



**RAND WATER
CONDENSED CONSOLIDATED
INTERIM FINANCIAL STATEMENTS
31 December 2021**



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Condensed Consolidated Interim Financial Statements

31 December 2021

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.

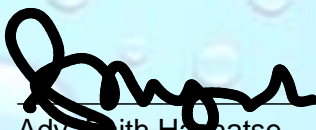
The reviewed condensed consolidated interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) and the presentation and disclosure requirements of International 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 14 to 44 have been approved for release to Rand Water's stakeholders by the Board at its meeting held on 24 March 2022 and signed on its behalf on 31 March 2022 by:



Adv. Faith Hachitse
Chairperson of Rand Water



Mr Siphosiso Mosai
Chief Executive

CORPORATE INFORMATION

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

Independent Member

Group Audit Committee

Ms Zanele Monnakgotla

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

4 Daventry Street,

Lynnwood Bridge Office Park

Lynnwood Manor

Pretoria, SA

The Interim review performed by:

Nexia SAB&T

119 Witch-Hazel Avenue

Highveld Technopark

Centurion

0169

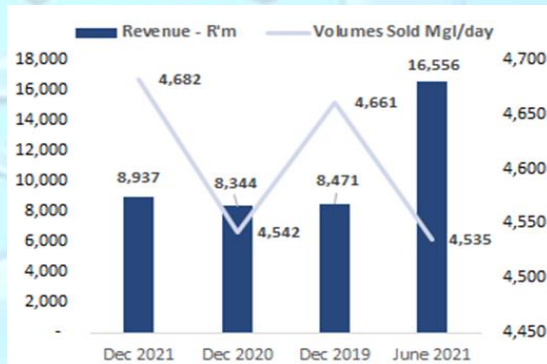
FOREWORD

KEY PERFORMANCE INDICATOR

Revenue

Rand Water has been navigating a very challenging operating environment, with growth hampered by depressed economic conditions as a result of the COVID-19 pandemic.

Revenue for the period under review increased by 7% to R8 937 million (2020: R8 344 million) attributable to 5.8% tariff increase and higher sales volumes. Growth was hampered by an increase in sales revenue not recognized as a result of increased arrear debt.



Gross Income

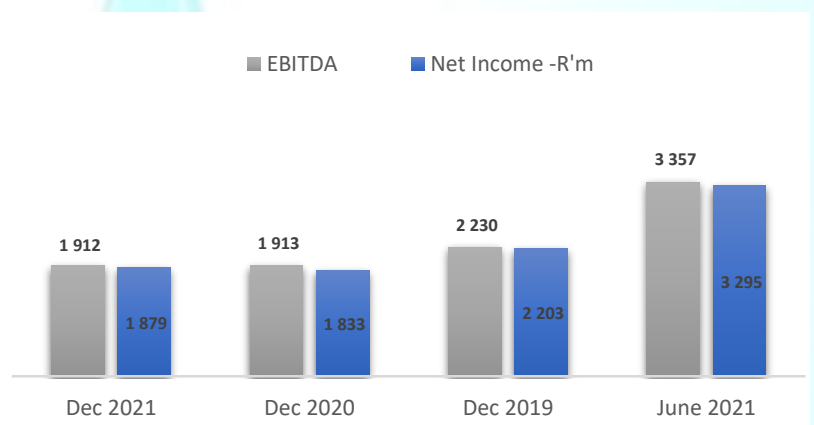
The group is reporting a 7.6% decrease in gross income. Rand Water is experiencing increased abstraction volumes in line with higher demand. This

contributed significantly to the increased cost of raw water purchases. The situation is exacerbated by physical water losses within Treatment and Distribution processes. Lifting of restrictions following the outcome of the court case resulted in higher water demands, adversely impacting reservoir capacity that translated to higher energy costs.

Net Income

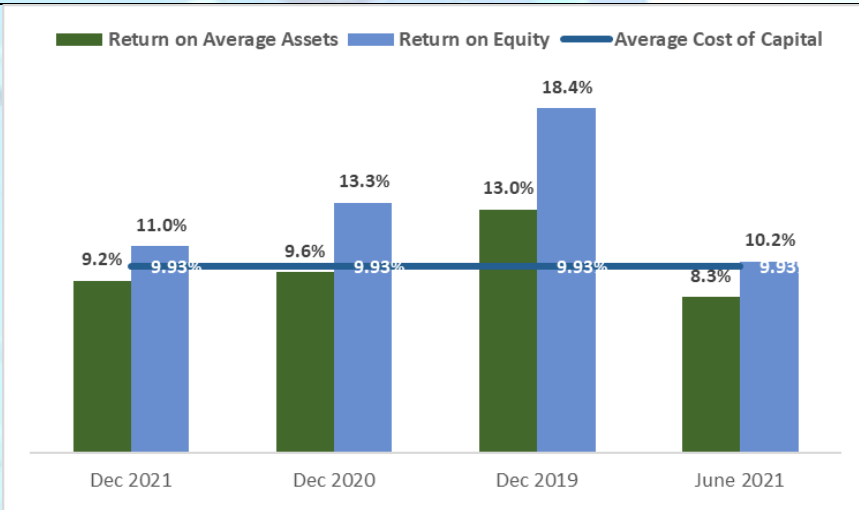
For the period under review the net income improved by 2.5% to R1 879 million (2020: R1 833 million) mainly attributable to a reversal of expected credit losses of R129 million and the increase in employee costs that was driven by the voluntary separation dispensation (VSD) payouts amounting to R110 million afforded to employees over 60 years of age, as a measure to safeguard their health from exposures from Covid-19. The reversal of ECL following the recovery of long outstanding debt of Emfuleni Municipality, War On Leaks and the Sedibeng Regional Schemes Projects.

The lower return on average assets of 9.2% (2020: 9.6%) is largely attributable to slow growth in net income resulting from increases in employee costs due to VSD payouts, higher raw water purchases and energy.



Condensed Consolidated Interim Financial Statements

31 December 2021



FOREWORD

Tariff determination

Rand Water tariffs are determined in line with the guideline set in Section 34 of the Water Services Act. They include the recovery of all operational expenditure including the abstraction, purification, pumping and distribution costs. It also includes the recovery of refurbishment of existing infrastructure but excludes the expenditure on all augmentation projects that are funded through the issuance of Rand Water bonds.

- Tariffs are set a year in advance with the 2022 tariffs approved at 5.8% increase, coming from a zero tariff increase for 2021, due to the impact of the covid-19 pandemic.
- Planning processes were amended in consideration of the zero % tariff in 2021, however the cost base continued to increase. The 5.8% increase in 2022 and projected 8.8% for 2023, indicates prospects of returning to normality in an operating environment that has an annually increasing cost base.
- The established Economic Regulator within the Department of Water and Sanitation (DWS) limits any political concerns in respect of tariff determination.
- Tariff increases consultation process includes DWS, 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;
 - DWS tables the tariff increases to Parliament on or before 15th March & Implementation is on 1st July.
- 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.

Accounts Receivables

The Group continues to offer short-term and long-term Covid-19 relief packages to customers to support and assist them during their financial distress resulting from the current economic condition and the pandemic. These relief options included interest payment holidays, extended payment terms, and also other long-term repayment plans.

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The financial health of our customers continues to be of a concern and high risk for the organization which has been exacerbated by the effects of COVID-19. This is evidenced by a failure of at least two of the organization's major customers to meet their contractual obligation timeously, this also contributed to an increase in trade receivables and consequently debtor's days by 1 to 76 days (June 2020: 75 days).

Debtors Days

December '20	78
June '21	75
December '21	76

Expected Credit Loss (ECL) (R'000)

December '20	1 690
June '21	1 747
December '21	1 612

Property, Plant and Equipment

Planned versus achieved capitalisation

	YTD Forecast	YTD Actual	Variance	% variance
Figures in Rand thousand				
Number of projects	6	11	5	83%
Amount capitalised	R857 million	R586 million	R271 million	-32%

The group projected a target at R3.2 billion of projects that should achieve beneficial use for the 2021/22 financial year. The target is also centered around Rand Water obtaining all the necessary approvals to shutdown supply of water in order to integrate and commission these assets.

Decommissioned and sold assets

Assets amounting to R2.7 million as at 31 December 2021 have been identified as redundant and no longer in use. The sale of these assets will be undertaken via Rand Water's annual auction process before the end of June 2022. During the year to date, redundant pipeline assets have also been identified for disposal. The 13 high risk sites in terms of exposure to theft and vandalism were identified and the disposal of the pipes affected ensued.

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Impairment of Assets (Financial & Non-Financial Assets) (Expected Credit losses)

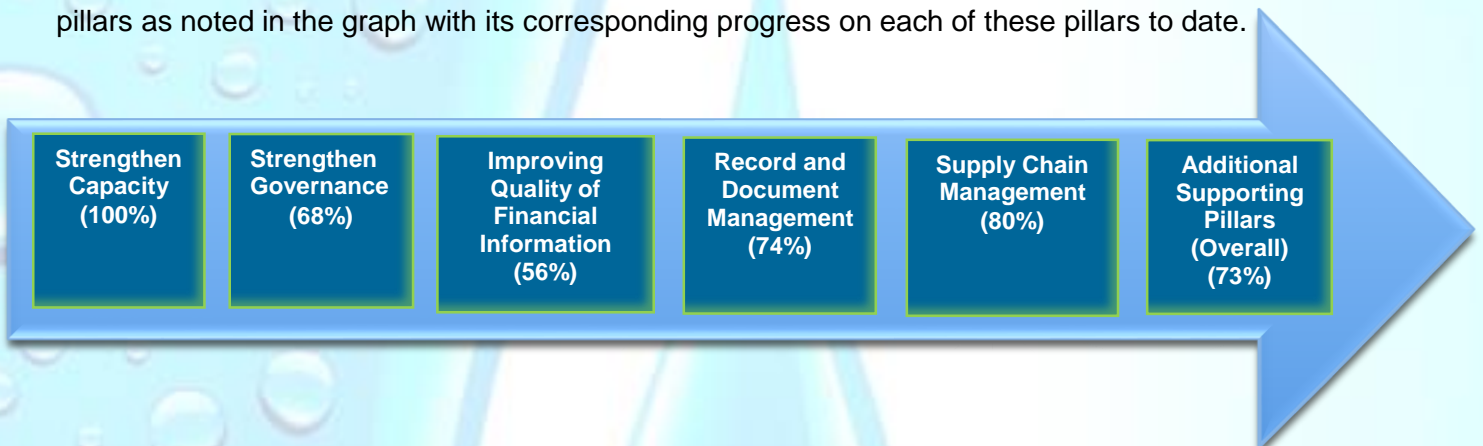
For the period under review, no impairment triggers were identified of Rand Water's infrastructure assets. The annual review process within the entity is scheduled for completion during the 3rd quarter of the financial year.

Inventory

Inventory levels of critical stock items are maintained at a satisfactory level to provide continued operational reliability. Currently, the operations and the supply chain management teams are evaluating and setting contracts in place with suppliers to effectively secure and manage some of the commodities that are consumed within the operations component. The final phase of the steel coil conversion program was also completed during the reporting period and the inventory has now been reclassified as assets under construction in the form of completed pipes which would be issued to the construction of the active pipeline tenders.

Roadmap to Clean Audit

Rand Water has launched the Roadmap to Clean Audit, a corporate-wide project to strengthen the organization's internal control and compliance environment. This Compliance Assessment Project was initiated in the previous financial year. The key objective of this project is to assist Rand Water in achieving a clean audit within the foreseeable future. This project is underpinned by six key strategic pillars as noted in the graph with its corresponding progress on each of these pillars to date.



FOREWORD

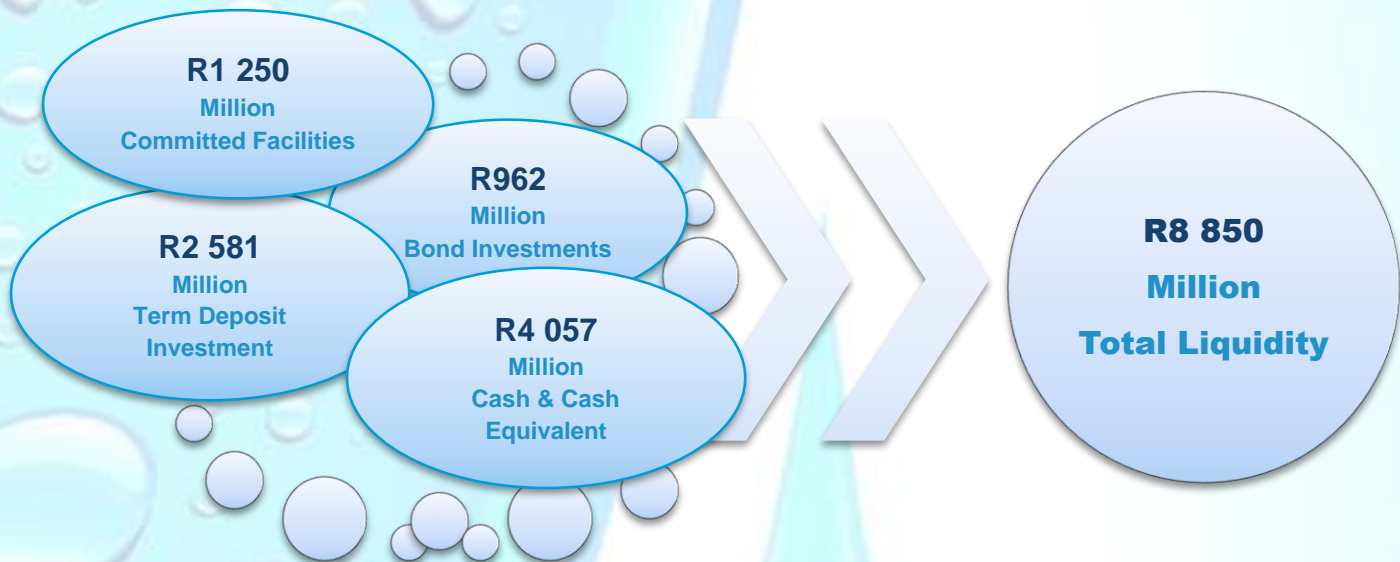
Liquidity and funding

Net Cash (Debt)	
2021	2020
R2 254 Million	R1 459 Million

Debt to Equity Ratio	
2021	2020
14%	16%

Committed Facilities Headroom	
2021	2020
R1 250 Million	R1 500 Million

Cash Generated from Operations	
2021	2020
R724 Million	R1 533 Million



Liquidity and funding management are of paramount importance towards strengthening the balance sheet and ensuring the Group continues to operate as a going concern to the foreseeable future. Rand Water continues to report on a solid liquidity position as at 31 December 2021. It is demonstrated by total liquidity of R8 850 million as at 31 December 2021. The Group has access to adequate financial 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 and liquidity buffer of R1 900 million as at 31 December 2021. It

FOREWORD

consists of strategic liquid investment in bonds and highly liquid short-term investments, which demonstrates Rand Water’s ability to continue its operations into the foreseeable future under normal and stressed conditions. Cash and cash equivalents marginally declined to R4 057 million as at 31 December 2021 (31 December 2020: R4 340 million), mainly driven by additional investments in term deposit investments and bonds.

The Group’s access to funding is of utmost importance. Rand Water has secured access to funding on the back of the approved/gazetted borrowing limits by the National Treasury for the period ending 30 June 2024. The borrowing limits applicable to interest-bearing borrowings may not exceed the below approved limits.

Financial Year	*Total Borrowing limits (Rm)
30 June 2022	8 566
30 June 2023	9 527
30 June 2024	9 257

** Total interest-bearing debt*

The Groups funding position remains healthy as the gearing ratio has improved to 14% as at 31 December 2021 (31 December 2020: 16%), which is well below the threshold of 50% prescribed in the National Treasury Borrowing Limit approval. The Group’s borrowings marginally increased as at 31 December 2021 to R4 384 million (31 December 2020: R4 315 million). The borrowings amount reported as at 31 December 2021 consist of three senior and sustainability-linked bonds amounting to R1.7 billion which were issued on 30 June 2021. The Group continues to provide for the ultimate redemption of the RW23 bond maturing in December 2023 in line with the requirements of the redemption policy.

The Group continues to maintain its funding strategy and plans to meet its external funding requirements by utilising diverse funding sources encompassing; the ZAR10 billion DMTN Programme, a mixture of bilateral long-dated loans from development finance and banking institutions.

FOREWORD

Looking forward

While significant economic challenges remain, Rand Water continued to aspire towards improved stakeholder and investor relations, continued sustainability, and unassailable management principles to ensure agility to volatile economic conditions.

Rand Water will continue to evaluate its business cash flow profile and proactively manage the associated operational and financial risks to preserve the long-term financial sustainability of the Company by improving internal financial controls and compliance, thereby encouraging clean audit going forward. Providing insight and analytics to enable strategic decision making.

Implementing cost control measures and reshaping the cost base while instilling permanent cost discipline. To improve our financial position, we require a sizable increase in cash flows through cost-reflective tariffs, which would result in operational cash flows that are adequate to service our operations.

Going concern

The organisation has been navigating a challenging environment, however based on the business performance and the considerations assessed as at 31 December 2021, the consolidated interim financial statements have been prepared on a going concern basis. The following are some considerations assessed by the board in concluding that the Group has the ability to continue as a going concern in the foreseeable future:

1. Rand Water has secured access to funding as per the approved/gazetted borrowing limits by the National Treasury for the period ending 30 June 2024. The borrowing limits applicable to interest-bearing borrowings may not exceed the approved limits of R8 566 million for 2022.
2. The Group's funding position remains healthy as the gearing ratio has improved to 14% as at 31 December 2021, which is well below the threshold of 50% prescribed in the National Treasury Borrowing Limit approval.
3. The approval of the 2022 tariffs at 5.8% increase, coming from a zero tariff increase for 2021.
4. The Group continues to offer short-term and long-term Covid-19 relief packages to customers to support and assist them during their financial distress resulting from the current economic condition and the pandemic.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Figures in Rand thousand	Notes	31 December 2021 Reviewed	31 December 2020 restated* Reviewed	30 June 2021 Audited
ASSETS				
Non-current assets				
Property, plant and equipment	4	27 545 917	25 348 017	26 568 449
Intangible assets		271 041	259 013	263 469
Investments	5	962 088	567 759	592 800
Trade and other receivables	8	15 694	705 694	149 071
Post-retirement medical benefit		-	38 446	-
Loans receivable		295	777	463
Current assets		9 806 208	8 183 060	9 685 481
Inventories	7	145 060	207 808	167 341
Trade and other receivables	8	2 909 061	2 044 996	2 395 217
Loans receivable		744	1 685	1 337
Contract assets	9	113 403	154 088	108 490
Term deposit investments	6	2 581 233	1 434 024	1 394 102
Cash and cash equivalents	10	4 056 707	4 340 459	5 618 994
Non-current assets held for sale		2 726	2 267	12 160
TOTAL ASSETS		38 603 969	35 105 033	37 271 893
EQUITY AND LIABILITIES				
Equity				
Retained earnings		30 453 513	27 103 435	28 575 030
Reserves		214 118	281 222	205 059
Non-current liabilities		4 626 670	2 903 292	4 628 973
Interest bearing borrowings	11	4 384 045	2 675 517	4 383 710
Post-retirement medical benefit		16 520	-	17 345
Deferred income		134 909	142 192	138 755
Provisions	13	91 196	84 877	89 163
Lease liability		-	706	-
Current liabilities		3 309 668	4 817 084	3 862 831
Trade and other payables	12	2 912 117	2 704 341	3 204 673
Provision	13	151 119	145 015	153 134
Interest bearing borrowings	11	-	1 639 974	-
Contract Liabilities	14	242 986	323 442	500 733
Deferred income		2 740	2 705	2 740
Lease liability		706	1 607	1 551
TOTAL EQUITY AND LIABILITIES		38 603 969	35 105 033	37 271 893

*:For details on the restatement refer to note 20 changes in accounting policy and note 21 prior period error

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Figures in Rand thousand	Notes	31 December 2021 Reviewed	31 December 2020 restated * Reviewed	30 June 2021 Audited
CONTINUING OPERATIONS				
Revenue	15	8 937 139	8 343 886	16 556 071
Cost of sales	16	(6 251 811)	(5 437 955)	(10 863 059)
Gross income		2 685 328	2 905 931	5 693 012
Other operating income/(loss)		20 604	13 585	32 579
Net impairment reversal (losses) on financial and contract assets	17	129 278	(296 887)	(338 283)
Other operating expenses	18	(1 145 395)	(971 509)	(2 470 144)
Operating income		1 689 815	1 651 120	2 917 164
Finance income		217 552	205 336	424 261
Finance costs		(28 884)	(27 189)	(60 963)
Income from continuing operations		1 878 483	1 829 267	3 280 462
DISCONTINUED OPERATIONS				
Losses from discontinued operations		-	-	14 360
NET INCOME FOR THE PERIOD		1 878 483	1 829 267	3 294 822

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

Figures in Rand thousand	Notes	31 December 2021 Reviewed	31 December 2020 restated * Reviewed	30 June 2021 Audited
Net income for the period		1 878 483	1 829 267	3 294 822
Other comprehensive income/(losses):				
Items that will not be reclassified to net income:				
Re-measurements on net defined benefit liability/asset		6 361	-	(70 874)
Items that may be reclassified to net income:				
Re-measurement of items at fair value through other comprehensive income		2 698	20 385	15 096
Other comprehensive income for the period		9 059	20 385	(55 778)
Total comprehensive income		1 887 542	1 849 652	3 239 044

*:For details on the restatement refer to note 20 changes in accounting policy and note 21 prior period error

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Figures in Rand thousand	Fair Value through compre hensive income	Re- measur ements on employee benefit obligation	Total reserves	Retained earnings	Total equity
Opening balance as previously reported 1 July 2020	1 659	259 178	260 837	25 363 961	25 624 798
Prior year adjustment	-	-	-	(89 793)	(89 793)
Restated balance as at 1 July 2020	1 659	259 178	260 837	25 274 168	25 535 005
Income for the six months period	-	-	-	1 829 267	1 829 267
Other comprehensive income	20 385	-	20 385	-	20 385
Total other comprehensive income for the six month period	20 385	-	20 385	1 829 267	1 849 652
BALANCE AS AT 31 DECEMBER 2020 RESTATED *	22 044	259 178	281 222	27 103 435	27 384 657
Opening balance as at 1 July 2020	1 659	259 178	260 837	25 280 208	25 541 045
Income for the year	-	-	-	3 294 822	3 294 822
Other comprehensive income	15 096	(70 874)	(55 778)	-	(55 778)
Total other comprehensive income for the year	15 096	(70 874)	(55 778)	3 294 822	3 239 044
BALANCE AS AT 30 JUNE 2021	16 755	188 304	205 059	28 575 030	28 780 089
Balance as at 1 July 2021	16 755	188 304	205 059	28 575 030	28 780 089
Income for the six month period	-	-	-	1 878 483	1 878 483
Other comprehensive income	2 698	6 361	9 059	-	9 059
Total other comprehensive income for the six month period	2 698	6 361	9 059	1 878 483	1 887 542
BALANCE AS AT 31 DECEMBER 2021	19 453	194 665	214 118	30 453 513	30 667 631

*: For details on the restatement refer to note 20 changes in accounting policy and note 21 prior period error

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Figures in Rand thousand	31 December 2021 Reviewed	31 December 2020 restated * Reviewed	30 June 2021 Audited
Cash flows from operating activities			
Cash receipts from customers	8 746 066	8 045 568	16 190 018
Cash paid to suppliers and employees	(8 022 068)	(6 513 031)	(12 374 830)
Cash generated from operations	723 999	1 532 537	3 815 187
Finance income received	163 503	183 948	458 576
Finance costs paid	(214 299)	(221 336)	(449 439)
Net cash from operating activities	673 203	1 495 149	3 824 325
Cash flows from investing activities			
Acquisitions of property, plant and equipment	(682 350)	(1 348 512)	(2 479 643)
Proceeds from disposal of property, plant and equipment	6 414	1 049	549
Acquisitions of intangible assets	(1 582)	-	(133)
Funds received from investments	857 989	1 494 001	3 481 081
Funds paid for investments	(2 418 676)	(80 695)	(2 048 141)
Loans receivable repaid	762	302	970
Net cash from investing activities	(2 237 444)	66 145	(1 045 315)
Cash flows from financing activities			
Interest bearing borrowings raised	-	58 637	1 709 000
Funds reserved for the redemption of interest bearing borrowings	-	(48 300)	-
Interest bearing borrowing paid	-	-	(1 638 657)
Repayment of lease liability	(845)	(845)	(1 491)
Net cash from financing activities	(845)	9 492	68 852
Net increase in cash and cash equivalents	(1 565 086)	1 570 786	2 847 862
Cash and cash equivalents at the beginning of the period	5 622 556	2 774 685	2 774 684
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	4 057 470	4 345 471	5 622 556

*: For details on the restatement refer to note 20 changes in accounting policy and note 21 prior period error

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 2021 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 2021 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 2021 comprise of Rand Water and its subsidiaries (together referred to as the "Group").

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

3. CAPITAL COMMITMENTS

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Total capital commitments	2 122 203	3 700 166	2 764 401

For the six-months ended 31 December 2021, capital expenditure to the value of R948 million (December 2020: R1,8 billion) was incurred as part of Rand Water' strategic infrastructure developments, primarily the pipeline infrastructure and water treatment plants. The expenditure as reported excludes borrowing costs that was capitalised during the period amounting to R208 million (December 2020: R215 million) at a weighted average capitalisation rate of 9.44%.

4. PROPERTY, PLANT AND EQUIPMENT

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Opening balance	26 568 448	23 645 259	23 645 259
Additions	981 015	1 755 095	2 996 854
Transfers	2 710	(13 527)	(52 010)
Prior period adjustment	-	(1 600)	-
Disposal	(26)	(40)	(1 555)
Borrowing costs capitalised	208 491	213 578	393 457
Depreciation	(214 721)	(250 748)	(410 082)
Change in Estimates	-	-	2 581
Impairment loss	-	-	(6 056)
CLOSING BALANCE	27 545 917	25 348 017	26 568 448

During the first 6 (six) months under review, assets under construction amounting to R586 million (December 2020: R358 million) achieved beneficial use and started depreciating. The group has in addition invested about R3 million to enhance and increase storage capacity across its IT infrastructure in order to meet the requirements of employees working from home. There were no significant impairment triggers that occurred in the period under review.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

5. INVESTMENTS

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Fair value through other comprehensive income			
Bonds	962 088	567 759	465 925

During the six month ending 31 December 2021, the Group invested in additional sovereign bonds and the state-owned entity bonds with a total nominal value of R400 million and R50 million respectively. Fair values were estimated using the Johannesburg Stock Exchange market rates. The coupon rate for the additional sovereign and state-owned entity bonds is 9% and 10.75% respectively payable bi-annually. The final tranche of the investment will mature on 31 January 2040 and 09 October 2040 respectively.

The Group recognised a fair value gain of R8,9 million for the six months ending 31 December 2021 (2020: R23,3 million) and expected credit loss of R6,3 million at 31 December 2021 (2020: R2,9 million - gain). Amortised costs of R0,8 million was recognised in the statement of financial performance as at 31 December 2021 (December 2020: R2.2 million).

6. TERM DEPOSITS

Figures in Rand thousand	31 December 2021	31 December 2020 restated*	30 June 2021
Non-current	-	-	-
Current	2 581 233	1 434 024	1 394 102
TERM DEPOSIT INVESTMENTS	2 581 233	1 434 024	1 394 102

Term deposit investments comprise of financial instruments such as fixed deposits and negotiable certificate deposit with an original maturity of greater than 3 months. The Group classifies financial assets with a maturity greater than 12 months from reporting date as non-current assets.

Amortised Cost deposit investments	2 581 233	1 434 024	1 394 102
Investments at Amortised Cost			
Gross Investment	2 582 000	1 439 672	1 394 989
Expected Credit Loss	(767)	(5 648)	(887)
NET INVESTMENT	2 581 233	1 434 024	1 394 102

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

7. INVENTORIES

Inventories are shown net of obsolescence amounting to R201 thousand write up (June 2021: R530 thousand) that was recognised in the current period. The Group has reviewed its critical raw material contracts and engaged the suppliers to ensure the uninterrupted supply of water to its customers while maintaining its operational integrity. In some cases, due to the Covid-19 pandemic, more than the normal required stock was acquired to ensure continuity of water supply during lockdown.

8. TRADE AND OTHER RECEIVABLES

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Non-current	15 694	705 694	149 071
Current	2 725 887	1 817 643	2 194 263
TOTAL TRADE RECEIVABLES	2 741 581	2 523 337	2 343 334

The table below depicts trade receivables by type:

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Current trade receivables	2 725 887	1 817 643	2 194 263
Local and National Government	2 634 292	1 710 059	2 094 965
Mines	38 810	49 331	26 469
Retail	48 695	57 443	68 227
Industries	4 089	810	4 602
Current trade receivable sub-total	2 725 887	1 817 643	2 194 263
Other current receivables sub total	183 174	227 353	200 864
Prepayments	93 164	81 302	82 239
VAT Receivable	-	-	67 174
Other receivables	90 010	146 051	51 451
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	2 909 061	2 044 996	2 395 217
Non-current trade receivables sub-total	15 694	705 694	149 071
Local and National Government	15 694	705 694	149 071
TOTAL TRADE AND OTHER RECEIVABLES	2 924 755	2 750 690	2 544 288

Trade and other receivables increased by 15% to R2 925 million (June 2021: R2 544 million), primarily as a result of an increase in unpaid municipal debt and an increase in potable water tariff by 5.8% on July 2021(2020/21: 0%). The increase in unpaid municipal debt was not entirely liquidated as originally envisaged from the Covid-19 relief packages offered to customers, this was evident from the defaults experienced against some customers' arrangements. The financial health of some customers remains

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

a key concern which led to the group intensifying the debt collection measures through legal actions which resulted in some payments from non-performing customers.

Expected credit losses (ECL) on trade receivables decreased by 8% to R1 612 million (June 2021: R1 747 million) due to an improvement in the recovery rate as a result of payment received for long outstanding debts from non-performing and defaulting municipalities. Payments of the recoverable projects' receivable long outstanding debt from the Department of Water and Sanitation for the War on Leaks project also contributed to the reduction in ECL.

As at 31 December 2021, the cumulative trade receivable balance not recognised as a result of the non-performing customers amounted to R270 million (June 2021: R240 million).

As at 30 June 2021, R149 million of the current receivable was reclassified to non-current asset based on the re-negotiated settlement arrangement with a customer. Subsequently, the customer defaulted on the arrangement rendering the re-negotiated settlement terms null and void, a balance of R117 million became due and payable immediately. Rand Water attained a court order to attach the concerned customer's banking accounts and further negotiations are on-going on the next steps to remedy the situation.

9. CONTRACT ASSETS

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Water debtors	91 532	87 863	89 065
Potable Water	90 828	86 105	88 027
Non potable Water	704	1 758	1 038
Other debtors	206	-	-
Recoverable projects debtors	21 665	66 225	19 425
TOTAL	113 403	154 088	108 490

Contract assets increased to R113 million (30 June 2021: R108 million), the increase is mainly attributable to higher volumes of water supplied to customers but not yet invoiced as at 31 December 2021. This is further increased by a zero-tariff increase in the 2020/21 financial year for the bulk water revenue stream. On 1 July 2021, tariff increase of 5.8% was effected as approved.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

The costs for Recoverable projects also increased in the period under review especially from the Department of Water and Sanitation projects relating to work that was performed.

10. CASH AND CASH EQUIVALENTS

Figures in Rand thousand	31 December 2021	31 December 2020 restated*	30 June 2021
Call and short term deposit	4 036 237	4 291 319	5 567 437
Bank and cash balances	20 470	49 140	51 557
CASH AND CASH EQUIVALENTS	4 056 707	4 340 459	5 618 994
Reconciliation of cash and cash equivalents			
Gross cash and cash equivalents	4 057 470	4 345 471	5 622 557
Expected credit losses	(763)	(5 012)	(3 563)
CASH AND CASH EQUIVALENTS	4 056 707	4 340 459	5 618 994

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.

As at 31 December 2021, the group recognised ECL of R 0,763 million (2019: R5 million) for cash and cash equivalents.

11. INTEREST BEARING BORROWINGS

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Interest bearing borrowing maturity profile			
Less than one year	-	1 639 974	-
Subtotal	4 384 045	2 675 517	4 383 710
Two to five years	1 813 133	1 225 713	1 812 144
Five years	2 570 912	1 449 804	2 571 566
TOTAL	4 384 045	4 315 491	4 383 710

The Group has issued unsecured bonds to the amount of R4 384 million as at 31 December 2021 under our registered ZAR10 billion Domestic Medium Term Programme (DMTN). These bonds are listed on the Johannesburg Stock Exchange.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Issued notes	Maturity	Nominal Interest Rate%	Type	31 December 2021	31 December 2020 restated *	30 June 2021
Unsecured bonds:						
RW21	21 Apr 21	9,97	Fixed rate	-	1 638 657	-
RW23	10 Dec 23	9,51	Fixed rate	1 231 000	1 231 000	1 231 000
RWL26	30 Jun 26	6,13	Floating rate	586 000	-	586 000
RWL28	30 Jun 28	9,71	Fixed rate	579 000	-	579 000
RW28	10 Dec 28	10,25	Fixed rate	1 439 000	1 439 000	1 439 000
RW31	30 Jun 31	10,69	Fixed rate	544 000	-	544 000
Amortised costs				5 045	6 834	4 710
				4 384 045	4 315 491	4 387 710

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 payables decreased from R 3 205 million at 30 June 2021 to R2 912 million as at 31 December 2021 mainly due to a higher provision for raw water invoices that were based on management's best estimate for the year ended June 2021, these invoices were subsequently received during the current reporting period.

13. PROVISIONS

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Non-current	91 196	84 877	89 163
Current	151 119	145 015	153 134
TOTAL PROVISIONS	242 315	229 892	242 297

Included in the provision are amounts which are claimed from Rand Water as a result contractual obligations. There has been a long outstanding litigation process between Rand Water and a certain litigant, the two parties have in principle agreed to settle the matter outside court and possibly convert the settlement arrangement an order of court. The arbitration will be deemed to have been finalised upon presentation of the signed settlement agreement by both parties, which has been work in progress as at the reporting date.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Condensed Consolidated Interim Financial Statements

31 December 2021

14. CONTRACT LIABILITIES

Contract Liability decreased from R501 million to R243 million as at 31 December 2021 attributable to the withdrawal of funds by the funders amounting to R343 million. The cancelled contracts emanate from the following projects:

- Gauteng Department of Human Settlements project - R309 million
- DWS Eastern Cape Emergency Water Supply project – R34 million

Contrary to the above, Rand Water received funds for the Emfuleni Section 63 intervention amount to R87 million refer to the related party note 24 for further details.

15. REVENUE

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

31 December 2021 Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free state/ Other	Total
National Government	21 734	27	-	1 065	22 826
Local Government	7 909 984	261 306	205 800	97 449	8 474 539
Mines	37 623	19 278	155 717	-	212 618
Retail	192 900	861	17 578	16	211 355
Industries	15 801	-	-	-	15 801
TOTAL REVENUE	8 178 042	281 472	379 095	98 530	8 937 139

31 December 2020 Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free state/ Other	Total
National Government	24 084	868	-	10 143	35 095
Local Government	7 260 535	233 079	214 994	99 308	7 807 917
Mines	114 416	9 418	154 841	-	278 675
Retail	178 503	707	15 867	8 920	203 997
Industries	18 202	-	-	-	18 202
TOTAL REVENUE	7 595 740	244 072	385 702	118 371	8 343 886

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

NATIONAL GOVERNMENT DEPARTMENTS					
31 December 2021					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/Other	Total
Water debtors	21 325	-	-	-	21 325
Potable	21 325	-	-	-	21 325
Non-Potable	-	-	-	-	-
Construction Projects	409	27	-	693	1 129
Training and consulting	-	-	-	372	372
Meter installation	-	-	-	-	-
Revenue not recognised	-	-	-	-	-
TOTAL REVENUE	21 733	27	-	1 065	22 826
Timing of revenue recognition					
At point in time	409	27	-	638	1 501
Over time	21 325	-	-	-	21 325
TOTAL REVENUE	21 733	27	-	638	22 826

LOCAL GOVERNMENT/ MUNICIPALITIES					
31 December 2021					
Figures in Rand thousand	Gauteng	Mpumalanga	North-West	Free State/Other	Total
Water debtors	7 905 913	277 369	205 800	97 449	8 486 531
Potable	7 905 913	277 369	205 800	97 449	8 486 531
Non-Potable	-	-	-	-	-
Construction Projects	-	-	-	-	-
Operating and Maintenance	3 606	-	-	-	3 606
Training and consulting	-	12 976	-	-	12 976
Meter installation	465	-	-	-	465
Revenue not recognised	-	(29 039)	-	-	(29 039)
TOTAL REVENUE	7 909 984	261 306	205 800	97 449	8 474 539
Timing of revenue recognition					
At point in time	4 071	12 976	-	-	17 048
Over time	7 905 913	248 330	205 800	97 449	8 457 492
TOTAL REVENUE	7 909 984	261 306	205 800	97 449	8 474 539

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

MINES						31 December 2021					
Figures in Rand Thousand	Gauteng	Mpumalanga	North-West	Free State/Other	Total						
Water debtors	37 661	19 278	155 717	-	212 657						
Potable	37 661	19 278	155 717	-	212 657						
Non-Potable	-	-	-	-	-						
Construction Projects	-	-	-	-	-						
Operating and Maintenance	-	-	-	-	-						
Training and consulting	-	-	-	-	-						
Meter installation	-	-	-	-	-						
Revenue not recognised	(38)	-	-	-	(38)						
TOTAL REVENUE	37 623	19 278	155 717	-	212 619						
Timing of revenue recognition											
At point in time	-	-	-	-	-						
Over time	37 623	19 278	155 717	-	212 619						
Total Revenue	37 623	19 278	155 717	-	212 619						

RETAIL						31 December 2021					
Figures in Rand Thousand	Gauteng	Mpumalanga	North-West	Free State/Other	Total						
Water debtors	193 249	861	17 578	16	211 704						
Potable	94 051	861	17 578	16	112 506						
Non-Potable	99 198	-	-	-	99 198						
Construction Projects	-	-	-	-	-						
Operating and Maintenance	-	-	-	-	-						
Training and consulting	-	-	-	-	-						
Meter installation	-	-	-	-	-						
Revenue not recognised	(347)	-	-	-	(347)						
Total Revenue	192 902	861	17 578	16	211 354						
Timing of revenue recognition											
At point in time	-	-	-	-	-						
Over time	192 902	861	17 578	16	211 354						
TOTAL REVENUE	192 902	861	17 578	16	211 354						

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

INDUSTRIES/RAILWAYS		31 December 2021				
Figures in Rand thousand	Gauteng	Mpumalanga	North- West	Free State/Other	Total	
Water debtors	15 801	-	-	-	15 801	
Potable	15 801	-	-	-	15 801	
Non-Potable	-	-	-	-	-	
Construction Projects	-	-	-	-	-	
Operating and Maintenance	-	-	-	-	-	
Training and consulting	-	-	-	-	-	
Revenue not recognised	-	-	-	-	-	
Total Revenue	15 801	-	-	-	15 801	
Timing of revenue recognition						
At point in time	-	-	-	-	-	
Over time	15 801	-	-	-	15 801	
TOTAL REVENUE	15 801	-	-	-	15 801	

NATIONAL GOVERNMENT DEPARTMENTS		31 December 2020				
Figures in Rand thousand	Gauteng	Mpumalanga	North- West	Free State/Other	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)	
TOTAL REVENUE	24 084	868	-	10 143	35 095	
Timing of revenue recognition						
At point in time	2 149	868	-	10 143	13 160	
Over time	21 935	-	-	-	21 935	
TOTAL REVENUE	24 084	868	-	10 143	35 095	

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

LOCAL GOVERNMENT/MUNICIPALITIES

31 December 2020

Figures in Rand Thousand	Gauteng	Mpumalanga	North-West	Free State/Other	Total
Water debtors	7 257 552	268 204	214 995	99 308	7 840 059
Potable	7 257 552	268 204	214 995	99 308	7 840 059
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)
TOTAL REVENUE	7 260 535	233 079	214 995	99 308	7 807 917
Timing of revenue recognition					
At point in time	2 983	6 503	-	-	9 486
Over time	7 257 552	226 576	214 995	99 308	7 798 431
TOTAL REVENUE	7 260 535	233 079	214 995	99 308	7 807 917

MINES

31 December 2020

Figures in Rand Thousand	Gauteng	Mpumalanga	North-West	Free State/Other	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	-	-	-	-	-
TOTAL REVENUE	114 416	9 418	154 841	-	278 675
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	114 416	9 418	154 841	-	278 675
TOTAL REVENUE	114 416	9 418	154 841	-	278 675

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

RETAIL	31 December 2020				
Figures in Rand Thousand	Gauteng	Mpumalanga	North- West	Free State/Other	Total
Water debtors	179 760	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)
TOTAL REVENUE	178 503	707	15 867	-	195 077
Timing of revenue recognition					
At point in time	-	-	-	-	-
Over time	178 503	707	15 867	-	195 077
TOTAL REVENUE	178 503	707	15 867	-	195 077

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

Revenue improved by 7% mainly driven by tariff increase of 5.8% effected for bulk potable water for the year under review as well as an increase in sales volume as a consequence of the tolerant Covid-19 lockdowns relaxation as proclaimed by the Government of South Africa. For the aggregated revenue notes for the period ended on 30 June 2021, refer to the Consolidated Annual Financial Statements for the year ended 30 June 2021 as published on the Rand Water website.

Revenue not recognized contributed by the non-performing customers for the six months to date is R29 million (31 December 2020: R43 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

16. COST OF SALES

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Potable Water	6 137 229	5 331 185	10 656 655
Raw Water	3 284 781	2 933 373	6 012 572
Energy	1 771 344	1 464 543	2 851 971
Overheads	846 617	775 299	1 403 505
Chemicals	234 487	157 970	388 607
Non-Potable Water	99 134	97 421	185 624
Raw Water	89 202	90 023	169 861
Energy	7 278	6 079	11 580
Overheads	2 654	1 319	4 183
Recoverable Projects	15 448	9 349	20 780
TOTAL COST OF SALES	6 251 811	5 437 955	10 863 059

The direct cost movement is attributable to an increase in abstraction volumes of 2.5% and a 6.4% tariff increase on raw water.

Energy consumption increased by 6.14% in line with the higher raw water volumes treated coupled with a 14% cost per KWh increase. The overheads costs increased compared to previous year, and the effect is emanating from higher periodic maintenance cost and supplies as a result of carry-over from prior year and catch-up maintenance work set back due to covid-19. The annual salary increment including the Voluntary Separation payment also contributed to the increase in cost.

Significant movement on cost from chemicals is as a result of high coagulant used in the water treatment regime as a result of high rainfall affecting raw water treatment regime.

The recoverable projects decrease is driven by the National Treasury Graduate program which recruited additional graduates in the current financial year.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

17. ALLOWANCE FOR CREDIT LOSSES

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Allowances for expected credit losses	6 275	296 887	338 283
Allowances for expected credit losses reversal	(135 553)	-	-
TOTAL	(129 278)	296 887	338 283

The year-on-year decrease on expected credit losses is highly contributed by the payment of the overdue debt by the municipal customers in the year under review. For the six months under review, the organisation continued with the robust and elaborate revenue and debt collection strategy, and enforcement of Rand Water's rights through legal action including acceleration of Government interventions enabled some of our customers to make arrangements that yielded some positive returns which improved the recovery rate.

As a consequence of the improvement in the recovery rate, the overall default rate has decreased.

18. OTHER OPERATING EXPENSES

Other operating expenses increased significantly by 18% to R1 145 million at 31 December 2021 (31 December 2020: R969 million). The attribution to operating expenses is mainly the increase in employee costs that was driven by the voluntary separation dispensation payouts afforded to employees over 60 years of age, as a measure to safeguard their health from exposures from Covid-19.

19. CONTINGENCIES

There were no changes to the Groups contingent liabilities as at 31 December 2021 and the amounts being claimed from/for the Group have remained at R3.6 million (30 June 2021: R3.6 million) with contingent liabilities amounting to R361 million (30 June 2021: R361 million) and contingent assets of R358 million (30 June 2021: R358 million). The Group's legal advisors believe that the Group has reasonable defences 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.

The Group has issued guarantees amounting to R111 million (30 June 2021: R111 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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 2021, as published on the Rand Water website.

20. CHANGES IN ACCOUNTING POLICY

Borrowing costs

During the 2020/21 financial year, the Group changed its accounting policy with respect to the treatment of borrowing costs capitalised in order to ensure that the financial statements provide reliable and more relevant information about the transaction. The Group previously capitalised borrowing costs at a gross rate and has now adopted the interest expense calculated using the effective interest method to conform with IFRS 9. This resulted in the originating fees paid on issuing financial liabilities measured at amortised cost being included.

The effect of this retrospectively adjusted change was a reduction in borrowing costs capitalised, therefore affecting assets under construction and finance costs in the 2020 interim financial statements as reflected below:

Impact to the Consolidated Statement of Financial Position as at 31 December 2020

Figures in Rand thousand	Previously reported	Adjustment	Restated as at 31 December 2020
Decrease in Property Plant and equipment	25 449 798	(1 789)	25 448 009
Increase in Retained Earnings	27 196 480	1 789	27 198 269
	(52 646 278)	-	(52 646 278)

Impact to the Consolidated Statement of Profit or Loss as at 31 December 2020

Figures in Rand thousand	Previously reported	Adjustment	Restated as at 31 December 2020
Decrease in Borrowing Cost	215 367	(1 789)	213 578

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

21. PRIOR PERIOD ERROR

Assets under construction (AUC)

The entity embarked on a comprehensive review of assets under construction, the scope of the review of the assets under construction was to:

- Verify that the costs that have been capitalised against AUC 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.
- Review the specific constructed asset to determine if the asset 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 its construction begun.

Meter installations:

Rand Water adopted IFRS 15: Revenue from contracts with customers and applied the standard for the first time for the year ended 30 June 2018. Subsequent to this adoption, the entity reviewed the application of the principles of the standard against transactions entered into with customers and identified an error in the application of IFRS 15 on meter installations. As part of its bulk water supply contracts the customer is required to pay a non-refundable upfront fee relating to the installation of a water meter that is connected to the Rand Water network for billing purposes. Rand Water treated these costs as a recoverable project and therefore recognised revenue applying principles similar to the agent principle.

The correction of the error has resulted in a retrospective recognition of deferred income as at 31 December 2020 which has been recognised in profit or loss aligned to the useful life of the meters, as the supply contracts have an indefinite life. Reconciliation of the effects of the adjustments in the statement of profit or loss and other comprehensive income as at 31 December 2020:

Figures in Rand thousand	Previously reported	Adjustment	Restated as at 31 December 2020
Other operating expenses	(969 908)	(1 600)	(971 508)
Revenue	8 343 584	302	8 343 886
Depreciation	(5 437 790)	(165)	(5 437 955)
	(1 935 886)	(1 464)	(1 934 422)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Effects of the unrealised profit on the group's statement of financial position:

Figures in Rand thousand	Previously reported	Adjustment	Restated as at 31 December 2020
PPE	25 449 798	(99 993)	25 349 805
Intangible Assets	229 219	29 793	259 012
Deferred income	(110 628)	(34 270)	(144 898)
Contract Liability	(336 654)	13 212	(323 442)
Retained Earnings	(27 196 480)	91 258	(27 105 222)
	(1 964 745)	-	(1 964 745)

Realisation of intragroup profits:

During the 2010 financial year, Rand Water Services was divisionalised and all activities were absorbed into Rand Water following a decision by the then Board. Upstream transactions occurred that resulted in R40 million unrealised revenue which was eliminated at gross. During the 2021 financial year, management reviewed the unrealised profits where there was no objective information in support of such unrealised revenues. This resulted in the realisation being impractical to determine the financial periods to which they relate. Based on management's best estimate utilising the current asset register the impact of R6 million was realised.

22. FINANCIAL INSTRUMENTS

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

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
Fair value through other comprehensive income			
Investments	962 088	567 759	592 800
At amortised cost			
Cash and cash equivalents	4 056 706	4 340 459	5 618 994
Loans receivable	1 038	2 462	1 800
Term deposit investments	2 581 233	1 434 024	1 394 102
Contract assets	113 403	154 088	108 490
Trade and other receivables	2 924 756	2 669 389	2 393 929
TOTAL	10 639 224	9 168 181	10 110 115

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Figures in Rand thousand	31 December 2021	31 December 2020 restated *	30 June 2021
At amortised costs			
Unsecured bonds	4 316 326	4 315 491	4 353 665
Trade and other payables	2 668 554	2 417 505	2 984 666
Lease liabilities	706	2 313	1 551
Contract liabilities	242 986	323 442	500 733
TOTAL	7 228 572	7 058 751	7 840 615

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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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.

23. EVENTS AFTER THE REPORTING PERIOD

Appointments

Chief Procurement Officer (CPO), Chief Information Officer (CIO) and General Manager Operation (GMO)

On 3 January 2022, the Group has appointed the Chief Procurement Officer. This will contribute immensely in implementing the Group's multi-year procurement strategy that is designed to significantly reduce complexity and drive the supply chain efficiencies. Rand Water also appointed a Chief Information Officer and General Manager Operations effective from 1 February 2022 to be in charge of the information technology and operations initiatives and strategy as required to support the organisation's unique objectives and goals respectively.

Possible out of court settlement

The group has been a defendant in an arbitration process for the past 6 years with a claimant for a purported repudiation of a 10-year agreement for a removal of sludge. Rand Water together with the claimant are in discussion for a possible out of court settlement, which once concluded will be made an order of court.

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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Institutional Reform and Realignment

In line with the Institutional Reform and Realignment process The Minister has approved the disestablishment of Sedibeng Water to be incorporated into Magalies Water and Bloemfontein Water. In an engagement between the Minister, the Accounting authority and the Chief Executives of Water Boards held on 14 March 2022, the Minister of Water and Sanitation has mentioned the impending adjustments to mandated areas of services of water boards.

Impact of Covid-19

The Covid-19 pandemic has had a significant impact on Rand Water's major customer base, namely the Municipalities, however a Covid-19 relief packages have been assisting our customers, for the six months ending 31 December 2021, expected credit losses have somewhat stabilised. Revenues are tracking within similar levels leading to 30 June 2021, from zero tariff increase to 5.8% and marginally higher volumes, with strictly controlled operating costs and efficiencies. For more details, refer to the foreword.

24. 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 compensation has remained in line with the remuneration philosophy explained in the Remuneration report in the 30 June 2021 consolidated annual financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Below is the Remuneration for the six months ending 31 December 2021:

RAND WATER

Figures in Rand thousand	Fees for services as a Board member	Salary	Reimbursements	Performance Incentive	Group life	Total 31 December 2021	Total 30 June 2021
Executive Board Members							
Mr. S Mosai (Chief Executive)	-	2 200	-	-	66	2 266	4 534
Non-Executive Board Members							
Adv. FM Hashatse (Chairperson)	487	-	-	-	-	487	1 271
Ms. M Mbonambi (Deputy Chairperson)	303	-	-	-	-	303	792
Ms. S Molokoane-Machika	306	-	-	-	-	306	431
Ms. MM Kabi	337	-	-	-	-	337	677
Mr. R Monyokolo	339	-	-	-	-	339	776
Ms. SN Maziya	121	-	-	-	-	121	413
Ms. P Mbanjwa	-	-	-	-	-	-	339
Mr. P Phili	338	-	-	-	-	338	715
Ms. M Ntsaba	246	-	-	-	-	246	662
Mr. A Pandor	259	-	-	-	-	259	670
Mrs. NGJ Mbileni	294	-	-	-	-	294	672
Mr. LL Makibinyane	315	-	-	-	-	315	703

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

**Independent Group Audit
Committee Board Member**

Ms. Z Monnagotla(a)	115	-	-	-	-	115	-
	3 460	-	-	-	-	3 460	8 121

(a) Ms Monnagotla was appointed on 08 October 2021 as an independent Group Audit Committee member

*: Reimbursements are those costs incurred by the Executives 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

31 December 2021

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

Figures in Rand thousand	Fees for services as a Board member	Salary	Reimbursements	Performance Incentive	Group life	31 December 2021	Total 30 June 2021
Executives							
Mr. M Mehlo (Chief Operating Officer)	-	1 769	107	-	47	1 923	2 586
Ms. M Nyembe (Chief Financial Officer)	-	1 701	-	-	49	1 750	3 248
Ms. NSN Sithole (Group Governance Executive) (b)	-	-	-	-	-	-	2 710
Mr. V Kubeka (Chief Strategy Officer)	-	1 379	-	-	40	1 419	2 812
Mr. M Ndlela (Acting Chief Operating Officer)	-	-	-	-	-	-	529
Mr. T Joala (Chief Shared Services Officer)	-	1 713	161	-	47	1 922	-
General Managers							
Mr. B Xaba (GM Strategic Assets Management)	-	1 505	11	-	32	1 548	2 919
Prof. H Kasan (GM Scientific Services) (c)	-	3 700	988	-	54	4 742	3 048
Mr. M Mkhize (GM Bulk Water Operations) (c)	-	-	-	-	-	-	3 650
Ms. M Letsoalo (GM Marketing) (d)	-	-	-	-	-	-	2 687
Dr. T Bekker (GM Information Technology)	-	1 262	11	-	30	1 303	2 668

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

31 December 2021

Figures in Rand thousand	Fees for services as a Board member	Salary	Reimbursements	Performance Incentive	Group life	Total 31 December 2021	Total 30 June 2021
Mr. RS Mathebula (GM Sector Growth and Development)	-	1 253	11	-	27	1 291	2 255
Mr. S Xaba (Acting GM Strategic Assets)	-	1 115	11	-	25	1 511	2 137
Mr M Mahlare (Acting Chief Procurement Officer) (a)	-	1 123	97	-	29	1 249	-
Dr. FM Ngoatje (Group Shared Services)	-	1 606	-	-	35	1 641	2 740
Ms. W Mohammed (GM Strategic Human Capital)	-	1 452	-	-	30	1 482	2 474
	-	19 578	1 397	-	445	21 781	36 463

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

- (a) Mr. M Mahlare had been appointed acting Chief Procurement Officer effective 12 March 2021 until 30 November 2021.
- (b) Ms. NSN Sithole (Group Governance Executive) resigned on 25 February 2021
- (c) Elected the voluntary separation dispensation, and effectively left his employment in the 2020/21 financial year, included in the remuneration is a severance payout
- (d) Ms. M Letsoalo retired on 31 October 2020

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

RAND WATER FOUNDATION

Figures in Rand thousand	Fees for services as a Board member	Salary	Reimbursements	Performance Incentive	Group life	Total 31 December 2021	Total 30 June 2021
Executive Board Members							
Ms. M Sekoaila (GM Rand Water Foundation)	-	997	137	-	27	1 161	1 923
Non-Executive Board Members							
Mr. ML Mngomezulu (Chairperson)	234	-	-	-	-	234	299
Ms. APZ Mafuleka	138	-	-	-	-	138	107
Ms. LN Netshitenzhe	120	-	-	-	-	120	103
Mr. EN Ratshikhopha	120	-	-	-	-	120	89
Ms BM Lekwane	123	-	-	-	-	123	91
Mr. S Mosai*	-	-	-	-	-	-	-
	735	-	-	-	-	735	1 252

*Executive Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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 2021 Reviewed	31 December 2020 restated * Reviewed	30 June 2021 Audited
Transactions with related parties			
Sales of goods and services	1 501	291 754	209 060
Purchases of goods and services	2 846 103	4 003 550	4 933 537
Contributions received	-	-	-
Year-end balances arising from transactions			
Expected credit losses	177 154	126 368	200 177
Receivables	213 237	171 145	275 004
Payables	1 334 768	1 161 400	1 007 272
Deferred income	157	157	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.

Rand Water has been appointed by the National Department of Water and Sanitation as an implementing agent to support and stop the sewer spillage into the Vaal River System effective from 5 October 2021 as approved by cabinet in May 2021. The appointment of Rand Water as implementing agent was undertaken as per Minister's directive in terms of section 63 of the Water Services Act 108 of 1997. This section empowers the National Minister to assume responsibility of the water services function from the respective authority. The take over the water and sanitation services from Metsi a Lekwa (water and sanitation services authority entity for Emfuleni Local Municipality) will be managed and administered by Rand Water.

Emfuleni Local municipality is Rand Water's customer and the take-over does not impact on the Bulk Water Supply relationship with the customer as these are deemed as two separate agreements (one with ELM and the other with the Department). The transactions with the Department of Water and Sanitation with regards to the implementing Agency arrangement are included above.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

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

Figures in Rand thousand	31 December 2021 Reviewed	31 December 2020 Reviewed	30 June 2021 Audited
Transactions with related parties			
Purchases of goods and services	121 943	119 362	259 869
Levy expenditure	59 226	56 700	109 088
Year-end balances arising from transactions			
Payables	17 018	11 631	73 275
Expected credit losses	190 655	-	-
Receivables	226 358	-	-



RAND WATER

WARNING
THESE PREMISES ARE
PROTECTED
BY 24-HOUR CCTV
SURVEILLANCE CAMERAS