

# RAND WATER GROUP

**31 December 2020**

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**Condensed Consolidated  
Interim Financial Statements**



## **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 reviewed condensed consolidated interim financial statements for the six months ended 31 December 2020 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 has the overall responsibility for maintaining a system of internal controls that constitutes control procedures put in place by Rand Water Management to ensure efficient and effective operation of business activities for the attainment of its mandate and objectives. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve expected results and strategic objectives.

The Board has every reason to believe that Rand Water is a going concern as the business has adequate resources in place to continue its operation for the foreseeable future. The interim financial statements have therefore been prepared on this basis.

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 reviewed condensed consolidated interim financial statements which appear on pages 15 to 39 have been approved for release to Rand Water's stakeholders by the Board at its meeting held on 25 March 2021 and signed on its behalf by:

  
\_\_\_\_\_  
Adv. Faith Hashimbe  
**Chairperson of Rand Water**

  
\_\_\_\_\_  
Mr Siphosiso Mosai  
**Chief Executive**

## CORPORATE INFORMATION

### Board members:

#### Executive

Mr Sipho Mosai

(Chief Executive)

#### Non-executive:

Adv. Tshidi Faith Hashatse (Chairperson)

Ms Khulekelwe Glynnis Mbonambi (Deputy Chairperson)

Ms Sophie Molokoane-Machika

Mr Ramateu Monyokolo

Mr Ahmed Mohamed Pandor

Mr Protas Thamsanqa Phili

Ms Nonhlanhla Savannah Maziya

Mr Lefadi Lucas Makibinyane

Mrs Nomsa Georgina Judy Mbileni

Ms Phindile Mbanjwa

Ms Mankone Mabataung Ntsaba

Ms Mahlatse Martha Kabi

## CORPORATE INFORMATION

### Company Secretary and Business Address:

Ms Bessie Bulunga

522 Impala Road

Glenvista

Johannesburg, 2058

PO Box 1127

Johannesburg

2000

### External Auditors:

The Rand Water Group Statutory auditor's remains:

Auditor General of South Africa

Lefika House

300 Middel Street

Brooklyn

Pretoria

The Interim review performed by:

Nexia SAB&T

119 Witch-Hazel Avenue

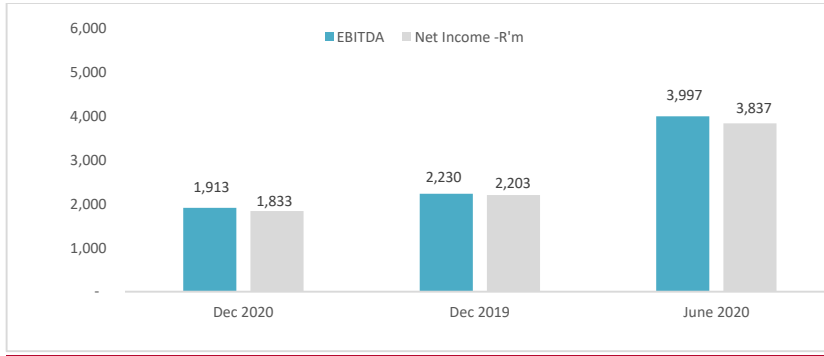
Highveld Technopark

Centurion

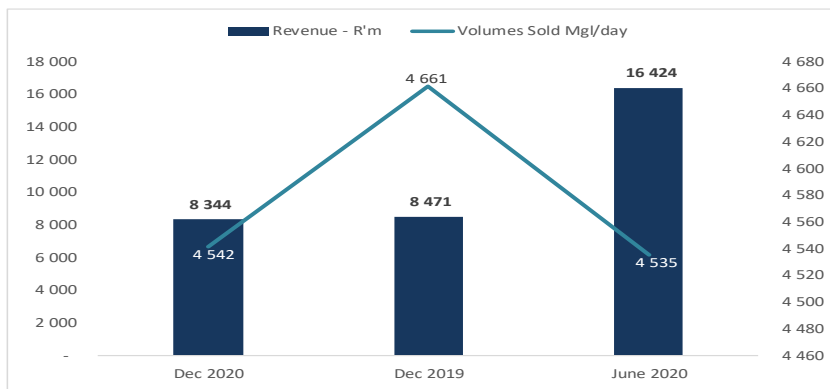
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## FOREWORD

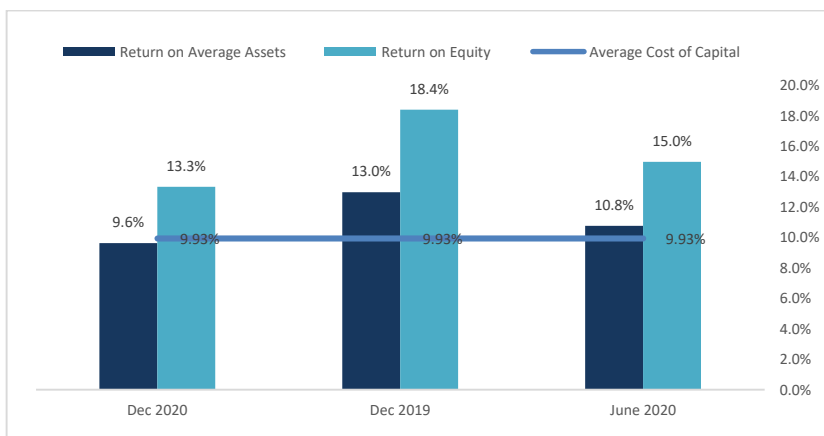
### 1. Financial Highlights



**EBITDA & Net Income decreased, largely attributable to Zero sale tariffs and higher Expected Credit Losses recognised as result of Covid\_19 global pandemic.**

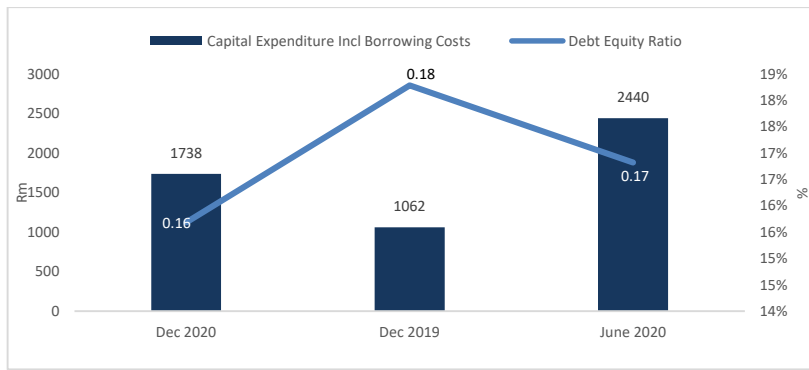


**Lower revenue during the period under review due to zero tariffs and lower volumes which is attributable to the impact of Covid\_19 and water restrictions on defaulting customers.**



**Operating Return on average assets reduction attributable to lower operating income and increased spend on capital expenditure for the period. Lower returns also impacting ROE.**

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020



**Increase in Capex expenditure due to the acceleration of critical projects that were halted during the Covid\_19 lockdown.**

## 2. Operating Environment

The Global Pandemic has wreaked economic havoc both domestically and internationally. For the six months under review, Rand Water faced a different environment, that has been referred to as the 'new normal'. This has been dominated by staff working off-site, which was made possible through our information systems and technology readiness that facilitated the continuity of our business to provide water to the citizens of our country whom are faced with a pandemic that requires access to clean water. On the operational front, the water industry is one of the sectors that fall within essential services, that requires a significant portion of staff to report to sites for the abstraction, purification and distribution of bulk potable water. In this regard, Rand Water met its mandate of meeting uninterrupted delivery of bulk potable water to all its customers.

Rand Water's vision "To be a provider of sustainable, universally competitive water and sanitation solutions for Africa" is clearly demonstrated by its ability to distribute water that is of world class standards. Financial sustainability drives the business and its' tariffs are very competitive given its high raw water costs, which includes a significant contribution towards the Lesotho Highlands Scheme, maintaining a complex infrastructure base, with 60 reservoirs and more than 3000km of pipelines and the high energy cost of pumping water through its network. It remains the largest water supplier in the Continent and one of the largest in the world.

The entity demonstrates the values of the organisation by providing water of the highest quality, exceeding the minimum SANS 241 standards, at affordable rates, 24 hours a day, 365 days of the year, using highly skilled and results orientated staff, using best fit technology, exploring growth opportunities, whilst ensuring its long term sustainability.

The Minister of Human Settlements, Water and Sanitation did not approve all Water Boards tariff increases for the financial year 2021. Rand Water has had to embark on cost cutting initiatives that is the result of a reasonably well performance, both operationally and financially.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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The decline in operational performance as a result of forfeiting tariff increases to aid the economy during this crisis is evident that no tariff increases is not a sustainable measure to continue aiding the overall economy at the expense of securing safe drinking water for the citizens of this country.

Rand Water is operating in a water scarce region and drives water conservation initiatives, together with the community and the Municipalities, in its area of supply, such as the Project 1600, intending to limit household water losses. In order to ensure that Rand Water abstracts no more than it is licenced to, some of the punitive measures available, such as imposing stepped tariffs are under consideration to conserve this precious resource in the event of a drought or non-compliance to reduced targets that may be set.

The entity remains committed to delivering on National Directives and other corporate social responsibilities and empowerment initiatives in alignment with governmental imperatives and remains cognisant of ensuring that Rand Water's financial viability and sustainability is continually maintained and improved.

On a global scale Supply Chain was severely impacted by the huge disruptions in economic activity both locally and internationally. The procurement of the critical goods/services occurred in a fast changing legislative environment where National Treasury published five instruction notes to regulate procurement activities. The requirements to continue operating during the pandemic in a safe environment in line with Covid\_19 regulations was prioritised.

Despite Supply Chain challenges that was imminent from a lock down and continued reduction in economic activity, the organisation reports a strong turn around in the successful execution of its capital expenditure programme, driven by a strategy that focuses on the core mandate of the organisation, whilst maintaining an innovation thrust.

## 3. Going Concern

The world is experiencing its worst economic situation caused by the Global Pandemic. After the first wave of infections, there was a false sense of security that the worst is behind us. The risk of second and third waves, increases the need to continually monitor operational and financial plans to ensure we remain financially viable in terms of the Water Services Act section 34 (2)(a)-(e), and continue to have adequate resources to sustain our liquidity, debt, operational and investment needs for the short to medium term.

The first six months of the financial period under review required the entity to be more agile in its response to an environment faced with a global pandemic and a recession. The agility stretched to accommodate the Zero tariff increase for the financial year 2021, which required continued stress testing of the balance sheet to ensure that the entity remains ahead and resilient to the current pressures and beyond.



# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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Our current interim results for 2021 is a testament to our financial muscle and prudent financial management. Rand Water is tracking slightly better off than it had planned despite an increase in Covid\_19 related expenditure, Expected Credit Loss provision and accelerated spending on crucial infrastructure projects. Year on year comparison of key financial ratios may have declined, but still remain more comparable to our counterparts in the public and private sector. These ratios and the financial statements confirm that at the very least, the entity remains financially viable over the short to medium term. Long term forecasts are continuously monitored to assess any possible impact and Rand Water is currently confident of its ability to maintain financial viability and sustainability of the entity on the back of cost reflective tariffs. However, like the rest of the world the entity is dependent on the outcome of the potential impact of a second and third wave from the pandemic.

Rand Water has secured access to funding on the back of the approved/gazetted borrowing limits by National Treasury for the period ending 30<sup>th</sup> June 2020. The unutilised headroom under the borrowing limits for the financial year 2020/21 is just over R7 billion which is more than sufficient to cater for funding requirements. An application has been submitted to the executive authorities for approval of the funding requirements and its associated borrowing limits for the period 2022-25. 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. The entity has access to adequate resources in the form of a liquidity buffer of R1.8 billion, as cash remains critical during a distressed economic period, and additional liquidity is secured by means of committed facilities of R1.5 billion, that improves its ability to continue its operations into the foreseeable future, under both normal and stressed conditions.

## Key factors that indicate optimism in the future of the organisation include:

- The support Rand Water has received from the South African Local Government Association (SALGA) and National Treasury to its proposed tariff increase of 5.8% for 2022;
- The proposed raw water tariffs, effective 1 April 2021 are projected to increase by 4.2%;
- Major Municipalities are paying their current debt bills albeit a few days late that is in line with the debt relief terms;
- Quarterly cash flow forecasts indicate that the Group will be able to meet its obligations as they fall due and the entity remains committed to actively manage cash inflows and outflows to maintain optimal working capital levels;
- Rand Water explored various scenarios as part of its revised budgeting process in the current year. These included the V, U, L and W recovery curves, with different tariff options and the capital expenditure requirements to ensure its ability to repay its long term borrowings and its medium to long term funding needs to finance its capital augmentation program;
- The accumulated reserves of the Group improved by 15% from December 2019;
- Rand Water achieved a return on assets of 9.6% against a prior return of 10.8%;



# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

- Although Operating return on average assets reduced, the net return on total assets, at 11.6% exceed the organisation's average cost of capital of 9.93% indicating the ability of the organisation to fund future capital requirements;
- The gearing ratio operated well within set corporate parameters of between 15% and 41% at 16%;
- The interest cover and cash interest cover are significantly better than the target of 3,0 times.

## Financial Performance Highlights:

- The group is reporting a decrease in revenue of 1.5% to R8.3 billion (2019: R8.5billion) largely attributable to a zero tariff increase for the 2021 financial year, a 0.4% reduction in volumes sold due to water restrictions implemented on defaulting customers and revenue not recognised in our financials of R43 million (2019: R13 million), due to the continued default.
- The Group's net income margin during the period under review was significantly affected by the lower revenue, a net reduction of 4% from 26% in 2019 to 22%. Covid\_19 related expenses, Social Economic Development (SED) costs and Expected Credit Losses (ECL) have contributed to the increase in operating costs, despite the deferment of non-critical expenditure and savings achieved from cost synergies and cost containment initiatives. The Group saw an increased ECL allowance by 110%, from R148 million in 2019 to R311 million, mainly attributable to the continued strain that the pandemic is having on an already strained economy which is ultimately impacting the entire value chain and requiring a manoeuvring from the normal to adapt during the pandemic.
- The group recorded a 15% increase in accumulated reserves during the period under review. This increase in accumulated reserves has contributed positively on the financial gearing, which measured by debt to equity ratio, has decreased from 18% to 16% representing a strong financial position of the group and more than sufficient capacity to raise capital in the financial markets to support the CAPEX programme that the Group is embarking on.
- Cash generated from operations has reduced during the period under review from R 1.7 billion to R1.3 billion, mainly as a result of lower revenues and the continuing increase in arrear debt, which is attributable to the extension of payment terms from 30 days to 45 days' debt relief packages provided to our customers to assist them to cope during the pandemic, which is now sitting at R1.7 billion as at 31 December 2020.
- The group currently holds R4.3 billion cash and cash equivalents, 59% increase from December 2019, which is mainly driven by the maturity of term deposit investments.
- The resilience of the Groups liquidity position is further embedded by access to committed facilities, with R1.5 billion unutilised committed facilities as at 31 December 2020 (30 June 2020: R1 billion) and liquidity buffer of R1.8 billion for the six months ending 31 December 2020 consisting of strategic liquid investment in RSA bonds of R568 million, and highly liquid short term investments.
- The Group has set aside funds of R2.4 billion for the ultimate redemption of the RW21 bond maturing in April 2021 and the RW23 in December 2023. The Group is well for the redemption of RW21 in April 2021

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

as demonstrated by the liquid position as at 31 December 2020, funds held in sinking funds and treasury bills.

- The Group's total capital expenditure including borrowing costs has increased from R1.1 billion to R1.7 billion during the period under review, this increase was largely attributable to the acceleration of critical projects that were halted and other projects that were deferred to the current year as a consequence of the Covid-19 National lockdown.
- The organisation achieved R0.358 billion (85.38% of the projected R0.419) capitalisation of assets under construction that achieved beneficial use during the period. It is anticipated that the projected R3.0 billion of assets achieving beneficial use for the financial year closing 30 June 2021 will be achieved if the Covid\_19 lock down restrictions allow construction to continue without disruption.
- The secondary activities profits have increased substantially during the period under review, largely contributed by Covid-19 agent contracts. This boosted the profit margins for secondary activities to 19.4%.

The increase in trade and other receivable is mainly due to the unpaid municipal debtors as at 31 December 2020. Some of the Metros have a special arrangement to liquidate their obligation over an extended period of time as approved by the Board as part of the Covid\_19 relief pool of options. The increase was further exacerbated by the directive not to limit water supply during the Covid\_19 pandemic, thus limiting Rand Water's most effective debt control mechanism, which is evident from the increase in the Daily Sales Outstanding (DSO) to 78 (2019: 57). Rand Water has implemented a legal recovery process in order to recover the outstanding monies due to the entity to ensure its financial sustainability and viability. Included in the above is the Bushbuckridge Local Municipality's balance of R266 million which has been fully impaired. Bushbuckridge Local Municipality took over operations from 1 July 2019 for bulk water production and distribution in the Bushbuckridge Municipal area after invoking the provision of Section 78 of the Municipal System Act of 2000. This action resulted in Rand Water discontinuing providing bulk water services to the Municipality, and the debt outstanding since the exit/discontinuance of services has not been paid yet.

The Board has reviewed this position taking due consideration of the Covid\_19 risk adjusted strategy and the escalating customer defaults experienced by the entity and resolved to reinstate the water flow reduction mechanism as a means of credit collection. The Group has since engaged and negotiated with a number of municipal customers with a view to sign and conclude on repayment arrangements.

## Relief measures by Rand Water to customers impacted by Covid\_19

As a water service provider and in response to the Covid\_19 pandemic, Rand Water has granted various debt relief options to assist its customers. These include amongst others, capital and interest moratorium, extended payment terms and also other long term interventions. Some shortfalls in the collections will be restructured and collected over the remaining payment terms. At the date of publishing the financial statements, the customers that have applied for these relief programs do not adversely impact the liquidity of the group in the short-term. All other Rand Water rights remain in place and enforceable.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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## 4. Tariff determination

In response to the devastating impact on the economy and health and livelihoods of citizens, caused by the Covid\_19 pandemic, The Minister of Human Settlements, Water and Sanitation rejected the applications for potable water tariff increases of all water boards for the current financial year 2020/21.

The impact of a zero tariff increase necessitated a revision of the approved budget to adjust the projected revenues and re-align operating costs accordingly. The exercise focussed on cost synergies, maximising operational efficiencies, cost containment and the deferment of non-critical expenditure to ensure that the entity remained financially viable, at least in the short term.

It is expected that the zero tariff increase would only apply to the current 2021 financial year as Rand Water relies totally on the revenues it generates to fund its operational and capital expenditure and receives no government funding. Consultations for the proposed 2022 tariff increases have begun with a proposed tariff increase of 5.8%. Cost-reflective tariffs remain crucial for the long term sustainability of the entity.

## 5. Pandemic impact

At the outbreak of the pandemic, the organisation developed a comprehensive Framework for Business Continuity. This galvanized all efforts on the key mandate of the organisation to prevent further distress within Rand Water's area of operation. This was centred around ensuring that systems, assets, and in particular people received support to cope with the pandemic, whilst ensuring that Rand Water was able to continue meeting its key mandate of providing safe drinking water to the customers in its area of supply.

Local government revenue collection was severely affected by the outbreak of the Covid-19 pandemic, yet they were expected to provide additional services during the lockdown in order to ensure that water was provided to all areas due to the increased need for the end users to have access to water to disinfect continuously to minimise the risk of the pandemic. Additional funding in excess of R20 billion was provided to Municipalities to provide emergency water supply, to sanitise public transport and support vulnerable communities. Municipalities were not prepared for the loss of more than 20% of their revenues and rapidly dropping cash reserves as end users also experience the wrath of this pandemic and recession that has led to unemployment, etc. Emergency measures had to be actioned to ensure that services were not disconnected due to defaulting payments.

The difficulties experienced by the Municipalities is visible in the increase in trade and other receivables as at 31 December 2020. Rand Water's most effective debt control mechanism i.e. it's limitation of water supply could not be enforced with the directive to not limit water supply during the Covid\_19 pandemic. In an effort to maintain its financial sustainability, the organisation resorted to the legal process to recover the outstanding monies.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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Rand Water adopted a Covid\_19 risk adjusted strategy, in light of the escalating customer defaults and its current debt position. The organisation therefore reinstated water flow reductions. There have since been numerous meetings with a number of municipal customers to sign and conclude repayment arrangements.

## 6. Compliance

As part of the risk management process, Rand Water appreciates that one of its core risks is compliance with statutory obligations and voluntary obligations. It is thus prudent to not only identify the legislation which it has to comply with but also to consistently monitor the levels of compliance in the organisation.

In order to reinforce a compliance culture throughout the organisation, the group has seen it as prudent to introduce the regulatory governance documents that will ensure that the compliance risk is managed effectively by means of effective and efficient execution of the organisation's compliance plan. These regulatory documents comprise of the Compliance Policy, Charter and Manual.

Various initiatives and capacitation in the compliance environment is planned to be instituted to keep up with the ever changing compliance landscape. Some of these initiatives include control maturity assessment in line with a risk based approach, reengineering policies and procedures and optimisation of decision support. These initiatives include the utilisation of efficient technological systems that are able to integrate and provide trend analysis, predictive modelling thus allowing for an overall holistic compliance overview.

In an effort to strengthen the decentralised model, a Corporate Compliance Forum has been established comprising of representative compliance champions within each business stream within Rand Water. The main purpose of the Forum is to ensure that the Rand Water Compliance Risk is managed effectively and efficiently. This will also include ensuring that the corporate compliance plan is executed in an effective manner.

The group has further commenced with the development of a Compliance Risk Management tool that is due for roll out in June 2021. This tool will assist the group in the management of compliance risk through use of automated systems that will further assist the group in the execution of its compliance plan and the achievement of real time compliance monitoring.

### **Fruitless, Wasteful and Irregular Expenditure**

Through the adoption of a decentralised compliance model, the organisation has been able to improve on the processes of identifying and dealing with Fruitless, Wasteful and Irregular Expenditure and Non-compliance overall.

A number of initiatives have been implemented to ensure that the risk of non-compliance continues to be mitigated and represented within the overall organisation. These initiatives include but are not limited to those described in the preceding paragraphs. It is through these initiatives that the organisation is now seeing an improvement on

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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the submission of condonation requests to National Treasury and the decline in the quantum of confirmed Irregular Expenditure.

The improvements of the FWIE processes have resulted in an increase in Irregular Expenditure during the 2020 Financial Year due to improved detecting controls put in place, the group however is anticipating a decline on the year on year confirmed quantum for the remaining period under review ending 30 June 2021.

This anticipated decline will be achieved through the implementation of additional robust training initiatives and the additional appointment of specialised compliance skills within the organisation.

Although Rand Water is not immune to the continuous and robust changes within the External and Internal Regulatory Frameworks, the group remains resilient and unwavering in its commitment to reduce the compliance risk.

The Group remains optimistic in the continuous zeal for the improved processes of mitigating the risk of non-compliance and the confirmed instances of Irregular and Fruitless and Wasteful Expenditure. The Group continues committed in ensuring that all persons who permit irregular, fruitless and wasteful expenditure are disciplined in line with the group's disciplinary code and that achievable and realistic remedial action is executed within the organisation's compliance environment.

## 7. Prospects

### Looking forward into the six months to the year ending 30 June 2021

The Covid\_19 pandemic has had a severe impact on the world and Rand Water's major customer base, namely the Municipalities whom are not immune to the impact that stems from the rippled effect this pandemic has on the citizens of this country. The pandemic has accelerated the implementation of new innovative ways to enable and secure payment of services from our Municipalities and whilst some of the payments are received late, on the positive front, in excess of 90% of the current turnover is collected from the majority of our customers within the agreed payment terms.

Our strong cash position has been built in line with our rigid Treasury Management Policies that regulate the setting aside of funds at least five years prior to the redemption date for outstanding debt and holding cash in operational and strategic liquidity reserves as part of our liquidity risk management. This requirement is more than adequately met through our investments of just over R6 billion which is made up of RSA Bonds, term deposits and cash investments.

Capital expenditure has increased in the current year, as the focus remains on the completion of critical projects. Our capital investment programme comprises of investment in augmentation to cater for demand,

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

renewals/refurbishment projects to maintain the integrity of our existing infrastructure. Our growth investments are aimed to tap into new innovative solutions and technological advancements that will aim to optimise efficiencies across the value chain including partnering with our stakeholders/customers in strategic projects aimed to conserve water sources and address sanitation requirements.

Current operational expenditure trends provide an optimistic view of the short term outlook. Revenues and total expenditure to date are tracking closely to the revised budget, although the entity has incurred additional Covid\_19 related expenditure and increased its Expected Credit Loss provision to R311 million. These current trends are expected to continue into the last half of the year; lower revenues than budget, from zero tariff increase and marginally lower volumes, but with strictly controlled operating costs and efficiencies, we are confident in maintaining full year GP margin above the budgeted 30%. This, together with continued cost containment drives, should be able to absorb additional Covid\_19 related expenditures, as well as further expected credit losses, for the remainder of the year. This is expected to result in a net profit margin greater than 20% for the full year, in line with the revised 2021 budget.

Capital expenditure has increased in the current year, as the focus remains on the completion of critical projects, this is expected to continue into the second half of the financial year.

There is a renewed focus towards strengthening the engagements with National Treasury including other key stakeholders and exhausting all available intergovernmental mechanisms underpinned by enforcement of Rand Water's credit management policy to ensuring collection of outstanding debt by municipalities.

With greater economic uncertainty brought by the global pandemic, this led to a further sovereign downgrade by Moody's and Fitch in November 2020. Notwithstanding, the second wave of the Covid\_19, the distribution and roll out of the vaccines is expected to bring normality and improve global growth prospects. Credit risks remain at the pinnacle of the Group as security and recoverability of invested funds by Rand Water with various financial institutions remains of key importance. The exposure of invested funds is limited to counterparties with investment grade (zaA+).

Rand Water's credit rating as at 31 December 2020 is denoted in the table below.

## Ratings

Rating Type	Rating	Outlook	Last Rating Action
National Long-Term Rating	AA+ (zaf)	Stable	Affirmed 14 Sep 2020
National Short-Term Rating	F1+ (zaf)		Affirmed 14 Sep 2020

## Standard & Poor's

Outlook	Stable
Foreign currency	BB-
Local currency	BB
National scale rating	zaAAA

## 8. Conclusion

In conclusion, we continue to place key focus to strengthen our organisation against any possible effects stemming from the external environment both locally and internationally. Our strategy continues to aspire toward maintaining and improving our stakeholder and investor relations, continued sustainability, leadership quality and applying sound management principles to ensure agility and responsiveness to the tough economic conditions. The pandemic has revealed to the world the importance of technological advancements to operate in a crises as severe as this pandemic has proven to be and Rand Water through its innovation risk-based strategy continues to assess technological solutions to ensure that we enhance the current environment to always remain operational.

Our focus through our growth investment projects and other initiatives are of paramount importance as we partner with our Shareholder and customers to resolve access to additional sources of water, sanitation, energy conserving investments and key projects with our customers to look at new improved ways of reducing the loss of water through their systems. Rand Water takes pride in its efforts and dedication to ensuring that it always remains financially viable to continue providing bulk potable water to its customers and on a larger scale to partner with the relevant stakeholders in meeting the basic needs of the citizens of this country.



# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Rand thousand	Notes	31 December 2020 Reviewed	31 December 2019 Reviewed	30 June 2020 Audited
<b>Assets</b>				
<b>Non-current assets</b>		<b>26 991 693</b>	<b>24 268 992</b>	<b>24 492 203</b>
Property, plant and equipment	4	25 449 798	22 686 780	23 739 793
Intangible assets		229 219	212 997	231 158
Investments	5	567 759	462 831	465 925
Trade and other receivables	8	705 694	-	-
Post-retirement medical benefit		38 446	29 086	54 557
Loans receivable		777	912	770
Term deposit investments	6	-	876 386	-
<b>Current assets</b>		<b>8 183 060</b>	<b>7 037 946</b>	<b>9 038 323</b>
Inventories	7	207 808	455 502	462 232
Trade and other receivables	8	2 044 996	2 029 758	2 646 843
Loans receivable		1 685	2 621	2 000
Contract assets	9	154 088	225 076	221 474
Term deposit investments	6	1 434 024	1 589 097	2 934 830
Cash and cash equivalents	10	4 340 459	2 735 891	2 770 944
Non-current assets held for sale		2 267	227	2 270
<b>Total assets</b>		<b>35 177 021</b>	<b>31 307 165</b>	<b>33 532 796</b>
<b>Equity and liabilities</b>				
<b>Equity</b>		<b>27 477 702</b>	<b>23 954 383</b>	<b>25 624 798</b>
Retained income		27 196 480	23 719 236	25 363 961
Reserves		281 222	235 147	260 837
<b>Non-current liabilities</b>		<b>2 869 591</b>	<b>4 582 364</b>	<b>2 868 499</b>
Interest bearing borrowings	11	2 675 517	4 387 365	2 675 025
Deferred income		108 491	111 834	108 751
Provisions		84 877	80 852	83 172
Lease liability		706	2 313	1 551
<b>Current liabilities</b>		<b>4 829 728</b>	<b>2 770 418</b>	<b>5 039 499</b>
Trade and other payables	12	2 704 341	2 684 493	3 140 126
Provision	13	145 015	-	-
Interest bearing borrowings	11	1 639 974	-	1 642 254
Contract Liabilities	14	336 654	82 405	253 491
Deferred income		2 137	2 137	2 137
Lease liability		1 607	1 383	1 491
<b>Total equity and liabilities</b>		<b>35 177 021</b>	<b>31 307 165</b>	<b>33 532 796</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand thousand	Notes	31 December 2020 Reviewed	31 December 2019 Reviewed	30 June 2020 Audited
Revenue	15	8 343 584	8 471 202	16 423 862
Cost of sales	16	(5 437 790)	(5 466 318)	(10 769 616)
<b>Gross income</b>		<b>2 905 794</b>	<b>3 004 884</b>	<b>5 654 246</b>
Other operating income/(loss)		13 585	(16 517)	(18 155)
Allowance for credit losses	17	(296 887)	(148 434)	(340 830)
Other operating expenses	18	(969 908)	(856 361)	(1 883 714)
<b>Operating income</b>		<b>1 652 584</b>	<b>1 983 573</b>	<b>3 411 547</b>
Finance income		205 336	264 982	462 722
Finance costs		(25 401)	(45 998)	(38 195)
<b>Income from continuing operations</b>		<b>1 832 519</b>	<b>2 202 558</b>	<b>3 836 074</b>
<b>Discontinued operations</b>				
Losses from discontinued operations		-	-	650
<b>Net income for the period</b>		<b>1 832 519</b>	<b>2 202 558</b>	<b>3 836 724</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL COMPREHENSIVE INCOME

Figures in Rand thousand	Notes	31 December 2020 Reviewed	31 December 2019 Reviewed	30 June 2020 Audited
<b>Net income for the period</b>		<b>1 832 519</b>	<b>2 202 558</b>	<b>3 836 724</b>
<b>Other comprehensive income/(losses):</b>				
<b>Items that will not be reclassified to net income:</b>				
Re-measurements on net defined benefit liability/asset		-	29 556	56 957
<b>Items that may be reclassified to net income:</b>				
Re-measurement of items at fair value through other comprehensive income		20 385	(6 031)	2 816
<b>Other comprehensive income for the period</b>		<b>20 385</b>	<b>23 525</b>	<b>59 773</b>
<b>Total comprehensive income</b>		<b>1 852 904</b>	<b>2 226 083</b>	<b>3 896 497</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL CHANGES IN EQUITY

Figures in Rand thousand	Fair Value through Comprehensive Income	Re-measurements on employee benefit obligation	Transfer of function	Total reserves	Accumulated reserves	Total equity
<b>Opening balance as at 1 July 2019</b>	<b>(1 157)</b>	<b>202 221</b>	<b>10 557</b>	<b>211 622</b>	<b>21 516 678</b>	<b>21 728 301</b>
Income for the year	-	-	-	-	2 202 558	2 202 558
Other comprehensive income	(6 031)	29 556	-	23 525	-	23 525
<b>Total other comprehensive income for the six month period</b>	<b>(6 031)</b>	<b>29 556</b>	<b>-</b>	<b>23 525</b>	<b>2 202 558</b>	<b>2 226 083</b>
<b>Balance as at 31 December 2019</b>	<b>(7 188)</b>	<b>231 777</b>	<b>10 557</b>	<b>235 147</b>	<b>23 719 236</b>	<b>23 954 383</b>
<b>Opening balance as at 1 July 2019</b>	<b>(1 157)</b>	<b>202 221</b>	<b>10 557</b>	<b>211 621</b>	<b>21 516 680</b>	<b>21 728 301</b>
Income for the year	-	-	-	-	3 836 724	3 836 724
Other comprehensive income	2 816	56 957	-	59 773	-	59 773
<b>Total other comprehensive income for the year</b>	<b>2 816</b>	<b>56 957</b>	<b>-</b>	<b>59 773</b>	<b>3 836 724</b>	<b>3 896 497</b>
Reallocation to reserve	-	-	(10 557)	(10 577)	10 557	-
<b>Total Transfers to Income</b>			<b>(10 557)</b>	<b>(10 577)</b>	<b>10 557</b>	<b>-</b>
<b>Balance as at 30 June 2020</b>	<b>1 659</b>	<b>259 178</b>	<b>-</b>	<b>260 837</b>	<b>25 363 961</b>	<b>25 624 798</b>
<b>Balance as at 1 July 2020</b>	<b>1 659</b>	<b>259 178</b>	<b>-</b>	<b>260 837</b>	<b>25 363 961</b>	<b>25 624 798</b>
Income for the year	-	-	-	-	1 832 519	1 832 519
Other comprehensive income	20 385	-	-	20 385	-	20 385
<b>Total other comprehensive income for the six month period</b>	<b>20 385</b>	<b>-</b>	<b>-</b>	<b>20 385</b>	<b>1 832 519</b>	<b>1 852 904</b>
<b>Balance at 31 December 2020</b>	<b>22 044</b>	<b>259 178</b>	<b>-</b>	<b>281 222</b>	<b>27 196 480</b>	<b>27 477 702</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Rand thousand	31 December 2020 Reviewed	31 December 2019 Reviewed	30 June 2020 Audited
<b>Cash flows from operating activities</b>			
Cash receipts from customers	8 045 568	8 499 272	15 527 517
Cash paid to suppliers and employees	(6 513 031)	(6 795 064)	(12 214 837)
Cash generated from operations	1 532 537	1 704 208	3 312 680
Finance income	183 948	177 130	355 590
Finance costs	(221 336)	(217 539)	(437 602)
<b>Net cash from operating activities</b>	<b>1 495 149</b>	<b>1 663 799</b>	<b>3 230 668</b>
<b>Cash flows from investing activities</b>			
Acquisitions of property, plant and equipment	(1 348 512)	(732 542)	(1 687 323)
Proceeds from disposal of property, plant and equipment	1 049	7 609	7 614
Acquisitions of intangible assets	-	(412)	(501)
Decrease in investments	1 494 001	900 000	2 590 000
Increase in investments	(80 695)	(1 590 000)	(3 583 999)
Loans receivable repaid	302	316	1 044
<b>Net cash from investing activities</b>	<b>66 145</b>	<b>(1 415 029)</b>	<b>(2 673 165)</b>
<b>Cash flows from financing activities</b>			
Decrease in redemption funds	58 637	-	188 876
Increase in redemption funds	(48 300)	(158 638)	(550 010)
Interest bearing borrowing paid	-	-	(68 075)
Repayment of lease liability	(845)	(625)	(1 279)
<b>Net cash from financing activities</b>	<b>9 492</b>	<b>(159 263)</b>	<b>(430 490)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 570 786</b>	<b>89 507</b>	<b>127 013</b>
Cash and cash equivalents at the beginning of the period	2 774 685	2 647 673	2 647 671
<b>Cash and cash equivalents at the end of the period</b>	<b>4 345 471</b>	<b>2 737 180</b>	<b>2 774 684</b>

## NOTES TO THE CONDENSED 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 this report in itself is not audited, the 30 June 2020 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. That audit report does not necessarily report on all of the information contained in this report.

In order to obtain a full understanding of the nature of the auditors' engagement and, more specifically, the nature of the information that has been audited, this report should be read with the auditors' report and the accompanying 2020 audited consolidated annual financial statements, both of which are available for inspection at the company's website.

### 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 ended 31 December 2020 comprise of Rand Water and its subsidiaries (together referred to as the "Group").

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## 3. CAPITAL COMMITMENTS

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Total capital commitments	3 700 166	5 052 619	5 214 478

The Group in the current six-month ended 31 December 2020 has fulfilled capital expenditure to the value of 1.8 billion (2019: R865 million) as part of its infrastructure developments, primarily the pipeline infrastructure and water treatment plants, which excludes borrowing costs capitalised of R215 million (2019: R189 million) that were capitalised during the period at an effective interest rate of 9.93%.

## 4. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Opening balance	23 739 793	21 886 214	21 886 214
Additions	1 755 095	865 460	2 040 177
Transfers	(9 833)	(17 682)	(40 890)
Classified as held for sale	-	-	123
Disposal	(40)	(10)	(461)
Borrowing costs capitalised	215 367	189 849	431 795
Depreciation	(250 584)	(237 051)	(565 178)
Change in Estimates	-	-	340
Impairment loss	-	-	(12 327)
<b>Closing balance</b>	<b>25 449 798</b>	<b>22 686 780</b>	<b>23 739 793</b>

As at 31 December 2020, R358 million of pipeline from Asset-Under-Construction achieved beneficial use and started depreciating. The Covid\_19 pandemic has also resulted in a delay in the conversion rate of active infrastructure projects under construction due to the restrictions imposed.

Management will continue to re-assess the situation and prioritize the infrastructure augmentation program to ensure that operational integrity is maintained and continues with the uninterrupted supply of potable water.

The group has invested about R16 million on IT infrastructure during the current 6 months to enhance work stations for employees working from home.



# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## 5. INVESTMENTS

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
<b>Fair value through other comprehensive income</b>			
Bonds	567 759	462 831	465 925

The Group has investments in the Republic of South Africa R186, R209 and R2040 bonds with a total nominal value of R550 million. In July 2020, Rand Water purchased R2040 bond with a nominal of R100 million.

Fair values were estimated using quoted market prices on the Johannesburg Stock Exchange at reporting date. The coupon rate for R186, R209 and R2040 are 10.5%, 6.25% and 9%, respectively, payable bi-annually.

The group recognised a fair value gain of R23,3 million for the six month ending 31 December 2020 (31 December 2019: R4.9 million) and expected credit gain of R2.9 million at 31 December 2020 (31 December 2019: R5.2 million loss).

The Group recognised amortised costs of R2.2 million in the statement of financial performance at 31 December 2020 (31 December 2019: R2.6 million) relating to net discount recognised at initial recognition on the bonds. The Group received coupon payments of R26.0 million as at 31 December 2020 (31 December 2019: R21.5 million) from the investments in the R186, R209 and R2040 bonds.

## 6. TERM DEPOSITS

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Non-current	-	876 386	-
Current	1 434 024	1 589 097	2 934 830
<b>Term deposit investments</b>	<b>1 434 024</b>	<b>2 465 483</b>	<b>2 934 830</b>

Term deposit investments comprise of fixed deposits, sinking funds and Treasury bills with an original maturity of greater than 3 months. The Group classify financial assets with a maturity greater than 12 months from reporting date as non-current assets.

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Amortised Cost			
Term deposit investments	1 434 024	2 465 483	2 934 830
<b>Investments at Amortised Cost</b>			
Gross Investment	1 439 672	2 469 583	2 944 010
Expected Credit Loss	(5 648)	(4 100)	(9 180)
<b>Net Investment</b>	<b>1 434 024</b>	<b>2 465 483</b>	<b>2 934 830</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

Term deposit investments measured at amortised cost includes restricted funds set aside by the group for the redemption of RW21 that matures in April 2021. It is Rand Water's strategy to set aside funds years before the maturity of its bonds to avoid refinancing risk. At 31 December 2020, the Group has set aside R1 040 million (31 December 2019: R876 million) in sinking funds and Treasury Bills which are mainly made available for the redemption of RW21.

## 7. INVENTORIES

The decrease of 55.5% to R208 million (30 June 2020: R462 million) was mainly driven by the conversion of steel coils to pipelines, this resulted in the recognition of assets under construction.

## 8. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Non-current	705 694	-	-
Current	2 044 996	2 029 758	2 646 843
<b>Total trade and other receivables</b>	<b>2 750 690</b>	<b>2 029 758</b>	<b>2 646 843</b>

262

The table below depicts trade receivables by type:

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Water debtors	2 453 588	1 699 101	2 212 509
Local Government/Municipalities	2 353 341	1 611 234	2 128 256
Mines	49 331	35 737	38 403
Retail	50 106	48 151	44 834
Industries	810	3 979	1 016
Recoverable projects debtors	62 412	158 760	189 089
Other trade receivables	7 337	4 658	3 724
<i>Trade receivable sub-total</i>	<i>2 523 337</i>	<i>1 862 519</i>	<i>2 405 322</i>
Prepayments	81 302	59 589	62 657
VAT Receivable	-	-	43 604
Other receivables	146 051	107 650	135 260
<b>Total trade and other receivables</b>	<b>2 750 690</b>	<b>2 029 758</b>	<b>2 646 843</b>

Trade and other receivables increased by 4% from R2 647 million in June 2020 to R2 751 million in December 2020, primarily as a result of an increase unpaid municipal debtors. Expected credit losses on trade receivables increased by 21% to R1 690 million (2019: R 1 392 million) as a result of non-payments by defaulting municipalities. The non-payment by customers has resulted in the total trade receivable balance not recognised as at 31 December 2020 of R198 million (June 2020: R155 million).

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

In line with the various debt relief options granted to customers, some of the customers have opted for the repayment arrangement over a 36 months' period, wherein the overdue debt as at 30 June 2020 has been ring-fenced, resulting in trade receivables amounting to R706 million have been reclassified to non-current assets.

## 9. CONTRACT ASSETS

Contract assets reduced to R154 million (30 June 2020: R221 million), the decrease is mainly attributable water supplied to customers but not yet invoiced as at 31 December 2020. It is as a consequence of the lower volumes or consumption supplied, the number of days used to calculate excess days being fewer in 2020/21 compared to the 2019/20 financial year and further amplified by the zero tariffs increase in the 2020/21 financial year for the bulk water revenue stream.

Revenue amounting to R2.2 million (30 June 2020: R4,5 million) was not recognised during the 6 months' period and ECL as at 31 December was determined to be R18 million (30 June 2020: R14.5 million).

## 10. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Call and short term deposit	4 291 319	1 742 709	2 648 260
Bank and cash balances	49 140	993 182	122 684
<b>Cash and cash equivalents</b>	<b>4 340 459</b>	<b>2 735 891</b>	<b>2 770 944</b>
<b>Reconciliation of cash and cash equivalents</b>			
Gross cash and cash equivalents	4 345 471	2 737 182	2 774 684
Expected credit losses	(5 012)	(1 291)	(3 740)
<b>Cash and cash equivalents</b>	<b>4 340 459</b>	<b>2 735 891</b>	<b>2 770 944</b>

Cash and cash equivalent comprises of positive bank balances, cash on hand, call deposits, notice deposit and investments in money market instruments with financial institutions which is available for use by the Group.

At 31 December 2020, the group recognised ECL of R5 million (2019: R1.3 million) for cash and cash equivalents.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## 11. INTEREST BEARING BORROWINGS

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
<b>Interest bearing borrowing maturity profile</b>			
Less than one year	1 639 974	-	1 642 254
<i>Subtotal</i>	<i>2 675 517</i>	<i>4 387 365</i>	<i>2 675 025</i>
Two to five years	1 225 713	2 936 198	1 224 536
Five years	1 449 804	1 451 167	1 450 489
<b>Total</b>	<b>4 315 491</b>	<b>4 387 365</b>	<b>4 317 279</b>

The Group has issued unsecured bonds to the amount of R4.3 billion as at 31 December 2020 under our registered ZAR10 billion Domestic Medium Term programme (DMTN). These bonds are listed on the Johannesburg Stock Exchange.

Issued notes	Maturity	Nominal Interest Rate %	Type	31 December 2020	31 December 2019	30 June 2020
<b>Unsecured bonds:</b>						
RW21	21 Apr 21	9,97	Fixed rate	1 638 657	1 706 732	1 638 657
RW23	10 Dec 23	9,51	Fixed rate	1 231 000	1 231 000	1 231 000
RW28	10 Dec 28	10,25	Fixed rate	1 439 000	1 439 000	1 439 000
Amortised costs				6 834	10 633	8 622
				<b>4 315 491</b>	<b>4 387 365</b>	<b>4 317 279</b>

During the current financial year all contractual obligations were met by the group in respect of interest bearing borrowings.

## 12. TRADE AND OTHER PAYABLES

The trade and other payables have decreased by 14% from R3 140 million at 30 June 2020 to R2 704 million as at 31 December 2020. The decrease was mainly because of the delayed or slower procurement of goods and services as a result of the lockdown regulation prohibiting non-essential activities.

## 13. PROVISIONS

Included in the provision are amounts which are claimed from Rand Water as a result contractual obligations.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## 14. CONTRACT LIABILITIES

The increase of 33% from R253 million to R337 million in contract liabilities is mainly due payments received in advance on the Covid-19 projects and the Eastern Cape Emergency Intervention project.

## 15. REVENUE

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
<b>Revenue from contracts with customers</b>			
Potable water	8 222 139	8 371 569	16 206 162
- Mines	278 675	300 442	559 485
- Municipalities	7 798 129	7 916 777	15 356 081
- Industries	18 202	19 945	38 530
- Direct consumers	127 133	134 405	252 066
Non-potable	98 799	76 790	160 620
Recoverable projects	22 646	22 843	57 079
<b>Total Revenue</b>	<b>8 343 584</b>	<b>8 471 202</b>	<b>16 423 861</b>

The tables below reflect the revenue split by revenue by segment:

31 December 2020	Gauteng	Mpumalanga	Northwest	Free state/ Other	Total
<b>Figures in Rand thousand</b>					
National Government	24 084	868	-	10 143	35 095
Local Government	7 260 233	233 079	214 994	99 308	7 807 615
Mines	114 416	9 418	154 841	-	278 675
Retail	178 503	707	15 867	8 920	203 997
Industries	18 202	-	-	-	18 202
<b>Total Revenue</b>	<b>7 595 438</b>	<b>244 072</b>	<b>385 702</b>	<b>118 371</b>	<b>8 343 584</b>

31 December 2019	Gauteng	Mpumalanga	Northwest	Free state/ Other	Total
<b>Figures in Rand thousand</b>					
National Government	30 031	-	-	447	30 478
Local Government	7 312 451	287 643	231 565	103 008	7 934 667
Mines	119 914	9 706	170 822	-	300 442
Retail	162 321	557	15 985	6 807	185 670
Industries	19 945	-	-	-	19 945
<b>Total Revenue</b>	<b>7 644 662</b>	<b>297 906</b>	<b>418 372</b>	<b>110 262</b>	<b>8 471 202</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

The tables below reflect the revenue split by type of customer:

<b>NATIONAL GOVERNMENT DEPARTMENTS</b>					
31 December 2020					
Figures in Rand Thousand	Gauteng	Mpumalanga	North West	Free State	Total
Water debtors	21 935	-	-	-	21 935
Potable	21 935	-	-	-	21 935
Non-Potable	-	-	-	-	-
Construction Projects	2 979	868	-	8 968	12 815
Training and consulting	-	-	-	1 175	1 175
Revenue not recognised	(830)	-	-	-	(830)
<b>Total Revenue</b>	<b>24 084</b>	<b>868</b>	<b>-</b>	<b>10 143</b>	<b>35 095</b>
Timing of revenue recognition					
At point in time	2 149	868	-	10 143	13 160
Over time	21 935	-	-	-	21 935
<b>Total Revenue</b>	<b>24 084</b>	<b>868</b>	<b>-</b>	<b>10 143</b>	<b>35 095</b>

<b>LOCAL GOVERNMENT/ MUNICIPALITIES</b>					
31 December 2020					
Figures in Rand Thousand	Gauteng	Mpumalanga	North West	Free State	Total
Water debtors	7 257 250	268 204	214 995	99 308	7 839 757
Potable	7 257 250	268 204	214 995	99 308	7 839 757
Non-Potable	-	-	-	-	-
Construction Projects	-	-	-	-	-
Operating and Maintenance	2 983	-	-	-	2 983
Training and consulting	-	6 503	-	-	6 503
Revenue not recognised	-	(41 628)	-	-	(41 628)
<b>Total Revenue</b>	<b>7 260 233</b>	<b>233 079</b>	<b>214 995</b>	<b>99 308</b>	<b>7 807 615</b>
Timing of revenue recognition					
At point in time	2 983	6 503	-	-	9 486
Over time	7 257 250	226 576	214 995	99 308	7 798 129
<b>Total Revenue</b>	<b>7 260 233</b>	<b>233 079</b>	<b>214 995</b>	<b>99 308</b>	<b>7 807 615</b>

<b>MINES</b>					
31 December 2020					
Figures in Rand Thousand	Gauteng	Mpumalanga	North West	Free State	Total
Water debtors	114 416	9 418	154 841	-	278 675
Potable	114 416	9 418	154 841	-	278 675
Non-Potable	-	-	-	-	-
Construction Projects	-	-	-	-	-
Operating and Maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Revenue not recognised	-	-	-	-	-
<b>Total Revenue</b>	<b>114 416</b>	<b>9 418</b>	<b>154 841</b>	<b>-</b>	<b>278 675</b>
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	114 416	9 418	154 841	-	278 675
<b>Total Revenue</b>	<b>114 416</b>	<b>9 418</b>	<b>154 841</b>	<b>-</b>	<b>278 675</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

<b>RETAIL</b>					
<b>31 December 2020</b>					
<b>Figures in Rand Thousand</b>	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>North West</b>	<b>Free State</b>	<b>Total</b>
Water debtors	178 503	707	15 867	-	196 334
Potable	89 737	707	15 867	-	106 311
Non-Potable	90 023	-	-	-	90 023
Construction Projects	-	-	-	-	-
Operating and Maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Revenue not recognised	(1 257)	-	-	-	(1 257)
<b>Total Revenue</b>	<b>178 503</b>	<b>707</b>	<b>15 867</b>	<b>-</b>	<b>195 077</b>
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	178 503	707	15 867	-	195 077
<b>Total Revenue</b>	<b>178 503</b>	<b>707</b>	<b>15 867</b>	<b>-</b>	<b>195 077</b>

<b>INDUSTRIES/RAILWAYS</b>					
<b>31 December 2020</b>					
<b>Figures in Rand Thousand</b>	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>North West</b>	<b>Free State</b>	<b>Total</b>
Water debtors	18 202	-	-	-	18 202
Potable	18 202	-	-	-	18 202
Non-Potable	-	-	-	-	-
Construction Projects	-	-	-	-	-
Operating and Maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Revenue not recognised	-	-	-	-	-
<b>Total Revenue</b>	<b>18 202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 202</b>
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	18 202	-	-	-	18 202
<b>Total Revenue</b>	<b>18 202</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18 202</b>

<b>NATIONAL GOVERNMENT DEPARTMENTS</b>					
<b>31 December 2019</b>					
<b>Figures in Rand Thousand</b>	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>North West</b>	<b>Free State</b>	<b>Total</b>
Water debtors	25 546	-	-	-	25 546
Potable	25 546	-	-	-	25 546
Non-Potable	-	-	-	-	-
Construction Projects	1 326	-	-	111	1 437
Training and consulting	3 179	-	-	336	3 515
Revenue not recognised	(20)	-	-	-	(20)
<b>Total Revenue</b>	<b>30 031</b>	<b>-</b>	<b>-</b>	<b>447</b>	<b>30 478</b>
Timing of revenue recognition					
At point in time	4 505	-	-	447	4 952
Over time	25 526	-	-	-	25 526
<b>Total Revenue</b>	<b>30 031</b>	<b>-</b>	<b>-</b>	<b>447</b>	<b>30 478</b>



# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

<b>LOCAL GOVERNMENT/MUNICIPALITIES</b>					
<b>31 December 2019</b>					
<b>Figures in Rand Thousand</b>	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>North West</b>	<b>Free State</b>	<b>Total</b>
Water debtors	7 307 766	365 492	231 565	103 008	8 007 831
Potable	7 307 766	365 492	231 565	103 008	8 007 831
Non-Potable	-	-	-	-	-
Construction Projects	4	573	-	-	577
Operating and Maintenance	5 912	880	-	-	6 792
Training and consulting	33	11 752	-	-	11 786
Revenue not recognised	(1 264)	(91 054)	-	-	(92 319)
<b>Total Revenue</b>	<b>7 312 451</b>	<b>287 643</b>	<b>231 565</b>	<b>103 008</b>	<b>7 934 667</b>
Timing of revenue recognition					
At point in time	4 685	13 205	-	-	17 890
Over time	7 307 766	274 438	231 565	103 008	7 916 777
<b>Total Revenue</b>	<b>7 312 451</b>	<b>287 643</b>	<b>231 565</b>	<b>103 008</b>	<b>7 934 667</b>
<b>MINES</b>					
<b>31 December 2019</b>					
<b>Figures in Rand Thousand</b>	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>North West</b>	<b>Free State</b>	<b>Total</b>
Water debtors	119 914	9 706	170 822	-	300 442
Potable	119 914	9 706	170 822	-	300 442
Non-Potable	-	-	-	-	-
Construction Projects	-	-	-	-	-
Operating and Maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Revenue not recognised	-	-	-	-	-
<b>Total Revenue</b>	<b>119 914</b>	<b>9 706</b>	<b>170 822</b>	<b>-</b>	<b>300 442</b>
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	119 914	9 706	170 822	-	300 442
<b>Total Revenue</b>	<b>119 914</b>	<b>9 706</b>	<b>170 822</b>	<b>-</b>	<b>300 442</b>
<b>RETAIL</b>					
<b>31 December 2019</b>					
<b>Figures in Rand Thousand</b>	<b>Gauteng</b>	<b>Mpumalanga</b>	<b>North West</b>	<b>Free State</b>	<b>Total</b>
Water debtors	162 402	557	15 985	6 807	185 751
Potable	92 397	557	15 985	22	108 961
Non-Potable	70 005	-	-	6 785	76 790
Construction Projects	-	-	-	-	-
Operating and Maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Revenue not recognised	(81)	-	-	-	(81)
<b>Total Revenue</b>	<b>162 321</b>	<b>557</b>	<b>15 985</b>	<b>6 807</b>	<b>185 670</b>
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	162 321	557	15 985	6 807	185 670
<b>Total Revenue</b>	<b>162 322</b>	<b>557</b>	<b>15 985</b>	<b>6 807</b>	<b>185 670</b>

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

INDUSTRIES/RAILWAYS Figures in Rand Thousand	31 December 2019				
	Gauteng	Mpumalanga	North West	Free State	Total
Water debtors	19 945	-	-	-	19 945
Potable	19 945	-	-	-	19 945
Non-Potable	-	-	-	-	-
Construction Projects	-	-	-	-	-
Operating and Maintenance	-	-	-	-	-
Training and consulting	-	-	-	-	-
Revenue not recognised	-	-	-	-	-
<b>Total Revenue</b>	<b>19 945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 945</b>
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	19 945	-	-	-	19 945
<b>Total Revenue</b>	<b>19 945</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19 945</b>

The reported revenue declined by 1.5% year-on-year comparison, and the impact is driven by zero-tariff increase effected for bulk potable water for the year under review as well as a decrease in sales volume resulting from water restrictions imposed as part of credit management efforts. For the aggregated revenue notes for the period ended on 30 June 2020, refer to the Consolidated Annual Financial Statements for the year ended 30 June 2020 as published on the Rand Water website.

Revenue not recognised for the six months to date is R 43 million (31 December 2019: R13 million).

## 16. COST OF SALES

Figures in Rand thousand	31 December	31 December	30 June
	2020	2019	2020
Potable Water	5 331 020	5 370 276	10 575 530
Raw Water	2 933 373	3 031 065	5 933 752
Energy	1 464 543	1 366 488	2 588 195
Overheads	775 134	806 274	1 737 053
Chemicals	157 970	166 449	316 530
Non-Potable Water	97 421	78 118	161 154
Raw Water	90 023	70 005	146 947
Energy	6 079	6 592	11 359
Overheads	1 319	1 522	2 848
Recoverable Projects	9 349	17 923	32 932
<b>Total Cost of Sales</b>	<b>5 437 790</b>	<b>5 466 318</b>	<b>10 769 616</b>

The overall year-on-year direct cost did not show significant movements with only 0.5% decrease, and these were attributable to the decrease in abstraction volume of 0.8% and zero-tariff increase on raw water.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

Energy consumption is down by 9.3%, however the cost per kWh increased on average by 18%.

The overheads costs reducing compared to previous year, and the effect is emanating from lower operational costs due to prioritization of critical operational expenses to the production of water. Significant improvement on cost from chemicals is as a results of good raw water quality and efficient treatment regimes.

The recoverable projects decrease is driven by management decision to curtail project from municipalities and cessation of projects.

## 17. ALLOWANCE FOR CREDIT LOSSES

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
Allowances for expected credit losses	296 887	148 434	340 830

The increase of 100% year-on-year expected credit losses is highly contributed by the economic downturn and the global pandemic which exerted more pressure to customers already with defaulting payments status. With the Covid-19 risk adjusted strategy, the group has introduced some debt relief measures to assist its customers which are depressingly affected by the pandemic, this is further explained in more detail on the foreword to this interim financial statements.

These credit losses are also expected to increase at the end of the financial year amid the possible 3rd and 4th waves of the pandemic and invested funds downgrades.

## 18. OTHER OPERATING EXPENSES

Other operating expenses increased significantly by 13.2% to R970 million at 31 December 2020 (31 December 2019: R856 million).

The attribution to operating expenses is salary increase and the inflation based overheads increase.

## 19. CONTINGENCIES

There were no changes to the Groups contingent liabilities as at 31 December 2020 and the amounts being claimed from/for the Group have remained at R167.3 million (30 June 2020: R167.3 million) with contingent liabilities amounting to R312.5 million (30 June 2020: R312.5 million) and contingent assets of R145 million (30 June 2020: R145 million). The Group's legal advisors believe that the Group has reasonable defenses against/for the claims and that the probability of loss will be minimal. Accordingly, no additional provision has been made in the consolidated interim financial statements.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

The Group has issued guarantees amounting to R19.8 million (30 June 2020: R19.8 million).

For the detailed disclosure on contingent assets and liabilities including issued guarantees refer to Rand Water's consolidated annual financial statements for the year ended 30 June 2020, as published on the Rand Water website.

## 20. FINANCIAL INSTRUMENTS

The fair value of assets and approximate carrying amounts are as follows:

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2019
<b>Fair value through other comprehensive income</b>			
Investments	567 759	462 831	465 925
<b>At amortised cost</b>			
Cash and cash equivalents	4 340 459	2 735 891	2 770 944
Loans receivable	2 462	3 533	2 770
Term deposit investments	1 434 024	2 465 483	2 934 830
Contract assets	63 738	47 249	42 628
Trade and other receivables	2 669 389	1 970 170	2 540 583
<b>Total</b>	<b>9 077 831</b>	<b>7 685 157</b>	<b>8 757 680</b>

The carrying amounts and fair values of liabilities are as follows:

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
<b>At amortised costs</b>			
Unsecured bonds	4 315 491	4 387 365	4 317 279
Trade and other payables	2 417 505	2 339 393	2 949 011
Lease liabilities	2 313	3 696	3 042
Contract liabilities	336 654	82 405	253 491
<b>Total</b>	<b>7 071 963</b>	<b>6 812 859</b>	<b>7 522 823</b>

The information below details the methods and assumptions used in estimating the fair values of financial instruments.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits from the asset's highest and best use or by selling it to another market participant that would utilise the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## **Fair value other comprehensive income**

Financial assets measured at fair value through other comprehensive income are categorised as Level 1 which represents those assets which are measured using unadjusted quoted prices for identical assets based on quoted market prices on the Johannesburg Stock Exchange at the reporting date without any deduction for transaction costs.

## **Trade and other receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for expected credit losses.

## **Financial liabilities**

Financial liabilities in bonds are measured at amortised cost and are categorised as Level 1 hierarchy. The fair value is determined using quoted prices of identical assets based on quoted market prices on the Johannesburg Stock Exchange at the reporting date without any deduction for transaction costs.

## **21. EVENTS AFTER THE REPORTING PERIOD**

### **Reduction of water supply**

On 21 January 2021 the High court of South Africa issued a *rule nisi do* calling on Rand Water to show cause, if any, why an order should not be confirmed, wherein the Applicant interdicted and prohibited Rand Water from terminating or interrupting or reducing the water supply of water to the Applicant, pending the finalisation of an action instituted by the applicant with the same court.

The Board and management are not aware of any additional matters or circumstances that have arisen since the end of the financial period.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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## Impact of Covid\_19

The Covid\_19 pandemic has had a significant impact on Rand Water's major customer base, namely the Municipalities, due to this, for the six months ending 30 June 2021, expected credit losses are expected to increase. Revenues are expected to track within similar levels leading to 30 June 2021, from zero tariff increase and marginally lower volumes, with strictly controlled operating costs and efficiencies, it is anticipated that the GP margin will be lower than the previous year and a net profit margin greater than 20% for the full year, in line with the first six months of the year. For more details, refer to the foreword.

## 22. RELATED PARTIES

Rand Water is a schedule 3B entity in terms of the Public Finance Management Act and falls within the national sphere of government. As a result, the Group has a significant number of related parties that fall within the national sphere.

### **Transactions with key management personnel**

Key management personnel compensations has remained in line with the remuneration philosophy explained in the Remuneration report in the 30 June 2020 consolidated annual financial statements.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

Below is the Remuneration for the 6 months ending 31 December 2020:

## RAND WATER

Figures in Rand thousand	Fees for services as a Board member	Salary	Reimbursements*	Group life	Total 31 December 2020	Total 30 June 2020
<b>Executive Board Members</b>						
Mr. S Mosai (Chief Executive)	-	2 200	37	63	2 300	4 534
<b>Non-Executive Board Members</b>						
Adv. FM Hashatse (Chairperson)	584	-	-	-	584	1 271
Ms. M Mbonambi (Deputy Chairperson)	387	-	-	-	387	792
Ms. S Molokoane-Machika	302	-	-	-	302	431
Ms. MM Kabi	327	-	-	-	327	677
Mr. R Monyokolo	369	-	-	-	369	776
Ms. SN Maziya	240	-	-	-	240	413
Ms. P Mbanjwa (a)	-	-	-	-	-	339
Mr. P Phili	358	-	-	-	358	715
Ms. M Ntsaba	342	-	-	-	342	662
Mr. A Pandor	333	-	-	-	333	670
Mrs. NGJ Mbileni	333	-	-	-	333	672
Mr. LL Makibinyane	327	-	-	-	327	703
	<b>3 902</b>	-	-	-	<b>3 902</b>	<b>8 121</b>

(a) Member was appointment as a public service office bearer, resulting in her remuneration being discontinued subject to confirmation from the Department Human Settlement.

\*: Reimbursements are those costs incurred by the Portfolio Heads and General managers during the normal course of fulfilling their day to day operational requirements, which are reimbursed by the Group.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

Figures in Rand thousand	Fees for services as a Board member	Salary	Reimbursements	Group life	Total 31 December 2020	Total 30 June 2020
<b>Portfolio heads</b>						
Mr. M Mehlo (Chief Operating Officer) (b)	-	855	-	21	876	-
Ms. M Nyembe (Chief Financial Officer)	-	1 793	275	49	2 117	3 248
Dr. FM Ngoatje (Group Shared Services)	-	1 508	285	43	1 836	2 740
Ms. NSN Sithole (Group Governance Executive)	-	1 417	53	36	1 506	2 710
Ms. W Mohamed (Strategic Human Capital Executive)	-	1 367	175	36	1 578	2 474
Mr. V Kubeka (Group Strategy Executive)	-	1 456	150	39	1 645	2 812
Mr. K Nxumalo (Acting Chief Operating Officer) (c)	-	-	-	-	-	2 081
Mr. M Ndlela (Acting Chief Operating Officer)(d)	-	1 061	117	21	1 199	2 195
<b>General Managers</b>						
Mr. B Xaba (Chief Procurement Officer)	-	1 432	211	28	1 671	2 919
Prof. H Kasan (GM Scientific Services)	-	1 573	367	30	1 970	3 048
Mr. M Mkhize (GM Bulk Water Operations)	-	1 756	93	32	1 881	3 650
Ms. M Letsoalo (GM Marketing)(e)	-	921	956	27	1 904	2 687
Dr. T Bekker (GM Information Technology)	-	1 202	120	25	1 347	2 668
Mr. RS Mathebula (GM Sector Growth and Development)	-	1 158	185	23	1 366	2 255
Mr. S Xaba (Acting GM Strategic Assets)	-	1 061	204	23	1 288	2 137
Mr. T Joala (GM Stakeholder and Communications)	-	1 097	11	23	1 131	1 560
	-	19 657	3 202	456	23 315	39 184

\*: Reimbursements are those costs incurred by the Portfolio Heads and General managers during the normal course of fulfilling their day to day operational requirements, which are reimbursed by the Group including leave pay.

(b) Mr. Mahlomola Mehlo was appointed Chief Operating Officer effectively from 1 October 2020.



# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

- (c) Mr. K Nxumalo resigned as Acting Chief Operating Officer on 29 February 2020  
 (d) Mr. M Ndlela was appointed as Acting Chief Operating Officer on 1 March 2020 refer to foot note (b) above  
 (e) Ms. M Letsoalo resigned as the GM Marketing on 31 October 2020

## RAND WATER FOUNDATION

Figures in Rand thousand	Fees for services as a Board member	Salary	Reimbursements	Group life	Total 31 December 2020	Total 30 June 2020
<b>Executive Board Members</b>						
Ms. M Sekoaila (GM Rand Water Foundation)	-	949	10	20	979	1 923
<b>Non-Executive Board Members</b>						
Mr. ML Mngomezulu (Chairperson)	234	-	-	-	234	299
Mr. M Tsheke (a)	-	-	-	-	-	317
Ms. MM Kabi (b)	-	-	-	-	-	1
Ms. M Dooms (c)	-	-	-	-	-	150
Ms. NP Lekubu (d)	-	-	-	-	-	95
Ms. APZ Mafuleka (e)	124	-	-	-	124	107
Ms. LN Netshitenzhe (e)	131	-	-	-	131	103
Mr. EN Ratshikhopha (e)	93	-	-	-	93	89
Ms BM Lekwane (e)	94	-	-	-	94	91
Ms. NSN Sithole (f)						
Mr. S Mosai (e)						
	676	-	-	-	676	1 252

(a): Mr. M Tsheke (outgoing Chairperson) term of office expired on 30 November 2019.

(b): Ms MM Kabi resigned on 17 January 2019.

(c): Ms. M Dooms term of office expired on 30 November 2019.

(d): Ms. NP Lekubu term of office expired on 30 November 2019.

(e): The Board Members were appointed on 03 February 2020.

(f): Ms. NSN Sithole resigned on 03 February 2020

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

## 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:

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
<b>Transactions with related parties</b>			
Sales of goods and services	291 754	121 110	209 060
Purchases of goods and services	4 003 550	3 054 564	4 933 537
Contributions received	-	-	-
<b>Year-end balances arising from transactions</b>			
Expected credit losses	126 368	218 244	200 177
Receivables	171 145	251 841	275 004
Payables	1 161 400	1 033 914	1 007 272
Deferred income	157	504	157

## 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.

The following are transactions with public entities within the same Ministerial control:

Figures in Rand thousand	31 December 2020	31 December 2019	30 June 2020
<b>Transactions with related parties</b>			
Purchases of goods and services	119 362	103 561	259 869
Levy expenditure	56 700	55 807	109 088
<b>Year-end balances arising from transactions</b>			
Payables	11 631	12 968	73 275

## 23. SEGMENT REPORT

On 1 July 2019 Rand Water effectively exited the Bushbuckridge operational area which constituted one of the operating segments, namely; Rand Water Mpumalanga. This exit resulted in only two segments being: Primary Activities and Secondary Activities. The segments were organised by type of services rendered. The separation of the segments was not based on the definitions in the Water Services Act i.e. Section 29 and Section 30 activities but rather based on the manner in which management reviews certain activities that it deems to be primary and secondary in nature. These segments are reviewed within the Rand Water company.

The primary activities segment (Rand Water) consists of all bulk water supply services in Gauteng undertaken in line with the Water Services Act, these activities also include non-potable and potable water supplies to mines, industries and direct consumers. This segment is deemed to be Rand Water's primary business.

# Condensed Consolidated Interim Financial Statements for the six months ended 31 December 2020

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The secondary activities segment consists of all activities associated with Rand Water's recoverable projects including projects that are implemented by Rand Water on behalf of government departments, municipalities and other private companies. It further includes water demand management services, operate and maintain (O&M) contracts and other consulting, training and project management services.

During the current and prior financial period this segment (Secondary activities) ceased to qualify as a reportable segment; that is the segment did not meet the quantitative thresholds as prescribed in IFRS 8: Operating Segments. As a result of this and the exit from the Bushbuckridge area of operation, Rand Water does not have reportable segments as defined, and the segment report is not reported.