, in the crowded programme and rapid tempo of 2020/2021, South Africa collectively appears to have reduced focus on a significant historical event, which set the foundation for the democracy that was attained through a relentless struggle. The year 2021 marked the 60th anniversary for presentation of the Nobel Peace Prize to

the former President of the African National Congress, Inkosi Albert John Mvumbi Luthuli. He became a laureate of this prestigious award for advocating non-violent resistance to racial discrimination in South Africa.

Inkosi Luthuli was an inspiration and a role model for millions of South Africans and known for his humility. The sacrifices he made as an advocate for freedom and peaceful transition from apartheid to a new political order and for the rights of workers are mirrored in South Africa's Constitution and democracy.

He said at his acceptance speech on 10 December 1961 in Oslo, Norway, a year after the Sharpeville massacre:

"It is an honour for the peace-loving people of the entire world and an encouragement for us all to redouble our efforts in this struggle for peace and friendship, or indeed we do need in this world of ours at the present moment peace and friendship. These are becoming very rare commodities in the world. For my part, I am deeply conscious of the added responsibility that this award entails. I have the feeling that I have been made answerable for the future of the people of South Africa, for if there is no peace for the majority of them, there is no peace for any one. As I said, it is idle to speak of peace anywhere where there are people still suffering under oppression."

Apt words at a time when the Government of day and police used brutality to maintain forced racial segregation and to suppress legitimate political activity. Yet they remain relevant 60 years later, as parts of the world lurch from national disasters, to crises, to forced seizure of power and to hatred on a scale in many parts of the Western world not seen before.

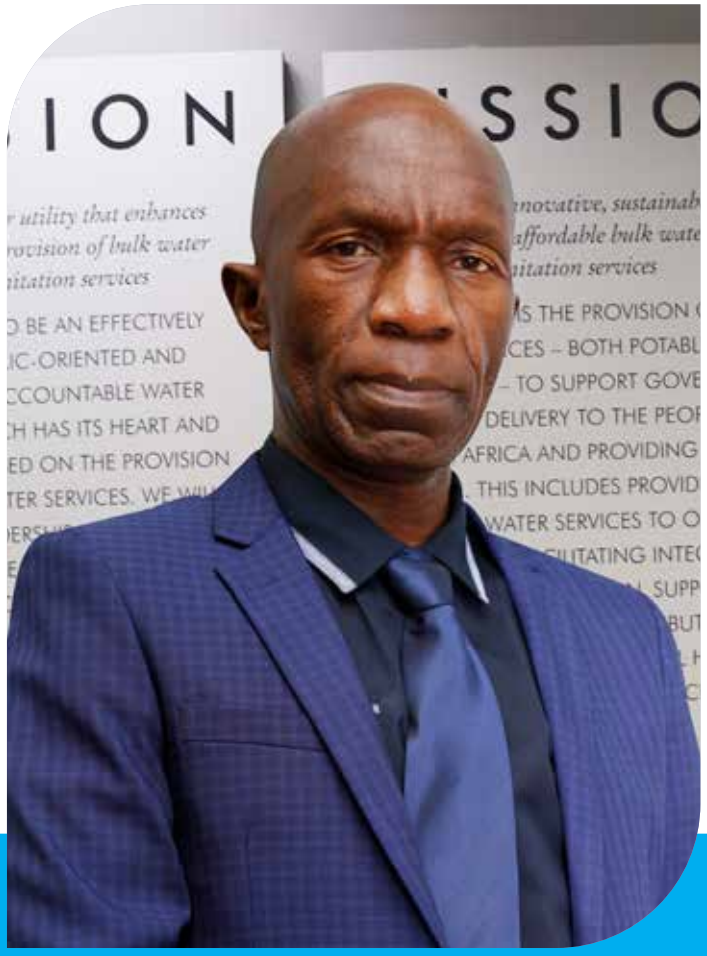
Acknowledgements

It is with a sense of appreciation the following stakeholders are acknowledged:

- The Minister of Water and Sanitation, Mr Senzo Mchunu, for his leadership of the water sector;
- The former Minister of Human Settlements, Water and Sanitation (now Minister of Tourism), Ms Lindiwe Sisulu, for her erstwhile leadership of the water sector;
- Deputy Ministers of Water and Sanitation Mr David Mahlobo and Ms Dikeledi Magadzi, for their leadership of the water sector;
- The Premier of KwaZulu-Natal, Mr Sihle Zikalala, and MECs of the KwaZulu-Natal Provincial Government for their constructive and valuable engagement with Umgeni Water;
- The Portfolio Committee on Water and Sanitation for oversight and direction;
- The Department of Water and Sanitation for support, oversight and direction;
- Umgeni Water's customers: eThekwini Metropolitan Municipality; iLembe, Ugu, Harry Gwala, uMgungundlovu and King Cetshwayo District Municipalities, and Msunduzi Local Municipality for their support and collaborative engagements;
- Investors and financial institutions for their vote of confidence in the financial sustainability of Umgeni Water and for their willingness to open discussions on funding and on matters that are aimed at promoting good governance;
- The former Board of Umgeni Water for its interim role in governance oversight;
- The current Board of Umgeni Water for its contribution to the strategic focus and direction of Umgeni Water, and
- Umgeni Water Management and employees for the manner in which the organisation's strategies were executed in the year and for their dedication and hard work in realising these results.

MS ZIPHOZETHU MATHENJWA
CHAIRPERSON: BOARD OF UMGENI WATER
Date: 19 January 2022

05 CHIEF EXECUTIVE'S REPORT



Customers are kept informed of progress on all interventions. Umgeni Water continues to engage regularly with its customers in line with service level agreements.

MR MBONISENI DLAMINI
ACTING CHIEF EXECUTIVE

The effects of the COVID-19 pandemic continued to be felt throughout the reporting year. As we continued to intensify the fight against several waves of the pandemic, Umgeni Water remained resilient and consistent in its provision of water and related services. Water continued to be a vital tool in the fight against the pandemic. The organisation and its workforce continued to adhere to all COVID-19 safety protocols in all areas of its operation. Supported by the Board and the Executives, the entity delivered plans, strategic initiatives, projects and programmes that yielded successful results and outcomes during the year. These are summarised at a high level per outcome in this section, with more detail provided in the various chapters of this Annual Report.

Product Quality

Umgeni Water's core business of providing bulk potable water that is fit for domestic and industrial use was performed exceptionally during this period. Of the 16 Water Treatment Works, 15 met the Excellent SANS 241: 2015 standard in all five compliance categories. Interventions are already in progress to address the slight non-compliance with the Operational Risk Category at Maphumulo Water Treatment Works (WTW).

The organisation started operating 28 water supply systems in King Cetshwayo District Municipality. During the year under review, the focus was on the assessment of these systems and establishing their water quality compliance baseline.

Overall, compliance of the Umgeni Water bulk potable water supply systems was excellent for the period under review. The entity further ensured that wastewater was treated to safe levels in order to discharge back into water resources for social, environmental and other downstream uses. Of the eleven Wastewater Treatment Works (WWTW) managed by the entity, eight achieved greater than 90% compliance, and two achieved more than 80% compliance.

The service level agreement between uThukela District Municipality and Umgeni Water came to an end on 30 June 2021. At the time of termination of the contract, uThukela District Municipality WTW met the Excellent SANS 241: 2015 in four compliance categories, namely Acute Microbiological Health, Chronic Chemical Health, Acute Chemical Health and Aesthetic.

The progress of the Darvill WWTW capacity upgrade project was hindered significantly by the unfortunate event of the contractor going into business rescue during the previous year. However, significant progress has been made in the arbitration process and the new construction contract awarded. The upgrade is expected to result in improvements in the quality of treated wastewater from this site.

To maintain and enhance the condition of core infrastructure that supports customer service levels, the entity invested a total of R319 million (R231m in 2020) in maintenance of Water and Wastewater Treatment Assets during this period. Maintenance investment has been consistent over the past five years, with more than 6.9% of revenue and 3.61% of property, plant and equipment spent, thereby continuing to assure system reliability.

Customer Satisfaction

Bulk potable water treated and supplied from 16 Water Treatment Works systems, totalled 553 million cubic metres (1 515Ml/d) for the year, a 9% increase from the previous year (509 million cubic metres or 1 395Ml/d in 2020).

Bulk wastewater treated from nine Wastewater Treatment Works over this period amounted to 31 million cubic metres (84Ml/d) for the year per annum, a 3% decrease from the previous year (32 million cubic metres or 88Ml/d in 2020).

In the year under review, there were unplanned supply disruption of 10 supply days in three of the 17 supply systems. The disruption at Mtwalume WTW (1.5 days) was as a result of a burnt pump panel. As a mitigating measure, the affected pump station is being upgraded, with a back-up pump system set to be installed. The unplanned disruptions at Mpofana WTW (6.5 days) and Lidgetton WTW (2.45 days) were as a result of cable theft. Appropriate actions of replacing the cables were instituted in this regard and supply was restored successfully.

Customers are kept informed of progress on all interventions. Umgeni Water continues to engage regularly with its customers in line with service level agreements.

Stakeholder Understanding and Support

There was regular engagement with a wide range of stakeholders during the year. Stakeholders were interested in future assurance of supply, asset management, capital infrastructure plans and future tariff charges, as well as opportunities for growth, jobs and partnerships.

Community and Environmental Sustainability

Umgeni Water remains cognisant of, and attentive to the impact it has on communities and environmental sustainability. The entity, therefore, strives to manage its operations, infrastructure and investments to support socio-economic development, while using water, energy and other natural resources effectively.
Leveraging off its capital expenditure and other

programmes, Umgeni Water continued to facilitate the participation of targeted enterprises in the economy. Its Contract Participation Goal (CPG) target of ≥35% for construction contracts and professional services were well met in the reporting year.

An average of 35% was achieved with a total of CPG award value of R426m (R335m in 2020). Of the total CPGs, R218m (51%) was awarded to Black women-owned businesses (R165m in 2020). Women participation represents 18% of the total spent on all applicable contracts. In the year under review work worth R130m was allocated to local SMMEs in the project footprint.

Over R3.9 billion worth of contracts have been awarded to Black-owned businesses since the start of the CPG initiative in 2013.

In the year under review, Umgeni Water created a total of 419 temporary jobs through its Capex Programme (268 in 2020). This is a 56% increase when compared to the previous year. In line with this, just over R15m (R11m in 2020) was paid in wages to local labour. This further reinforces the organisation's commitment to the creation of decent job opportunities.

Over R3.9 billion worth of contracts have been awarded to Black-owned businesses since the start of the CPG initiative in 2013.

Infrastructure Stability

During this reporting period, 18 strategic projects targeting five water service authority customers were at various stages of planning, design and construction.

Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend performance for the year was R825m, of which R447m (R534m in 2020) was spent on bulk infrastructure augmentation, expansion, upgrades and rehabilitation projects. R284m (34%) went towards projects for rural development. Overall, 55% of target water infrastructure project milestones were met.

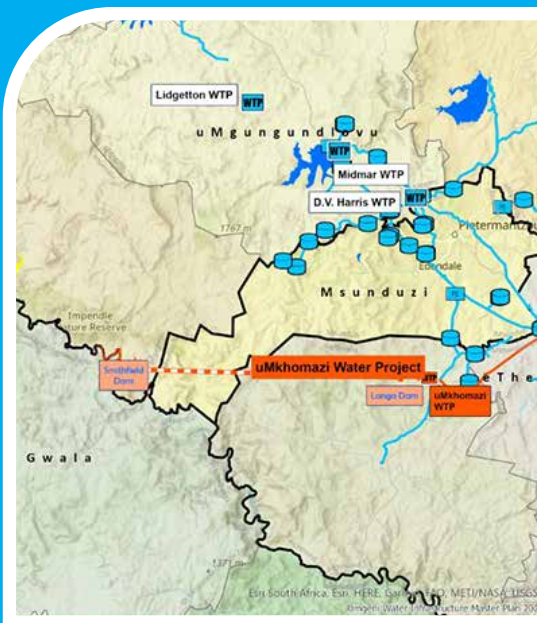
Two contracts that were terminated during the previous reporting period have been reawarded to new contractors and work has commenced. Of the two contractors that declared business rescue in the previous period, one recovered and completed their contract.

Details of target customers, infrastructure projects and milestones during the reporting period are as follows:

uMkhomazi Water Project

Serves eThekwini 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. The Environment Impact Assessment (EIA) approval was obtained at the end of 2020. An application for amendments to the conditions in the approval was submitted in August 2021.



Lower uMkhomazi Bulk Water Supply Scheme

Serves eThekwini 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: A dam at Ngwadini and two Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and Raw Water Reservoir; Phase 2: a Water Treatment Works (100Ml/d), storage reservoir and Bulk Potable Water Pipeline. In 2016/17, the detail feasibility and preliminary design were completed. Detailed design stage was completed during 2021, with design documentation in progress, after which the procurement of the various construction contract packages can proceed. Project completion is projected to be in May 2025.

Greater Mpofana Bulk Water Supply Scheme

Serves uMgungundlovu District Municipality.

The infrastructure development comprises construction of a Water Treatment Works, two storage reservoirs and two bulk pipelines. The construction of the 20Ml/d Rosetta Water Treatment Works commenced in 2016/17 and completed in March 2021. Construction of the 5Ml and 12Ml reservoirs feeding Nottingham Road and Bruntville respectively is complete and commissioning is complete. The construction of the Nottingham Road Pipeline – from the WTW to Nottingham Road Reservoir – was completed in June 2016. The contruction of the Bruntville Pipeline is in progress.

Impendle Bulk Water Supply Scheme

Serves uMgungundlovu District Municipality and Impendle Local Municipality

The scheme comprises a 1.6 Ml/d Bulk Water Supply Scheme with a possibility of future upgrade to 3Ml/d at Stepmore and 10Ml/d Bulk Water Supply Scheme at Nzinga with a possibility of future upgrade to 18.5Ml/d. Detailed design for Stepmore is complete. Detailed design for Nzinga is 25% complete. Construction of the Stepmore scheme is scheduled for 2023, with completion in 2025 and Nzinga scheme is scheduled to commence in 2022, with completion in 2025.

uMshwathi Bulk Water Supply System Phase 4 (Southern Ndwedwe)

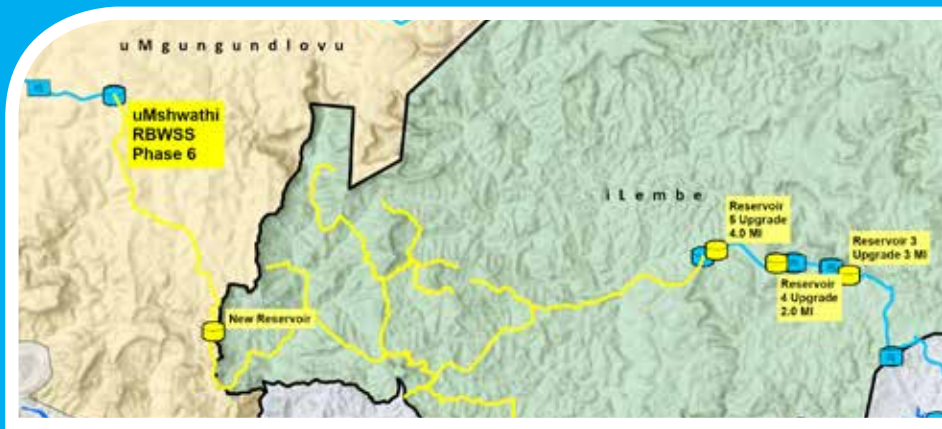
Serves iLembe District Municipality and the Southern Ndwedwe areas

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, in Ndwedwe Local Municipality. Detailed design is currently in progress.

uMshwathi Regional Bulk Water Supply Scheme Phase 6

Serves uMgungundlovu and iLembe District Municipality and eThekwini Metropolitan Municipality

The project will consist of a pipeline from Bruyns Hill Reservoir to Wosiyani in Southern Ndwedwe, with an off-take supplying parts of eThekwini Metropolitan Municipality. The capacity of the scheme is 10 Ml/day and will ultimately serve 100 000 people. The project is currently in detailed design and the 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 WTW from 55Ml/d to 110 Ml/d to construct a 7km Rising Main and a 30Ml reservoir. At present, the project is in detailed design and wayleaves with the relevant authorities are being obtained. Both the Environmental Impact Assessment (EIA) and Water Use Licence (WUL) applications have been completed and approved. Servitude acquisition and consultation with the communities is in progress.

Maphumulo Bulk Water Supply Scheme Phase 3

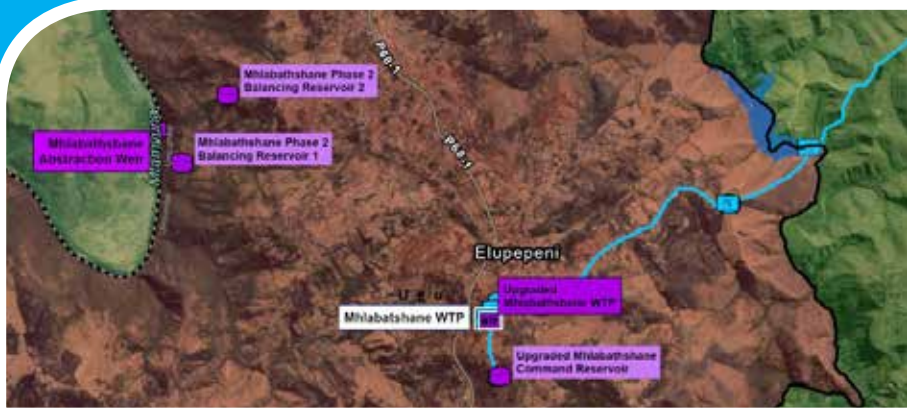
Serves iLembe District Municipality, which includes KwaMaphumulo, Ndwedwe and KwaDukuza Local Municipalities, and will serve 150 000 people in Maqumbi, Ashville, Maphumulo, Masibambisane, KwaSizabantu and Ngcebo supply areas

Phase 3 includes the upgrade of the WTW from 6 to 12Ml/d, raw water and booster Pump Stations. Upgrade of the Pump Stations is complete. Detailed design of the WTW upgrade is complete and construction is expected to start in the 2021/2022 financial year.

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 WTW and an upgrade of the Water Treatment Works from 4Ml/day to 12Ml/day. Design Development Report is complete and construction has been reprioritised to start in 2025.



Vulindlela Bulk Water Supply Scheme Upgrade

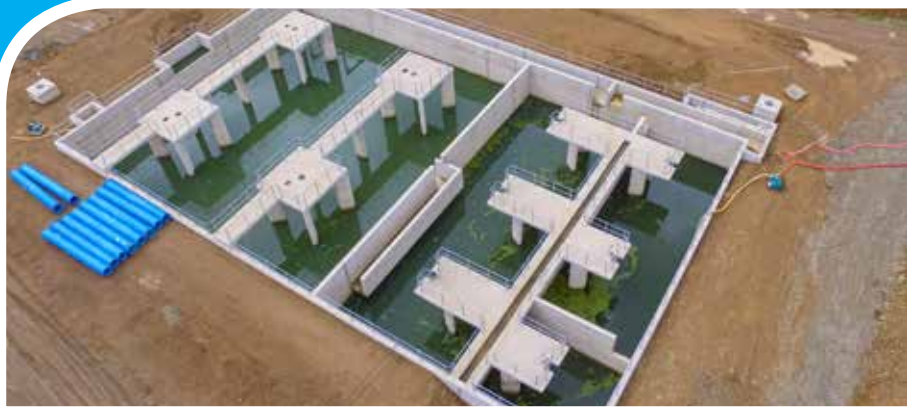
Serves Msunduzi Local Municipality

Phase 1 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. Procurement of various work packages is in progress.

Mpophomeni Wastewater Treatment Works

Serves uMgungundlovu District Municipality and uMngeni Local Municipality.

The infrastructure development comprises a 6Ml/d Wastewater Treatment Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020 and is on-going. Completion is scheduled for 2022.



South Coast Pipeline Phase 3

Serves the Umdoni and Umzumbe Local Municipalities within the Ugu District Municipality

The South Coast Pipeline (SCP) is intended to provide a supply of potable water to the South Coast Region via a single bulk water pipeline. Phases 1 and 2A are complete, with Phase 2B in construction (refer to the section on the South Coast Pipeline Phase 2B below). Phase 3 will extend SCP from uMdoni to Mthwalume and then to Hibberdene. Phase 3 is entering into the Detailed Feasibility and Preliminary Design Stage.

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. Contract award was made during August 2020.

Construction commenced in March 2021 and is anticipated to be completed in March 2022.

Rehabilitation of Nagle / Durban Heights / Inanda / Wiggins Systems

Serves eThekwini Metropolitan Municipality

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

- Emergency Rehabilitation to Aqueduct 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Procurement processes have been completed;
- Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under the Rehab. Procurement processes have been completed;
- Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Procurement is in progress;
- Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts. Procurement is in progress.

Darvill WWTW Capacity Increase

Serves Msunduzi Local Municipality

The works capacity is being upgraded from 65Ml/d to 100Ml/d. Construction is in progress and includes a new inlet works, Primary and Secondary Settling Tanks, pumps and Pump Station, Reactor, Chlorination House and Anaerobic Digesters, among other components. The project was significantly delayed as a result of the main contractor going into business rescue. Completion of the remaining works is expected during 2022.

Durban Heights WTW – Rehabilitation of key installations

Serves eThekwini Metropolitan Municipality

The core of this project is the rehabilitation of Reservoir 3. Rehabilitation of the roof interior and other internal repairs was completed during 2020/2021 but during this contract the need for further rehabilation of other parts of the structure emerged. Procurement of the revised works is expected to be concluded during 2021/2022.

Trustfeeds WWTW

Serves uMgungundlovu District Municipality and iLembe District Municipality

The infrastructure development comprises a 1 Ml/d Wastewater Treatment Works; 4.5km bulk sewer outfall pipeline and a 1.5km gravel access road. Construction of the bulk sewer outfall and access road is complete. Construction of the Wastewater Treatment Works was completed in October 2020 and handed over in December 2020.

Umzinto Water Treatment Works Upgrade

Serves Ugu District Municipality

The project entailed a substantial upgrade to the head-of-works (inlet system) to improve capacity, efficiency and chemical dosing systems for the water treatment process. Construction has been completed and commissioning is in progress.

Water Resources Adequacy

Umgeni Water leverages water sector partnerships and collaborations to respond to the challenges facing the region including water availability, redistribution, demand management and drought 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 located on four major water resource systems, namely, the Mgeni System (Mooi and Mgeni rivers), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers),and the South Coast System (Nungwane, Mzimayi, uMuziwezinto and Mhlabatshane rivers).

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

- The feasibility study of Smithfield Dam (funded by DWS) which is Phase 1 of the uMkhomazi Water Project, was completed in 2015 and construction is anticipated to be completed by 2030;
- Hazelmere Dam raising (funded by DWS) for which construction is expected to be completed in 2022; and
- The detailed design of Ngwadini Dam (funded by UW) which is part of the Lower uMkhomazi Scheme, was completed in 2021, with construction completion planned for 2025.

IMVUTSHANE DAM

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

- The feasibility study of Smithfield Dam (funded by DWS) which is Phase 1 of the uMkhomazi Water Project, was completed in 2015 and construction is anticipated to be completed by 2030;
- Hazelmere Dam raising (funded by DWS) for which construction is expected to be completed in 2022 and;
- The detailed design of Ngwadini Dam (funded by UW) which is part of the Lower uMkhomazi Scheme, was completed in 2021, with construction completion planned for 2025.

Leadership and Employee Development

At Umgeni Water, skills development remains an essential enabler for employees to excel in their individual and organisational roles to deliver on the entity's mandate.

A total of ten delegates from top and senior management occupational categories enrolled and completed a purpose-fit Executive Coaching Programmme. The programme was geared for the achievement of short- and long-term organisational goals through personal development and growth. Also, the programme exposed delegates to a general insight of learning and growing, decision-making, conflict resolution and problem-solving.

The Learnerships and Apprenticeships programme provided training, development and exposure to both internal and external candidates. In partnership with Amajuba TVET College and Shukela Training Centre, 58 apprentices were trained in the Electrical, Boilermaking, Instrumentation, Motor Mechanics and Mechanical Engineering trades.

During this period, learners further received practical work exposure from various operational sites within the entity as per the requirements of the programme. All 58 learners in the abovementioned trades have completed their trade tests and were deemed to be competent as artisans and appointed as junior artisans over a two-year period to gain experience that is in line with the minimum requirements of the artisan positions.

Umgeni Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a training plan to fill the skills and competency gaps. The internal positions include Superintendent, Process and Quality Technicians, Senior Operator, Operator and Process Controller positions. In the reporting period, 199 Process Controllers were enrolled in either the Learnership Programme or in N3 Water and Waste Treatment and various courses in water and wastewater treatment.

Operational Resilience

Umgeni Water defines risk as all sources of uncertainty that could, affect positively or negatively, the entity's ability to achieve its strategic objectives and outcomes. Risk management at Umgeni 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.

Five out of six strategic risks (83%) have been managed to a level of equal to or above reasonable (≥ 55%) overall response effectiveness

Umgeni Water continues to maintain the quality of its laboratories at a level that ensures that they provide a world-class service 365 days a year. These facilities are ISO/IEC 17025 accredited in chemistry, microbiology, hydrobiology and soil testing, and have highly skilled and dedicated technical staff.

Operational Optimisation

Water efficiencies have been ensured in the bulk business through careful water balancing per system. In the reporting period, water loss was maintained well below the entity's target level of 5%, with a total of 2.5% recorded for the year (2.91% in 2020).

Energy is a crucial resource for water and wastewater treatment processes. Optimal pumping and other strategies remain inherent parts of the business mindset from planning, design and construction through to operation.

Financial Viability

The entity has maintained its reputation as a financially viable entity, creating significant value for customers and shareholders.

Strong results were achieved because of sound financial management in the year, notably:

- Revenue (Group) of R4.5bn was generated (R4.2bn in 2020);
- Net surplus (Group) was R1.3bn (R1.3bn in 2020);
- Balance sheet reserves were strengthened to R11.9bn (R10.7bn in 2020).

The earned surplus for the year will be invested in support of the future five-year R14.5bn (not escalated) capital investment programme, as well as used for debt reduction. As at 30 June 2021, a significant portion of capital investments were already committed.

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

Outlook

The entity was seized with the task of improving the robustness of its governance systems and closing identified gaps. A combination of solid enterprise-wide systems, backed by highly competent employees and robust leadership provided by the Executive Team and Board will ensure consistent improvement of Umgeni Water's performance in execution of its strategy going forward.

The outlook is positive. The many pockets of strength that can be enhanced and maintained within the entity, provides a stable base that can be leveraged by Umgeni Water to implement its strategy of enabled and innovative growth. In so doing, Umgeni Water will serve its customers and the people of KwaZulu-Natal in a more effective manner, while braving the challenges and taking the opportunities presented by a changing future and almost certain changing world of work.

MR MBONISENI DLAMINI
ACTING CHIEF EXECUTIVE
Date: 19 January 2021

DARVILL WWTW

06 CORPORATE GOVERNANCE

IMVUTSHANE DAM

All Board members execute their collective legal duty in a professional manner, with integrity and utmost good faith.

6.1 Composition and Functioning of the Board

The Board

The tenure of the Interim Board that was appointed by the Executive Authority came to an end on 21 October 2021 following a ruling by the Pietermaritzburg High Court. The Executive Authority, in abiding with the ruling, has followed due process and ratified the appointment of the current Board with effect from 3 November 2021.

The Chairperson of the Board and all other Board members, with the exception of the Chief Executive, 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 its independence and the clear definition of roles and responsibilities. All Board members execute their collective legal duty in a professional manner, with integrity and utmost good faith.

The Board is accountable for the leadership and control of Umgeni Water. 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 Umgeni Water.

The Board contracts with the Executive Authority, the Minister, through an annually approved Shareholder Compact. The Board will continue to actively engage with the Shareholder through various forums in the year.

In the reporting year, the Board was assisted with discharging its responsibilities through the following four committees:

- Audit Committee;
- Capital Projects, Fixed Assets and Procurement Committee;
- Human Resources and Remuneration Committee;
- Governance Committee.

Umgeni Water Board and Committee membership in the reporting year is shown in **Table 6.1**.

BOARD MEMBER	GENDER	AUDIT	HR & REMCO	CAPEX	GOVERNANCE
1. Mr M Mzobe[1,6]	M				✓
2. Mr T Tselane[2,3]	M			✓	✓
3. Ms L Ngcobo[4]	F	✓			✓
4. Mr M Ngubo[5]	M	✓	✓		✓
5. Ms U Mhlope	F		✓	✓	
6. Mr S James	F	✓		✓	
7. Ms P Ntombela	M			✓	
8. Mr B Dladla	M		✓		
9. Mr V Ndara	M	✓			
10. Ms S Getyeza	F		✓		✓
11. Adv M Magigaba	M		✓		
12. Ms N Mkhize[7]	F		✓		✓

Table 6.1 (a): Board and Committee Memberships, with effect from 1 August 2020 - 2021 October 2021

✓ Denotes Committee Member

1. Board Chairperson
2. Deputy Board Chairperson
3. Capex, Fixed Assets and Procurement Committee Chairperson
4. Audit Committee Chairperson
5. Human Resources and Remuneration Committee Chairperson
6. Governance Committee Chairperson
7. Former Acting Chief Executive, resigned on 9 October 2021

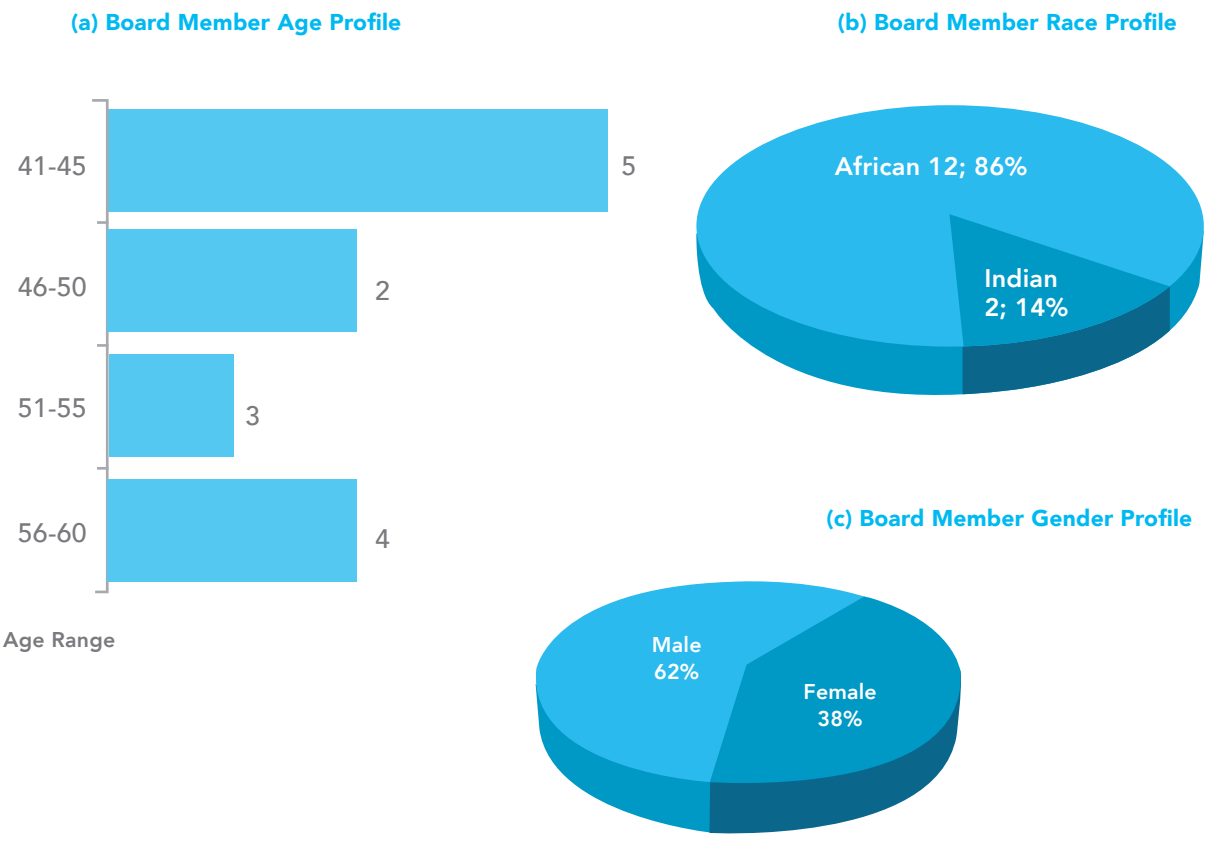
BOARD MEMBER	GENDER	AUDIT	HR & REMCO	CAPEX	GOVERNANCE	ETHICS
1. Ms Z Mathenjwa[1,6]	F				✓	✓
2. Prof T Mthembu[2,3]	M			✓	✓	
3. Mr S Shabalala[4]	M	✓			✓	
4. Mr W Mapena[5]	M		✓		✓	
5. Ms B Zulu	F			✓		
6. Ms N Chamane	F			✓		
7. Mrs L Ngcobo	F	✓				
8. Mrs M Ndlovu	F	✓				
9. Mr V Reddy	M		✓			
10. Mr T Nkhahle	M			✓		
11. Mr S Badat	M		✓			
12. Mr M Zakwe	M	✓				
13. Adv. S W Chamane	M		✓			
14. Mr S Dube[7]	M		✓	✓		
15. Mr M Dlamini[8]	M		✓	✓		

Table 6.1 (b): Board and Committee Memberships, with effect from 3 November 2021

✓ Denotes Committee Member

1. Board Chairperson
2. Deputy Board Chairperson
3. Capex, Fixed Assets and Procurement Committee Chairperson
4. Audit Committee Chairperson
5. Human Resources and Remuneration Committee Chairperson
6. Governance Committee Chairperson
7. Acting Chief Executive, from 9 October 2021 to 27 November 2021
8. Acting Chief Executive, appointed on 27 November 2021

Figure 6.1: Board Member (a) Age, (b) Race and (c) Gender Profiles



A Board Charter (reviewed in 2019) 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 by the Public Finance Management Amendment Act (Act 29 of 1999), hereinafter referred to as the PFMA;
- Treasury Regulations (GG 27338) as amended from time to time;
- The Water Services Act (Act 108 of 1997), as amended;
- The King Code of Governance Principles, 2016 (King IV).

As recommended by King IV, the Board evaluates the performance of all divisions including the Finance Division. This was planned for twice in the reporting year. The Members of the Board have skills that were put to good use in providing leadership, guidance and directing strategy in the year under review. Overall, the Board functioned at a strategic level and delivered outputs in line with its mandate.

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. Board Members' remuneration is fully disclosed in Umgeni Water's Annual Report. (Page 283).

MIDMAR WTW

Table 6.2: Board Meeting Attendance 2020/2021

BOARD MEMBERS	GENDER	16 SEP 2020	21 OCT 2020	20 APR 2020	09 APR 2020	20 JAN 2021	22 JAN 2021	30 MAR 2021	21 APR 2021
1. Mr M Mzobe[1,6]	M	✓	✓	✓	✓	✓	✓	✓	✓
2. Mr T Tselane[2,3]	M	✓	✓	✓	✓	✓	✓	✓	✓
3. Ms L Ngcobo[4]	F	✓	✓	✓	✓	✓	✓	✓	✓
4. Mr M Ngubo[5]	M	✓	✓	✓	✓	✓	✓	✓	✓
5. Ms U Mhlope	F	✓	✓	✓	✓	✓	✓	✓	✓
6. Mr S James	M	✓	✓	✓	✓	✓	✓	✓	✓
7. Ms P Ntombela	F	✓	✓	✓	✓	✓	✓	✓	✓
8. Mr B Dladla	M	≠	✓	✓	✓	✓	✓	✓	✓
9. Mr V Ndara	M	✓	✓	✓	✓	✓	✓	✓	✓
10. Ms S Getyeza	F	✓	✓	✓	✓	✓	✓	✓	✓
11. Adv M Magigaba	M	✓	✓	✓	✓	✓	✓	✓	✓
12. Ms N Mkhize[7]	F	✓	✓	✓	✓	✓	✓	✓	✓

✓ Denotes Attendance
≠ Denotes absence with apology
1. Board Chairperson
2. Deputy Board Chairperson
3. Capex, Fixed Assets and Procurement Committee Chairperson
4. Audit Committee Chairperson
5. Human Resources and Remuneration Committee Chairperson
6. Governance Committee Chairperson
7. Former Acting Chief Executive, resigned on 9 October 2021

Board Committees

The Board Committees are constituted formally 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 the terms of reference. The committees report to the Board on activities at every meeting. In terms of the Water Services Act, 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 that are approved formally by the Board.

Audit Committee

The Committee consists of five non-executive Board members and its chairperson was Ms Linda Ngcobo.

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 Committee's oversight responsibility covers issues of ethics and further performs a critical function of risk management oversight by ensuring the effectiveness, quality, integrity and reliability of Umgeni Water's risk management processes.

The terms of reference of the Audit Committee takes 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 Committee Meeting Attendance 2020/2021

AUDIT MEMBERS	GENDER	28 FEB 2020	4 NOV 2020	4 NOV 2020	24 FEB 2021	23 MAR 2021	26 MAY 2021	3 MAY 2021
1. Ms L Ngcobo[1]	F	✓	✓	✓	✓	✓	✓	✓
2. Mr M Ngubo	M	✓	✓	✓	✓	✓	✓	✓
3. Ms P Ntombela	F	✓	✓	✓	✓	✓	✓	✓
4. Mr S James	M	✓	✓	✓	✓	✓	✓	✓
5. Mr V Ndara	M	✓	✓	✓	✓	✓	✓	✓

✓ **Denotes Attendance**
≠ Denotes absence with apology
1 Audit Committee Chairperson

Ethics Committee

The Board acknowledges its responsibility to ensure that Umgeni Water is a fair, transparent and ethical entity, and will continue to exercise oversight of the organisation's social, ethics and sustainability performance through its already fully functional Ethics Committee as prescribed in Section 29.1.1 of the Treasury Regulations in the PFMA, as well as in line with the requirements of section 72 (4) of the Companies Act (Act No 71 of 2008).

The Ethics Committee accounts to the Board through the Audit Committee. 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 is satisfied that it has fulfilled all its statutory duties and duties assigned to it by the Board, through the Audit Committee, in the reporting year.

The Ethics Committee has an Independent Chairperson, who is neither a member of management nor a member of the Board. Ms Precious Mvulane is the Chairperson of the Ethics Committee. She is the Managing Director of GAD Consulting Services Inc. Ms Mvulane is a Chartered Accountant (SAICA) and a Registered Auditor (IRBA). She has over 20 years' experience in different finance roles, that is auditor (internal and external) in both the private and public sectors. She has been involved with governance structures for the past 14 years and sits on various boards as an Audit Committee Member. One of these boards is the IRBA (her own industry body) and IBASA. The Board reviewed and approved its Code of Ethical Conduct and Pledge as a commitment to providing effective leadership based on an ethical foundation and in line with Umgeni Water's core values for ethical behaviour as entrenched in the strategy.

During the reporting period, Umgeni Water used its external whistle-blowing hotline service, managed by an external service provider, as a means of fraud detection. The 24-hour and 365-day facility provides an anonymous and confidential communication channel for all stakeholders to report suspicions of fraud or unethical conduct.

All hotline calls were investigated using hotline protocol that ensured that all calls received are dealt with in a transparent and consistent manner. Trends and information of the hotline calls are further used to improve internal controls. Umgeni Water creates and maintains awareness of this facility and ensures that the phone number is advertised adequately by means of posters, intranet, staff information and induction sessions, supplier forums. Further, the hotline number appears on all tender documents.

The Ethics Committee met five times in the year to discharge its roles and responsibilities as prescribed by applicable legislation and included monitoring the entity's activities against legal or best practice requirements relating to:

- Social and economic development, including EE and B-BBEE;
- Good corporate citizenship, including promotion of equality, prevention of unfair discrimination, Corporate Social investment and reduction of corruption, sponsorship, media and advertising;
- Environment, health and public safety, including, the impact of the organisation's activities, products and services, biodiversity management, waste management, energy efficiency and carbon footprint reduction;
- Consumer relationships, including advertising, public relations and consumer protection;
- Labour and employment, including the organisation's standing with regard to the International Labour Organisation Protocol on decent work and working conditions, employment relationships and contribution towards education and development of its employees and disciplinary handling;
- Financial ethics, including, irregular and wasteful and fruitless expenditure;
- Fraud and hotline call management.

During the reporting period, the committee reviewed and refined its systems in the pursuit of an ethical culture by reviewing its framework and Terms of Reference to achieve this outcome. King IV encourages organisations to not only measure their ethical culture, but also to ensure that ethical culture is an outcome of organisational corporate governance actions. Umgeni Water has formally adopted best practice principles as contained in King IV with respect to ethics and fraud-prevention. This enabled, among others, greater accountability and transparency, an integrated approach incorporating financial, social and environmental ethics to ensure this continued sustainability.

Umgeni Water has embraced these principles and has shifted focus from fraud and corruption, and moved to a proactive integrated approach of managing behaviour, and dealing with values and ethics in the organisation.

While fraud prevention focuses its attention on mitigation measures to combat fraud as required by Treasury Regulations issued in terms of the Public Finance Management Act No 1 of 1999, Umgeni Water has extended the scope of fraud prevention to ethics as the overarching framework on the basis that fraud, by its nature, arises out of unethical behaviour. This will ensure that there is a common understanding of best practice approaches where ethics management is dealt with in a structured manner at Umgeni Water.

In a pursuit of achieving an ethical culture, Umgeni Water will manage it ethics in an integrated manner through its Integrated Ethics Management Framework. The next reporting period will see the implementation of this framework, which will include conducting a baseline ethics risk assessment, drafting an ethics strategy, monitoring an ethics management plan, revising the code of ethics; institutionalising ethics and ensuring that ethics is verified audited and disclosed. Umgeni Water will further be in a position to report regularly on the ethics performance of the organisation to establish a mature and sustainable ethical culture over time.

MPOPHOMENI WWTW

In a pursuit of achieving an ethical culture, Umgeni Water will manage its ethics in an integrated manner through its Integrated Ethics Management Framework.

During the reporting period, Umgeni Water used its external whistle-blowing hotline service, managed by an external service provider, as a means of fraud detection. The 24-hour and 365-day facility provides an anonymous and confidential communication channel for all stakeholders to report suspicions of fraud or unethical conduct.

Internal Audit

Internal Audit is an independent assurance function, the purpose, authority and responsibility of which is formally defined in a charter approved by the Board in line with stipulations of the Institute of Internal Auditors. In line with the requirements of the Public Finance Management Act (PFMA) and Good Governance, the internal audit function gives the Audit Committee and management assurance on the appropriateness and effectiveness of internal controls.

The Chief Audit Executive, as the custodian of the internal audit function, reports regularly to the Audit Committee and has unrestricted access to the Committee Chairperson. As at 30 June 2021, Umgeni Water had 22 unresolved Internal Audit findings incurred in the following areas:

- Supply Chain Management (14 findings);
- Predetermined Objectives (6 findings);
- ICT (2 findings).

Internal Audit is assisting the organisation in closing out the aforementioned findings by specified target action dates.

LOWER THUKELA WTW

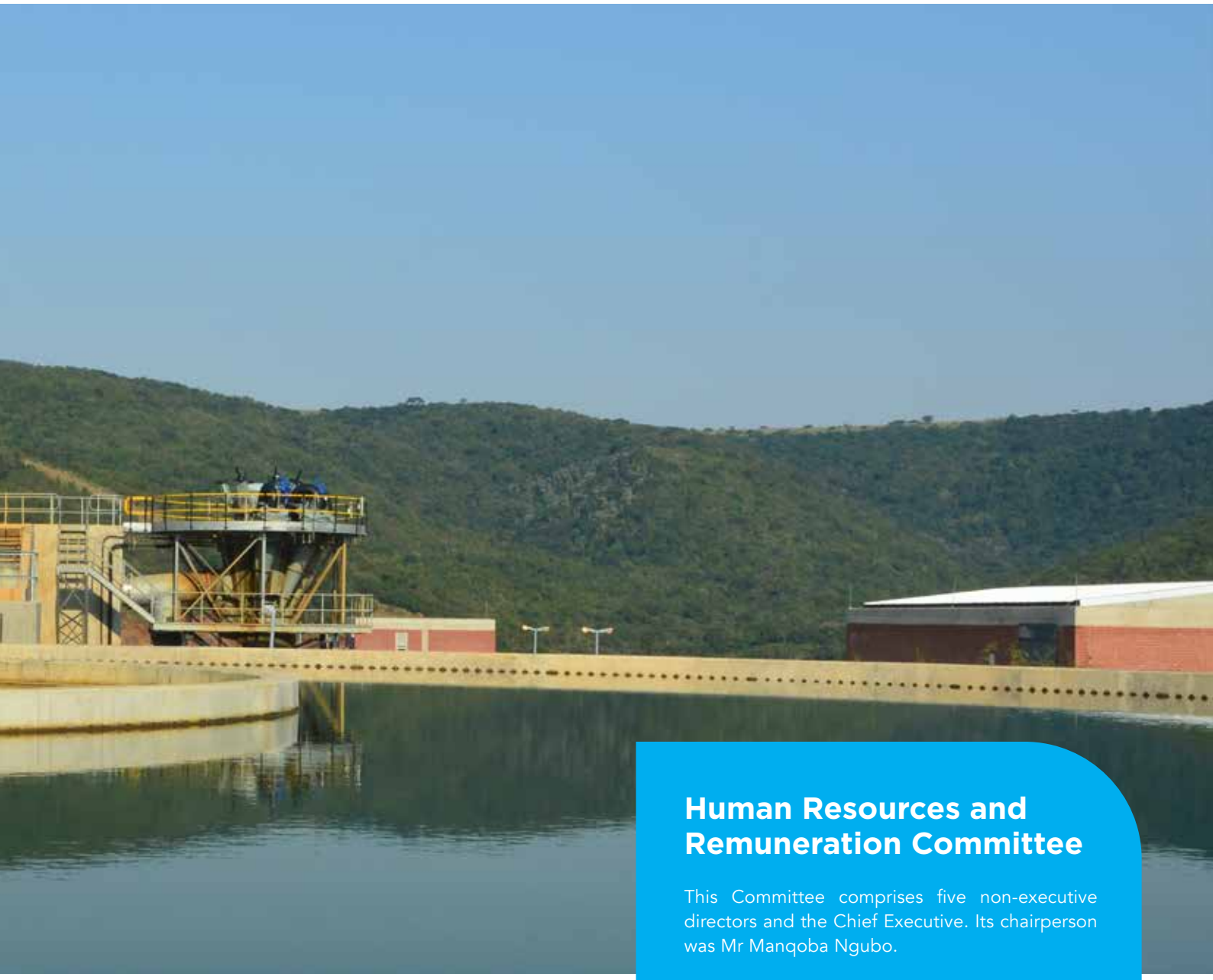
Compliance with Laws and Regulations

Umgeni 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.

External Audit

The external auditors are responsible for implementing procedures to obtain audit evidence regarding the amounts and disclosures in the consolidated financial statements, the report on predetermined objectives and compliance with laws and regulations applicable to the entity. 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 Umgeni 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;
- 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 findings relating to their audit of the report on predetermined objectives and compliance with material matters in laws and regulations applicable to the entity.

Human Resources and Remuneration Committee

This Committee comprises five non-executive directors and the Chief Executive. Its chairperson was Mr Manqoba Ngubo.

The Committee reviews and recommends to the Board all matters relating to:

- 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 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;
- Special rewards recommended by the Chief Executive.

Table 6.4: Human Resource and Remuneration Committee Meeting Attendance 2020/2021

REMCO MEMBERS	GENDER	8 OCT 2020	11 NOV 2020	4 NOV 2020	13 DEC 2020	17 FEB 2021	15 APR 2021	23 JUNE 2021
1. Mr M Ngubo[1]	M	✓	✓	✓	✓	✓	✓	✓
2. Mr Dladla	M	✓	✓	✓	✓	✓	✓	✓
3. Ms S Getyeza	F	✓	✓	✓	✓	✓	✓	✓
4. Ms U Mhlope	F	✓	✓	✓	✓	✓	✓	✓
5. Adv. M Magigaba	M	✓	✓	✓	✓	✓	✓	≠
6. Ms N Mkhize[2]	F	✓	✓	✓	✓	✓	✓	✓

✓ Denotes Attendance

≠ Denotes absence with apology

1 Human Resources and Remuneration Committee Chairperson

2 Acting Chief Executive

Capital Projects, Fixed Assets and Procurement Committee

This Committee comprises five Non-Executive Directors and the Chief Executive. This committee was chaired by Mr Thabo Tselane.

The Committee assists the Board with capital expenditure programme-related decisions and recommends Procurement Policies to the Board for approval and approves the release of capital expenditure above Executive Management's delegated authority but within the Committee's delegated authority. It ensures that the organisation's supply chain policy and procedures are equitable, transparent, competitive and cost-effective. It reviews the organisation's infrastructure asset maintenance programme/performance. Contracts which exceed the Committee's Delegation of Authority are referred to the Board for approval.

Table 6.5: Capital Projects, Fixed Assets and Procurement Committee Meeting Attendance 2020/2021

CAPEX MEMBERS	GENDER	7 OCT 2020	10 OCT 2020	4 NOV 2020	31 MAR 2021	14 APR 2021	24 JUN 2021
1. Mr T Tselane[1]	M	✓	✓	✓	✓	✓	✓
2. Ms S Getyeza	F	✓	✓	✓	✓	✓	✓
3. Ms P Ntombela	F	✓	✓	✓	✓	✓	✓
4. Mr S James	M	✓	✓	✓	✓	✓	✓
5. Ms U Mhlope	F	✓	✓	✓	✓	≠	✓
6. Ms N Mkhize[2]	F	✓	✓	✓	✓	≠	✓

✓ Denotes Attendance
≠ Denotes absence with apology
1 Human Resources and Remuneration Committee Chairperson
2 Acting Chief Executive

The Committee reviews and recommends amendments to the limits in the delegation of authority, relating to budget approvals for capital projects and procurement to enable management to expedite the implementation of projects.

Governance Committee

The Governance Committee meets twice in a financial year to conduct performance evaluations of Executive Management and the Company Secretary, as well as on an ad-hoc basis to deal with other governance related matters. The Committee comprises four Non-Executive Directors. The Chairperson of the Board Mr. Magasela Mzobe chairs the Committee.

The Committee assists the Board in monitoring and assessing the performance of executive management to ensure that performance objectives and targets are met.

Performance results are considered by the Remuneration and Human Resources Committee in determining the remuneration of the Chief Executive and other executives to be recommended to the Board for approval.

Table 6.6: Governance Committee Meeting Attendance 2020/2021

GOVERNANCE COMMITTEE MEMBERS	GENDER	SPECIAL MEETINGS 22 MAY 2021
1. Mr M Mzobe[1,5]	M	✓
2. Mr T Tselane[2]	M	✓
3. Ms L Ngcobo[3]	F	✓
4. Mr M Ngubo[4]	M	✓

✓ Denotes Attendance
≠ Denotes absence with apology
1. Board Chairperson
2. Capex Committee Chairperson
3. Audit Committee Chairperson
4. Human Resources and Remuneration Committee Chairperson
5. Governance Committee Chairperson

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 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 subsidiary also works, independently, towards enabling Umgeni 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.

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 maintains accordingly an independent and arm's length relationship with the Board and the Executives. (Page 203)

King IV Disclosure

Below are the governance principles that King IV dictates well-governed organisations should comply with to maintain the highest levels of governance. Umgeni 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 and the GRI index (Page 286) provides reference page numbers on where each disclosure is found in the report:

KING IV PRINCIPLE	2020/2021 DISCLOSURE
01 The governing body should lead ethically and effectively.	The Board is the Accounting Authority on all issues relating to ethical and effective leadership, including codes of conducts and performance evaluations. The Board is accountable to the Executive Authority and accounts to Parliament for its performance that includes financial and non-financial matters.
02 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 Audit Committee, provides oversight on ethics matters and ensures that periodic reports are received by the Board on the work of the Ethics Committee. The terms of reference of the Ethics Committee ensures 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 and ethical culture across the organisation.
03 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board had approved an enterprise development strategy and policy. These documents serve as the foundations of ensuring that the organisation puts 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.

KING IV PRINCIPLE	2020/2021 DISCLOSURE
04 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.
05 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 publicised on the organisation's website or other platforms, for access by stakeholders. They include: 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.
06 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.
07 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: 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.
08 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 given to each Committee by the Board with clear roles and responsibilities/functions. The annual report discloses: 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:** • the policy/controls and nature and extent of non-audit services rendered; • 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 they were addressed; Views on the 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.
09 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. Over time this method will be reviewed and benchmarked against peers. 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.

KING IV PRINCIPLE	2020/2021 DISCLOSURE
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 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 Audit Committee is charged with the responsibility of assisting the board to conduct appropriate oversight on matters related to ICT. Management is required to provide periodic reports on ICT governance, put actions taken to monitor effectiveness of technology and information and provide plans that are meant to enhance 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.
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.	The Annual Report fully discloses remuneration of Board members and Executives in detail and provides the basis for remuneration strategies.
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.	**Assurance of external reports** The Annual Report fully discloses assurance processes applied, in addition to the independent, external audit opinions, including: • 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; **Internal audit** • Refer to Audit committee 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.

BOARD MEMBERS

MS ZIPHOZETHU (GABSIE) MATHENJWA

Masters in Law (LLM) Postgraduate Diploma in Laws in the specialisation of Commercial Law and Corporate Law (University of London); MSc in International Business Management (University of London); MBA (UKZN); BSc (UZ); Post-Graduate Diploma in Business Management (UKZN); Post-Graduate Diploma in Strategic Management and Corporate Governance (UNISA/ICSA); Certificate in Financial Management and Investment (UNISA).

Appointed for 1st Board term in June 2009. Re-Appointed as Board Member in May 2019. Committee Role: Board Chairperson, Governance Committee Chairperson, Ethics Committee Member.

Board Member of Mitsui African Rail Solutions Other previous board memberships: Denel SOC (Ltd); Board Member Safran Turbomeca Africa, Chairperson Pretoria Metal Pressing. Board Member of the Water Research Commission, Mpumalanga Provincial Department of Economic Development, Environment and Tourism Audit Committee Chairperson.

PROF. THANDWA MTHEMBU

BSc Hons (Fort Hare), MSc (Vanderbilt, U.S.A), PhD in Mathematics (Wits)

Appointed as Board Member in May 2019. Committee Role: Deputy Chairperson of the Board, Governance Committee, CAPEX Committee Chairperson.

Professor Mthembu has been Vice-Chancellor & Principal at Durban University of Technology (DUT) since 2016.

MS NOMPUMELELO CHAMANE

A community activist who has worked her whole life for the upliftment of communities at local government level.

Appointed for 1st Board term in June 2009. Re-Appointed as Board Member in May 2019. Committee Role: CAPEX Committee.

She began her community activism as a field work in UDF and later as a liaison officer in COSATU. She then served in the Durban Transitional Pre-Council (1995 – 1996) and is one of the longest serving Councillors in the eThekwini Metropolitan Municipality (1996 – 2016) and served in various oversight structures of the Municipality and also as a representative of the Municipality in external structures. Prior to her re-appointment to the Board, she served as the Chairperson of the HR and Remuneration Committee (2009 – 2019)

MR VISVIN REDDY

Currently councillor EThekwini Municipality, Educator (Mathematics & Computer Science) by profession. Various Diplomas and Certificates in Management and Communications.

Appointed for 1st Board term in June 2009. Re-Appointed as Board Member in May 2019. Committee Role: HR & REMCO.

Over twenty (20) years' local government experience. Served on the Executive Committee of eThekwini Metropolitan Municipality as well as serving as Chairman of the Infrastructure Committee. A member of various community and lobby bodies.

MS LINDA NGCOBO

Chartered Accountant (SA); Post Graduate Diploma in Accounting (UKZN); B Com (UZ).

Appointed as Board Member in May 2019. Committee Role: Audit Committee.

Founding member and Managing director of 1st Verification Networx, a Durban based B-BBEE verification agency, since 2004. She has served in boards of entities across various sectors, which include education, manufacturing, and tourism like the Durban International Convention Center, KZN Film Commission, Audit Committee chair of the South African Sugar Association, and recently appointed as a panel member of the Financial Services Tribunal.

ADV. SIMOSENKOSI CHAMANE

Diploma in Public Administration; LLB (UZ); Advocate of the High Court of South Africa; Member of the Institute of Directors in Southern Africa.

Appointed as Board Member 2019. Committee Role: HR & REMCO.

Special Advisor, RSA Minister of Police, and Appointed Board of Directors of uMhlathuze Water Board from 2011 to 2016. Deputy Director-General: Institutional Development & Integrity Management in the KZN Office of the Premier since 2015 to 2019,General Manager: Public and Freight Transport at the KZN Department of Transport from 2006 to 2015. Manager: Contracts Management at the KZN Department of Transport from 2005 to 2006. Senior Manager: Legal Services at the KZN Department of Transport from 2004 to, 2002 to 2004 Member of the Bar, KZN Society of Advocates.

MR WILLIAM MAPENA

Masters in Public Administration (UP); BCom (RBS); Executive Leadership Management & Development Programme (UP); Development & Management of Local Government (Wits); Provincial & Local Government Law (Unisa)

Appointed as Board Member in May 2019. Committee Role: HR & REMCO Chairperson.

Councilor of eThekwini Metropolitan Municipality since 2006 and has held various leadership positions within the Municipality including being a Speaker of Council. Has over 15 years' experience of serving in governance structures which include 4 years of chairing an ethics committee, 5 years as a member of an electricity and energy utility,10 years as a member of a water and engineering infrastructure committee and 5 years of chairing an infrastructure and water related committee. Member of Council and HR Committee at the Durban University of Technology since 2008. Member of the South African Local Government Association since 2006.Trustee of the KZN Municipal Pension Fund since 2016. Trustee of a beneficiary fund since 2020.

MS MBALI NDLOVU

Admitted Attorney of the High Court of South Africa; Admitted Conveyancer; LLB (UKZN); Post Graduate Certificate Specialist Local Government Management (DUT); Member of Institute of Directors.

Appointed as Board Member in May 2019. Committee Role: Audit Committee

Municipal Manager: King Cetshwayo District Municipality from November 2018. Managing Director: Mbasa Corporate Advisory Services, 2014 -2018. Deputy Municipal Manager: City of uMhlathuze, 2009 - 2014. Legal Advisor: CoU. Land Rights Law Researcher: Center for Applied Legal Studies (Wits University). Board Member: Umgeni Water Board. Board Member: National Radioactive Waste Disposal Institute. Board Member: Richards Bay Industrial Development Zone. Board Member: Msinsi Resorts and Game Reserve.

MR. MDU ZAKWE

Chartered Accountant (SA); MBA; Post Graduate Diploma in Management; B Com (Honours) in Accounting; Certificate in Accounting; B Com (Accounting)

Appointed as Board Member in May 2019. Committee Role: Audit Committee.

Chief Executive Officer of MICT SETA. Chairperson – Sector Skills Planning Committee at the Bank SETA. Board member and Chairperson for Audit and Risk Committee and IT Governance Committee at the South African Post Office. He is the founder of Cyber Core, a cybersecurity consulting practice. He has held various oversight roles in the ICT security governance structures in government entities.

MS. BONGEKILE ZULU

B.Proc (UKZN); Admitted Attorney of the High Court of South Africa; MBA (UKZN).

Appointed as Board Member in May 2019. Committee Role: CAPEX Committee.

Ms Zulu is an attorney and director at Zulu Law Inc., a legal practice she founded in 2011. She has over 20 years in the legal field and has served in various national and provincial boards, including, amongst others; serving as a member of the KwaZulu Natal Growth Fund Trust, KZN Gaming and Betting Board, Construction Industry Development Board and is the Chairperson of the Road Traffic Infringement Agency (RTIA). She is also a council member of the Mangosuthu University of Technology (MUT) and presides in various ADR forums, including the Companies Tribunal and the KZN Municipal Bid Appeals Tribunal.

MR. SIBONISO SHABALALA

Chartered Accountant (SA); Post Graduate Diploma in Accounting; Bachelor of Commerce: Accounting (UKZN).

Appointed as Board Member in May 2019. Committee Role: Audit Committee Chairperson.

Currently the Managing Director of Ukukhanya Advisory Services, an emerging Durban-based auditing & advisory firm. Audit Committee Chairperson at Ethekwini & Mkhambathini Municipalities and Member of Elangeni TVET College Council. Non-executive Director of Msinsi Holdings SOC from 2015 to 2019. Chairperson of the Ethics Committee of Umgeni Water from 2014 to 2019. Former Finance Director at both AdaptIT Holdings Ltd and Ithala Limited. He has over 20 years' experience in various leadership roles in the Finance and Banking sector.

MR. TEBOGO NKHAHLE

Registered Professional Scientist; Certificate Program in Finance and Accounting (Wits); MPhil Stellenbosch University; Environmental Auditor (IRCA).

Appointed as Board Member in May 2019 - Reinstated in November 2021
Committee Role: CAPEX

RSA Chief Delegate to the Lesotho Highlands Water Project (LHWP). Board Member (2007-2011 & 2016-2019) as well as Non-Executive Chairman of LHWP (2008-2011); Board member of US based Global Decisions Inc. (Development of Global Environment, Health and Safety Regulations and Standards Database) 2008-2010; Environmental Auditor with Eskom (1998 to 2004); Member of Institute of Directors- SA since 2007; Vice Chair IoD Sustainable Development Forum from 2008 to 2009; Managing Director of Environmental Impact Management Services (EIMS) (2006-2021)

MR. SULEMAN BADAT

Chartered Accountant (SA); B Acc (UKZN); Certification in Risk Management (IIA)

Appointed as Board Member in May 2019 - Reinstated in November 2021
Committee Roles: HR & REMCO.

Member of the Executive Committee at Auditor-General South Africa from 2014 to 2017. Chief Risk Officer & Chief Audit Executive at Sasol Limited from 2002 to 2006. Partner at Arthur Andersen from 1995 to 2002. He has garnered over 30 years' experience in various leadership roles within the assurance, governance, risk and compliance fields. Currently, he is the founder and Managing Director of Resilient Advisory (Pty) Ltd. He currently serves on the Board of Air Traffic and Navigation Services SOC Limited. He also served as a member of the King IV Committee for Corporate Governance.

MR. MBONISENI DLAMINI

Master of Science in Microbiology; Master of Business Administration (MBA); Diploma in Company Direction, Strategic Turnaround Management Certificate

Appointed as Acting Chief Executive in November 2021

Managing Director of Msinsi Holdings SOC from 2017. Chief Executive Officer of Magalies Water from 2010 to 2015. General Manager of Operations at Umgeni Water from 2008 to 2010.

Ex officio member of the Board

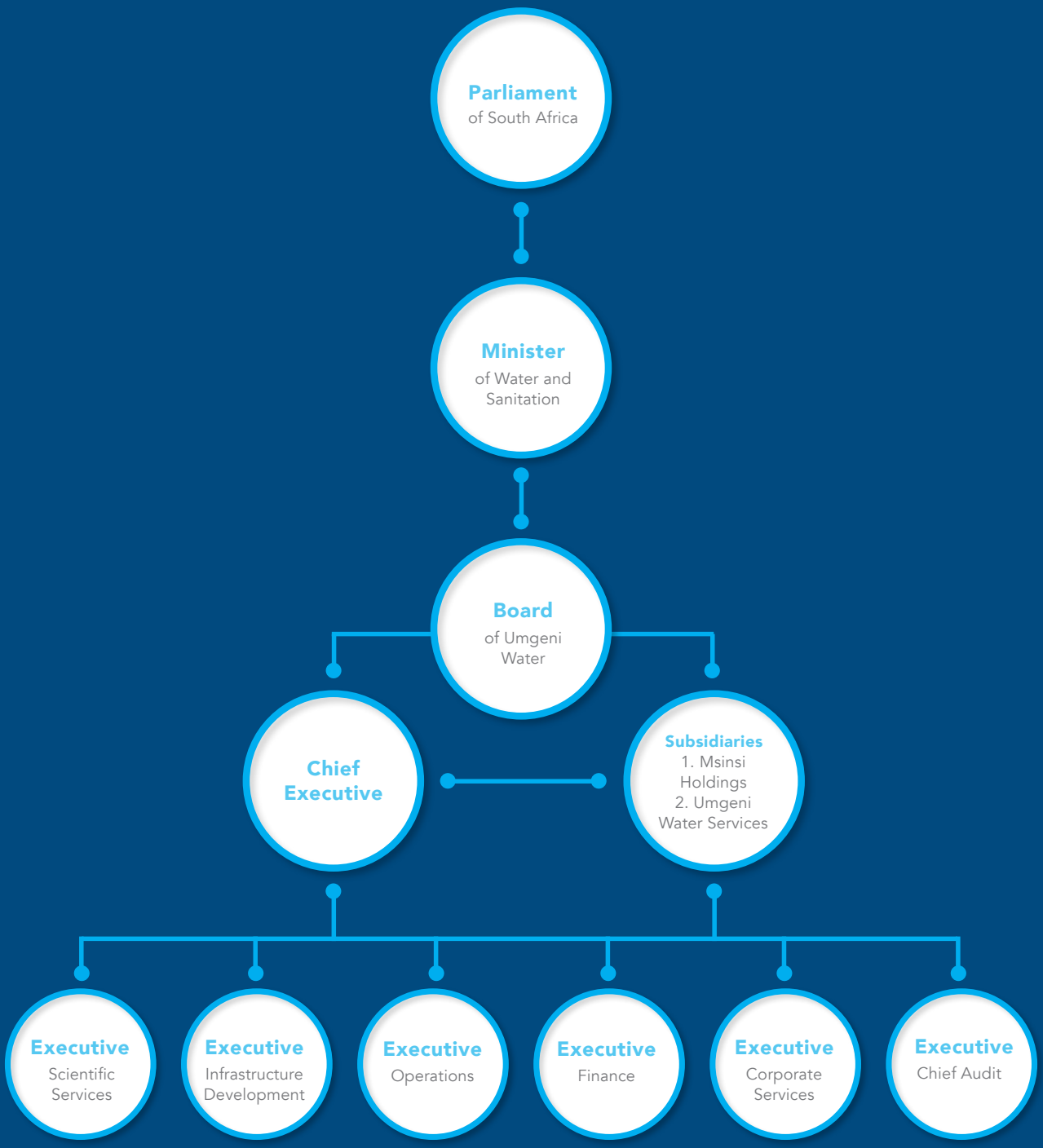
COMPANY SECRETARY

MR SIBUSISO MADONSELA

Admitted Attorney of the High Court of South Africa.
LLM (UKZN); LLB (UZ); Postgraduate Diploma in Compliance (UJ).

Appointed as Group Company Secretary from 01 January 2022.

He is responsible for Group Governance. Prior to this role he was the head of Umgeni Water's legal department and before joining Umgeni Water he was the Competition Commission's Legal Counsel. Prior to these roles, he had a stint in private legal practice.



6.2 FUNCTIONS AND MANAGEMENT STRUCTURE

In the reporting year, Umgeni Water (Group) had the following structure in line with its strategy. The core functions pertaining to each is articulated in the strategic statements that follow.

Some of the Executive Directors in the holding company (Umgeni Water) sit on the boards of the subsidiaries as non-executive directors to ensure alignment of business processes and culture within the group (Refer to Executive's profiles on Page 68). Their executive positions in the holding company do not curtail their fiduciary responsibility as non-executive directors in the respective subsidiary entities. The group company secretariat enables all the three boards to maintain their distinct fiduciary responsibilities while enhancing the group's collective values.

EXCO MEMBERS

MR MBONISENI DLAMINI

Master of Science in Microbiology; Master of Business Administration (MBA); Diploma in Company Direction, Strategic Turnaround Management Certificate
Appointed as Acting Chief Executive in November 2021

Managing Director of Msinsi Holdings SOC from 2017. Chief Executive Officer of Magalies Water from 2010 to 2015. General Manager of Operations at Umgeni Water from 2008 to 2010.

MS KAJAL SINGH

Chartered Accountant (SA); BCom Honours.
Appointed as Acting Chief Financial Officer in November 2020

Employed at Umgeni Water as Manager: Treasury from 2005 to 2014 and as Manager: Treasury Management, Financial Planning and Project Accounting department within the Finance Division in the organisation. Responsible for pricing of Water Services, as well as financial plan in support of the organisations Corporate Plan. Member of the Board of Trustees of SaveAct Trust an NPO based in Pietermaritzburg and chairperson of the Finance Committee for the Trust. Awarded Umgeni Water finance Division Manager of the Year 2019. Currently fulfilling the role as Acting Chief Financial Officer at Umgeni Water.

MR SANDILE BONGA DUBE

Professional Engineering Technologist (ECSA), Professional Project Manager (SACPCMP). Master of Science degree in Engineering (Wits), a Bachelor of Technology Degree: Civil Engineering (DUT), National Diploma: Civil Engineering (DUT)
Appointed as Executive Operations in February 2021.

Former Chief Engineer – MISA. Has over 20 years experience in the Civil Engineering field. In his career, he has been directly involved in contract supervision, civil and structural designs, contract administration and management duties of rural and urban roads, railways, water and sanitation, structures, buildings and electricity & mechanical in KwaZulu-Natal, Gauteng, Eastern Cape, Northern Cape, Mpumalanga, Free State, North West and Limpopo(SA).

MR SBUSISO MJWARA

National Diploma (Civil Engineering), Professional Engineering Technologist (ECSA), Project Management Programme, Certificates in Municipal Finance Management and Labour Intensive Construction. Global Executive Development Program candidate with GIBS.
Appointed as Executive Infrastructure Development in November 2018.

Vice-President and the past KZN Branch Chairperson of the Institute of Municipal Engineering of Southern Africa. ECSA moderator/assessor/interviewer. Previously held the following roles: Senior Contracts Engineer at Royal Haskoning DHV, Senior Manager: Construction at eThekwini Water & Sanitation, a Divisional Head: Water & Sanitation Infrastructure Planning & Development at uMgungundlovu DM, a Chief Civil/Structural Technician at Emzansi Consulting Engineers and a Civil Engineering Technician at BCP Engineers. Has 23 years experience, mainly in the water sector.

MS MANU PILLAY

Professional Natural Scientist (SACNASP); MSc Eng. (Chem)
Appointed as Executive Scientific Services in December 2018.

Non-Executive Director of Msinsi Holdings SOC Ltd from January 2019. Trustee of the Umgeni Water Retirement Fund from April 2016. Manager: Strategy & Special Projects at Umgeni Water from 2008 to 2018. Manager: Water and Environmental Services from 1998 to 2008.

MS NONTOKOZO MAKHUBU

Certified Internal Auditor (CIA), Associate General Accountant (AGA), BCom Accounting, Postgraduate Diploma in Accounting Sciences & Post Graduate Diploma in Internal Auditing
Appointed as Chief Audit Executive in February 2021.

KZN Regional member of The Institute of the Internal Auditors. Former Chief Financial Officer at Okhahlamba Local Municipality, Chief Audit Executive & Manager Audit, Risk & Compliance UThukela District Municipality from 2013 to 2019. Her experience also includes private sector audit and consulting roles with Lee Oosthuizen & Smith Inc. from 2008 to 2013. She has also served on a number of governance roles, which includes being a member of the Audit & Performance Audit Committee at Emadlangeni Municipality 2018-2021, Audit & Risk Committee at Gert Sibande TVET College 2020-21 and as a Board Member for the KZN Department of Health (Dannhauser CHC 2016 -19).

DR SIPHO MANANA

PhD in Development Management, MBA, BA (Honours) in Human Resources Development, BSc.
Appointed as Executive Corporate Services in June 2019.

Has over 30 years experience in the public sector in various senior positions, the last being the Acting Director-General for the National School of Government.

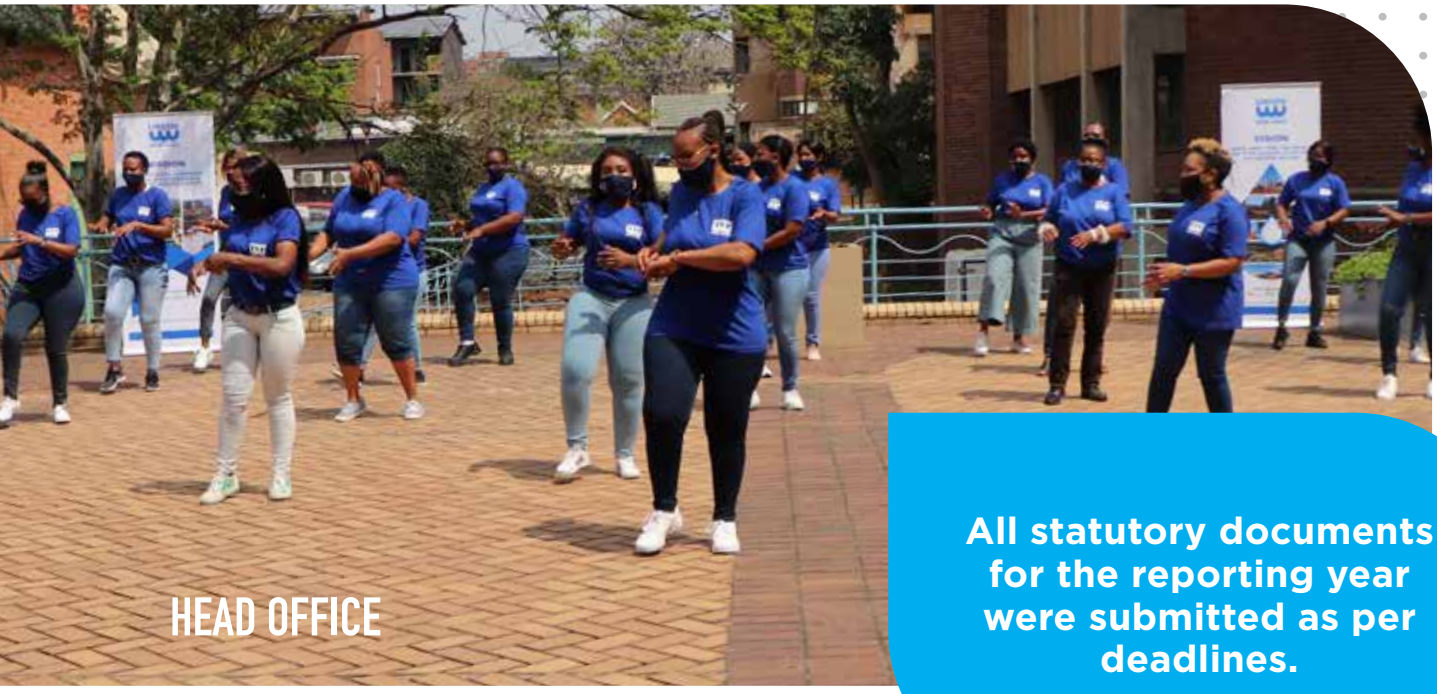
MR. SBUSISO MADONSELA

Admitted Attorney of the High Court of South Africa.
LLM (UKZN); LLB (UZ); Postgraduate Diploma in Compliance (UJ).
Appointed as Group Company Secretary from 01 January 2022.

He is responsible for Group Governance. Prior to this role he was the head of Umgeni Water's legal department and before joining Umgeni Water he was the Competition Commission's Legal Counsel. Prior to these roles, he had a stint in private legal practice.

DARVILL WWTW

07 STAKEHOLDER UNDERSTANDING AND SUPPORT



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

7.1 Stakeholder Interaction and Engagements

One of the key Strategic Objectives of Umgeni Water is to increase customer and stakeholder value. To achieve this, structured and regular engagements with stakeholders are vital. Stakeholder engagements are undertaken by Umgeni Water's Board, management and officials, and occur with individuals and organisations that are impacted on, affected or may have an interest in the core functions of the Organisation. Stakeholders have been categorised into four groups, namely Statutory, Strategic, Contracted and Non-Contracted Stakeholders. Interactions with stakeholders for the purposes of information provision and receipt, and consultation are mandatory as required by the Water Services Act No 108 of 1997 and the Municipal Finance Management Act No 56 of 2003. This is part of contractual obligations and is also done voluntarily. All stakeholder engagements are in line with Umgeni Water's Integrated Stakeholder Management Strategy.

During the financial year under review, various and adjusted levels of restrictions were implemented in terms of the National Disaster Management Act No 57 of 2002, to control the proliferation of COVID-19. Despite this, Umgeni Water was able to conduct engagements with all categories of stakeholders, on occasion using digital platforms. Feedback received was largely positive and constructive in nature.

Umgeni Water Stakeholders

Positive commentary assists in developing future strategies, plans and programmes, and enables Umgeni Water's mitigation of potential risks associated with delivery of core services.

Engagements with the Minister of Human Settlements, Water and Sanitation, the National Assembly Portfolio Committee with oversight on Water and Sanitation, Senior Managers of the Department of Water and Sanitation (DWS), representatives of the National Treasury, the South African Local Government Association (SALGA) and the Trans-Caledon Tunnel Authority (TCTA) had a variety of strategic focuses, including:

- The appraisal of strategy, corporate plan implementation and performance indicators as per Shareholder Compact;
- The delivery of Umgeni Water's audited annual performance results;
- Consultation on the proposed bulk water tariff for the new financial year;
- Bulk potable water.

Engagements also took place with the Department of Co-operative Governance and Traditional Affairs (KwaZulu-Natal) during the process of mediation over the future of the Bulk Supply Agreement Umgeni Water had with uThukela District Municipality, and this municipality's long outstanding debt for bulk potable water services provided. These engagements took place in terms of the Intergovernmental Relations Framework Act No 13 of 2005.

All statutory documents for the reporting year were submitted as per deadlines. Umgeni Water also had an opportunity to engage with stakeholders including chambers of business, commerce and industry - on the Universal Access Plan for water services provision to the residents of KwaZulu-Natal, water resources and Umgeni Water's Five-Year Infrastructure Development Programme.

7.2 Key Areas of Discussions with Stakeholders

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

- Presentation of Umgeni Water's annual performance to stakeholders, including the media;
- Presentation of the Capex Programme and explanation of the workings of Enterprise Development to the Black Business Federation, with whom Umgeni Water has signed a Memorandum of Agreement;
- Official opening of some phases of the uMshwathi Regional Bulk Water Supply Scheme which was done by the Minister of Human Settlements, Water and Sanitation, Deputy Minister of Water and Sanitation, the Premier of KwaZulu-Natal and the Chairperson of the Board of Umgeni Water;
- Various inter-governmental platforms.

Umgeni 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, NEHAWU. 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 7.1: Umgeni Water Stakeholders, Basis for Engagement and Value Proposition

UMGENI WATER STAKEHOLDERS, BASIS FOR ENGAGEMENT AND VALUE PROPOSITION
Statutory Stakeholders Stakeholders who have a regulatory or oversight function over Umgeni Water, among them the Minister of Human Settlements, Water and Sanitation (now Water and Sanitation), the Department of Water and Sanitation, the Portfolio Committee with oversight on Water and Sanitation and the National Treasury. Umgeni 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.
• Minister of Human Settlements, Water and Sanitation (now Water and Sanitation) • Portfolio Committee with oversight on Water and Sanitation • Department of Water and Sanitation • National Treasury
Basis for engagement: Delivery on mandate, compliance 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. **Umgeni Water and the National Government both desire:** A high-performing, well-governed State-owned enterprise that mobilises resources in an equitable and cost-effective manner to advance key national objectives.

UMGENI WATER STAKEHOLDERS, BASIS FOR ENGAGEMENT AND VALUE PROPOSITION

Strategic Stakeholders

Provincial and some national stakeholders to whom Umgeni 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.

- 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)
- South African Human Rights Commission
- Mhlathuze Water
- uThukela Water (Pty) Ltd
- 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.

Umgeni 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.

Umgeni 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.

Umgeni 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 Umgeni 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 Umgeni Water has bulk supply agreements comprise:

- eThekwini Metropolitan Municipality
- Msunduzi Local Municipality
- uMgungundlovu District Municipality
- iLembe District Municipality
- Ugu District Municipality
- Harry Gwala District Municipality
- King Cetshwayo District Municipality
- uThukela District Municipality (until 30 June 2021)

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 incorporate Social Investment (CSI) initiatives.

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

- Employees of Umgeni Water
- National Education, Health and Allied Workers' Union (NEHAWU)

UMGENI WATER STAKEHOLDERS, BASIS FOR ENGAGEMENT AND VALUE PROPOSITION

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.

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

- Suppliers and Service Providers
- Ingonyama Trust

Basis for engagement: Compliance with legislation for fair and equitable procurement, supplier development, transparency, business opportunities, integrity, fair treatment, fair pricing, fair payment terms, partnerships in B-BBEE and capacity building towards more inclusive economic participation and CSI, environmental management and supplier footprint reduction – water, energy and materials.

Umgeni Water and suppliers desire: An equitable company, whose policies, practices, systems and feedback create responsive and high-performing suppliers that deliver against contractual agreements and are responsive to negotiations over land use for infrastructure, among them pipelines, water treatment works and dams

Non-contracted Stakeholders

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

- Community and Civil Society Institutions and Formations

Basis for engagement: Umgeni 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, Umgeni Water requires endorsement of social licence to operate, recognition for creating value, respect for property and collaboration in protecting remotely situated water assets.

Umgeni 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: Umgeni 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, Umgeni Water encourages recognition for creating value, pollution prevention and safeguarding of water supply resources.

Umgeni 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, Umgeni Water expects regular information provision to guide its water resources planning.

Umgeni 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, Umgeni Water expects accurate and balanced reporting and media integrity.

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

7.3 Frequency of Media Engagements, Nature of Coverage Received in Year Under Review and Elaboration of Tonality

An analysis of media coverage is contained in this section. Publicity received by Umgeni Water is tracked and analysed by an external service provider. Reports are produced quarterly and submitted to 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 Executives of Umgeni 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 Umgeni Water.

Table 7.2: Coverage in Various Platforms: Q1 – Q4 in Print, Broadcast and New Media (Digital Newspapers, Social Media, email and Internet)

MEDIA SOURCE	QUARTER 1 (JUL – SEP 2020) NUMBER AND PERCENTAGE		QUARTER 2 (OCT – DEC 2020) NUMBER AND PERCENTAGE		QUARTER 3 (JAN 2021 – MAR 2021) NUMBER AND PERCENTAGE		QUARTER 4 APR – JUN 2021) NUMBER AND PERCENTAGE		TOTAL FOR 12 MONTHS AND PERCENTAGE	
Print (Magazines and Newspapers)	117	39%	73	26%	90	31%	75	33%	355	35%
Broadcast (Television and Radio)	19	6%	27	9%	18	7%	9	4%	73	5%
New Media (Electronic Publications, Social Media, internet and email)	163	55%	183	65%	546	62%	684	63%	1576	60%

MEDIA SOURCE

- 35% - Print (Magazines and Newspapers)
- 5% - Broadcast (Television and radio)
- 60% - New media (Electronic Publications, Social media, internet and email

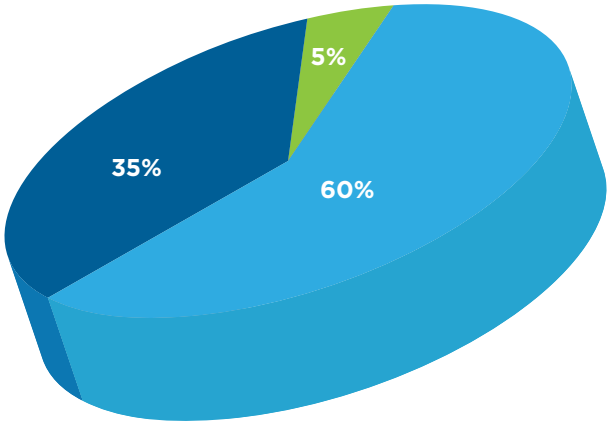
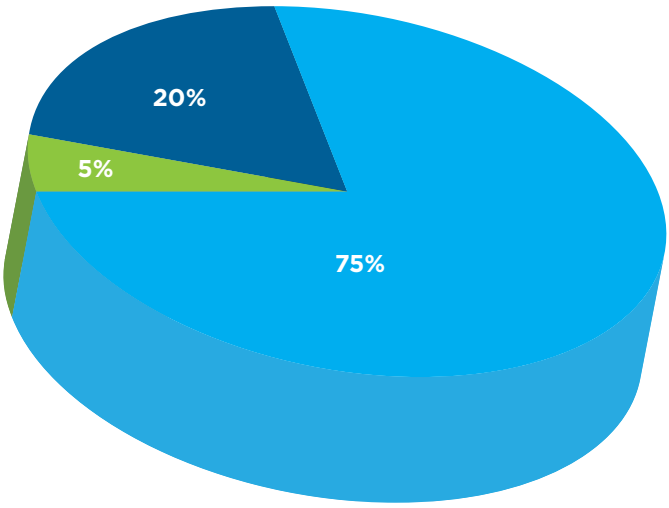


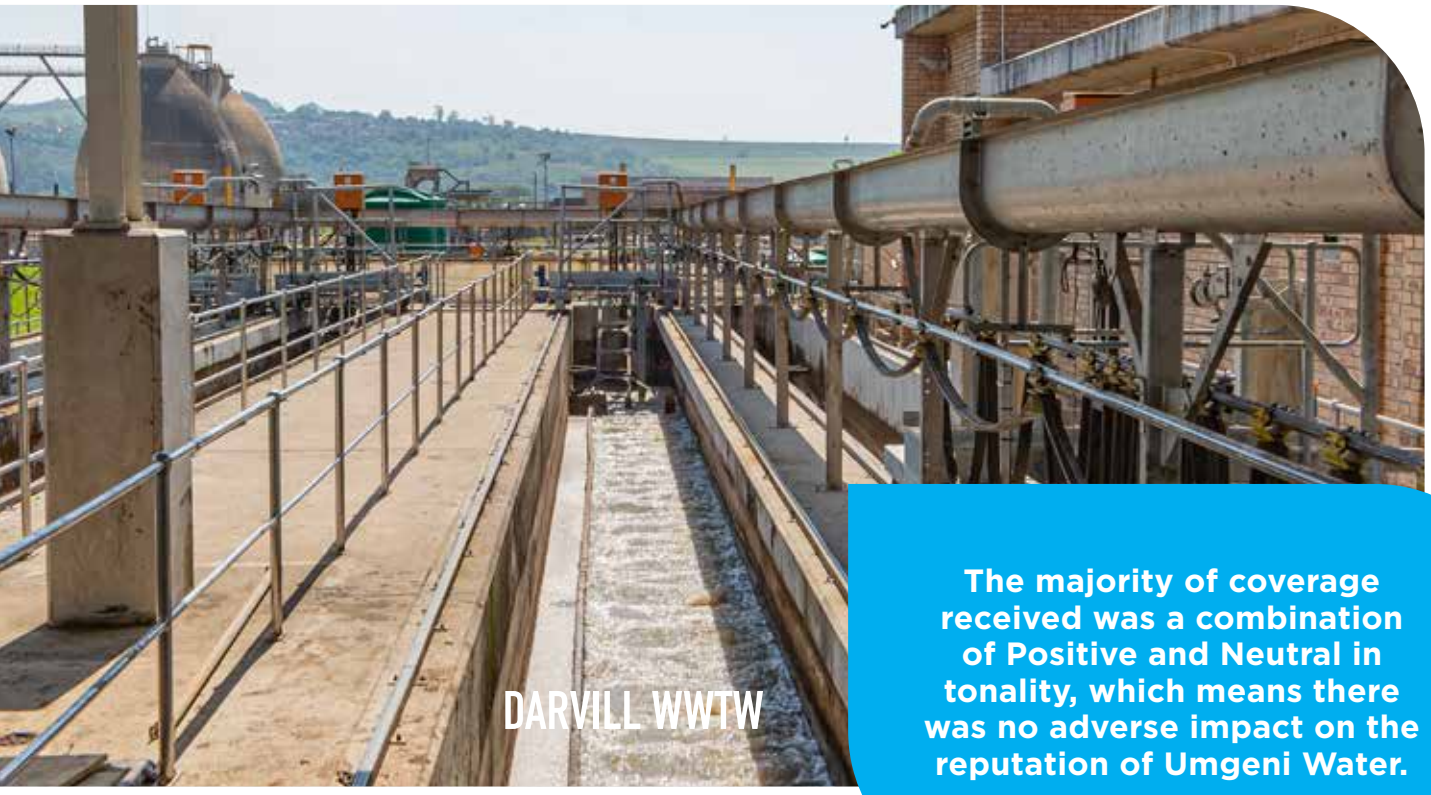
Table 7.3 : Tonality of Coverage in Q1 – Q4: Positive, Neutral and Negative

	QUARTER 1 (JUL – SEP 2020) NUMBER AND PERCENTAGE		QUARTER 2 (OCT – DEC 2020) NUMBER AND PERCENTAGE		QUARTER 3 (JAN 2021 – MAR 2021) NUMBER AND PERCENTAGE		QUARTER 4 (APRIL – JUNE 2021) NUMBER AND PERCENTAGE		TOTAL FOR 12 MONTHS NUMBER AND PERCENTAGE	
Positive			80	28%	44	10%	57	25%	181	20%
Neutral			192	68%	299	88%	171	75%	662	75%
Negative			6	2%	7	2%	0	0%	13	5%



TONALITY OF COVERAGE IN Q1 - Q4: POSITIVE, NEUTRAL AND NEGATIVE

- Positive
- Neutral
- Negative



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 Umgeni Water.

Due to an incomplete report that was submitted by the external service provider, an analysis of tonality – Positive, Neutral and Negative - for Q1 was not available.

However, volume of media coverage received in Q1 is available, which is illustrated by:

- Print: 117 occasions or 39% of total coverage received in this period;
- Broadcast: 19 occasions or 6% of total coverage received in this period;
- New Media: 163 occasions or 55% of total coverage received in this period.

In this report, reference is made to three forms of tonality/ sentiment as they relate to publicity received in media platforms that are commonly used to access or provide information. These sentiments are: Positive, Neutral and Negative. The following synopsis provides context and consequence in order to augment understanding of them.

POSITIVE: Favourable or Positive media coverage is a powerful image-enhancement and image-building tool that assists in promoting the reputation of Umgeni Water as a stable and sustainable entity that is attuned to the needs and expectations of its stakeholders. In the financial year 2020/2021 Umgeni Water received Positive coverage which, 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 – on 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 Umgeni Water has also had instances of negative media and had to deal with them appropriately.

SOUTH COAST PIPELINE

08 ANNUAL PERFORMANCE REPORT 2020/2021

MPOPHOMENI WWTW

Umgeni Water achieved excellent performance for the year, continuing its positive performance trend over the years.

Umgeni Water implements its strategy through a balanced scorecard. For the past year, this comprised four Perspectives, 10 Strategic Objectives and 28 Performance Objectives

The Performance Objectives are further made up of 53 total annual measurable result indicators, for which responsibilities and accountabilities were agreed and targets approved within the entity at the start of the year.

These result ndicators 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 10 Outcomes and ultimately its Mission / Mandate to provide innovative, sustainable, effective and affordable water and related services to customers.

For the period 1 July 2020 to 30 June 2021, the planned initiatives were implemented and progress assessed by the entity. The detailed scorecard follows. Performance against the strategy is also illustrated graphically in **Figures 8.1 - 8.3.**

Percent targets met 84%
Percent targets not met: 16%

Umgeni Water achieved excellent performance for the year, 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 water and related services.

For the Customer and Stakeholder Perspective: 76% performance was achieved, of which:

SO 1 : Increase customer and services achieved 24%.
SO 2 : Increase customer and stakeholder value achieved 82%.

Key outcomes: Product Quality, Water Resources Adequacy, Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability, Infrastructure stability, Operational Optimisation

For the Financial perspective: 87% performance was achieved, of which:

SO 3 : Improve key financial ratios achieved 89%.
SO 4 : Improve financial sustainability and enhance socio-economic development achieved 84%.

Key outcome: Financial Viability, Infrastructure Stability, Community Sustainability

For the Process Perspective: 81% performance was achieved, of which:

SO 5 : Improve governance, risk and compliance systems achieved 74%.
SO 6 : Improve internal process efficiency achieved 75%.
SO 7 : Improve service quality achieved 98%.

Key outcomes: Operational Resilience, Community and Environmental Sustainability.

For the Organisational Capacity Perspective: 90% performance was achieved, of which:

SO 8 : Increase skills and competency achieved 92%.
SO 9 : Improve the use of data and technology achieved 100%.
SO 10: Improve suppy security and service footprint achieved 86%.

Key outcomes: Leadership and Employee Development

Figure 8.1: Overall performance

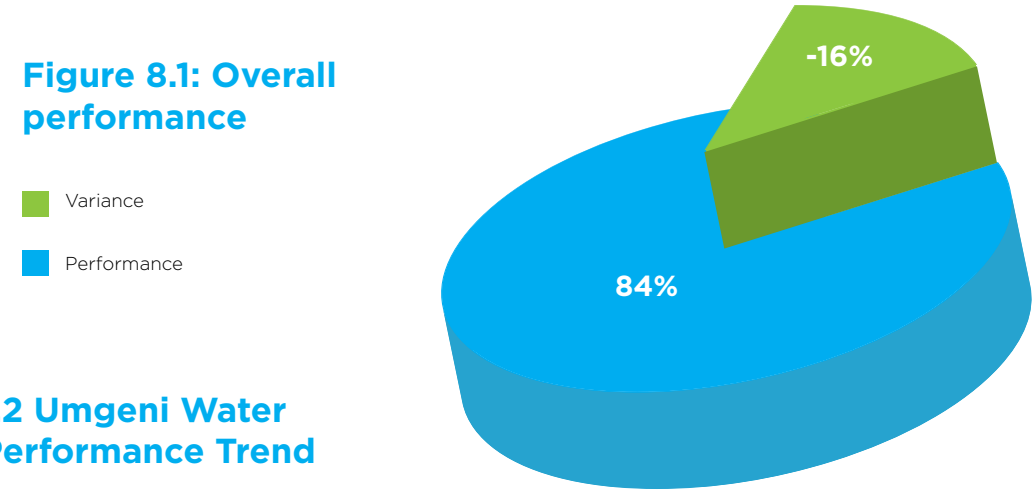


Figure 8.2 Umgeni Water Annual Performance Trend

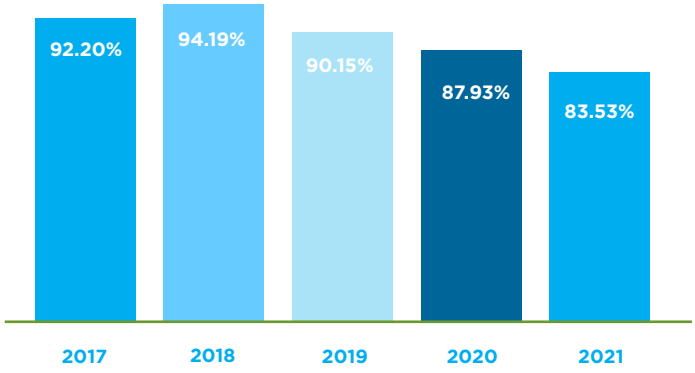
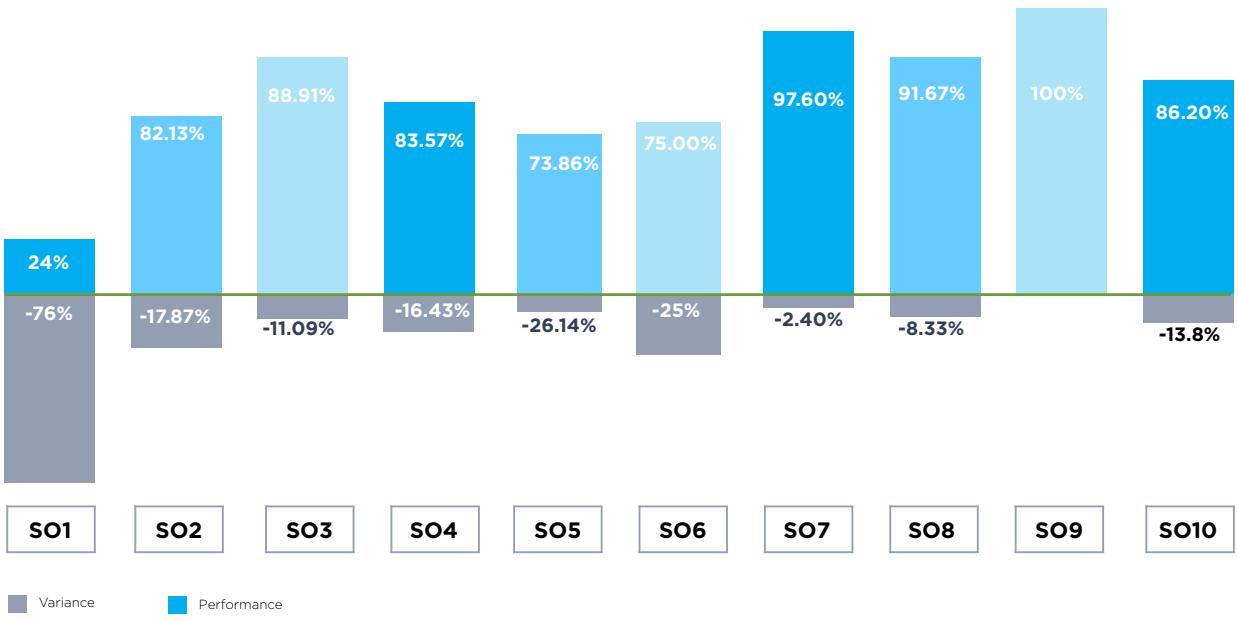


Figure 8.3 Performance per Strategic Objective



The detailed performance of the organisation against indicators and targets for 2020/2021 follows, with further expansion in each of the Annual Report chapters.

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
Balanced Scorecard Perspective: CUSTOMER AND STAKEHOLDER PERSPECTIVE				
OUTCOMES: Product Quality, Water Resources Adequacy, Customer Satisfaction, Stakeholder Understanding and Support, Community and Environmental Sustainability, Infrastructure stability, Operational Optimisation				
Strategic Objective 1: Increase Customers and Services				
PO 1 : Increased access to services				
1.1	Investigations for water and related services or products completed	Growth plan for water and related services for existing customers Board Approved business cases for ≥ 2 services developed per division	Growth Framework approved by EXCO and Audit Committee. This will serve as a plan of action for growing water and related services for existing and new customers. • 5 Prefeasibility Studies completed. • 2 Project Proposals (MMTS Hydropower, Water Conservation & Demand Management) completed.	Delay in the development of Business Cases as a result of organisational design reasons. The conclusion of the organisational design process will allow the finalisation of roles and responsibilities related to Business Development.
Strategic Objective 2: Increase customer and stakeholder value				
PO 2: Bulk supply agreements concluded with municipalities / other customers				
2.1	Total number of signed contracts (bulk supply agreements) in place as a % of total customers (*SHC)	7 customers, 100% signed agreements.	100% All 8 agreements have been signed. The 8th customer is KCDM who contracted with the organisation during the year.	Nil
2.2	Number of engagements with Customers	1 engagement with ≥ 7 customers	All 7 customers engaged	Nil
PO 3: Bulk supply agreements concluded with municipalities / other customers				
3.1	Directives implemented in accordance with plan (*SHC)	Three Directives	Three Directives implemented: • uMkhomazi Water Project Phase 1 • Stephen Dlamini Dam • Ncwabeni Off-Channel Storage Dam	Nil

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
PO 4: Support rural development				
4.1	Number of signed contracts/MOUs with rural Municipalities for provision of support (*SHC)	Contracts/MOUs for ≥ 2 projects/services implemented	3 MOUs signed with: • Harry Gwala DM, which expires November 2027. • Ugu, which expires June 2023 • Alfred Nzo DM: Water Quality Monitoring Programme until May 2023	Nil
PO 5: Value-adding partnerships/collaborations				
5.1	Implementation of Stakeholder Value Proposition and Plans	Quarterly progress report against planned milestones. EXCO approved Stakeholder Value Proposition and Plans approved for 2021/2022	None	Stakeholder Value Proposition and Plans approved for one Division. There hasn't been sufficient time to ensure alignment between Stakeholder Value Proposition and Plans for each division to the approved Integrated Stakeholder Management Strategy
5.2	Number of international relations/strategies and plans implemented.	Strategy and plans approved	International Relations Strategy and plans have been developed.	The assignment could not be completed due to the working environment (Covid-19 regulations constantly changing). The plans need to be as realistic as possible to ensure implementation.
PO 6: Achieve statutory reporting compliance				
6.1	Number of submissions in respect of Monthly Reports, Quarterly Reports, Annual Report, Tariff, Corporate Plan and Shareholder Compact and Policy Statement (*SHC)	20 reports on time: 4 Quarterly Reports 12 Monthly Reports Annual Report Tariff Corporate Plan SHC	20 reports on time: 4 Quarterly Performance Reports 12 Monthly Operational Reports Annual Report Tariff Corporate Plan SHC	Nil
PO 7: Corporate social responsibility initiatives				
7.1	Consumer conscientization programme implemented	Quarterly progress report for ≥ 4 theme programmes EXCO approved Annual Integrated Plan developed for 2021/2022	Quarterly progress report for ≥ 4 theme programmes: all milestones were met Draft Annual Integrated Plan for 2021/2022 developed	Nil Delay in finalisation of the Annual Integrated Plan led to the delay in obtaining EXCO approval.

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
Balanced Scorecard Perspective: FINANCIAL PERSPECTIVE				
OUTCOMES: Financial Viability, Infrastructure Stability, Community Sustainability.				
Strategic Objective 3: Improve key financial ratios				
PO 8: Improve key financial ratios				
8.1	Operating cash flows, Rm	≥ R1395m	R1414m	Nil
8.2	Current ratio (*SHC)	≥ 2.9	4.81	Nil
8.3	Debt to Equity ratio (*SHC)	≤ 0.1	0.09	Nil
8.4	Interest cover ratio	≥ 5	6.38	Nil
8.5	Number of debtor days (*SHC)	≤ 48	56	Target not met significantly due to customers not paying their accounts on time. The debtors policy is strictly applied.
8.6	Per cent return on assets (*SHC)	≥ 6.7%	10.31%	Nil
8.7	Gross profit margin % for primary activity (Bulk Water and Wastewater) (*SHC	≥ 57%	61%	Nil
8.8	Net profit margin % for primary activity (Bulk Water and Wastewater) (*SHC)	≥ 23%	28%	Nil
8.9	Gross profit margin % for secondary activity (*SHC)	≥ 22%	21%	1% below target due to lower sales from Lab services and O&M as a result of COVID-19.
8.10	Net profit margin % for secondary activity (*SHC)	≥ 15%	(11%)	Provision for Credit Loses for a customer in Lab sales
8.11	Staff remuneration % of total operating expenditure (*SHC)	≤ 35%	25%	Nil
Strategic Objective 4: Improve financial sustainability and enhance socio-economic development				
PO 9: Manage costs within approved budget				
9.1	Total revenue, Rbn and per cent variance	R4.2bn ± 10%	R4.52bn, 8% variance	Nil
9.2	Total expenditure, Rbn and per cent variance (*SHC)	R3.2bn ± 10%	R3.34bn, 3% variance	Nil
9.3	Total surplus (loss), Rm and per cent variance	R956m ± 10%	R1 253m, 31% variance	Nil
PO 10: Engagement in secondary activities				
10.1	Total s30 revenue, Rm and per cent of turnover (*SHC)	R36m ± 10% ≥ 1% of turnover	R34m, -6% variance	Nil

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
PO 11: Increase transformation through B-BBEE				
11.1	Actual BBBEE spend as a % of total discretionary expenditure and number of new BBBEE entrants awarded work (*SHC)	≥ 80% spend	117% spend	Nil
	Number of new BBBEE entrants awarded work	≥ 10 new entrants awarded work.	7 New entrants awarded work	The target was based on the number of Co-operatives that Umgeni Water was expecting to award contracts to. Only 7 were finally awarded.
11.2	B-BBEE Scorecard element and score per element	BEE Compliance progression verified towards attainment of Level 3 by 2021/2022	NONE	BEE Compliance baseline completed, but not verified due to internal capacity and procurement delays.
PO 12: Jobs created				
12.1	Number of permanent jobs created and number of temporary jobs created (*SHC)	≥ 300 temporary jobs (Capex programme). HR report on new posts created on the permanent establishment.	419 temporary jobs created HR report on new posts created on the permanent established (53 Positions were created on the permanent establishment)	Nil

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
Balanced Scorecard Perspective: PROCESS PERSPECTIVE				
OUTCOMES: Operational Resiliency, Community and Environmental Sustainability.				
Strategic Objective 5: Improve governance, risk and compliance systems				
PO 13: Board effectiveness				
13.1	Board / Committee meetings attended as a % of planned meetings and resolutions taken by the board as a % of resolutions required (*SHC)	≥ 80% attendance ≥ 80% resolutions taken	98% attendance 100% resolutions taken	Nil
PO 14: Effective controls, compliance and risk management				
14.1	Unqualified external audit report with no matters of emphasis (Clean Audit) (*SHC)	Unqualified report with no matters of emphasis (Clean Audit).	Unqualified external report with respect to financial statements and predetermined objectives	Material findings with respect to compliance with legislation
14.2	Number of repeat and unresolved findings (*SHC)	≤ 6	22 unresolved audit findings	Internal audit findings (detailed in the Q4 Internal Audit report) were incurred in the following areas: • Supply Chain Management (14 findings) • Predetermined Objectives (6 findings) • ICT (2 findings)
14.3	Per cent compliance against Annual Legal Compliance Plan	100% compliance	100% compliance	Nil
14.4	Disabling Injury Frequency Ratio (DIFR)	≤ 0.5	0.02	Nil
14.5	Security of information, human capital and physical assets	100% compliance with NKP Act National Key Points declaration of Umgeni Water, water treatment works Information security and cyber security action plan implemented to address finding	NKP accreditation assessment is complete for three (3) targeted water treatment works.	Nil
PO 15: Good governance				
15.1	Number of breaches in materiality and significance framework (*SHC)	Nil	The entity incurred Fruitless and Wasteful, Irregular Expenditure and breachesor instances of noncompliance with the materiality and significance framework.	The breaches resulted from non-compliance with SCM legislation. The majority of the irregular expenditure disclosed as at 30 June 2021 relates to transactions concluded in prior years. Refer to Director's Report in the 2020/2021 Annual Report
Strategic Objective 6: Improve Internal Process Efficiency				
PO 16: Procurement turnaround				
16.1	Turnaround time (calendar days) for concluding the procurement and contracting process (awarding, signing of contract and CPG negotiation)	≤ 120 days for award; ≤ 15 days for CPG negotiations ≤ 10 days for signed contract	22 of 24 tenders awarded within 120 days (91%) Average: 75 days 2 of 35 CPG Negotiations < 15 days (6%) Average: 44 days 4 of 31 tenders < 10 days (13%) Average: 44 days	33 of 35 CPG Negotiations >15 days (94%) 27 of 31 tenders >10 days (87%) A combination of administrative delays (both internal and external) and appeals hampered the progress of turnaround times

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
16.2	Develop and implement an integrated organisational procurement plan	≥ 85% milestones met	70.37%	14.63% below target due to delays in the initiation of tender process as a result of builders' break.
PO 17: Organisational Change Management programme implemented				
17.1	Organisational Change Management programme implemented.	EXCO Approved Organisational Change Management programme developed.	4 Divisions have developed and implemented their Policy Revision programmes 1 Division has developed its programme and is currently implementing 1 Division is yet to develop a Policy Revision programme, which is to be used to monitor implementation	Delays in the development and implementation of Policy Revision programmes hampered progress.
PO 18: Research & innovation programme				
18.1	Full Value chain Research and Development Programme Implemented.	EXCO Approved Research and Innovation Programme developed for implementation in 2021/22 Business cases completed ≥ 5 projects Phase 2: ≥ 5 pilot plans completed	A Research and Innovation Concept Document Developed in Q1 – which was to be key in the review of the existing Research & Development Policy (i.e. taking innovation beyond Science and Engineering disciplines).	No new Research and Innovation Policy was developed as a result of organisational design.
18.2	Environmental Sustainability Programmes Implemented	EXCO Approved Environmental sustainability implementation plan developed for implementation in 2021/2022	Environmental Sustainability Implementation Plan developed and approved by EXCO	Nil
Strategic Objective 7: Improve Service Quality				
PO 19: Bulk potable water quality compliance				
19.1	Per cent compliance of WTW systems with SANS 241 water quality standard per risk category (*SHC)	> 13 WTW systems 100% compliant with Excellent SANS 241. Three (3) UMDM schemes: Excellent SANS 241 in three (3) categories with Good SANS 241 only in operational and aesthetic	12 WTW systems 100% compliant with Excellent SANS 241 Three (3) UMDM plants achieved Excellent in all 5 categories of SANS 241 (Acute Microbiological Health, Acute Chemical Health, Chronic Chemical Health, Operational, Aesthetic)	1 WTW system achieved GOOD in operational. The water quality problem at the Maphumulo Waterworks are attributed to the limited capacity of the package plant in coping with seasonal variation of the raw water quality from the Imvutshane Dam.
PO 20: Manage avoidable water losses				
20.1	Avoidable water lost (mil m3) over total water produced (mil m3) (*SHC)	≤ 5%	2.5%	Nil

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
PO 21: Reliability of supply				
21.1	Supply and demand status and projections demonstrating long-term water resources adequacy per system and region.	Updated Infrastructure Master Plan. EXCO Approved Water Resources Diversification Plan Developed.	Infrastructure master plan updated and refined. Water resource diversification business plan completed.	Nil
21.2	Number of days (> 24 hours) supply disrupted over total supply days (365 days per year) (*SHC)	0 days > 24 hours	10.45 days > 24 hours 1.5 days at Mtwalume WTW 6.5 days at Mpofana WTW 2.45 days at Lidgetton WTW	The disruptions were due to the following reasons: - Mnafu pump panel burnt out at Mtwalume - Mpofana plant offline due to cable theft at raw water abstraction. - Lidgetton plant due to cable theft at raw water abstraction.
PO 22: Bulk wastewater compliance				
22.1	Per cent compliance of WWTW systems with discharge licence or General Authorisation requirements (*SHC)	9 WWTW ≥ 90% compliant 2 WWTW ≥ 80% compliant	8 WWTW ≥ 90% compliant 2 WWTW ≥ 80% compliant	1 WWTW ≤ 90% compliant (Ixopo) due to low inflow volumes resulting to poor optimisation.

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
Balanced Scorecard Perspective: ORGANISATIONAL CAPACITY PERSPECTIVE				
OUTCOMES: Leadership and Employee Development				
Strategic Objective 8: Improve skills and competency				
PO 23: Training and skills development				
23.1	Human capital development programmes responsive to the strategy	Vision 2050 Human Capital Development Strategy developed Employee Wellness plan developed	The draft Strategy/Framework has been developed Employee Wellness plan developed	Operating Environment Analysis, Strategic Objectives and Initiatives require revision. Strengthening these sections will make the strategy to be measurable and simplify the evaluation of its implementation. Nil
23.2	Number of capacity building programmes evaluated	Approved Capacity-0building framework developed	Capacity building framework developed and Approved.	Nil
PO 24: STAFF LEVELS				
24.1	Number of staff terminations, excluding normal retirements, as a % of the total staff complement (*SHC)	≤ 8%	1.04%	Nil
Strategic Objective 9: Improve the use of Data & Technology				
PO 25: Digital transformational programme				
25.1	Digital transformational programme implemented	Approved vision 2050 digital transformation strategy developed	Vision 2050 digital transformation strategy developed	Nil
Strategic Objective 10: Improve Supply Security and Service Footprint				
PO 26: Catchment management				
26.1	Integrated resource / ecological infrastructure management plans per system and region	Climate change policy and implementation plan developed Ecological infrastructure management plans implemented	Climate change policy and implementation plan developed Ecological infrastructure management plans implemented	Nil
PO 27: Capital expenditure programme				
27.1	CAPEX Rm against budget and % variance (*SHC)	≥ 80% of R1411m, ≤ 20% variance	R825m (73% - based on lower range of the target, which is R1129m)	R304m (less than the target of R1129m) Capex programme was impacted negatively by the COVID-19 lockdown restrictions, some contractors going into business rescue, lengthy appeals, deferral of certain projects resulting from the zero tariff increase in 2020/2021.

#	RESULT INDICATOR	TARGET	ACTUALS	REASON FOR VARIANCE
27.2	Number of Capex projects within target completion dates against planned number and % variance (*SHC)	≥ 85% projects within target dates ≤ 15% for 14 Strategic Infrastructure Projects	55% strategic infrastructure projects within target completion date.	30% variance due to: • Capex programme has been impacted negatively by the COVID-19 lockdown restrictions, • delays in land acquisitions due to lengthy negotiations and servitude registrations, • Contractors going into business rescue and other projects being deferred to 2025 due to the zero tariff increase
27.3	Capital expenditure for rural expansion (development) projects as % of total capex budget spent (*SHC)	R337m ± 20% ± 24% of annual capex spend	R291m, 35% of Total CAPEX spent	Nil
PO 28: ASSET MANAGEMENT PROGRAMME				
28.1	Repairs and maintenance as % of PPE and Investment Property (Carrying Value) (*SHC)	R375m ± 10% ≥ 3% of PPE	R319m 3.61% of PPE	R18.5m below target (against lower range of the target R337.5m) A combination of factors (contraction of economy, the effects of the resultant National Lockdown and project delays) adversely affected progress of the organisation's maintenance programme.

09 CREATING VALUE

Umgeni 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.

9.1 Product Quality

Management Approach

The quality of potable water is paramount to Umgeni Water, 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 Drinking Water specification (SANS 241:2015).

In addition to providing safe drinking water and protecting public health, Umgeni Water is also 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 that include comprehensive and site specific risk assessments, the implementation of corresponding mitigation plans and 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. Information on water quality performance is regularly conveyed to customers, stakeholders and regulators in accordance with the organisational stakeholder communication plan.

Potable Water Quality Performance

The South African National Drinking Water Specification (SANS 241:2015) dictates the 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 (as per the classification tabulated further below):

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

Table 9.1: Key to classification of the performance of drinking water supply systems according to SANS 241:2015

	Population up to 100 000 Proportion of samples compliant			Population > 100 000 Proportion of samples compliant		
	Excellent	Good	Unacceptable	Excellent	Good	Unacceptable
Acute Microbiological Health	≥97%	≥95%	≥95%	≥99%	≥97%	≥97%
Acute Chemical Health	≥97%	≥95%	≥95%	≥99%	≥97%	≥97%
Chronic Chemical Health	≥95%	≥93%	≥93%	≥97%	≥95%	≥95%
Operational	≥93%	≥90%	≥90%	≥95%	≥93%	≥93%
Aesthetic	≥93%	≥90%	≥90%	≥95%	≥93%	≥93%

During the reporting period,13 Umgeni Water bulk water supply systems, three uMgungundlovu District Municipality (UMDM) schemes, and three acquired uThukela District Municipality systems were monitored and reported against the five risk categories as specified in SANS 241:2015

Overall, the combined compliance of the Umgeni Water bulk potable water supply systems was excellent for the period under review. Compliance per SANS 241:2015 risk category is shown in **Figure 9.1.** Detailed potable water quality compliance per water supply system is shown in **Table 9.2.**

Figure 9.1: *Ungeni Water Bulk Systems Potable Water Quality Compliance (%) with SANS 241*

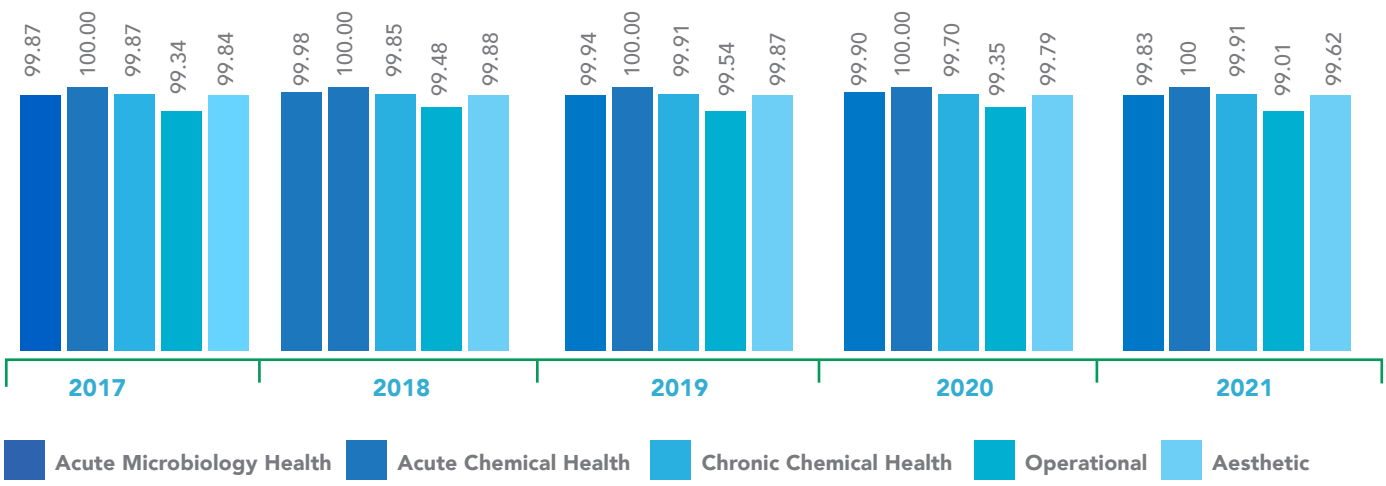


Table 9.2: 2020/2021 Potable Water Quality Compliance (%) with SANS 241:2015 per Water Supply System

	WATER SUPPLY SYSTEM	AVERAGE DAILY VOLUME TREATED (M1/D)	% VOLUME	PER CENT COMPLIANCE WITH SANS 241:2015				
				ACUTE MICRO-BIOLOGICAL HEALTH	ACUTE CHEMICAL HEALTH	CHRONIC CHEMICAL HEALTH	OPERATIONAL	AESTHETIC
1	Durban Heights	524	33.88%	100.00	100.00	100.00	99.97	100.00
2	Wiggins	289	19.38%	100.00	100.00	99.97	99.95	100.00
3	Midmar	336	21.25%	99.86	99.86	100.00	99.51	100.00
4	DV Harris	113	6.82%	99.97	99.97	100.00	99.80	100.00
5	Amanzimtoti	87	5.81%	100.00	100.00	99.86	99.86	100.00
6	Hazelmere	70	4.28%	100.00	100.00	100.00	99.77	100.00
7	Lower Tugela	34	2.14%	100.00	100.00	100.00	99.90	100.00
8	Maphumulo	8	0.53%	98.17	100.00	00.63	92.60	96.27
9	Umzinto	14	0.87%	100.00	100.00	100.00	100.00	100.00
10	Mthwalume	13	0.80%	100.00	100.00	100.00	100.00	100.00
11	Mhlabatshane	5	0.40%	100.00	100.00	100.00	99.69	100.00
12	Maphephethweni	4	0.27%	100.00	100.00	100.00	98.91	100.00
13	Ixopo	2	0.17%	100.00	100.00	99.66	97.11	98.85
14	Mpofana	5.7	0.38%	98.08	100.00	100.00	98.90	100.00
15	Rosetta	0.2	0.01%	100	100.00	100.00	99.68	100.00
16	Lidgetton	0.6	0.04%	100.00	100.00	100.00	99.63	98.51
17	Ezakheni	37	2.47%	96.43	100.00	100.00	82.57	97.50
18	Olifantskop	6.0	0.40%	100.00	100.00	100.00	85.40	95.30
19	Tugela Estates	0.8	0.05%	100.00	100.00	100.00	89.77	95.86

Compliance per System

Twelve (12) Umgeni Water bulk water supply systems showed excellent compliance with all monitored SANS 241:2015 risk categories, while Maphumulo WTW's reported Good performance for the operational risk category. The Good performance recorded was due to turbidity, free and total chlorine, coliforms, and heterotrophic plate count (HPC@37) associated with the poor performance of the package plant, low reservoir levels due to increased demand and poor raw water quality which affected the performance of the process units.

The package plant cleaning was completed and will be added to the Planned Maintenance (PM) programme on a quarterly frequency, the turbidity meter was replaced, and the automation of the package plant clarifier valves using pneumatic type valves which are more reliable was undertaken.

The uMgungudlovu District Municipality's drinking water supply systems recorded a combined excellent performance against all the risk categories specified in SANS 241:2015.

The three drinking water supply systems acquired from uThukela District Municipality, namely Ezakheni, Olifantskop and Tugela Estates recorded a combined excellent performance against the Acute Microbiological Health, Chronic Chemical Health, Acute Chemical Health, and Aesthetic risk categories, while unacceptable performance was recorded in the Operational risk categories.

Wastewater Quality Performance

Figure 9.2 and **Table 9.3** show wastewater quality compliance per system, assessed against the relevant licence or General Authorisation General Limits prescribed by the Department of Water and Sanitation (DWS).

Figure 9.2: Wastewater Quality Compliance %

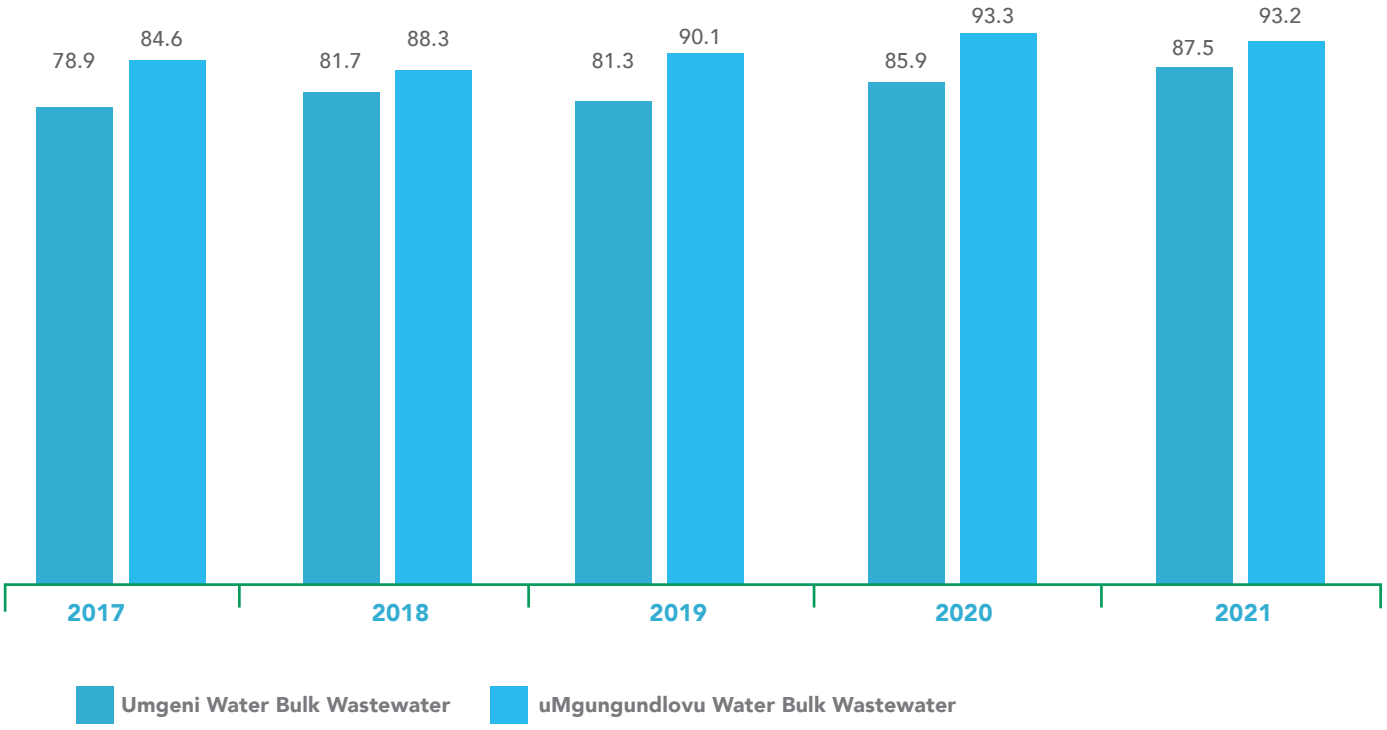


Table 9.3: Wastewater Compliance (%) per Treatment Works

		Average Daily Volume Treated		Population > 100 000 Proportion of samples compliant					
	Wastewater Treatment Works	(Ml/d)	%	2017	2018	2019	2020	2021 Target	2021 Actual
1	Darvill	71.99	86.44%	72%	73.8%	73.7%	82.2%	≥ 80%	84.05%
2	Howick	6.07	7.30%	86%	91.1%	90.3%	91.1%	≥ 90%	93.33%
3	Ixopo	0.50	0.60%	94%	96.0%	94.0%	92.6%	≥ 90%	88.13%
4	Lynnfield Park	0.17	0.20%	96%	95.9%	93.6%	92.5%	≥ 90%	96.79%
5	Mpofana	3.38	4.06%	72%	78.0%	77.7%	88.4%	≥ 80%	86.92%
6	Richmond	0.68	0.82%	87%	93.9%	96.7%	95.3%	≥ 90%	96.67%
7	Cool Air	0.36	0.43%	98%	98.2%	99.6%	99.5%	≥ 90%	100.00%
8	Camperdown	0.08	0.10%	97%	91.7%	91.7%	93.1%	≥ 90%	94.44%
9	Appelsbosch	0.04	0.05%	91%	81.9%	88.9%	93.1%	≥ 90%	97.22%

Compliance per System

Compliance for nine (9) wastewater treatment works (WWTW) was assessed against the relevant standard, and only Ixopo WWTW was non-compliant with the set performance target. The Ixopo WWTW achieved 88.1% against the performance target of ≥90.0%. Non-compliances occurred as a result of the on-going low inflow volumes and fluctuation of peak flows at this site, which affect the biological process. The flows into the WWTW are very low most of the time. Effective flow proportional chlorine dosing cannot be undertaken at the site under those conditions, leading to both elevated *E.coli* and chlorine at times. Free chlorine and ammonia non-compliances were due to low dissolved oxygen that was caused by under aeration.

Due to the variable inflow volumes, the aerators were operated manually and process optimisation was undertaken where necessary. Adequate flow proportional chlorine dosing (under review) is still needed at this site which is unmanned at night and elevated chlorination remains preferable to frequent *E.coli* non-compliances. The Municipality needs to resolve the collector sewer and pump-station challenges, especially as sewage spills are likely to affect the raw water source for the drinking water supply. Resolution of the Municipality collector sewer problems is urgent and may again require that Umgeni Water assist with this as some of the spilled sewage enters the raw water source used for the treatment and supply of potable water for the town.

DARVILL WWTW

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.

9.2 Customer Satisfaction

Geographical Markets and Customers

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

- KwaZulu-Natal: for water services and other related activities;
- South Africa: water services and other related activities on demand;
- 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:

eThekwini Metropolitan Municipality:	Retain and grow
Msunduzi Local Municipality:	Retain and grow
Lembe District Municipality:	Retain and grow
uMgungundlovu District Municipality:	Retain and grow
Harry Gwala District Municipality:	Market penetration
Ugu District Municipality:	Market penetration
uThukela District Municipality:	Market development
King Cetshwayo District Municipality:	Market development
Newcastle Municipality	Market Development (Demand driven)
Amajuba District Municipality:	Market Development (Demand driven)
uMzinyathi District Municipality:	Market Development (Demand driven)
uMkhanyakude District Municipality:	Market Development (Demand driven)
uMhlathuze Municipality:	Market Development (Demand driven)
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 re-use.

Umgeni Water's infrastructure assets in support of its bulk water services business comprise:

- Approximately 930km of pipelines and 53km of tunnels;
- Fifteen impoundments;
- Twenty Water Treatment Works;
- Eleven Wastewater Treatment Works.

A total of 553 million cubic metres of potable water per annum (1 515Ml/d) were supplied to customers **(Figure 9.3)** who serve a population of 6.7m or 1.9m households through reticulation networks. This is a 9% year-on-year increase as compared to the previous year.

Treatment works' capacities and utilisation are shown in **Figure 9.4 (a) and (b)** respectively.

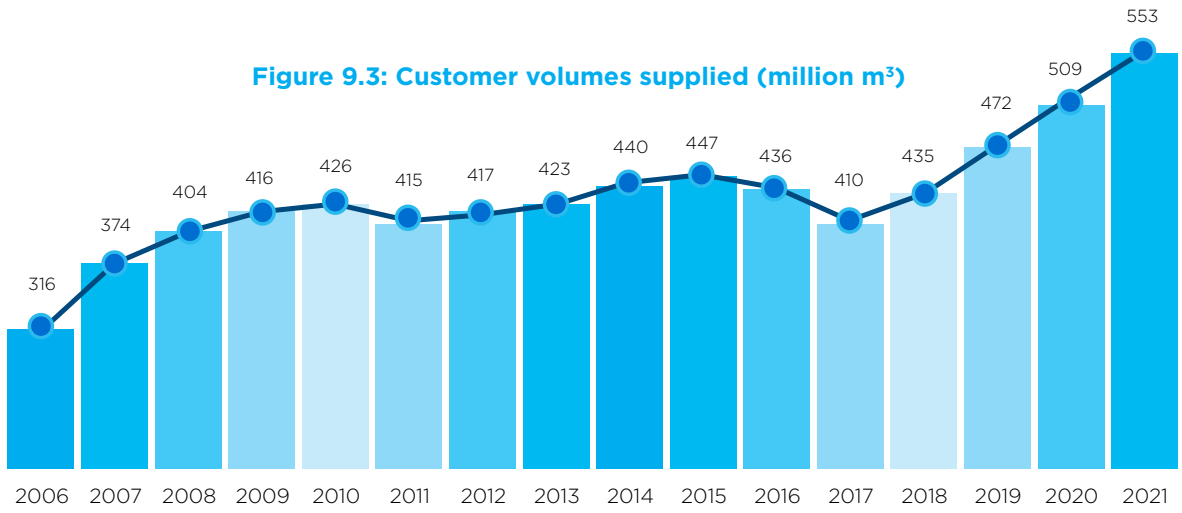
In the year under review, there were three instances of unplanned supply disruptions amounting to 10.45 supply days disrupted. The disruption at Mtwalume WTW (1.5 days) was as a result of a burnt pump panel. As a mitigating measure,the affected pump station is being upgraded with a back-up pump system set to be installed.

The unplanned disruptions at Mpofana WTW (6.5 days) and Lidgetton WTW (2.45 days) were as a result of cable theft. Appropriate actions of replacing the cables were instituted in this regard and supply was restored successfully.

Customers are kept informed on progress of any interventions. Umgeni Water continues to engage regularly with its customers in line with service level agreements.

Bulk wastewater treated from nine wastewater treatment works over this period amounted to 31 million cubic metres (84Ml/d) for the year per annum, a 3% decrease from the prior year (32 million cubic meters or 88Ml/d in 2020). Wastewater Treatment Works' (WWTWs) capacities and utilisation are shown in **Figure 9.4 (c) and (d)** respectively.

Figure 9.3: Customer volumes supplied (million m³)



Bulk Supply Agreements

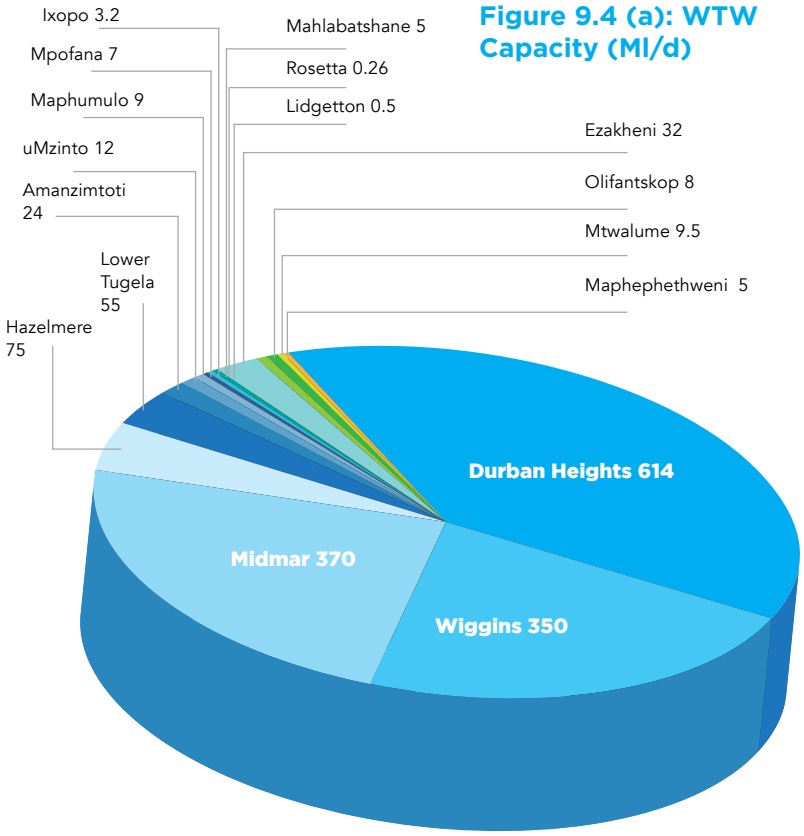


Figure 9.4 (a): WTW Capacity (Ml/d)

Bulk Supply Agreements are concluded to cover obligations of both Umgeni 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 Umgeni 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 9.4 (b): WTW % Utilisation

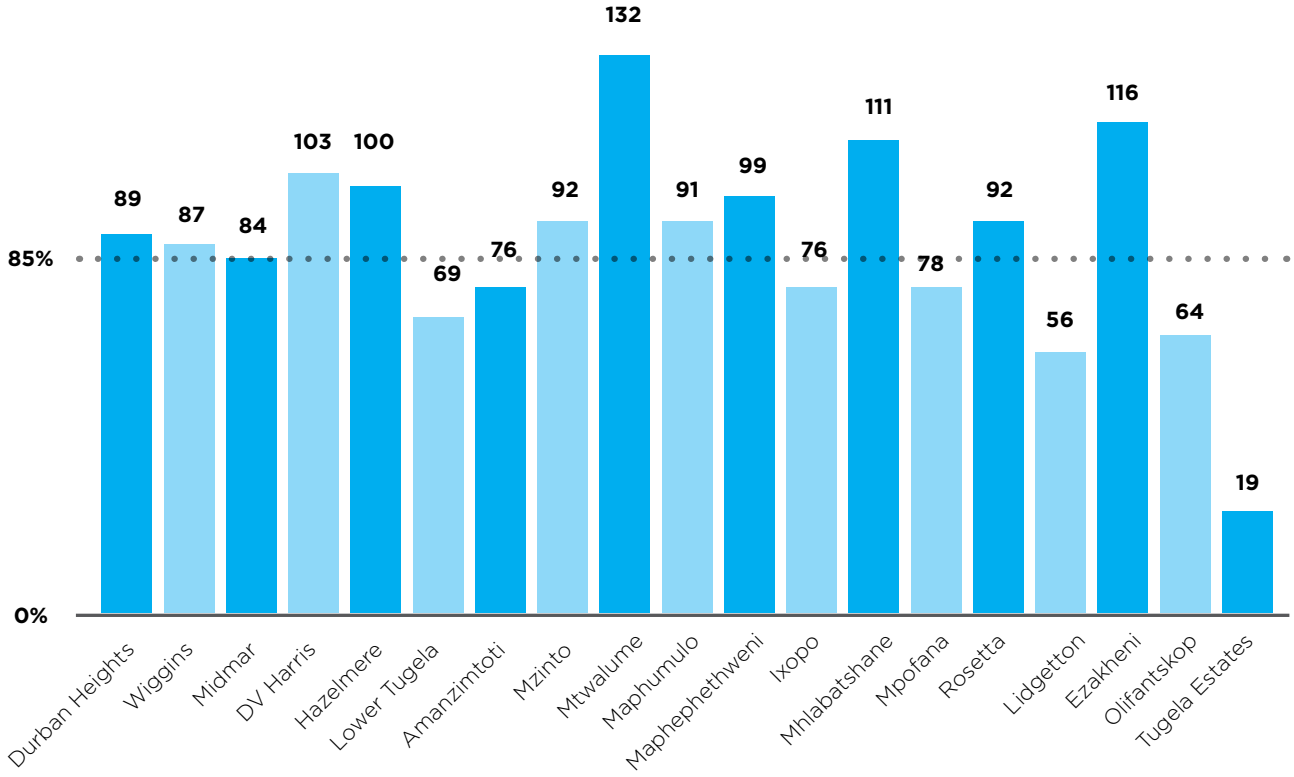
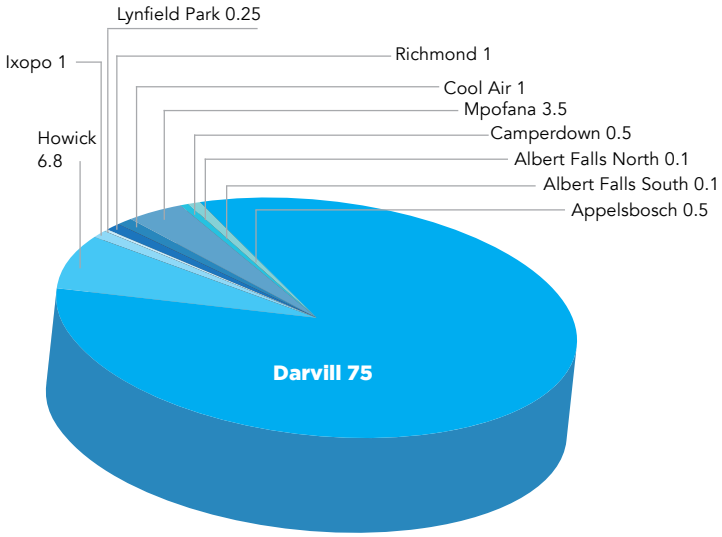


Figure 9.4 (c) WWTW Design capacity (Ml/d)



Supply Capacity and Constraints

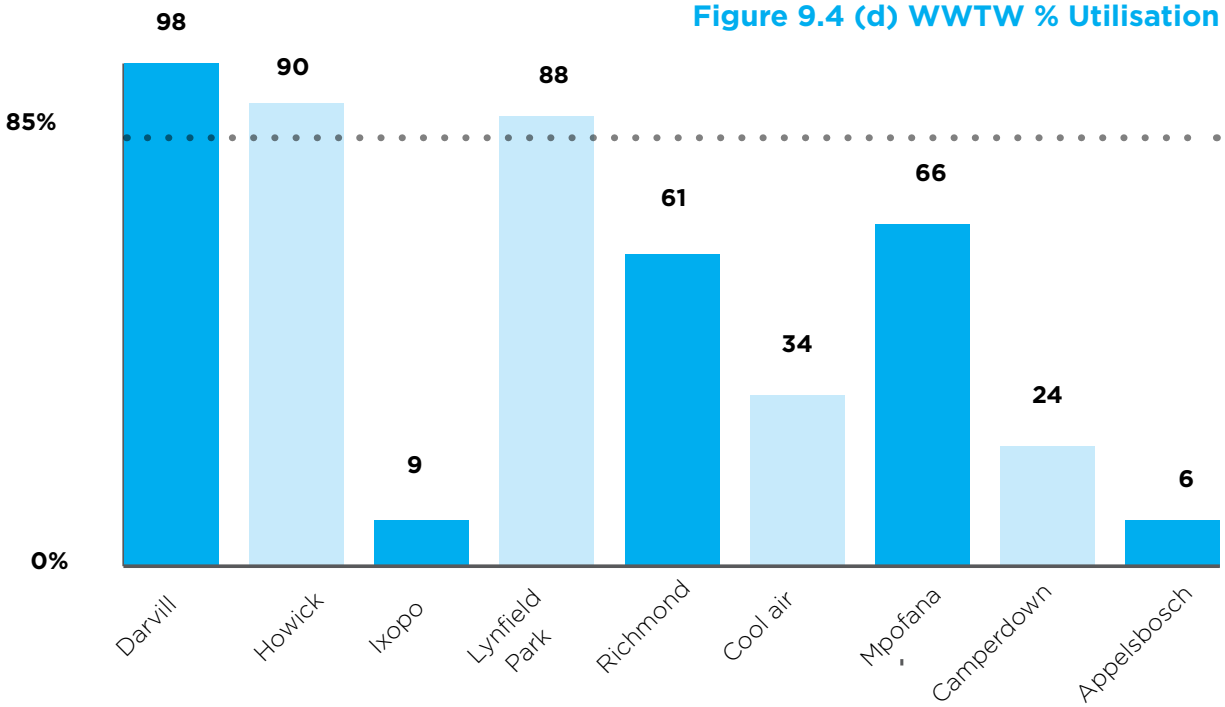
Several works, as shown in **Figure 9.4 (b)** are currently operated above their design capacity to meet demands, and both long-term and short-term interventions are in place to address them including major works capital upgrades, refurbishments, pipeline developments, utilisation of package plants (interim measure) and general operational and process upgrades to alleviate bottlenecks.

Operational Performance and Service Planning

Umgeni 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 received. In the past year, additional engagements focused on agreements on water restrictions that needed to be imposed (uThukela District Municipality) and collaborative engagement of end users regarding judicious use of water supplies.

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).

Figure 9.4 (d) WWTW % Utilisation



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 Umgeni Water successfully extending access to unserved areas in KZN.

Support to Rural Municipalities

Umgeni Water continued to provide support to vulnerable customers to implement projects that aim to improve service delivery. In the past year, support was provided to various customers.

- Infrastructure assessments were completed for Ugu and King Cetshwayo District Municipalities, and recommendations for process optimisations to improve the state of the infrastructure and ultimately water quality also provided;
- Support was provided to Ugu, Alfred Nzo, Harry Gwala District Municipalities and Winnie Madizikela-Mandela Local Municipality, with respect to Water and/or wastewater sampling, testing, compliance reporting, training and other support services;
- Process optimisation interventions were implemented at Ezakheni and Olifantskop WTWs in UThukela District Municipality. Possible refurbishment and upgrade options for the two WTWs were developed. Additional support was provided to the water service authority with respect to the implementation of its water quality-monitoring programme;
- Trade effluent support provided to uMsunduzi Local Municipality with regard to investigation and management of multiple illegal discharges in the rivers;
- Water storage tanks were supplied and installed in various municipalities throughout KwaZulu-Natal at the start of the COVID-19 crisis. This initiative was done in collaboration with the Department of Water and Sanitation, and the Water Institute of Southern Africa.

Drought Management

All the systems received above-average rainfall towards the end of 2020 and the first few months of 2021. This resulted in the increase in level for all dams. The level of Albert Falls Dam increased steadily from January 2021 but did not reach full capacity and has remained a concern for a while.

In particular, the Albert Falls Dam was still well below full supply level at the start of the dry winter months in 2020. The current volume of this resource and the entire Mgeni System is, however, sufficient to ensure that water restrictions will not be required between June 2021 and May 2022.

The impoundments along the coastal area received good rainfall in October and November 2020, and as a result were all at full supply capacity at the beginning of 2021. The construction work at Hazelmere Dam still has to be undertaken by the Department of Water and Sanitation before the impoundment can increase to greater than 54% of full supply capacity. The dam safety officer recommended that iMvutshane Dam level be reduced to less than 60% of full supply capacity during the summer months while dam wall rehabilitation is being undertaken.

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 R319m **(Figure 9.5).** This was R56m below the budgeted maintenance spend of R375m. The underspend was a result of the delay in acquisition of water treatment works in Ugu, Harry Gwala and uThukela District Municipalities that were already provided for in the maintenance budget.

Over the years Umgeni Water has continued to maintain its assets and on average invests 6.8% of its revenue 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 years and beyond.

Figure 9.5 (a): Maintenance Spend (Rm)

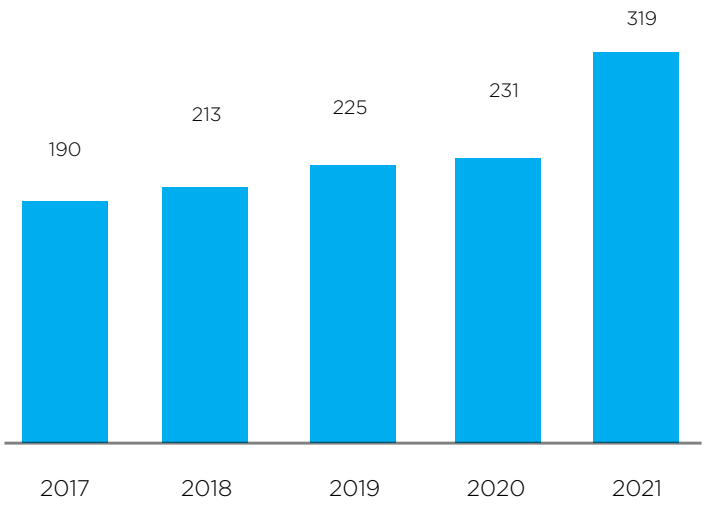
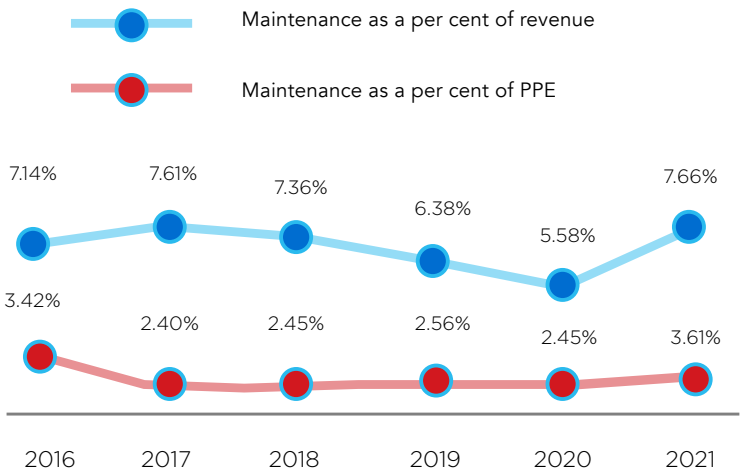


Figure 9.5 (b): Maintenance (%)



Water Loss Management and Metering

Non-revenue water is 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 Umgeni Water at various critical points in its systems.

9.3 Infrastructure Stability

Management Approach

Umgeni Water plans and manages its bulk water infrastructure stability in order to meet current and future customer needs. The planned outcome is bulk infrastructure that is consistent with planned service levels, acceptable risk levels and anticipated growth trajectories 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 comprises:

- Infrastructure upgrades and rehabilitation to continue to achieve product quality and a sustainable supply to customers;
- Infrastructure development for expansion and growth to new areas and to serve unmet needs;
- Infrastructure development and expansion to supply rural areas and municipalities to reduce backlogs and increase community sustainability.

In implementing infrastructure projects, Umgeni Water uses local labour as its preferred workforce to facilitate skills transfer and economic support to local communities. Umgeni Water further ensures that there is meaningful Broad-based Black Economic Empowerment (B-BBEE) through its policies that drive 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 manifests in the development and implementation of sound Environmental Management Plans that are monitored and audited independently during implementation.

LOWER THUKELA WTW

Status of Water Access in the Supply Area

Within Umgeni Water's area of focus in the reporting period, access to piped (tap) water inside the dwelling/ house / yard comprise 70% of the total number of people with access to water (**Figure 9.6** - Community Survey 2016). There are many areas that are outside of Umgeni Water's bulk water infrastructure supply footprint that still receive no water from schemes. In addition, components of the served areas that are characterised by small schemes have been found to be unsustainable.

Figure 9.6 (a): Main Source of Water for Drinking - Umgeni Water Focus Area (Stats SA, Community Survey 2016)

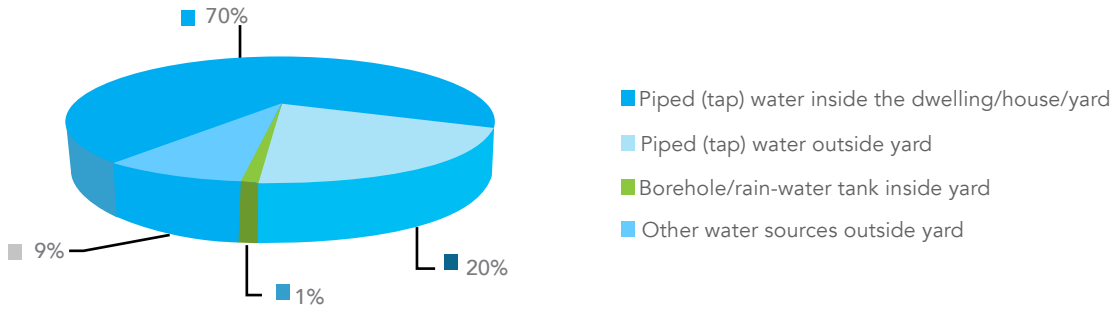


Figure 9.6 (b): Main Source of Water for Drinking by WSA – Umgeni Water Focus Area (Stats SA, Community Survey 2016)

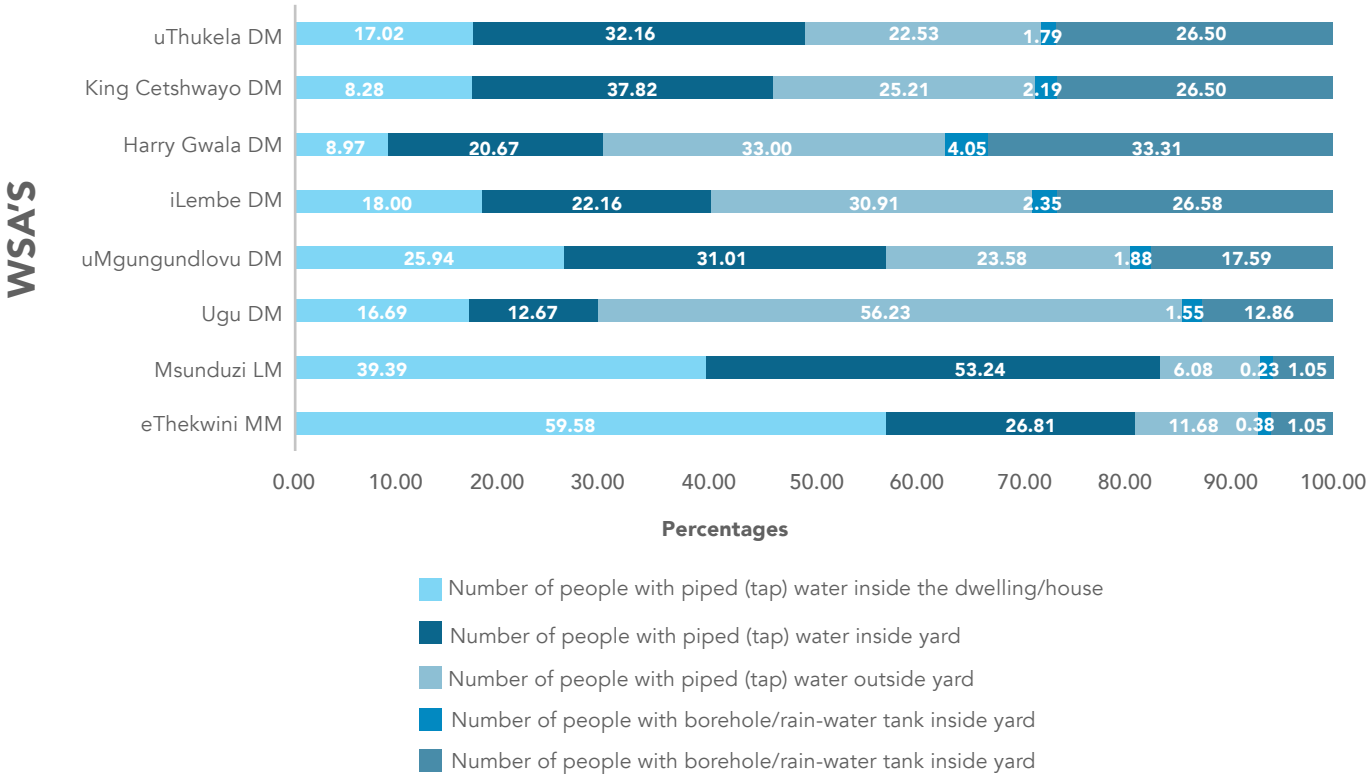
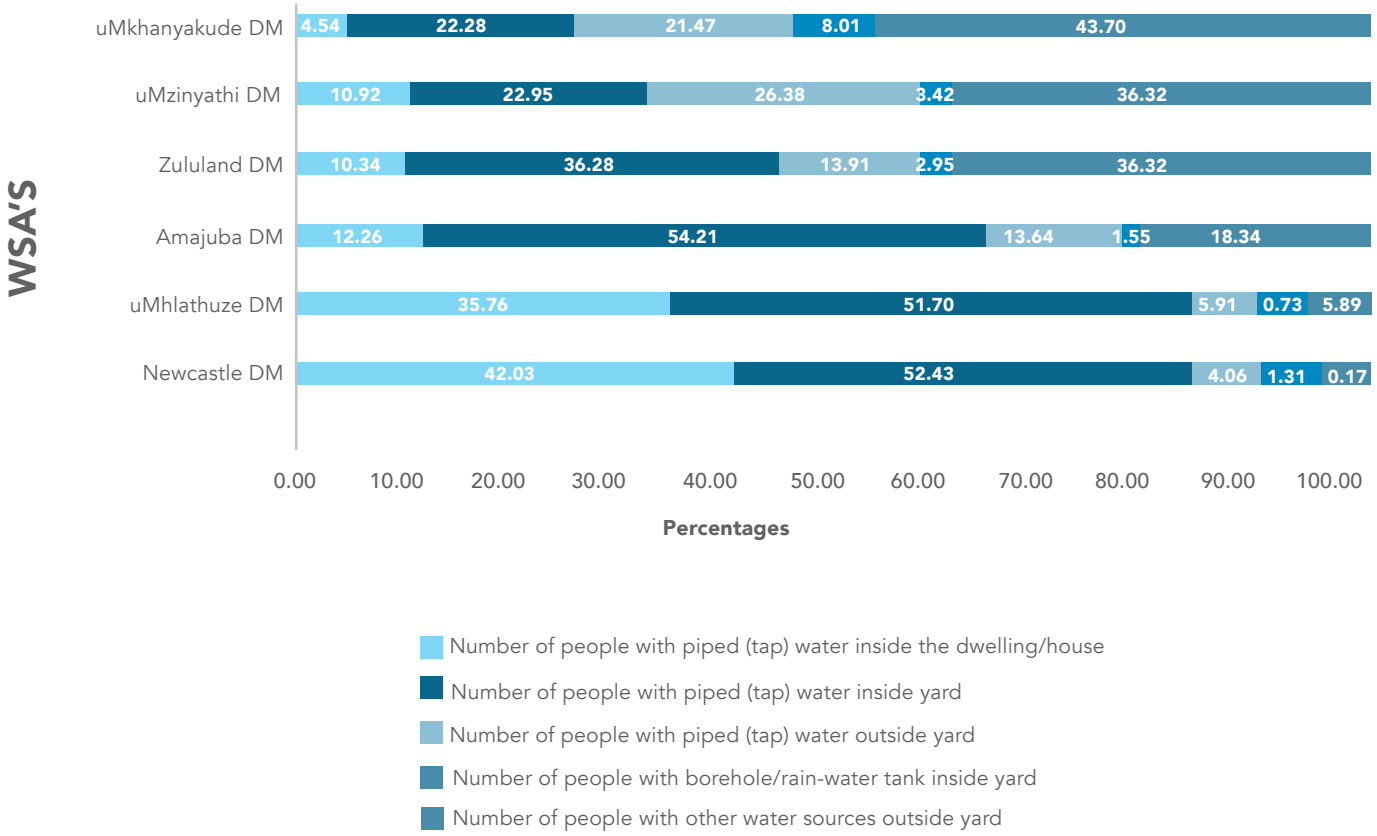


Figure 9.6 (c): Main Source of Water for Drinking by WSA – Rest of KZN (Stats SA, Community Survey 2016)

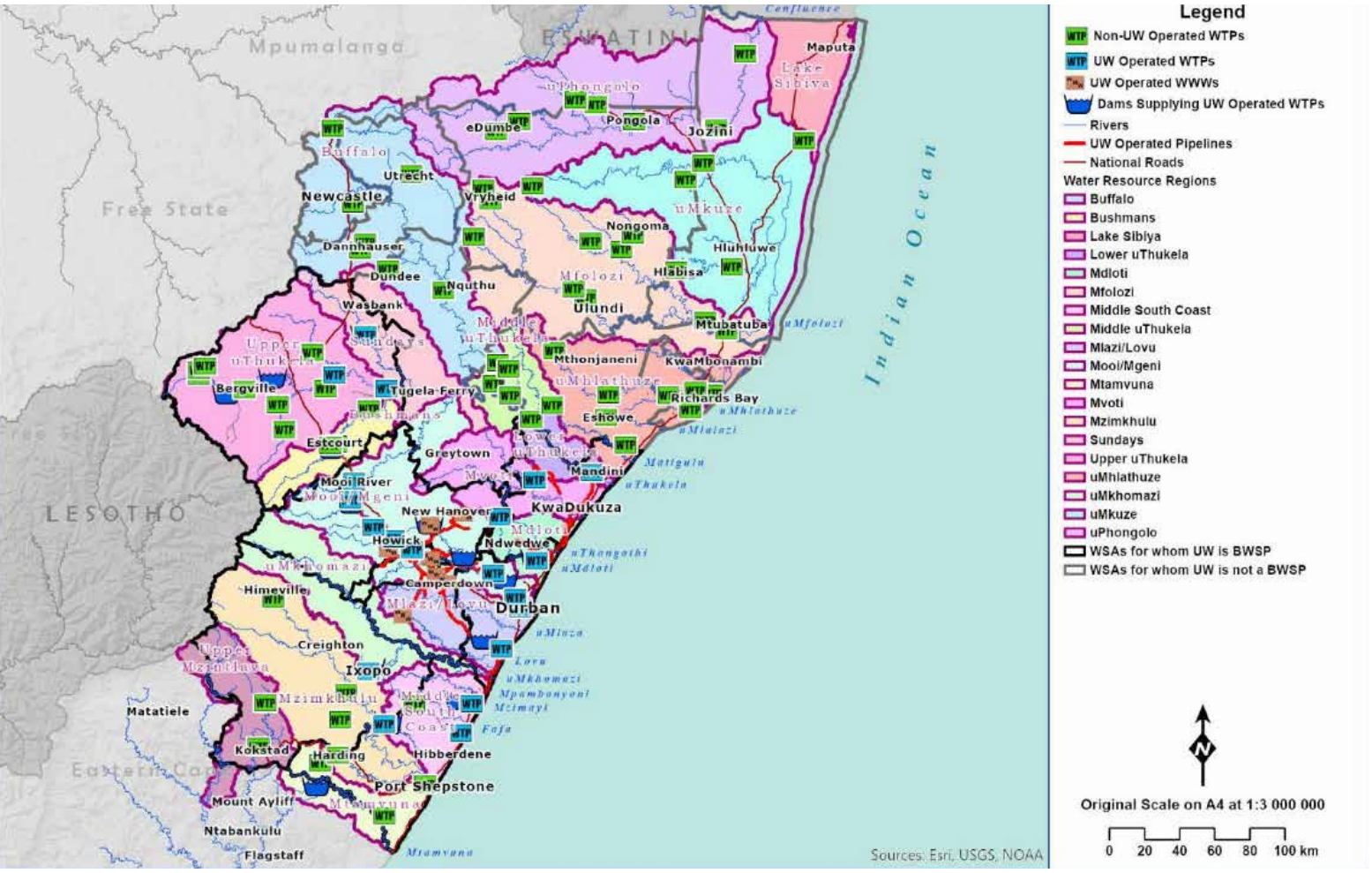


Universal Access Plan

Working closely with national and provincial stakeholders in KwaZulu-Natal, Umgeni Water completed the planned development of Universal Access Plans (UAPs) for all Water Services Authorities (WSAs) in KwaZulu-Natal in 2016. The outputs comprise conceptual bulk water supply scheme plans per municipality for all of KZN. The plans reconcile backlogs and growth in demands with bulk infrastructure to meet the needs for the 2045 planning horizon. In the year, Umgeni Water further extended this plan to include the secondary bulk that would be needed to link regional schemes to community areas.

In addition to the UAP suite of projects, Umgeni Water has developed bulk water Infrastructure Master Plans for the entire province of KwaZulu-Natal. They are available on the Umgeni Water website and provide an understanding of the status quo of the existing water resource and supply infrastructure as represented by **Figure 9.7 (a)**, the expected future supply needs and recommendations for infrastructure projects to provide regional supply to all areas.

Figure 9.7 (a): KZN Primary Water Supply Systems as identified in the Umgeni Water Infrastructure Master Plan 2021



Umgeni 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 organisations capital expenditure programme for implementation.

Figure 9.4: Major Projects Implemented in 2020/2021

	PROJECT NAME	PROJECT STATUS	OBJECTIVE	MAJOR CUSTOMER	TOTAL PROJECT BUDGET (RM)	IMPLEMENTED AS AT 30 JUNE 2021 (RM)
1	Mkhomazi Bulk Water Supply Scheme	Detailed Feasibility	Augmentation	eThekwini MM, uMgungundlovu DM	6 969	14
2	Lower uMkhomazi Bulk Water Supply Scheme	Detailed Design	Augmentation	eThekwini MM, Ugu DM,	4 927	155
3	Greater Mpofana Regional Scheme Phase 1	Construction	Rural Expansion	uMgungundlovu DM	839	789
4	Impendle BWSS	Detailed Design	Rural Expansion	uMgungundlovu DM	196	9
5	uMshwathi BWSS Phase 4 (Southern Ndwedwe)	Detailed Design	Rural Expansion	iLembe DM	678	9
6	uMshwathi Phase 6	Detailed Feasibility	Rural Expansion	uMgungundlovu DM	301	2
7	Lower Tugela BWSS Phase 2	Detailed Design	Rural Expansion	iLembe DM	774	10
8	Maphumulo BWSS Phase 3: WTW Upgrade (6 Ml/d to 12 Ml/d)	Construction	Rural Expansion	iLembe DM	245	56
9	Mhlabatshane Sub-Regional Scheme Ph 2	Detailed Design	Rural Expansion	Ugu DM	570	15
9	Mhlabatshane Sub-Regional Scheme Ph 2	Detailed Design	Rural Expansion	Ugu DM	570	15
10	Vulindlela BWSS Upgrade	Pre-Feasibility	Augmentation	Msunduzi LM	408	40
11	Mpophomeni Wastewater Treatment Works (WWTW)	Construction	Rural Expansion	uMgungundlovu DM	400	151
12	South Coast Pipeline Phase 3	Pre-Feasibility	Expansion	eThekwini MM, Ugu DM	599	0
13	South Coast Phase 2b Kelso to Umdoni	Procurement	Expansion	eThekwini MM,Ugu DM	176	54
14	Rehabilitation of Nagle / Durban Heights / Inanda / Wiggins Systems	Procurement	Rehabilitation	eThekwini MM	1 934	104
15	Darvill WWTW Capacity Increase	Construction	Upgrade	Msunduzi LM	1 102	1 031
16	Durban Heights WTW – Rehabilitation of key installations	Construction	Rehabilitation	eThekwini MM	33	156
17	Trustfeeds WWTW	Construction	Rural Expansion	uMgungundlovu DM	125	107
18	Umzinto WTW Upgrade	Construction	Upgrade	Ugu DM	76	78

Performance with Capital Infrastructure Plan

Significant progress with capital infrastructure implementation was achieved in the reporting period. Spend perfor mance for the year was R825 million, of which R447m (R534m in 2020) was spent on bulk infrastructure augmentation, expansion, upgrades and rehabilitation projects. R284m (34%) went towards projects for rural development. Overall, 55% of target water infrastructure project milestones were met.

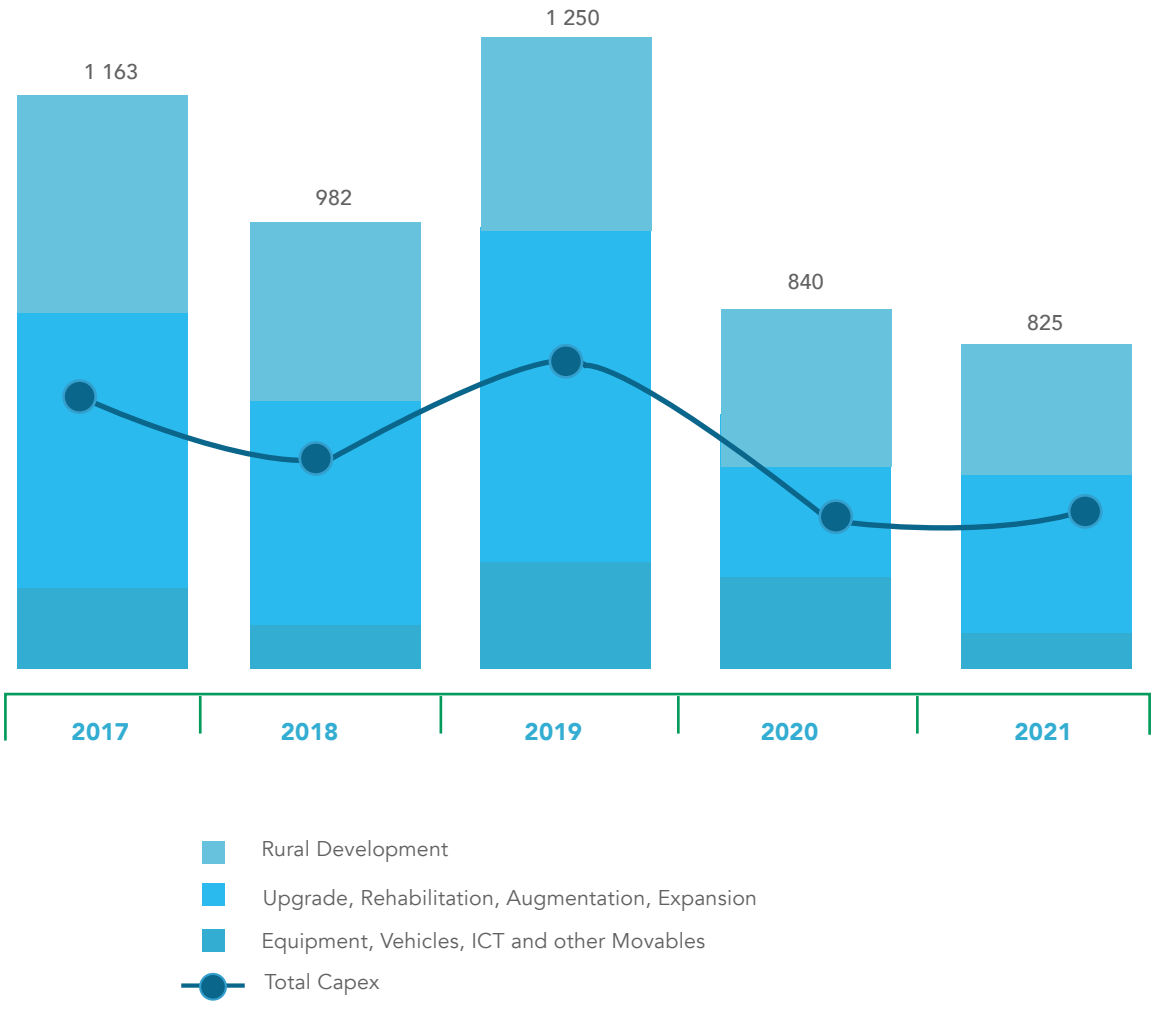
The COVID-19 pandemic, beginning in March 2020 delayed construction activity during various periods of lockdown that either totally stopped or restricted the pace of construction activity. COVID-19 safety protocols are now in place at all construction sites and good progress is being made despite periodic waves of increased Covid-19 prevalence. As the rate of COVID-19 vaccinations continues to increase significantly, the impact of COVID-19 on construction progress is expected to diminish in future reporting periods.

Two contracts that were terminated during the previous reporting period have been re-awarded to new contractors and work has commenced. Of the two contractors that declared business rescue in the previous period, one recovered and completed their contract. The other is the subject of one of the terminations mentioned above.

Key projects implemented are shown in **Table 9.4.**

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

Figure 9.8: Capital Infrastructure Implemented (Parent) (Rm)

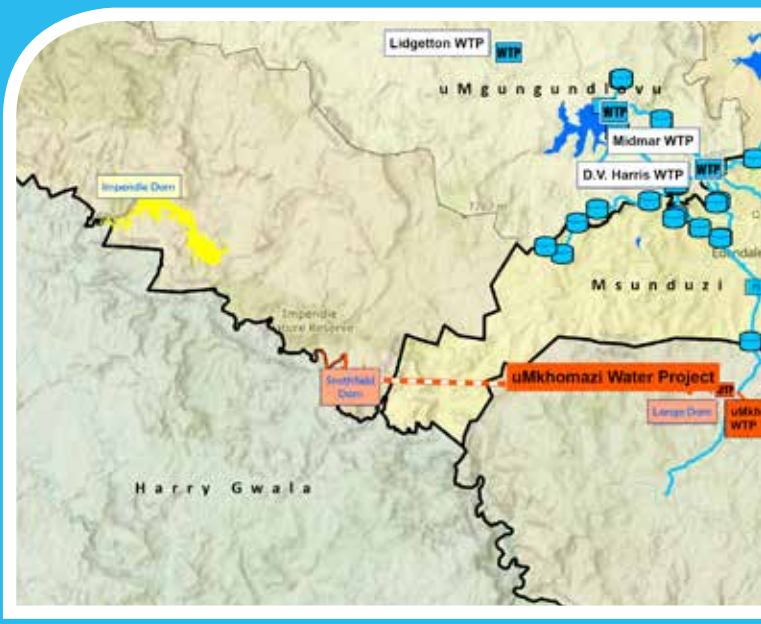


Customers Targeted and Progress with Key Bulk Infrastructure Developments

uMkhomazi Water Project

Serves eThekwini 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. The Environment Impact Assessment (EIA) approval was obtained at the end of 2020. An application for amendments to the conditions in the approval was submitted in August 2021.



Lower uMkhomazi Bulk Water Supply Scheme

Serves eThekwini 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: A dam at Ngwadini and two Raw Water Abstraction Systems together with pipelines, Raw Water Pump Stations and Raw Water Reservoir; Phase 2: a Water Treatment Works (100Ml/d), storage reservoir and Bulk Potable Water Pipeline. In 2016/17, the detail feasibility and preliminary design were completed. Detailed design stage was completed during 2021, with design documentation in progress, after which the procurement of the various construction contract packages can proceed. Project completion is projected to be in May 2025.

Greater Mpofana Bulk Water Supply Scheme

Serves uMgungundlovu District Municipality.

The infrastructure development acomprises construction of a water treatment works, two storage reservoirs and two bulk pipelines. The construction of the 20Ml/d Rosetta Water Treatment Works commenced in 2016/17 and completed in March 2021. Construction of the 5Ml and 12Ml/d reservoirs feeding Nottingham Road and Bruntville respectively is complete and commissioning is complete. The construction of the Nottingham Road Pipeline – from the WTW to Nottingham Road Reservoir – was completed in June 2016. The contruction of the Bruntville Pipeline is in progress.

Impendle Bulk Water Supply Scheme

Serves uMgungundlovu District Municipality and Impendle Local Municipality

The scheme comprises a 1.6 Ml/d Bulk Water Supply Scheme with a possibility of future upgrade to 3Ml/d at Stepmore and 10Ml/d Bulk Water Supply Scheme at Nzinga with a possibility of future upgrade to 18.5Ml/d. Detailed design for Stepmore is complete. Detailed design for Nzinga is 25% complete. Construction of the Stepmore scheme is scheduled for 2023, with completion in 2025 and Nzinga scheme is scheduled to commence in 2022, with completion in 2025.

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, in Ndwedwe Local Municipality. Detailed design is currently in progress.

uMshwathi Regional Bulk Water Supply Scheme: Phase 6

Serves uMgungundlovu and iLembe District Municipality and eThekwini Metro

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

Lower Tugela Bulk Water Supply Scheme Phase 2

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

The project will upgrade the existing Lower Tugela Water Treatment Works from 55Ml/d to 110 Ml/d to construct a 7km Rising Main and a 30Ml reservoir. At present, the project is in detailed design and wayleaves with the relevant authorities are being obtained. Both the Environmental Impact Assessment (EIA) and Water Use Licence (WUL) applications have been completed and approved. Servitude acquisition and consultation with the communities is in progress.

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 WTW from 6 to 12Ml/d, raw water and booster Pump Stations. Upgrade of the Pump Stations is complete. Detailed design of the WTW upgrade is complete and construction is expected to start in the 2021/22 financial year.

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/day to 12Ml/day. Design Development Report is complete and construction has been reprioritised to start in 2025.

Vulindlela Bulk Water Supply Scheme Upgrade

Serves Msunduzi Local Municipality

Phase 1 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. Procurement of various work packages is in progress.

Mpophomeni Wastewater Treatment Works

Serves uMgungundlovu District Municipality and uMngeni Local Municipality

The infrastructure development comprises a 6Ml/d Wastewater Treatment Works and a 6km bulk sewer outfall pipeline. Construction commenced in January 2020 and is ongoing. Completion is scheduled for 2022.

South Coast Pipeline Phase 3

Serves the Umdoni and Umzumbe Local Municipalities within the Ugu District Municipality

The South Coast Pipeline (SCP) is intended to provide a supply of potable water to the South Coast Region via a single bulk water pipeline. Phases 1 and 2A are complete, with Phase 2B in construction (refer to 13 below). Phase 3 will extend SCP from Umdoni to Mthwalume and then to Hibberdene. Phase 3 is entering into the Detailed Feasibility and Preliminary Design Stage.

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. Contract award was made during August 2020.

Construction commenced in March 2021 and ianticipated to be completed in March 2022.

Rehabilitation of Nagle / Durban Heights / Inanda / Wiggins Systems

Serves eThekwini Metropolitan Municipality

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

• Emergency Rehabilitation to Aqueduct 3 & 4 Siphon 6: Slip lining will protect the Clermont community against consequences of a burst. Procurement processes have been completed;

• Nagle System Auxiliary Works: Purchasing of large diameter valves to be installed on aqueducts under the Rehab. Procurement processes have been completed;

• Carbon Fibre Repairs: Repair of Nagle Aqueducts following scanning to identify affected portions will ensure longevity of the Nagle Aqueducts. Procurement is in progress;

• Rehabilitation of the Degremont Filter Complexes and Nagle Aqueducts. Procurement is in progress.

Darvill WWTW Capacity Increase

Serves Msunduzi Local Municipality

The works capacity is being upgraded from 65Ml/d to 100Ml/d. Construction is in progress and includes a new inlet works, Primary and Secondary Settling Tanks, pumps and Pump Station, Reactor, Chlorination House and Anaerobic Digesters, among other components. The project was significantly delayed as a result of the main contractor going into business rescue. Completion of the remaining works is expected during 2022.

Durban Heights WTW – Rehabilitation of key installations

Serves eThekwini Metropolitan Municipality

The core of this project is the rehabilitation of Reservoir 3. Rehabilitation of the roof interior and other internal repairs was completed during 2020/2021 but during this contract the need for further rehabilation of other parts of the structure emerged. Procurement of the revised works is expected to be concluded during 2021/22.

Trustfeeds WWTW

Serves uMgungundlovu District Municipality and iLembe District Municipality

The infrastructure development comprises a 1 Ml/d Wastewater Treatment Works; 4.5km bulk sewer outfall pipeline and a 1.5km gravel access road. Construction of the bulk sewer outfall and access road is complete. Construction of the Wastewater Treatment Works was completed in October 2020 and handed over in December 2020.

Umzinto Water Treatment Works Upgrade

Serves Ugu District Municipality

The project entailed a substantial upgrade to the head-of-works (inlet system) to improve capacity, efficiency and chemical dosing systems for the water treatment process. Construction has been completed and commissioning is in progress.

9.4 Economic Empowerment

Management Approach

Umgeni Water's approach to economic empowerment is guided by enabling legislation, including the Constitution of South Africa, the Preferential Procurement Policy Framework Act (PPPFA) and Regulations and the B-BBEE Act. To facilitate the realisation of economic empowerment, Umgeni Water has a B-BBEE and an Enterprise and Supplier Development Policy. These efforts are targeting Small Medium and Micro Enterprises (SMMEs) in Umgeni Water's area of operation. Umgeni Water has an established Enterprise and Supplier Development Unit to foster the institutionalisation of economic transformation by empowering SMMEs and ensuring their participation in Umgeni Water's Supply Chain opportunities, and entrenching the principles of B-BBEE in the entity.

Through the economic empowerment programme, Umgeni Water wants 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;
- Contributing to skills development and job creation through the employment of targeted labour.

Contract Participation Goals

Umgeni Water's Contract Participation Goals (CPGs) facilitate meaningful economic opportunities by targeted enterprises. This is done by requiring tenderers to allocate a certain percentage of the scope of work and value to targeted enterprises.

Performance with Contract Participation Goals (CPG) Targets in 2020/2021

CPGs targets set for 2020/2021 were 35% for construction contracts, professional services projects and other operational contracts (of which 10% was to be allocated to Black women-owned businesses) and another 10% to Black local enterprises in the project footprint.

An average of 35% CPG was achieved with a total of CPG award value of R426 million (R335m in 2020). This is 27% more than the previous year. Of the total CPGs, R218m (51%) was awarded to Black women-owned businesses (R165m in 2020). Women participation represents 18% of the total spent on all applicable contracts.In the year under review, work worth R130 million was allocated to local SMMEs in the project footprint.

Overall, R3.9 billion worth of contracts has been awarded to Black-owned businesses since the start of the CPG initiative in 2013.

Figure 9.9 Contract Participation Goals (Rm)

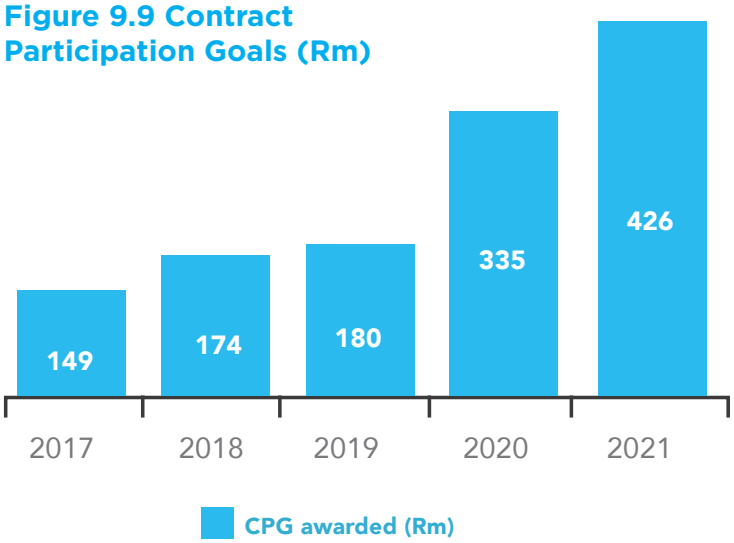


Figure 9.10 Capex Jobs

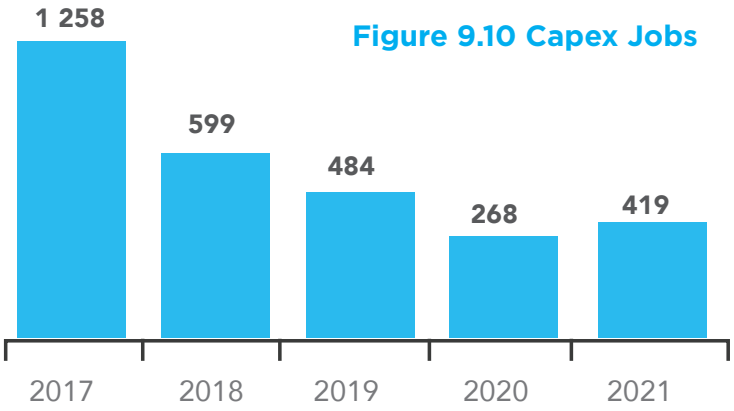
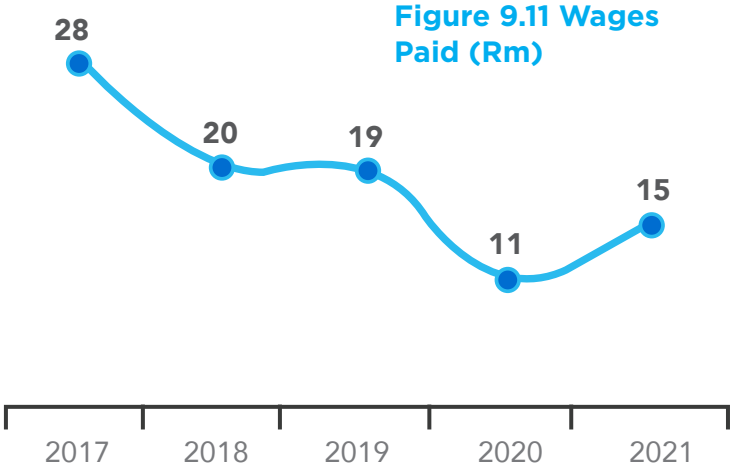


Figure 9.11 Wages Paid (Rm)



B-BBEE Spend Performance

Umgeni Water continues to monitor and ensure sourcing from B-BBEE compliant suppliers. The B-BBEE spend target of ≥80% for the reporting period was achieved. Spend performance for the year exceeded 100% (117%).

Seven new entrants were added to the database and awarded work.

Monitoring B-BBEE / CPG implementation at Umgeni 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 temporal jobs enable skills to be developed and utilised at a local community level and results in meaningful flow of income to these communities.

In the year under review, Umgeni Water created a total of 419 temporal jobs through its Capex Programme. This is a 56% increase when compared to the previous year.

In line with this, just over R15m (R11m in 2020) was paid in wages to local labour. This further reinforces the organisation's commitment to the creation of decent job opportunities.

9.5 Corporate Social Investment

Management Approach

Umgeni 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:

- Programme Related Corporate Social Responsibility: This relates to those activities, which are submitted by various divisions as a way of taking total responsibility towards the business environment in which Umgeni Water operates;
- 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 those that would be submitted in response to the call for CSI proposals, from different targeted areas within Umgeni Water's area of operations. Ideally, these initiatives will assist to build relationships in the areas where Umgeni Water will be rolling out Capex projects;
- Legacy Projects: These initiatives are meant to live a physical and visual memento, for the communities to remember Umgeni Water, for years to come.

Umgeni Water's categories of initiatives focus in the following areas:

- Education, Training and Skills Development Job Creation.
- Public Health and Community Support.
- Environmental Conservation.
- Staff Voluntarism 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 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.

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

Water Education and Community Outreach

Umgeni Water prides itself on the establishment of its water education and community outreach programme that has been running for over two decades now and has since provided a number of rural and urban schools and communities within our area of operation, with vast knowledge on water and environmental issues. These programmes are done to ensure that learners and communities understand our source-to-sea process, water and wastewater process, value of water, water conservation, sanitation, health and environmental issues.

Water environment and health education awareness were delivered through three target programmes during the reporting period:

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

Themed Activations

During the reporting period, four themes were created i.e (Greening, Invasives, Water and Biodiversity), with the aim of educating and creating awareness on the importance of all four spheres and their impact. A total of 49 schools and 35 community groups were reached as part of Umgeni Water's efforts to promote community well-being, knowledge and environmental stewardship through these themed activations. Active learning through recognition of prior knowledge and guided questioning ensured that everybody that participated was kept engaged. During this period, 82 trees were planted.

Schools and Community Outreach Programmes

Umgeni Water's education initiatives included outreach programmes to raise awareness around water safety, pollution, water conservation, climate change and environmental health. Programmes implemented included awareness events, clean-up campaigns and commemoration of special environmental day events. Community engagements were held at 33 communities across the organisation's area of operation. Activities included awareness talks to youth and women's groups, river clean-ups, invasive alien plants removal and greening initiatives, as well as door-to-door visits, taxi rank, mall and shopping centre activations.

Workshops for educators representing various schools were conducted in Inchanga within eThekwini Metropolitan Municipality, New Hanover in Msunduzi Local Municipalty and Early Childhood Development Centres in Umzumbe Municipality. The purpose of the workshops were to give educators insight into the services offered to schools by Umgeni Water as well as the link to the curriculum. Umgeni Water offers an extended learning opportunity to learners as well as support to educators

Adopt-A-School Programme

The schools identified are adopted for a period of four years. The distribution of the 21 adopted schools includes five schools within UMgungundlovu District Municipality, two schools within Harry Gwala District Municipality, six schools in eThekwini Metropolitan Municipality, one school in Ugu District Municipality and seven schools within ILembe District Municipality.

Activities implemented at these schools included Arbor Week awareness coupled with 47 trees planted. Wetlands and Water Week visits included talks, audits, clean-ups and presentations. Umgeni Water sponsored all adopted schools with vegetable seedlings, garden tools, sanitising units, tapped buckets for every class and lunch boxes for all learners.
The continued COVID-19 Pandemic restrictions did not deter the Education Team from spreading water and environmental responsibility and sustainability messages to the public. Various messages related to health and hygiene, environmental sustainability and water conservation were also shared with the public via our social media platforms.

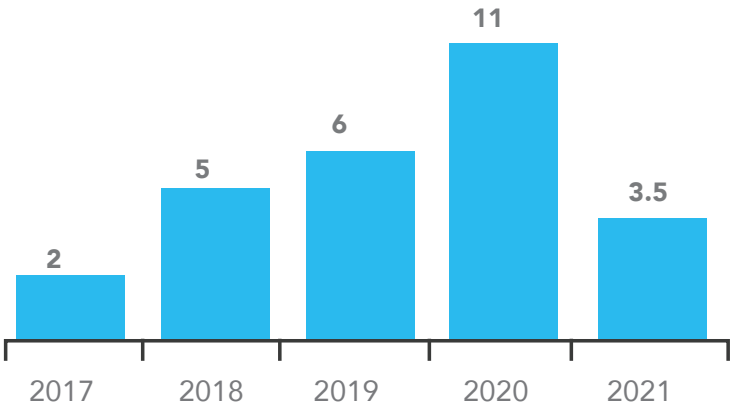
Institutional Support and Development (ISD)

Institutional Support and Development is one of the vehicles that the organisation is using to engage more broadly with the community. Effective communication and collaboration with the community is necessary to create change and improve participation. Awareness of the various cultures of a community and other factors affecting diversity were paramount in planning, designing and implementing approaches to engaging communities. Community engagement can only be sustained by identifying and mobilising community assets and strengths.

Corporate Social Investment (CSI) Programme

During the reporting year, the total CSI investment was R3.5 million. This represents a decrease of 72% compared to that of the previous year.

Figure 9.4 Below outlines the CSI spend over time



Umgeni Water supported 24 projects during 2020/2021 financial year. Of the 22 projects, 14 had been approved in the previous financial years, eight approved in the year under review and two were Legacy Projects. **Table 9.5** below shows projects supported in the reporting year.

Table 9.5: Umgeni Water 2020/2021 CSI Projects

	PROJECT NAME	DESCRIPTION	FOCUS AREA	SPEND	BENEFITING DISTRICT	STATUS
01	KwaThintwa School for the Deaf	Construction of a sports facility (pavilion) for the school	Public Health and Community Support	R285 257.50	eThekwini Metro	Project Complete
02	House for Gogo Shabane	Septic tank for Gogo Shabane's House	Public Health and Community Support	R10 452.06	eThekwini Metro	Project Complete
03	Siyajabula High School	Construction of toilets and drilling of bore-hole for drinking water	Public Health and Community Support	R0	eThekwini Metro	Construction of toilets and drilling of the borehole is complete. Unfortunately, the boreholes yield is very low and therefore water cannot be extracted. Currently, the school depends on harvesting rain water for drinking and other uses. The specification for water connection and tanks have been finalised.
04	Esidunjini Primary School	Construction of toilets and drilling of borehole for drinking water	Public Health and Community Support		iLembe District Municipality	Construction of two toilets and drilling of the borehole is complete. Currently, the project team is working on equipping the borehole.
05	Lukhasa Secondary School	Construction of toilets and drilling of bore-hole for drinking water	Public Health and Community Support		iLembe District Municipality	Drilling of the borehole successfully completed ,the project team is working on equipping the borehole.

	PROJECT NAME	DESCRIPTION	FOCUS AREA	SPEND	BENEFITING DISTRICT	STATUS
06	Nieu Gelderland Primary School	Construction of toilets and drilling of bore-hole for drinking water	Public Health and Community Support		iLembe District Municipality	Drilling of the borehole successfully completed ,the project team is working on equipping the borehole.
07	Support for Lebogang Mashigo	Education support for an orphaned learner who was adopt-ed by Umgeni Water	Education, Training and Skills Development	R10 452.06	uMgungundlovu District Municipality	Lebogang UW bursary holder currently studying towards BCom Accounting Degree.
08	Amavenya Primary School	Minor renovations and painting of the school	Public Health and Community Support	R118 610.00	Ugu District Municipality	Project complete.
09	Mandosi Combined School	Construction of toilets and water supply for the school	Public Health and Community Support	R72 465.89	eThekwini Metro	Temporary ablution facilities are being sourced from the service provider. Drilling of borehole has been complete. Costing of equipment is finalised.
10	Duzi Adopt a River	Rehabilitation of 7.3 km of ripar-ian zone along the Darvill loop	Environmental Conservation	R999 999.00	uMgungundlovu District Municipality	Currently on the second year of a three-year funding commitment.
11	Phantane Athletics Club	Financial support for a township based athletics club	Public Health and Community Support	R600 000.00	eThekwini Metro	Currently on the second year.
12	Umlazi Halfway House	Purchase of kitchen appliances for a home for people living with mental disabilities	Staff Voluntarism and Support	R78 190.37	eThekwini Metro	Project complete.
13	Umdoni Youth Centre	Youth Development Programme	Job Creation	R0	Ugu District Municipality	Conceptualisation stage.
14	Support for Sinenhlanhla Mntungwa	Learner with disability adopted for medical expenses and sourcing of prosthesis limb	Public Health and Community Support	R0	uMgungundlovu District Municipality	Waiting for the doctor's guidance on next steps in treatment programme. The next visit will be scheduled before the end of the year

	PROJECT NAME	DESCRIPTION	FOCUS AREA	SPEND	BENEFITING DISTRICT	STATUS
15	Ncalane Family House And Assistance for Nomfundo Ncalane	Construction of a house for the Ncalane Family who lost 10 family members in a drowning incident	Public Health and Community Support	R80 000.00	iLembe District Municipality	The contractor has submitted the budget for the construction of the house. Construction expected to commence in the first quarter of 2021/22
16	uMshwathi Disaster Assistance	Purchasing of toilet material for 200 families affected by a tornado	Public Health and Community Support	R0	uMgungundlovu District Municipality	The tender was cancelled. Umgeni Water to engage uMgungundlovu DM to establish if there is still a need.
17	Incinjane Secondary School	Paving, construction of ablution facilities and signage	Public Health and Community Support	R400 493.66	uThukela District Municipality	Project complete.
18	South African Phycology Culture Collection (First Payment)	Supporting sustenance of a national resource for research, teaching biodiversity management and biotechnological applications	Environmental Conservation (Programme Related CSR)	R510 720.00	Johannesburg Metro	Project complete.
19	First Rand Maskathon	Purchasing of masks for vulnerable families in KZN	Public Health and Community Support (Programme Related CSR)	R6 000.00	KwaZulu-Natal	Project complete.
20	Thuluzobona Care Centre	Provision of gardening tools for Senior Citizens	Public Health and Community Support (Targeted CSI)	R30 000.00	uMgungundlovu District Municipality	Project complete.
21	Storage Tanks for Maphumulo	Supply of 30 Water Storage Tanks (Jojos) for Maphumulo Local Municipality	Discretionary CSI	R157 509.75	iLembe District Municipality	Project complete.
22	Storage Tanks for uMgungundlovu	Supply of 30 Water Storage Tanks (Jojos) for Maphumulo Local Municipality	Discretionary CSI	R157 509.75	uMgungundlovu District Municipality	Project complete.

WATER MONTH ACTIVATION

School hand hygiene awareness campaign

10 CONSERVING OUR NATURAL RESOURCES

MIDMAR DAM

The entity continues to improve alignment of environmental indicators with other national and internationally accepted indicator disclosure requirements

10.1 ENVIRONMENTAL SUSTAINABILITY, INCLUDING WATER RESOURCES ADEQUACY

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 Umgeni 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 and 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.

Umgeni 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.

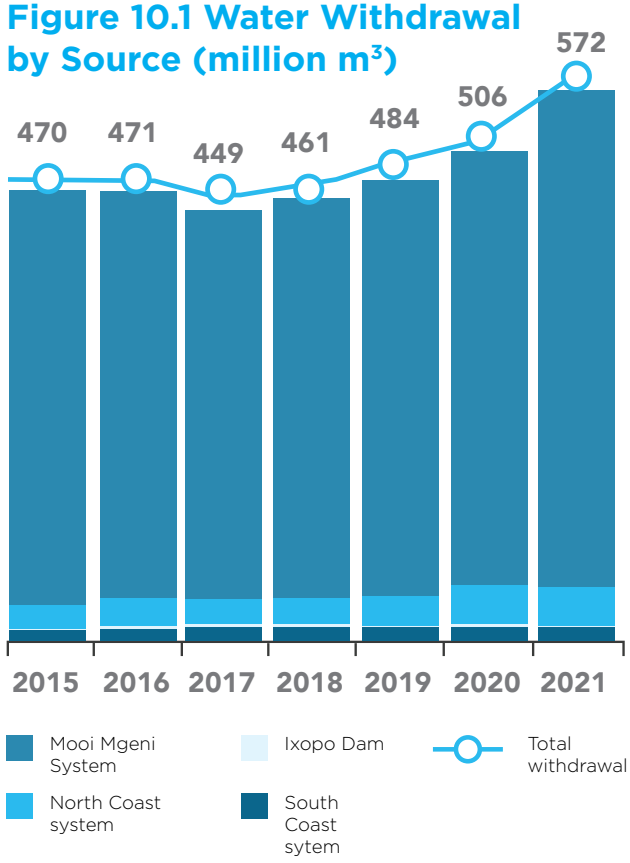
Umgeni Water, as a public water services entity in South Africa, complies with all mandatory environmental disclosure requirements. Notwithstanding this, the entity continues to improve alignment of environmental indicators with other national and internationally accepted indicator disclosure requirements, 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

Umgeni Water leverages water sector partnerships and collaborations to respond to the challenges facing the region including water availability, redistribution, demand management and drought and the 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 is distributed across four major water resource systems, namely, the Mgeni System (Mooi and Mgeni rivers), the North Coast System (uMdloti, iMvutshane, uThukela and uMvoti rivers) and the South Coast System (Nungwane, Mzimayi, uMuziwezinto and Mhlabatshane rivers). Total water withdrawal by source is shown in **Figure 10.1**.

Figure 10.1 Water Withdrawal by Source (million m³)



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

- The feasibility study of Smithfield Dam (DWS) which is Phase 1 of the uMkhomazi Water Project, was completed in 2015 and construction is anticipated to be completed by 2030;
- Hazelmere Dam raising (DWS) for which construction is expected to be completed in 2022;
- The detailed design of Ngwadini Dam (UW) which is part of the Lower uMkhomazi Scheme, was completed in 2021, with construction completion planned for 2025.

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 Umgeni Water. In the year under review, Umgeni Water developed its Climate Change Response Policy. The main purpose of the policy is to provide a framework for Umgeni Water's just transition to a climate resilient and lower carbon water entity. The objectives of the policy are to:

1. Provide a co-ordinated and integrated Umgeni Water response to Climate Change and its impacts on all aspects of the water value chain;
2. 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
3. Assist Umgeni Water 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 2020/2021 a climate change implementation plan was documented and implemented. This plan is integrated to the overarching Umgeni Water sustainability implementation plan. The plan incorporates targets for both mitigation and adaptation responses. The mitigation targerts are aimed at reducing the organisation's greenhouse gas emission, while the adaptation initiatives respond directly to water resource sustainability. Adaptive initiatives are aimed at buiding the organisation's adaptive capacity and resilience to the impacts of climate change, such as floods, droughts and compromised water resources and ecological infrastructure.

The water resource-related initiatives implemented as part of the climate change implementation plan included:

- Testing of the developed real-time flood forecasting and early warning system for uMgungundlovu District Municipality and Umgeni Water. This included:
- Installing near real-time flow-measuring equipment at Henley Dam, iLovu River Wier below Beaulieu Dam in Richmond and Msunduzi River weir at Slangspruit. This equipment will provide observed flow data to supplement the flood forecasting system and will be used to provide early warnings to the downstream communities that are located in flood high-risk areas;
- Undertaking flood drills for all high risk operational sites.
- Implementation of the drought management policy through continuous monitoring of drought parameters and quarterly reporting on the status of water resources;
- Development and implementation of catchment management and ecological infrastructure management plants for aquatic weeds, terrestrial alien invasive plants, wetland management and soil erosion management to ensure water resource protection and sustainability;
- Monitoring and reporting on water use status and compliance with water use licences for abstractions, dicharges and disposals;
- Water quality monitoring and complince monitoring against SANS 241 standards.

The plant is to be used for evaluating the effectiveness of reuse processes and for demonstration to communities on the benefits of wastewater reuse to applicable potable water standards.

Wastewater Reuse

Umgeni Water is piloting a reuse plant at its Darvill Wastewater Treatment Works. The 2 Ml/d direct reuse demonstration plant comprises a conventional water treatment works to provide high-pressure wash water followed by an advanced treatment process plant. The plant is to be used for evaluating the effectiveness of reuse processes and for demonstration to communities on the benefits of wastewater reuse to applicable potable water standards. Implementation is delayed and was expected to be completed in late 2021 together with the Darvill WWTW upgrade project.

Raw Water Quality

The status of raw water quality per resource is shown in **Table 10.1** and **Figure 10.2**. Water quality risks in Umgeni 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 10.1: Resource Water Quality

SYSTEM	CATCHMENT	IMPOUNDMENT ABSTRACTION	ABSTRACTION WATER QUALITY STATUS AND TRENDS 2017	2018	2019	2020	2021	ADVERSE RAW WATER QUALITY
Inland & Central Coast	Mooi	Spring Grove Dam	Excellent	Excellent	Good	Excellent	Excellent	-
		Mearns Dam	Good	Excellent	Good	Excellent	Good	-
	uMgeni	Midmar Dam	Excellent	Good	Good	Excellent	Good	-
		Albert Falls Dam	Good	Moderate	Unsatisfactory	Unsatisfactory	Satisfactory	Albert Falls Dam reported significant algal odour production (geosmin) due to a particular algal species called *Borzia*. A close watch is being maintained on the downstream uMgeni River and Nagle Dam as *Borzia* is present in the Albert Falls Dam outflow.
		Nagle Dam	Excellent	Good	Excellent	Unsatisfactory	Satisfactory	
		Inanda Dam	Moderate	Good	Poor	Good	Good	Inanda Mid and Upper Dams showed unsatisfactory water quality status due to elevated algal counts (particularly taste & odour algae), soluble reactive phosphorus, total phosphate, total organic carbon, turbidity and chlorophyll-a associated with significant storm events and elevated nutrient concentrations from the uMsunduzi catchment. Water hyacinth numbers were well controlled by a combination of biological control and herbicide spraying, and major problems were averted.
North Coast	uMdloti	Hazelmere Dam	Poor	Excellent	Good	Excellent	Excellent	-
	uMvoti	iMvutshane Dam & River abstraction	Moderate	Good	Unsatisfactory	Unsatisfactory	Unsatisfactory	iMvutshane Dam and associated raw water showed unsatisfactory water quality status due to elevated algal count (particularly taste & odour algae), *anabaena*, *E. coli*, soluble iron, manganese, total organic carbon and turbidity associated with catchment inputs.
	uThukela	River abstraction	Moderate	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	Raw water abstracted from the uThukela River (Lower Thukela, Tugela Estate and Ezakheni Raw) showed unsatisfactory water quality status due elevated algae, *E. coli*, total organic carbon, soluble iron, algal count and turbidity associated with significant erosion problems as well as human and animal activities in the catchment.
South Coast	iLovu	Nungwane Dam	Good	Good	Satisfactory	Good	Good	Nungwane Dam surface water showed good water quality status. However, the Amanzimtoti WW Raw water abstraction showed unsatisfactory water quality status due to elevated soluble iron and turbidity associated with catchment inputs.

SYSTEM	CATCHMENT	IMPOUNDMENT ABSTRACTION	ABSTRACTION WATER QUALITY STATUS AND TRENDS 2017	2018	2019	2020	2021	ADVERSE RAW WATER QUALITY
South Coast	uMzimayi	EJ Smith Dam	Moderate	Unsatisfactory	Unsatisfactory	Unsatisfactory	Unsatisfactory	EJ Smith Dam and associated raw water showed unsatisfactory water quality status due to soluble iron, soluble reactive phosphorus, total organic carbon, *E. coli*, manganese, 2-MIB, *Giardia*, algal counts (particularly blue green algae) and chlorophyll-a associated with on-going sewer problems in the catchment.
	uMhlabatshane	Mhlabatshane Dam	Moderate	Unsatisfactory	Unsatisfactory	Unsatisfactory	Satisfactory	Mhlabatshane Dam and associated raw water showed unsatisfactory water quality status due to elevated *E. coli*, soluble iron, total organic carbon and turbidity associated with rainfall events as well as contaminated catchment runoff and erosion problems.
	uMzinto	uMzinto Dam	Good	Moderate	Good	Good	Unsatisfactory	UMzinto Dam showed unsatisfactory water quality status due to elevated *E.coli*, *Cryptosporidium*, *Giardia*, manganese, soluble reactive phosphorus, total organic carbon and turbidity associated with intensive agricultural uses in the catchment and some run-off from rain events.
	uMtamvuna	Ludeke Dam	Good	Moderate	Good	Good	Good	
	uMtwalume	uMtwalume River abstraction	Good	Good	Unsatisfactory	Unsatisfactory	Satisfactory	- Mtwalume WTW Raw water in-let showed unsatisfactory water quality status due to elevated *E. coli* counts, soluble iron, total organic carbon, turbidity, *Cryptosporidium* and *Giardia* due to heavy utilisation of the upstream river margins for subsistence agriculture and animal grazing, as well as sand mining.
	Ixopo	Home Farm Dam	Poor	Unsatisfactory	The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam leves and presence of weeds.	The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam leves and presence of weeds.	The water supply at Ixopo Dam cannot be directly monitored by boat due to low dam leves and presence of weeds.	The water supply at Ixopo Dam cannot be monitored directly by boat at present. However, the raw water being supplied from the dam to the water treatment process showed unsatisfactory water quality status due to elevated algal counts, soluble iron, total phosphate and total organic carbon. The river inflow continues to show significant nutrient enrichment as a result of the loss of the sewage from the town directly into the catchment, and is likely to result in a further increase in aquatic weed infestations and/or algal blooms.

Figure 10.2: Map of Water Quality Status of water resources.

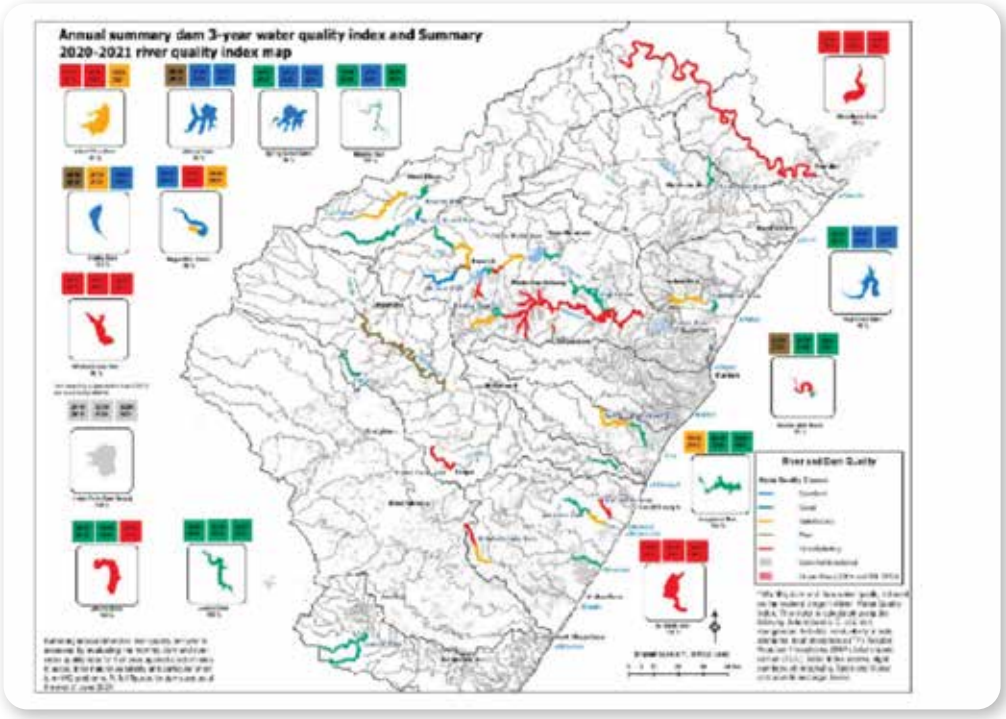
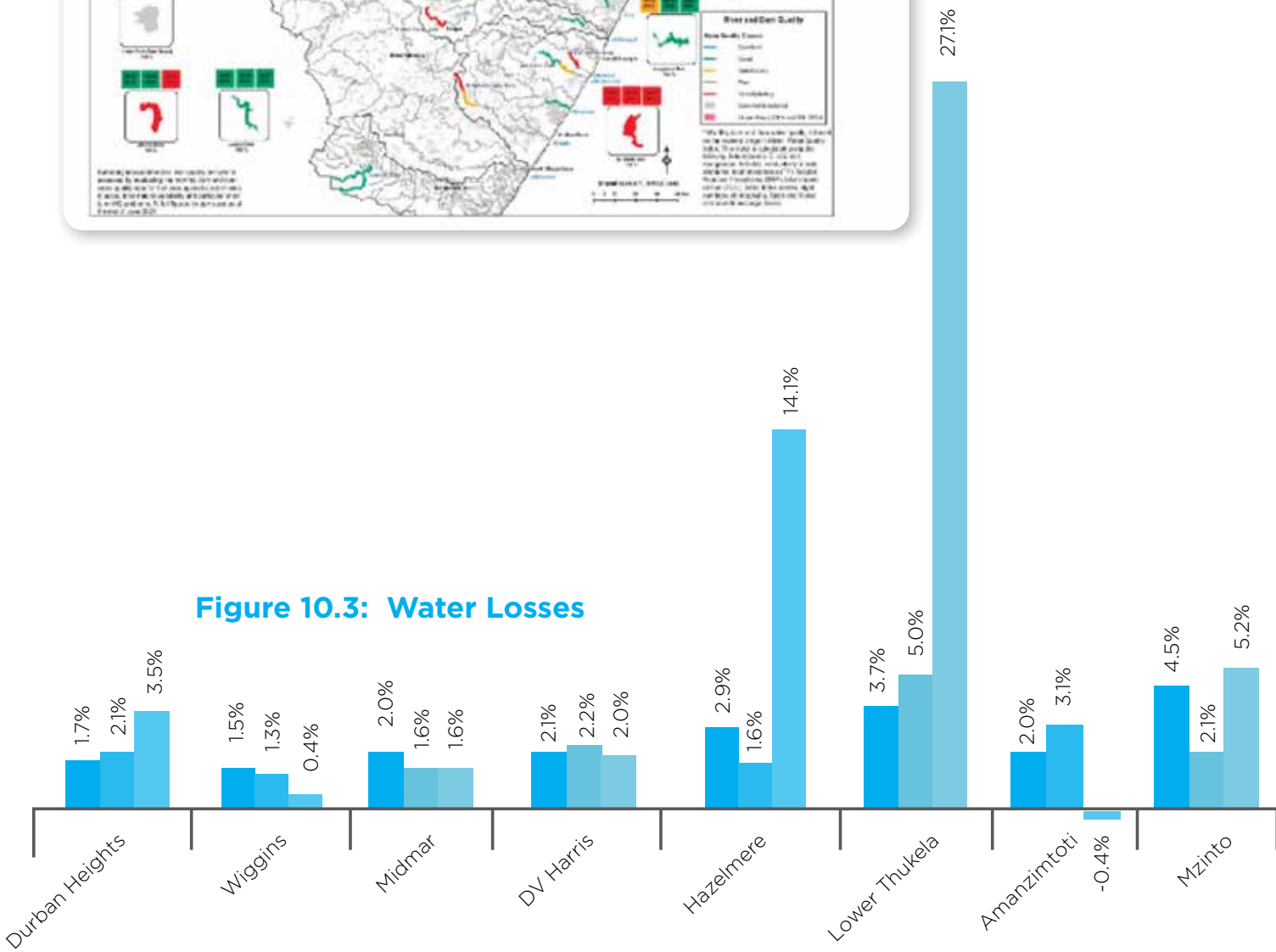


Figure 10.3: Water Losses



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.

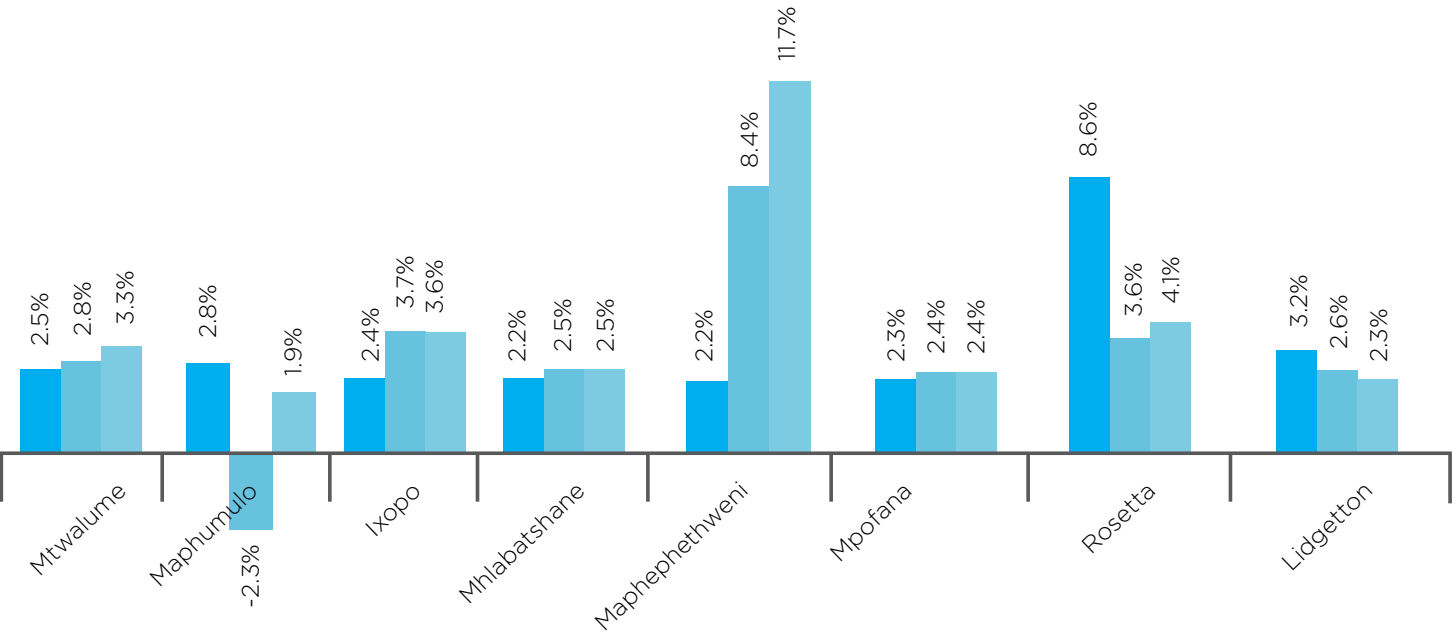
The Department of Water and Sanitation (DWS), as the custodian of South Africa's water resources, is kept informed of the quality, trends and potential risks associated with raw water resources.

Water Loss Management

Umgeni 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 10.3** below.

The systems with losses above 5% are as follows:

- Water losses at Lower Thukela WTW were at 27.1%. These are due to technical malfunctions for which investigations are in progress.
- The plant is currently operating at 69% capacity.



Materials Usage and Efficiency

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

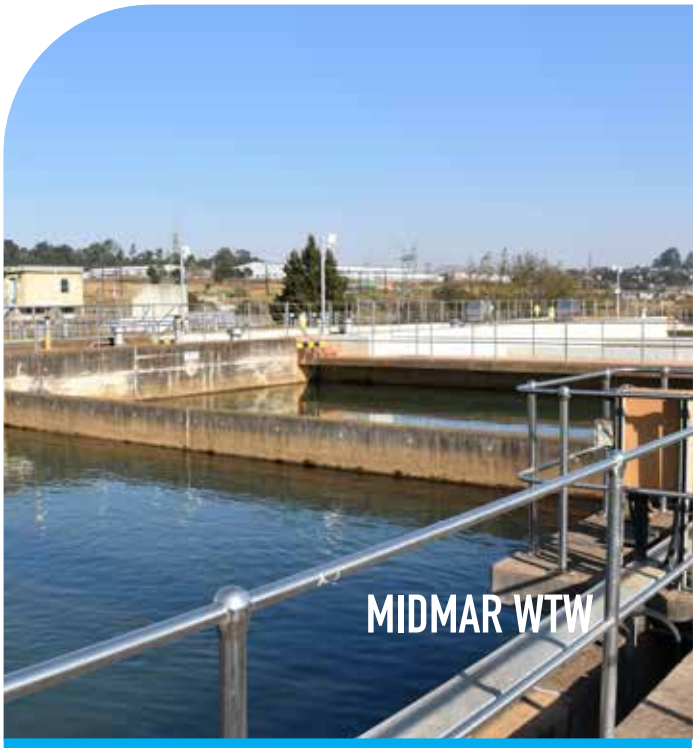
Chemicals Usage and Efficiency

The chemical usage trend for the past five years is presented in **Figure 10.4**. During the current assessment period, Umgeni Water utilised a total of 9.8 million kg of water treatment chemicals.

There was no difference observed in the chemical usage of per volume treated compared to the previous year. Water treatment chemicals were used to ensure that the quality of the potable water was of acceptable standard and that the quality was maintained to the point of use.

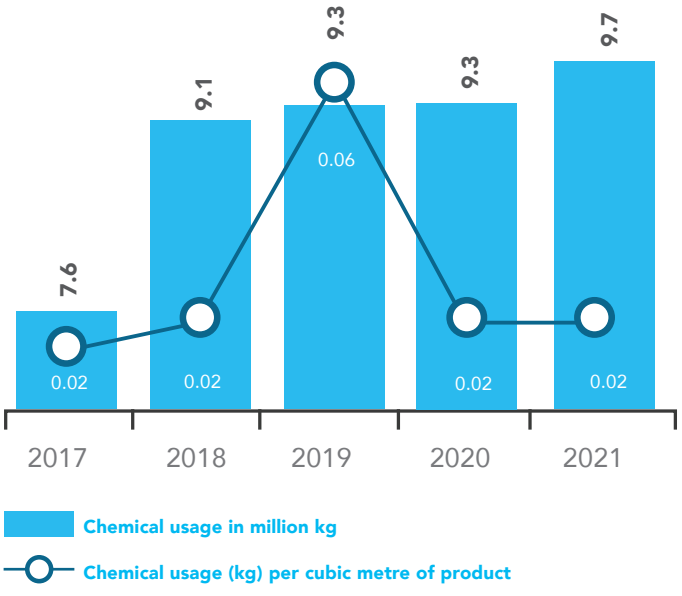
Umgeni Water has implemented various initiatives to optimise the use of water treatment chemicals. These include:

- 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.



During the current assessment period, Umgeni Water utilised a total of 9.8 million kg of water treatment chemicals.

Figure 10.4 Chemical Usage and Efficiency Trends



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 CO_2 e) 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 10.5.**

Umgeni Water wants to take full ownership of all emissions that it can control, influence and reduce. Scope 1 emissions refer to direct emissions that Umgeni Water can control, whereas scope 2 and 3 emissions are indirect emissions controlled by third party organisations. **Table 10.2** shows the GHG Emissions for scopes 1, 2 and 3.

Umgeni Water's direct CO_2 emission (Scope 1) contributions emanate mainly from vehicles, boats, generators and methane production from anaerobic wastewater treatment process **(Figure 10.5).** Indirect GHG emissions are largely due to the usage of purchased electricity (Scope 2) and to a lesser extent flights and the use of hired vehicles **(Table 10.2).**

The entity's carbon footprint is predominantly caused by electricity consumption (approximately 98%), which is one of the main inputs to water and wastewater treatment processes. The total electricity usage for the reporting period was 124 million kWh as depicted in the Electricity usage and efficiency trends in **Figure 10.6.**

Figure 10.5 Umgeni Water's direct carbon emissions (CO_2e)

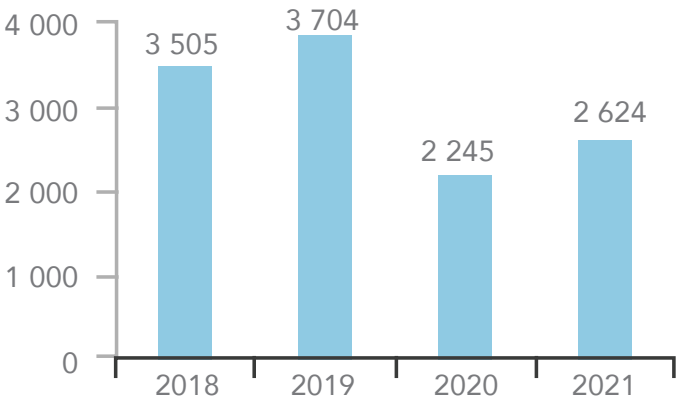


Figure 10.6 Electricity Usage and Efficiency Trends

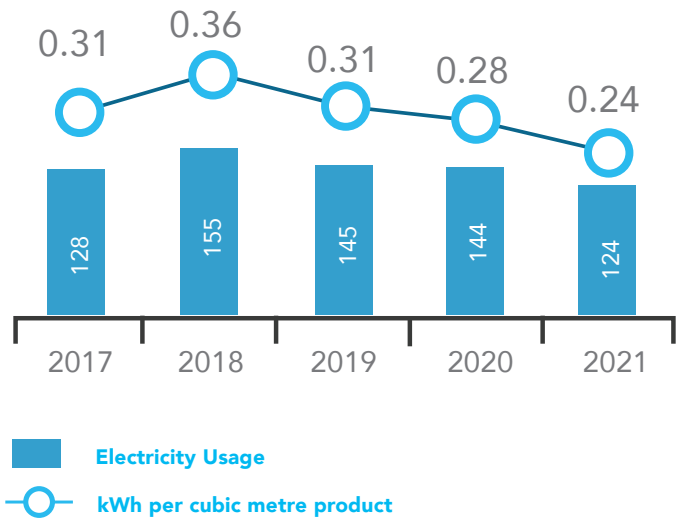


Table 10.2: Direct and indirect greenhouse gas emissions in tons of CO_2 equivalents

EMISSION TYPE	ACTIVITY	TONS OF CO_2 EQUIVALENTS PER ACTIVITY			
		2018	2019	2020	2021
Direct (Scope 1)	Combustion: Generators, Cars, boats & Mobile Plant	2 071	2 303	2 112	1 442
	Methane from Anaerobic wastewater treatment	1 434	1 401	132	1 182
Indirect (Scope 2)	Electricity	153 076	143 332	142 166	123 228
Indirect (Scope 3)	Travel: Air & Car Hire	2 494	425	327	305
TOTAL		159 075	147 461	144 738	126 157

Umgeni Water is in the process of investigating and implementing 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 are under investigation.

Green Building

Umgeni 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.

Umgeni Water's journey began with a feasibility study that focused on assessing operational sites in line with the Green Building Council of South Africa (GBCSA) Existing Building Performance Tool. The assessments presented green building strategies/ recommendations, organised into the Water, Energy and Waste categories that Umgeni Water can take forward to expand green building practices. From these recommendations, Umgeni Water has put focus on exploring the feasibility of establishing an energy management system that will be an intelligent system designed to reduce energy consumption, predict electrical system performance and optimise energy usage to reduce costs and negative environmental impacts. As a water utility, Umgeni 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, Umgeni Water has since developed a Green Building Policy with the following objectives:

- To facilitate the adoption of Green Buildings 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 will provide a framework to structure the approach to achieving sustainable design outcomes, commitment and minimum requirements for its implementation. Umgeni Water is currently in the process of identifying new buildings with its Capex Programme eligible for Green Star Certification with the GBCSA.

Integrated Catchment Management

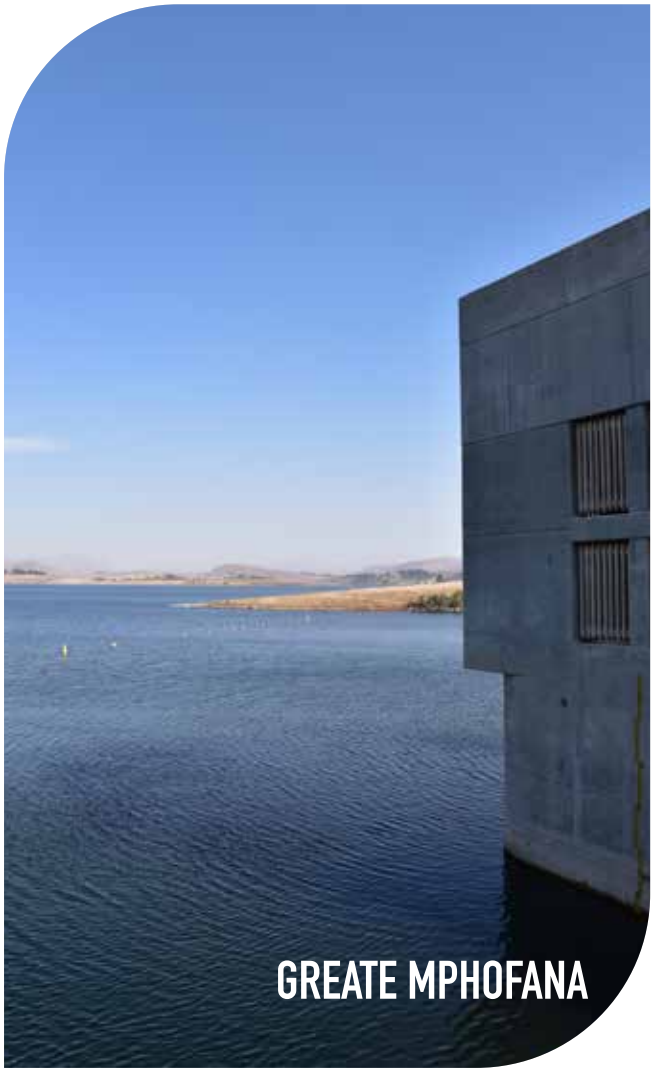
Reduction in water yields and deteriorating water quality are among the pressing environmental challenges facing Umgeni Water area of operation. These issues are evidence of poor land-use management activities that affect the ability of nature-based resources to deliver ecosystem services that result in improved catchment yields and water quality.

These issues are a symptom of a failure of traditional water resource management approaches that did not consider protection of water resources at catchment level and did not promote integration and participation of various stakeholders in the management of water resources. In the quest to improve the current status of water resources Umgeni Water adopts a holistic approach to water management and acknowledges that it is by treating the causes of the problems rather than only focusing on the symptoms that sustainable water supply can be assured. Umgeni Water, therefore, adopts and promotes an approach known as Integrated Water Resource Management in undertaking its catchment management initiatives.

This approach ensures that the organisation collaborates with stakeholders in implementing various initiatives to ensure effectiveness and sustainability of interventions. The catchment management initiatives undertaken by Umgeni Water in the year are discussed below.

Biodiversity Management Alien Invasive Weeds Management

Well-managed and sustainable water resources are critical to Umgeni Water's core function of providing sustainable potable water supply. Alien aquatic weeds invading various water resources pose a significant risk to water quality and quantity. The aquatic weeds of main concern in Umgeni Water impoundments and rivers include Water Hyacinth *(Eichhornia crassipes)*; Water Lettuce *(Pistia stratiotes)* and Kariba weed *(Salvinia molesta)*. These
free-floating aquatic plants are extremely difficult to control in eutrophic waters due to their exponential growth rate and invasion in the riverine environments.



In the quest to improve the current status of water resources Umgeni Water adopts a holistic approach to water management and acknowledges that it is by treating the causes of the problems rather than only focusing on the symptoms that sustainable water supply can be assured.

The alien aquatic weeds management interventions undertaken in the year included:

- Development and implementation of a catchment management plan for aquatic weeds. This includes:
  - Regular inspections and releasing of bio-control at infested areas;
  - Undertaking detailed weed assessment status and risk at Home Farm Dam, Msunduzi River, Mgeni River and Inanda Dam;
  - Key stakeholder engagement and arrangement of herbicide spraying where there was high infestation that required an integrated management approach;

- Development and implementation of a specific integrated aquatic weeds management plan for Inanda Dam. This included:
  1. Formulating an Inanda Dam Aquatic Weeds Management Working Group constisting of internal and external stakeholders to support the implementation of interventions;
  2. Starting a process to establish a bio-control mass rearing facility to breed ***Megamelus*** to control Water Hycinth infestation at Inanda Dam and establishing a formal collaboration between Umgeni Water and the Rhodes University Centre for Biological Invasions;

- Active participation at the AquaticWeeds Working Group to ensure collaboration in eradication efforts.

- Weed invasion control and management measures implemented included:
  - Mechanical removal of weeds at Home Farm Dam;
  - Release of host specific bio-control agents in several impoundments and river systems, with particular focus at Midmar Dam and inflows, Albert Falls Dam inflow, uMsunduzi River and Inanda Dam inflow, Home Farm Dam, Mpushini Stream, Mpolweni System and EJ Smith Dam;
  - Aerial herbicide application at Inanda Dam and Home Farm Dam.

Similar to aquatic alien weeds, terrestrial alien weeds infestation in riparian zones have significant impacts on sustainable water supply. The national environmental legislation on biodiversity management requires state-owned entities to put in place measures to control, monitor and eradicate terrestrial alien weeds. Umgeni Water in partnership with Msinsi developed and implemented a plan to remove terrestrial alien weeds at the sites specified in **Table 10.3.**

Table 10.3: Cleared terrestrial alien invasive plants

Reserve/site	Hectares (Ha) Cleared
Albert Falls Dam	435
Spring Grove Dam	53
Hazelmere Dam	71
Inanda Dam	79
Nagle Dam	387.49
Mvutshane Dam	129
Nungwane Dam	77.4
Darvill WWTW	37.4
EJ Smith Dam	10.76
Mzinto Dam	44
Ixopo (aquatics)	6

Ecological Infrastructure Management

Ecological infrastructure can be defined as the nature-based equivalent of built or hard infrastructure. It refers to ecosystems that function naturally to deliver invaluable services to us including improved water quality and quantity, 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.

Umgeni Water's area of operation faces the challenge of deteriorating ecological infrastructure resulting from pollution, degradation, uncontrolled development and poor land-use management activities.

Furthermore, South Africa is a water-stressed country that is also facing climate uncertainty with cycles of drought and unexpected excessive rains. Ecological infrastructure, therefore, plays a significant role in providing services that underpin socio-economic development and supplements and at times substitutes built infrastructure solutions. Well managed ecological infrastructure buffers human

settlements and built infrastructure against extreme events of floods and droughts, playing a cost-effective role in disaster risk reduction.

Management and protection of ecological infrastructure ensures sustainable water availability, and therefore is as fundamental to Umgeni Water's business as engineered infrastructure development. As part of its commitment to catchment management, Umgeni Water, therefore, considers ecological infrastructure management as one of the key drivers for achieving the objectives of catchment management in ensuring that water resources are protected, used efficiently, conserved, controlled and managed in a sustainable manner. Umgeni Water initiatives on investment in ecological infrastructure are aligned to national government priorities and the National Development Plan's objectives.

This also includes the key principles that guide investment in ecological infrastructure as recommended by SANBI (South African National Biodiversity Institute).

The Upper uMkhomazi Soil Erosion Project

The overall objective of this project is 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 the implementation of catchment management and ecological infrastructure interventions at high risk areas located upstream of the proposed Smithfield Dam. **Table 10.4** lists all of the activities that were undertaken to achieve the objective of Phase 2 of the Upper Mkhomazi Project.

Table 10.4: Upper Mkhomazi Catchment Restoration Activities

ACTIVITY	DESCRIPTION OF ACTIVITIES
Implementation of interventions	This included expansion of phase 1 restoration sites from one to six (three at Amangwane and three at Impendle); implementation of improved rangeland management practices through rotation grazing; removal of alien wattle; using cleared alien wattle to construct brush packs along contours to capture sediments and control soil erosion at high risk areas; planting of vertiver hedgegrows, establishment of vertiver grass nurseries and revising of an abandoned community vertiver nursery for grassland rehabilitation and erosion control; shaping of dongas to flatten and smooth donga edges; the use of eco-logs and eco-mattresses and reseeding of bare areas in dongas and behind brush packs, and upscaling of conservation agriculture initiatives for maize, cowpea and dry beans.
Project Mobilisation	This included ongoing community and stakeholder engagement. Engagement was undertaken through existing community plartforms such as the Hlanganani Local Authority and Local Dip Tank Committee. Discussions have commenced with owners about the use of the grazing area by different villages. Project mobilisation and awareness creation is also being undertaken through continuous reporting at the Upper Mgeni Catchment Management Forum, the Umgeni Ecological Infrastructure Partnership and the eThekwini Water Fund working group.
Participatory Monitoring, Evaluation, Reflection and Learning	This included establishment of three Davis automated weather stations, ongoing sediment capture analsyis, identification of citizen scientists to offer monitoring services as part of the enterprise development component of the project.
Training and Capacity Development	The following training was undertaken in collaboration with the African Forestry Training College during the 2020/2021 period: • Practical induction: in-house training and capacity development on soil eosion and interventions for reducing the rate of soil erosion. • Herbicide application training and alien wattle removal (27 people); • Saftety health and environment training (eight people); • First aid training (16 people); • Conservation agriculture and rehabilitation work.
Supporting Restoration Enterprises in the Catchment	This included engaging Traditional Authorities in Amangwane and Impendle to co-identify potential citizen scientists to provide monitoring services as part of enterprise development. The approach is currently focussing on the development of value added opportunities associated with the removal of wattle within the catchment, reviving of abandoned vertiver nursery, conservation agricultures and establishment of brushpacks. The other options that have been explored include the production of biochar to recuperate carbon and improve fertility and water holding capacity and milling of wattle as a livestock feed to be used in winter.
Introduce Improved Governance Systems	This entailed initial engagements with the Department of Human Settlements, Water and Sanitation regarding the establishment of the Cacthment Management Forum and the establishment of the Upper uMkhomazi Working Group consisting of various stakeholders, to ensure coordination of initiatives in the Upper uMkhomazi.
Knowledge Management and Dissermination	This included the following: • Assisting the Endangered Wildlife Trust with the spring-protection initiatives at Mqatsheni community; • Undertaking a site visit with Mangosuthu University of Technology students and staff members to explore opportunities for nature conservation students to be seconded to the project as part of integrated learning; • Supporing two research proposals focusing on restoration work; • Ongoing engagements with KZN Department of Agriculture and Rural Development (livestock, cropping and restoration) and local municipalities; Participating in two farmer learning exchange visits held in April 2021.
Facilitating further investment	This included signing a collaboration agreement with The Nature Conservancy to lead the establishment of a water fund for KwaZulu-Natal. This initiave acknowledges the importance of sustainable funding in catchment scale restoration and aims to attract private and public sector investment in ecological infrastructure restoration.

Wetland Assessments and Management

Umgeni Water updated the desktop wetland assessment undertaken in 2019/20 that included the identification of strategic wetlands within Umgeni Water's area of operation. The study also involved the assessment of the present ecological status of the identified wetlands and prioritisation for implementation of interventions. The assessment revealed that the majority of wetlands within Umgeni Water's strategic catchments fall under the category C, D, E and F in terms of the present ecological status and this implies that these wetlands are charecterised by high level of degradation that is associated with loss of natural habitat, biota and basic ecosystem function. The wetlands that were found to be highly degraded are located in the following quaternary catchments: Mooi River (V20A-D), Midmar (U20B and C), Msunduzi River – Pietermaritzburg City (U20J), Msunduzi River – Edendale (U20H), Karkloof (U20D) Nungwane (U70D), Ixopo (U10K), and uMdloti (U30A).

The prioritised wetlands for detailed assessment and restoration incudes the Darvill Waste Water Works Constructed Wetlands, Mpophomeni Waste Water Works Wetland, Sobantu Wetland at Baynespruit, the Ixopo Home Farm Dam wetland assessment and a feasibility study for a constructed wetland at the Mzimayi inflow to the EJ Smith Dam. The rational for this prioritisation has been the location of these specified wetlands in relation to the bulk water supply strategic water resources (Inanda Dam, Midmar Dam, Ixopo Home Farm Dam and EJ Smith Dam) that are compromised by upstream landuse practices and need to be supplemented by ecological infrastructure interventions that ensure sustainable supply of water that is fit for purpose.

In parallel to the broader wetland status assessment, Umgeni Water, in collaboration with the Durban University of Technology, is undertaking a research project to determine the potential of constructed floating wetlands to improve water quality in nutrient-rich environments. In this project, floating wetlands are piloted using a variety of plant species in several aquatic environments. Project implementation commenced in March 2021 and modest technology was used to identify the most appropriate non-invasive plant species that can improve water quality in nutrient enriched aquatic environments. The first results for the project are expected in the second quarter of the 2021/2022 year. If the project is successful, the floating wetlands approach will be implemented in other strategic areas where interventions are required.

Water Use 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 Umgeni Water and include:

- Taking water from a water resource (water abstractions);
- Storing water (raw water storage in 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 on 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 (WUL) applications for New Infrastructure Development Projects are presented on the next page.

Figure 10.7(a): WUL application status for construction

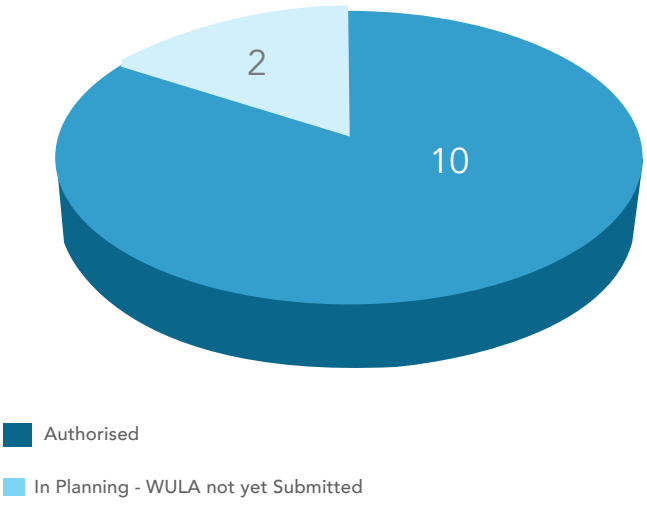
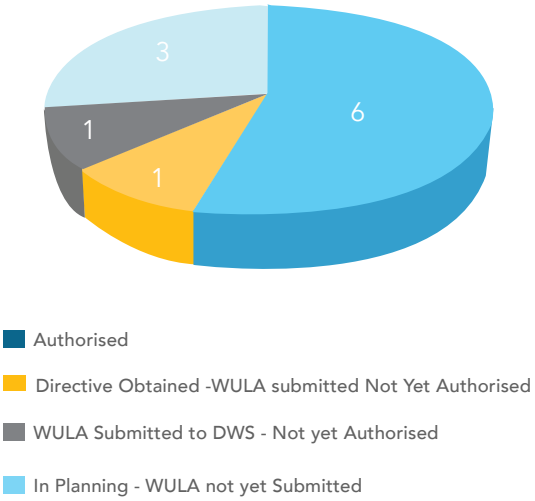


Figure 10.7(b):WUL application status for operations



The status of water use licences for existing infrastructure is presented below:

Figure 10.7(c): 11 Abstractions and storage for portable water treatment (21a)

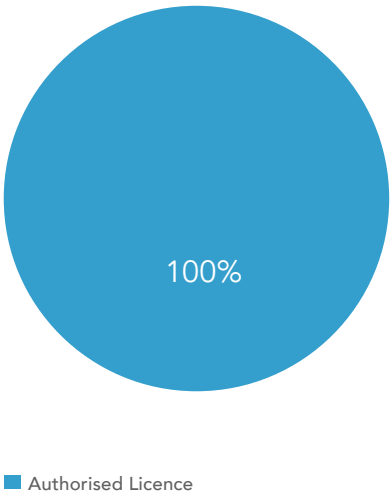
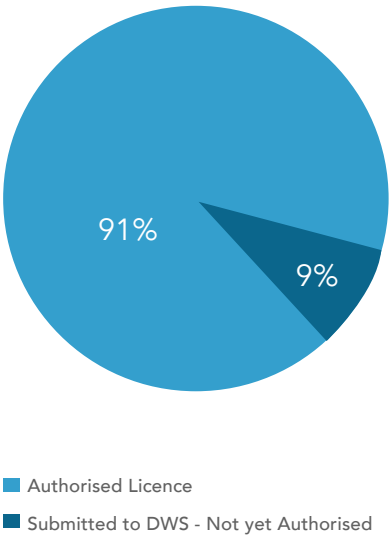


Figure 10.7(d): 12 Effluent discharges from wastewater treatment works (21f)



Catchment Assessments

Catchment Assessments are a diagnostic tool for assessing impacts of land-use activities on water resources, identifying relevant catchment interventions that need to be implemented to protect water resources and ensure water security.

During the period under review, eight catchment assessments were undertaken by Umgeni Water. They included Mooi catchments, Upper Mngeni catchment (Midmar and Albert Falls Dam), Lower Mngeni catchment (Nagle and Inanda), Ixopo Home Farm Dam, South Coast catchments (Mtwalume, Umzinto Dam and EJ Smith), Mvoti catchment (Mvutshane Dam), Lower uMkhomazi and Mdloti catchment (Hazelmere Dam). The outcomes of the assessments indicated that a number of catchment land-use activities contributed to the identified water quality problems.

In the case of Mhlabatshane catchment, the assessment results indicated that the unsatisfactory water quality status observed at Mhlabatshane WTW resulted from three main factors and these included extensive overgrazing of the catchment by livestock; poorly managed sugarcane production, which results in soil exposure to erosion and population increase that is associated with an increase in livestock and land degradation.

Catchment Parameter Monitoring Using Citizen Science and Remote Sensing

Catchment parameter monitoring is a fundamental component of water supply services. Umgeni Water catchment parameter of interest include water quality, hydrology (rainfall, river level, streamflow and evaporation), land use change, soil erosion (sediments), river health, wetland health and climate data. However, existing catchment monitoring is sparce, difficult to obtain and variable in content and accuracy. Citizen science and remote sensing technology (satellite imagery and drone) and innovation presents an opportunity for closing the existing data information gaps. These innovations present a huge potential for improved spatial coverage yet they are currently largely restricted to the research domain.

During the period under review, Umgeni Water in collaboration with its partners undertook three monitoring related growth initiatives. The first initiatve investigated the feasibility of undertaking catchment parameter monitoring using satellite remote sensing. The study used Sentinel-2 satellite image and Umgeni Water in-sutu water quality data using Inanda Dam and Nagle Dam as pilot studies.

The study focused on the following water quality parameters:

- chlorophyll-a
- turbidity and
- algal concentration *(Phycocynin and Cynobacteria)*.

The primary objectives of the study were to:

1. Identify algorithms that could represent the targeted water quality parameters using spectral data sources from satellite imagery;
2. Verify the capability of such algorithms to generate quantitative estimates of the targeted water quality parameters.

The results of the study confirmed the feasibility of using 20m Sentinel-2 to generate qualitative and quantitative representations of chlorophyll-a and Turbity levels in dams with acceptable modelling and calibration accuracies, using published water quality algorithms. The study highlighted that a final analytical step is still required to determine appropriate concentration threshold values necessary to reliably separate the modelled chlorophyll-a and turbidity levels and ensure correct spatial representations of each characteristic.

For algal concentration, the study indicated that further work is required to demonstrate the feasibility of using sentinel-2 image to detect levels of algal concentration. The results indicated that use of published algal count algorithms on Sentinel-2 imagery does not generate the suitable levels of quantitative accuracy to support quantitative operational use. As such, the study recommended repeating the algal analyses component of the study using Sentinel-3 image data as the next necessary step.

The second initiative is still in progress and its primary aim is to investigate the feasibility of using drone technology to undertake catchment parameter monitoring. The scope of work includes undertaking a literatue review and undertaking a trial flight over the selected pilot sites.

The catchment parameter of interest for this project includes the following:

- Suspended solids in rivers;
- Chlorophyll-a in rivers;
- Aquatic weeds at Inanda Dam;
- Sewer leaks.

The literature review was completed in June 2021, while the trial flight was undertaken in July 2021. The results of the study will be available during the 2021/22 year.

For the third initiative, Umgeni Water provided co-funding to the multi-stakeholder Amanzi Ethu Nobuntu citizen science project that was a presidential employment stimulus initiative of the Department of Science and

Innovation to assist in creating green jobs to provide COVID-19 relief. The project provided employment to more than 300 young people for three months.

The citizen science tools that were utilised in the project included the following:

- Water Clarity Tube;
- Transparent Velocity Head Rod;
- Mini-SASS;
- Field Survey app.

As part of this project Umgeni Water provided co-funding to update the State of the Rivers Report (SOR) for the Mooi-Mngeni Catchment. The SOR is an important catchment management reference and was last updated in 2002. This initiative afforded an opportunity for the Umgeni Water catchment management graduate trainees to be capacitated on undertaking situational and gap analyses in support of water quality management processes. The final State of Rivers Report will be vailable in 2022.

Msinsi Holdings Sustainable land and Resource Management

Msinsi Holdings SOC Ltd, a wholly-owned subsidiary of Umgeni Water, is mandated to manage the land and biodiversity of the areas around the dams owned or managed by Umgeni 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 incoporated into the scope of Msinsi for implementing catchment management inteventions 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 ecological 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 aquatics).

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.

Msinsi continued providing environmental education targeting surrounding communities. A total of 82 environmental education initiatives in areas of water conservation and environmental awareness were implemented.

Sourcing labour within the communities around Msinsi operations created job opportunities for the communities, with a total of 1058 temporary jobs created during the reporting period.

In partnership with other stakeholders, six graduates, in-service trainees and interns received training opportunities in fields ranging from Hospitality to Human Resources Management. Msinsi Holdings is planning to sustain its training programmes to continue to contribute to skills development, particularly for the youth from neighbouring communities.

SOUTH COAST PIPELINE

Waste Management

Umgeni Water has solidified its commitment to conserve scarce natural resources and reduce the environmental impacts of its operational activities through environmental sustainability initiatives.The initiatives aim to transform the organisation from the typical wasteful linear economic model (of 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. In the year, the total amount of waste that was produced is 541 kg per million m^3 and 20.61% of the waste was recycled (**Figures 10.8** and **10.9**).

Water Treatment Residues and Waste Water Sludge

The management of Water Treatment Residues (WTRs) and wastewater sludge forms an integral component of the core business of Umgeni Water. Current sludge management practices include on and off-site disposal and river discharges. However, these practices are not sustainable because of the environmental impacts associated with on-site disposal, the limited landfill space and the impact of the river discharges on the aquatic ecosystem. Moreover, the current sludge management practices have posed challenges in recent years from changes in the environmental legislation, with additional requirements for expensive landfill liners and leachate management at all landfill sites. This triggered the need for Umgeni Water to develop a comprehensive Sludge Management Plan (SMP) for its operational sites.

The WTRs will be applied to agricultural land as a soil conditioner whilst the wastewater sludge will be used as organic compost. Wastewater sludge contains organic matter and nutrients that can provide soil benefits. Planned work is to design and pilot a long-term solution that will transform both management of WTRs and wastewater sludge from a liability into an asset on a commercially representative scale.

Figure 10.8: Waste Produced

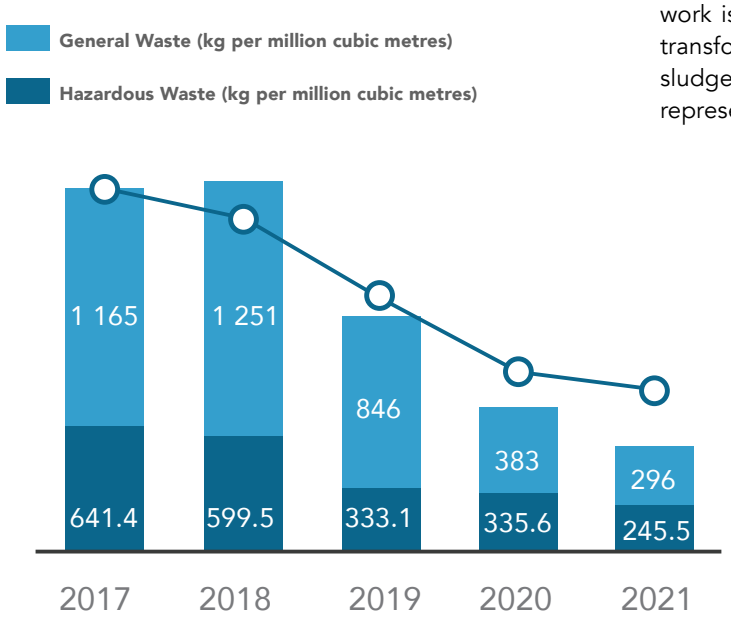
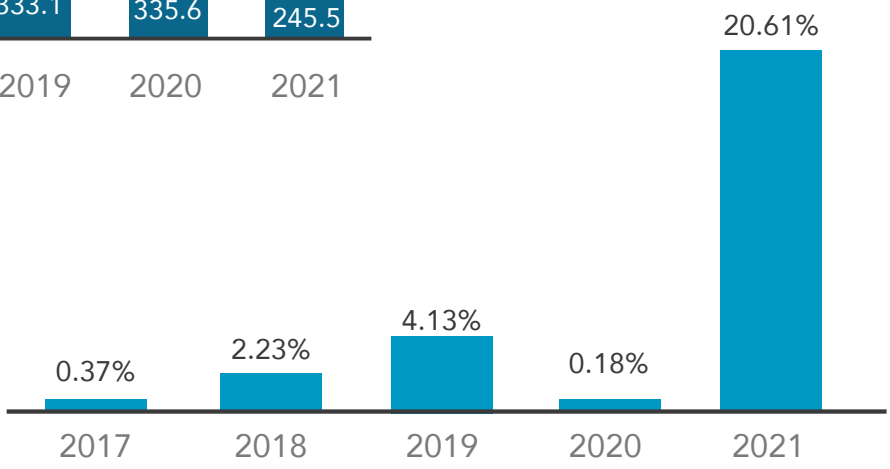


Figure 10.9: Percent Waste Recycled

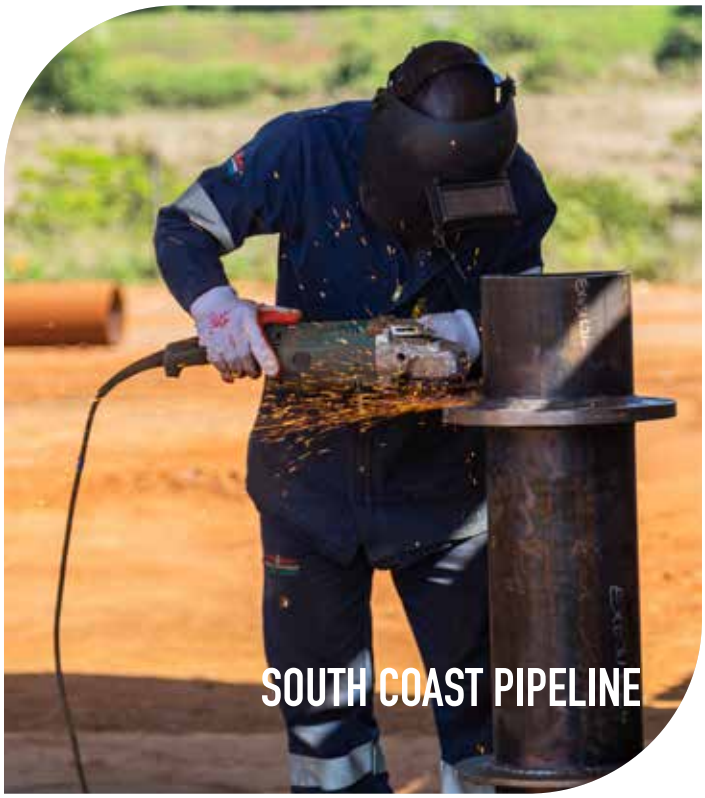


Environmental Performance of Operational Sites

Annual environmental audits are undertaken at operational sites and the objectives are:

- To assess whether the site complies with all applicable environmental legislation and regulations;
- To assess internal policy and procedural compliance in relational 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 24 sites for 2020/2021. Out of 50 findings, 15 findings were rated major.



Risk Rating	No. of Findings	%
Minor	35	70
Major	15	30
TOTAL	50	100

Environmental findings at a corporate level related to:

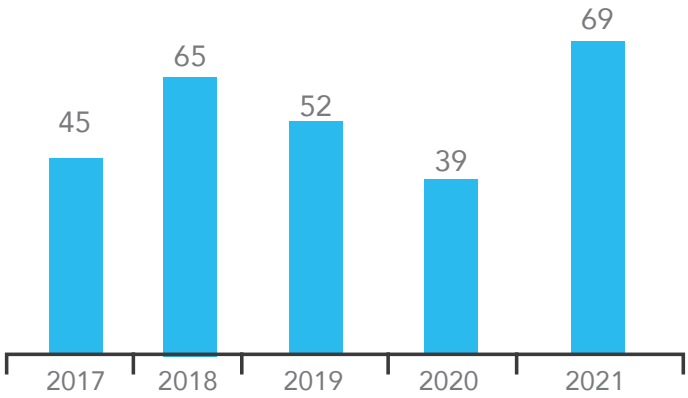
- Non-compliances against Water Use Licences (WUL) in terms of annual sharing of the required information with the Regional Head, investigation of efficient techniques to conserve water, annual dam safety evaluations, conduction of internal and external audits;
- Non-compliances against General Authorisations (GA) in terms of registration of wastewater discharge activities into a water resource;
- The absence of discharge licences, WUL or General Authorisation at some of the newly acquired sites and some of the existing WTWs;

Mitigation measures and action plans have been instituted address these findings.

Environmental Incidents

In the year under review, there were 69 environmental incidents recorded for the 2020/2021 financial year (39 incidents in 2020).

Figure 10.10: provides the comparative analysis for the past five years.



NAGLE DAM

Integrated Environmental Management

Umgeni Water's core business function is to provide water services - water supply and sanitation services - to other water services institutions. Business relies highly on the natural resource, which is freshwater resources, although there has been measures to venture into other sources of water. In this regard, the natural environment is core to Umgeni Water. The assessment and management of environmental aspects, which could arise from the development of new infrastructure projects, is managed through the Integrated Environmental Management (IEM) system.

The IEM is a philosophy that is concerned with finding the right balance between development and the environment and provides an overarching framework for the integration of environmental assessment and management principles into environmental decision-making. IEM has various tools, which can be applied at different stages of the activity life cycle such as planning,

The assessment and management of environmental aspects, which could arise from the development of new infrastructure projects, is managed through the integrated environmental management system (IEM).

conducting environmental screenings, environmental impact assessments (EIAs), Environmental Management Plans (EMPs), auditing, and specialist inputs.

Umgeni Water utilises the EIA tool governed by the provisions of the National Environmental Management Act, 107 of 1998 (NEMA) which stipulates that projects that trigger listed activities as stipulated in the regulations are required to obtain an environmental authorisation (EA) either through a basic assessment (BA) or a scoping and full environmental impact assessment process (EIA). Where project developments do not trigger listed activities as defined in the Act, the environmental screening and EMP tools are utilised to ensure that all the potential environmental impacts emanating from project implementation are eliminated or minimised to acceptable levels. There are currently 25 projects in the planning, design or procurement phase, which are being managed through the IEM System. The details of some of the projects are depicted in **Tables 10.6 and 10.7 below.**

Environmental Authorisation Status for Key Bulk Infrastructure Projects

Project Name	Project Phase	EA Status Requirements
uMkhomazi Water Project Phase 1	Feasibility	EA amendment application
Lower uMkhomazi BWSS	Design	EA amendment application
UMzimkhulu BWSS	Feasibility	EIA application
Vulindlela BWSS: Howick West P/S –Howick Res 2	Design	BA application
Lower Thukela BWSS Phase 2	Design	EIA amendment application
UMshwathi BWSS Phase 4: Southern Ndwedwe	Design	EA obtained
Impendle: Stepmore and Nzinga Bulk Water Supply Scheme	Design	EA amendment application
UMshwathi BWSS Phase 6	Design	EA amendment application
Umbumbulu Pump Station Upgrade	Design	EA obtained

Table 10.7: Projects with no Listed Activities

Project Name	Project Status
Howick West	Construction
Umzinto WTW	Construction
Ixopo Stilling Wells and Sludge Pipeline	Tender for construction
Hazelmere Sludge Plant Upgrade	Tender for construction
Mpophomeni WWTW and Sewer Outfall Pipeline	Construction
Hilton N3 Corridor WWTW	Construction
ILovu River Emergency Scheme	Construction
Hazelmere WTW - Upgrade of Reservoir No.2	Design
Hazelmere WTW: Upgrade Clarifier No. 03	Design

Further delays in the application processes have been experienced as a result of the COVID-19 lockdown period. Progress has been noted in one of the largest bulk water supply scheme, uMkhomazi Water Project, where the requirements of the various authorities have been addressed and communicated. The environmental authorisation was obtained in November 2021. An amendment to the authorisation conditions was undertaken with anticipated completion and decision in August 2021.

To curb and minimise project delays because of the environmental process, Umgeni Water is in the process of integrating the IEM system into the EPCM (Engineering, Procurement, and Construction Management) system. Umgeni Water's EPCM system is managed through the Project Lifecycle Process (PLP) where there is a formal, structured gate review process to assess the deliverables of each project stage to ensure they meet the defined requirements and standards for that stage. With this system, environmental fatal flaws will be identified early in the process. Tolls to the PLP have been initiated and work is in progress.

There are 11 projects in the construction phase, which are monitored for compliance against the Environmental Management Plans by the environmental control officers, environmental site officers and environmental scientists. The overall environmental performance has been satisfactory, however, minor non-compliances were identified and mitigation measures implemented timeously.

Areas on non-compliance included:

- Delays in the commencement of rehabilitation resulting in contravention of the environmental authorisation conditions;
- Spillages of hazardous chemicals on the ground which lead to ground or table water pollution;
- Alien weed infestations impacting on biodiversity.

Umgeni Water was issued with a directive by DWS for the Bruntville Pipeline Project. This was as a result of the contractor disposing construction rubble in a wetland. Umgeni Water was required to appoint a rehabilitation specialist to develop and submit a rehabilitation plan to address the infilling of the Bruntville wetland. The rehabilitation plan that was compiled and submitted to DWS was approved. Close liaison with DWS, Mpofana Local Municipality and community is being undertaken to close the matter and implement required rehabilitation measures as per approved rehabilitation plan.

11 ENABLING OUR PEOPLE

GRADUATION PROGRAMME

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.

11.1 LEADERSHIP AND EMPLOYEE DEVELOPMENT

MANAGEMENT APPROACH

Umgeni 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 Ethics Committee monitored and assessed the following activities of Umgeni 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:

Umgeni 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 Umgeni Water conducts its business;
- Impartial/objective sponsorship, donations and charitable giving.

THE ENVIRONMENT, HEALTH AND PUBLIC SAFETY, INCLUDING:

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

CONSUMER RELATIONSHIPS, INCLUDING:

- Umgeni Water's policies and record relating to advertising, public relations and compliance with consumer protection laws.

LOWER THUKELA WTW

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 11.1 and Figure 11.1.

- 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, 20 female employees qualified for 100% maternity leave benefits,98% returned to work after their leave and 2% are still on leave.

SUCCESSION, MENTORING AND COACHING

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

The goals / strategies include:

a) Attracting talent to the organisation
- Graduate Development Programmes
- Updated processes relating to recruitment

b) Ensuring Leadership is developed to meet Existing and Future Challenges
- 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 11.1 2020/2021 Workforce by Employment Type/Category, Race and Gender shown for the Permanent Establishment for (a) Parent Company and (b) Wholly-Owned Subsidiary.

(a) Umgeni Water (Permanent Establishment)

OCCUPATIONAL CATEGORY	TOTAL	MALE				FEMALE			
		African	Coloured	Indian	White	African	Coloured	Indian	White
Top management *	**6**	3	0	0	0	2	0	1	0
Senior management	**29**	10	2	6	3	5	0	2	1
Professionally qualified and experienced specialists and mid-management	**280**	99	6	28	14	103	4	20	6
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	**489**	232	6	32	10	176	7	24	2
Semi-skilled and discretionary decision-making	**200**	184	2	0	0	12	2	2	0
Unskilled and defined decision-making	**52**	34	0	0	0	18	0	0	0
Total	**1056**	**562**	**16**	**66**	**27**	**316**	**11**	**49**	**9**

*Top management consists of Executives on five-year fixed-term contracts

(b) Msinsi Holdings SOC Ltd (Permanent Establishment)

OCCUPATIONAL CATEGORY	TOTAL	MALE				FEMALE			
		African	Coloured	Indian	White	African	Coloured	Indian	White
Top management *	**1**	1	0	0	0	0	0	0	0
Senior management	**2**	0	0	0	0	2	0	0	0
Professionally qualified and experienced specialists and mid-management	**6**	2	0	0	0	3	0	1	0
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	**33**	10	0	0	0	23	0	0	0
Semi-skilled and discretionary decision-making	**40**	33	0	0	0	20	0	0	0
Unskilled and defined decision-making	**52**	20	0	0	0	18	0	0	0
Total	**122**	**66**	**0**	**0**	**0**	**55**	**0**	**1**	**0**

* Top management consists of the Managing Director on a five-year fixed-term contract

Figure 11.1(a): Employment Status by Category (Parent)

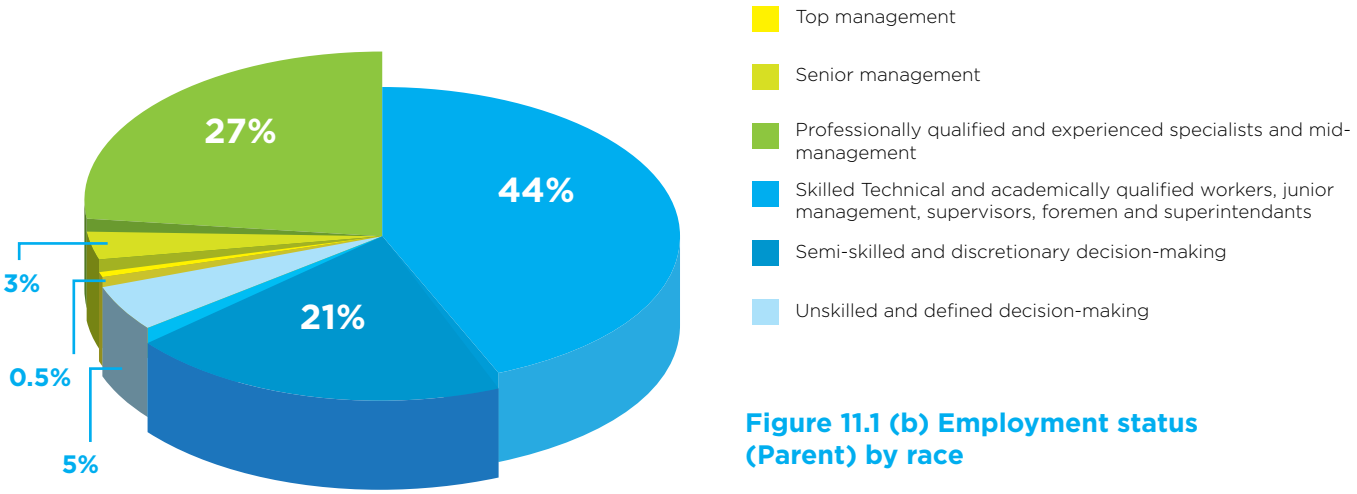


Figure 11.1 (b) Employment status (Parent) by race

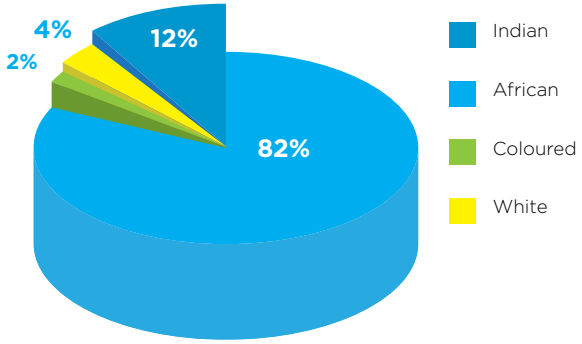


Figure 11.1 (c) Employment status (Parent) by gender

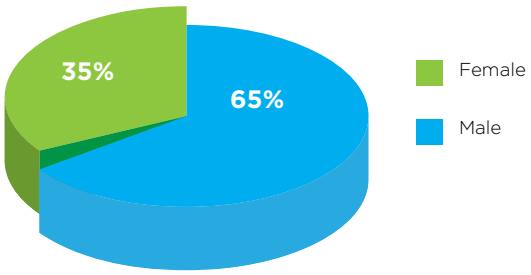


Figure 11.1 (d) Age Profile (Parent)

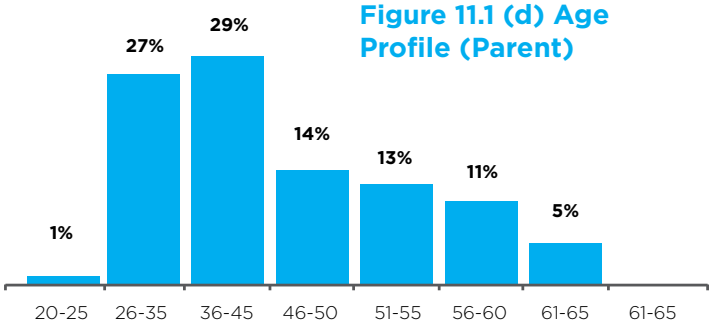


Figure 11.1 (e) Employee disability profile (Parent)

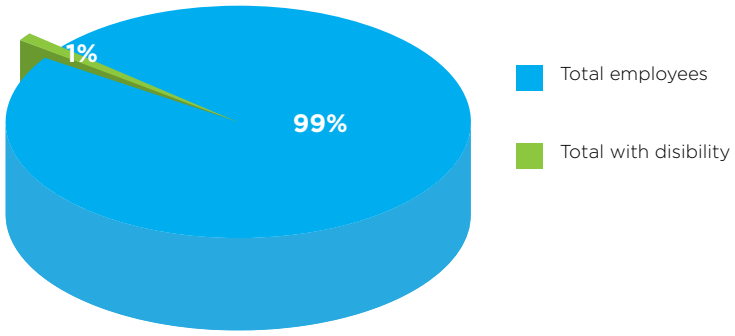


Table 11.2 Summary of staff numbers as at 30 June 2021

Staff Numbers	**Total**
Parent permanent	1 050
Msinsi permanent	122
Group permanent	1 172
Group fixed-term contracts	183
Group Total	**1 355**

RECRUITMENT AND TURNOVER

In the reporting period the entity recruited 137 employees, comprising:

- 49 permanent employees;
- 62 contract employees; and
- 26 graduates, interns and in-service trainees.

Terminations were 34 including:

- 10 resignations;
- 10 natural deaths;
- 7 retirements;
- 5 dismissals;
- 2 because of medical boarding.

The entity's labour turnover percentage for the year is 3.2% and is below the industry benchmark of 8%.

LABOUR/MANAGEMENT RELATIONS

Umgeni 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 union, NEHAWU, the entity has in place a Collective Agreement that is maintained. Currently, 60.58% of the total workforce are members of the union, of which 55% 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 providing reasonable response at all times 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 rights and well-being of all employees are safe-guarded and protected through alignment of corporate policies with relevant legislation and regulations.

OCCUPATIONAL HEALTH AND SAFETY

Umgeni Water places great importance on the protection of Health and 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.

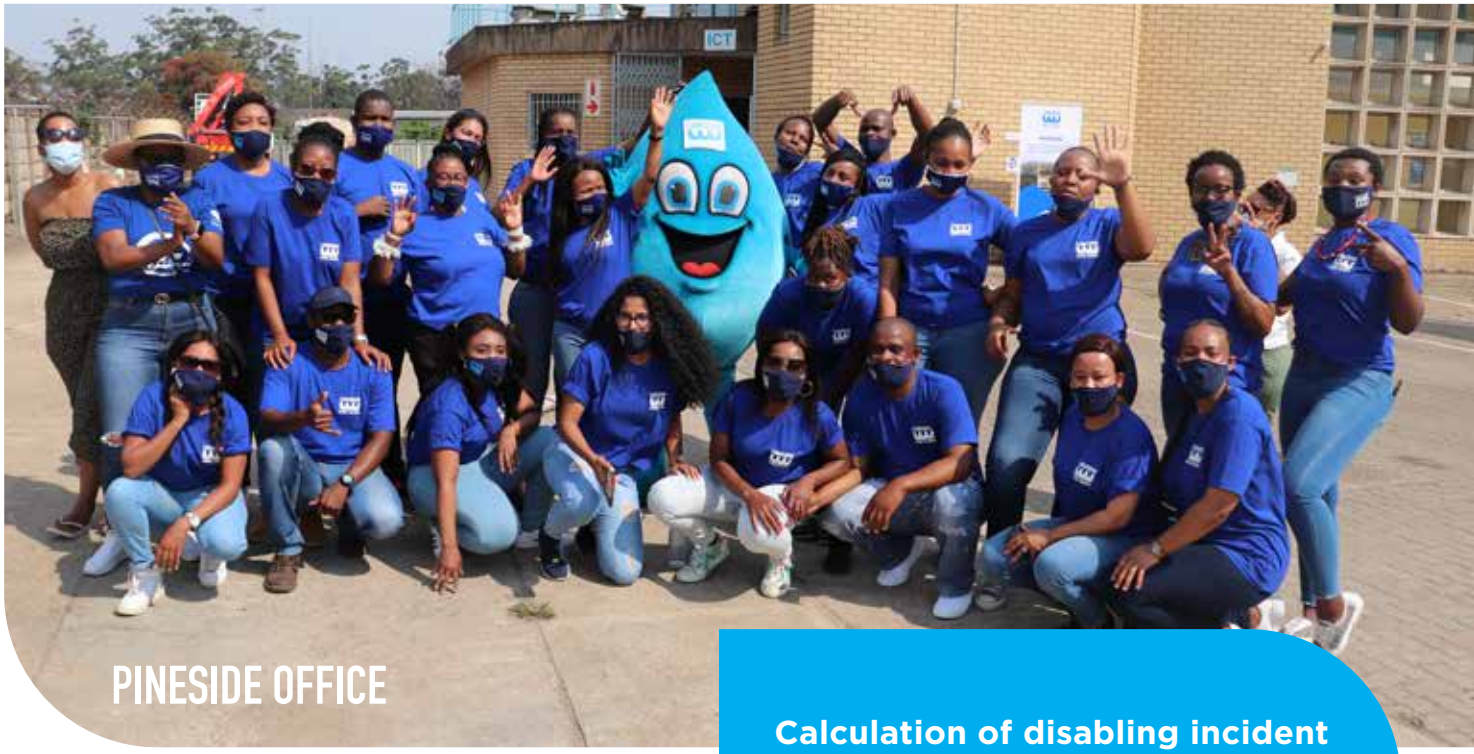
The entity's commitment is driven by:

- 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, 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;
- On-going 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 within 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.

Umgeni Water applies international, as well as South African standards across the organisation. 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 duly awarded ISO 9001:2015 accreditation. To maintain the integrity and continuous improvement of this system, regular SHE legal compliance audits were conducted by an independent, competent and accredited service provider.

One of the measures adopted by Umgeni Water in measuring its safety performance is the Disabling Injury Frequency Rate (DIFR). There was a noticeable increase in the number of disabling incidents recorded in the year compared with previous years. Our final DIFR was recorded at 0.16. **(Figure 11.2)**



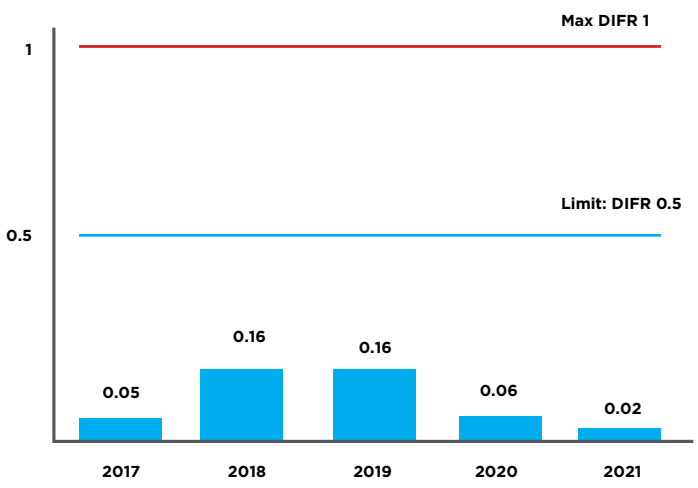


Figure 11.2: Disabling Injury Frequency Rate (DIFR)

Calculation of disabling incident frequency rate (DIFR) is as follows: The total number of fatal injury cases, permanent disability cases, lost workday cases, restricted workday cases, health fatality cases, irreversible diagnosed disease cases and reversible diagnosed cases times 200 000 divided by the number of rolling man-hours worked over the exposure period.

SKILLS DEVELOPMENT

Every year, Umgeni Water compiles and submits a Workplace Skills Plan and Annual Training Report to 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; and,
- Leadership Development.

GRADUATION PROGRAMME

SKILLS AUDIT & CAPACITY BUILDING FRAMEWORK

The completion of the 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 2020/2021, the entity approved a three-layered Capacity Building Framework, i.e. 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 97 of 1998 and other related legislation for purposes of developing the workforce skills requisite in order to improve the quality of life, productivity and competitiveness, and delivery of social services.

The impact of COVID-19 pandemic outbreak resulted in reduction of planned training and development initiatives and planned hours.Due to the limited resources and adherence to COVID-19 safety precautions, only virtual training interventions were conducted.

Table 11.3 provides an overall number of employees trained per occupational category, hours spent per gender and total hours per occupational category for FY 2020/2021. Training hours per gender is detailed in **Figure 11.3 (a),** with **Figure 11.3(b)** highlighting training spent over a five-year period .

Table 11.3: Training Hours per Occupational Level, Gender and Per Employee in 2020/2021

OCCUPATIONAL LEVELS	TOTAL FEMALE	TOTAL MALE	TOTAL EMPLOYEES TRAINED	TRAINING HOURS FEMALE	TRAINING HOURS MALE	TOTAL HOUR PER CATEGORY
Top management *	**2**	3	5	212	320	532
Senior management	**6**	13	19	248	344	592
Professionally qualified and experienced specialists and mid-management	**56**	72	128	1 558	2 224	3 782
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	**105**	165	270	2 936	3 464	6 400
Semi-skilled and discretionary decision-making	**7**	79	86	80	3 790	3 870
Unskilled and defined decision-making	**36**	65	101	920	1 190	2 110
Total	**212**	**392**	**609**	**5 954**	**11 332**	**17 286**

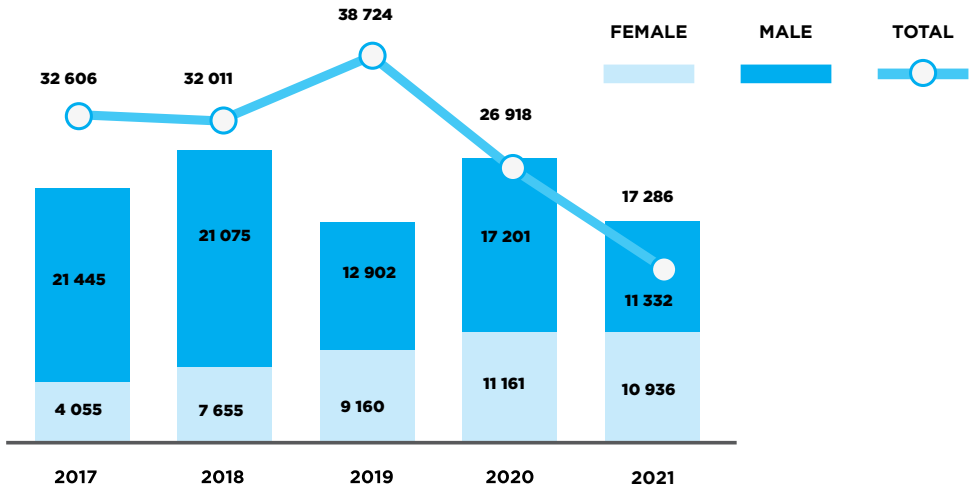


Figure 11.3 (a): Training Hours by Gender

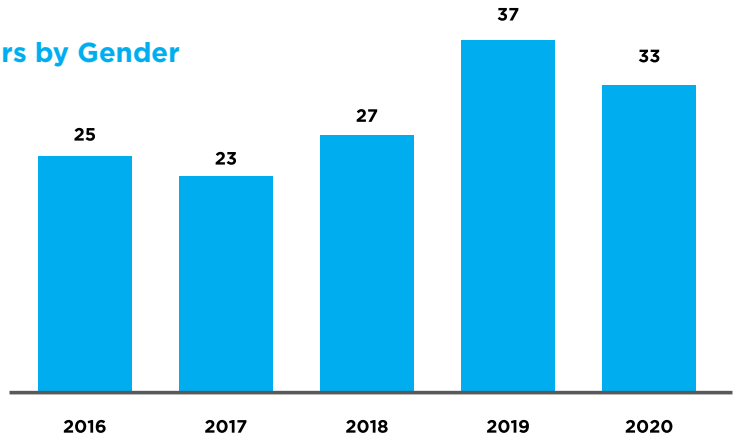


Figure 11.3 (b): Training spend (Rm)

Leadership, Learnership and Apprenticeships

At Umgeni 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 capacity, Umgeni Water, in partnership with the University of KwaZulu-Natal (UKZN) Extended Learning, concluded a six-months Management Development Programme (Higher Education Qualification Sub-Framework Level 7) capacity impact assessment exersice to measure Return on Investment (ROI) for Umgeni Water. A three 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 baseline for the design and decision-making future Leadership Development initiatives.

A total of 10 delegates from top and senior management occupational categories enrolled and completed a purpose-fit Executive Coaching Programmme. The programme was geared for the achievement of short-term and long-term organisational goals through personal development and growth. In line with this, the programme was designed to ensure delegates are well equipped to better manage change and drive departmental and organisational transformation, balance personal and professional life, and mastering the art of listening blending humility with confidence, building rapport and interpersonal relationships. The programme also exposed delegates to a general insight of learning and growing, decision-making, conflict resolution and problem-solving.

The Learnerships and Apprenticeships programme provided training, development and exposure to both internal and external candidates. For this period, a total of 58 apprentices were enrolled in the apprenticeship programme and received theoretical training at Amajuba TVET College and Shukela Training Centre in the Electrical, Boilermaking, Instrumentation, Motor Mechanics and Mechanical Engineering trades. During this period, learners further received practical work exposure from various operational sites within the entity as per the requirements of the programme. All 58 learners in the abovementioned trades have completed their trade tests and were deemed to be competent as Artisans and appointed as junior artisans for a two-year period over a two-year period in order for them to gain experience that is in line with the minimum requirements of the artisan positions.

Umgeni Water assessed the skills and competency levels of internal personnel against requirements of Draft Regulation 17 of the Water Services Act for Blue Drop and Green Drop certification and developed a multi-yearly training plan to fill the skills and competency gaps.

The internal positions include Superintendent, Process and Quality Technicians, Senior Operator, Operator and Process Controller positions. In the reporting period a total of 199 Process Controllers were enrolled in either the Learnership Programme or in N3 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, 28% of employees enrolled in formal qualifications that respond directly to critical and scarce skills needs.

Umgeni Water Young Professionals

The existence of Umgeni Water Young Professionals (UWYP) proves the entity's on-going acknowledgement and support towards initiatives aimed at developing the youth. Since the inception of UWYP in 2014, the forum has an active membership of 180, consisting of employees below the age of 35.

The UWYP 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 Umgeni Water`s 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 Umgeni Water's Young Professionals (UWYP) through skills development, resources and information-sharing.

During the reporting period, the UWYP initiated and advocated for different Initiatives that were seen to be key to the progress and continuous success of the forum. These

initiatives were born of engagements with different internal and external stakeholders.

Notable activities completed by UWYP in the year include:

- Participation in the Non-Revenue Water Management knowledge exchange webinar between eThekwini MM, the City of Yokohama, Japan, Yokohama Waterworks, Management Beureau which was hosted as part of the South African Local Government Association and Japan International Cooperation Agency (JICA) collaboration.
- Planning and successfully convening a Professional Development Webinar targeting employees aged 35 and younger, with the purpose of encouraging increased professional registration across a wide array of professional bodies.
- Partnered with the Young Water Professionals and and Bremen Overseas Research and Development Association in successfully convening Virtual Career Guidance and Mentoring sessions for Grade 12 learners across various schools in the Pietermaritzburg area.
- Sponsored a public special needs school catering for children with intellectual learning challenges in Pietermaritzburg with educational support materials, as part of Youth Month commemoration.
- Finalised detailed planning and set up of a virtual Book Club, that is to entice continued learning and growth through assimilation of written knowledge for the entity's young workforce. The Book Club will be fully operational in the first half of 2021/2022.

Bursar, Graduate and In-service Trainee Programmes

Umgeni 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 30 graduates enrolled in the engineering, science and other required professional fields and 41 in-service trainees.

A total 13 interns were contracted for a one-year internship programme in multi-disciplinary fields across the organisation. The duration of the internship program was extended to two years to allow adequate workplace exposure and for interns to meet the minimum requirements for entry-level positions.

Umgeni Water continued it bursary programme and funded 10 bursary students through the Bursary Scheme with students enrolled at various universities in disciplines of Civil Engineering, Mechanical Engineering, Electrical Engineering, Chemistry, Microbiology and Finance.

The entity in partnership with National Treasury continued to implement the graduate development programme of engineers, technologists, process support and technicians with specific emphasis on meeting the skills shortages in municipalities in the province.

In the reporting period, 39 Graduates were developed under the National Treasury Graduate Development Programme. These graduates are expected to be professionally registered by 2024.

KEY MEMBERSHIPS AND ASSOCIATIONS

Umgeni Water employees subscribe to a wide range of memberships and associations **(Table 11.4).** 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 in fields of expertise and participate in sector knowledge-sharing.

Table 11.4: Key Membership and Associations

CATEGORY	MEMBERSHIPS
Governance and Risk	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
Financial and Business	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)
Product Quality, Infrastructure Stability, Research, Innovation, Science and Technology	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

CATEGORY	MEMBERSHIPS
Community and Environmental Sustainability, Science and Technology	International Association for Impact Assessment (IAIAsa) South African Council for Natural Scientific Professions (SACNASP) Institute of Waste Management
Employee and Leadership Development, Operational Resilience, Operational Optimisation	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)

PERFORMANCE, ALIGNMENT TO STRATEGY AND REMUNERATION

Umgeni 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 Umgeni 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 in order to ensure that the performance management process at Umgeni Water is development orientated 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, Umgeni Water ensures implementation of its strategic goals through skilled, competent, motivated and engaged employees, while recognising and rewarding good performance.

DIVERSITY AND EQUAL OPPORTUNITY

Umgeni Water's workforce by employment type/category, race and gender is shown in **Table 11.1 and Figures 11.1.** 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. Umgeni Water does not discriminate between men and women in terms of remuneration. **Table 11.5** outlines the remuneration ratio of women to men by Occupational Category.

Table 11.5: Ratio of Remuneration of Women to Men by Occupational Category

OCCUPATIONAL LEVELS	2017	2018	2019	2020	2021
Top management *	0.8	0.9	0.8	0.8	1.0
Senior management	1.0	1.0	1.0	1.0	1.0
Professionally qualified and experienced specialists and mid-management	0.8	0.9	0.9	0.9	0.9
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	0.9	0.8	0.9	0.9	0.9
Semi-skilled and discretionary decision-making	0.8	0.7	0.9	0.7	0.8
Unskilled and defined decision-making	1.0	0.7	1.0	0.7	0.7

HUMAN RIGHTS

Investment and Procurement Practices

Umgeni 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 B-BBEE.

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. Performance with participation goals set for the reporting period may be found in the Economic Empowerment Chapter of this Annual Report. The entity remains confident that it is contributing to effective economic transformation that will benefit the sector as a whole.

Child and Forced Labour

Umgeni 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. Umgeni Water does not practise child and forced labour.

Non-Discrimination

In the year, zero incidents of discrimination were reported.

Indigenous Rights

Umgeni 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.

12 IMPROVING RESILIENCE

Water samples from the entire supply system are collected by a team of dedicated well-trained sampling officers daily throughout Umgeni Water's operational area

12.1 ISO 17025 ACCREDITED LABORATORY SERVICES ASSURING WATER QUALITY

Four 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.

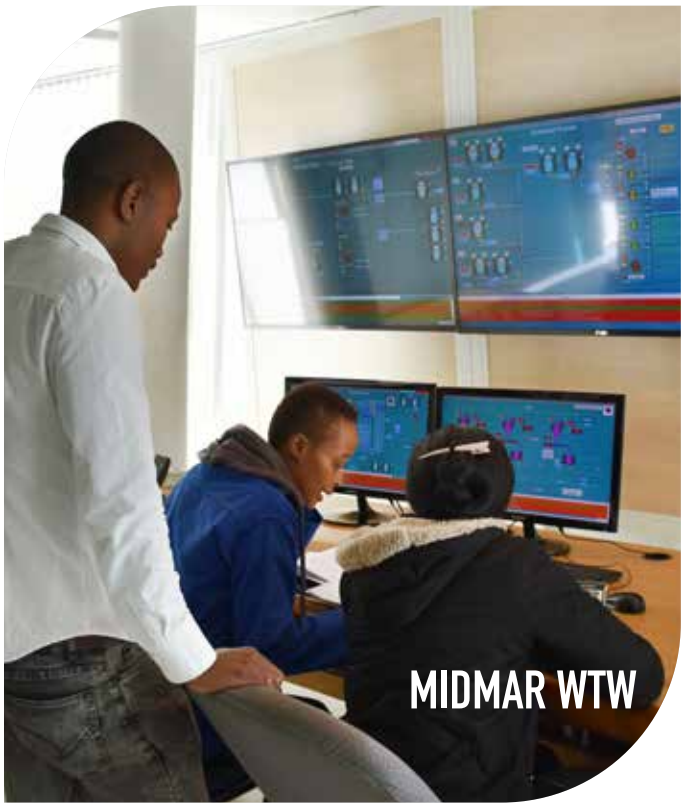
During the year, the laboratory supported core business activities through:

- 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/auditing 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.

Water samples from the entire supply system (catchment to consumer) are collected by a team of dedicated well-trained sampling officers daily throughout Umgeni 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 9001 accreditation standard, which they have to conform to.

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 20 000 to 30 000 analytical results per month from its four accredited laboratories, split as follows: Chemistry, approximately 16 000; Microbiology, 4 000; Hydrobiology, 450 and Soil Chemistry, 100. The laboratories generated about 310 544 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.

As an ISO 17025-accredited laboratory, Umgeni Water laboratory has to constantly keep up with the requirements of the standard, in order to maintain its accreditation status. As such, the laboratory had to transition to the new ISO 17025: 2017 Management System, thus achieving and enhancing customer and stakeholder quality assurance.

One of the requirements of an ISO 17025-accredited laboratory like Umgeni Water's is that the results that are produced from accredited methods must be validated and authorised by a Technical Signatory who is assessed and deemed competent by SANAS, before release to the customers (both internal and external). Responding to this requirement, the laboratory is aiming to have at least three or more Technical Signatories for each accredited method.

Despite COVID-19 challenges, Laboratory Services together with Sampling Services continued to implement robust strategies in place to ensure business continuity and uninterrupted availability of credible water quality data, thus consistently ensuring water quality compliance and public health.

12.2 INFORMATION AND COMMUNICATION TECHNOLOGY

ICT Governance

In line with King IV Report on Corporate Governance for South Africa 2016, the purpose of ICT Governance is to support the organisation to achieve its strategic objectives. The Board is delegated through the Audit Committee to exercise this oversight role. The ICT Steering Committee manages the governance of ICT and reports quarterly to the Audit Committee.

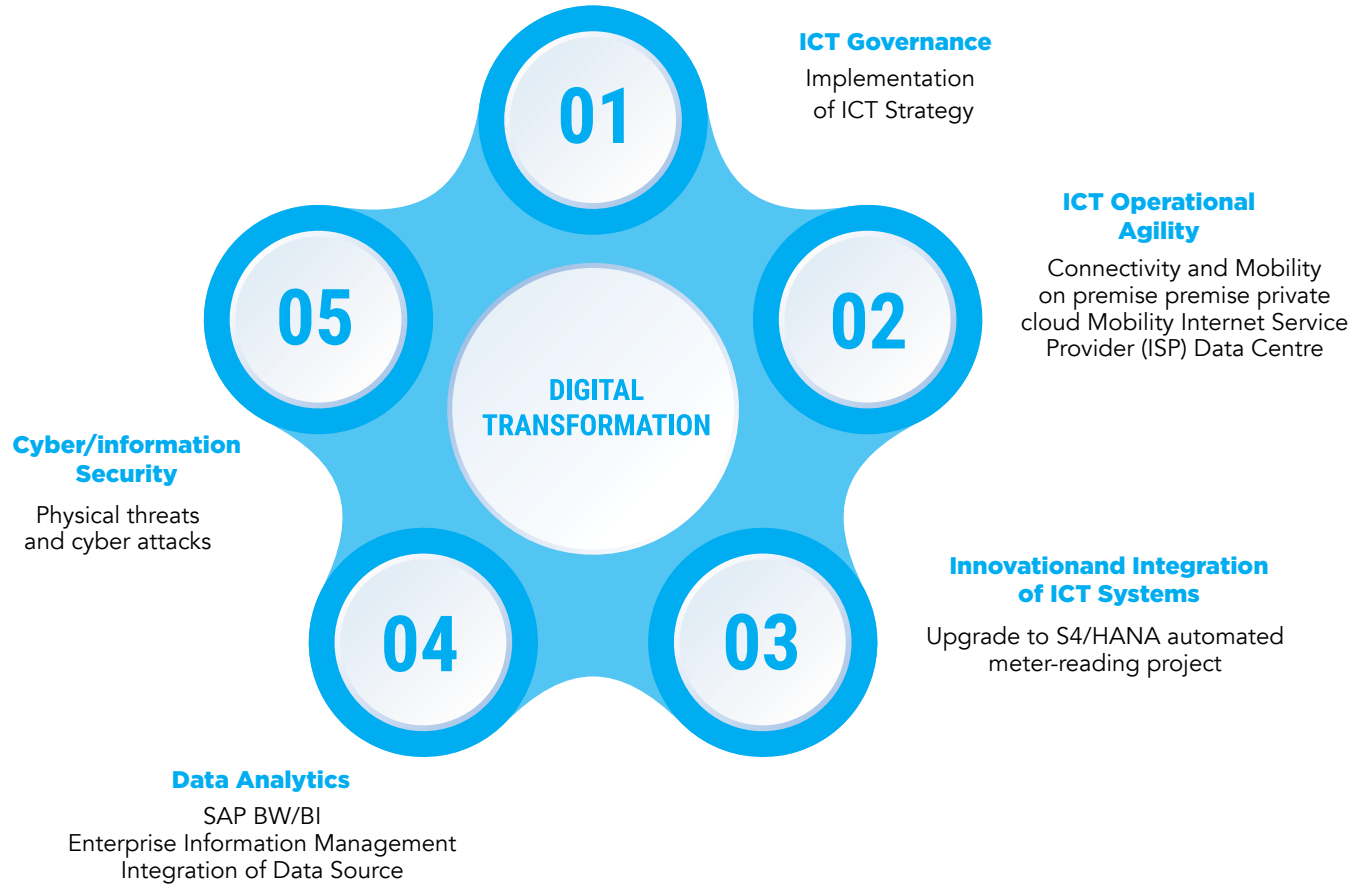
The Board through its strategy has approved the Digital Transform process as a key thrust.

Digital transformation **(Figure 12.1)** is the integration of digital technology into all areas of a business resulting in fundamental changes to how businesses operate and how they deliver value to customers. In this regard, Information Communication and Technology (ICT) will ensure the delivery of a collaborative and integrated service to Umgeni Water via an organisational centric approach to Digital Transformation.

The mechanism of driving Digital Transformation is the implementation of the ICT Strategy.

Umgeni Water has in place an approved ICT strategy, which sets out its requirement to improve the overall technology and information management capability of Umgeni Water. This includes strategies for changing how the technology and information services of Umgeni Water will be managed in future. ICT will continue to implement its strategy for future ICT planning and investment, providing a sound basis for investment decisions across Umgeni Water. The ICT Strategy was aligned to the Government Wide Enterprise Architecture (GWEA) framework as prescribed by the Department of Public Service and Administration (DPSA).

Figure 12.1: Umgeni Water Digital Transformation Model



ICT Operational Agility

In support of the business objectives of bulk water provision, the availability and reliability of systems are of utmost importance. In this regard, a drive to standardise connectivity and ensure a maximum uptime at all Umgeni Water sites; the organisation has opted for fibre optic cables for fixed line connectivity. This will further prepare the organisation for 4G and 5G connectivity.

ICT is in the process of building its own "on premise" private cloud to securely host all corporate data. This will ensure that Umgeni Water's critical data is not housed outside the borders of South Africa and is compliant with relevant data regulatory requirements. Extranet which would be a portal for Board and External facing data sharing will also form part of this private cloud facility.

In a connected world, the Internet of Things (IoT) the enhancement of Mobility via Skype for business and video conferencing is an essential business tool. Umgeni Water would continue to roll out these mobility tools in order to speed up business decisions and reduce costs and time of employees.

ICTs engagement with the Independent Communications Authority of South Africa (ICASA) to extend the Broadband License is in its advanced stages. This will provide the platform for the establishment of Umgeni Water as an Internet Service Provider (ISP).

ICT has upgraded its Data Centre, which has the capacity to act as a bureau hosting facility for public sector entities.

Innovation and Integration Business Systems

Umgeni Water took a decision to consolidate its operating environment by implementing an ERP system in 2017. The Enterprise Resource Planning (ERP) system namely SAP has been supporting and enabling the business successfully. However the system is now due for an upgrade to S/4HANA due to the end of support life of the existing software version. This upgrade would also include the identified SAP enhancements as per the approved ICT Strategy.

Umgeni Water's meter reading process is currently captured monthly. Any breaks in the system are only detected at month-end i.e. burst pipe, leaking pipe, etc. In a drive for efficiency and to support the operational business the automated meter-reading project will allow meters to be read at any determined regular intervals and compromised thresholds flows will be flagged automatically.

Data Analytics

The Board, EXCO and Management require data and insights in order to make quick informed business decisions. To achieve this, ICT is supporting the business to harness their diverse data sources in one platform, having a single source of the truth.

The SAP Business Warehousing/Business Intelligence (BW/BI) Reports and Dashboards project was implemented and went live during 2020 in order to support Management decision-making and Corporate Reporting requirements. This will ensure improved levels of data integration, consistent, reliable information across the business value chains, as well as the single version of the truth across operational areas. The integrity of the system will also be from a trusted data source.

Information is the most valuable resource in the digital world. Umgeni Water has embarked on an Enterprise Information Management (EIM) project to move from a paper base to an electronic medium in preparation for digital transformation. The completion of the implementation of Digital Signatures has enhanced business processes and efficiencies.

To ensure the Integration of Data Sources; Umgeni Water has embarked on a "data architecture analysis" to review all business systems for identifying integration points in preparation for data digital transformation. This will ensure delivery of data across the spectrum of data subject areas and data structure types in the enterprise, to meet the data consumption requirements of all applications and business processes. These types of data will include, Business Systems, SCADA, Drone Data, Spatial, Sensors and 3rd Parties, etc.

Integrated Security

In a drive to protect people, assets and reputations, physical security technology will ensure that ICT supports security in the business by integrating technology and security to produce an integrated security solution. The integration of Physical Guarding and Technology will enable the security guards to be more pro-active in responding to security threats and risks. The merger of these functions will also enhance the integration of systems, that is Access Control and CCTV.

Umgeni Water is mindful that with new technologies in the world of 4IR, that is Big Data, Internet of Things, Artificial Intelligence, Machine Learning, Robotic, etc. the organisation is more prone to cyber attacks. Cybersecurity is critical to the safeguarding of Umgeni Water's information in a digitalised environment.ICT will ensure the continuous implementation of effective cybersecurity measures to protect and safeguard Umgeni Water's assets. In this regard ICT has upgraded its Information Security Infrastructure to the latest CISCO technology, that is routers, switches and firewalls both on Corporate and Operational network (SCADA).

In order to protect Umgeni Water's critical assets and infrastructure, Umgeni Water identified three key Operational sites namely, Durban Heights, Wiggins and Midmar to obtain National Key Point (NKP) certification. ICT assisted in project managing the NKP certification requirements as it has implication on both physical assets and technology.

12.3 RESEARCH, DEVELOPMENT AND INNOVATION

Umgeni Water recognises the crucial role of Research, Development and Innovation in the socio-economic development of any society. To this end, Umgeni Water has designed a research programme that will enable the organisation to harness 21st Century Science, Technology and Innovation of the 4th Industrial Revolution to improve service delivery.

The key aims and objectives of the research programme include:

Scientific Excellence:

- Develop innovative scientific and technical solutions to mitigate the water security risk (quality, quantity, sustainability), to protect human health, environmental health, and aquatic ecosystems, to the benefit of society.
- Keeping abreast of new research trends and emerging technologies of relevance and publicise research results through various platforms (lectures, conferences, scientific journal publications).

Stakeholder Value Creation: Improve product quality, reduce costs, increase efficiencies and productivity by harnessing 4IR and business process innovation.

Operational Resilience: Adapting to changes in the operating environment.

Human Capital Development: Developing research capacity and institutional knowledge.

Risk Mitigation:

- Water Security (quality, quantity, sustainability);
- Human Health;
- Environment Health;
- Aquatic Ecosystems.

In the year under review, the entity commenced with the construction of a centralised research facility mandated to drive its research agenda and build greater institutional knowledge. The facility is intended to serve as a special-purpose knowledge hub and a key enabler for studies on the so called Contaminants of Emerging Concern (CECs) in potable water and environmental samples, water/wastewater sludge testing and classification, and to carry out microbial genomic studies.

The organisation has established links and collaborates with academic institutions and researchers worldwide to complement studies undertaken within the organisation. Funding of the Umgeni Water Chair of Water Resources Research and Innovation continued as our contribution in support of research, and Human Capital Development.

Current research projects **(Table 12.1)** undertaken by subject matter specialists within the entity are expected to yield both economic and non-economic benefits with significant gains in intellectual capital, improved water security, improved water quality and a better life for society.

Table 12.1: Current Research Funded by Umgeni Water

RESEARCH TOPIC	PROJECT OBJECTIVE
Eel recruitment and fish movement in the Lower Thukela	• Evaluate water quality, flows and habitat alterations of the Thukela River and Estuary associated with the LTBWSS and the impact of these changes to the wellbeing of the local river and estuary ecosystem, using fish, invertebrates and plants as ecological indicator. • Evaluate the use of the fishway by fish and invertebrates and characterisation of the efficiency of the facility and any possible optimisation opportunities and or risks to the migration of ecological important organisms in the region.
Monitoring of environmental stressors in real time and remotely using the behavioural ecology of selected fish species in southern Africa	• Evaluate the behavioural response of Yellowfish to water quality and flow changes in the uMngeni River below Howick. • Use the behavioural response of Yellowfish to monitor the well-being of the water quality and flow in the uMngeni River below Howick in real time remotely.
Developing an equity and equality assessment method for water resources allocation in South Africa	• To review the subjects of equity and equality with respect to its application in water resources management. • To develop a methodology for assessing equity and equality for the fair allocation of water resources. • To develop a system of equity and equality indicators for the fair allocation of water resources. • To investigate the plausibility of the method it will be applied to selected WMAs areas, including UW
Quantitative Analysis of Selected Pharmaceuticals and Illicit Drugs in the Darvill Wastewater Treatment Plant	• To develop and validate a method for extraction, clean-up, qualitative and quantitative analysis of illicit drugs, pharmaceuticals and their respective metabolites present in wastewater samples; • To analyse for illicit drugs, selected pharmaceuticals and their respective metabolites via the use of High Pressure Liquid Chromatography (HPLC) and Liquid Chromatography – Mass Spectrometry (LC – MS); • To establish the removal efficiency of drugs, pharmaceuticals and their metabolites based on the current removal process within the WWTP, and; • To estimate potential environmental effects that the effluent may have on aquatic ecosystems.
Mathematical modelling of the activated sludge treatment process at Darvill Wastewater Works	• Microbial growth has been determined as non-linear, and the identification of a second steady state would allow for a push of an unsteady system towards a second steady state for more efficient processing. The overall aim is to identify multiple steady states of microbial growth for 3 species for efficient water treatment. • The project aims to understand the system dynamics of 3 microbial species using growth and death rates to Establish metabolic processes. This system dynamics will enable the development of a model. The growth and death rates in conjunction with flow rates will assist to determine microbial concentrations in treatment tanks. Once the concentrations are estimated, more efficient tank reaction rates can be determined.

RESEARCH TOPIC	PROJECT OBJECTIVE
Finding the significance of miniSASS as a citizen science tool and linking it to Resource Quality Objectives (RQOs)	• Investigate if river sites are compliant with the set RQOs using SASS5. • Investigate if miniSASS and the velocity plank can assist in implementing and monitoring the RQOs. • Find the technical relationship between citizen science and RQOs. • Investigate whether citizens could engage with the enforcement of RQOs through citizen science tools.
Analysis of residual water treatment polymers in drinking water (Poly DADMAC)	• Optimisation of the existing analytical method for the analysis of poly DADMAC by changing the parameters such as gold nanoparticle concentration, poly-DADMAC concentration and competition from other ions. • Improvement of the sensitivity of the instrument method, inter-day precision and recovery of the colorimetric analytical method down to trace concentrations. • Transfer of the optimised analytical method to a real raw water treatment plant sample for application.
Detection of wastewater cyanotoxins and measurements of microcystins	• Commercially available Enzyme-Linked Immunosorbent Assay (ELISA) testkits are one of the most commonly utilised cyanotoxins testing methods, since they do not require expensive equipment or extensive training to run. Semi-quantitative field screening ELISA kits are available for the presence or absence of cyanotoxins. Although they provide rapid results, ELISA kits generally have limitations in specificity and are not congener specific. Methods that utilise liquid chromatography combined with mass spectrometry (LC-MS) can precisely and accurately identify specific toxic microcystin congeners together with their metabolites. • To Develop a chromatographic analytical method for determination of cyanotoxins and microcystins congeners in Darvill wastewater treatment plant. • Qualitative and quantitative determination of cyanotoxins concentration levels in Darvill wastewater treatment and reclaimed water using LC-MS and HPLC-PDA methods. • To establish the efficiency of treatments methods to remove cyanotoxins
Development of a predictive mass balance model of flocculant consumption in water treatment systems	• The outcome of the project will be to determine a system for to enable Umgeni Water to reduce the amount of chemicals (Cl and flocculant), as well as estimate the optimal amount of chemicals (Cl and flocculant), required in the water pruifcation process while still maintaining optimal water purity. This will entail evaluating whether an algorithim will be suitable to undertake this prediction. • The intention is to develop a template system that can be applied to multiple sites by amending certain basic operating parameters relating to plant capacity.

RESEARCH TOPIC	PROJECT OBJECTIVE
The development of Mass Spectrometry techniques in sludge analysis and the evaluation of advanced semiconductors in waste remediation	• To develop sludge analysis techniques using advanced MS techniques • Development of strategies to implement machine learning techniques for large dataset analyses upon qualitative method developments using LC-MS, and photocatalytic remediation of sludge contaminants with the identification and detection of 'smaller molecules' post reaction.
Monitoring of the efficiency of the artificial fish barrier on the Mooi River upstream of Inchbrakie falls and environmental performance of the facility	• Evaluate the fish communities and population structures within the Spring Grove Dam. This will include evaluation of the biology and ecology of the dam and its fish communities, which will contribute to an understanding of the trends in community and population structures associated with the operation of the dam. • Evaluate the operation of the fish barrier in the context of the Operations and Maintence Plan and establish the efficiency of the structure in achieving the intended purpose of preventing the migration of Smallmouth bass up the Mooi River from Spring Grove Dam. • Characterise the fish communities and associated populations structures in the Moor River upstream of the fish barrier, below the barrier and below Spring Grove Dam, and evaluate the risk of, and consequences of invasion of the upper Mooi River by *M.dolomieu*. • Provide dam fisheries management and monitoring recommendations.

12.4 RISK MANAGEMENT

Umgeni 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 Umgeni 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 six strategic risks as presented in **Table 12.2** 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, three risks are outside risk appetite but within risk tolerance and the remaining risks are within both risk appetite and risk tolerance.

Five out of six strategic risks (83%) have been managed to a level of equal to or above reasonable (≥ 55%) overall response effectiveness.

Figure 12.2: Overall Response effectiveness

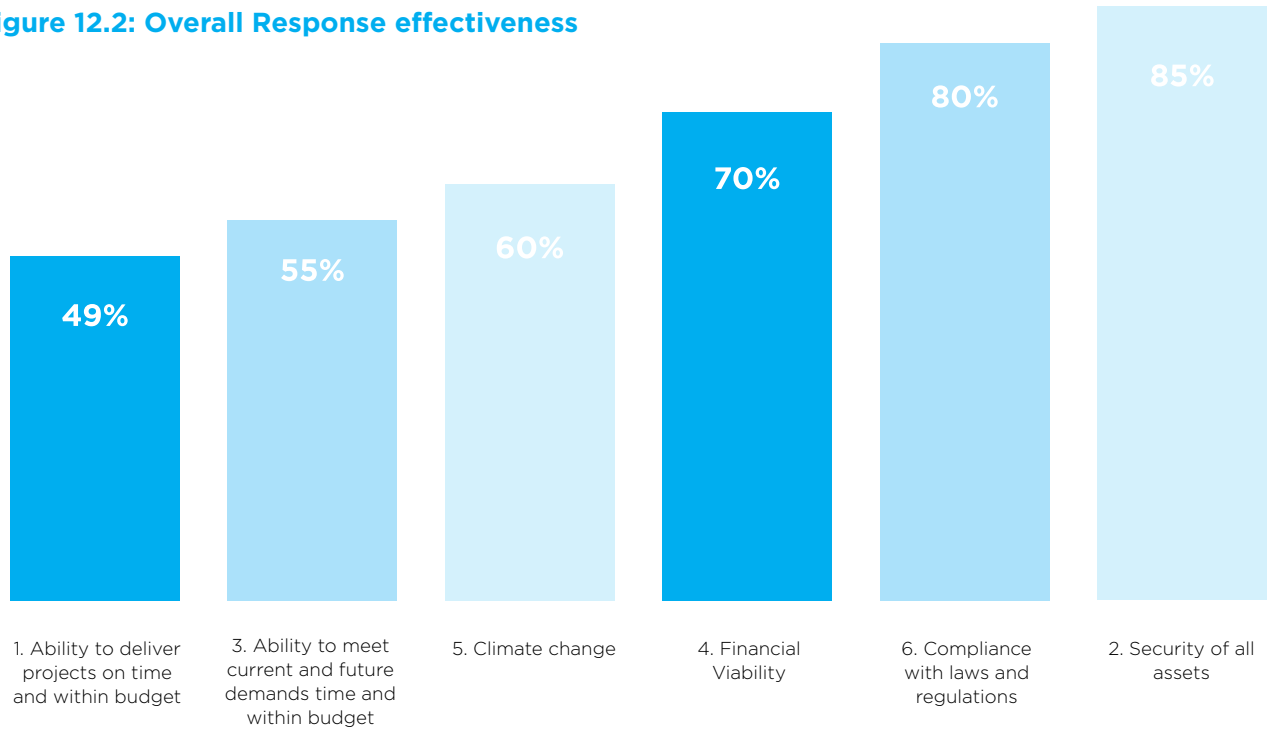


Table 12.2: Strategic Risks as at 30 June 2021

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
01	**Ability to deliver projects on time and within budget** • Overall Response Effectiveness: Poor 49% • Severity: Major-Low: 100 • Probability: 90% Highly probable and / or certain to occur within 1 year • Risk Owner: Executive: Infrastructure Development **Risk Appetite and Tolerance** • Outside Appetite • Outside Tolerance	**Cause & Context:** Project lifecycle process not efficient/responsive enough; Lack of agility in decision-making; Insufficient stakeholder interaction by Umgeni Water. External stakeholder interests in Umgeni Water job opportunities resulting in work stoppages and/ or tender appeals, e.g. Business Forums; Procurement regulations and the impact on SCM processes affecting the construction and technology industries. Lockdown due to COVID-19 and the impact on the construction industry. Under-expenditure due to economic recession resulting from COVID-19 pandemic, Eskom energy crisis and worsening fiscal deficits. Businesses not able to sustain operations and closing down creating instability in the various sectors that are not essential services such as infrastructure investment sector. Turnaround time to resume activity may be at least 18 months. Treatment Approach: Implementation of the PLP for all projects. Pro-active social facilitation processes. Alignment of procurement processes to the Framework for Infrastructure Delivery and Procurement Management (FIDPM). Optimisation of processes for project implementation. Review of the Project Management policy and procedure. Root cause analysis on all tender appeals. Increased formal engagement with UW Legal Team in fast tracking resolving the issues relating to tender appeals. Monitoring of CPG negotiations. A Memorandum of Undertsanding between Umgeni Water and the Black Business Federation (BBF) has recently been signed. Review of the CPG procedure. COVID-19 Pandemic Management.	**Organisational Efficiency and Effectiveness Perspective:** **SO1:** Improve supply security and service delivery **SO2:** Increase bulk infrastructure access, customers and services **Customer and stakeholder perspective:** **SO1:** Increase customers and services **SO2:** Increase customer and stakeholder value Increase access to services **Process perspective:** **SO5:** Improve governance, risk and compliance systems Manage costs within approved budget **Outcomes:** Product Quality Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability
02	**Security of all assets** • Overall Response Effectiveness: Good 85% • Severity: Moderate-High: 40 • Probability: 65 % Even probability &/or could occur within 1- 2 years • Risk Owner: Executive: Corporate Services **Risk Appetite and Tolerance** • Outside Appetite • Within Tolerance	**Cause & Context:** Physical assets: Breach of/ damage to physical (property). Land claims on prospective servitudes. Illegal settlements and encroachments on properties and 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. Injury and loss of human capital. Personal safety and occupational health and safety hazards. Non-compliance to applicable acts/legislation (i.e. POPI, Critical Infrastructure Act, Occupational Health & Safety Act, Compensation for Occupational Injuries and Diseases (COID).	**Manage costs within approved budget Process perspective** **SO6:** Improve internal process efficiency **SO7:** Improve service quality **Organisational Capacity Perspective:** **SO10:** Improve supply security and service footprint Increase access to services **Outcomes:** Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
		Information assets: Loss of/ damage to information assets and resources (non-physical assets). Cyber attacks and social engineering. Sabotage. **Sustainability of natural resources:** Sustainability of natural resources (air, land, water, energy). Treatment Approach: Physical Assets: Implementation of physical security processes and procedures: • Security contracts are in place, which include a standby tactical team, armed guards at dams, and hourly patrols using the mag touch system. • Perimeter fences and CCTV camera systems. • Chambers and tunnel kiosks are locked to minimise tampering of valves and to prevent entry to chambers. • Monitoring of inflows/outflows of raw and potable water pipelines and reservoir to detect reduction in volumes and pressure, which could indicate that there has been tampering with infrastructure. • Planned maintenance, implementation of asset management plans and monitoring of infrastructure by Asset Management staff. • Housing & Accommodation Policy. • Implementation of the Servitude Management Plan. • Implementation of the Occupational Health and Safety Management System (ISO 45001-Clause 7.1): Resources which deal with security of physical and/ or human resources. • Engagement with stakeholders and communities. Information Assets: • Implementation of ICT related policies and strategies. • Cybersecurity: firewalls on the network switches on site. • Microsoft updates (patching of operating systems). • Sustainability of natural resources. • Environmental Sustainability Policy, Strategy, and Plan. • Status on security of natural resources.	

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
03	**Ability to meet current and future demands** • Overall Response Effectiveness: Reasonable 55% • Severity: Moderate-High: 40 • Probability: 50% Fairly poor and/or could possibly occur within two years •Risk Owner: Executive: Infrastructure Development **Risk Appetite and Tolerance** • Outside Appetite • Within Tolerance	**Cause & Context:** Long-term water resources: Delays in the implementation of water resource development projects. Non-conformity with the National Water Resources Reconciliation Strategy. Inability to implement National Water Masterplan. Short-term water resources: Drought; Lack of system resilience in the short term. **Infrastructure Adequacy:** Mismanaged urbanization, ineffective demand management (demand outstripping supply). Delays in developing infrastructure. Treatment Approach: Integrated planning and implementation for medium and long-term augmentation of systems with stakeholders. Diversifying sources of supply. Controlling water releases. Lobbying WSA's to improve water conservation and demand management initiatives. Set up WaterNet Advisor for the Coastal Area. A pilot WaterNet Advisor for the Secondary Bulk for one WSA is anticipated by June 2023. Embarking on initiatives to improve ecological infrastructure/ catchment mangement and engaging in multi-stakeholder management initiatives. There have been delays in obtaining signed Offtake Agreements for the uMkhomazi Water Project and engagements with the Executive Authority are in progress. The current projected completion date for the project is 2030 - Mgeni system. Appeals have delayed the award of the first contracts of the Lower uMkhomazi Bulk Water Supply scheme. Once these have been resolved then the construction of the scheme will proceed. The completion of the first phase of the construction is scheduled for 2025 (first water will be available).	**Customer and stakeholder perspective:** **SO1:** Increase Customers and Services **SO2:** Increase customer and stakeholder value **Financial perspective:** **SO3:** Improve key financial ratios Increase access to services **Process perspective:** **SO5:** Improve governance, risk and compliance systems Manage costs within approved budget **Outcomes:** Product Quality Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability
04	**Financial Viability** • Overall Response Effectiveness: Good 70% • Severity: Moderate-Low: 20 • Probability: 50% Fairly poor and/or could possibly occur within 2 years • Risk Owner: Chief Financial Officer **Risk Appetite and Tolerance** • Outside Appetite • Within Tolerance	**Cause & Context:** Financial viability of organisation. Infrastructure Investment. Debtor's Collections. Business model. Cash flow. Inability to raise funding. Tariff increases are not cost effective. **Opportunity:** Sustainable growth. Service provision. Leveraging debt. Treatment Approach: Business case for all projects. Developing & implementing revenue enhancement programmes for customers. Monitoring and reporting on payment plans and cash flows. Lobbying with national government for funding of rural development (RBIG etc.) . Strict management of operating cash flows. Sustainable tariff model for potable water	**Customer and stakeholder perspective:** **SO1:** Improve supply security and service delivery Increase Customers and Services **SO2:** Increase bulk infrastructure access, customers and services Increase customer and stakeholder value **Financial perspective:** **SO3:** Increase customer and stakeholder value Improve key financial ratios **SO4:** Improve financial sustainability and enhance socio-economic development Increase access to services **Process perspective:** SO5: Improve governance, risk and compliance systems Manage costs within approved budget Outcomes: Product Quality Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability Financial Viability Operational resiliency

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
		and wastewater business model. Annual tariff review. Business case for operating expenditure.	Manage costs within approved budget **Outcomes:** Product Quality Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability Financial Viability Operational resiliency
05	**Climate change** • Overall Response Effectiveness: Reasonable 65% • Severity: Minor-high: 10 • Probability: 65% Even probability and / or could occur within 1-2 years • Risk Owner: Executive: Scientific Services SCORE 7 LOW **Risk Appetite and Tolerance** • Within Appetite • Within Tolerance	The following will occur in an increasing intensity over a period of 30-50 years: Meaning temperature will increase (in the range 1.2 –2.5°C), frequency and intensity of extreme hot days (and nights) will increase, frequency and intensity of extreme cold days (and nights) will decrease, frequency of warm spells / heat waves will increase, frequency of heavy rainfall events (or the proportion of total rainfall from heavy events) will increase. Risk of drought will increase. Treatment Approach: Modified water treatment works designs. Catchment management/ecological infrastructure. Early flood warning system. Carbon footprint minimisation. Drought Management Plan. Climate change policy/ strategy.	**Process perspective** **SO6:** Improve internal process efficiency **SO7:** Improve service quality **Organisational Capacity Perspective:** **SO10:** Improve supply security and service footprint Effective Internal Controls, Compliance and Risk Management **Outcomes:** Financial Viability Operational resiliency Stakeholder Understanding and Support
06	**Compliance with laws and regulations** • Overall Response Effectiveness: Good 80% • Severity: Negligible: 1 • Probability: 65% Even probability and / or could occur within 1-2 years • Risk Owner: Chief Executive Officer SCORE 1 LOW **Risk Appetite and Tolerance** • Within Appetite • Within Tolerance	**Cause & Context:** Non-compliance to laws, regulations, policies and procedures as a result of dishonest behaviour and/or poor performance impacting Umgeni Water's reputation, leading to loss of stakeholder confidence. Ever changing regulatory environment and the agility to adapt to the operating environment. Non-renewal of licences. Treatment Approach: Proactive policy review process. Strategic oversight. Assurance of compliance through on-going assessment of control effectiveness. Combined assurance framework. Compliance to policies and procedures. Regulatory analysis. Tracking of licences and/or permits.	**Effective Internal Controls, Compliance and Risk Management** **Outcomes:** Financial Viability Operational resiliency Stakeholder Understanding and Support

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 Umgeni Water Board and disclosure in the Annual Report. The entity's divisional risks outside appetite and tolerance are shown in **Table 12.3.**

There are four divisional risks outside both risk appetite and tolerance.

Table 12.4 Divisional Risks outside appetite and tolerance as at 30 June 2021

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
01	**Waste Water Quality for Waste Water Treatment Works <10Ml/d** • Overall Response Effectiveness: Good 70% • Severity: Major-Low: 100 • Probability: 80% Likely &/or could occur within a year • Risk Owner: Executive: Operations **Risk Appetite and Tolerance** • Outside Appetite • Outside Tolerance	**Cause & Context:** Utilisation in design capacity at Mpofana Wastewater Treatment Works. Power outage mainly for Howick WWTW. Quality of the influent (industrial) for both Howick and Mpofana Wastewater Treatment Works. High and prolonged down time that will result in a negative impact on the environment. Treatment Approach: Howick Wastewater Treatment Works upgrade: The increased scope for Bridge pump station upgrade to include a standby generator was approved by the Municipality with completion anticipated by the end of 2021/2022. This will minimize spillages into the Umgeni River and ensure containment at the plant. **Mpofana Wastewater Treatment Works upgrade:** The detailed design for the plant upgrade was completed in December 2020 and construction is anticipated to begin in July 2022 with the plant upgrade anticipated to be completed by February 2023. In the short term, projects to address operational bottlenecks in the plant such as insufficient dewatering and poor chlorination capacity have been initiated. The dewatering project will improve the sludge wasting capacity with a duty/standby facility whereas the chlorine room project will ensure flow proportional dosing and improve the safe handling of chlorine. The Chlorination project is near completion, whereas the dewatering project was pushed back to deal with design issues. It is anticipated to be completed by March 2022.	**Process perspective:** **SO5:** Improve governance, risk and compliance systems **SO7:** Improve service quality Effective Internal Controls, Compliance and Risk Management **Outcomes:** Product Quality Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability
02	**Waste Water Quality for Waste Water Treatment Works treating > 10 Ml/d** • Overall Response Effectiveness: Poor 30% • Severity: Major-Low 100 • Probability: 65% Even probability and / or could occur within 1-2 years • Risk Owner: Executive: Operations. **Risk Appetite and Tolerance** • Outside Appetite • Outside Tolerance	**Cause & Context:** Power outages. Construction activities. Quality and quantity of influent (from storm water) which might negatively impact the environment. This might also lead to legal non-compliance with DWS licence, potential for reputational risk and health implications to downstream users contributed to by construction activities. **Treatment Approach: Darvill Wastewater Treatment Works upgrade:** It is anticipated that the completion of the upgrade will only be by March 2022. The Darvill project is at 92% completion excluding the additional inlet works changes. If these are included, the project is at 86% completion The Contractor is on site to complete the outstanding work. Short-term mitigation: Municipality is on call to cover the Darvill power supply, there is an agreement to prioritize power outages at Darvill.	**Process perspective:** **SO5:** Improve governance, risk and compliance systems **SO7:** Improve service quality **Effective Internal Controls, Compliance and Risk Management** **Outcomes:** Product Quality Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability

RISK #	RISK NAME, RISK RATING AND RISK SCORE	CAUSE AND CONTEXT AND RISK TREATMENT	STRATEGIC, PERSPECTIVE, OBJECTIVES AND OUTCOMES IMPACTED
		The medium term mitigation is the dual power supply project to the plant from two different primary substations with an auto charger. If the power supply is out on one line, the other line will take over immediately with full capacity capability. This project is currently on the third to last phase (75% complete).	
03	**Catchment Water Quality** • Overall Response Effectiveness: Poor 40% • Severity: Major-High: 200 • Probability: 90% Highly probable and / or certain to occur within a year • Risk Owner: Executive: Scientific Services **Risk Appetite and Tolerance** • Outside Appetite • Outside Tolerance	**Cause & Context:** Pollution in catchments (point and diffuse sources) as a result of non-compliant (e.g. wastewater treatment works) or illegal discharges into water resources (e.g. industry) and failing municipal sewer infrastructure. Reduced assimilative capacity of water resources, exacerbated by drought / dry periods. Insufficient municipal capacity / resourcing for monitoring and enforcement and sewer maintenance. Inadequate catchment monitoring and water resources assessment by DWS together with poor / inadequate regulation and enforcement by DWS and other regulators. Changing contaminants (emerging contaminants) which are not being analysed e.g. hormones (endocrine disrupters), micro plastics and pharmaceuticals. Limited ability to influence catchment activities and land uses that impair water quality. Insufficient budgets / resources targeting catchment management initiatives. Impact on ecological infrastructure e.g. impact on wetlands, indigenous vegetation / alien invasive and land degradation / soil erosion. Treatment Approach: Ecological Infrastructure Management. Identification / Management of emerging contaminants. Identification of high critical areas for emerging contaminants. Water quality monitoring / assessments. Catchment Management Forums.	**Organisational Efficiency and Effectiveness Perspective:** **SO 1:** Improve supply security and service delivery Increase Customers and Services **Increase access to services** **Outcomes:** Product Quality Customer Satisfaction Infrastructure Stability Stakeholder Understanding and Support Community and Environmental Sustainability
04	**Credit Risk** • Overall Response Effectiveness: Good 80% • Severity: Moderate-High: 40 • Probability: 100% Virtually certain and /or already occurred • Risk Owner: Executive: Chief Financial Officer. **Risk Appetite and Tolerance** • Outside Appetite • Outside Tolerance	**Cause & Context:** impact of COVID-19 on the ability of customers to collect from end users and pay water bills to Umgeni Water. 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 due to new customers in new areas taken over and existing customers (uGu District Municipality and uThukela District Municipality), which are behind with payments. Treatment Approach: Debtor's monthly report and age analysis. Debtor's policy and procedure in place. Meetings held with customers regardinbg the payment plans and possible write-off of interest. Inter-government relations framework. Liquidity buffer. Monthly reporting to the National Treasury in terms of Section 41.	**Financial Performance Perspective:** **SO4:** Improve financial systems and key financial ratios Financial Reporting Compliance **Outcomes:** Financial Viability Operational resiliency Stakeholder Understanding and Support

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 2020/2021 period.

12.6 BUSINESS CONTINUITY MANAGEMENT

Umgeni Water has a well-established Business Continuity Management Programme, which includes routine scenario/stress-testing of Business Continuity Plans (BCPs), as an integral part of the Corporate-wide Integrated Risk Management Framework.

The relevant structures that are required to ensure that these principles and protocols are entrenched and executed within the organisation are mature and in place. The overall direction and management of the Business Continuity Management Programme is by the Crisis Management Team (CMT), which is chaired by the Chief Executive and membership comprises the Executive Committee and other senior managers and specialists as required. The Business Continuity Management protocols specifically related to the COVID-19 pandemic have been developed by each division under the leadership of the relevant executives and approved by the CMT and subsequently implemented by senior departmental management and specialists.

The single highest risk faced by the organisation is the loss of key operational staff on a shift basis that operate Umgeni Water's infrastructure for water and wastewater treatment. The relevant plans to mitigate infections of staff is well documented within our BCPs and has been implemented successfully since March 2020 and constantly monitored, assessed and amended as the risk profile changes.

13 FINANCIAL SUSTAINABILITY

FINANCIAL REVIEW

1. INTRODUCTION

The past year has been challenging as the organisation navigated its way through a difficult economic and operating environment whilst ensuring that water as an essential commodity was made available to assist with the prevention of the spread of the COVID-19 virus . This meant continuing with full water services provision even to those customers who are unable to pay for services in full. Despite this, the strength of the balance sheet has been maintained and measures are being taken to strengthen controls in contract management, cost control and credit risk management.

The group profits for the year increased by 1% to R1 276m (2020: R1 265m). Gross profit margins reduced by 3% to 61% (2020: 64%). The decrease was predominantly due to the reduced tariff increase of zero percent for 2020/2021 coupled with a 20% increase in cost of sales arising from the increases in the main cost drivers. Total assets improved by 5% which contributed to the improved financial position of the group. This was subsequent to the successful redemption of the UG21 bond of R600 million in March 2021. Thus the group remains in a strong financial position but remains mindful of ensuring the financial resources are preserved to meet the infrastructure commitments required for water service delivery over the next 3 to 5 years.

The investments on hand and operating cash flows were sufficient to meet operating and capital expenditure requirements for the reporting period. However, the year on year trend reflects a reduction in operating cash flows due to the shortfall in working capital owing to the increasing amount of overdue debtors. This continued trend may increase the need for borrowing sooner than anticipated. The approved funding strategy for 2021 indicated that funding would be required in 2023, which remains in place.

Umgeni 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 2020/2021 section of the annual report, page 82-93.

FINANCIAL REVIEW (Cont...)

2. OPERATING PERFORMANCE

2.1.OVERVIEW OF OPERATING PERFORMANCE

2.1.1.YEAR ON YEAR CHANGES OF GROUP OPERATING PERFORMANCE

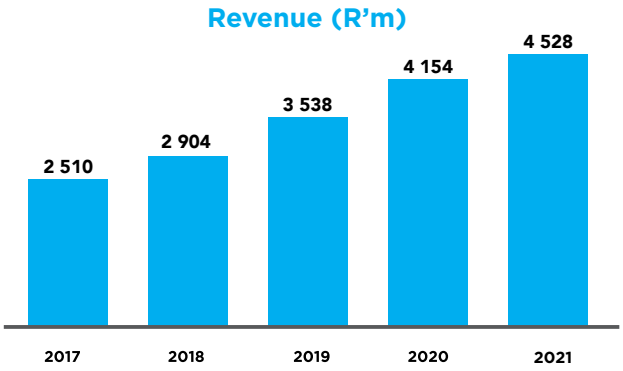
The group operating profits have reduced by 1% to R1 072m (2020: R1 078m). The primary business which comprises of the potable bulk water segment and waste water treatment segments are the main drivers of the changes in the group operating profits. Despite the approved bulk water tariff increase for 2020/2021 of zero percent, bulk water revenue grew by 9% primarily due to the bulk water sales volumes growth of 7,7% and the acquisition of the new customer King Cetshwayo District Municipality. The bulk water direct operating costs were 22% higher arising primarily from the main cost drivers discussed further in section 2.1.2. which is the main cwntributing factor to the overall reduction in operating profits.

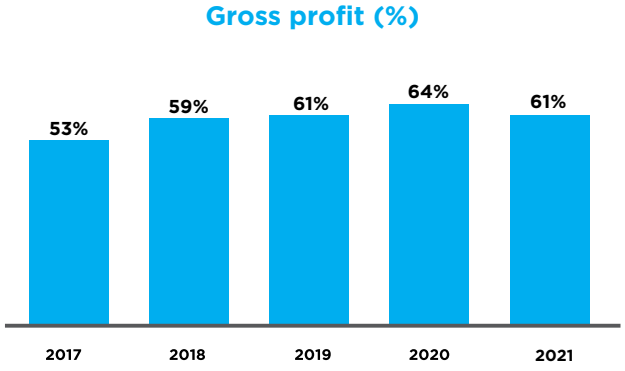
Waste water revenue increased by 14% in line with contractual agreements and the overall loss in the waste water segment is as a result of the impairments on waste water projects under construction for which the projected revenues do not recover the capital and operating expenditures for these assets. The impairments are further detailed in section 5.2.

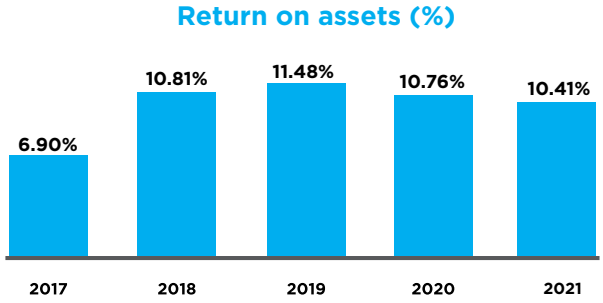
Other operating and administrative expenses increased by 10% and is further discussed under section 2.1.3. The following table summarises the year on year operating financial performance of the group.

	2021 R'm	% CHANGE	2020 R'm
Revenue	**4 528**	**9**	**4 154**
Water	4 235	9	3 894
Waste water	246	14	216
Section 30	47	7	44
Cost of sales	**(1 789)**	**20**	**(1 492)**
Water	(1 614)	22	(1 327)
Waste water	(148)	7	(139)
Section 30	(27)	4	(26)
Gross profit	**2 740**	**3**	**2 662**
GP%	*61%*	*(3%)*	*64%*
Other income	**82**	**531**	**13**
Other operating and administration expenses	(1 750)	10	(1 597)
Profit from operations	**1 072**	**(1)**	**1 078**
Net finance income	199	10	181
Share of profit from associate	5	-	5
Profit before tax	**1 276**	**1**	**1 264**

FINANCIAL REVIEW (Cont...)
2. OPERATING PERFORMANCE (Cont...)
2.1. OVERVIEW OF OPERATING PERFORMANCE (Cont...)
2.1.1. YEAR ON YEAR CHANGES OF GROUP OPERATING PERFORMANCE (Cont...)







2.1.2. 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 which account for 79% (2020: 76%) of cost of sales and 40% of total operating costs.

Chemicals costs increased by 14% year on year. The increase is driven by an overall 7.5% higher average usage resulting from a combination of increased PH correction and coagulation for water quality to be at the appropriate standards as well as the higher volumes treated part of which was from the new bulk customer King Cetshwayo District Municipality supplied during the reporting period. The average price increase was 2.5% for the year.

Energy costs were 4% higher. Overall pumping requirements were in line with the prior year with the exception of the Inanda shaft pumpstation where pumping resumed as this was not in use in the prior year whilst undergoing maintenance. The average price increase was 8.3% year on year. The overall price increases were offset by corrections to tariffs from the Msunduzi Local Municipality on the Vulindlela pumps.

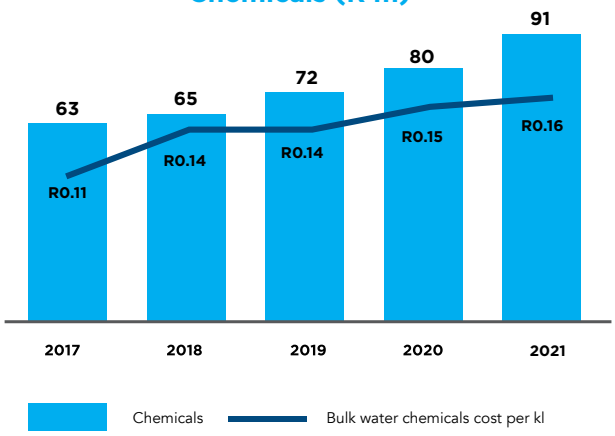
Maintenance costs increased by 35% mainly due to maintenance undertaken on King Cetshwayo District Municipality plants, emergency repairs on the nagle aqueducts and the Imvutshane Dam rehabilitation.

Raw and potable water purchases increased by 52%. The increase over prior year is driven by the inclusion of King Cetshwayo District Municipality from October 2020 which includes potable water purchased from City of Mhlatuze at R32.80 per kilolitre. The raw water abstraction volume increases were 6% for the Mgeni system, 2% for the Lower Thukela system and 16% for the Hazelmere system. The Mgeni system average price increase was 0.5%, Lower Thukela 13.1% whilst there was no price increase for the Hazelmere system.

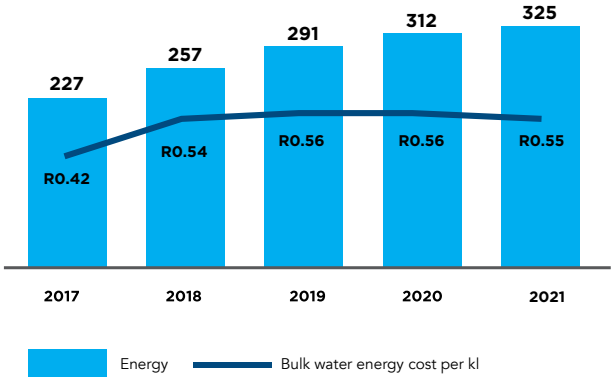
Direct staff costs increased by 17%, the increase over prior year is mainly due to the inclusion of King Cetshwayo District Municipality employees taken on during the current year, contributing to a higher operations staff complement. The average salary increases were 7% for the year.

FINANCIAL REVIEW (Cont...)
2. OPERATING PERFORMANCE (Cont...)
2.1.OVERVIEW OF OPERATING PERFORMANCE (Cont...)
2.1.2.MAIN COST DRIVERS INCLUDED IN COST OF SALES (Cont...)

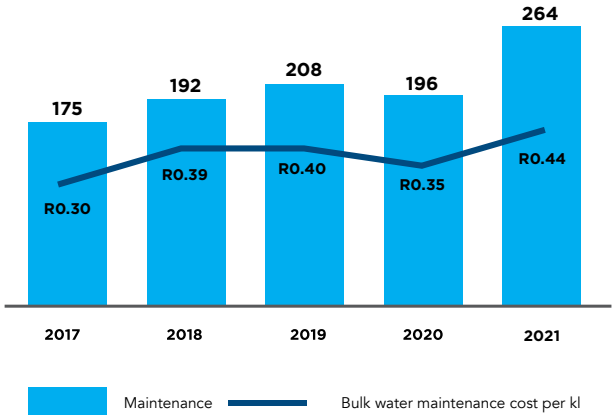
Chemicals (R'm)



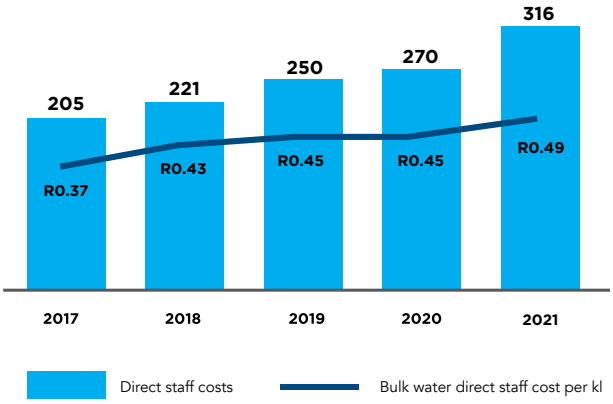
Energy (R'm)



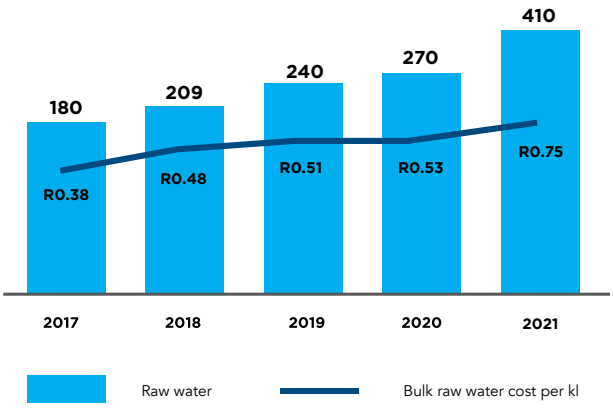
Maintenance (R'm)



Direct staff costs (R'm)



Raw water (R'm)

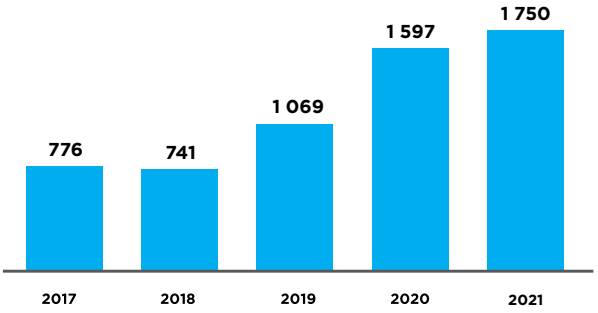


FINANCIAL REVIEW (Cont...)
2. OPERATING PERFORMANCE (Cont...)
2.1.OVERVIEW OF OPERATING PERFORMANCE (Cont...)
2.1.3.OTHER OPERATING AND ADMINISTRATION EXPENSES AND NET FINANCE INCOME

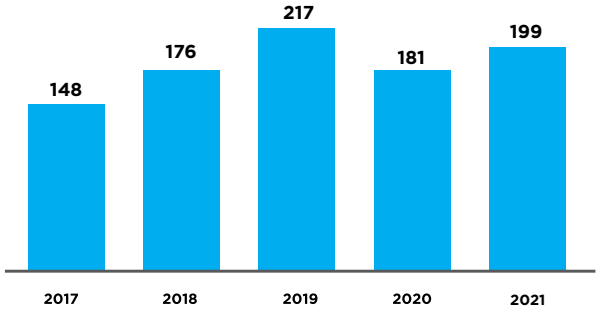
Other operating and administration costs increased by 10% mainly attributable to increases in social economic development costs, SAP maintenance costs and consultant fees, which were offset by reduced staff costs resulting from lower bonus provisions.

Net finance income was 10% higher as a result of lower finance costs due to higher borrowing costs capitalised to qualifying assets. Interest income on investments decreased by 13% to R249m (2020: R286m) while finance costs after borrowing costs capitalised was R50m (2020: R105m). Borrowing costs capitalised to qualifying assets were R115m (2020: R87m).

Other operating and admin costs (R'm)



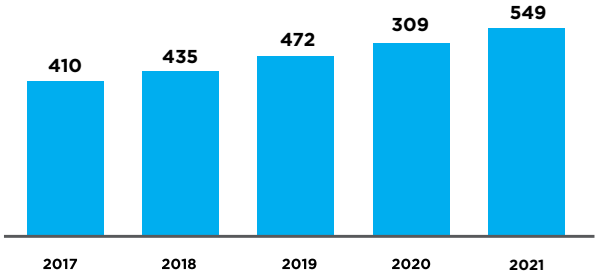
Net finance income (R'm)



2.2. BULK WATER SALES VOLUME ANALYSIS

Bulk water sales volumes grew by 7.7%. The main source of increased sales volumes were from eThekwini Metro Municipality and the new bulk supply customer taken on in October 2020, King Cetshwayo District Municipality.

Water sold (Kl'm)



FINANCIAL REVIEW (Cont...)
2. OPERATING PERFORMANCE (Cont...)
2.2. BULK WATER SALES VOLUME ANALYSIS (Cont...)

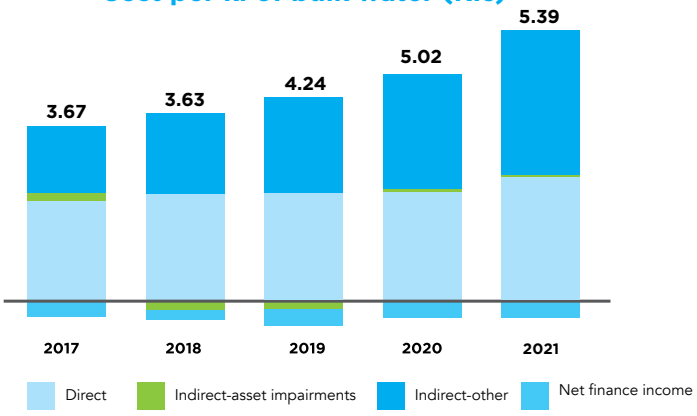
Volume by customer and percent change

	2017		2018		2019		2020		2021	
	Kl'000	%	Kl'000	%	Kl'000	%	Kl'000	%	Kl'000	%
eThekwini MM	299 045	(6.6)	314 523	5.2	335 724	6.7	355 835	6.0	379 325	6.6
Msunduzi LM	62 513	(10.6)	68 433	9.5	71 040	3.8	77 286	8.8	74 238	(3.9)
uMgungundlovu DM	18 475	(4.8)	18 797	1.7	20 426	8.7	22 905	12.1	26 425	15.4
uGu DM	12 916	14.1	13 981	8.2	13 956	(0.2)	13 543	(3.0)	14 272	5.5
iLembe DM	12 716	17.9	14 182	11.5	18 646	31.5	20 731	11.2	23 536	13.5
Harry Gwala DM	743	12.2	1 066	43.4	1 156	8.5	1 234	6.7	1 125	(8.8)
Siza Water	3 360	0.6	3 458	2.9	3 527	2.0	3 562	1.0	3 612	1.4
uThukela DM	-	-	-	-	7 192	100.0	13 998	94.6	13 874	(0.9)
King Cetshwayo DM	-	-	-	-	-	-	-	-	12 054	100.0
Other	119	(8.5)	129	8.2	134	4.3	124	(7.7)	86	(30.9)
Total	**409 887**	**(5.9)**	**434 568**	**6.0**	**471 801**	**8.6**	**509 218**	**7.9**	**548 547**	**7.7**

2.3. BULK WATER COST PER KILOLITRE

The cost of bulk water per kl increased by 4.4% mainly due to the increases in cost of sales arising from raw and potable water charges and maintenance costs, associated with the plants operated at King Cetshwayo District municipality in line with the new bulk supply agreement implemented in the current financial year.

Cost per kl of bulk water (R.c)

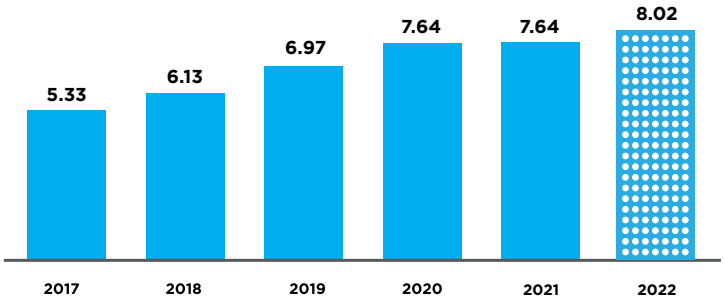


FINANCIAL REVIEW (Cont...)

3. BULK WATER TARIFF

The average Umgeni Water bulk water tariff increase for 2020/2021 was approved at 0% and the bulk water tariff increase for the financial year 2021/2022, effective 1 July 2021, has been approved at 5% after taking into consideration the current economic and operating environment.

Average tariff per Kl (R.c)



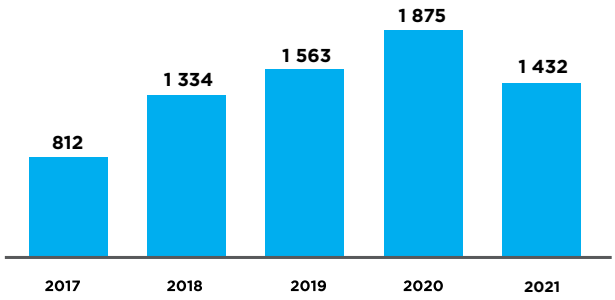
4. CASH FLOW ANALYSIS

Operating cash flows totalled R1 432m (2020: R1 875m). The 24% reduction is primarily due to increase in working capital requirements resulting from the increase in accounts receivable due to non and late payment by customers. The reduction did not impact on the group meeting its operating and capital expenditure commitments during the period under review, as mitigating controls are in place to manage the risks relating these reductions in the operating cash flows.

Net cash used in investing activities were R438m (2020: R609m) consisting of R 818m (2020: R788m) additions to property, plant & equipment offset by R383m (2020: R242m) Regional bulk infrastructure grant funding received for development projects, while additions to intangible assets were R10m (2019: R69m).

Net cash used in financing activities totalled R973m (2020: R1 332m) which consisted of R629m (2020: R29m) loan repayments and redemption of the UG21 bond, and R30m net interest received (2020: R5m). Investments increased by R373m (2020: R1 307m) as a result of Regional Bulk Infrastructure Grants (RBIG) received.

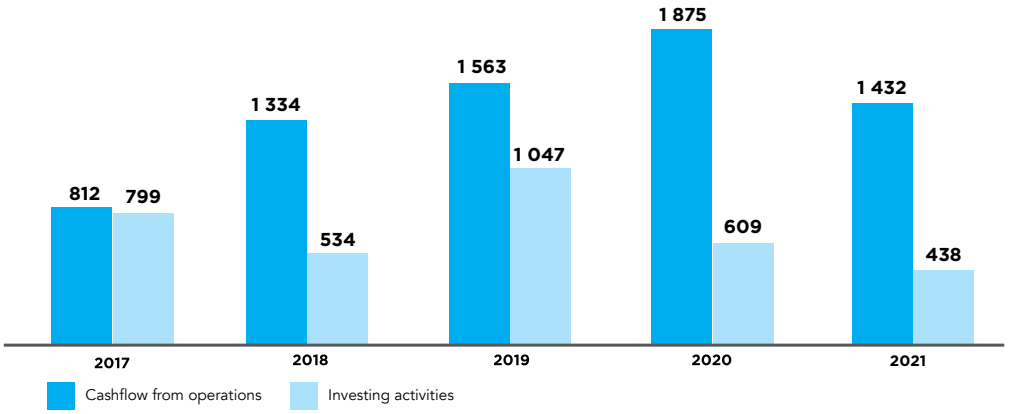
Cashflow from operations (R'm)



FINANCIAL REVIEW (Cont...)

4. CASH FLOW ANALYSIS (Cont...)

Cashflow from operations vs cash used in investing in activities (R'm)



5. CAPITAL PROJECTS

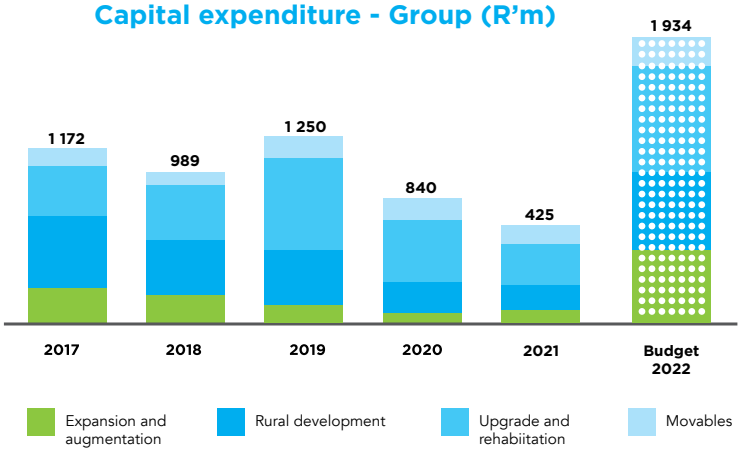
The capital expenditure programme is based on Umgeni Water's Infrastructure Master Plan which is aligned to the KZN Bulk Supply Plan. The Infrastructure Mater Plan is updated annually and outlines the organisation's future bulk infrastructure requirements to meet the regional demands. The capital infrastructure programme is drawn from this Master Plan and structured according to the provincial and local strategic priorities. The capital expenditure programme is estimated at R12 910m for the next 5 years as per the Corporate Business Plan for 2022.

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.

5.1. CAPITAL EXPENDITURE

During the year capital expenditure including intangible assets against the targets set for 2020/2021 totalled R825m (2020: R840m). Details of major projects are included in the infrastructure section of the annual report on page 109-115.

Capital expenditure - Group (R'm)



FINANCIAL REVIEW (Cont...)

5. CAPITAL PROJECTS (Cont...)

5.2. DEVELOPMENT PROJECTS

In response to customer water demands and the need to eliminate water service delivery backlogs, a specific allocation of R4 599m for development projects has been made for the period 2022 to 2026.

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 Umgeni 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.

DEVELOPMENTAL PROJECTS FUNDING AND IMPAIRMENTS JUNE 2021

PROJECTED FUNDING SPLIT

PROJECT	SYSTEM	TOTAL PROJECTED COST	REGIONAL BULK INFRASTRUCTURE GRANT FUNDING	UW FUNDING	TOTAL PROJECT COST JUNE 2021	IMPAIRMENT	2021 IMPAIRMENT
		R'000	R'000	R'000	R'000	%	R'000
Impendle	Upper Umgeni	747 542	- 0%	747 542 100%	16 637	-	-
Greate Mpofana Phase 1	Mooi	1 038 184	371 966 36%	666 217 64%	988 635	-	(63 306)
Mhlabatshane sub regional scheme ph2 (Mzimkhulu River)	South Coast	1 453 020	- 0%	1 453 020 100%	18 836	68	(1 992)
Mpophomeni WWW and Mpophomeni Sewer Outfall	WWW	669 671	- 0%	669 671 100%	188 516	100	132 546
Trustfeeds WWW	WWW	122 606	- 0%	122 606 100%	122 606	100	18 440
Uthukela DM bulk meters	Upper Uthukela	6 000	- 0%	6 000 100%	5 933	100	866
Refurbish of pumps - Ezakheni	Upper Uthukela	45 000	- 0%	45 000 100%	44 385	100	25 561
Ilovu River Raw Water Transfer Pump Station	South Coast	68 850	- 0%	68 850 100%	39 355	6	2 526
N3 Corridor WWW	WWW	104 579	- 0%	104 579 100%	8 134	47	3 818
Total		**4 255 451**	**371 966 9%**	**3 883 485 91%**	**1 433 038**		**118 460**

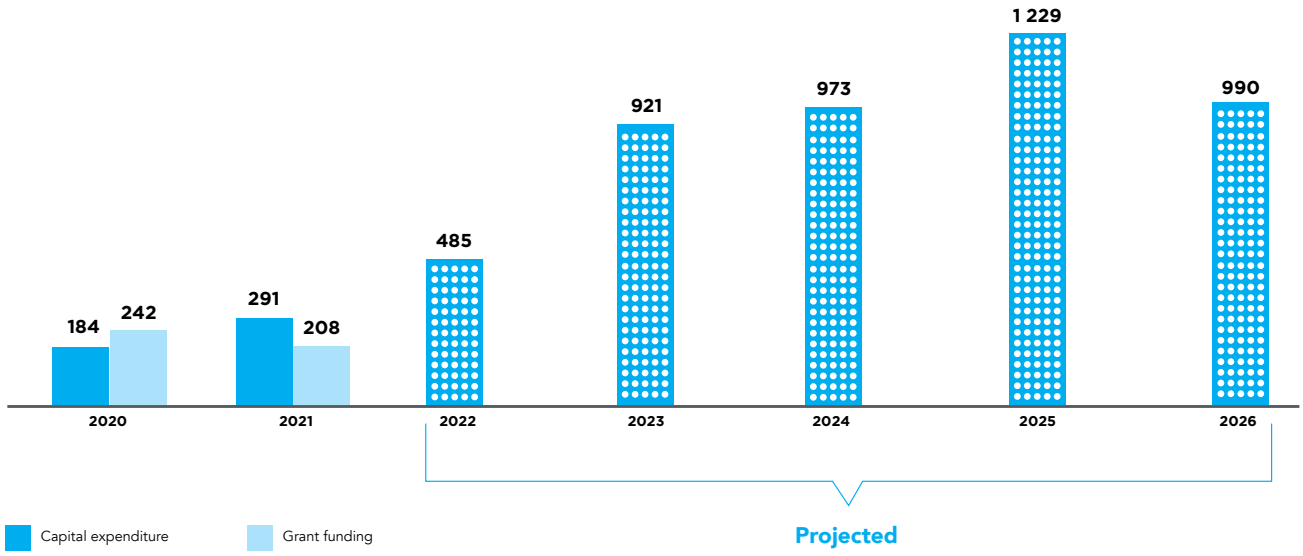
Impairments on development infrastructure commissioned and included under buildings and infrastructure totalled R66m (2020: R5m). Further details on impairments are included in note 9 of the financial statements.

FINANCIAL REVIEW (Cont...)

5. CAPITAL PROJECTS (Cont...)

5.2. DEVELOPMENT PROJECTS (Cont...)

Capital expenditure on development projects and grant funding (R'm)



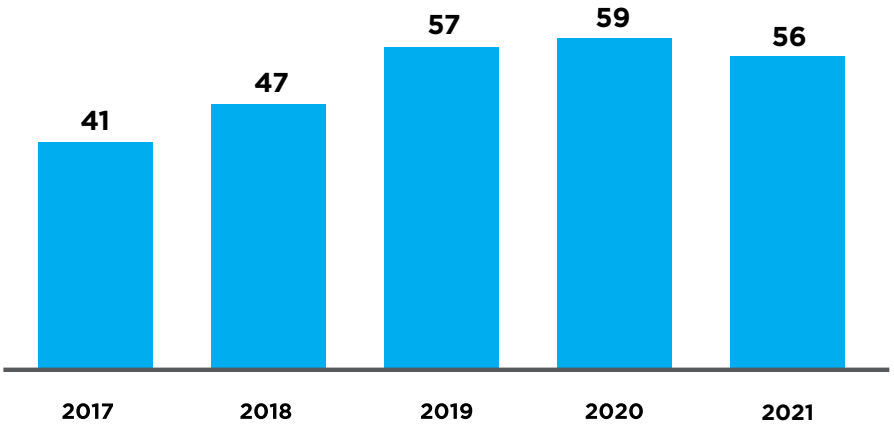
The projected capital expenditure is per the approved 2022 business plan, whilst the projected grant funding is per the latest approved RBIG funding schedule received from the Department of Water and Sanitation.

6. ACCOUNTS RECEIVABLE

Group trade and other receivables totalled R1 148m (2020: R846m) which comprises both current and non-current components. Trade debtors days were 56 (2020: 59) at the end of the reporting period. The allowance for credit losses were R585m (2020: R411m), a 42% increase after taking into account the increase in credit risk as a result of the overdue amounts from bulk customers. The customers in high credit risk are UGu DM, UThukela DM and King Cetshwayo DM.

Further details on trade and other receivables are included in note 16 of the financial statements.

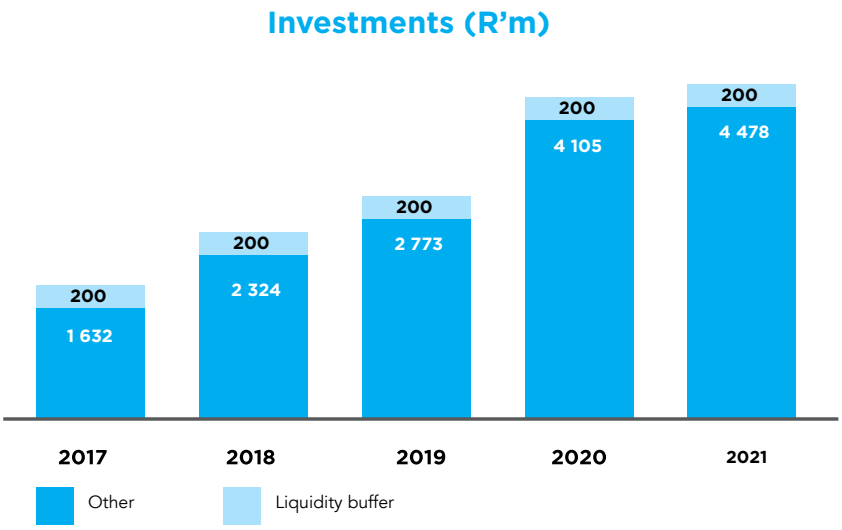
Debtors days



FINANCIAL REVIEW (Cont...)

7. INVESTMENTS

Financial investments totalled R4 678m (2020: R4 305m), a 9% increase due to reduced capital expenditure and Regional bulk infrastructure grant funding received.



8. DEBT MANAGEMENT

Debt Management is a key focus area at Umgeni Water and is integral to the delivery of sustainable financial business solutions. Umgeni Water targets a debt: equity ratio of 0.50 and an interest rate structure of 70% fixed and 30% variable.

The gross debt: equity ratio improved by 47% to 0.09 (2020: 0.17) while the interest rate structure was 91% fixed and 9% variable (2020: 94% fixed and 6% variable). The high fixed rate structure is as a result of the UG26 bond in issue.

The UG21 bond was successfully redeemed in March 2021 and as a result only the UG26 bond was outstanding as at 30 June 2021 which comprised 82% of the total interest bearing liabilities. The gross weighted average cost of capital was 10.55% (2020: 10.54%).

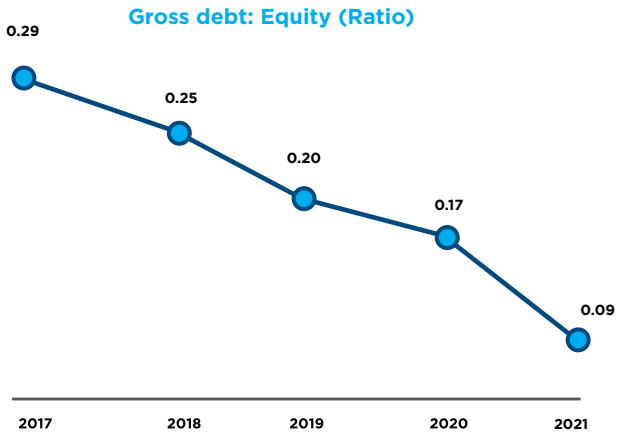
All loan covenant requirements were met during the reporting period.

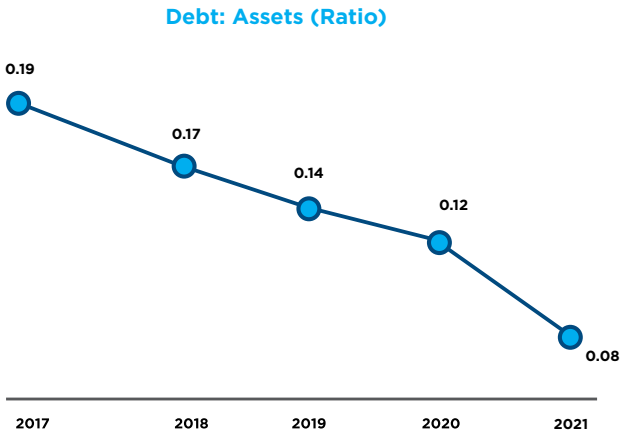
During the year R29m collectively was repaid towards the DBSA and EIB loans and R600m was repaid on the redemption of the UG21 bond in March 2021.

	2021	2020
	R'm	R'm
Debt		
Long term	1 108	1 133
Short term	58	684
Total debt	**1 166**	**1 817**

FINANCIAL REVIEW (Cont...)

7. INVESTMENTS





8.1.FUNDING REQUIREMENTS

Umgeni Water will continue to fund its operating and capital expenditure requirements in the most cost effective way while diversifying its sources of funding. Umgeni Water's funding sources encompass:

- General banking facilities.
- Development funding institutions include the DBSA 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 2022 the detailed cash flow forecasts have been prepared for the next five years, taking into account the group's R12 910m planned capital expenditure (unescalated) and is detailed in the table that follows:

FUNDING REQUIREMENTS	SHORT TERM	MEDIUM TERM			LONG TERM
FINANCIAL YEAR	2022	2023	2024	2025	2026
	R'm	R'm	R'm	R'm	R'm
Operational Cash flows	1 358	1 661	1 990	2 574	3 226
CapEx - Gross (Escalated)	(1 934)	(3 051)	(3 339)	(3 615)	(3 156)
Net Operating and CapEx cash flow	(576)	(1 390)	(1 348)	(1 041)	70
Financing activities - capital					
Existing Debt	(25)	(25)	(25)	(25)	(25)
UG26 issued March 2016	-	-	-	-	(935)
UG21 repayment	-	-	-	-	-
New Debt	-	933	1 333	1 233	633
Financing activities - Net Finance costs					
Existing financial instruments	(7)	(20)	(41)	(66)	(83)
New Debt	-	(114)	(277)	(427)	(510)
Funding Requirements	(608)	(615)	(358)	(325)	(850)
Redemption Portfolio	-	(7)	(312)	(301)	621
Redemption Portfolio - Interest earned	-	-	-	-	52
Net Incremental Funding Requirement p.a.	(608)	(622)	(670)	(627)	(177)
Net (Funding) Investing requirements					
Opening Balance Available investments	3 138	2 530	1 908	1 238	612
Closing Balance	**2 530**	**1 908**	**1 238**	**612**	**435**

FINANCIAL REVIEW (Cont...)

8. DEBT MANAGEMENT(Cont...)

8.1.FUNDING REQUIREMENTS (Cont...)

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 2022/2023. The funding strategy takes cognisance of the funding levels projected in terms of determining the required borrowing limits for the years 2021/2022 to 2025/2026 as well as compliance with the covenants. Further details of the various sources of funding available to Umgeni Water can be found in note 30 of the financial statements.

8.2 BORROWING LIMITS

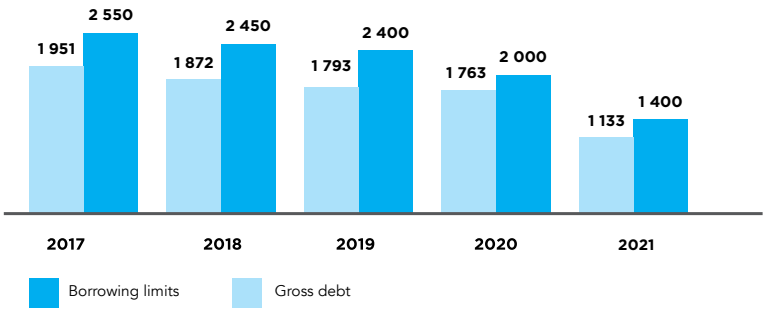
The borrowing limits for the period 2020 to 2022 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance. The borrowing limit is applicable to the value of gross borrowings, collateral and guarantees exposure and may not exceed the approved limits.

TOTAL BORROWING LIMIT	R'M
30 June 2020	2 000
30 June 2021	1 400
30 June 2022	1 400

Utilisation of the borrowing limit as at 30 June 2021 was as follows:

Actual gross borrowings	R 1 113m
Collateral and guarantees	R 7m
Total actual borrowings	R 1 140m
Borrowing limit	R 1 400m
Underutilisation	**R 260m**

Gross debt and borrowing limits (R'm)



8.3 CREDIT RATING

There were no revisions to the credit ratings in the current year.

	DATE OF RATING RE-AFFIRMATION OR CHANGE	LONG-TERM RATING	SHORT-TERM RATING
Standard & Poor's (National scale)	27 May 2021	zaAAA	zaA-1+
Fitch ratings	19 November 2020	AA+(zaf)	F1+(zaf)

Standard & Poor's places particular emphasis on the critical role of Umgeni Water to the government and the integral link thereto, whilst Fitch Ratings places more emphasis on Umgeni Water's liquidity position.

FINANCIAL REVIEW (Cont...)

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 R22m (2020: R0.11m) 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 25 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 R368m (2020: R331m). Further details are disclosed in note 25 of the financial statements.

10. FINANCIAL RISKS

As in most companies, Umgeni 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 as one of the 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 group has evaluated the credit risk exposure in terms of the impact on COVID-19 on its financial assets. The potential impact on trade receivables has been taken into account in the determination of the allowance for credit losses. 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 zero percent tariff increase in 2020/2021 has resulted in a downward review of both operational and capital expenditure. Operating costs will be managed closely going forward to ensure that operating cash flows are not negatively impacted on in addition to the strategic credit risk.

The major financial risks to the organisation and the mitigating strategies are analysed in note 30 on financial risk management to the financial statements and the Risk Management section on page 174-181 of the annual report.

11. LOOKING AHEAD

The sustainability of financial resources available to fund the strategic objectives is crucial and is dependent on robust financial systems and controls being implemented to prevent deviations from planned expenditure that could impact the financial viability of the organisation.

In this regard there will be a continued focus on preserving the financial resources to maintain financial sustainability whilst delivering on the strategic objectives of:

- Key bulk water resource infrastructure in the next five years,
- Provision of efficient and cost-effective water and sanitation;
- Enhanced security of water supply to support economic growth; and
- Enabled and innovative growth to quicken the pace of infrastructure implementation and find sustainable and innovative solutions for current and future markets in the water service provision value chain.

GROUP FIVE-YEAR KEY PERFORMANCE INDICATORS

	2021	2020	2019	2018	2017	2020 - 2021 MOVEMENT
Performance criteria/indicators						
Total revenue (R'm)	4 528	4 154	3 538	2 904	2 510	9.00%
Profit from operations/revenue	0.24	0.26	0.32	0.34	0.23	(8.85%)
Total expenditure/revenue	0.74	0.70	0.63	0.60	0.72	5.35%
Total expenditure includes: costs of sales, other operating and administration expenses and net finance income/costs.						
Cost of sales/revenue	0.39	0.36	0.39	0.41	0.47	7.69%
Capex spend (R'm) (including intangibles)	825	840	1 250	989	1172	0.24%
Bulk water business segment (Parent only)						
Treated water volumes sold (Kl'000)	548 547	509 217	471 801	434 568	409 887	7.72%
Raw water volume sold (Kl'000)	544	427	454	419	619	27.40%
Total water sold (Kl'000)	549 091	509 644	472 255	434 987	410 506	7.74%
Bulk water tariff 1 (R.c/kl)	7,734	7,734	7,057	6,207	5,397	0.00%
Bulk water tariff 2 (R.c/kl)	7,582	7,582	6,918	6,084	5,290	0.00%
WRC levy (R.c/kl)	0,067	0,067	0,065	0,065	0,062	0.00%
Total bulk cost/volume sold (R.c/kl)[1]	5.39	5.02	4.24	3.63	3.67	4.38%
Kl'000 sold per employee [1]	405	401	378	353	357	1.00%
Operating risk indicators						
• Working ratio	0.69	0.65	0.58	0.56	0.67	12.07%
Operating costs (excl depreciation and amortisation) divided by revenue						
• Rate of return on assets	10.41%	10.76%	11.48%	10.81%	6.90%	0.72%
Profit from operations divided by assets (excl investments)						
• Gross profit margin ratio	60.50%	64,08%	61.48%	58.97%	53.02%	3,58%
• Debtors collection period (days) after allowance for credit losses	56	59	57	47	41	(5.08%)
Trade and other receivables (excluding amounts not recognised in revenue) divided by revenue (Incl VAT) x 365						
Financial risk indicators						
• Current ratio	4.85	2.61	2.72	2.55	2.07	85.82%
Current assets divided by current liabilities						
• Interest cover before interest capitalised	6.48	5.63	5,77	4.83	2.77	15.10%
Profit from operations divided by finance costs before interest capitalised						
• Debt: equity ratio	0.09	0.17	0.20	0.25	0.29	(47.06%)
Total interest-bearing debt divided by capital and reserves						
• Debt: asset ratio	0.08	0.12	0.14	0.17	0.19	(33.33%)
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 (Cont...)

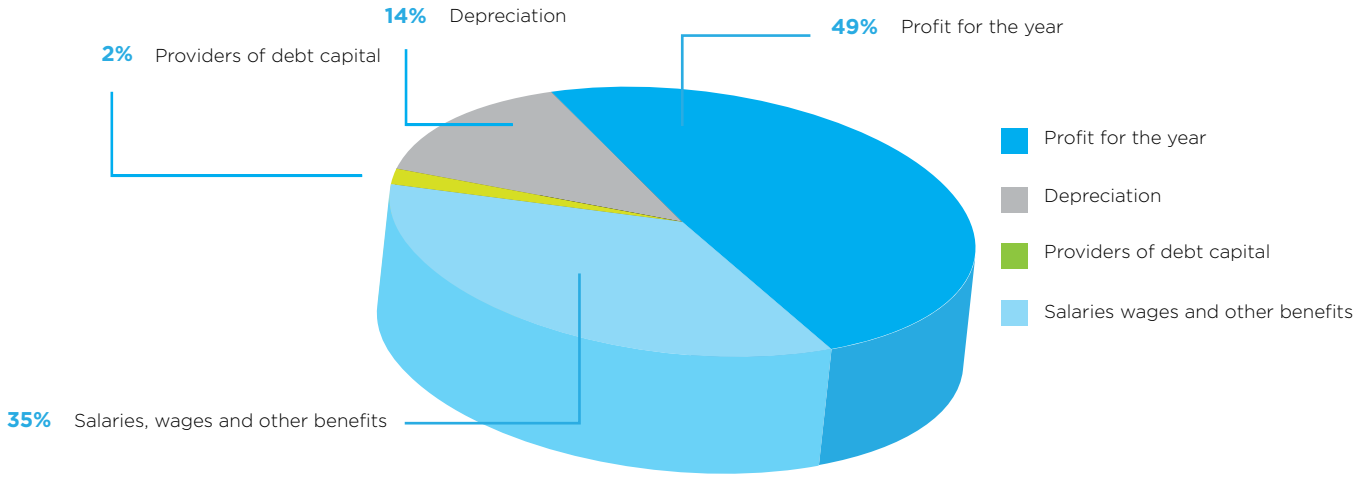
	2021	2020	2019	2018	2017
	R'000	R'000	R'000	R'000	R'000
Financial position					
Capital and reserves	11 940 634	10 678 635	9 119 947	7 715 959	6 817 778
Net debt	(3 511 392)	(2 487 518)	(1 086 515)	(596 506)	153 834
Assets excluding investments	10 293 470	10 021 483	9 864 092	8 770 196	8 508 601
Total interest-bearing debt (nominal value)	1 133 226	1 762 668	1 792 900	1 871 912	1 950 724
Total investments	4 677 895	4 304 719	2 933 144	2 524 446	1 832 475
Total assets	14 971 365	14 326 202	12 797 236	11 294 642	10 341 076
Financial performance					
Revenue	4 528 237	4 154 375	3 538 457	2 903 723	2 509 520
Cost of sales	(1 788 513)	(1 492 279)	(1 363 161)	(1 191 532)	(1 178 925)
Gross profit	**2 739 724**	**2 662 096**	**2 175 296**	**1 712 191**	**1 330 595**
Other income	81 688	13 067	26 179	13 746	32 503
Other operating and administration expenses	(1 749 848)	(1 596 866)	(1 069 274)	(741 371)	(775 646)
Profit from operations	**1 071 564**	**1 078 297**	**1 132 201**	**984 566**	**587 452**
Net finance income	199 376	181 288	216 592	176 188	148 202
Share of profit from associate	4 853	5 441	5 664	5 285	4 995
Profit before taxation	**1 275 793**	**1 265 026**	**1 354 457**	**1 166 039**	**740 649**
Taxation	(23)	(31)	(106)	(76)	(101)
Profit for the year	**1 275 770**	**1 264 995**	**1 354 351**	**1 165 963**	**740 548**
Cash flow					
Net cash from operating activities	1 432 284	1 875 365	1 563 404	1 334 123	935 527
Net cash used in investing activities	(438 254)	(609 107)	(1 047 016)	(534 449)	(922 460)
Net cash generated	**994 030**	**1 266 258**	**516 389**	**799 674**	**13 067**
Net cash used in financing activities	(973 376)	(1 332 307)	(455 651)	(798 499)	(32 035)
Less: Net increase (decrease) for the year	20 654	(66 049)	60 738	1 175	(18 969)
Net cash utilised	**(994 030)**	**(1 266 258)**	**(516 389)**	**(799 674)**	**(13 067)**

VALUE ADDED STATEMENT

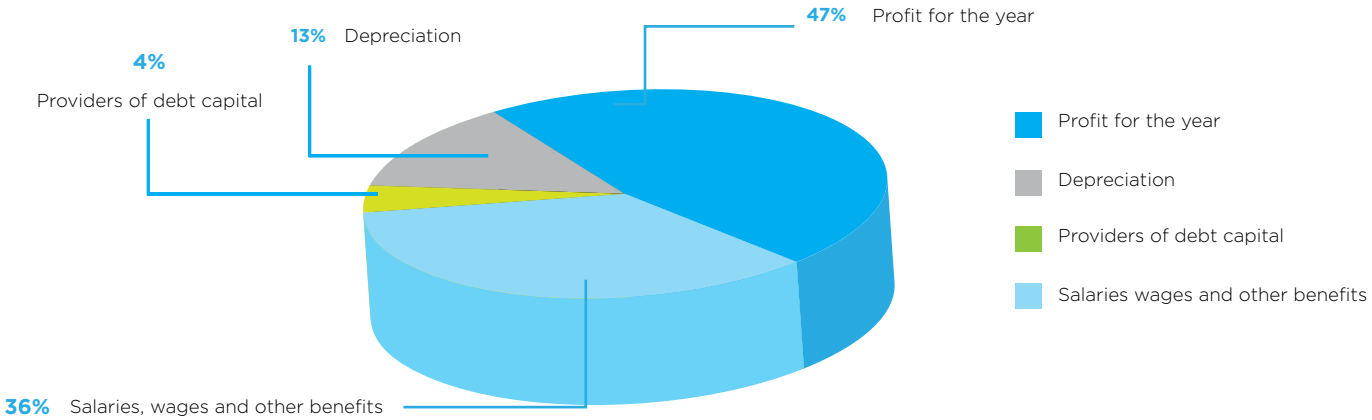
	2021	2020	2019	2018	2017
	R'000	R'000	R'000	R'000	R'000
Gross revenue	4 528 237	4 154 375	3 538 457	2 903 723	2 509 520
Paid to suppliers for materials and services	(2 153 853)	(1 836 200)	(1 186 584)	(863 383)	(975 423)
Value added	**2 374 384**	**2 318 175**	**2 351 873**	**2 040 340**	**1 534 097**
Income from investments	249 397	285 917	230 547	177 907	149 601
Total wealth created	**2 623 781**	**2 604 092**	**2 582 420**	**2 218 247**	**1 683 699**
Salaries wages and other benefits	926 652	866 829	889 711	804 102	765 151
Providers of debt capital	50 021	104 629	13 955	1 719	1 399
Depreciation	371 338	367 639	324 403	246 464	176 601
Profit for the year	1 275 770	1 264 995	1 354 351	1 165 963	740 548
Total wealth distributed	**2 623 781**	**2 604 092**	**2 582 420**	**2 218 247**	**1 683 699**

VALUE ADDED STATEMENT (Cont...)

2021



2020



EMPLOYEE STATISTICS

	2021	2020	2019	2018	2017	2020-2021
Number of employees as at year-end	1 355	1 273	1 250	1 231	1 150	6.44%
Gross revenue per employee (R'000)	3 342	3 263	2 831	2 359	2 182	2.42%
Value added per employee (R'000)	1 727	1 901	1 900	1 657	1 334	9.15%
Wealth created per employee (R'000)	1 911	2 126	2 084	1 802	1 464	10.11%

STATEMENT OF DIRECTORS' RESPONSIBILITIES AND APPROVAL OF THE FINANCIAL STATEMENTS

The Directors are responsible for the integrity, preparation and fair presentation of the annual financial statements of Umgeni 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 International Financial Reporting Standards (IFRS) 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 requires management to consistently apply appropriate accounting policies, supported by reasonable and prudent judgements 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 as 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 behaviorare 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. 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 forassets and liabilities is maintained.

The Audit Committee has evaluated Umgeni 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 201.

The Directors have reviewed the group's forecast financial performance for the year to 30 June 2022 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. The Directors have considered the impact of COVID-19 in their review which has not negatively impacted on the financial sustainability of the organisation. 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 financial statements fairly present the financial position of Umgeni Water and the group as at 30 June 2021 and the results of its operations and cash flow information for the year then ended.

PREPARATION AND APPROVAL OF FINANCIAL STATEMENTS

The financials have been prepared on a going concern basis under the supervision of the Acting Chief Financial Officer, Kajal Singh CA (SA). The financial statements set out on pages 216 - 285 were approved by the Accounting Authority on 23 December 2021.

Ms. Ziphozethu Mathenjwa
Chairperson of the Board

Mr Mboniseni Dlamini
Acting Chief Executive

REPORT OF THE AUDIT COMMITTEE

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 has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.
The Debt Officer for the period ending 30 June 2021 was Mrs Nomalungelo Mkhize
In the conduct of its duties, the Audit Committee has, inter alia, conducted the following oversight functions:

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 finance function; and the Chief Financial Officer
- considered whether the annual financial statements met the fair presentation requirements of the PFMA and International Financial Reporting Standards;
- considered management's assessment of the impact of COVID-19 on the going-concern and the impairment assessments of non-financial and financial assets;
- 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 of 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, co-ordination 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.

THE AUDIT COMMITTEE IS OF THE OPINION, BASED ON THE INFORMATION AND EXPLANATIONS GIVEN BY MANAGEMENT AND INTERNAL AUDIT AND DISCUSSIONS WITH THE INDEPENDENT EXTERNAL AUDITORS ON THE RESULT OF THEIR AUDITS, THAT:

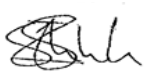
- The internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements, and accountability for assets and liabilities is maintained;
- the expertise, resources and experience of the finance function are adequate;
- the system and 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
- is satisfied with the independence and objectivity of the external auditors.

REPORT OF THE AUDIT COMMITTEE (Cont...)

REPORT OF THE AUDIT COMMITTEE IN TERMS OF REGULATION 27.1 OF THE PUBLIC FINANCE MANAGEMENT ACT NO. 1 of 1999, AS AMENDED (Cont...)

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 judgments and estimates. In line with the principles of combined assurance as outlined in King IV report on corporate governance, Umgeni 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 Umgeni Water and the group for the year ended 30 June 2021 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 20 December 2021 the adoption of the financial statements by the Accounting Authority.



Mr S. Shabalala
Audit Committee Chairperson

DIRECTORS' REPORT

In terms of the Public Finance Management Act No. 1 of 1999, as amended, the Board of Umgeni Water is the Accounting Authority. The Board presents their report as follows for the year ended 30 June 2021.

NATURE OF BUSINESS

Umgeni Water is a state owned business enterprise, established in 1974 to supply potable water in bulk to municipalities within its operational area. Umgeni Water defines its activities in line with the Water Services Act No. 108 of 1997.

The primary activities in terms of section 29 of the Act is to provide water services (potable bulk water supply and bulk sanitation services) to other water services institutions within its area of operation.

In terms of section 30 of the Water Services Act, Umgeni 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 appropiate 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;

Umgeni Water is not required and has not fully complied with the provisions of the Companies Act No 71 of 2008, as amended. The organisation has, however, incorporated aspects of the Act that relate to the accounting records, financial statements and other ancillary matters which may have an impact on 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 48 - 69 and risk management on pages 174 -181.

The Board of Umgeni Water will continue to ensure there is full compliance with legislation that seeks to curb fruitless and wasteful, and irregular expenditure and promotes good governance. The irregular expenditure identified in the Auditor-General's findings in the prior year pertained to contract variations and changes to scope of works that were not approved by the National Treasury, as required by Instruction Note 3 of 2016/17, and where applicable by other appropriately delegated persons. 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. 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.

DIRECTORS' REPORT (Cont...)

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 63 - 66 of the annual report. Members of the Board and Executive Committee's emoluments are disclosed in note 33 of the financial statements in the remuneration report on pages 283 - 284 in terms of regulation 28.1 of the PFMA.

COMPANY SECRETARY AND REGISTERED ADDRESS

The Company Secretary, Mr Sbusiso Madonsela, was appointed on 1 January 2014 and resigned on 31 March 2021. The Acting Company Secretary, Mr Tshepo Maake was appointed on 01 May 2021.

The registered address of the Company Secretary/Acting Company Secretary and that of the registered office during the current financial year are as follows:

Business address	Postal address:
310 Burger street	PO Box 9
Pietermaritzburg	Pietermaritzburg
3201	3200

sbusiso.madonsela@umgeni.co.za (01 July 2020 to 31 March 2021)
tshepo.maake@umgeni.co.za (01 May 2021 to 30 June 2021)

AUDITORS

The Auditor General of South Africa will continue to conduct external audit services to Umgeni 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 Umgeni 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 Umgeni Water.

In implementing the pricing policy Umgeni 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.

DIRECTORS' REPORT (Cont...)

PRICING POLICY (Cont...)

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
Umgeni Water's stakeholders with their long term planning.

Umgeni Water bulk water tariff increase for 2021/2022 effective 1 July 2021 has been approved at 5% 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 in response to the zero percent tariff increase for 2021, are of the opinion that the tariff for 2021/2022 will not adversely affect Umgeni Water's gearing levels or its financial sustainability.

BULK TARIFF 1: OTHER WATER SERVICE AUTHORITIES

	2020	2021	2022
	R.c/KL	R.c/KL	R.c/KL
Base tariff	R7.057	R7.734	R7.734
Tariff increase	R0.677	R0.000	R0.387
Umgeni Water bulk tariff	**R7.734**	**R7.734**	**R8.121**
% increase	**9.6%**	**0.0%**	**5.0%**
Capital unit charge Spring Grove dam*	R1.498	R1.498	R1.628
uMkhomazi bulk water supply charge*	R0.155	R0.155	R0.162
New tariff	R9.387	R9.387	R9.911
% increase	**21.1%**	**0.0%**	**5.6%**

BULK TARIFF 1: ETHEKWENI METROPOLITAN MUNICIPALITY

	2020	2021	2022
	R.c/KL	R.c/KL	R.c/KL
Base tariff	R6.918	R7.582	R7.582
Tariff increase	R0.664	R0.000	R0.379
Umgeni Water bulk tariff	**R7.582**	**R7.582**	**R7.961**
% increase	**9.6%**	**9.6%**	**5.0%**
Capital unit charge Spring Grove dam*	R1.498	R1.498	R1.628
uMkhomazi bulk water supply charge*	R0.152	R0.152	R0.159
New tariff	R9.232	R9.232	R9.748
% increase	**21.3%**	**21.3%**	**5.6%**

BULK TARIFF 3: KING CETSHWAYO DISTRICT MUNICIPALITY

	2021	2022
	R.c/KL	R.c/KL
Base tariff	-	R11.140
Tariff increase	R11.140	R0.557
Umgeni Water bulk tariff	R11.140	R11.697
% increase	**n/a new customer**	**5.0%**

* Not applicable to UThukela District Municipality and King Cetshwayo District Municipality as these systems are not within these customer operational areas.

DIRECTORS' REPORT (Cont...)

FINANCIAL PERFORMANCE

The group profits for the year have increased by 1%, which totalled R1 276m (2020: R1 265m). Bulk water revenue grew by 9% as a result of the 7.7% growth in bulk water sales volumes, whilst bulk water direct operating costs increased by 22% mainly due to the increases in the main cost drivers. Other operating and administrative expenses increased by 10% mainly due to increases in social economic development costs as well as systems support and maintenance and consulting fees.

Impairments of property, plant and equipment totalled R184m (2020: R189). Impairment of buildings and infrastructure was R66m (2020: R5m) while impairment of projects included in capital work in progress were R118m (2020: R184m). Refer to note 9 of the financial statements for further details on impairments.

Operating cash flows were R1 432m (2020: R1 875m), a reduction of 24% year on year primarily due to the increase in the working capital requirements resulting from the increase in accounts receivable. Net cash used in investing activities was R438m (2020: R609m) after the receipt of regional bulk infrastructure grants of R383m (2020: R242m) and net cash used in financing activities was R973m (2020: R1 332m).

During the year capital expenditure including intangible assets totalled R825m (2020: R840m). The group's capital commitments are set out in note 9.1 of the financial statements and the funding thereof is discussed in the financial review on page 193.

Loan covenants remain un-breached at financial year end and Umgeni Water remained within its approved borrowing limits of R1 400m.

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 182 - 195.

SUBSIDIARY AND ASSOCIATE COMPANIES

Umgeni Water is the sole shareholder of Umgeni 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 13 of the financial statements.

EVENTS AFTER THE REPORTING PERIOD

Judgement was handed down by the Constitutional Court on 23rd July 2021 in favour of Umgeni Water in the Siza Water tariff dispute case. As a result, the amounts in dispute recorded in the allowance for expected credit losses were reversed and the full amount of trade receivables related thereto is due to Umgeni Water together with recovery of legal costs incurred in the case. The amounts due by Siza Water are reflected in note 16 of the financial statements.

The group lost a case with a former Chief Executive and as a result the settlement of R2.3 million was adjusted for and included in provisions. This was included as a contingent liability in the prior year. Legal costs to be settled are to be finalised once final bills are received and taxed.

Umgeni Water agreed to a legal settlement in August 2021, relating to a performance guarantee on a construction contract. The financial statements have taken this into account resulting in an increase in sundry income of R70.6 million and an increase in sundry receivable of R81.2 million.

A metering anomaly was identified in September 2021 and as a result corrections were made to the metered sales volumes to two customers. The financial impact of this has been taken into account in the financial statements which resulted in an overall reduction in revenue of R34.6 million, an increase in trade and other receivables of R48.6 million, as well as a reduction in the allowance for credit losses of R51.9 million.

The tenure of the Interim Board that was appointed by the Executive Authority came to an end on 21 October 2021 following a ruling by the Pietermaritzburg High Court. The Executive Authority, in abiding with the ruling, has followed due process and ratified the appointment of the current Board with effect from 3 November 2021.

There were no other matters after the balance sheet that required adjustment or disclosure thereof in the financial statements.

DIRECTORS' REPORT (Cont...)

GOING CONCERN

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position and that it has adequate access to sufficient borrowing facilities to meet its foreseeable cash requirements. There are no indicators that COVID-19 has negatively impacted on the financial sustainability of the organisation. Any increase in credit risk has been adequately taken into account in the allowance for credit losses. 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 R22.6m (2020: R20.7m). Management also apply a qualitative aspect to all errors found.

FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure incurred for the year was R7.4m (2020: R0.014m) which arose primarily from financial losses and interest on late payments. Further details are set out in note 29 of the financial statements.

IRREGULAR EXPENDITURE

Irregular expenditure incurred during the year totalled R510.8m (2020: R713.9m) which arose due to, non-compliance with legislation relating to deviations, procurement procedures and contract management. Irregular expenditure identified in the current year but relating to prior periods due to non-compliance was R320m. Management has instituted preventative and corrective measures as considered appropriate to improve controls and processes. Further details are set out in note 28 of the financial statements.

FRAUD AND 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 have instituted investigations into these allegations. Once the investigations are concluded the necessary corrective actions will be implemented to ensure that any fraud; corruption and financial misconduct are 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 Umgeni Water against the key financial indicators as agreed in the shareholder's compact is illustrated on page 82 - 93 of the annual report.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OPINION

1. I have audited the consolidated and separate financial statements of Umgeni Water and its subsidiaries (the group) set out on pages 216 - 285 , which comprise the consolidated and separate statement of financial position as at 30 June 2021, the 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 a summary of significant accounting policies.

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 2021, and their financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No.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 auditor-general's responsibilities 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.

KEY AUDIT MATTER

6. A key audit matter is a matter which, in my professional judgement, was of most significance in my audit of the consolidated and separate financial statements for the current period. This matter was 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 this matter.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (Cont...)

KEY AUDIT MATTER (Cont...)

KEY AUDIT MATTER: UMGENI WATER	HOW THE MATTER WAS ADDRESSED IN THE AUDIT
MATERIAL IMPAIRMENT OF INFRASTRUCTURE ASSETS	
Included in note 9 to the consolidated and separate financial statements were material impairments of R184,32 million (2019-20: R188,79 million) that were raised on significant water infrastructure assets for Umgeni Water. These assets are subject to annual impairment assessments which require significant judgment. 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. The expected performance of these assets is based on the sales volume demand and the operating cost structure. Key assumptions include the discount rate (gross weighted average cost of capital), cash flows and sales volume demand for significant water infrastructure assets. Future cash flows are estimated and projected over the expected useful life of the assets to reflect the long-term plans of Umgeni Water using key economic indicators such as consumer price inflation, producer price inflation and energy costs.	Obtained an understanding of the process for impairment and the key assumptions and estimates used by management in determining the recoverable amounts. 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. 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. Having performed an independent assessment of estimates, budgets and calculations, the assumptions and resulting valuations were found to be reasonable.

EMPHASIS OF MATTERS

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

MATERIAL LOSSES AND IMPAIRMENTS

8. As disclosed in note 6.1 to the consolidated and separate financial statements, material financial losses of R84,78 million were incurred by Umgeni Water because payments for goods and services were not received.

9. As disclosed in note 16.1 to the consolidated and separate financial statements, material impairments of R174,39 million (2019-20: R246,92 million) were raised by Umgeni Water on trade and other receivables due to debtors not being able to settle outstanding amounts.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (cont...)

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

10. 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.

11. 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.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

12. 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.

13. 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.

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

14. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against predetermined objectives for selected objective presented in the annual performance report of Umgeni Water. I performed procedures to identify material findings but not to gather evidence to express assurance.

15. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year, or planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT (Cont...)

INTRODUCTION AND SCOPE (Cont...)

16. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for strategic objective 7 - improve service quality, presented in the entity's annual performance report for the year ended 30 June 2021.

17.I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

18.I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected strategic objective.

OTHER MATTER

19. I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

20. The annual performance report on pages 82 to 93 includes information on the achievement of planned targets for the year.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

INTRODUCTION AND SCOPE

21. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

22. The material findings on compliance with specific matters in key legislation for Umgeni Water are as follows:

FINANCIAL STATEMENTS

23. The financial statements submitted for auditing were not prepared in accordance with IFRS, as required by section 55(1)(b) of the PFMA. Material misstatements of current assets, segment reporting, statement of cash flows and disclosures identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

EXPENDITURE MANAGEMENT

24. Effective and appropriate steps were not taken to prevent irregular expenditure of R510,78 million disclosed in note 28 to the financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by contract extensions not approved by the appropriate delegated authority.

25. I was unable to obtain sufficient appropriate audit evidence that the resources of Umgeni Water were utilised economically, as required by section 57(b) of the PFMA. This was due to payments for goods and services that were not received.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

CONSEQUENCE MANAGEMENT

26. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained to support the investigations into irregular expenditure, as well as a number of investigations that had not commenced in the year.

PROCUREMENT AND CONTRACT MANAGEMENT

27. Some goods, works or services were not procured through a procurement process which was fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA.

28. Some of the tenders which failed to achieve the minimum qualifying score for functionality criteria were not disqualified as unacceptable in accordance with 2017 Preferential Procurement Regulation 5(6).

29. Some of the tenders which achieved the minimum qualifying score for functionality criteria were not evaluated further in accordance with 2017 Preferential Procurement Regulation 5(7).

OTHER INFORMATION

30. The Accounting Authority is responsible for the other information. The other information comprises the information included in the annual report which includes the governance reports, directors' report and the report of the audit committee. The other information does not include the consolidated and separate financial statements, the auditor's report and the selected objective presented in the annual performance report that has been specifically reported in this auditor's report.

31. My opinion on the consolidated and separate financial statements, the report on performance information and the findings on compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion on it.

32. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

33. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and 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.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

INTERNAL CONTROL DEFICIENCIES

34. I considered internal control relevant to my audit of the consolidated and separate financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on compliance with legislation included in this report.

35. The Accounting Authority of Umgeni Water did not ensure that action plans were implemented to address previous findings on compliance with legislation, with regard to preparation of financial statements, procurement and investigations into prior year transgressions. Management did not perform adequate monitoring of the effective use of financial resources resulting in the financial losses as disclosed in the financial statements.

MATERIAL IRREGULARITIES

36. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

MATERIAL IRREGULARITIES IDENTIFIED DURING THE AUDIT

37. The material irregularity identified is as follows

AWARD TO INCORRECT SUPPLIER ON TENDER NUMBER 2015/220

38. An award of 885,96 million was made in January 2017 to a supplier who was incorrectly evaluated in terms of regulation 10(2) of the Preferential Procurement Regulations of 2011. The non-compliance resulted in a material financial loss of R3,56 million as the supplier's price was higher than the price submitted by the highest-scoring bidder.

39. The Accounting Officer was notified of the material irregularity on 17 March 2021. The following actions have been taken to resolve the material irregularity:

a) A preliminary investigation was concluded in April 2021 by an independent firm appointed by the Accounting Authority to investigate the irregularities in the contract as well as the incorrect evaluation thereof.

b) The investigation concluded that the award was irregular and that action should be taken against members present when the tender was evaluated. Based on the outcome of the investigation and the resulting recommendations, the Accounting Authority appointed a legal firm to conduct a multi-disciplinary investigation into the award and provide legal advice pertaining to the findings made.

c) The second investigation was concluded in November 2021 and it was recommended that actions be instituted against various officials for the irregular expenditure incurred.

40. I am in the process of evaluating the appropriateness of the actions taken by the Accounting Authority in accordance with the recommendations of the investigation report from the legal firm, and whether I need to take further action to ensure resolution of the material irregularity.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

MATERIAL IRREGULARITIES IN PROGRESS

41. I identified material irregularities during the audit and notified the Accounting Authority of these, as required by material irregularity regulation 3(2). By the date of this auditor's report, the responses of the Accounting Authority were not yet due. These material irregularities will be included in the next year's auditor's report.

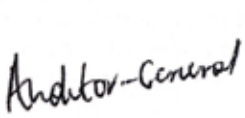
OTHER REPORTS

42. In addition to the investigations relating to material irregularities, I draw attention to the following engagements conducted by various parties which had, or could have, an impact on the matters reported in the consolidated and separate financial statements, reported performance information, compliance with applicable legislation and other related matters. 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.

INVESTIGATIONS

43. The Special Investigating Unit is investigating alleged irregularities in the management of the affairs of Umgeni Water, which covers the period 2012 to 2019. These investigations were still in progress at the date of this report.

44. The Accounting Authority initiated eight independent investigations by various parties during the year into allegations of misconduct related to procurement and contract management, as well as a human resource matter and to determine the root causes for some of the irregular expenditure reported in the prior period. At the date of this report seven investigations had been finalised and one was in progress. The Accounting Authority has not yet implemented the recommendations of the reports.



Pietermaritzburg
13 December 2021

AUDITOR-GENERAL
SOUTH AFRICA

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

ANNEXURE – AUDITOR RESPONSIBILITY FOR THE AUDIT

1. 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 objective and on Umgeni Water's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. 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 by the Accounting Authority

- conclude on the appropriateness of the Accounting Authority's 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 Umgeni Water 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 financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause an entity to cease operating as a going concern

- evaluate the overall presentation, structure and content of the 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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

REPORT OF THE AUDITOR – GENERAL TO PARLIAMENT ON UMGENI WATER (Cont...)

ANNEXURE – AUDITOR RESPONSIBILITY FOR THE AUDIT (Cont...)

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. 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.

4. 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 have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

5. 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.

STATEMENTS OF PROFIT AND LOSS

FOR THE YEAR ENDED 30 JUNE 2021

		GROUP		PARENT	
		2021	2020	2021	2020
	NOTE	R'000	R'000	R'000	R'000
Revenue	4	4 528 237	4 154 375	4 515 189	4 142 653
Cost of sales		(1 788 513)	(1 492 279)	(1 788 513)	(1 492 279)
Changes in water inventory		119	(760)	119	(760)
Chemicals		(91 331)	(80 305)	(91 331)	(80 305)
Depreciation		(319 308)	(304 502)	(319 308)	(304 502)
Energy		(325 443)	(311 583)	(325 443)	(311 583)
Maintenance		(263 619)	(196 038)	(263 619)	(196 038)
Raw and potable water		(409 541)	(269 560)	(409 541)	(269 560)
Section 30 activities		(24 712)	(24 231)	(24 712)	(24 231)
Staff costs		(315 730)	(269 508)	(315 730)	(269 508)
Other direct operating expenses		(38 948)	(35 792)	(38 948)	(35 792)
Gross profit		**2 739 724**	**2 662 096**	**2 726 676**	**2 650 374**
Other income	5	81 688	13 067	82 104	11 774
Other operating and administration expenses		(1 749 848)	(1 596 866)	(1 754 626)	(1 592 489)
Profit from operations	6.1	**1 071 564**	**1 078 297**	**1 054 154**	**1 069 659**
Net finance income		199 376	181 288	199 017	181 281
Interest income	7	249 397	285 917	248 889	285 839
Finance costs	8	(50 021)	(104 629)	(49 872)	(104 558)
Share of profit from associate	13	4 853	5 441	-	-
Profit before taxation		**1 275 793**	**1 265 026**	**1 253 171**	**1 250 940**
Taxation	6.2	(23)	(31)	-	-
Profit for the year		**1 275 770**	**1 264 995**	**1 253 171**	**1 250 940**

STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Profit for the year	**1 275 770**	**1 264 995**	**1 253 171**	**1 250 940**
Other comprehensive income:				
Items that will not be reclassified to profit and loss:				
Remeasurement of gains and losses - retirement plans	(13 771)	293 692	(13 771)	293 692
Total other comprhensive income for the year	**1 261 999**	**1 558 687**	**1 239 400**	**1 544 632**

STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2021

		GROUP		PARENT	
		2021	2020	2021	2020
	NOTE	R'000	R'000	R'000	R'000
Assets					
Non-current assets		**9 145 529**	**9 272 554**	**9 119 060**	**9 249 478**
Property, plant and equipment	9	8 854 798	8 877 779	8 838 146	8 870 566
Investment property	10	-	-	8 918	-
Intangible assets	11	206 506	224 913	206 392	224 820
Biological assets	12	3 130	3 475	-	-
Investment in associate	13.2	10 858	11 446	-	-
Investments - financial assets	14	-	79 268	-	79 268
Trade and other receivables	16.2	65 365	72 012	65 142	71 792
Right of use assets	23.1	4 872	3 661	462	3 032
Current assets		**5 823 969**	**5 042 805**	**5 781 802**	**5 032 064**
Loans to subsidiaries	13.3	-	-	-	10 113
Investments - financial assets	14	4 677 895	4 225 451	4 677 895	4 225 451
Inventories	15	22 155	22 096	22 155	22 096
Trade and other receivables	16.1	1 082 485	774 478	1 081 549	773 756
Bank and cash	17	41 434	20 780	203	648
Assets held for sale	9.2	1 867	10 843	1 867	677
Total assets		**14 971 365**	**14 326 202**	**14 902 729**	**14 282 219**
Equity and liabilities					
Capital and reserves		**11 940 634**	**10 678 634**	**11 874 021**	**10 634 621**
Capital	18	442 847	442 847	442 847	442 847
Other comprehensive income reserve		400 642	414 413	400 642	414 413
Accumulated profit		11 097 145	9 821 374	11 030 532	9 777 361
Non-current liabilities		**1 829 960**	**1 713 076**	**1 826 375**	**1 712 741**
Long-term debt - financial liabilities	19	1 108 387	1 133 226	1 108 387	1 133 226
Contract liabilities	20.1	314 365	233 990	314 365	233 990
Provisions	21	20 158	17 732	20 158	17 732
Lease liability long-term portion	23.1	3 873	2 487	288	2 152
Post-retirement benefit obligations	25	371 817	314 946	371 817	314 946
Five-year long service benefit non-current	26	11 360	10 695	11 360	10 695
Current liabilities		**1 200 771**	**1 934 492**	**1 202 333**	**1 934 857**
Short-term debt - financial liabilities	19	58 116	683 975	58 116	683 975
Provisions	21	77 351	86 099	75 618	84 478
Accounts payable	22	905 201	1 008 158	909 622	1 010 417
Contract liabilities	20.2	135 049	133 308	135 049	133 308
Lease liability short-term portion	23.1	1 294	1 110	168	837
Post-retirement benefit obligations	25	17 635	16 041	17 635	16 041
Five-year long service benefit	26	6 125	5 801	6 125	5 801
Total equity and liabilities		**14 971 365**	**14 326 202**	**14 902 729**	**14 282 219**

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

GROUP - ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

	CAPITAL	OCI RESERVE	ACCUMULATED PROFIT	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 30 June 2019	**442 847**	**120 721**	**8 556 379**	**9 119 947**
Movement for the year				
Total comprehensive income	-	293 692	1 264 995	1 558 687
Profit for the year	-	-	1 264 995	1 264 995
Other comprehensive income	-	293 692	-	293 692
Balance as at 30 June 2020	**442 847**	**414 413**	**9 821 374**	**10 678 634**
Movement for the year				
Total comprehensive income	-	(13 771)	1 275 770	1 261 999
Profit for the year	-	-	1 275 770	1 275 770
Other comrehensive income	-	(13 771)	-	(13 771)
Balance as at 30 June 2021	**442 847**	**400 642**	**11 097 145**	**11 940 634**

PARENT

	CAPITAL	OCI RESERVE	ACCUMULATED PROFIT	TOTAL
	R'000	R'000	R'000	R'000
Balance as at 30 June 2019	**442 847**	**120 721**	**8 526 421**	**9 089 989**
Movement for the year				
Total comprehensive income	-	293 692	1 250 940	1 544 632
Profit for the year	-	-	1 250 940	1 250 940
Other comprehensive income	-	293 692	-	293 692
Balance as at 30 June 2020	**442 847**	**414 413**	**9 777 361**	**10 634 621**
Movement for the year				
Totalcomprehensive income	-	(13 771)	1 253 171	1 239 400
Profit for the year	-	-	1 253 171	1 253 171
Other comprehensive income	-	(13 771)	-	(13 771)
Balance as at 30 June 2021	**442 847**	**400 642**	**11 030 532**	**11 874 021**

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

		GROUP		PARENT	
		2021	2020	2021	2020
	NOTES	R'000	R'000	R'000	R'000
Operating activities					
Cash receipts from customers		4 177 544	3 793 630	4 141 775	3 781 798
Cash paid to suppliers and employees		(2 745 260)	(1 918 265)	(2 727 507)	(1 919 138)
Net cash from operating activities	17.1	**1 432 284**	**1 875 365**	**1 414 268**	**1 862 660**
Investing activities					
Proceeds on disposals of assets		1 843	145	1 842	145
Receipts of grants	9	382 614	241 739	382 614	241 739
Additions to property, plant and equipment	9	(818 477)	(788 044)	(815 681)	(782 544)
Additions to intangible assets	11	(9 675)	(68 611)	(9 516)	(68 459)
Dividend received		5 441	5 664	-	-
Repayment of loan from subsidiaries		-	-	-	1 783
Net cash used in investing activities		**(438 254)**	**(609 107)**	**(440 741)**	**(607 336)**
Financing activities					
Long-term borrowings repaid		(629 442)	(29 222)	(629 442)	(29 222)
Lease payments		(600)	(1 294)	(837)	(1 074)
Purchase of investments		(373 176)	(1 306 732)	(373 176)	(1 306 732)
Interest received		216 448	195 649	215 940	195 571
Finance costs paid-leases		(361)	(215)	(212)	(144)
Finance costs paid-borrowings		(186 245)	(190 493)	(186 245)	(190 493)
Net cash used in financing activities		**(973 376)**	**(1 332 307)**	**(973 972)**	**(1 332 094)**
Cash and cash equivalents					
Net increase (decrease) for the year		20 654	(66 049)	(445)	(76 770)
At beginning of year		20 780	86 830	648	77 418
At the end of the year	**17**	**41 434**	**20 780**	**203**	**648**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

1. GENERAL INFORMATION

Umgeni 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 entity as per Schedule 3B of the Public Finance Management Act (Act 1 of 1999), as amended, domiciled in South Africa. The consolidated financial statements comprise that of the entity and its subsidiaries (collectively 'the group' and individually 'Parent'). The accounting policies are applicable to both the group and parent entity. The following principal accounting policies were applied by the group for the year ended 30 June 2021.

2.1. BASIS OF PREPARATION AND MEASUREMENT STATEMENT OF COMPLIANCE

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and interpretations of those standards, as issued by the International Accounting Standards Board (the IASB), the Public Finance Management Act (Act 1 of 1999), as amended (PFMA) and the Companies Act (Act 71 of 2008).

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, Umgeni 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.

Umgeni 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 Umgeni Water has applied IFRS as its accounting framework in the preparation of the consolidated financial statements.

BASIS OF PREPARATION OF FINANCIAL RESULTS

The consolidated 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 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.

2.1. BASIS OF PREPARATION AND MEASUREMENT (Cont...)

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 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 financials 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

CRITICAL JUDGMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

ALLOWANCE FOR CREDIT LOSSES

As detailed under the accounting policy for impairment of financial assets, the group recognizes a loss allowance for expected credit losses (ECL) on investments 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 always recognises lifetime ECL for trade receivables. 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 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the group takes into account qualitative and quantitative reasonable and supportable forward looking information.

AMORTISATION OF LEASED ASSETS (RIGHT OF USE)

Amortisation of leased assets is calculated using the straight line method to allocate their cost, net of their residual values over their estimated useful lives being the lesser of the remaining lease term and the life of the asset. There were no other significant judgments in the process of applying the group's accounting policies.

2.1. BASIS OF PREPARATION AND MEASUREMENT (Cont...)

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 their useful lives 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 9.

FAIR VALUES 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 2021. Refer to note 12 for further detail on biological assets.

DEFINED BENEFIT PLANS

The key assumptions relating to the defined benefit plan sensitivity analysis are disclosed in note 25.

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 explanation is given under the impairment of financial assets accounting policy.

No further key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date exist, that management may have assessed as having a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE

AMENDMENTS TO IAS 1 CLASSIFICATION OF LIABILITIES AS CURRENT AND NON-CURRENT – EFFECTIVE 1 JANUARY 2023

The amendments in Classification of Liabilities as Current or Non-current (Amendments to IAS 1) affect only the presentation of liabilities in the statement of financial position — not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. They:

- clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability;
- clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

2.1. BASIS OF PREPARATION AND MEASUREMENT (Cont...)

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (Cont...)

AMENDMENTS TO IAS 1 CLASSIFICATION OF LIABILITIES AS CURRENT AND NON-CURRENT – EFFECTIVE 1 JANUARY 2023 (Cont...)

In addition, in February 2021 further amendment to IAS 1 were released relating to Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) which amends IAS 1 in the following ways:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

In addition, IFRS Practice Statement 2 has been amended by adding guidance and examples to explain and demonstrate the application of the "four-step materiality process" to accounting policy information in order to support the amendments to IAS 1.

Both amendments apply to annual reporting periods beginning on or after 1 January 2023 with earlier application is permitted.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements, where applicable accounting policies review processes will align with the revision to the Standard and IFRS Practice Statement 2 accordingly.

IAS 8 ACCOUNTING POLICIES, CHANGES IN ACCOUNTING ESTIMATES AND ERRORS (REVISED)– EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON/AFTER 1 JANUARY 2023

These amendments introduce the definition of an accounting estimate and include other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IAS 16 PROPERTY, PLANT AND EQUIPMENT (REVISED) – EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON/AFTER 1 JANUARY 2022

The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IAS 37 PROVISIONS, CONTINGENT LIABLITIES AND CONTINGENT ASSETS (REVISED) – EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON/AFTER 1 JANUARY 2022

The changes in Onerous Contracts — cost of fulfilling a contract (Amendments to IAS 37) specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

2.1. BASIS OF PREPARATION AND MEASUREMENT (Cont...)

STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE NOT YET EFFECTIVE (Cont...)

AMENDMENTS TO IFRS 16 COVID-19-RELATED RENT CONCESSIONS PROVIDES LESSEES WITH AN EXEMPTION FROM ASSESSING WHETHER A COVID-19-RELATED RENT CONCESSION IS A LEASE MODIFICATION – EFFECTIVE 1 APRIL 2021

The Changes in Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16) amend IFRS 16 to:

1. Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021);
2. Require a lessee applying the amendment to do so for annual reporting periods beginning on or after 1 April 2021;

3. Require a lessee applying the amendment to do so retrospectively, recognising the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

4. Specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of IAS 8.

The amendment applies to reporting periods beginning on or after 1 April 2021 earlier application is permitted. The group does not anticipate the amendment will have an impact on the groups consolidated financial statements as none of the groups lessees have been granted the Covid-19 rent concession.

AMENDMENTS TO IFRS 9 PREPAYMENT FEATURES WITH NEGATIVE COMPENSATION – EFFECTIVE 1 JANUARY 2022

The amendments to IFRS 9 clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability.

An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment applies to annual periods beginning on or after 1 January 2022, with earlier application permitted. The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements.

IFRS 10 CONSOLIDATED FINANCIAL STATEMENTS AND IAS 28 (AMENDMENTS) SALE OR CONTRIBUTION OF ASSETS BETWEEN AN INVESTOR AND ITS ASSOCIATE OR JOINT VENTURE – NO EFFECTIVE DATE SET AS YET

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture.

Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The group does not anticipate the application of the amendments in the future will have a significant impact on the group's consolidated financial statements as both subsidiaries are 100% owned by Umgeni Water.

ADOPTION OF NEW AND REVISED STANDARDS

There were no new standards or revision to existing standards that had a significant impact on the consolidated group financial statements in the current financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

2.1. BASIS OF PREPARATION AND MEASUREMENT (Cont...)

IMPROVEMENTS TO IFRS

A number of standards have been amended as part of the IASB annual improvement project. The group is in the process of considering the relevant amendments to the standards and determining the financial impact on the group.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF CONSOLIDATION OF FINANCIAL RESULTS

The consolidated 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 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 to the extent of the group's interest in these entities. Unrealised gains and losses arising from transactions with associates are eliminated against the investment in the associate.

BUSINESS COMBINATIONS

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.

SUBSIDIARIES

Subsidiaries are defined as those companies in which the group, either directly or indirectly, has:

- More than one half of the voting rights;
- the right to appoint more than half of the Board of directors; or
- otherwise has the power to control the financial and operating activities of the entity.

The group has two subsidiaries which are wholly owned and further details are included in note 13 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 material inter-company balances and transactions are eliminated. In the parent financial statements, the parent accounts for investments in subsidiaries at cost.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

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 13 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 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 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.

PROPERTY, PLANT & 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

PROPERTY, PLANT & EQUIPMENT (Cont...)

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 if appropriate.

ASSET CATEGORY	ESTIMATED USEFUL LIFE	ESTIMATED RESIDUAL VALUE
Buildings and infrastructure		
Buidlings	40	0% - 2%
Dams and weirs	45	0% - 2%
Pipelines	30-45	0% - 2%
Pump Stations	10-30	0% - 2%
Reservoirs and intake works	45	0% - 2%
Tunnels	45	0% - 2%
Water treatment works	10-45	0% - 2%
Wastewater treatment works	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%

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. 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.

ASSETS OR DISPOSAL GROUPS HELD FOR SALE

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).

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

ASSETS OR DISPOSAL GROUPS HELD FOR SALE (Cont...)

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 an 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

GROUP AS A LESSEE

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 or 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. Otherwise, the group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

GROUP AS A LESSEE (Cont...)

LEASE LIABILITY

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 interest rate implicit in the lease contract is not readily determinable.

After the commencement date the group measures the lease liability by:

- 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.

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. 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 (OTHER THAN GOODWILL)

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.

Research and 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.

Intangible assets are amortised from the time it's ready for use over a straight line basis over its useful life.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

INTANGIBLE ASSETS (EITHER THAN GOODWILL) (Cont...)

SOFTWARE

Software is carried at cost less accumulated amortisation and impairment. 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 are 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.

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, is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss, other than for goodwill, 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.

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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

UMGENI WATER CAPITAL AND GRANT FUNDING

Capital grants for infrastructure received by Umgeni Water are reflected against property, plant and equipment. The grant is recognised in profit or loss over the remaining useful life of the depreciable asset as a reduced depreciation expense.

Government grants towards staff training are recognised as income over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

EMPLOYEE BENEFITS

RETIREMENT BENEFIT COSTS – PROVIDENT FUND

Contributions to the defined contribution retirement benefit plan for the provident fund are recognised as an expense when employees have rendered service entitling them to the contributions.

RETIREMENT BENEFIT COSTS – PENSION FUND

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.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as 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.

POST RETIREMENT HEALTHCARE BENEFITS

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. Actuarial gains and losses are recognised immediately in other comprehensive income in accordance with IAS 19 revised.

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. 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.

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 undiscounted basis and are expensed as the related service is provided. Remuneration of employees is charged to the statement of profit and loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT...)

FOR THE YEAR ENDED 30 JUNE 2021

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

EMPLOYEE BENEFITS (Cont...)

SHORT-TERM EMPLOYEE BENEFITS (Cont...)

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.

PROVISIONS AND CONTINGENT LIABILITIES

Provisions are recognised when the group has a present legal or constructive obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be reliably estimated. A contingent liability is recognised for a possible obligation dependent on a future event, for which the timing of payment is uncertain or the amount cannot be measured reliably.

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 funded investments. 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 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. Cash and cash equivalents are measured at amortised cost.

IMPAIRMENT OF FINANCIAL ASSETS

The group recognizes a loss allowance for expected credit losses (ECL) on investments measured at amortised cost and trade and other receivable. 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 always recognises lifetime ECL for trade receivables. 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 90 days past due, unless the group has reasonable and supportable information that demonstrates otherwise.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

IMPAIRMENT OF FINANCIAL ASSETS (Cont...)

For all other financial instruments, the group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. 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 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.

The loss allowance is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The loss allowance is recognised in the statement of financial position and the movement in accounted for in profit and loss. 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. The impairment is accounted for under the simplified approach for trade receivables where the loss allowance is equal to the lifetime expected credit losses at every reporting date.

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 gross carrying amount of a financial asset is written off or derecognised (either partially or in full) when all attempts to recover the outstanding amount have failed or there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings.

The amount written off is recognised as a reduction to the allowance for ECLs. 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.

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 stated at amortised cost.

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 not interest bearing and are stated at their nominal value.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

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.

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 the 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

The group recognises revenue from the following major sources:

- sale of potable bulk water;
- treatment of bulk wastewater;
- 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 to which the group expects to be entitled 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. Transactions prices are guided by the Pricing Policy of the organisation. The following major revenue streams and significant judgements made for each revenue stream in applying IFRS 15 were relevant to the group.

POTABLE BULK WATER SUPPLY

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 Umgeni 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 Umgeni 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

REVENUE (Cont...)

TREATMENT OF BULK WASTE WATER

OPERATING AND MAINTAINING:

Revenue is recognised at a point in time when operating and maintaining activities of the bulk wastewater works on behalf of the customer is performed every month according to the agreed upon standards in terms of the contract and control is transferred 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 WASTEWATER TREATMENT:

Which includes sewage; trade effluent and contaminated storm water: Revenue is recognised at a point in time when wastewater 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. Control is transferred 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 wastewater.

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 subsidiaries revenue, which includes eco-tourism.

Revenue from acting as an implementing agent is recognised over time on a cost-to-cost method based 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 in accordance with the customer policies for implementing agents' fees where these are entities that are part of the National Government and in accordance with the pricing policy of Umgeni Water.

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 have 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 0f 1997), are disclosed as cost of sales. All other costs are considered to be administration expenses.

TAXATION

Umgeni Water and Msinsi Holdings SOC Ltd are tax-exempt entities in terms of Section 10 (1) (t) (ix) of the Income Taxation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT...)

FOR THE YEAR ENDED 30 JUNE 2021

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

TAXATION (Cont...)

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.

DEFFERED 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. 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 to settle its current tax assets and liabilities on a net basis.

INTEREST INCOME

Interest income is accrued on a time basis, 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.

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 added 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 borrowing 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.

2.2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont...)

FRUITLESS, WASTEFUL AND IRREGULAR EXPENDITURE (Cont...)IRREGULAR EXPENDITURE

Where expenditure has been incurred that does not comply with any law or regulation, the group recognises that expenditure as irregular expenditure. Irregular expenditure is recognised when it is confirmed and to the extent that the expenditure is recognised in accordance with IFRS.

Irregular expenditure is derecognised when it is either:
(a) condoned by the relevant authority if no official was found to be liable in law;
(b) recovered from an official liable in law;
(c) written-off if it is irrecoverable from an official liable in law; or
(d) written-off if it is not condoned and not recoverable.

3. OPERATING SEGMENTS AND SEGMENT REPORTING

Umgeni 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 Umgeni 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

Trade debtors comprise bulk water and wastewater sales to municipalities of which eThekwini Municipality R2 876m (2020:R2 700m) and Msunduzi Local Municipality R 750m (2020:R 776m) which contributes to 81.80% (2020: 84.31%) of revenue. Additional information on the major customers per segment are included in notes 16.

Segment results that are reported include items directly attributable to the segment as well as those that can be allocated on a reasonable basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

3. OPERATING SEGMENTS AND SEGMENT REPORTING (Cont...)

	GROUP			
	PRIMARY ACTIVITIES			
	BULK WATER	WASTE WATER	OTHER ACTIVITES	TOTAL
	R'000	R'000	R'000	R'000
For the year ended 30 June 2021				
Revenue	4 235 486	246 115	46 636	4 528 237
Cost of sales	(1 613 705)	(148 109)	(26 699)	(1 788 513)
Changes in water inventory	119	-	-	119
Chemicals	(86 019)	(5 312)	-	(91 331)
Depreciation	(279 979)	(39 329)	-	(319 308)
Energy	(300 033)	(25 410)	-	(325 443)
Maintenance	(245 322)	(17 988)	(309)	(263 619)
Raw water	(409 541)	-	-	(409 541)
Section 30 activities	-	-	(24 712)	(24 712)
Staff costs	(269 603)	(44 907)	(1 220)	(315 730)
Other direct operating expenses	(23 327)	(15 163)	(458)	(38 948)
Gross profit	**2 621 781**	**98 006**	**19 937**	**2 739 724**
Other income	8 862	71 793	1 033	81 688
Other operating and administration expenses	(1 461 570)	(203 087)	(85 190)	(1 749 848)
Impairments of property, plant and equipment	(29 516)	(154 804)	-	(184 320)
Amortisation	(53 774)	-	(137)	(53 911)
Depreciation	(45 216)	(1116)	(2 531)	(48 863)
Satff costs	(433 082)	-	(45 432)	(478 514)
Credit losses	(149 682)	(16 254)	(8 129)	(174 065)
Other expenses and recoveries	(750 300)	(30 913)	(28 963)	(810 175)
Profit from operations	**1 169 073**	**(33 288)**	**(64 220)**	**1 071 564**
Interest income	247 944	787	666	249 397
Finance costs	(49 586)	-	(435)	(50 021)
Share of profit from associate	-	-	4 853	4 853
Profit before tax	**1 367 431**	**(32 501)**	**(59 136)**	**1 275 793**
Taxation	-	-	(23)	(23)
Profit for the year	**1 367 431**	**(32 501)**	**(59 159)**	**1 275 770**
Capital expenditure	**587 980**	**237 217**	**2 955**	**828 152**
Segment assets	9 159 186	980 604	69 364	10 209 154
Interest in associate	-	-	10 858	10 858
Investments	4 542 846	-	135 049	4 677 895
Unallocated				73 458
Consolidated total assets				**14 971 365**
Segment liabilities	1 480 868	-	135 049	1 615 917
Unallocated				1 414 814
Consolidated total liabilities				**3 030 731**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

3. OPERATING SEGMENTS AND SEGMENT REPORTING (Cont...)

	GROUP			
	PRIMARY ACTIVITIES			
	BULK WATER	WASTE WATER	OTHER ACTIVITES	TOTAL
	R'000	R'000	R'000	R'000
For the year ended 30 June 2020				
Revenue	3 893 773	216 373	44 229	4 154 375
Cost of sales	(1 327 444)	(139 004)	(25 830)	(1 492 279)
Changes in water inventory	(760)	-	-	(760)
Chemicals	(75 852)	(4 453)	-	(80 305)
Depreciation	(266 321)	(38 180)	-	(304 502)
Energy	(286 850)	(24 733)	-	(311 583)
Maintenance	(178 340)	(17 120)	(578)	(196 038)
Raw water	(269 560)	-	-	(269 560)
Section 30 activities	-	-	(24 231)	(24 231)
Staff costs	(227 122)	(41 452)	(934)	(269 508)
Other direct operating expenses	(22 639)	(13 066)	(87)	(35 792)
Gross profit	**2 566 329**	**77 369**	**18 399**	**2 662 096**
Other income	10 692	1 082	1 293	13 067
Other operating and administration expenses	(1 405 602)	(184 774)	(6 490)	(1 596 866)
Impairments of property, plant and equipment	(28 649)	(160 135)	-	(188 784)
Amortisation	(40 406)	-	(150)	(40 556)
Depreciation	(54 902)	(1 072)	(3 590)	(59 564)
Satff costs	(437 968)	-	(40 810)	(478 778)
Credit losses	(273 680)	(76)	-	(273 756)
Other expenses and recoveries	(569 997)	(23 491)	38 060	(555 428)
Profit from operations	**1 171 419**	**(106 323)**	**13 201**	**1 078 297**
Interest income	285 839	-	78	285 917
Finance costs	(106 393)	1 835	(71)	(104 629)
Share of profit from associate	-	-	5 441	5 441
Profit before tax	**1 350 865**	**(104 488)**	**18 649**	**1 265 026**
Taxation	-	-	(31)	(31)
Profit for the year	**1 350 865**	**(104 488)**	**18 618**	**1 264 995**
Capital expenditure	**742 112**	**114 122**	**421**	**856 655**
Segment assets	9 037 029	822 135	18 007	9 877 170
Interest in associate	-	-	11 446	11 446
Investments	4 171 411	-	133 308	4 304 719
Unallocated				132 867
Consolidated total assets				**14 326 202**
Segment liabilities	2 051 191	-	133 308	2 184 499
Unallocated				1 463 069
Consolidated total liabilities				**3 647 568**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

4. 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 235 - 236 of the 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. Bulk water revenue comprises 94% (2020: 94%) of total revenue for the group. The average bulk water tariff was R7.73 (2020: R7.73).

DISAGGREGATION OF REVENUE

	PRIMARY ACTIVITIES	OTHER ACTIVITIES	TOTAL PARENT	SUBSIDIARY	TOTAL GROUP
	R'000	R'000	R'000	R'000	R'000
For the year ended 30 June 2021					
Revenue from major products/service lines as a result of performance obligations satisfied					
Bulk water sales	4 235 486	-	4 235 486	-	4 235 486
Waste water sales	246 115	-	246 115	-	246 115
Scientific and environmental services	-	9 378	9 378	-	9 378
Operating and maintenance	-	4 883	4 883	-	4 883
Training and capacity building	-	18 995	18 995	-	18 995
Other	-	332	332	13 048	13 380
	4 481 601	**33 588**	**4 515 189**	**13 048**	**4 528 237**
Timing of revenue recognition					
At a point in time	4 481 601	14 261	4 495 861	10 061	4 505 923
Over time		19 327	19 327	2 987	22 314
	4 481 601	**33 588**	**4 515 189**	**13 048**	**4 528 237**
For the year ended 30 June 2020					
Revenue from major products/service lines as a result of performance obligations satisfied					
Bulk water sales	3 893 773	-	3 893 773	-	3 893 773
Waste water sales	216 273	-	216 373	-	216 373
Scientific and environmental services	-	9 767	9 767	-	9 767
Operating and maintenance	-	4 235	4 235	-	4 235
Training and capacity building	-	17 919	17 919	-	17 919
Other	-	586	586	11 722	12 308
	4 110 146	**32 507**	**4 142 653**	**11 722**	**4 154 375**
Timing of revenue recognition					
At a point in time	4 110 146	14 002	4 124 148	8 802	4 132 950
Over time	-	18 505	18 505	2 920	21 425
	4 110 146	**32 507**	**4 142 653**	**11 722**	**4 154 375**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

4. REVENUE (Cont...)

REVENUE FROM CONTRACT LIABILITIES

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Revenue recognised that was included in the contract liability balance at the beginning of the period, due to performance obligations satisfied. Refer to note 20.2	19 363	18 581	19 363	18 581

5. OTHER INCOME

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Sundry income	77 217	9 487	77 651	8 343
Rental income	4 471	3 580	4 453	3 431
Total other income	**81 688**	**13 067**	**82 104**	**11 774**

Sundry income comprises primarily: Performance guarantee (2021) and insurance proceeds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

6.1 PROFIT FROM OPERATIONS

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Profit from operations is stated after taking the following items into account:				
Asset impairments and write-offs	199 553	200 000	199 553	200 000
- Buildings & infrastructure impairments (refer to note 9)	65 860	4 901	65 860	4 901
- Buildings & infrastructure write-offs (refer to note 9)	1 185	413	1 185	413
- Capital work-in-progress impairments (refer to note 9)	118 460	183 884	118 460	183 884
- Capital work-in-progress write-offs (refer to note 9)	12 602	10 179	12 602	10 179
- Intangible assets write-offs (refer to note 11)	1	52	-	52
- other asset impairments and write-offs (reversals)	1 446	571	1 446	571
Amortisation of intangible assets (Refer to note 11)	53 911	40 556	53 774	40 406
Auditors remuneration	5 429	4 865	4 177	3 521
- Audit fees - current year	5 437	4 873	4 185	3 529
- Audit fees - prior year (over) provision	(8)	(8)	(8)	(8)
Board members' emoluments (note 33)	6 001	5 694	5 550	5 414
Depreciation	371 338	367 639	368 659	364 364
- Buildings and infrastructure (refer to note 9)	327 170	312 052	327 026	312 052
- Equipment and vehicles (refer to note 9)	42 944	54 556	40 805	51 281
- Right of use Asset (refer to note 23.1)	1 224	1 346	828	1 031
Allowance for credit losses	174 065	273 826	173 990	273 826
Financial losses (goods and services not received)	84 779	-	84 779	-
Fair value of biological asset(refer to note 12)	345	701	-	-
Maintenance	321 827	233 132	319 318	230 974
- Direct costs	263 621	196 038	263 620	196 038
Internal labour	97 754	101 681	97 754	101 681
Other internal costs	7 116	9 941	7 116	9 941
External maintenance	158 750	84 416	158 750	84 416
- Indirect costs	58 207	37 094	55 698	34 936
Internal labour	34 654	16 862	34 654	16 862
Other internal costs	2 523	1 649	2 523	1 649
External maintenance	21 030	18 584	18 521	16 426
Profit on disposal of property, plant and equipment	(821)	(98)	(684)	(145)
Research and Development	4 346	3 631	4 346	3 631
Retirement benefits	88 116	102 160	84 732	99 138
- Post retirement medical aid (refer to note 25.2)	50 284	47 332	50 284	47 332
- Pension - defined benefit (refer to note 25.1)	37 832	54 828	34 448	51 806
Salaries and other staff costs*	794 244	748 286	748 812	707 476
- Direct	315 730	269 508	315 730	269 508
- Indirect	478 514	478 778	433 082	437 968

*Includes a portion of retirement benefit costs related to employer contributions.

	NO.	NO.	NO.	NO.
Number of employees at 30 June				
Permanent	1 172	1 126	1 050	1 008
Fixed term projects	183	147	183	147
Total number of employees	**1 355**	**1 273**	**1 233**	**1 155**

6.2 TAXATION

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Taxation arose from a 100% owned subsidiary Umgeni Water services (SOC) Ltd				
Taxation expense	23	31	-	-
Reconciliation of taxation				
Accounting profit	4 864	5 475	-	-
Permanent differences	(4 782)	(5 365)	-	-
Profit from associate	(4 853)	(5 441)	-	-
Disallowed expenses	71	76	-	-
Taxable income	82	110	-	-
Taxation expense (@28%)	**23**	**31**	**-**	**-**

7. INTEREST INCOME

Interest received - Investments	215 940	267 977	215 940	267 977
Interest received - other	33 457	17 940	32 949	17 862
Total interest income	**249 397**	**285 917**	**248 889**	**285 839**

8. FINANCE COSTS

Other	1 118	-	1 118	-
Bonds	148 842	170 414	148 842	170 414
Leases	361	215	212	144
Loans	15 031	20 765	15 031	20 765
Less borrowing costs capitalised (refer to note 9)	(115 331)	(86 765)	(115 331)	(86 765)
Interest was capitalised to work-in-progress at the gross weighted average cost of capital of 10.55% (2020: 10.54%)				
Total finance costs	**50 021**	**104 629**	**49 872**	**104 558**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

9. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDING AND INFRASTRUCTURE	EQUIPMENT AND VEHICLES	CAPITAL INFRASTRUCTURE WORK IN PROGRESS	TOTAL PARENT	TOTAL GROUP
	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2021						
Carrying amount 1 July 2020	3 940	6 369 456	106 057	2 391 113	8 870 566	8 877 779
Cost	3 940	10 978 941	423 133	2 848 982	14 254 996	14 288 620
Accumulated impairments	-	(466 232)	-	(262 061)	(728 293)	(728 293)
Accumulated grant funding	-	(1 883 307)	-	(195 808)	(2 079 115)	(2 079 115)
Accumulated depreciation	-	(2 259 946)	(317 076)	-	(2 577 022)	(2 603 433)
Additions	-	-	158 558	657 123	815 681	827 539
Grant funding	-	(174 609)	-	(208 005)	(382 614)	(382 614)
Borrowing costs capitalised	-	-	-	115 331	115 331	115 331
Disposals/Assets write-offs	-	(1 185)	(1 400)	(12 602)	(15 187)	(15 323)
Cost	-	(10 654)	(18 802)	(12 602)	(42 058)	(43 036)
Acccumulated depreciation	-	9 469	17 402	-	26 871	27 713
Transfers to intangible assets	-	-	-	(11 948)	(11 948)	(11 948)
Cost	-	-	-	(11 948)	(11 948)	(11 948)
Acccumulated depreciation	-	-	-	-	-	-
Transferred to non-current assets held for sale	-	-	(1 532)	-	(1 532)	(1 532)
Cost	-	-	(16 658)	-	(16 658)	(16 658)
Accumulated depreciation	-	-	15 126	-	15 126	15 126
Depreciation charge	-	(327 026)	(40 805)	-	(367 831)	(370 114)
Impairment	-	(65 860)	-	(118 460)	(184 320)	(184 320)
Commissioning	-	999 222	-	(999 222)	-	-
Cost	-	1 374 769	-	(1 374 769)	-	-
Accumulated impairments	-	(122 606)	-	122 606	-	-
Accumulated grant funding	-	(252 941)	-	252 941	-	-
Total property, plant and equipment	**3 940**	**6 799 998**	**220 878**	**1 813 330**	**8 838 146**	**8 854 798**
Cost	3 940	12 343 056	546 231	2 222 117	15 115 344	15 159 848
Accumulated impairments	-	(654 698)	-	(257 915)	(912 613)	(912 613)
Accumulated grant funding	-	(2 310 857)	-	(150 872)	(2 461 729)	(2 461 729)
Accumulated depreciation	-	(2 577 503)	(325 353)	-	(2 902 856)	(2 930 708)
Total property, plant and equipment	**3 940**	**6 799 998**	**220 878**	**1 813 330**	**8 838 146**	**8 854 798**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

9. PROPERTY, PLANT AND EQUIPMENT

	LAND	BUILDING AND INFRASTRUCTURE	EQUIPMENT AND VEHICLES	CAPITAL INFRASTRUCTURE WORK IN PROGRESS	TOTAL PARENT	TOTAL GROUP
	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 30 June 2020						
Carrying amount 1 July 2019	3 543	5 840 175	152 191	2 811 160	8 807 069	8 822 270
Cost	3 543	9 972 306	429 266	3 017 017	13 422 132	13 460 469
Accumulated impairments	-	(461 332)	-	(78 176)	(539 508)	(539 508)
Accumulated grant funding	-	(1 709 695)	-	(127 681)	(1 837 376)	(1 837 376)
Accumulated depreciation	-	(1 961 104)	(277 075)	-	(2 238 179)	(2 261 315)
Additions	-	-	6 509	776 035	782 544	788 044
Grant funding	-	-	-	(241 739)	(241 739)	(241 739)
Borrowing costs capitalised	-	-	-	86 765	86 765	86 765
Disposals/Assets write-offs	-	(413)	(686)	(10 179)	(11 278)	(11 325)
Cost	-	(13 624)	(5 873)	(10 179)	(29 676)	(29 723)
Acccumulated depreciation	-	13 211	5 187	-	18 398	18 398
Transfers to intangible assets	-	(1)	1	-	-	-
Cost	-	-	-	-	-	-
Acccumulated depreciation	-	(1)	1	-	-	-
Transferred to non-current assets held for sale	-	-	(677)	-	(677)	(10 843)
Cost	-	-	(6 769)	-	(6 769)	(18 269)
Accumulated depreciation	-	-	6092	-	6 092	7 426
Depreciation charge	-	(312 052)	(51 281)	-	(363 333)	(366 608)
Impairment	-	(4 901)	-	(183 884)	(188 785)	(188 785)
Commissioning	397	846 647	-	(847 044)	-	-
Cost	397	1 020 259	-	(1 020 656)	-	-
Accumulated impairments		(173 612)	-	173 612	-	-
Accumulated grant funding	-	-	-	-	-	-
Total property, plant and equipment	**3 940**	**6 369 455**	**106 057**	**2 391 114**	**8 870 566**	**8 877 779**
Cost	3 940	10 978 941	423 133	2 848 982	14 254 996	14 286 482
Accumulated impairments	-	(466 232)	-	(262 061)	(728 293)	(728 293)
Accumulated grant funding	-	(1 883 307)	-	(195 808)	(2 079 115)	(2 079 115)
Accumulated depreciation	-	(2 259 946)	(317 076)	-	(2 577 022)	(2 601 295)
Total property, plant and equipment	**3 940**	**6 369 455**	**106 057**	**2 391 114**	**8 870 566**	**8 877 779**

9. PROPERTY, PLANT AND EQUIPMENT (Cont...)

Infrastructure consists of: pipelines, dams, weirs, reservoirs, tunnels, pump stations, sludge plants, wastewater treatment works and water treatment works. Equipment and vehicles consists of: motor vehicles, computer hardware and furniture and fittings. The subsidiaries property, plant and equipment is all classified as equipment and vehicles.

A schedule of land and buildings is available for inspection at the registered office of Umgeni 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 6 years. The pump station has a carrying amount of R37m and is used by the customer to guarantee supply to a portion of its operational areas.

CHANGE IN ESTIMATE RESIDUAL VALUES AND REMAINING USEFUL LIVES

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 R3.78 million (2020: R5.05 million).

IMPAIRMENTS

The impairment losses arose from projects/bulk supply schemes relating to rural development infrastructure where the recoverable amount is less than the carrying amount. The impairment reversals arose as a result of increases in the recoverable amount due to grant funding received as well as increases in value in use based on the projections. The recoverable amount is the estimated value in use using the weighted average cost of capital as at 30 June 10.55% (2020: 10.54%). It was not possible to determine fair value less costs to sell as there was no basis for making a reliable estimate of the amount obtainable from the sale of these assets in an arms length transaction between knowledgeable and willing parties. The impairment losses to work-in-progress were calculated as a pro-rata impairment based on the final projected impairment value. Below is the summary impairment expense(reversals) recognised during the year.

SUMMARY OF IMPAIRMENTS

	ACCUMULATED IMPAIRMENT 30 JUNE 2020	ACCUMULATED IMPAIRMENT TRANSFERRED FROM WORK IN PROGRESS	IMPAIRMENT 30 JUNE 2021	ACCUMULATED IMPAIRMENT 30 JUNE 2021
	R'000	R'000	R'000	R'000
Buildings and infrastructure				
Bulk water				
Maphumulo bulk water supply scheme	297 475	-	65 860	363 335
Mhlabatshane bulk water supply scheme	108 045	-	-	108 045
Mpambanyoni emergency scheme	15 465	-	-	15 465
Pipeline Ngcebo bulk water	38 774	-	-	38 774
Other assets	6 473	-	-	6 473
Sub-total bulk water	**466 232**	-	**65 860**	**532 092**
Waste water				
Trustfeeds WWW* (capitalised from CWIP in 2021)	-	122 606	-	122 606
Sub total wastewater	**-**	**122 606**	**-**	**122 606**
Total buildings and infrastructure	**466 232**	**122 606**	**65 860**	**654 698**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

9. PROPERTY, PLANT AND EQUIPMENT (Cont...)

	PROGRESSIVE IMPAIRMENT 2020	PROGRESSIVE IMPAIRMENT 2021	ACCUMULATED IMPAIRMENT 30 JUNE 2020	ACCUMULATED IMPAIRMENT TRANSFERRED TO BUILDING AND INFRASTRUCTURE	IMPAIRMENT / (IMPAIRMENT REVERSAL) 30 JUNE 2021	ACCUMULATED IMPAIRMENT 30 JUNE 2021
	%	%	R'000	R'000	R'000	R'000
Work in progress						
Bulk water						
Greater Mphofana (Phase 1)	9%	0%	63 305	-	(63 305)	-
Mhlabashane Bulk water supply scheme	100%	68%	14 728	-	(1 992)	12 736
uThukela DM bulk meters	100%	100%	5 067	-	866	5 933
Refurbish of pumps - Ezakheni	100%	100%	18 824	-	25 561	44 385
Lovu Emergency Scheme	0%	6%	-	-	2 526	2 526
Sub-total waste water			**101 925**	**-**	**(36 344)**	**65 581**
Waste water						
Mpophomeni WWW and Mpophomeni Sewer outfall	100%	100%	55 970	-	132 546	188 516
Trustfeeds WWW	100%	100%	104 166	(122 606)	18 440	-
N3 Corridor	0%	47%	-	-	3 818	3 818
Subtotal wastewater			**160 136**	**(122 606)**	**154 804**	**192 335**
Total capital work in progress			**262 061**	**(122 606)**	**118 460**	**257 915**

9.1 CAPITAL COMMITMENTS

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Contracted for but not provided for in the financial statements.				
- Commitments in respect of capital expenditure for the expansion, augmentation and upgrades of pipelines and water works.	1 299 254	1 075 200	1 299 254	1 075 200
- Commitments in respect of capital expenditure for the intangible assets.	1 105	191	1 105	191
Total capital commitments	**1 300 359**	**1 075 391**	**1 300 359**	**1 075 391**

9.2. 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 due to COVID-19. Consultations are currently in progress with the appointed auctioneer to undertake the disposal of these assets in 2022.

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.

	VEHICLES	EQUIPMENT	TOTAL PARENT	TOTAL GROUP
	R'000	R'000	R'000	R'000
As at 30 June 2021				
Balance as at 1 July 2020	626	51	677	10 843
Transferred from property, plant and equipment	1 527	5	1 532	1 532
Disposals	(337)	(5)	(342)	10 508)
Fair value adjustment	-	-	-	-
Total assets held for sale	**1 816**	**51**	**1 867**	**1 867**
As at 30 June 2020				
Balance as at 1 July 2019	-	-	-	-
Transferred from property, plant and equipment	626	51	677	10 843
Disposals	-	-	-	-
Total assets held for sale	**626**	**51**	**677**	**10 843**

10. INVESTMENT PROPERTY

During the year Umgeni Water acquired a building from its subsidiary Msinsi Holding (SOC), the transfer of which was concluded in November 2020. The purchase price was settled via offset to the loan owed by Msinsi to Umgeni in terms of the sale agreement. Umgeni water accounts for the investment property using the cost model. The fair value of the building is estimated at R11.2 million as at 01 July 2021.

	PARENT	GROUP
	R'000	R'000
Year ended 30 June 2021		
Carrying amount 1 July 2020	-	-
Cost	-	-
Accumulated impairments	-	-
Accumulated depreciation	-	-
Additions	9 062	-
Depreciation charge	(144)	-
Impairment	-	-
Total investment property	**8 918**	**-**
Cost	9 062	-
Accumulated impairments	-	-
Accumulated depreciation	(144)	-
Total investment property	**8 918**	**-**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

11. INTANGIBLE ASSETS

	INTANGIBLE ASSET	WORK IN PROGRESS	TOTAL PARENT	TOTAL GROUP
	R'000	R'000	R'000	R'000
As at 30 June 2021				
SOFTWARE				
Carrying Amount 1 July	119 483	105 337	224 820	224 913
Cost	289 758	105 337	395 095	396 263
Accumulated amortisation	(170 275)	-	(170 275)	(171 350)
Additions	-	23 398	23 398	23 557
Commisioning	125 611	(125 611)	-	-
Disposals and write-offs	-	-	-	(1)
Cost	(506)	-	(506)	(811)
Accumulated amortisation	506	-	506	810
Transfers	-	11 948	11 948	11 948
Cost	-	11 948	11 948	11 948
Accumulated amortisation	-	-	-	-
Amortisation	(53 774)	-	(53 774)	(53 911)
Total intangible assets	**191 320**	**15 072**	**206 392**	**206 506**
Cost	414 863	15 072	429 935	430 957
Accumulated amortisation	(223 543)	-	(223 543)	(224 451)
Total intangible assets	**191 320**	**15 072**	**206 392**	**206 506**

Included in intangible assets is the SAP ERP system with a carrying amount of R83.7 million (2020: R110.7 million) with a remaining amortisation period of 2.75 years (2020: 3.75 years) and SAP BI software of R64.0 million (2020: Nil) with a remaining amortisation period of 4.08 years.

	INTANGIBLE ASSET	WORK IN PROGRESS	TOTAL PARENT	TOTAL GROUP
	R'000	R'000	R'000	R'000
As at 30 June 2020				
SOFTWARE				
Carrying Amount value 1 July	153 957	42 682	196 819	196 910
Cost	284 295	42 862	327 157	328 173
Accumulated amortisation	(130 338)	-	(130 338)	(131 263)
Additions	-	68 459	68 459	68 611
Commisioning	5 984	(5 984)	-	-
Disposals and write-offs	(52)	-	(52)	(52)
Cost	(521)	-	(521)	(521)
Accumulated amortisation	469	-	469	469
Amortisation	(40 406)	-	(40 406)	(40 566)
Total intangible assets	**119 483**	**105 337**	**224 820**	**224 913**
Cost	289 758	105 337	395 095	396 263
Accumulated amortisation	(170 275)	-	(170 275)	(171 350)
Total intangible assets	**119 483**	**105 337**	**224 820**	**224 913**

Included in intangible assets is the SAP ERP system with a carrying amount of R110.6 million with a remaining amortisation period of 3.75 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

12. BIOLOGICAL ASSETS

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Game	3 130	3 475	-	-
Opening carrying amount	3 475	4 359	-	-
Disposals	-	(183)	-	-
Fair value adjustment	(345)	(701)	-	-
The carrying amount was based on an estimated 640 (2020: 461) game, the most significant categories being Buffalo, Giraffe, Zebra 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.				
Total biological assets	**3 130**	**3 475**	**-**	**-**

13. SUBSIDIARIES AND ASSOCIATE

13.1 INVESTMENTS IN SUBSIDIARIES

	-	-	-	-
Cost	-	-	30 000	30 000
Accumulated impairment	-	-	(30 000)	(30 000)
Share of post acquisition reserves	-	-	-	-
Total investments in subsidiaries	**-**	**-**	**-**	**-**

13.2 INVESTMENTS IN ASSOCIATES

Cost	2 590	2 590	-	-
Accumulated impairment	-	-	-	-
Share of post acquisition reserves	8 268	8 856	-	-
Total investments in associates	**10 858**	**11 446**	**-**	**-**

13.3 LOANS TO (FROM) SUBSIDIARIES

Msinsi Holdings SOC Limited	-	-	-	10 113
Umgeni Water services SOC Limited	-	-	-	-
Total loans to subsidiaries	**-**	**-**	**-**	**10 113**

The loan with Msinsi Holdings SOC Limited was offset with the purchase of the administrative building by Umgeni Water from Msinsi Holdings SOC limited. Refer to notes 9.2 and 10 for further details.

NVESTMENTS IN SUBSIDIARIES

			Proportion of ownership interest		Proportion of voting power held	
			2021	2020	2021	2020
Subsidiary	**Principal activity**	**Place of incorporation**	**%**	**%**	**%**	**%**
Umgeni Water services SOC Limited	Water services	RSA	100	100	100	100
Msinsi Holdings SOC Limited	Land and environmental management	RSA	100	100	100	100

The above entities remained subsidiaries throughout the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

13. SUBSIDIARIES AND ASSOCIATES (Cont...)

The impairment in the parent investment in Msinsi Holdings SOC Ltd was re-assessed in 2021 based on value- in- use calculations using the projected operating cashflows of Msinsi and the weighted average cost of capital as at 30 June 2021 of 10.55% (2019:10.54%).

Umgeni 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. Msinsi SOC Limited has an investment of 16.67% in Powaprops 31 (Proprietary) Limited. The investment has been fully impaired in 2013.

INVESTMENTS IN ASSOCIATE OF UMGENI WATER SERVICES SOC LIMITED

			PROPORTION OF OWNERSHIP INTEREST		PROPORTION OF VOTING POWER HELD	
			2021	2020	2021	2020
ASSOCIATE	PRINCIPAL ACTIVITY	PLACE OF INCORPORATION	%	%	%	%
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.

INVESTMENTS IN ASSOCIATE

	PROPORTION OF OWNERSHIP INTEREST		PROPORTION OF VOTING POWER HELD	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Durban Water Recycling (Pty) Limited	10 858	11 446	10 858	11 446
Investments held by Msinsi Holdings (Pty) Limited				
Powerprops (Pty) Limited	-	-	-	-
Net investment	**10 850**	**11 446**	**10 858**	**11 446**

SUMMARISED FINACIAL INFORMATION OF ASSOCIATES

	2021	2020
	R'000	R'000
Total non-current assets	3 015	8 563
Total non-current liabilities	2 019	2 019
Total current assets	70 966	89 049
Total current liabilities	13 539	33 724
Total capital and reserves	58 423	61 869
Total revenue	86 719	80 985
Share of profit for the year	4 853	5 441

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

14. INVESTMENTS – FINANCIAL ASSETS

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
14.1 LONG-TERM INVESTMENTS – FINANCIAL ASSETS				
Financial asset at amortised cost	-	79 268	-	79 268
14.2 SHORT-TERM INVESTMENTS – FINANCIAL ASSETS				
Financial asset at amortised cost	4 677 895	4 225 451	4 677 895	4 225 451
Financial assets comprise money market investments and redemption assets.				
Refer to note 30 financial risk management and financial instruments for interest rates and maturiy profile of investments. The carrying amount of investments approximates its fair value.				
Total financial assets	**4 677 895**	**4 304 719**	**4 677 895**	**4 304 719**
14.1.1 ANALYSIS OF REDEMPTION ASSETS AT AMORTISED COST				
Opening balance	523 364	417 075	523 364	417 078
Receipt of capital and interest	76 636	106 286	76 636	106 286
Redeemed	(600 000)	-	(600 000)	-
Closing balance	**-**	**523 364**	**-**	**523 364**

15. INVENTORIES

15.1 STORES	19 972	20 033	19 972	20 033
Pipe inventories	1 164	954	1 164	954
Maintenace spares	1 757	1 622	1 757	1 622
Chemicals	6 219	7 780	6 219	7 780
Miscellaneous	10 832	9 677	10 832	9 677
15.2 WATER INVENTORY				
Water inventory consists of closing inventory of raw and treated water	2 183	2 063	2 183	2 063
Total inventories	**22 155**	**22 096**	**22 155**	**22 096**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

16. TRADE AND OTHER RECEIVABLES

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
16.1 CURRENT				
Trade receivables	1 537 333	1 103 870	1 537 333	1103 870
Less: Allowance for credit losses	(585 184)	(410 797)	585 184)	(410 797)
Opening balance	(410 797)	(164 222)	(410 797)	(164 222)
Written off during the year	-	349	-	349
Raised during the year	(174 387)	(246 924)	(174 387)	(246 924)
Sub-total trade recievables	**952 149**	**693 074**	**952 149**	**693 074**
Sundry debtors	130 610	81 607	129 400	80 682
Less: Allowance for credit losses	(274)	(203)	-	-
Sub-total sundry debtors	**130 336**	**81 404**	**129 400**	**80 682**
Current trade and other recievables	**1 082 485**	**774 478**	**1 081 549**	**773 756**
16.2 NON- CURRENT				
The non-current trade receivable relates to the capital unit charges as well as the interest receivable due by iLembe District Municipality payable over an 11 year period to 2022.	65 365	72 012	65 142	71 792
Total trade and other receivables	**1 147 850**	**846 490**	**1 146 691**	**845 548**

Trade debtors are granted credit terms of 30 days from date of invoice to settle outstanding debts. The average credit period for Umgeni Water, at financial year-end, is 56 Days (2020: 59 days).

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 as well as it operational conditions.

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 an arrangement in place with the customer, or these are received susbequently prior to approval of the financial statements. The overdue amounts from iLembe District Municipality have not been provided for as these relate to the MMTS-2 capital unit charges which were previously in dispute, which was settled and a payment plan cocnluded for settlement of the overdue amounts. As a result the amounts due to be repaid over the 10 years that are due after the next 12 months have been reclassified to non-current trade receivables, refer note 16.2 below.

The constitutional court handed down judgement in favour of Umgeni Water in the Siza Water dispute relating to their 2015/2016 tariff increase. The revenue was recorded in full in prior years and the current year with respect to the customer, based on the Umgeni Water's assessment that it was entitled to the full revenue in terms of its bulk supply agreement with the customer.

All amounts due are included in trade receivables and have not been included in the estimated credit losses based on the final judgement issued in favour of Umgeni Water.

The disclosures that follow relate to the parent only as the impact of the subsidiaries are not material to the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

16. TRADE AND OTHER RECEIVABLES (continued)

	AMOUNT DUE	CURRENT	30 DAYS	60 DAYS	90 DAYS	120 + DAYS
	R'000	R'000	R'000	R'000	R'000	R'000
As at 30 June 2021						
Customer						
eThekwini Metropolitan Municipality	417 262	417 262	-	-	-	-
Msunduzi Local Municipality	307 108	55 532	92 912	93 759	59 810	5 095
uMgungundlovu District Municipality	130 771	39 508	28 208	30 194	27 935	4 926
iLembe District Municipality	31 279	31 279	-	-	-	-
Siza Water	54 024	4 583	937	899	905	46 700
Ugu District Municipality	253 783	16 833	14 565	1 145	1 179	220 061
Harry Gwala District Municipality	3 939	2 223	1 800	-	-	(84)
uThukela District Municipality	238 244	12 801	10 934	12 167	10 779	191 563
King Cetshwayo District Municipailty	94 899	19 377	17 650	16 141	15 445	26 286
Retail	542	86	51	2	9	394
Other	5 482	1 070	1 053	177	349	2 833
Gross carrying amount	**1 537 333**	**600 554**	**168 110**	**154 484**	**116 411**	**497 774**
Expected default rate [N1]		5.73%	20,21%	23,13%	29,45%	89.76%
Credit loss allwance (default rate x gross carrying amount)	(585 184)	(34 391)	(33 970)	(35 736)	(34 287)	(446 800)
Net carrying amount	**952 149**	**566 163**	**134 140**	**118 748**	**82 124**	**50 974**

As at 30 June 2020						
Customer						
eThekwini Metropolitan Municipality	384 586	384 586	-	-	-	-
iLembe District Municipality	199 919	94 349	84 335	21 234	-	-
Msunduzi Local Municipality	57 308	32 119	25 076	98	3	12
Ugu District Municipality	43 264	22 621	20 643	-	-	-
uMgungundlovu District Municipality	43 324	4 181	688	17	311	38 127
Harry Gwala District Municipality	203 295	16 726	13 875	14 287	13 317	145 091
Siza Water	1 969	1 968	-	-	-	1
uThukela District Municipality	165 435	13 288	10 369	10 852	9 127	121 799
Retail	531	104	52	10	8	357
Other	4 239	962	627	513	66	2 071
Gross carrying amount	**1 103 870**	**570 905**	**155 665**	**47 010**	**22 832**	**307 458**
Expected default rate [N1]		5.42%	16,11%	54.80%	100%	100%
Credit loss allowance (default rate x gross carrying amount)	(410 797)	(29 587)	(25 056)	(25 864)	(22 832)	(307 458)
Net carrying amount	**693 074**	**541 318**	**130 609**	**21 146**	**-**	**-**

N1 - The expected default rate is calculated as: Credit loss allowance amount per ageing bracket ÷ total trade receivables balance per age category.

16. TRADE AND OTHER RECEIVABLES (Cont...)

THE SUMMARY OF THE IMPACT OF EXPECTED CREDIT LOSSES IS AS FOLLOWS:

	AMOUNT DUE	ALLOWANCE FOR CREDIT LOSSES	TOTAL 2021	TOTAL 2020
	R'000	R'000	R'000	R'000
Customer				
eThewini Metropolitan Municipailty	417 238	-	417 238	384 586
iLembe District Municipality	31 279	-	31 279	43 264
Msunduzi Local Municipality	307 108	(8 014)	299 094	199 659
uGu District Municipality	243 230	(210 891)	32 339	-
uMgungundlovu District Municipality	130 771	(20 001)	110 770	57 273
Harry Gwala District Municipality	3 939	-	3 939	1 969
Siza Water	53 997	-	53 997	3 307
uThukela District Municipality	238 244	(238 244)	-	-
King Cetshwayo District Municipality	94 899	(94 899)	-	-
Other bulk customers	542	(402)	140	252
Trade receivables - primary activities	1 521 247	(572 451)	948 796	690 310
Trade receivables - secondary activities	16 086	(12 733)	3 353	2 764
Total trade receivables	**1 537 333**	**(585 184)**	**952 149**	**693 074**

A further analysis of financial risk relating to trade receivables is included in note 30.

17. BANK AND CASH

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Cash and cash equivalents consist of: Bank and cash on hand	41 434	20 780	203	648
The carrying amount of bank and cash is held at amortised cost and approximates its fair value.				
All cash reserves are placed with reputable, investment grade financial institutions. The estimated Probability of Default ("PD") rating is zero, therefore an expected credit loss of nil was raised.				
The group's outstanding guarantees are disclosed under note 24.				
Total bank and cash	**41 434**	**20 780**	**203**	**648**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

17. BANK AND CASH (CONT...)

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
17.1 RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH GENERATED FROM OPERATIONS				
Profit for the year	1 276 548	1 264 995	1 253 171	1 250 940
Interest income	(249 397)	(285 917)	(248 889)	(285 839)
Finance costs	50 021	104 629	49 872	104 558
Adjusted for non-cash items:				
Fair value adjustment of biological assets	345	701	-	-
Write off of biological assets	-	183	-	-
Asset impairments and write-offs	199 507	200 063	199 507	200 063
Intangible assets disposals and write-offs	-	52	-	52
Right of use asset (Lease termination)	46	-	46	-
Amortisation - intangible asset	53 911	40 556	53 774	40 406
Depreciation- Property, plant and equipment	370 114	366 608	367 831	363 333
Depreciation -Right of use asset	1 224	1 346	828	1 031
Depreciation -Investment property	-	-	144	-
Leases repayment	-	260	-	260
Loss (Profit) on disposal of property, plant and equipment	(796)	(98)	(684)	(145)
Increase in provisions and non-current liabilities	38 500	39 160	39 249	39 231
Credit losses	174 061	273 826	173 990	273 756
Income Tax expense	23	31	-	-
Share of profit from associate	(4 853)	(5 441)	-	-
Tax paid	(23)	(106)	-	-
Operating surplus before working capital changes	**1 909 231**	**2 000 848**	**1 888 839**	**1 987 646**
Working capital changes	**(476 947)**	**(125 483)**	**(474 571)**	**(124 986)**
Increase in accounts receivable	(461 504)	(385 277)	(455 517)	(373 029)
Increase in accounts payable	(97 184)	183 856	(100 795)	172 105
Increase in contract liabilities	81 800	79 049	81 800	79 049
Increase in inventory	(59)	(3 111)	(59)	(3 111)
Net cash from operating activities	**1 432 284**	**1 875 365**	**1 414 268**	**1 862 660**

18. CAPITAL

Capital consists primarily of contributions made by the Department of Water and Sanitation	442 847	442 847	442 847	442 847
Total Capital	**442 847**	**442 847**	**442 847**	**442 847**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

19. DEBT – FINANCIAL LIABILITIES

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Long-term	1 108 387	1 133 226	1 108 387	1 133 226
Short-term	58 116	683 975	58 116	683 975
Debt consists of interest bearing liabilities. Bonds are held at cost whilst bank loans and foreign loans are at amortised cost and are unsecured.				
Total debt	**1 166 503**	**1 817 201**	**1 166 503**	**1 817 201**

19.1. ANALYSIS OF DEBT HELD AT AMORTISED COST

	NOMINAL AMOUNT		INTEREST RATES		MATURITY DATE	GROUP		PARENT	
	2021	2020	2021	2020		2021	2020	2021	2020
	R'000	R'000				R'000	R'000	R'000	R'000
Developmental Funding Institutions	**198 226**	**227 668**				**198 764**	**228 354**	**198 764**	**228 354**
DBSA - Fixed rate	-	4 604	5.0%	5.0%	31 Mar 2021	-	4 662	-	4 662
EIB - Fixed rate	101 452	113 387	9,08%	9,08%	17 Dec 2029	101 803	113 791	101 803	113 791
EIB - Variable rate	96 774	109 677	4,69%	4,82%	15 Dec 2028	96 961	109 901	96 961	109 901
Bonds	**935 000**	**1 535 000**				**967 739**	**1 588 847**	**967 739**	**1 588 847**
UG21 - Fixed rate	-	600 000	10,70%	10,70%	02 Mar 2021	-	621 108	-	621 108
UG26 - Fixed rate	935 000	935 000	11,31%	11,31%	09 Mar 2026	967 739	967 739	967 739	967 739
Total debt						**1 166 503**	**1 817 201**	**1 166 503**	**1 817 201**

Refer to note 30 financial risk management and financial instruments for maturity profile and fair value of debt.

20. CONTRACT LIABILITIES

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 4 for revenue recognised relating to performance obligations satisfied.

Non- current contract liabilities includes amounts invoiced in advance which relates to uMkhomazi 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.

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
20.1. CONTRACT LIABILITIES NON-CURRENT				
Amounts invoiced in advance (Mkhomazi Bulk Water supply)	314 365	233 990	314 365	233 990
20.2 CONTRACT LIABILITIES - CURRENT				
The following table provides information about contract liabilities from contracts with customers:				
Contract liabilities - current	135 049	133 308	135 049	133 308
Opening balance	133 308	129 549	133 308	129 549
Received during the year	21 104	22 340	21 104	22 340
Recognised in revenue during the year (Refer note 4)	(19 363)	(18 581)	(19 363)	(18 581)
Total contract liabilities	**449 414**	**367 298**	**449 414**	**367 298**

21. PROVISIONS

	LEGAL PROVISION	SHORT TERM INCENTIVE BONUS	LONG-TERM INCENTIVE BONUS - CURRENT PORTION	SUB-TOTAL CURRENT PROVISIONS	LONG-TERM INCENTIVE BONUS - NON CURRENT PORTION	TOTAL 2021	TOTAL 2020
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Group							
Opening balance	-	86 099	-	86 099	17 732	103 831	125 187
Provided during the year	2 308	41 541	6 114	49 963	8 540	58 503	112 489
Utilised/reclassified during the year	-	(53 872)	(4 839)	(58 711)	(6 114)	(64 825)	(133 845)
Closing balance	**2 308**	**73 768**	**1 275**	**77 351**	**20 158**	**97 509**	**103 831**
Parent							
Opening balance	-	84 478	-	84 478	17 732	102 210	124 180
Provided during the year	2 308	40 436	6 114	48 858	8 540	57 397	110 120
Utilised/reclassified during the year	-	(52 879)	(4 839)	(57 718)	(6 114)	(63 832)	(132 090)
Closing balance	**2 308**	**72 035**	**1 275**	**75 618**	**20 158**	**95 776**	**102 210**

The provision for 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 Scheme.

The long term incentive bonus provision is raised in terms of Umgeni water's performance policy and is based on a five year performance period. Refer to note 33 for further details. Legal claims provisions are raised to the extent that it is probable Umgeni Water will be required to honour obligations.

Legal claims consist of employment matters, finalisation of which is expected within the next financial year.

All provisions are raised in the ordinary course of business. The short term incentive bonus payout for 2019/2020 was reduced in line with the approved performance for 2020, thus resulting in R52.8 million utilised against the R84.5 million provided for in 2020.

22. ACCOUNTS PAYABLE

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Trade accounts payable	181 338	432 840	179 400	430 542
Trade accruals	322 586	164 975	320 762	163 071
Leave Accrual	51 660	42 090	48 688	39 418
Amounts due to related parties:				
Water purchases and CUC accrual - DWS	259 079	223 434	259 079	280 071
Sundry creditors	43 466	97 316	55 098	50 262
SARS	47 072	47 503	46 595	47 053
Trade accounts payable and accruals comprise amounts outstanding for trade purchases.				
Trade and other payables are carried at amortised				
Total accounts payable	**905 201**	**1 008 158**	**909 622**	**1 010 417**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

23. LEASES

The groups leased assets include land, buildings and ICT equipment. Information about these assets is as per table below:

23.1 GROUP AS A LESEE

RIGHT OF USE ASSET

	LAND	BUILDINGS	ICT EQUIPMENT	TOTAL PARENT	TOTAL GROUP
	R'000	R'000	R'000	R'000	R'000
As at 30 June 2021					
Carrying amount 1 July 2020	72	2 930	30	3 032	3 661
Cost	112	3 884	67	4 063	5 007
Accumulatd Depreciation	(40)	(954)	(37)	(1 031)	(1 346)
Accumulated Impairment	-	-	-	-	-
Additions	-	-	-	-	4 517
Termination of contract	-	(1 742)	-	(1 742)	(2 082)
Cost	-	(3 266)	-	(3 266)	(3 606)
Accumulated depreciation	-	1 524	-	1 524	1 524
Depreciation	(37)	(778)	(13)	(828)	(1 224)
Total right of use assets	**35**	**410**	**17**	**462**	**4 872**
Cost	112	618	67	797	5 918
Accumulated Depreciation	(77)	(208)	(50)	(335)	(1 046)
Accumulated Impairment	-	-	-	-	-
Total right of use assets	**35**	**410**	**17**	**462**	**4 872**

As at 30 June 2020					
Carrying amount 1 July 2019	109	3 048	43	3 200	3 200
Cost	112	3 266	67	3 445	3 445
Accumulatd Depreciation	(3)	(218)	(24)	(245)	(245)
Accumulated Impairment	-	-	-	-	-
Additions	-	618	-	618	1 562
				-	-
Depreciation	(37)	(736)	(13)	(786)	(1 101)
Total right of use assets	**72**	**2 930**	**30**	**3 032**	**3 661**
Cost	112	3 884	67	4 063	5 007
Accumulated Depreciation	(40)	(954)	(37)	(1 031)	(1 346)
Accumulated Impairment	-	-	-	-	-
Total right of use assets	**72**	**2 930**	**30**	**3 032**	**3 661**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

23. LEASES (Cont...)

23.1 GROUP AS A LEASEE (Cont...)

LEASE LIABILITIES

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Present value of the minimum lease payments	5 167	3 597	456	2 989
0 - 1 year	1 294	1 110	168	837
1 - 5 years	1 077	2 487	288	2 152
> 5 years	2 796	-	-	-
Total lease liabilities	**5 167**	**3 597**	**456**	**2 989**
Lease liabilities included in the statement of financial position				
Current portion	1 294	1 110	168	837
Non-current portion	3 873	2 487	288	2 152
Capital repayment for the year (Refer: cashflows - financing activities)	3 009	1 306	837	1 074
Current year	2 749	1 046	837	814
Prior year	260	260	-	260
Recognised in profit or loss				
Depreciation	1 224	1 346	828	1 031
Current year	1 224	1 051	828	787
Prior year	-	244	-	244
Interest expense on lease liabilitties (included in finance cost)	361	202	212	144
Current year	361	173	212	115
Prior year	-	29	-	29
Expense relating to low value included in operating expenses	180	61	180	61
Expense relating to short-term leases included in operating expenses	175	413	175	413

23.2 GROUP AS A LESSOR

Operating leases

At the reporting date, the group had no outstanding commitments under non-cancellable 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. Investment property is disclosed in note 10. Rental income of R4.5m (2020: R3.4m) was earned.

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
At the reporting date, the group had contracted with tenants for the following future minimum lease rentals:	5 851	4 687	5 851	4 687
0 - 1 year	2 184	1 190	2 184	1 190
1 - 5 years	3 667	3 497	3 667	3 497
> 5 years	-	-	-	-
Total group as lessor	**5 851**	**4 687**	**5 851**	**4 687**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

24. CONTINGENT LIABILITIES GUARANTEES

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Guarantees Guarantees have been given by certain financial institutions in respect of payments to utility service providers.	7 369	7 369	7 369	7 369
Contingent Liabilities The contingent liabilities relate to current litigations which may lead to possible obligations	-	2 060	-	2 060
Total contingent liabilities and guarantees	**7 369**	**9 429**	**7 369**	**9 429**

25. POST-RETIREMENT BENEFIT OBLIGATIONS

All the Umgeni 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.

	GROUP AND PARENT	
	2021	2020
	R'000	R'000
Summary of net liabilities for post-retirement benefit obligations:		
Defined benefit plan (refer note 25.2.)	21 832	108
Post-retirement healthcare benefits (refer note 25.3.)	367 619	330 879
Total post-retirement benefit obligations	**389 451**	**330 987**
Liability current:	17 634	16 041
Liability non-current	371 817	314 946

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

25. POST-RETIREMENT BENEFIT OBLIGATIONS (Cont...)

25.1 DEFINED BENEFIT CONTRIBUTION

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
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.	35 825	31 102	32 441	28 080

25.2 DEFINED BENEFIT PLAN

The Umgeni 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 2021. The assets of the Umgeni 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:

	GROUP AND PARENT	
	2021	2020
Key assumptions used in the actuarial valuation were as follows:		
Discount rate	11.60%	13.30%
Inflation rate	6.50%	7.50%
Expected rate of salaryincreases	7.50%	8.50%
Future pension increase	4.30%	5.00%

	GROUP AND PARENT	
	2021	2020
	R'000	R'000
Amounts recognised in profit/loss in respect of the defined benefit plan are as follows:		
Current service cost	24 449	31 525
Interest on obligation	106 473	102 638
Expected return on plan assets	(104 700)	(82 357)
Past service cost	8 226	-
Total included in staff costs in statement of profit and loss	**34 448**	**51 806**
Amounts recognised in other comprehensive income in respect of the defined benefit plan are as follows:		
Net actuarial loss (gain)	12 582	(197 741)
Total included in statement of other comprehensive income	**12 582**	**(197 741)**
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	902 885	803 965
Fair value of plan assets	(881 053)	(803 857)
Net liability in statement of financial position	**21 832**	**108**

25. POST-RETIREMENT BENEFIT OBLIGATIONS (Cont...)

25.2 DEFINED BENEFIT PLAN (Cont...)

	GROUP AND PARENT	
	2021	2020
	R'000	R'000
Movement in the net liability recognised in the statement of financial position is as follows:		
Net liability at start of year	108	170 516
Net expense recognised in the statement of profit and loss	34 448	51 806
Net expense (income) recognised in the statement of other comprehensive income	12 582	(197 741)
Company contributions	(25 306)	(24 473)
Net liability at end of year	**21 832**	**108**
Movements in the defined benefit obligation for the year:		
Defined benefit obligation at beginning of year	803 965	951 230
Current service cost	24 449	31 525
Member contributions	9 554	9 114
Interest cost	106 473	102 638
Actuarial loss	18 363	(249 426)
Benefits paid	(61 455)	(35 066)
Risk premiums	(4 892)	(4 378)
Past service cost	8 226	-
Expenses	(1 798)	(1 672)
Defined benefit obligation at the end of year	**902 885**	**803 965**
Movements in the present value of plan assets were as follows:		
Fair value of plan assets at beginning of year	803 857	780 714
Interest on plan assets	104 700	82 357
Member contributions	9 554	9 114
Employer contributions	25 306	24 473
Actuarial gain	5 781	(51 685)
Benefits paid	(61 455)	(35 066)
Risk premiums	(4 892)	(4 378)
Expenses	(1 798)	(1 672)
Fair value of plan assets at end of year	**881 053**	**803 857**
Actual Return on Assets	110 481	30 672
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:		
Cash	13.35%	10.85%
Equity	24.60%	25.32%
Bonds	28.34%	25.16%
Property	2.80%	3.91%
International	16.10%	23.44%
Other	14.81%	11.32%
Total	**100.00%**	**100.00%**

Percentages reflected in 2021 are based on June 2021 asset composition. The group expects to make a contribution of R14.7m to the defined benefit plan during the next financial year.

25. POST-RETIREMENT BENEFIT OBLIGATIONS (Cont...)

25.2. DEFINED BENEFIT PLAN (Cont...)

An analysis of the impact of changes in the underlying assumptions used in the actuarial valuation are presented in the table that follows:

		ACCRUED LIABILITY			
	CENTRAL ASSUMPTION	INCREASE		DECREASE	
	R'000	R'000		R'000	
Sensitivity factor					
1% change in discount rate	11.60%	(9.30%)	(83 580)	13.80%	124 271
1% change in inflation rates	6.50%	11.30%	102 279	(7.60%)	(68 449)
1% change in salary increase rate	7.50%	6.30%	56 728	(4.50%)	(40 355)

25.3. POST RETIREMENT HEALTH CARE 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 2021. Employees who joined Umgeni Water after 28 February 2002 cannot elect to join this scheme.

	GROUP AND PARENT	
	2021	2020
Key assumptions used in the actuarial valuation were as follows:		
Discount rate	11.90%	13.90%
Expected rate of increase in medical indices	8.70%	10.10%
	R'000	R'000
Amounts recognised in profit and loss in respect of the post-retirement healthcare costs are as follows:		
Current service cost	5 316	7 097
Interest on obligation	44 968	40 235
Total included in staff costs in statement of profit and loss	**50 284**	**47 332**
Amounts recognised in other comprehensive income in respect of the post-retirement healthcare costs are as follows:		
Actuarial loss(gain)	1 189	(95 951)
Total included in statement of other comprehensive income	**1189**	**(95 951)**

25. POST-RETIREMENT BENEFIT OBLIGATIONS (Cont...)

25.3. POST RETIREMENT HEALTH CARE BENEFITS (Cont...)

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 AND PARENT	
	2021	2020
	R'000	R'000
Opening balance	330 879	394 905
Net expense recognised in the statement of profit and loss	50 284	47 332
Company contributions	(14 733)	(15 407)
Net (income) expense recognised in the statement of other comprehensive income	1 189	(95 951)
Liability at end of year	**367 619**	**330 879**
Movements in the post-retirement healthcare obligation in the current period were as follows:		
Projected benefit obligation at beginning of year	330 879	394 905
Current service cost	5 316	7 097
Interest cost	44 968	40 235
Actuarial (gain) loss	1 189	(95 951)
Employer contributions	(14 733)	(15 407)
Projected benefit obligation at end of year	**367 619**	**330 879**

The group expects to make a contribution of R27.2m 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:

		ACCRUED LIABILITY			
	CENTRAL ASSUMPTION	INCREASE		DECREASE	
	%	%	R'000	%	R'000
Sensitivity factor					
1% change in medical aid inflation rates	8,70%	13,60%	49 977	(11,30%)	(41 463)
1% change in expected retirement age	60 years	(3,20%)	(11 607)	3,00%	10 962
1% change in discount rate	11.90%	(10,90%)	(39 918)	13,30%	48 713

The information presented above is as per the latest valuation, which was performed on 30 June 2021.

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 company;
- future changes in the tax environment: the risk that changes in the tax legislation governing employee benefits may increase the liability for the company;
- 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 company.

26. 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 2021.

Key assumptions used in the actuarial valuation were as follows:

	GROUP AND PARENT	
	2021	**2020**
Discount rate	5.50%	4.80%
Inflation rate	3.70%	1.70%
Salary increase rate	4.70%	2.70%
	R'000	**R'000**
Amounts recognised in profit and loss are as follows:		
Current service cost	5 145	4 595
Interest on obligation	841	1 264
Current year loss	3 225	220
Total included in staff costs in statement of profit and loss	**9 211**	**6 079**
Movement in the liability recognised in the statement of financial position is as follows:		
Liability at beginningof year	16 496	14 553
Net expense recognised in the statement of profit and loss	9 211	6 079
Company paid benefits	(8 222)	(4 136)
Net liability at end of year	**17 485**	**16 496**
Liability current	6 125	5 801
Liability non current	11 360	10 695

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

27. RELATED PARTIES

The group is wholly owned by its shareholder, the Department of Water and Sanitation. Umgeni 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 also comprise the two wholly owned subsidiaries of Umgeni Water (Msinsi Holdings SOC Ltd and Umgeni Water Services SOC Ltd), the associate Durban Water Recycling Pty Ltd of the group and post retirement benefit plans for the benefit of the employees. For disclosures regarding the post retirement benefit plan, refer to note 26. Related parties also includes key management personnel of Umgeni or its shareholder and close family members of the related parties. Key management personnel for Umgeni Water include the group's Board of Directors' and the Executive Management (EXCO) and their remuneration is disclosed in note 33.

IAS 24 Related Party disclosures provides 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. No provisions have been made for credit losses in respect of the amounts owed by related parties. All related party transactions are carried within normal trade conditions. The following transactions were carried out with related parties.

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Revenue: Sale of goods and services				
Revenue: Section 30				
National department	220	18 283	220	18 283
Sundry income				
Subsidiary	-	-	671	-
Cost of sales				
National Department	292 387	269 560	292 387	269 560
Cost of sales: Section 30				
National Department	199	16 639	199	16 639
Other operating and administration expenses				
Subsidiaries and associates	-	-	71 492	54 244
Finance income				
Subsidiaries and associates	-	-	158	732
Work in progress: Grant funding for rural development projects				
National Department	382 614	241 739	382 614	241 739
Loans to (from) entities:				
Msinsi Holdings (Pty) Limited	-	-	-	10 113
Investments in subsidiaries				
Subsidiaries and associates	10 858	11 446	-	-
Other payables				
Subsidiaries and associates	-	-	15 183	12 296
National Departments	259 079	280 071	259 079	280 071
Raw water purchases accrual	69 087	91 244	69 087	91 244
Capital Unit Charge recovery	77 619	56 637	77 619	56 637
Capital Unit Charge accrual	112 373	132 190	112 373	132 190

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

28. IRREGULAR EXPENDITURE

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Opening balance 1 July	943 424	229 545	937 847	224 893
Prior period error correction	(45 606)	-	(45 606)	-
Add: irregular expenditure relating to current year	510 955	151 320	510 780	150 395
Add: prior year irregular expenditure identified in current year	204	562 559	-	562 559
Less: amounts transferred to receivable/recovered	-	-	-	-
Less: amounts condoned by appropriate authority	-	-	-	-
Amounts awaiting condonement	**1 408 977**	**943 424**	**1 403 021**	**937 847**

Details of irregular expenditure

INCIDENT	CONDONING AUTHORITY
2021	
Deviations approval noncompliance (R232m) • R77m – Deviation irregularities relating to transactions concluded during 2020/2021 for noncompliant approval of deviations from competitive bidding and incorrectly awarded as sole source. • R155m – incurred from prior year non-compliant deviations from competitive bidding **Procurement Procedures & Contract management (R279m)** • R139m– Procurement legislation non-compliance in respect of tender awards. • R 140m - Contract variation approvals not complying with Treasury's SCM instruction note 3 of 2016/2017. Variations exceeding threshold approved internally by Umgeni Water as opposed to seeking National Treasury authorisation. The above non-compliances giving rise to irregular expenditure detected during year under review emanated from historical contracts variations approved between 2016-2021. **Prior period error R46m** • The prior period error relates to the incorrect inclusion of VAT on the expenditure incurred and corrections to the amounts incurred.	The Board and National Treasury in terms of Irregular Expenditure framework instruction no.2
2020	
Deviations approval noncompliance (R182.9m) • R13.9m – Deviation irregularities relating to transactions concluded during 2019/20 for noncompliant approval of deviations from competitive bidding and acceptance of less than 3 quotes. • R168.9 – incurred from prior year non-compliant deviations from competitive bidding **Procurement Procedures & Contract management (R530m)** • R218.2m – Procurement legislation non-compliance in respect of tender awards. • R 311.8m - Contract variation approvals not complying with Treasury's SCM instruction note 3 of 2016/2017. Variations exceeding threshold approved internally by Umgeni Water as opposed to seeking National Treasury authorisation. The above non-compliance to contracts and procurement procedures giving rise to irregular expenditure detected during year under review emanated from historical tender awards and contracts variations approved between 2016-2019.	The Board and National Treasury in terms of Irregular Expenditure framework instruction no.2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

29. FRUITLESS AND WASTEFUL EXPENDITURE

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Opening balance 1 July	5 269	5 283	5 236	5 228
Fruitless and wasteful expenditure incurred in the current year	1 756	15	1 744	14
Fruitless and wasteful expenditure incurred in the prior year but identified in the current year	5 698	-	5 698	-
Less: amounts written off/recovered by appropriate authority	(44)	(29)	(26)	(6)
Less: amounts transferred to receivable	-	-	-	-
Amounts awaiting approval or write off	**12 679**	**5 269**	**12 652**	**5 236**
Analysis of fruitless and wasteful expenditure				
Remuneration from 20th August 2017 to 19th August 2019	5 226	5 226	5 226	5 226
20th August 2017 to 19th August 2018	2 613	2 613	2 613	2 613
20th August 2018 to 19th August 2019	2 613	2 613	2 613	2 613
Fines and penalties	-	10	-	10
Financial losses	6 308	-	6 308	-
Interest paid	1 145	33	1 118	-
Total fruitless and wasteful expenditure	**12 679**	**5 269**	**12 652**	**5 236**

Details of fruitless and wasteful expenditure

INCIDENT	DETAILS
Remuneration paid in terms of a settlement agreement	The Board entered into a settlement agreement with the Chief executive as at 30th June 2017, which included the settlement of remuneration to the contract extension period to August 2019.
Financial losses	Financial losses arose from the investigations concluded on a contract for which information was misrepresneted, resulting in an overpayment for goods and services delivered.
Penalty	The penalty relates to a late payment to a lender which was 2 days later than scheduled.
Interest	Relates primarily to interest charged by a contractor on late payment.

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.1.1 CAPITAL MANAGEMENT

	GROUP		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
Capital and reserves is consistent with the prior year and consists of:				
Capital	442 847	442 847	442 847	442 847
Accumulated profit	11 097 145	9 821 374	11 030 532	9 777 361
Other comprehensive income	400 642	414 413	400 642	414 413
Total	**11 940 634**	**10 678 635**	**11 874 021**	**10 634 621**
Total interest bearing debt	1 166 503	1 817 201	1 166 503	1 817 201

30.1.2 DEBT MANAGEMENT

Debt management strategies

Umgeni 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 is then actively managed:

- By targeting an optimal debt level;
- 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;
- within approved borrowing limits; and
- by maintaining an external credit rating.

a) Optimal debt level

Umgeni Water strives to be within an optimal debt level by not exceeding a gearing ratio of 0.50 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	
	2021	2020	2021	2020
Gross debt - Nominal amount R'000 (Refer note 19)	1 133 226	1 762 668	1 133 226	1 762 668
Interest rate structure				
Fixed	91%	94%	91%	94%
Floating	9%	6%	9%	6%
Gearing ratio	0,09	0.17	0,10	0,17

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.1.2. DEBT MANAGEMENT (Cont...)

Debt management strategies (Cont...)

(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. Prior to redemption, the entity must have provided for at least:

- 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.

(c) Managing debt within approved borrowing limits

The borrowing limits for the period 2020 to 2022 were approved by the Minister of Water and Sanitation with the concurrence of the Minister of Finance and are as follows:

	2022	2021	2020
	R'000	R'000	R'000
Borrowing Limit			
Not exceed as at 30 June	1 400 000	1 400 000	2 000 000
Total	**1 400 000**	**1 400 000**	**2 000 000**

The borrowing authority has further subjected Umgeni Water to the following additional requirements:

a) A gearing limit of 50% calculated as follows: interest-bearing debt relative to total equity;
b) A minimum cash interest cover (CIC) ratio of three (3) times,
c) A minimum debt service cover ratio (DSCR) of one (1) time
d) Umgeni Water submits quarterly progress reports to the Asset and Liability Management division on the Borrowing Programme and Funding Plan, including utilisation of the borrowing authority; and
e) Umgeni 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. If there are any delays in the projects, the entity should provide reasons for such delays.

	2021	2020
	R'000	R'000
Utilisation of borrowing limits		
Borrowing limit	1 400 000	2 000 000
Gross borrowings (refer to note 19)	(1 133 226)	(1 762 668)
Collateral and guarantees (refer to note 24)	(7 369)	(7 369)
Unutilised borrowing limits	**259 405**	**229 963**

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.1.2 DEBT MANAGEMENT (Cont...)

Debt management strategies (Cont...)

(d) Maintaining an external credit rating

The ability of Umgeni 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 cashflows by anticipating adverse market and business conditions and continuous monitoring of strategies devised to counteract the adverse market conditions.

Umgeni Waters' national credit ratings are as follows:

RATING AGENCY	REVIEW DATE	DETAILS	LONG TERM RATING	SHORT TERM RATING
Standard & Poors	27/05/2021	Affirmed rating	zaAAA	zaA-1+
Fitch Ratings	19/11/2020	Affirmed rating	AA+(zaf)	F1 + (zaf)

30.2. FINANCIAL RISK MANAGEMENT

Umgeni 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 Umgeni Water 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 Umgeni 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. Umgeni Water does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The principal financial risks to which Umgeni Water is exposed as a result of its financial instruments are:

- Credit risk (which includes counterparty risk);
- liquidity risk and;
- market risk (interest rate risk)

30.2.1. 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 Umgeni 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.

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		PARENT	
	2021	2020	2021	2020
	R'000	R'000	R'000	R'000
a) Investments	4 677 895	4 304 719	4 677 895	4 304 719
b) Trade and other receivables	1 733 308	1 257 489	1 731 875	1 256 344
c) Cash and equivalents	41 434	20 780	203	648

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.2. FINANCIAL RISK MANAGEMENT (Cont...)

30.2.1 CREDIT RISK (Cont...)

COVID-19 impact on credit risk exposure

The group has evaluated the credit risk exposure in terms of the impact on COVID-19 to its financial assets. There is no significant impact to investments, as these are not held for trading but rather for future investment in water infrastructure. The potential impact on trade receivables has been taken into account in the determination of the allowance for credit losses where the operating environment has been assessed and where municipal customers were considered an increased credit risk exposure these were provided for in terms of the potential impact on credit losses to the organisation. Further details are included below under (b) trade and other receivables as well as note 16 of the financial statements.

a) Investments

According to its Investment Policy Umgeni 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 R1 500m as approved by the Board, and limited to parties where 5% of shareholders funds exceeds R1 000m. The group limits its exposure to credit risk by investing only with counterparties with a national long-term rating of A and short-term rating of F1 and better. 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.

Given the credit ratings of counterparties, management does not expect any counterparty to fail to meet its obligations and hence no investment has been impaired, during the current and prior years.

Maximum credit risk exposure to Umgeni Water:

The table below shows Umgeni 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.

FINANCIAL INSTRUMENTS

		GROUP AND PARENT	
	CREDIT LIMIT	2021	2020
Counterparty	R'000	R'000	R'000
Non-current financial assets		-	**78 000**
Nedbank Limited	1 000 000	-	-
ABSA Bank Limited	1 000 000	-	-
First Rand Bank Limited	1 000 000	-	78 000
Current financial assets		**4 629 534**	**4 130 874**
ABSA Bank Limited*	1 000 000	944 452	1 107 281
First Rand Bank Limited	1 000 000	991 519	817 600
Standard bank of South Africa Limited	1 000 000	966 602	809 038
Nedbank Limited*	1 500 000	1 151 987	997 982
Nedgroup Money Market Fund Limited	300 000	276 000	100 000
Stanlib Money Market Fund Limited	300 000	298 973	298 973
Corporation for public Deposits	3 000 000	-	-
Total		**4 629 534**	**4 208 874**

* The notional limits with Nedbank were breached temporarily in June 2021. The portfolio was rebalanced in July 2021 to keep within Board approved limits.

The maximum exposure to credit risk on investments disclosed in the statement of financial position is R4.68 million (2020: R4.30 million).

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.2. FINANCIAL RISK MANAGEMENT (Cont...)

30.2.1 CREDIT RISK (Cont...)

b) Trade and other receivables

The management of credit risk in relation to trade and other receivables is summarised as follows:

- Umgeni 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 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 as well as it operational conditions. The group has recognised 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 an arrangement in place with a customer.

Monitoring exposure

Umgeni 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 16.

Lifetime expected credit losses

Refer to note 16 for expected credit losses on trade and other receivable.

	GROUP AND PARENT	
	2021	2020
	R'000	R'000
Analysis of the ageing of financoal assets (trade receivable) which are past due but have not been impaired:	385 986	151 755
30 days	134 140	130 609
60 days	118 748	21 146
90 days	82 124	-
120+ days	50 974	-

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.

c) Cash and Cash Equivalents

The group held cash and cash equivalents of R41m at 30 June 2021 (2020: R21m) of the following which represents the maximum credit exposure on these assets.

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.2. FINANCIAL RISK MANAGEMENT (Cont...)

30.2.1. CREDIT RISK (Cont...)

	GROUP		PARENT	
Counterparty	**2021**	**2020**	**2021**	**2020**
	R'000	R'000	R'000	R'000
Cash	**41 434**	**20 696**	**203**	**623**
First Rand Bank Limited	41 231	20 073	-	-
Nedbank Bank Limited	203	623	203	623
Total	**41 434**	**20 696**	**203**	**623**

The remaining balance of R108K (2021: R84K) for the group and R32K (2020: R25K) in for the parent represents petty cash in Rands per thousand for which there is no credit risk attached.

Guarantees

At 30 June 2021 the group had R7 369m (2020:R7 369m) of guarantees outstanding and this represents the maximum exposure to the group.

Collateral

At 30 June 2021 the group has no collateral held as security.

30.2.2. 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, Umgeni 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.

30.2.2.1. LIQUIDITY RISK INHERENT IN CONTRACTUAL CASH FLOWS

The following table details the group's expected maturity for its financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Umgeni Water anticipates that the cash flow will occur in a different period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.2. FINANCIAL RISK MANAGEMENT (Cont...)

30.2.2.1 LIQUIDITY RISK INHERENT IN CONTRACTUAL CASH FLOWS (Cont...)

FINANCIAL ASSETS

		GROUP					
	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	< 1 MONTH	1-3 MONTHS	3 MONTHS -1 YEAR	1-5 YEARS	>5 YEARS	TOTAL
		R'000	R'000	R'000	R'000	R'000	R'000
As at 30 June 2021							
Fixed interest rate instruments	n/a	-	-	-	-	-	-
Variable interest rate instruments	4,27%	3 136 050	454 197	1 107 375	-	-	4 697 622
Trade and other recievables	n/a	1 668 166	-	-	65 142	-	1 733 308
Total		**4 804 216**	**454 197**	**1 107 375**	**65 142**	-	**6430 930**
As at 30 June 2020							
Fixed interest rate instruments*	9,21%	(5 241)	(10 483)	573 793	-	-	558 069
Variable interest rate instruments	5.94%	1 483 680	763 920	1 506 695	85 445	-	3 839 739
Trade and other recievables	n/a	1 183 542	-	1 935	71 792	-	1 257 489
Total		**2 661 981**	**753 437**	**2 082 423**	**157 237**		**5 655 298**

* Negative up to 3 months due to the investment in the redemption asset which matured in 2021 to meet the requirements for the UG21 bond.

The group and parent figures remain the same with immaterial difference relating to the subsidiary. The following tables summarises Umgeni 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 Umgeni 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.

FINANCIAL LIABILITIES

		GROUP					
	WEIGHTED AVERAGE EFFECTIVE	< 1 MONTH	1-3 MONTHS	3 MONTHS - 1 YEAR	1-5 YEARS	>5 YEARS	TOTAL
		R'000	R'000	R'000	R'000	R'000	R'000
As at 30 June 2021							
Fixed interest rate instruments	11,09%	-	53 309	73 317	1 430 963	49 361	1 606 951
Variable interest rate instruments	4,69%	-	-	17 341	68 514	37 096	122 951
Trade and other payables	n/a	680 949	49 199	26 921	49 400	-	806 469
Total		**680 949**	**102 508**	**117 579**	**1 548 877**	**86 458**	**2 536 370**
As at 30 June 2020							
Fixed interest rate instruments	10,92%	-	88 062	708 624	500 602	1 106 348	2 403 637
Variable interest rate instruments	4,82%	-	-	17 786	70 312	53 784	141 882
Trade and other payables	n/a	296 141	583 433	2 135	-	-	881 709
Total		**296 141**	**671 495**	**728 545**	**570 914**	**1 160 133**	**3 427 229**

The group and parent figures remain the same with immaterial difference relating to the subsidiary.

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.2. FINANCIAL RISK MANAGEMENT (Cont...)

30.2.2.2 PRIMARY SOURCE OF FUNDING AND UNUSED FACILITIES

The primary source of funding to meet Umgeni 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 Umgeni 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)
Umgeni 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 000m, 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 UG21 was issued at a total nominal value of R600m on 02 March 2010 at a fixed rate of 10.70% and the UG26 was issued at a total nominal value of R935m at a fixed rate of 11.31% on 09 March 2016, both under the DMTN Programme. The unutilised portion of the programme as at the 30 June 2021 is R3 065m. UG21 was repaid on the 02 March 2021.

(b) General banking facilities
Umgeni Water has the following committed and uncommitted bank facilities available:

	GROUP & PARENT	
	COMMITTED	UNCOMMITTED
	R'000	R'000
Type of facility		
General Banking facility	-	50 000

(c) Bank Loans
This method of funding allows Umgeni Water to refinance short-term debt into longer-term debt with the view of achieving greater asset/liability matching.

30.2.3. INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates cause a reduction/increase in net profit for Umgeni Water. Umgeni 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 Umgeni Water to cashflow 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	
	RECOMMENDED RATIO	2021	2020
Ratio of fixed to floating interest rate			
Fixed	70%	91%	94%
Floating	30%	9%	6%

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.2. FINANCIAL RISK MANAGEMENT (Cont...)

30.2.3. INTEREST RATE RISK (Cont...)

At reporting date the interest rate profile of the group's interest bearing financial instruments is as follows:

	GROUP & PARENT	
	2021	2020
	R'000	R'000
Fixed rate instruments		
Financial assets	-	523 364
Financial liabilities	(1 036 452)	(1 652 991)
Net position	**(1 036 452)**	**(1 129 627)**
Variable rate instruments		
Financial assets	4 677 895	3 781 355
Financial liabilities	(96 774)	(109 677)
Net position	**4 581 121**	**3 671 678**

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 2021 would decrease/increase by R12.5m (2020: R3.9m)

30.4. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

30. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Cont...)

30.4. ACCOUNTING CLASSIFICATIONS AND FAIR VALUES (Cont...)

	GROUP		PARENT	
Counterparty	**2021**	**2020**	**2021**	**2020**
	R'000	R'000	R'000	R'000
CARRYING VALUES CATEGORIES OF FINANCIAL INSTRUMENTS				
Non-current financial assets				
Financial assets at amortised cost	**65 365**	**151 280**	**65 142**	**151 060**
Redemption assets	-	-	-	
Money market investments	-	79 268	-	79 268
Trade and other receivables	65 365	72 012	65 142	71 792
Current financial assets				
Financial assets at amortised cost	**5 801 814**	**5 020 709**	**5 759 647**	**4 999 855**
Redemption assets	-	523 364	-	523 364
Money market investments	4 677 895	3 702 087	4 677 895	3 702 087
Trade and other receivables	1 082 485	774 478	1 081 549	773 756
Cash and cash equivalents	41 434	20 780	203	648
Financial Liabilities				
Held at amortised cost	**1 972 972**	**2 698 910**	**1 988 155**	**2 711 206**
Long and short-term debt	1 166 503	1 817 201	1 166 503	1 817 201
Accounts payable	806 469	881 709	821 652	894 005

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.

		GROUP		PARENT	
	FAIR VALUE HIERARCHY LEVEL	**2021**	**2020**	**2021**	**2020**
		R'000	R'000	R'000	R'000
FAIR VALUE CATEGORIES OF FINANCIAL INSTRUMENTS					
Non-current financial assets - redemption assets	level 2	-	523 364	-	523 364
Long and short term debt	level 2	(1 292 377)	(2 007 130)	(1292 377)	(2 007 130)

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

FINANCIAL INSTRUMENT	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS
Non-current financial assets	Discounted cashflow	N/A
Long-term and short term debt	Discounted cashflow	N/A

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

31. SUBSEQUENT EVENTS

Judgement was handed down by the Constitutional Court on 23rd July 2021 in favour of Umgeni Water in the Siza Water tariff dispute case. As a result, the amounts in dispute recorded in the allowance for expected credit losses were reversed and the full amount of trade receivables related thereto is due to Umgeni Water together with recovery of legal costs incurred in the case. The amounts due by Siza Water are reflected in note 16 of the financial statements.

The group lost a case with a former Chief Executive and as a result the settlement of R2.3 million was adjusted for and included in provisions. This was included as a contingent liability in the prior year. Legal costs to be settled are to be finalised once final bills are received and taxed.

Umgeni Water agreed to a legal settlement In August 2021, relating to a performance guarantee on a construction contract. The financial statements have taken this into account resulting in an increase in sundry income of R70.6 million and an increase in sundry receivable of R81.2 million.

A metering anomoly was identified in September 2021 and as a result corrections were made to the metered sales volumes to two customers. The impact of this has been taken into account in the financial statements which resulted in an overall reduction in revenue of R34.6 million, an increase in trade and other recievables of R48.6 million, as well as a reduction in the allowance for credit losses of R51.9 million.

The tenure of the Interim Board that was appointed by the Executive Authority came to an end on 21 October 2021 following a ruling by the Pietermaritzburg High Court. The Executive Authority, in abiding with the ruling, has followed due process and ratified the appointment of the current Board with effect from 3 November 2021.

32. GOING CONCERN

The directors, having considered all the relevant information, have satisfied themselves that the group is in a sound financial position and that it has adequate access to sufficient borrowing facilities to meet its foreseeable cash requirements. though COVID-19 still persist, there are no indicators that COVID-19 has negatively impacted on the financial sustainability of the organisation. Customers have not requested extended payment terms due to the impact of COVID-19 and any increase in credit risk has been adequately taken into account in the allowance for credit losses. 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.

33. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

33. REMUNERATION REPORT (Cont...)

DIRECTORS AND EXECUTIVES EMOLUMENTS

	FEES FOR SERVICES/ SALARY	ALLOWANCES & BONUSES	EXPENSE ALLOWANCES	RETIREMENT CONTRIBUTIONS	TOTAL 2021	TOTAL 2020
	R'000	R'000	R'000	R'000	R'000	R'000
Ms. Z.B Mathenjwa (Chairperson)[N1]	65	-	-	-	65	694
Ms. N. B Chamane[N1]	21	-	-	-	21	392
Mr. V. G Reddy[N1]	36	-	-	-	36	417
Mrs. M. Ndlovu[N1]	49	-	-	-	49	341
Mr. S shabalala[N1]	45	-	-	-	45	459
Mr. T Nkhahle[N1]	21	-	-	-	21	382
Adv. S. Chamane[N1]	52	-	-	-	52	367
Mr. W. L. Mapena[N1]	62	-	-	-	62	483
Prof. T. Mthembu[N1]	51	-	-	-	51	397
Mr. M.E. Zakwe[N1]	49	-	-	-	49	352
Ms. B. Zulu[N1]	38	-	-	-	38	408
Mr. S. Badat[N1]	38	-	-	-	38	372
Mrs. L. Ngcobo[N1,N2]	447	-	19	-	467	349
Mr. M Mzobe (Chairperson) [N2]	725	-	14	-	739	-
Mr. T.J. Tselane [N2]	460	-	10	-	470	-
Mr V. V. Ndara [N2]	373	-	5	-	378	-
Ms. P. Ntombela [N2]	435	-	5	-	440	-
Ms S. F. Getyeza [N2]	430	-	10	-	440	-
Adv. M.T. Magigaba [N2]	397	-	5	-	403	-
Mr B. I. Dladla [N2]	370	-	5	-	375	-
Mr. S.J. James [N2]	427	-	5	-	432	-
Mrs. U. P. Mhlophe [N2]	414	-	5	-	419	-
Mr. M. B. Ngubo [N2]	452	-	8	-	461	-
Total non executive board members	**5 457**	**-**	**93**	-	**5 550**	**5 414**
Executive Board Member						
Mr T Hlongwa (CE) [N3]	1 515	609	43	-	2 167	4 299
Total - parent	**6 972**	**609**	**136**	-	**7 718**	**9 714**
Msinsi Holdings (SOC) Ltd						
Non-executive board member	451	-	-	-	451	280
Total subsidiaries	**451**	**-**	**-**	**-**	**451**	**280**
Total group	**7 423**	**609**	**136**	-	**8 168**	**9 994**

EXCO MEMBERS

	FEES FOR SERVICES/ SALARY	ALLOWANCES & BONUSES	EXPENSE ALLOWANCES	RETIREMENT CONTRIBUTIONS	TOTAL 2021	TOTAL 2020
	R'000	R'000	R'000	R'000	R'000	R'000
Mr. M. Cele	-	-	-	-	-	24 867
Mrs. M. Pillay	1 595	2 173	66	429	4 262	2 507
Mrs. N. Mkhize[N4]	1 934	2 074	-	-	4 009	2 287
Mr. S. Mjwara	1 862	565	-	-	2 427	2 370
Dr. S. Manana	1 862	565	-	-	2 427	2 025
Mr. S. Dube	698	103	33	114	948	-
Ms. N. Makhubu	743	63	15	-	821	-
Mrs. M. Malunga[N5]	677	504	49	182	1 413	1 392
Mrs. K. Singh[N6]	652	665	59	176	1 552	-
Total Exco	**10 024**	**6 711**	**223**	**901**	**17 859**	**35 447**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

33. REMUNERATION REPORT (Cont...)

LONG-TERM INCENTIVE BONUS

In terms of the approved Remuneration Strategy, Umgeni 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 theorganisation 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.

In terms of the Umgeni Water Performance Management Policy, the long-term incentive bonus, based on variable pay, is payable when the following conditions are met:

- Executives and Senior Managers who consistently achieve a performance rating above 75% qualify for a long term bonus.
- 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 to be paid out, i.e. as follows:
  a) Year 2 = 30% of incentive earned
  b) Year 4 = 50% of incentive earned at that point
  c) Year 5 = 85% of the incentive earned at that point is paid out.
- Should an employee leave employment of Umgeni 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 February 2021, as a result the following long term incentive bonuses have accrued to Executives:

NAME	DESIGNATION	OPENING BALANCE 1 JULY 2020	ACCRUED 2021	SUB TOTAL 30 JUNE 2021	UTILISED 2021	TOTAL PROVIDED 30 JUNE 2021
		R'000	R'000	R'000	R'000	R'000
Mr. T. Hlongwa	Chief executive	5 452	1 797	7 249	-	7 249
Mrs. M. Pillay	Executive: Scientific Services	3 479	1 927	5 406	(1 610)	3 795
Mrs. N. Mkhize	Chief Financial officer	2 500	1 879	4 379	(1 304)	3 075
Mr. S. Mjwara	Executive: Infrasrtucture development	2 908	153	3 061	-	3 061
Dr. S. Manana	Executive: Corporate service	-	1 761	1 761	-	1 761
Total executives		**14 339**	**7 517**	**21 856**	**(2 914)**	**18 942**
Total management		**3 393**	**1 023**	**4 416**	**(1 925)**	**2 491**
Long - term incentive bonus provided		**17 732**	**8 540**	**26 272**	**(4 839)**	**21 433**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont...)

FOR THE YEAR ENDED 30 JUNE 2021

33. REMUNERATION REPORT (Cont...)

SERVICE CONTRACT PERIOD OF EXECUTIVES

EXECUTIVES	DESIGNATION	DATE FIRST APPOINTED BY THE BOARD	DATE LAST REAPPOINTED	DATE DUE FOR RE-APPOINTMENT/ CONTRACT TERMINATED
Mr. T. Hlongwa	Chief Executive	01 July 2018	n/a	26 October 2020
Mrs. M. Pillay	Executive: Scientific Services	01 December 2018	n/a	01 December 2023
Mrs. N. Mkhize	Chief Financial Officer	05 December 2018	n/a	07 October 2021
Mr. S. Mjwara	Executive: Infrasrtucture Development	01 November 2018	n/a	01 November 2023
Dr. S. Manana	Executive: Corporate Services	01 June 2019	n/a	01 June 2024
Mr. S. Dube	Executive Operations	01 February 2021	n/a	31 January 2026
Ms. N. Makhubu	Chief Audit Executive	01 February 2021	n/a	31 January 2026

Umgeni Water Executives are also appointed, from time to time, as directors in the wholly owned subsidiaries and Associate firms of Umgeni 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

EXECUTIVES	DESIGNATION	DATE FIRST APPOINTED BY THE BOARD	MSINSI HOLDINGS SOC LIMITED	UMGENI WATER SERVICES SOC LIMITED	RESIGNATION DATE
Mr. M. Cele	Non Executive Director	07 June 2019	n/a	✓	n/a
Mrs. M. Pillay	Non Executive Director	01 January 2019	✓	n/a	n/a
Mrs. N. Mkhize	Non Executive Director	07 June 2019	✓	✓	n/a
Dr. S. Manana	Non Executive Director	07 June 2019	n/a	✓	n/a

[N1]: Served as Board members for the 2019/2020 financial year and their contract ended on the 31st of July 2021, re-appointed by the Minister on 4th of November 2021.

[N2]: Appointed as part of the Interim Board member appointed on the 1st of August 2021, term ended on the 3rd of November 2021

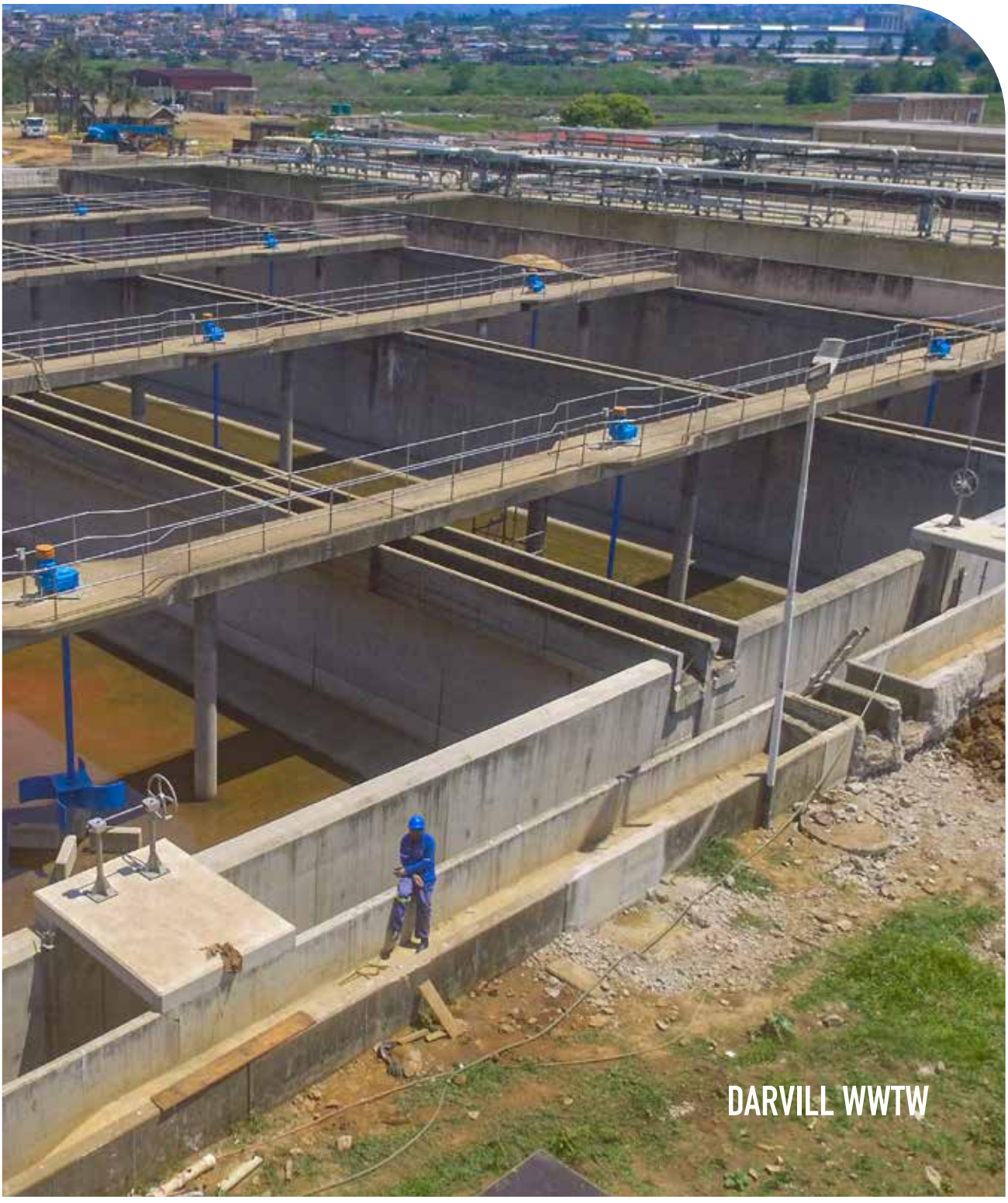
[N3]: Resigned on 26th of October 2021.

[N4]: Mrs N Mkhize is the Chief Financial Officer who was appointed as the Acting Chief Executive from the 2nd of November 2020, resigned on the 7th of October 2021.

[N5]: Mrs M Malunga is the Regional Manager Izintaba who was appointed as the Acting Executive Operations from the 1st of November 2019 to the 31st of January 2021.

[N6]: Mrs K Singh is the Treasury and Financial Planning Manager who was appointed as the Acting Chief Financial Officer from the 2nd of November 2020.

14 GRI CONTENT INDEX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Water Treatment Process Overview
Key stats for 2020/2021

1

Abstraction

572 Million Cubic Metres of Raw Water Abstracted from 18 abstraction systems and dams.

2

Water Purification

553 million cubic metres (1 515 Ml/d) of bulk potable water treated at 20 WTWs (a 9% year-on-year increase). Water is scientifically treated through various processes with quality consistently meeting the National Water Quality Standards SANS 241:2015.

3

Distribution to municipal storage

Supplied 8 WSAs in an area spanning 57 492 km2 - population of 8.5 million people (2.32 million households).

End Consumers

4

Progressively working towards serving communities and various industries distributed across the gazetted area of supply - the Province of KwaZulu-Natal, home to 11.06 million people and 2.87 million households across an area of 94 361 km2 and 14 WSAs

Wastewater Reticulation

5

Continued to receive the transfer of wastewater for treatment purposes through the municipal reticulation networks at the nine wastewater treatment works operated by the organisation.

Wastewater treatment

6

Domestic and industrial wastewater is treated at the 9 UW operated WWTWs distributed across 3 WSAs. Various processes are used for treatment of wastewater thus ensuring the final effluent discharged is not harmful to the environment. These must meet the stringent standards stipulated in the Licence or General Authorisation.

Release of treated effluent back to river system:

7

31 Million cubic metres (84Ml/d) of wastewater treated at 9 WWTWs (a 3% decrease from the prior year (32 million cubic meters or 88Ml/d in 2020).

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