

RAND WATER GROUP

REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2023



REVIEWED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
31 DECEMBER 2023

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APPROVAL BY THE BOARD

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

The condensed consolidated interim financial statements for the six months period ended 31 December 2023 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of International Accounting Standards (IAS) 34 Interim Financial Reporting.

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

The accounting policies and methods of computation used in the preparation of these consolidated interim financial statements are consistent in all material respects with those applied in the prior year.

The Board confirms, based on the information available to date, that it has collectively assessed the content of this consolidated interim financial statements, which fairly represent the financial position of the Group as at 31 December 2023 and the results of the operations and cash flow information for the six months period ended 31 December 2023.

The reviewed condensed consolidated interim financial statements have been approved for release to Rand Water's stakeholders by the Board at its meeting held on 25 March 2024 and signed on its behalf by:



Siphosiso Mosai
Chief Executive



Ramateu Monyokolo
Chairperson

CORPORATE INFORMATION

BOARD MEMBERS

Executive

Mr. Sipho Mosai
(Chief Executive)

Non-executive

Mr. Ramateu Monyokolo
(Chairperson)

Ms. Malande Tonjeni
(Deputy Chairperson)

Mr. Simphiwe Khondlo

Ms. Gwendolyn Mahuma-Madida

Ms. Lethabo Mashamaite

Mr. Anthony Mhlongo

Mr. Solomon Mngomezulu

Ms. Zanele Monnakgotla

Mr. Luvuyo Ntoyi

Ms. Clarinda Simpson

Mr. Gcinumzi Qotywa

Dr. Nomusa Qunta



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CORPORATE INFORMATION (CONTINUED)

COMPANY SECRETARY AND BUSINESS ADDRESS:

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522 Impala Road

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STATUTORY AUDITOR:

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INTERIM REVIEW AUDITOR:

Nexia SAB&T

119 Witch-Hazel Avenue

Highveld Technopark

Centurion

0169

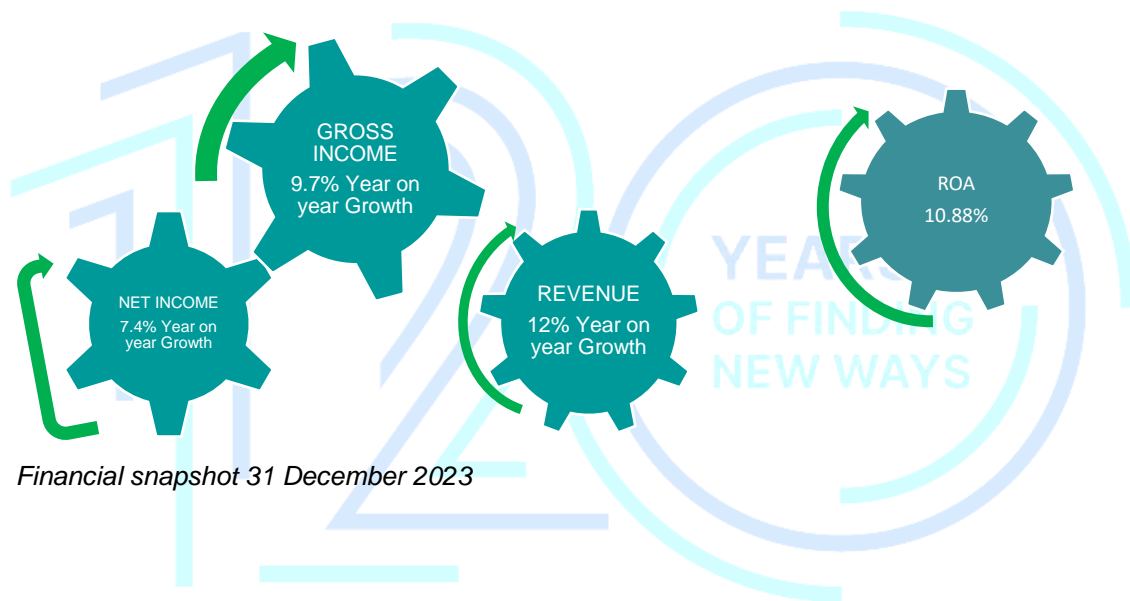


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FOREWORD

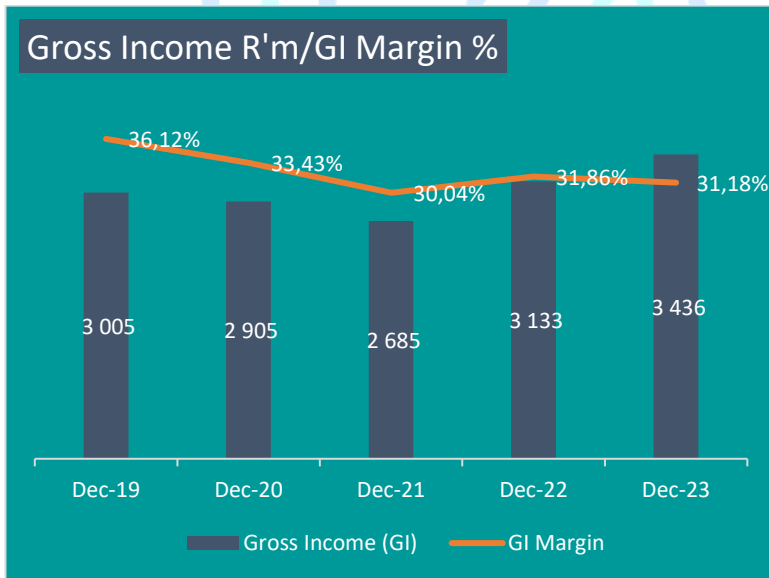
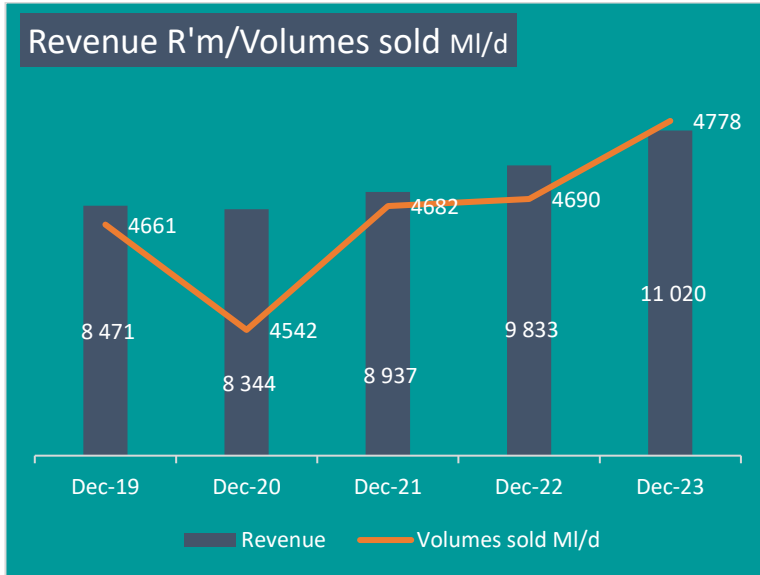
During the period ended 31 December 2023, we continued to face challenges as we find ourselves operating in a global and domestic economy that is struggling to recover from a dire economic condition with increasing power shortages, weakening Rand exchange rate, increasing interest rates which had an impact on the organisation, just like other public and private entities.

Rand Water persists in applying proactive measures to maintain a strong financial profile amidst the domestic and global crisis. The Group has through its prudent financial management, redeemed its RW23 bond which matured on 10 December 2023. Having successfully redeemed the RW23 bond, we aim to also redeem the RW28 successfully in 2028.



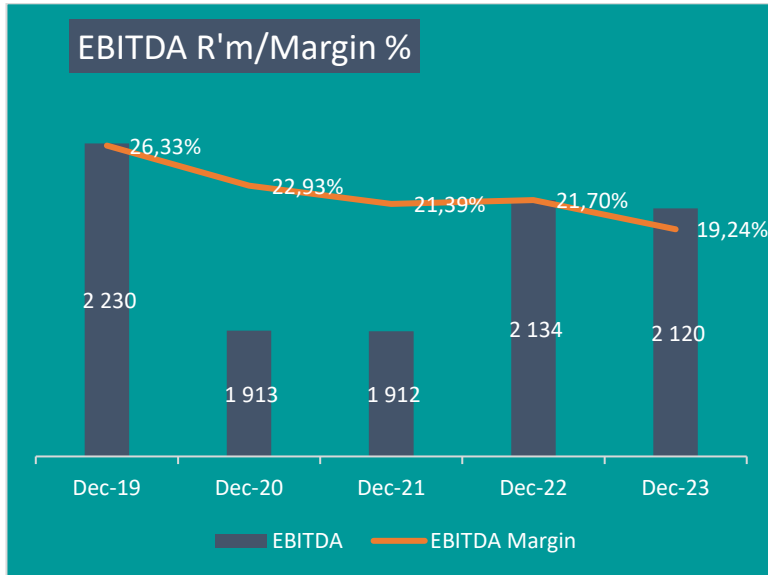
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FINANCIAL PERFORMANCE FOR THE SIX-MONTH REPORTING PERIOD ENDED 31
DECEMBER 2023



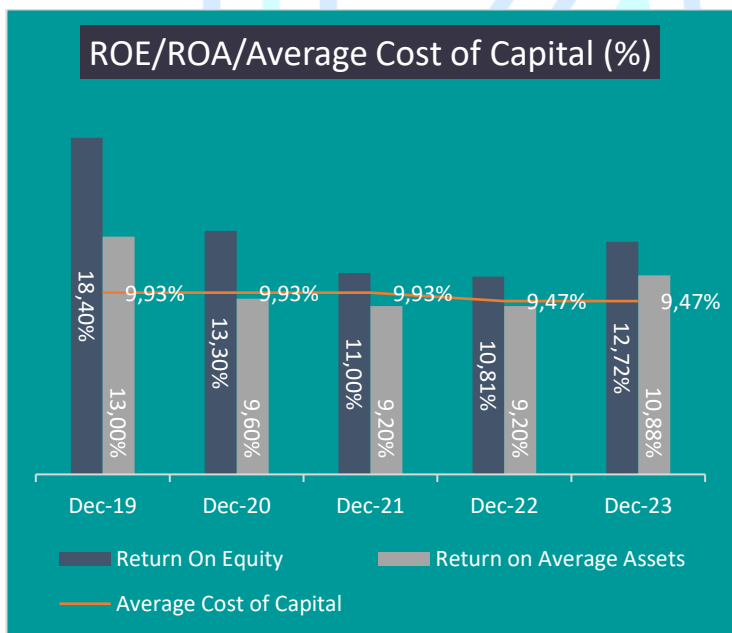
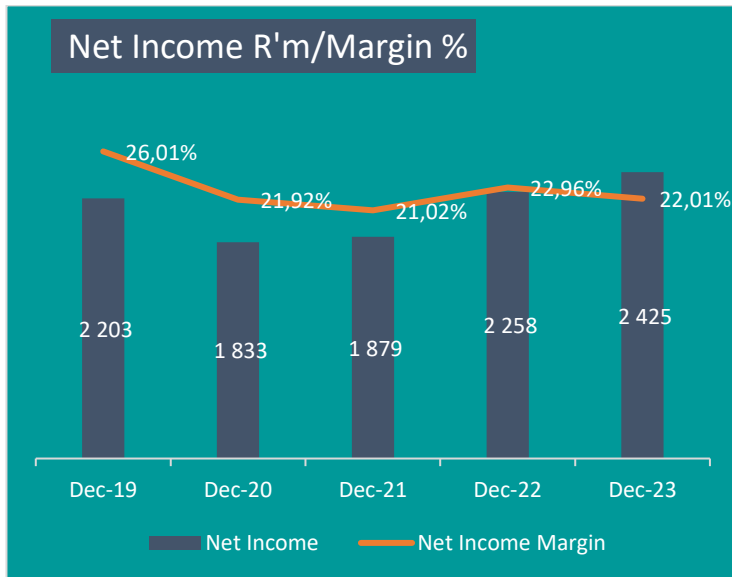
- Revenue grew by 12% to R11 020 million (December 2022: R9 833 million) driven primarily by a cost reflective tariff increase of 9.2% and revenue recognised in line with IFRS 15.
- The increased frequency of heat waves and climate variability led to higher water sales due to elevated demand. As temperatures soared, the supply to municipalities increased to meet the rising demand for water among households for cooling and drinking purposes, and in the agricultural sector for irrigation to sustain crops.
- Gross income increased by 9.7% to R3 436 million (December 2022: R3 133 million) for the current reporting period. This is predominantly attributable to the revenue increase of 12% and an escalation in cost of sales of 13.2%.
 - Cost of sales increased by 13.2% which is attributable to an increase in cost of raw water by 7%, energy 19% and chemical costs by 29%.
 - The overall increase in the cost of raw water of 7% is primarily attributable to a 2.1% increase in total system input volumes abstracted to average daily abstraction of 5 172MI/d (December 2022: 5 066MI/d). Additionally, there was a 4.3% hike in the raw water tariff, which increased to 488.30 cents per kilolitre (c/KL) (December 2022: 468.26 cents per kilolitre (c/KL)).

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- Despite selling higher volumes of water, there was a 0.75% reduction in energy consumption. The cost per kilowatt-hour (kWh) significantly increased by 19.99%, to 195.56 cents per kWh (December 2022: 162.98 cents per kWh). This surge in a per-unit energy cost led to an overall rise in energy costs due to unreliable power supply, notably requiring six times more energy to restart pump sets that have malfunctioned due to power outages.
- Chemical costs increased by 29% compared to December 2022. This is attributable to the need for additional chemical dosing as a result of the higher turbidity. The late 2021 floods have had a lasting impact on the Vaal Dam, which has not fully recovered. The situation worsened with additional heavy rainfalls in early summer 2023. The submersion of vegetation along the dam's banks and the significant sediment movement during periods of heavy rainfall have led to an increase in organic matter, necessitating higher chemical dosing.
- Furthermore, the chemicals market in South Africa continued to face challenging conditions in relation to supply chain, which resulted to challenges in obtaining chlorine. This supply chain constraints have an associated increase in selling rates.

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- Earnings before interest, tax, depreciation, and amortisation (EBITDA) decreased marginally by 0.7%, largely as a result of the deterioration in the credit quality of some customers which led to higher than projected recognition of the expected credit losses of R314 million which increased by 235% as compared to the six months period ended 31 December 2022.
- Net income increased by 7.4% to R2 425 million (December 2022: R2 258 million) enabled by a strong operational performance coupled with an increase in net finance income as a result of strategic investments yielding higher returns primarily attributable to the recent interest rate hikes.
- For the current reporting period, the return on average assets (ROA) increased to 10.88% (December 2022: 9.2%), and a return on equity (ROE) increased to 12.7% (December 2022: 10.8%) which is mainly attributable to higher earnings at the back of the marginally increased assets base.

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TARIFFS

Rand Water tariffs are determined in line with the guideline set in Section 34 of the Water Services Act. Tariffs are applied on a cost-recovery basis which includes the recovery of all operational expenditure including the abstraction, purification, pumping and distribution costs. In line with best practice the refurbishment of existing infrastructure is a key component in the tariff although the expenditure on all augmentation projects may be funded through a combination of internally generated cash and external funding sourced through the issuance of Rand Water bonds.

- Tariffs are set a year in advance with the financial year 2024 tariffs approved at an increase of 9.2%, coming from 8.8% increase in 2023 and a 5.8% tariff increase for 2022.
- The projected tariff increases for the financial year ending 2025 is 4.9%

Rand Water's policy is to recover all operational costs from the set tariffs as outlined in the norms and standard regulation for potable water tariffing. Water Demand Management interventions continue to be rolled out in partnership with municipalities to encourage curtailment of demand, in the absence of implementation of stepped tariffs, which can be introduced as an alternative to curtail demand and water losses.

The tariff increase consultation process includes Department of Water and Sanitation, National Treasury, SALGA, and other stakeholders with the final determination by the Minister:

- Municipal Finance Management Act: 6 months' advance notice.
- National Treasury and SALGA: 40 days for consideration.
- Bulk Water Supply Contract: prior consultation and information sharing.

Department of Water and Sanitation tables the tariff increases to Parliament on or before 15 March each year and implementation is on 1 July, as the start of Rand Water's financial year.

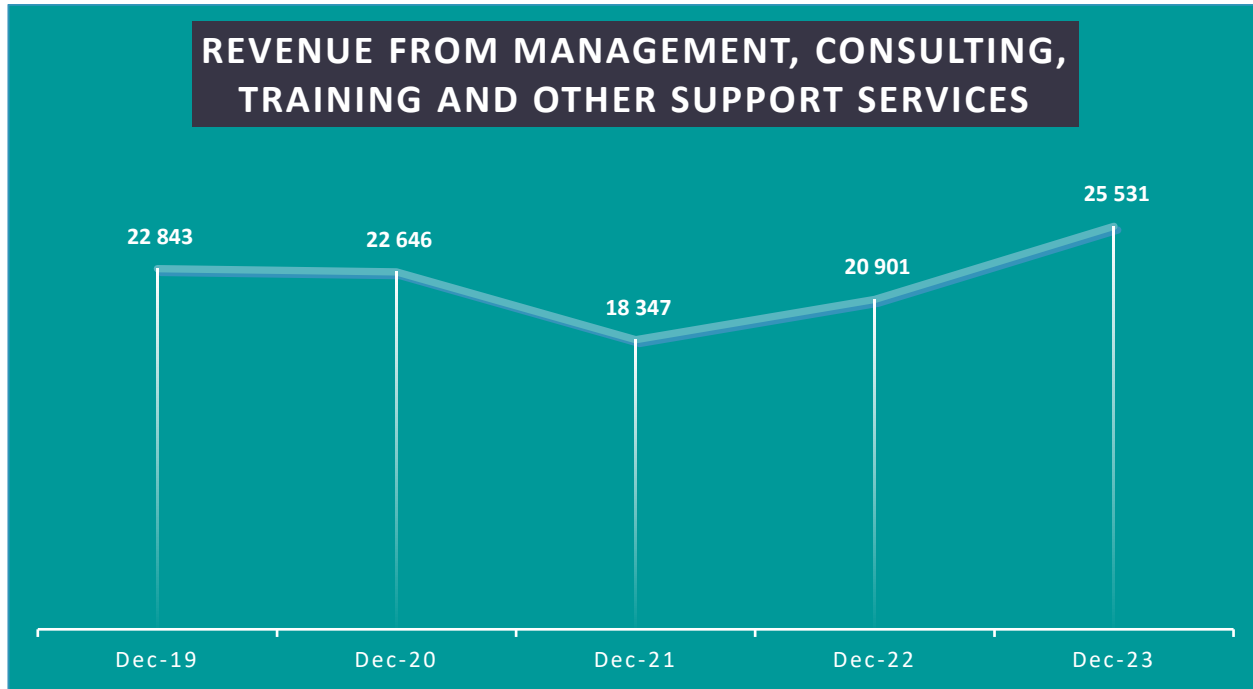
The established Economic Regulator within the Department of Water and Sanitation (DWS) limits any political concerns in respect of tariff determination.

SECONDARY ACTIVITIES

Secondary Activities entail the stakeholder support projects that Rand Water executes on behalf of stakeholders on water related projects which are externally funded (viz., Management, Consulting, Training, and other Support Services) together with the raw water sales and supply to direct consumers who could not be supplied by their jurisdiction municipalities. Revenue from Secondary Activities increased to R654 million (December 2022: R608 million). The main movement on Secondary Activities is attributable to the tariff increases in raw water sales and potable water supply to direct consumers.

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Revenue from stakeholder support services is dependent on government assignments and appointments by municipalities for Rand Water to assist municipalities with water services related infrastructure projects.

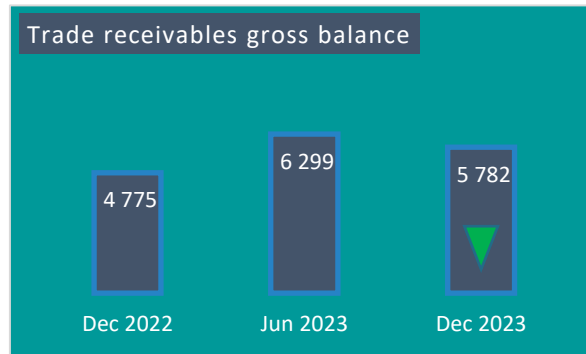


Revenue from stakeholder support projects increased to R26 million (December 2022: R21 million). For the current reporting period, the key focus was on the Emfuleni Local Municipality Section 63 Intervention Project (ELM S63 Intervention), which is largely aimed at rehabilitating the Integrated Vaal River System and simultaneously capacitate the municipality to efficiently manage its water services. In addition to the ELM S63 Intervention, the Group is involved in the National Treasury Graduate Internship Programme (NTGIP) which is aimed at grooming professionals to service the water sector.

CREDIT MANAGEMENT

The Group records a reduction of the debtors' days to 81 days (June 2023: 109 days) through robust engagements with the under-performing municipalities which has resulted in the current amount being honored and paid timely as it falls due and payable.

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The Group is concerned with the deterioration of financial health of its non-performing customers as it is reflecting in the measurement and assessment of the expected credit losses which has grown by 15% from 30 June 2023 to R2 469 million, The Group has had robust engagements with its non-performing customers which has resulted in Debt Settlement Agreements (DSA) with longer repayment periods. The DSA's have also contributed to higher expected credit losses (ECL). It is important to highlight that the delayed recovery on municipality debt has caused a worsening trend on ECL. This is as a result of municipal customers prioritising the financial health of their financial statements at end of their financial year which coincide with the Group's year end.

PROPERTY, PLANT AND EQUIPMENT

The Group projected a target of R300 million for projects that should achieve beneficial use for the current reporting period. The target is also centered around the Group obtaining all the necessary approvals from the respective local authorities to shutdown pipelines for the water supply to integrate and commission these additional or upgrading of existing assets. It is expected that the total projected capitalisation of completed projects for the current financial year should reach R1 542 million.

Decommissioned and assets disposed or written off

For the current reporting period, the Vereeniging intake station 1 was decommissioned and a decision to dispose of the available assets resulted in a loss of R3 million as very little plant could be salvaged

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for disposal due to the condition and vandalism on the site. It is expected that further disposal of assets via open auction will be undertaken during the remainder of the year which will include redundant pipes, valves, and other movable assets that have become obsolete within the operations.

Impairment of assets

For the current reporting period, no impairment triggers were identified of Rand Water’s infrastructure assets. The next annual review process within the entity is scheduled for completion during the 3rd quarter of the 2023/24 financial year.

INVENTORY

Inventory levels of critical stock items are maintained at a satisfactory level to provide continued operational reliability. For the current reporting period, inventory adjustments amounting to R71 thousand were identified as obsolete, shrinkage and stock write off during the inventory count exercise undertaken throughout the entity and subsequently processed.

LIQUIDITY AND FUNDING

Figures in R’ million	December 2023 Reviewed	June 2023 Audited
Net Cash	5 807	3 327
Committed Facilities	1 250	1 250
Cash Generated from Operations	2 875	2 013
Debt To Equity Ratio	8%	12%

Liquidity and funding management remains the cornerstone towards financial sustainability and ensuring Rand Water's continues to operate as a going concern for the foreseeable future. Rand Water reported a robust liquidity position as at 31 December 2023, demonstrated by the increased total liquidity to R12 464 million (June 2023: R11 078 million). This is underpinned by the access to adequate financial

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resources in the form of cash resources, term deposit investments, and strategic investments in the Sovereign and State-Owned Entity bonds entrenched by committed facilities, with a headroom of R1 250 million (June 2023: R1 250 million) and a liquidity buffer of R2 200 million (June 2023: R1 900 million). Cash and cash equivalents increased to R5 071 million (June 2023: R4 897 million).

The Group's funding position remains healthy as the gearing ratio has improved to 8.27% (June 2023: 12%), which is well below the threshold of 50% prescribed in the National Treasury Borrowing Limit approval. On the 11 December 2023, the Group successfully redeemed the RW23 bond with a maturity date of 10 December 2023 at a nominal amount of R1 231 million which led to a decrease in total interest-bearing borrowings to R3 154 million (June 2023: R4 385 million). The Group continues to maintain its funding strategy and plans to meet its external funding requirements by utilising diverse funding sources encompassing; the R10 billion DMTN Programme, a mixture of bilateral long-dated loans from development finance and banking institutions.

GOING CONCERN

For the current reporting period, the condensed consolidated interim financial statements have been prepared on a going concern basis. The Board is satisfied to report that Rand Water remains financially viable in terms of the Water Services Act section 34(2)(a)-(e) and is of the opinion that it has adequate resources to sustain its liquidity, debt, operational and investment needs.

The going concern assessment was undertaken taking into consideration the following:

- The Group has secured access to funding on the back of the approved/gazetted borrowing limits by National Treasury. The underlying borrowing plan is developed to ensure that the Group is able to successfully fund its capital expenditure programme without breaching set financial parameters. As at 31 December 2023, the Group has access to R10 billion DMTN programme with a headroom of R6.8 billion after the redemption of the RW23 bond.
- The Group's financial leverage remains solid, and the Board is satisfied that they meet the going concern assertion as the gearing ratio as at 31 December 2023 is 8.27%.
- The Group has implemented a cost reflective tariff increment of 9.2% (2022/23: 8.8%) which has been approved for the 2023/24 financial year, which increased the entity's revenue. For the 2024/25 financial year, a tariff increment of 4.9% is proposed for approval.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Rand thousand	Notes	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Assets				
Non-current assets		32 674 933	31 028 028	32 010 185
Property, plant and equipment	4	30 050 077	28 792 059	29 477 543
Intangible assets		313 611	313 939	309 538
Investment in bonds	5	2 253 038	1 727 052	2 116 290
Trade and other receivables	9	54 609	184 676	102 948
Retirement benefit asset	6	-	3122	-
Loans receivable	7	3 598	7 181	3 866
Current assets		12 255 590	11 332 527	12 231 332
Inventories	8	212 386	176 106	174 343
Trade and other receivables	9	2 953 071	3 254 786	4 226 093
Loans receivable	7	4 369	1 059	4 356
Contract assets	10	124 383	110 149	114 702
Term deposit investments	11	3 890 486	849 898	2 815 208
Cash and cash equivalents	12	5 070 895	6 940 528	4 896 630
Non-current assets held for sale	13	441	2	82
Total Assets		44 930 964	42 360 558	44 241 599
Equity and liabilities				
Equity		38 125 940	34 455 814	35 678 512
Retained earnings		37 965 153	34 262 175	35 540 357
Reserves		160 787	193 639	138 155
Non-current liabilities		3 441 597	3 392 053	3 402 019
Interest bearing borrowings	14	3 154 191	3 155 437	3 154 819
Deferred income		158 005	131 043	129 391
Provisions	16	119 209	105 573	116 244
Lease liability	18	10 192	-	1565
Current liabilities		3 363 427	4 512 691	5 161 068
Trade and other payables	15	3 217 262	3 066 663	3 791 423
Provisions	16	1 789	1 039	1814
Interest bearing borrowings	14	-	1 229 236	1 230 167
Contract liabilities	17	135 855	213 045	134 343
Deferred income		2 707	2 707	2 707
Lease liability	18	5 814	-	614
Total liabilities		6 805 024	7 904 744	8 563 087
Total equity and liabilities		44 930 964	42 360 558	44 241 599

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Notes	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Revenue	19	11 019 951	9 832 962	19 578 472
Cost of sales	20	(7 583 535)	(6 699 788)	(13 544 570)
Gross income		3 436 416	3 133 174	6 033 902
Other operating income		16 497	16 653	107 890
Net impairment losses on financial and contract assets	21	(313 957)	(93 780)	(566 844)
Other operating expenses	22	(1 344 199)	(1 194 454)	(2 931 495)
Operating income		1 794 757	1 861 593	2 643 453
Finance income	23	657 531	426 792	973 498
Finance costs	24	(27 492)	(30 816)	(81 201)
Net income for the period		2 424 796	2 257 569	3 535 750

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Figures in Rand thousand	Notes	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Net income for the period		2 424 796	2 257 569	3 535 750
Other comprehensive income/(loss)				
Items that will not be reclassified to net income:				
Re-measurement gain on net defined medical benefit plan		3 429	31 436	31 977
Items that may be reclassified to net income:				
Re-measurement gain/(loss) of items at fair value through other comprehensive income		19 203	10 549	(45 476)
Other comprehensive income/(loss) for the period		22 632	41 985	(13 499)
Total comprehensive income		2 447 428	2 299 554	3 522 251

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in Rand thousand	Fair value through comprehensive income	Re- measurements on employee benefit obligation	Total reserves	Retained earnings	Total equity
Balance at 1 July 2022	(41 672)	193 326	151 654	32 004 607	32 156 261
Restated income for the six months period	-		-	2 257 569	2 257 569
Other comprehensive income	10 549	31 436	41 985	-	41 985
Total other comprehensive income for the six-month period	10 549	31 436	41 985	2 257 569	2 299 554
Balance at 31 December 2022	(31 123)	224 762	193 639	34 262 176	34 455 815
Balance at 1 July 2022	(41 672)	193 326	151 654	32 004 607	32 156 261
Income for the year	-	-	-	3 535 750	3 535 750
Other comprehensive income	(45 476)	31 977	(13 499)	-	(13 499)
Total other comprehensive income for the year	(45 476)	31 977	(13 499)	3 535 750	3 522 251
Balance at 30 June 2023	(87 148)	225 303	138 155	35 540 357	35 678 512
Income for the six-month period	-	-	-	2 424 796	2 424 796
Other comprehensive income	19 203	3 429	22 632	-	22 632
Total other comprehensive income for the six-month period	19 203	3 429	22 632	2 424 796	2 447 428
Balance at 31 December 2023	(67 945)	228 732	160 787	37 965 153	38 125 940

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Notes	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Figures in Rand thousand			
Cash flows from operating activities			
Cash receipts from customers	12 218 536	9 366 070	17 829 935
Cash paid to suppliers and employees	(9 343 963)	(8 119 509)	(15 816 558)
Cash generated from operations	2 874 573	1 246 561	2 013 377
Finance income 23	477 652	390 304	866 701
Finance costs 24	(223 876)	(216 387)	(438 846)
Net cash from operating activities	3 128 349	1 420 478	2 441 232
Cash flows from investing activities			
Acquisitions of property, plant and equipment 4	(536 661)	(581 468)	(1 244 660)
Proceeds from disposal of property, plant and equipment	2 069	11 753	12 451
Acquisitions of intangible assets	(3 329)	(11 329)	(485)
Increase in term deposit investments 11	(2 870 000)	(1 725 000)	(5 008 000)
Decrease in term deposit investments 11	1 795 000	3 165 000	4 482 000
Increase in investments in bonds 5	(108 247)	(244 832)	(692 200)
Loans receivable issued	(2 774)	(6 784)	(9 967)
Loans receivable repaid	3 042	-	3 194
Net cash from investing activities	(1 720 900)	607 340	(2 457 667)
Cash flows from financing activities			
Repayment of lease liability	(2 649)	(172)	(308)
Interest bearing borrowings paid	(1 231 000)	-	-
Net cash from financing activities	(1 233 649)	(172)	(308)
Net increase in cash and cash equivalents			
	173 800	2 027 645	(16 743)
Cash and cash equivalents at the beginning of the period 12	4 898 278	4 915 021	4 915 021
Cash and cash equivalents at the end of the period 12	5 072 078	6 942 666	4 898 278

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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. STATEMENT OF COMPLIANCE

The interim financial statements have been prepared in accordance with the historical cost convention, except for certain financial instruments, which are measured at fair value.

The condensed consolidated interim financial statements are prepared in accordance with the International Financial Reporting Standards: IAS 34 – Interim Financial Reporting, Financial Pronouncements as issued by the Financial Reporting Standards Council. The consolidated interim financial statements comply with the requirements of the Water Services Act, No. 108 of 1997 (WSA) and the South African Companies Act No.71 of 2008.

The accounting policies applied in the preparation of these interim financial statements are in accordance with the recognition and measurement requirements of IFRS, the presentation and disclosure requirements of IAS 34 and are consistent with those applied in the previous consolidated annual financial statements. While the 31 December 2023 consolidated interim financial statements are reviewed, the 30 June 2023 consolidated annual financial statements from which the results below have been derived were audited by the Auditor General of South Africa (AGSA) who expressed an unmodified opinion thereon. The audit report does not necessarily report on all the information contained in this report.

2. REPORTING ENTITY

Rand Water is an organisation domiciled in South Africa and a Schedule 3B public entity in terms of the Public Finance Management Act, Act No 1 of 1999 as amended. The condensed consolidated interim financial statements of Rand Water for the six months period ended 31 December 2023 comprise of Rand Water and its subsidiaries (together referred to as the “Group”).

3. CAPITAL COMMITMENTS

	31 December 2023	31 December 2022	30 June 2023
Figures in Rand thousand	Reviewed	Restated*	Audited
Total	3 081 965	2 086 725	2 580 270

The Group is committed in respect of capital expenditure including expected contract price adjustments. The expenditure will be financed from internal resources.

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The Group incurred capital expenditure to the value of R562 million (December 2022: R590 million) against a budget of R830 million (December 2022: R655 million) relating to both the tangible and intangible components of the strategic infrastructure development plan. The majority of the spend was targeted towards pipelines, mechanical and civil construction works.

4. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Opening balance	29 477 543	28 254 469	28 254 469
Additions	681 066	597 311	1 534 482
Transfers	(3 830)	(6 029)	(72 690)
Disposal	(3 200)	(1 711)	(5 730)
Borrowing costs capitalised	215 372	212 379	403 921
Depreciation	(316 874)	(264 360)	(600 639)
Change in estimates	-	-	8 006
Impairment loss	-	-	(44 276)
Closing balance	30 050 077	28 792 059	29 477 543
Cash flow reconciliation			
Opening balance	29 477 543	28 254 469	28 254 469
Closing balance	(30 050 077)	(28 792 059)	(29 477 543)
Movement	(572 534)	(537 590)	(1 223 074)
Borrowing cost capitalised	215 372	212 379	403 921
Intercompany adjustments	279	279	558
Depreciation	(316 874)	(264 360)	(600 639)
Other adjustments [^]	137 096	7 824	174 574
Net cash outflow	(536 661)	(581 468)	(1 244 660)

[^]Other adjustments include accruals, unpaid portion of additions, transfers to NCAHFS and intangible assets, disposal and impairments of assets.

The Group incurred a cost of R681 million for Property, Plant and Equipment during the current reporting period. Included in the additions for PPE, is additional costs incurred for Assets Under Construction (AUC) amounting to R550 million and projects to the value of R9 million that achieved beneficial use and started depreciating and other components made up of the upgrade of Lethabo station, plant and machinery, motor vehicles and IT equipment. The Group spent R35 million on earthmoving equipment and excavators to supplement the Construction business unit.

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5. INVESTMENT IN BONDS

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Fair value through other comprehensive income			
Bonds			
Sovereign Bonds	1 838 006	1 403 447	1 704 763
State-Owned Entity Bonds	415 032	323 604	411 527
Total	2 253 038	1 727 052	2 116 290
Cash flow reconciliation			
Opening balance	2 116 290	1 475 403	1 475 403
Closing balance	(2 253 038)	(1 727 052)	(2 116 290)
Movement	(136 748)	(251 649)	(640 887)
Mark to Market reserve	19 203	10 550	(45 476)
(Discount)/Premium	2 379	(371)	573
Expected credit (losses)/reversals	6 919	(3 362)	(6 410)
Net cash outflow	(108 247)	(244 832)	(692 200)

As at 31 December 2023, the Group holds sovereign and state-owned entity bonds with a total nominal value of R2 550 million. Fair values were estimated using the Johannesburg Stock Exchange market rates. Coupons are payable quarterly and bi-annually to the Group.

During September 2023 Rand Water invested in additional sovereign bonds, the R2044 with a nominal value of R150 million.

The Group has recognised a net fair value gain of R19 million (December 2022: R11 million) fair value gain in other comprehensive income with an expected credit losses reversal of R7 million (December 2022: R3 million expected credit losses).

As at 31 December 2023, the Group has amortised to the statement of financial performance a net discount of R2 million (December 2022: R371 thousand net premium) recognised at the initial purchase of the bonds.

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6. POST RETIREMENT BENEFIT

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Non-current asset	366 802	359 557	352 847
Non-current liability	(344 452)	(356 435)	(335 758)
Benefit asset before asset ceiling	22 350	3 122	17 089
Asset Ceiling	(22 350)	-	(17 089)
Net Defined Benefit Asset/(Liability)	-	3 122	-

Amounts recognised in other comprehensive income

Actuarial gain on retirement benefit obligation	4 750	25 170	61 387
Actuarial gain/(loss) on plan asset	(1 321)	6 266	(29 410)
Total	3 429	31 436	31 977

The post-retirement medical benefit obligation arises due to Rand Water's commitment to continue to fund a portion (two-thirds) of the qualifying employees' contributions to the Rand Water Medical Scheme after retirement. These are member employees that were employed by Rand Water prior to 1 January 2002 and were on option A of the Rand Water Medical Scheme. The scheme is a closed scheme.

Actuarial valuations are conducted on a bi-annually basis by independent actuaries using the projected credit unit method to value the present value of the defined benefit obligation.

The Group's planned assets amount to R367 million (June 2023: R353 million) relating to the post-retirement medical benefit. This is a matching asset as defined under IAS 19 to ensure the obligation is funded.

7. LOANS RECEIVABLE

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Non-current	3 598	7 181	3 866
Current	4 369	1 059	4 356
Total	7 967	8 240	8 222

Loans receivables consist of micro loans granted to qualifying employees. These loans are unsecured however the credit quality of the loan book has been assessed as a low risk by reference to historical

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default rates, as loan repayments are deducted directly from the employees' salaries and employees are required to take an insurance policy on the outstanding balance.

The micro loans amount reduced year on year due to less loans advanced during the current reporting period compared to loans settled by employees.

The loans have repayment periods varying from 1 to 3 years at a closing interest rate of 11.75% (June 2023: 11.75%).

8. INVENTORIES

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Raw materials, chemicals, and water inventory	132 616	119 435	108 646
Maintenance and consumable stores	79 770	56 671	65 697
Total	212 386	176 106	174 343

Inventories are shown net of obsolescence and write up to R71 thousand (December 2022: R16 thousand) recognised in the current year.

Inventory increased during the current reporting period mainly due to the increase in the chemical holding, maintenance spares and consumable inventory. The water inventory levels have increased during the current reporting period due to high demand during the peak periods.

9. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Non-current	54 609	184 676	102 948
Current	2 953 071	3 254 786	4 226 093
Water and trade receivables	2 578 018	2 932 209	3 867 293
Other receivables	375 053	322 577	358 800
Total	3 007 680	3 439 462	4 329 041

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The table below depicts trade receivables by type:

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Current trade receivables			
Local and National Governments	2 469 442	2 808 071	3 763 050
Mines	37 591	45 353	42 814
Retail	65 154	69 734	48 256
Industries	5 831	9 051	13 173
Total	2 578 018	2 932 209	3 867 293
Other current receivables	375 053	322 577	358 800
Prepayments	103 493	82 803	81 176
VAT receivable	-	125	115 500
Other receivables	271 559	239 649	162 124
Current trade and other receivables	2 953 071	3 254 786	4 226 093
Non-current trade receivables	54 609	184 676	102 948
Trade and other receivables	3 007 680	3 439 462	4 329 041

Trade and other receivables decreased by 30% to R3 008 million (June 2023: R4 329 million), primarily as a result of payments of the current account received from some municipal customers who failed to honour their obligation on 30 June 2023. Through consistent engagements these municipalities have signed Debt Settlement Agreement (DSA). Rand Water continues to monitor the conditions and provisions of these DSAs to ensure that they are adhered to timeously.

However, expected credit losses (ECL) on trade receivables increased by 15% to R2 469 million (June 2023: R2 149 million) as a result of non-adherence to payment terms from non-performing customers. The non-performing customers have also resulted in an accumulated revenue balance not recognised of R309 million (June 2023: R479 million). The decrease was due to DSAs signed with some municipal customers, thus increasing the probability of debt recovery by these customers.

The Group has implemented debt relief programmes in order to alleviate the liquidity pressures that were being experienced by municipal customers, some of which comprises of extension of payment terms from 30 days to 45 days, and most municipalities and metropolitan municipalities have opted for this option. Some municipalities opted for longer repayment arrangements, wherein the overdue debt is ring-fenced and expected to be repaid for a period of over 36 months. As such, a portion of the overdue debt in trade receivables balance was reclassified to non-current assets. During the current reporting period the Group has recorded a decrease to the gross non-current trade receivable balance

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to R310 million (June 2023: R564 million) with an expected credit losses of R256 million (June 2023: R461 million).

10. CONTRACT ASSETS

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Water debtors	113 293	100 864	105 265
Potable water	112 436	99 897	104 517
Non potable water	857	967	748
Recoverable projects debtors	11 090	9 285	9 437
Total	124 383	110 149	114 702

Contract assets increased to R124 million (June 2023: R115 million) primarily due to the tariff increase which impacted the water sales excess days during the current reporting period. Included in contract assets are excess days and recoverable projects debtors not yet billed.

11. TERM DEPOSIT INVESTMENTS

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Current assets	3 890 486	849 898	2 815 208
Total	3 890 486	849 898	2 815 208

Investments at amortised cost			
Gross investment	3 891 000	850 000	2 816 000
Expected credit losses	(514)	(102)	(792)
Net investment	3 890 486	849 898	2 815 208

Cash flow reconciliation			
Opening balance	2 815 208	2 289 394	2 289 394
Closing balance	(3 890 486)	(849 898)	(2 815 208)
Movement	(1 075 278)	1 439 496	(525 814)
Expected credit losses	278	504	(186)
Net cash inflow/(outflow)	(1 075 000)	1 440 000	(526 000)
Additions	(2 870 000)	(1 725 000)	(5 008 000)
Redemptions	1 795 000	3 165 000	4 482 000

Term deposit investments consists of financial instruments with an original maturity of greater than 3 months at acquisitions of investments such as fixed deposits, Promissory Notes (PN), sinking funds,

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Assets-Banked Commercial Paper (ABCP) and Negotiable Certificate of Deposit (NCD). During the current reporting period Term deposit investments increased to R3 890 million (June 2023: R2 815 million) due to cash generated from operations. ECL decreased to R514 thousand (June 2023: R792 thousand) which is primarily attributable to the improved probability of default from respective counterparties.

12. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Call and short-term deposit	5 056 349	6 927 124	4 834 882
Bank and cash balances	14 546	13 404	61 748
Total	5 070 895	6 940 528	4 896 630
Reconciliation of cash and cash equivalents			
Gross cash and cash equivalents	5 072 078	6 942 666	4 898 278
Expected credit losses	(1 183)	(2 138)	(1 648)
Total	5 070 895	6 940 528	4 896 630

Cash and cash equivalent comprise of funds that are available on demand or have an original maturity of less than 3 months from settlement date. This includes positive bank balances, cash on hand, call deposits, fixed deposits, notice deposit, Promissory Notes (PN), and investments in money market instruments with financial institutions that have an investment-grade credit rating.

The Group ECL relating to cash and cash equivalent decreased to R1 million (June 2023: R2 million) as a result of improved probability of default for respective counterparties.

13. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale (NCAHS) comprises of moveable assets that have been identified as redundant and no longer in use and or have reached the end of their useful life. For the current reporting period, NCAHS increased to R441 thousand (June 2023: R82 thousand) as a result of transfers from property, plant and equipment.

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14. INTEREST BEARING BORROWINGS

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Interest bearing borrowing maturity profile			
Less than one year	-	1 229 236	1 230 167
Subtotal	3 154 191	3 155 437	3 154 819
One to three years	585 872	-	585 846
Three to five years	2 024 507	585 821	578 810
More than five years	543 812	2 569 616	1 990 163
Total	3 154 191	4 384 673	4 384 986

Issued notes	Maturity	Nominal interest	Type	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Unsecured bonds						
RW23	10 Dec 23	9.510	Fixed rate	-	1 231 000	1 231 000
RW28	10 Dec 28	10.245	Fixed rate	1 439 000	1 439 000	1 439 000
RWL26	30 Jun 26	10.650	Floating rate	586 000	586 000	586 000
RWL28	30 Jun 28	9.705	Fixed rate	579 000	579 000	579 000
RW31	30 Jun 31	10.685	Fixed rate	544 000	544 000	544 000
Amortised costs				6 191	5 673	5 986
Total				3 154 191	4 384 673	4 384 986

Interest bearing borrowings relate to unsecured bonds issued by the Group under its ZAR10 billion Domestic Medium-Term Note (DMTN) programme to the amount of R3 154 million as at 31 December 2023. Included in the interest-bearing borrowings are two Sustainability Linked Bonds (RWL26 and RWL28) issued by the Group and listed on the Johannesburg Stock Exchange.

On 11 December 2023, the Group redeemed the RW23 bond with a nominal value of R1 231 million. This bond was listed in 2013 on the Johannesburg Stock Exchange in accordance with the R10 billion DMTN programme.

15. TRADE AND OTHER PAYABLES

The trade payables decreased to R3 217 million (June 2023: R3 791 million) mainly due to the incentive bonus payout and accruals that were raised in June 2023 and have subsequently been paid and reversed.

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16. PROVISIONS

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Current liabilities	1 789	1 039	1 814
Non-current liabilities	119 209	105 573	116 244
Total	120 998	106 612	118 058

Non-current liabilities include the rehabilitation cost of the Panfontein sludge waste disposal site to undertake restoration, rehabilitation, and environmental work at the end of the sludge disposal sites useful life. During the current reporting period the amount of R3 million has been recognised as an estimate, calculated using the pre-tax discount also considering the specific risks associated to this obligation. The rehabilitation cost will be funded through the sale of a portion of the Zwartkopjes farmland pledged as security at the end of its' useful life.

Rand Water is in a process of procuring additional equipment to move some of the existing sludge to sacrificial beds to create additional capacity at the site as an immediate intervention. In the short to medium term, additional space would be created as a result of a construction of 50 hectares additional capacity. This is expected to be completed by March 2025 and will provide another 3 years of useful life of the site as well as the implementation of the stockpiling project that will extend the useful life of the plant to November 2027.

Management has placed reliance on the work of an expert in determining the value which was based on a combination of Phyto-desiccation and water treatment residue removal approach. Future estimates are determined by using the forecast inflation rate as per projections from the four major banks and the financial information from Bloomberg for a period of three years.

17. CONTRACT LIABILITIES

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Unconditional right to contractual obligation-recoverable projects	18 950	22 452	20 205
Income received in advance	116 906	190 593	114 138
Total	135 855	213 045	134 343

Included in the balance of R136 million are balances of amounts received in advance including R26 million relating to the Emfuleni Local Municipality (ELM) Section 63 Intervention Project, R12 million for

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the National Treasury Graduate Internship Programme, and R9 million for the Eastern Cape Drought Relief project.

Contract liabilities increased to R136 million (June 2023: R134 million) mainly due to the refund from a DBE Covid-19 project and funds remaining on the ELM Section 63 Intervention Project at the end of the reporting period.

18. LEASE LIABILITY

The Group leases high volume printers and office space under a finance lease. The leases run for the period of three years, with an option to renew the lease at the end of the lease term. Lease payments are subject to an annual escalation to reflect market rentals. None of the leases include contingent rentals.

During the period under review, the Group was awarded a 3-year contract of R16 million for office equipment.

19. REVENUE

The tables below reflect the revenue split type per customer:

31 December 2023 Reviewed					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total
National Government	36 788	-	-	117	36 905
Local Government	9 388 837	603 363	269 259	122 720	10 384 178
Mines	120 219	9 961	185 597	-	315 776
Retail	176 391	572	19 608	50 782	247 354
Industries	35 738	-	-	-	35 738
Total	9 757 973	613 896	474 464	173 619	11 019 951
31 December 2022*Restated					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total
National Government	26 928	-	-	361	27 289
Local Government	8 626 911	266 176	245 458	107 468	9 246 013
Mines	116 181	10 482	188 970	-	315 633
Retail	199 963	833	18 194	97	219 064
Industries	24 963	-	-	-	24 963
Total	8 994 946	277 491	452 622	107 903	9 832 962

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NATIONAL GOVERNMENT DEPARTMENTS						31 December 2023 Reviewed					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other		Total					
Water debtors	29 215	-	-	-	-	29 215					
Potable	29 215	-	-	-	-	29 215					
Non-potable	-	-	-	-	-	-					
Construction projects	7 568	-	-	-	117	7 685					
Operating and maintenance	-	-	-	-	-	-					
Training and consulting	-	-	-	-	-	-					
Meter installation	-	-	-	-	-	-					
Revenue not recognised	5	-	-	-	-	5					
Total	36 788	-	-	-	117	36 905					
Timing of recognition											
At a point in time	7 568	-	-	-	117	7 685					
Over time	29 220	-	-	-	-	29 220					
Total	36 788	-	-	-	117	36 905					

LOCAL GOVERNMENT/ MUNICIPALITIES						31 December 2023 Reviewed					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other		Total					
Water debtors	9 493 858	310 977	270 681	121 706	-	10 197 223					
Potable	9 493 858	310 977	270 681	121 706	-	10 197 223					
Non-potable	-	-	-	-	-	-					
Construction projects	-	-	-	-	-	-					
Operating and maintenance	5 087	-	-	-	-	5 087					
Training and consulting	163	8 432	-	4 165	-	12 760					
Meter installation	285	-	-	-	-	285					
Revenue not recognised	(110 557)	283 954	(1 422)	(3 152)	-	168 824					
Total	9 388 837	603 363	269 259	122 720	-	10 384 178					
Timing of revenue recognition											
At a point in time	5 535	8 432	-	4 165	-	18 132					
Over time	9 383 301	594 931	269 259	118 555	-	10 366 046					
Total	9 388 837	603 363	269 259	122 720	-	10 384 178					

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MINES					
31 December 2023 Reviewed					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total
Water debtors	120 220	9 961	185 597	-	315 778
Potable	120 220	9 961	185 597	-	315 778
Non-potable	-	-	-	-	-
Construction projects	-	-	-	-	-
Operating and maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Meter installation	-	-	-	-	-
Revenue not recognised	(1)	-	-	-	(1)
Total	120 219	9 961	185 597	-	315 776
Timing of revenue recognition					
At a point in time	-	-	-	-	-
Over time	120 219	9 961	185 597	-	315 776
Total	120 219	9 961	185 597	-	315 776
RETAIL					
31 December 2023 Reviewed					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total
Water debtors	175 529	572	19 608	50 782	246 491
Potable	107 961	572	19 608	11	128 153
Non-potable	67 568	-	-	50 771	118 338
Construction projects	-	-	-	-	-
Operating and maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Meter installation	-	-	-	-	-
Revenue not recognised	862	-	-	-	862
Total	176 391	572	19 608	50 782	247 354
Timing of revenue recognition					
At a point in time	-	-	-	-	-
Over time	176 391	572	19 608	50 782	247 354
Total	176 391	572	19 608	50 782	247 354

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INDUSTRIES/RAILWAYS		31 December 2023 Reviewed				
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total	
Water debtors	35 738	-	-	-	35 378	
Potable	35 738	-	-	-	35 738	
Non-potable	-	-	-	-	-	
Construction projects	-	-	-	-	-	
Operating and maintenance	-	-	-	-	-	
Training and consulting	-	-	-	-	-	
Meter installation	-	-	-	-	-	
Revenue not recognised	-	-	-	-	-	
Total	35 738	-	-	-	35 738	
Timing of revenue recognition						
At a point in time	-	-	-	-	-	
Over time	35 738	-	-	-	35 738	
Total	35 738	-	-	-	35 738	

NATIONAL GOVERNMENT DEPARTMENTS		31 December 2022*Restated				
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total	
Water debtors	23 242	-	-	-	23 242	
Potable	23 242	-	-	-	23 242	
Non-potable	-	-	-	-	-	
Construction projects	3 686	-	-	360	4 046	
Operating and maintenance	-	-	-	-	-	
Training and consulting	-	-	-	1	1	
Meter installation	-	-	-	-	-	
Revenue not recognised	-	-	-	-	-	
Total	26 928	-	-	361	27 289	
Timing of recognition						
At a point in time	3 686	-	-	361	4 047	
Over time	23 242	-	-	-	23 242	
Total	26 928	-	-	361	27 289	

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LOCAL GOVERNMENT/ MUNICIPALITIES					
31 December 2022*Restated					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total
Water debtors	8 620 526	285 980	245 458	107 468	9 259 432
Potable	8 620 526	285 980	245 458	107 468	9 259 432
Non-potable	-	-	-	-	-
Construction projects	-	-	-	-	-
Operating and maintenance	3 903	-	-	-	3 903
Training and consulting	348	12 604	-	-	12 952
Meter installation	2 134	-	-	-	2 134
Revenue not recognised	-	(32 408)	-	-	(32 408)
Total	8 626 911	266 176	245 458	107 468	9 246 013
Timing of revenue recognition					
At a point in time	6 385	12 604	-	-	18 989
Over time	8 620 526	253 572	245 458	107 468	9 225 455
Total	8 626 911	266 176	245 458	107 468	9 246 013

MINES					
31 December 2022*Restated					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total
Water debtors	116 181	10 482	188 970	-	315 633
Potable	116 182	10 482	188 970	-	315 633
Non-potable	-	-	-	-	-
Construction projects	-	-	-	-	-
Operating and maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Meter installation	-	-	-	-	-
Revenue not recognised	-	-	-	-	-
Total	116 181	10 482	188 970	-	315 633
Timing of revenue recognition					
At a point in time	-	-	-	-	-
Over time	116 181	10 482	188 970	-	315 633
Total	116 181	10 482	188 970	-	315 633

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RETAIL						31 December 2022*Restated				
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total					
Water debtors	199 963	833	18 194	74	219 064					
Potable	100 476	833	18 194	74	119 577					
Non-potable	99 487	-	-	-	99 487					
Construction projects	-	-	-	-	-					
Operating and maintenance	-	-	-	-	-					
Training and consulting	-	-	-	-	-					
Meter installation	-	-	-	-	-					
Revenue not recognised	-	-	-	-	-					
Total	199 963	833	18 194	74	219 064					
Timing of revenue recognition										
At a point in time	-	-	-	-	-					
Over time	199 963	833	18 194	74	219 064					
Total	199 963	833	18 194	74	219 064					
INDUSTRIES/RAILWAYS						31 December 2022*Restated				
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/ Other	Total					
Water debtors	-	-	-	-	-					
Potable	24 963	-	-	-	24 963					
Non-potable	-	-	-	-	-					
Construction projects	-	-	-	-	-					
Operating and maintenance	-	-	-	-	-					
Training and consulting	-	-	-	-	-					
Meter installation	-	-	-	-	-					
Revenue not recognised	-	-	-	-	-					
Total	24 963	-	-	-	24 963					
Timing of revenue recognition										
At a point in time	-	-	-	-	-					
Over time	24 963	-	-	-	24 963					
Total	24 963	-	-	-	24 963					

Revenue improved by 12% primarily driven by the tariff increase of 9.2%. In addition, the Group experienced increased sales volume as a result of an increase in the demand for water. For a full disaggregated revenue note for the period ended on 30 June 2023, refer to the consolidated annual financial statements for the year ended 30 June 2023 published on the Rand Water website.

Revenue not recognised attributable to the non-performing customers for the six-month period ended 31 December 2023 reduced by R170 million (December 2022: R32 million increase). The Group continues to actively pursue recognition of the revenue not recognised balances by ensuring that customers maintain and adheres to the provisions of the active DSAs.

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20. COST OF SALES

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Potable Water	7 449 661	6 574 479	13 330 716
Raw Water	3 706 359	3 469 419	6 991 297
Energy	2 281 691	1 909 132	3 707 812
Overheads	1 049 599	877 759	1 922 973
Chemicals	412 012	318 169	708 634
Non-potable Water	117 287	109 714	183 640
Raw Water	105 173	92 317	166 836
Energy	9 291	14 626	11 615
Overheads	2 824	2 771	5 189
Recoverable Projects	16 587	15 595	30 214
Total	7 583 535	6 699 788	13 544 570

The increase in the cost of sales is primarily attributed to higher costs in energy, raw water purchases, overheads, and chemicals. The increase in energy costs is a result of a higher per-unit cost of electricity. The expense for raw water has also increased, due to higher unit cost from DWS and increased abstraction volumes. In terms of chemicals, the year-on-year escalation was led by organic coagulants and chlorine. The need for increased dosages of these chemicals in the current reporting period was prompted by the increased turbidity and colour of the raw water. Furthermore, the increase in overhead costs was driven by increased supplies and maintenance expenses.

21. NET IMPAIRMENT LOSSES

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Allowance for expected credit losses	321 633	131 685	719 809
Allowances for expected credit losses reversal	(7 676)	(37 905)	(152 965)
Total	313 957	93 780	566 844

The expected credit losses increase amounting to R314 million (December 2022: R94 million), was raised for the six-month period. The increase is mainly attributable to non-adherence to payment terms and municipalities not honouring the debt arrangements.

22. OTHER OPERATING EXPENSES

Other operating expense increased significantly to R1 344 million (December 2022: R1 194 million) during the current reporting period. The increase in operating expenses is largely attributable to

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increased security costs to mitigate the risk of vandalism of infrastructure assets; and increased repairs and maintenance costs due to upsurge in maintenance activities undertaken during the current reporting period.

23. FINANCE INCOME

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Interest on current account	1 898	798	3 045
Interest on investments	539 100	335 767	780 512
Interest on trade and other receivables	95 366	69 381	146 243
Other interest received	491	327	783
	636 856	406 274	930 583
Interest on post-retirement plan asset	20 675	20 518	42 915
Total finance income	657 531	426 792	973 498
Non-cash adjustment for cash flow:			
Amortised and not received interest	(179 879)	(36 488)	(106 797)
Finance income received	477 652	390 304	866 701

As of 31 December 2023, finance income has increased due to additional investments acquired, contributing to the rise in interest received.

24. FINANCE COSTS

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Interest on interest bearing borrowings	215 372	214 649	431 206
Interest on post-retirement obligation	21 069	22 597	44 455
Other interest paid	6 423	5 949	9 461
	242 864	243 195	485 122
Less: capitalised to qualifying assets	(215 372)	(212 379)	(403 921)
Total finance costs	27 492	30 816	81 201
Reconciliation of cash flow movements:			
Capitalised interest on qualifying assets	215 372	212 379	403 921
Amortised interest	8 504	4 008	(46 361)
Finance costs paid	223 876	216 387	438 846

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25. CONTINGENCIES

The Group's contingent assets and contingent liabilities at 31 December 2023 are estimated at R358 million (June 2023: R358 million) and R258 million (June 2023: R347 million) respectively.

Contingent Assets

The Group has a potential contingent asset of R70 million (2023: R70 million) which arose as a result of a net under billing against certain customers. The net under billing arose due to incorrect meter readings undertaken. Collection thereof is still uncertain as of the end of the reporting period.

The Group's R22 million (2023: R22 million) contingent asset results from a claim from a service provider where the Group was an implementing agent. The court has set aside the original judgement which had resulted in the Group being awarded R22 million as settlement. Based on the court ruling to set aside the default judgement, the Group has instituted a counterclaim to recover the monies already expended.

Included in the balance of contingent assets of R358 million are amounts owed to Rand Water by various customers. In these circumstances services to the entities involved are discontinued, in line with the Credit Management Policy, to recover the sums owed, amounting to R266 million.

Contingent Liabilities

Rand Water has been sued for damages in the amount of R184 million (2023: R184 million) in the High Court of South Africa. The damages claim emanates from a contractual relationship linked to a Consortium contracted by Rand Water for transactional advisory services for a mega sanitation project. One of the consortium partners brought damages claim against both Rand Water and its partner, alleging they were jointly and severally liable. The said Consortium partner, as the Plaintiff, is claiming loss of opportunity to realise a profit and thus suffered damages. The damages claim is currently in abeyance as a result of the liquidation proceedings that have been brought against the Plaintiff by its Consortium Partner and has been provisionally granted. The probability of incurring losses has been assessed as low as the prospect of success (a favourable court ruling) in this matter is high.

The Service Provider instituted legal proceedings against Rand Water for damages amounting to R74.5 million in the High Court of South Africa. In this matter, Rand Water was appointed as the Implementing Agent on behalf of the Department of Water and Sanitation. The claim is based on the loss of income alleged to have been suffered by the Service Provider due to Force Majeure (circumstances beyond the control of any of the parties to the contract). The Default Judgment, which was the basis of this Claim,

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has subsequently been set aside in the High Court (in February 2020) and the claim no longer exists in its current format. The matter has been classified as of low impact on Rand Water as the prospect of success is very high.

Other Matters

On 4 November 2016, a notice in the Government Gazette to inform all interested and affected parties that a Claim of restitution of land rights has been lodged. The claim affects certain Rand Water's properties as they are situated within the area specified in the Notice. Rand Water is in the process of appointing an attorney to make an application to exclude Rand Water properties from the notice.

Guarantees

The Group has contingent liabilities in respect of guarantees given to third parties that amount to R679 million (June 2023: R653 million).

26. FINANCIAL INSTRUMENTS

The fair values approximate the carrying amounts of assets.

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Fair value through other comprehensive income			
Investments	2 253 038	1 727 052	2 116 290
At amortised cost			
Term deposit investments	3 890 486	849 898	2 815 208
Cash and cash equivalents	5 070 895	6 940 528	4 896 630
Loans receivable	7 967	8 240	8 222
Contract assets	124 383	110 149	114 702
Trade and other receivables	3 359 828	3 057 159	4 329 041
Total	14 706 597	12 693 026	14 280 093

The fair values approximate the carrying amounts of liabilities.

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
At amortised cost			
Unsecured bonds	3 154 191	4 384 673	4 206 008
Trade and other payables	2 957 009	2 687 871	3 627 580
Lease liabilities	16 005	-	2 179
Contract liabilities	135 855	213 045	134 343
Total	6 263 060	7 285 589	7 970 110

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The table above presents the fair value measurement of financial assets and liabilities grouped between level 1 to level 3 based on available and observable data to the Group. There were no transfers between level 1 - level 3 for the periods reported.

Level 1 - fair value measurements derived from quoted prices in active markets for identical assets or liabilities.

Level 2 - fair value measurements derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability.

Level 3 - fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data.

Investment - Fair Value Through Other Comprehensive Income

Financial assets measured at fair value through other comprehensive income consist of investments in sovereign and state-owned entity bonds. The fair value of these bonds is determined by reference to quoted market prices at the reporting date without any deduction for transaction costs.

Trade and other receivables

Trade and other receivables include Microloans issued by the Group to qualifying employees measured at amortised costs. The fair value of the Microloans approximates their carrying value.

Term deposit investments and cash and cash equivalents

These financial assets are measured at amortised costs - The carrying value of these financial assets approximates their value.

Financial liabilities

The Group's financial liabilities are unsecured bonds in issue as at the current reporting period and are listed on the Johannesburg Stock Exchange. The value of these bonds is determined using quoted prices in the market at the reporting date without any deduction for transaction costs.

27. RELATED PARTIES

The Group has a related party relationship with its subsidiaries and with its executives and board members. As Rand Water is a state-controlled entity, it also has a related party relationship with all

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other entities within the same sphere of government. Unless otherwise disclosed, all transactions with related parties are at arm's length basis.

Subsidiaries

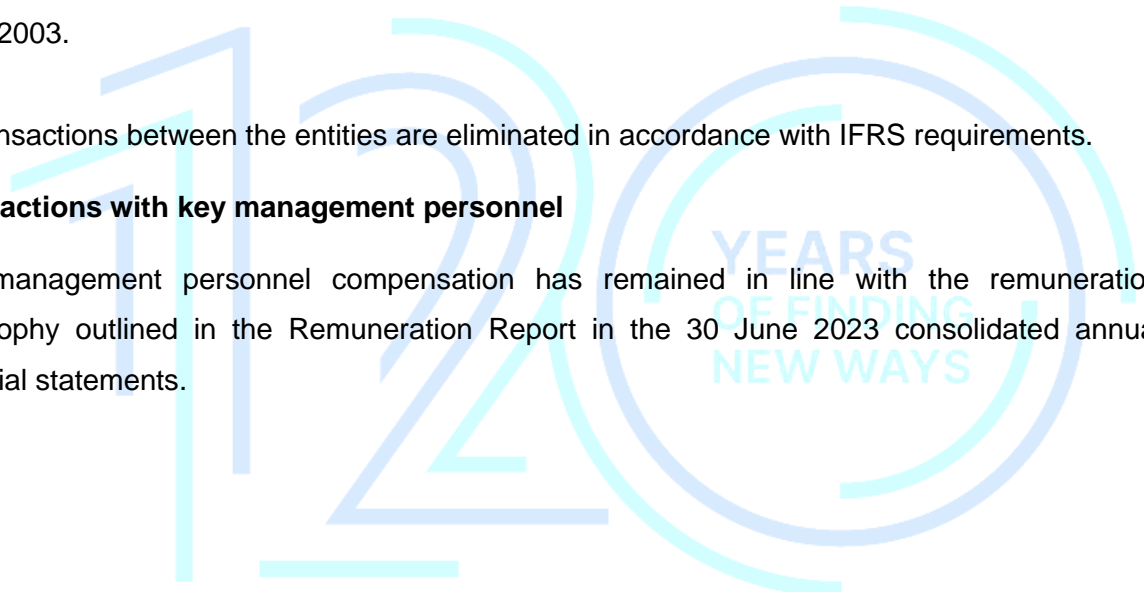
The Group comprises of two subsidiaries that are wholly owned by Rand Water namely Rand Water Services (Pty) Ltd and Rand Water Foundation NPC. Rand Water Services (Pty) Ltd was established in 2000 in accordance with the Companies Act of 1973.

Rand Water Foundation is a non-profit company (NPC) incorporated to carry out services for the public benefit as required by item 1(1) of Schedule 1 of the Companies Act 71 of 2008. RWF was specifically established to execute the corporate social investment strategy of Rand Water and has been operational since 2003.

All transactions between the entities are eliminated in accordance with IFRS requirements.

Transactions with key management personnel

Key management personnel compensation has remained in line with the remuneration philosophy outlined in the Remuneration Report in the 30 June 2023 consolidated annual financial statements.



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Rand Water

Figures in Rand thousand	Fees for service as board member	Salary	Reimbursements	Group life	Total 31 December 2023 Reviewed	Total 31 December 2022 Restated*	Total 30 June 2023 Audited
Executive board members							
Mr. S Mosai (Chief Executive)	-	2 709	-	89	2 798	2 932	5 829
	-	2 709	-	89	2 798	2 932	5 829
Non-executive board members							
<i>Current members effective 21 September 2022</i>							
Mr. R Monyokolo (Chairperson)	902	-	-	-	902	636	1 539
Ms. M Tonjeni (Deputy Chairperson)	348	-	-	-	348	246	683
Mr. S Khondlo	379	-	-	-	379	210	567
Ms. G Mahuma-Madida	320	-	-	-	320	186	515
Ms. L Mashamaite	334	-	-	-	334	260	643
Mr. A Mhlongo	307	-	-	-	307	226	582
Mr. S Mngomezulu	330	-	-	-	330	237	563
Ms. Z Monnakgotla	375	-	-	-	375	370	716
Mr. L Ntoyi	351	-	-	-	351	246	602
Mr. G Qotywa	301	-	-	-	301	200	519
Dr. N Qunta	411	-	-	-	411	237	676
Ms. C Simpson	313	-	-	-	313	195	566
Total	4 671	-	-	-	4 671	3 249	8 171

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Figures in Rand thousand	Fees for service as board member	Salary	Reimbursements	Group life	Total 31 December 2023 Reviewed	Total 31 December 2022 Restated*	Total 30 June 2023 Audited
Outgoing members*							
Adv. FM Hashatse (Chairperson)	-	-	-	-	-	262	262
Ms. M Mbonambi (Deputy Chairperson)	-	-	-	-	-	197	197
Ms. MM Kabi	-	-	-	-	-	151	151
Mr. LL Makibinyane	-	-	-	-	-	11	11
Ms. SN Maziya	-	-	-	-	-	101	101
Ms. NGJ Mbileni	-	-	-	-	-	145	145
Ms. S Molokoane-Machika	-	-	-	-	-	189	189
Ms. M Ntsaba	-	-	-	-	-	157	157
Mr. A Pandor	-	-	-	-	-	142	142
Mr. P Phili (a)	-	-	-	-	-	215	215
Total	-	-	-	-	-	1 570	1 570
Current and outgoing board members	4 671	-	-	-	4 671	4 819	9 741

*The term of office for the outgoing board members expired on 19 September 2022.

Figures in Rand thousand	Fees for service as board member	Salary	Reimbursements	Group life	Total 31 December 2023 Reviewed	Total 31 December 2022 Restated*	Total 30 June 2023 Audited
Executive committee members							
Mr. T Joala (Chief Shared Services Officer)	-	1 983	-	60	2 043	1 835	3 776
Mr. V Kubheka (Chief Strategy Officer)	-	1 661	80	57	1 798	1 659	3 655
Mr. M Mehlo (Chief Operating Officer)	-	2 090	-	65	2 155	2 088	4 240
Ms. M Nyembe (Chief Financial Officer)	-	2 019	-	68	2 088	2 023	4 209

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Figures in Rand thousand	Fees for service as board member	Salary	Reimbursements	Group life	Total 31 December 2023 Reviewed	Total 31 December 2022 Restated*	Total 30 June 2023 Audited
Top management committee members							
Mr. K Badenhorst (GM Integrity and Probity Assurance)	-	1 434	330	43	1 807	1 383	2 726
Dr. T Bekker (GM Information Technology)	-	1 427	12	40	1 479	1 522	2 901
Ms. A Bosch (Acting GM Legal and Risk)	-	1 377	222	39	1 638	1 379	2 789
Ms. M Chauke (Corporate Planner) (b)	-	-	-	-	-	1 124	-
Mr. H De Lange (Manager Analytics and Project Assurance)	-	-	-	-	-	863	-
Mr. M Makhubela (GM Corporate Services)	-	1 382	210	41	1 633	1 438	2 624
Ms. T Mange (Regulatory and Compliance Manager)	-	1 132	79	32	1 243	1 157	2 287
Mr. RS Mathebula (GM Sector Growth and Development)	-	-	-	-	-	-	2 721
Mr. M Mahlare (Financial Planning Manager) (a)	-	1 276	109	44	1 429	1 271	2 510
Ms. T Minya (GM Research Administration & Integration) (c)	-	-	-	-	-	1 177	2 351
Dr. N Mnonopi (GM Scientific Services)	-	1 619	-	29	1 648	-	689
Ms. W Mohamed (GM Strategic Human Capital)	-	1 663	-	44	1 707	1 577	3 275
Ms. N Mosupye (Chief Information Officer)	-	1 195	12	37	1 244	1 153	2 430
Ms. S Motloung (Group Audit Executive)	-	1 399	76	36	1 511	656	1 952

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Figures in Rand thousand	Fees for service as board member	Salary	Reimbursements	Group life	Total 31 December 2023 Reviewed	Total 31 December 2022 Restated*	Total 30 June 2023 Audited
Mr. G Mulzack (Acting GM Communications and Stakeholder Management)	-	-	-	-	-	1 228	2 379
Mr. L Ncobela (Funding Manager)	-	1 510	12	42	1 564	1 448	2 864
Ms. E Ncube (Acting GM Scientific Services)	-	-	-	-	-	915	2 057
Dr. FM Ngoatje (Head of Rand Water Institute)	-	1 817	-	50	1 867	1 747	3 563
Mr. T Nyandoro (Financial and Economic Planner)	-	1 071	52	30	1 153	1 065	2 091
Mr. E Nzilo (Supply Chain Manager)	-	921	17	26	964	-	-
Ms. J Radebe (GM Communications and Stakeholder Management)	-	1 450	12	30	1 492	-	1 033
Ms. L Swartbooi (Policy Development Manager)	-	960	91	30	1 081	975	-
Mr. R Thagwana (Acting Group Head Internal Audit)	-	-	-	-	-	344	344
Mr. S Xaba (GM Operations)	-	1 642	12	47	1 701	1 592	3 330
Mr. B Xaba (GM Strategic Asset Management)	-	1 705	11	47	1 763	1 648	3 428
Mr. M Xulu (Acting GM Sector Growth and Development)	-	-	-	-	-	1 190	2 264
Total	-	31 299	1 337	937	35 008	34 457	68 488

(a) Mr. M Mahlare was in his capacity as the Financial Planning Manager, a member of the Top Management Committee and has since been appointed as the Managing Director: Rand Water Services effective from 2 November 2023.

(b) Ms. M Chauke's tenure as a Top Management Committee member has ended.

(c) Ms. T Minya's tenure as a Top Management Committee member ended. The member is appointed as General Manager: Research Administration & Integration at the Rand Water Institute.

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Rand Water Foundation

Figures in Rand thousand	Fees for services as board member	Salary	Reimbursements	Group life	Total 31 December 2023 Reviewed	Total 31 December 2022 Restated*	Total 30 June 2023 Audited
Executive board members							
Ms. M Sekoaila (GM Rand Water Foundation)	-	1 251	209	38	1 498	1 095	2 143
	-	1 251	209	38	1 498	1 095	2 143
Non- executive board members							
Mr. ML Mngomezulu (Chairperson)	244	-	-	-	244	231	480
Ms. BM Lekwane	108	-	-	-	108	116	246
Ms. APZ Mafuleka	129	-	-	-	129	133	286
Mr. S Mosai (d)	-	-	-	-	-	-	-
Ms. LN Netshitenzhe	150	-	-	-	150	152	264
Mr. EN Ratshikhopha	124	-	-	-	124	117	236
Total	755	-	-	-	755	749	1 512

(d) Mr Mosai, as the Chief Executive of Rand Water serves in an Ex Officio capacity as the board member of Rand Water Foundation.

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Rand Water operates a Short-Term Incentive Scheme which is predicated on the achievement of predetermined operational, technical, social, and financial performance measures and these are contained in the Corporate Scorecard and the strategic pillars. The Scheme is self-funding and any pay-outs contemplated are at the discretion of the relevant governance structures. For the current reporting period, a Short-Term Incentive was paid to eligible employees in December 2023. The payout for key management personnel was paid out as follows:

Figures in Rand thousand	Bonus Payout 2023	Bonus Payout 2022
Executive committee members		
Mr. S Mosai (Chief Executive)	2 279	1 980
Mr. T Joala (Chief Shared Services Officer)	1 783	1 418
Mr. V Kubheka (Chief Strategy Officer)	1 610	1 202
Mr. M Mehlo (Chief Operating Officer)	1 921	1 520
Ms. M Nyembe (Chief Financial Officer)	1 894	1 440
Total	9 487	7 560
Top management committee members		
Mr. K Badenhorst (GM Integrity and Probity Assurance)	1 123	901
Dr. T Bekker (GM Information Technology)	1 178	938
Ms. A Bosch (Acting GM Legal and Risk)	947	762
Mr. M Mahlare (Financial Planner)	1 001	811
Ms. T Mange (Regulatory and Compliance Manager)	777	628
Mr. M Makhubela (GM Corporate Services)	1 053	849
Mr. RS Mathebula (GM Sector Growth and Development)	1 096	879
Ms. T Minya (GM Research Administration & Integration)	940	378
Ms. W Mohamed (GM Strategic Human Capital)	1 345	1 075
Ms. N Mosupye (Chief Information Officer)	1 011	-
Ms. S Motloun (Group Audit Executive)	809	-
Mr. G Mulzack (Acting GM Communications and Stakeholder Management)	891	695
Mr. L Ncobela (Funding Manager)	1 192	965
Ms. E Ncube (Acting GM Scientific Services)	719	558
Dr. FM Ngoatje (Head of Rand Water Institute)	1 495	1 199
Mr. T Nyandoro (Financial and Economic Planner)	740	594
Mr. E Nzilo (Supply Chain Manager)	667	529
Ms. L Swaartbooi (Policy Development Manager)	677	456
Mr. S Xaba (GM Operations)	1 351	1 078
Mr. B Xaba (GM Strategic Asset Management)	1 423	1 130
Mr. M Xulu (Acting GM Sector Growth and Development)	833	650
Total	21 268	15 075

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Department of Water and Sanitation

The Group is 100% controlled by the government of South Africa represented by the Department of Water and Sanitation. Below are the balances and transactions with the Department.

Transactions with the Department of Water and Sanitation

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Transactions with related parties			
Sale of goods and services	171 304	9 037	187 665
Purchases of goods and services	3 751 764	3 460 220	7 043 775
Year-end balances arising from transactions			
Payables	1 306 565	1 424 832	1 402 751
Expected credit losses	54 211	175 925	54 258
Receivables	62 244	205 329	63 300

Other public entities

The Group is exempt from disclosing balances and transactions with other spheres of Government therefore the disclosure includes only those entities that are within the same ministerial control.

Transactions with public entities within the same ministerial control:

Figures in Rand thousand	31 December 2023 Reviewed	31 December 2022 Restated*	30 June 2023 Audited
Transactions with related parties			
Sale of goods and services		-	13
Purchases of goods and services	83 999	131 635	157 098
Collections on behalf of the commissioner	(68 106)	(120 223)	(138 278)
Levy expenditure	63 871	117 497	134 941
Year-end balances arising from transactions			
Payables	15 588	14 606	13 523
Expected credit losses	181	188	192
Receivables	216	226	226

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28. PRIOR PERIOD ERROR

Assets under construction (AUC)

The entity reviewed AUC to verify that the costs that have been capitalised are costs that are directly attributable to the costs of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Specific constructed assets were reviewed to determine if they will still derive any future economic benefits, as initially assessed by management in its current form aligned to changes and or developments that have occurred since the construction begun.

The review process resulted in a R33 million retrospective adjustments in the six-month reporting period. The impact is detailed below:

Facilities water consumption

During the current year it was identified that part of the costs allocated to Cost of Sales relates to water that is utilised within all Rand Water facilities therefore this portion of non-revenue water was misclassified as Cost of sales.

The correction resulted in a reclassification of costs from cost of sales to other operating expense. The correction of the error(s) resulted in an adjustment as follows:

Reconciliation of the effects of the adjustments in the statement of financial performance as at 31 December 2022		31 December 2022
Figures in Rands thousands		Restated*
Profit or Loss		
Depreciation		1 408
Amortisation		14
Labour		3 029
Other expenses		36 628
Cost of sales		(41 079)
		-

Reconciliation of the effects of the adjustments in the statement of financial position as at 31 December 2022				
Figures in Rand thousand	As previously reported	Adjustments	Net Profit adjustment	31 December 2022 Restated*
Asset under Construction	13 531 410	(33 262)		13 498 148
Trade and other receivables	3 254 662	126	(40)	3 254 748
Retained earnings	(34 295 311)	33 176	(40)	(34 262 175)