

# UMNGENI-UTHUKELA WATER REVIEWED INTERIM FINANCIAL RESULTS AS AT 31 DECEMBER 2023



*Inanda Dam*



*'Improving Quality of Life and Enhancing Sustainable Economic Development'*

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**CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS**

	Group			Parent		
	6 Months ended 31 December 2023	6 Months ended 31 December 2022	12 Months ended 30 June 2023	6 Months ended 31 December 2023	6 Months ended 31 December 2022	12 Months ended 30 June 2023
	Reviewed	Reviewed	Audited	Reviewed	Reviewed	Audited
	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	3 280 074	2 607 580	5 252 802	3 272 560	2 599 660	5 236 076
Cost of sales	(1 334 730)	(1 095 263)	(2 210 254)	(1 334 730)	(1 095 263)	(2 210 254)
<b>Gross profit</b>	<b>1 945 344</b>	<b>1 512 317</b>	<b>3 042 548</b>	<b>1 937 831</b>	<b>1 504 397</b>	<b>3 025 822</b>
Other income	10 285	55 613	190 377	10 843	55 811	190 942
Other operating and administration expenses	(1 071 134)	(732 715)	(2 047 137)	(1 063 642)	(729 567)	(2 035 673)
Expected credit losses	(138 167)	(315 734)	(580 354)	(138 158)	(315 459)	(580 201)
<b>Profit from operations</b>	<b>746 328</b>	<b>519 481</b>	<b>605 434</b>	<b>746 874</b>	<b>515 182</b>	<b>600 890</b>
Net finance income	392 616	238 899	553 985	390 228	237 623	550 605
Share of profit from associates	1 045	625	2 548	-	-	-
<b>Profit before tax</b>	<b>1 139 989</b>	<b>759 006</b>	<b>1 161 967</b>	<b>1 137 102</b>	<b>752 806</b>	<b>1 151 495</b>
Taxation	(154)	(76)	(187)	-	-	-
<b>Profit for the period</b>	<b>1 139 836</b>	<b>758 930</b>	<b>1 161 780</b>	<b>1 137 102</b>	<b>752 806</b>	<b>1 151 495</b>

**CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME**

	Group			Parent		
	6 Months ended 31 December 2023	6 Months ended 31 December 2022	12 Months ended 30 June 2023	6 Months ended 31 December 2023	6 Months ended 31 December 2022	12 Months ended 30 June 2023
	Reviewed	Reviewed	Audited	Reviewed	Reviewed	Audited
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Profit for the year</b>	<b>1 139 836</b>	<b>758 930</b>	<b>1 161 780</b>	<b>1 137 102</b>	<b>752 806</b>	<b>1 151 495</b>
<b>Other Comprehensive income for the period:</b>						
<b>Items that will not be reclassified to profit and loss:</b>						
Remeasurement of gains and losses - retirement plans	-	-	94 177	-	-	94 177
<b>Total comprehensive income for the period</b>	<b>1 139 836</b>	<b>758 930</b>	<b>1 255 957</b>	<b>1 137 102</b>	<b>752 806</b>	<b>1 245 672</b>

December results have no other comprehensive income recorded for the period, as the costs are not incurred evenly during the year, hence these will only be recognised at financial year end once actuarial valuations are obtained.



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Group			Parent		
	31 December 2023	31 December 2022	30 June 2023	31 December 2023	31 December 2022	30 June 2023
	Reviewed	(Restated) Reviewed	Audited	Reviewed	(Restated) Reviewed	Audited
	R'000	R'000	R'000	R'000	R'000	R'000
<b>ASSETS</b>						
<b>Non-current assets</b>	<b>12 031 313</b>	<b>9 591 281</b>	<b>9 815 278</b>	<b>12 018 293</b>	<b>9 566 170</b>	<b>9 785 717</b>
Property, plant & equipment	11 467 684	9 390 758	9 515 643	11 446 934	9 375 997	9 496 603
Investment property	-	-	-	8 362	8 584	8 474
Intangible assets	233 200	126 871	99 144	230 286	125 268	96 679
Biological Assets	4 289	3 291	4 531	-	-	-
Investments in associates	6 125	10 657	8 830	-	-	-
Investments in Subsidiaries	-	-	-	15 672	-	-
Investments - financial instruments	286 371	24 968	152 894	286 371	24 968	152 894
Trade and other receivables	29 502	29 469	29 490	29 188	29 162	29 176
Right of use assets - leases	4 142	5 268	4 746	1 480	2 190	1 891
<b>Current assets</b>	<b>8 587 321</b>	<b>7 245 360</b>	<b>7 809 822</b>	<b>8 492 122</b>	<b>7 178 923</b>	<b>7 739 624</b>
Investments - financial instruments	6 360 664	5 873 457	6 297 299	6 360 664	5 873 457	6 297 299
Inventories	77 419	32 511	33 022	77 419	32 511	33 022
Trade and other receivables	1 368 082	905 691	1 189 081	1 359 187	905 559	1 184 125
Bank and cash	781 156	433 701	290 420	694 852	367 395	225 178
Assets held for sale	2 943	147	2 943	2 943	147	2 943
<b>TOTAL ASSETS</b>	<b>20 621 577</b>	<b>16 836 789</b>	<b>17 628 043</b>	<b>20 513 358</b>	<b>16 745 239</b>	<b>17 528 284</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Capital and reserves</b>	<b>17 308 079</b>	<b>13 944 044</b>	<b>14 441 070</b>	<b>17 209 635</b>	<b>13 852 493</b>	<b>14 345 360</b>
Capital	442 847	442 847	442 847	442 847	442 847	442 847
OCI Reserve	511 053	416 876	511 053	511 053	416 876	511 053
Other Reserves	343 463	-	-	343 463	-	-
Accumulated profit	16 010 716	13 084 321	13 487 170	15 912 272	12 992 770	13 391 460
<b>Non-current liabilities</b>	<b>2 026 447</b>	<b>1 961 450</b>	<b>1 913 865</b>	<b>2 021 595</b>	<b>1 958 087</b>	<b>1 911 476</b>
Long-term debt	1 056 635	1 071 129	1 058 710	1 056 635	1 071 129	1 058 710
Contract liabilities	566 605	441 019	485 217	566 605	441 019	485 217
Provisions	29 934	23 715	15 057	29 934	23 715	15 057
Lease liability-Long term	10 095	5 092	3 538	5 243	1 728	1 149
Post retirement benefit obligations	350 858	409 670	339 023	350 858	409 670	339 023
Five year long service benefit	12 320	10 825	12 320	12 320	10 825	12 320
<b>Current liabilities</b>	<b>1 287 052</b>	<b>931 295</b>	<b>1 273 108</b>	<b>1 282 128</b>	<b>934 660</b>	<b>1 271 447</b>
Short-term debt	68 018	58 168	58 153	68 018	58 168	58 153
Provisions	14 444	1 987	123 267	13 035	809	121 116
Accounts payable	1 070 863	706 304	942 303	1 067 921	710 998	944 892
Contract liabilities	96 266	137 601	119 197	96 266	137 601	119 197
Lease liability-Short term	3 071	573	2 823	2 499	422	725
Post retirement benefit obligations	27 772	20 062	21 835	27 772	20 062	21 835
Five year long service benefit	6 617	6 602	5 529	6 617	6 602	5 529
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>20 621 577</b>	<b>16 836 789</b>	<b>17 628 043</b>	<b>20 513 358</b>	<b>16 745 239</b>	<b>17 528 284</b>



STATEMENT OF CHANGES IN EQUITY

Group - Attributable to equity holders of the parent

	Capital	OCI reserve	Other reserve	Accumulated profit	Total
	R'000	R'000	R'000	R'000	R'000
<b>Balance as at 30 June 2022 (Audited)</b>	442 847	416 876	-	12 325 390	13 185 113
Total comprehensive income for the 6 month period 31 December 2022	-	-	-	758 930	758 930
Profit for the 6 month period 31 December 2022	-	-	-	758 930	758 930
Other comprehensive Income for the 6 month period 31 December 2022	-	-	-	-	-
<b>Balance as at 31 December 2022 (Reviewed)</b>	442 847	416 876	-	13 084 321	13 944 044
Total comprehensive income for the 6 month period 30 June 2023	-	94 177	-	402 850	497 027
Profit for the 6 month period 30 June 2023	-	-	-	402 850	402 850
Other comprehensive Income for the 6 month period 30 June 2023	-	94 177	-	-	94 177
<b>Balance as at 30 June 2023 (Audited)</b>	442 847	511 053	-	13 487 170	14 441 070
<b>Take on Mhlathuze Water as at 01 July 2023 (Audited)</b>	-	-	343 463	1 383 710	1 727 173
Total comprehensive income for the 6 month period 31 December 2023	-	-	-	1 139 836	1 139 836
Profit for the 6 month period 31 December 2023	-	-	-	1 139 836	1 139 836
Other comprehensive Income for the 6 month period 31 December 2023	-	-	-	-	-
<b>Balance as at 31 December 2023 (Reviewed)</b>	442 847	511 053	343 463	16 010 716	17 308 079

	Parent			Accumulated profit	Total
	Capital	OCI reserve	Other reserve	R'000	R'000
	R'000	R'000	R'000	R'000	R'000
<b>Balance as at 30 June 2022 (Audited)</b>	442 847	416 876	-	12 239 965	13 099 688
Total comprehensive income for the 6 month period 31 December 2022	-	-	-	752 806	752 806
Profit for the 6 month period 31 December 2022	-	-	-	752 806	752 806
Other comprehensive Income for the 6 month period 31 December 2022	-	-	-	-	-
<b>Balance as at 31 December 2022 (Reviewed)</b>	442 847	416 876	-	12 992 770	13 852 493
Total comprehensive income for the 6 month period 30 June 2023	-	94 177	-	398 690	492 867
Profit for the 6 month period 30 June 2023	-	-	-	398 690	398 690
Other comprehensive Income for the 6 month period 30 June 2023	-	94 177	-	-	94 177
<b>Balance as at 30 June 2023 (Audited)</b>	442 847	511 053	-	13 391 460	14 345 360
<b>Take on Mhlathuze Water as at 01 July 2023 (Audited)</b>	-	-	343 463	1 383 710	1 727 173
Total comprehensive income for the 6 month period 31 December 2023	-	-	-	1 137 102	1 137 102
Profit for the 6 month period 31 December 2023	-	-	-	1 137 102	1 137 102
Other comprehensive Income for the 6 month period 31 December 2023	-	-	-	-	-
<b>Balance as at 31 December 2023 (Reviewed)</b>	442 847	511 053	343 463	15 912 272	17 209 635

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Group			Parent		
	6 Months ended	6 Months ended	12 Months ended	6 Months ended	6 Months ended	12 Months ended
	31 December 2023	31 December 2022 (Restated)	30 June 2023	31 December 2023	31 December 2022 (Restated)	30 June 2023
	Reviewed	Reviewed		Reviewed	Reviewed	Audited
	R'000	R'000	R'000	R'000	R'000	R'000
Cash receipts from customers	3 183 698	2 585 752	4 867 256	3 190 812	2 577 206	4 850 377
Cash paid to suppliers and employees	(2 272 970)	(1 656 394)	(3 120 670)	(2 288 622)	(1 654 894)	(3 111 752)
<b>Cash from operating activities</b>	<b>910 728</b>	<b>929 358</b>	<b>1 746 586</b>	<b>902 190</b>	<b>922 313</b>	<b>1 738 625</b>
Interest income: Call Investments	19 179	53 354	130 379	19 179	53 354	126 658
<b>Net cash from operating activities</b>	<b>929 906</b>	<b>982 711</b>	<b>1 876 965</b>	<b>921 370</b>	<b>975 666</b>	<b>1 865 283</b>
Proceeds on disposal of assets	159	1 977	1 252	159	1 977	1 252
Receipt of Regional bulk Infrastructure grants	233 913	242 804	642 324	233 913	242 804	642 324
Additions to property, plant and equipment	(1 182 326)	(805 862)	(1 805 864)	(1 179 000)	(805 187)	(1 802 068)
Additions to intangible assets	(163 877)	(8 161)	(9 023)	(163 420)	(6 980)	(6 980)
(Increase) / decrease in investment in subsidiaries	-	-	-	(15 672)	-	-
(Increase) / decrease in investments	(37 967)	(811 229)	(1 166 532)	(37 967)	(811 229)	(1 166 532)
Interest received	283 038	104 521	221 662	282 469	103 062	221 662
Take on of Mhlathuze Water cash and cash equivalents as at 01 July 2023 <sup>N1</sup>	634 055	-	-	634 055	-	-
<b>Net cash used in investing activities</b>	<b>(233 005)</b>	<b>(1 275 950)</b>	<b>(2 116 181)</b>	<b>(245 463)</b>	<b>(1 275 554)</b>	<b>(2 110 342)</b>
Long - term borrowing repaid	(18 297)	(12 419)	(24 839)	(18 297)	(12 419)	(24 839)
Finance costs paid	(61 673)	(60 287)	(120 058)	(61 829)	(60 102)	(119 717)
Interest paid on lease liability	(260)	(72)	(213)	(260)	(72)	(213)
Increase/ decrease in redemption assets	(124 126)	(24 880)	(149 006)	(124 126)	(24 880)	(149 006)
Lease payments	(1 808)	(314)	(1 160)	(1 719)	(244)	(989)
<b>Net cash used in financing activities</b>	<b>(206 163)</b>	<b>(97 972)</b>	<b>(295 276)</b>	<b>(206 231)</b>	<b>(97 718)</b>	<b>(294 764)</b>
<b>Net increase in cash and cash equivalents</b>	<b>490 736</b>	<b>(391 212)</b>	<b>(534 490)</b>	<b>469 675</b>	<b>(397 605)</b>	<b>(539 822)</b>
Opening balance	290 420	824 912	824 912	225 178	765 001	765 001
<b>Closing balance</b>	<b>781 156</b>	<b>433 701</b>	<b>290 420</b>	<b>694 852</b>	<b>367 395</b>	<b>225 178</b>

N1 Umngeni-Uthukela Water took on the cash and cash equivalents which formed part of of Umhlathuze Water assets as at 01 July 2023.



CONDENSED CONSOLIDATED SEGMENTAL REPORT

	Primary activities			Other activities			Total		
	6 months ending 31 December 2023	6 months ending 31 December 2022	12 months ending 30 June 2023	6 months ending 31 December 2023	6 months ending 31 December 2022	12 months ending 30 June 2023	6 months ending 31 December 2023	6 months ending 31 December 2022	12 months ending 30 June 2023
	Reviewed	Reviewed	Audited	Reviewed	Reviewed	Audited	Reviewed	Reviewed	Audited
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	2,935,088	2,578,968	5,181,252	344,976	28,612	71,550	3,280,074	2,607,580	5,252,802
Cost of sales	(1,179,415)	(1,078,398)	(2,164,178)	(155,315)	(16,865)	(46,076)	(1,334,730)	(1,095,263)	(2,210,254)
<b>Gross profit</b>	<b>1,755,683</b>	<b>1,500,570</b>	<b>3,017,074</b>	<b>189,661</b>	<b>11,747</b>	<b>25,474</b>	<b>1,945,344</b>	<b>1,512,317</b>	<b>3,042,548</b>
Other income	10,843	55,270	180,415	(558)	344	(38)	10,285	55,813	190,377
Other operating and admin expenses	(945,395)	(688,512)	(1,963,403)	(125,740)	(44,203)	(83,734)	(1,071,134)	(732,715)	(2,047,137)
Expected credit losses	(110,903)	(315,862)	(580,730)	(27,263)	128	376	(138,167)	(315,734)	(580,354)
<b>Profit from operations</b>	<b>710,230</b>	<b>551,467</b>	<b>663,356</b>	<b>36,100</b>	<b>(31,983)</b>	<b>(57,922)</b>	<b>746,328</b>	<b>519,481</b>	<b>605,434</b>
Net finance income (costs)	380,418	237,622	550,605	12,198	1,277	3,380	392,616	238,899	553,985
Share of profit from associate	-	-	-	1,045	625	2,548	1,045	625	2,548
<b>Profit before tax</b>	<b>1,090,648</b>	<b>789,088</b>	<b>1,213,962</b>	<b>49,343</b>	<b>(30,080)</b>	<b>(51,994)</b>	<b>1,139,989</b>	<b>759,006</b>	<b>1,161,967</b>
Taxation	-	-	-	(154)	(76)	(187)	(154)	(76)	(187)
<b>Profit for the year</b>	<b>1,090,648</b>	<b>789,088</b>	<b>1,213,962</b>	<b>49,190</b>	<b>(30,156)</b>	<b>(52,181)</b>	<b>1,139,836</b>	<b>758,930</b>	<b>1,161,780</b>
Capital expenditure - for the period	1,342,420	812,167	1,809,048	3,783	1,855	5,839	1,346,203	814,023	1,814,887
Segment assets	12,330,820	10,173,154	10,775,742	767,647	279,636	57,616	13,098,467	10,452,789	10,833,358
Investments	6,550,769	5,946,040	6,330,996	96,266	137,601	119,197	6,647,035	6,083,641	6,450,193
Interest in associate	-	-	-	6,125	10,657	8,830	6,125	10,657	8,830
Unallocated	-	-	-	-	-	-	869,949	289,702	335,662
<b>Consolidated total assets</b>							<b>20,621,577</b>	<b>16,836,789</b>	<b>17,628,043</b>
Segment liabilities	1,691,258	1,570,317	1,602,080	96,266	137,601	119,197	1,787,525	1,707,918	1,721,277
Unallocated	-	-	-	-	-	-	1,525,974	1,184,828	1,465,696
<b>Consolidated total liabilities</b>							<b>3,313,499</b>	<b>2,892,745</b>	<b>3,186,973</b>



### Nature of Business

uMngeni-uThukela Water is a schedule 3B public entity and referred to as a National Government business enterprise. As such it is regulated by and operates in accordance with the Water Services Act No. 108 of 1997, and the Public Finance Management Act No. 1 of 1999, as amended. Its primary function is to supply bulk water services, both potable and wastewater to its customers. The organisation is also involved in other activities (as defined in section 30 of the Water Services Act) which complement and support its primary activities.

### Financial Overview

The new chapter has begun and the process of integrating the former entities is well underway with both success and challenges as the new regional water board sets off. Pursuant to the Government Gazette issued by the Minister of Water and Sanitation on 19 June 2023, Mhlathuze Water was disestablished effective on 30 June 2023 and all its staff, assets and liabilities were transferred to uMngeni-uThukela Water effective on 01 July 2023, in terms of Section 46 of the Water Services Act, 1997 (Act No. 108 of 1997). This has resulted in a single water entity, uMngeni-uThukela Water. The impact of transfer of assets, liabilities and employees of Mhlathuze Water to Umgeni Water has been taken into account in the interim results. For this reason, the year on year comparative will reflect material differences. In the analysis below, the impact of the take-on is highlighted to reflect the synergy benefit of the joined forces to form one regional water board.

The group profit for the period under review totalled R1 140m (Dec 2022: R759m). Revenue growth was 26% of which 13% emanated from operations in the Richards bay region. The increase in sales volumes of 10% year on year and the approved potable water tariff increase for 2022/2023 of 9% have also contributed to the growth in revenue. The primary activities direct operating costs grew by 9% arising from the main cost drivers negated by a reduction of 5% on raw and potable water purchases. Other operating and administration expenses increased by 46% year on year attributable to the increase in the ICT systems maintenance contract due to the integration of the RB region onto SAP. The 56% decrease in credit losses is reflective of the effective application of the accounts receivable policy and debt recovery strategies, which includes customer engagements and payment arrangements. Net finance income increased by 64% year on year because of lower finance costs, mostly resulting from increases in investments as CAPEX remains under target.

The net operating cash flows totalled R911m (Dec 2022Restated: R983m). The decrease of R72m year on year is primarily due to the working capital requirements as well as reduction in interest received on call investments.

Net cash used in investing activities was R233m (Dec 2022Restated: R1 276m) due to additions to property, plant and equipment as well as intangible assets of R1 346m (Dec 2022: R814m) less RBIG received of R234m (Dec 2022: R243m) and the take on of investments balance of R634m from Mhlathuze Water.

Net cash used in financing activities totalled R206m (Dec 2022Restated: R98m) which consisted of R124m increase in redemption asset year on year and R62m net interest paid.

Current trade and other receivables were R1 368m (Dec 2022: R906m) and debtors' days were 46 (Dec 2022: 45 days).

uMngeni-uThukela Water (Parent) capital expenditure for the 6-month period totalled R1 342m (Dec 2022: R812m) against the target of R1 341m. The total accumulated cost of capital work in progress for development projects was R1 093m (Dec 2022: R1 221m) while accumulated grant funding was R563m (Dec 2022: R329m).

Capital commitments as at 31 December totalled R3 129m (Dec 2022: R1 920m). Impairment assessments on Property, plant and equipment were not performed during this period as they are done annually in June each year in terms of the approved business processes.

The nominal amount of total interest bearing debt as at 31 December 2023 was R1 092m (Dec 2022: R1 096m). The debt to equity ratio was at 0.06 (Dec 2022: 0.08) which is 1% below target, whilst the interest cover ratio was 12.10 times (Dec 2022: 8.56)

uMngeni-uThukela Water is rated by both Standard & Poors & Fitch Ratings. The national scale ratings are as follows:

Rating Agency	Date of rating re-affirmation or change	Long-term Rating	Short-term rating
Standard & Poor's (National Scale)	18 May 2023	zaAAA	zaA-1+
Fitch Ratings	01September 2023	AA+(zaf)	F1+(zaf)

There was no significant movement in contingent liabilities since the 2023 financial year end.

### Basis of preparation and Accounting Policies

The consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and comply with all the new and amended accounting standards effective during the current reporting period.

The accounting policies and methods of computation followed in the interim financial statements are consistent with the most recent annual financial statements. The results of the associate are for the 6-month period to 30 June 2023 and are unaudited.

**Going Concern**

The Directors have reviewed the group's forecast financial performance for the year to 30 June 2024 as well as the longer term business plans and, in light of this review and the current financial position, they are satisfied that the group has access to adequate resources to continue as a going concern for the foreseeable future. Any increase in credit risk has been adequately taken into account in the allowance for credit losses. There are adequate resources to continue operating for the foreseeable future and it is therefore appropriate to adopt the going concern basis in preparing the interim condensed financial statements.

**Pricing policy**

uMngeni-uThukela Water's pricing policy is to set the lowest possible constant tariff in real terms. The underlying principles of this policy are:

- The promotion of the efficient and sustainable use of water;
  - The equitable access to water supply services, whereby the basic water services should be affordable; and
  - The solvency and sound financial management of Umgeni Water.
- The approved tariffs are as follows:

	<u>2022</u>	<u>2023</u>	<u>2024</u>
Weighted average bulk tariff (R/kl)	8.14	8.39	8.95
Total Tariff increase (%)*	5.5%	3%	6.6%

*\*The total tariff increase is a weighted increase of price and volumes, of which 9.0% comprises the approved bulk water tariff increase for 2024.*

## Revenue

uMngeni-uThukela Water recognises revenue for both goods and services at a point in time and over time in accordance with the accounting policies. Revenue is derived from the sale of goods and services within the KwaZulu-Natal Province as disclosed in the disaggregation of revenue.

### DISAGGREGATION OF REVENUE

As at 31 December 2023

For the six month period ending 31 December 2023

	Primary activities R'000	Other Activities R'000	Total Parent R'000	Total Group R'000
<b>Revenue from major products/service lines as a result of performance obligations satisfied</b>				
Bulk water sales	2,740,750	136,219	2,876,969	2,876,969
Waste water treatment	182,339	117,996	300,335	300,335
Clarified water	12,009	-	12,009	12,009
Scientific and environmental services	-	1,179	1,179	1,179
Operating and Maintenance	-	5,080	5,080	5,080
Training and capacity building	-	15,083	15,083	15,083
Other	-	61,905	61,905	69,418
<b>Total Revenue</b>	<b>2,935,098</b>	<b>337,462</b>	<b>3,272,560</b>	<b>3,280,074</b>
<b>Timing of revenue recognition</b>				
At a point in time	2,935,098	260,474	3,195,572	3,200,992
Over time	-	76,988	76,988	79,081
<b>Total Revenue</b>	<b>2,935,098</b>	<b>337,462</b>	<b>3,272,560</b>	<b>3,280,074</b>

For the six month period ending 31 December 2022

	Primary activities R'000	Other Activities R'000	Total Parent R'000	Total Group R'000
<b>Revenue from major products/service lines as a result of performance obligations satisfied</b>				
Bulk water sales	2,426,404	-	2,426,404	2,426,404
Waste water treatment	152,564	-	152,564	152,564
Scientific and environmental services	-	5,099	5,099	5,099
Operating and Maintenance	-	2,673	2,673	2,673
Training and capacity building	-	12,645	12,645	12,645
Other	-	275	275	8,195
<b>Total Revenue</b>	<b>2,578,968</b>	<b>20,692</b>	<b>2,599,660</b>	<b>2,607,580</b>
<b>Timing of revenue recognition</b>				
At a point in time	2,578,968	7,772	2,586,740	2,592,708
Over time	-	12,921	12,921	14,873
<b>Total Revenue</b>	<b>2,578,968</b>	<b>20,692</b>	<b>2,599,660</b>	<b>2,607,580</b>

### REVENUE FROM CONTRACT LIABILITIES

	December 2023		December 2022	
	Group R'000	Parent R'000	Group R'000	Parent R'000
Revenue recognised that was included in the contract liability balance at the beginning of the period, due to performance obligations satisfied.	40,211	40,211	13,241	10,180



### Related parties

The group is wholly owned by its shareholder, the Department of Water and Sanitation. uMngeni-uThukela Water group comprise subsidiaries of uMngeni-uThukela Water: Msinsi Holdings SOC Limited and Umgeni Water Services SOC Limited (UWS) and associate of UWS: Durban Water Recycling Pty Ltd. Related parties also include post-retirement benefit plans for the benefit of the employees and key management personnel of Umgeni or its shareholder. Key management personnel for Umgeni Water include the group's Board of directors and the executive management (EXCO).

IAS 24 Related Party disclosures provides government related entities an exemption which eliminates the requirements to disclose information that is costly to gather and of less value to users. The group applies the exemption in respect of its relationship with government related entities at national and local levels of government. Significant related party transactions and balances during the interim period are listed on the following table:

### Related Parties

	Group		Parent	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	Reviewed	Reviewed	Reviewed	Reviewed
	R'000	R'000	R'000	R'000
<b>Revenue: Sale of goods and services</b>				
<b>Revenue: Section 30</b>				
National Department	16,262	13,110	16,262	13,110
<b>Sundry Income</b>				
Subsidiaries	-	-	579	542
<b>Cost of sales</b>				
National Department	172,991	139,757	172,991	139,757
<b>Other operating and administration expenses</b>				
Subsidiaries and associates		-	43,048	39,860
<b>Work-in-progress: Grant funding for rural development projects</b>				
National Department	233,913	242,804	233,913	242,804
<b>Investments in associates</b>				
Subsidiaries and associates	6,125	10,657	15,672	-
<b>Trade and other receivables</b>				
National Departments- Capital unit charge	89,613	89,613	89,613	89,613
<b>Other payables</b>				
Subsidiaries and associates	-	-	9,948	14,354
National Department	40,155	32,598	40,155	32,598
Raw water purchases accrual	40,155	32,598	40,155	32,598
Capital Unit Charge Recovery	-	-	-	-
Capital Unit Charge accrual	-	-	-	-

### Fair value disclosures

The carrying amounts of financial assets and liabilities are a reasonable approximation of the fair values with the exception of loans and borrowings where the fair value is estimated to be R1 150m (Dec 2022: R1 160m). The fair value of the loans and borrowings were based on discounted cash flows, using prices from observable current market transactions for similar instruments. These are classified as Level 2 fair values in line with IFRS 13.

### Prior period error

Adjustments have been made on the interim report's comparative statements based on the prior period error a result of the reclassification of call investments to cash equivalents and changes in other investments to investing activities. As the redemptions assets are exclusively used for the repayment of loans, it has been retained as a financing activity. The details are disclosed in the recently published annual financial statements for the year ended June 2023. The impact is as follows:

### STATEMENTS OF CASH FLOWS

	Group			Parent		
	As previously reported	Reclassification	Restated	As previously reported	Reclassification	Restated
	2022	2022	2022	2022	2022	2022
	R'000	R'000	R'000	R'000	R'000	R'000
<b>Cash from operating activities</b>		<b>53,354</b>	<b>53,354</b>		<b>53,354</b>	<b>53,354</b>
Interest received	-	53,354	53,354	-	53,354	53,354
<b>Cash used in financing activities</b>		<b>106,250</b>	-		<b>107,711</b>	-
Increase in investments	(264,127)	264,127	-	(264,127)	264,127	-
Interest received	157,877	(157,877)	-	156,416	(156,416)	-
<b>Cash used in investing activities</b>		<b>(706,708)</b>	<b>(706,708)</b>		<b>(708,167)</b>	<b>(708,167)</b>
Movement in investments	-	(811,229)	(811,229)	-	(811,229)	(811,229)
Interest received	-	104,521	104,521	-	103,062	103,062
<b>Cash and cash equivalents</b>	<b>248,485</b>	<b>185,217</b>	<b>433,701</b>	<b>182,178</b>	<b>185,217</b>	<b>367,395</b>

### STATEMENTS OF FINANCIAL POSITION

#### ASSETS

##### Current assets

Investments - financial assets  
Bank and cash

	Group	Parent
	2022	2022
	R'000	R'000
Investments - financial assets	185,217	185,217
Bank and cash	185,217	185,217

**Review of the Interim Financial statements**

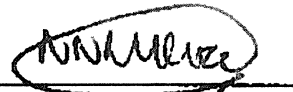
The interim financial statements have been reviewed by the Auditor General.

**Events after the reporting period**

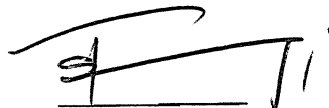
Management did not identify any other subsequent event in addition to incorporation of Mhlathuze Water's operations to Umgeni Water as described above.

**Outlook**

As the reconfiguration is well underway, the preservation and the sustainability of financial resources available to fund the strategic objectives remains crucial and is dependent on robust financial systems and controls being implemented to prevent deviations from planned expenditure that could impact the financial viability of the organisation, as well as close monitoring and management of the operating cash flows in the current operating environment where the organisation is exposed to increased credit risk with its customers.



**Ms. Nothando Mkhize**  
*Deputy Chairperson of the Board*



**Thami Mkhwanazi (CA) SA**  
*Acting Chief Executive*