



ANNUAL REPORT



2024/2025







Assuring sustainable and reliable quality of water service, for life!

TABLE OF CONTENTS

A

PART A: GENERAL INFORMATION

1. GENERAL INFORMATION
2. ABBREVIATIONS AND ACRONYMS
3. FOREWORD BY THE MINISTER OF WATER AND SANITATION
4. FOREWORD BY THE CHAIRPERSON OF THE BOARD
5. OVERVIEW BY THE CHIEF EXECUTIVE
6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT
7. STRATEGIC OVERVIEW
8. ORGANISATIONAL PROFILE
9. LEGISLATIVE AND OTHER MANDATES
10. ORGANISATIONAL STRUCTURE

7
8
9
11
13
14
16

17
20
25
27

B

PART B: PERFORMANCE INFORMATION

1. AUDITOR-GENERAL'S REPORT ON PREDETERMINED OBJECTIVES
2. SITUATIONAL ANALYSIS
 - 2.1 Service Delivery Environment
 - 2.2 Significant Legal Developments
 - 2.3 Bulk Water Supply Service Level Agreements with Municipalities
 - 2.4 Organisational Environment
3. REVENUE COLLECTION
4. STRATEGIC OUTCOME ORIENTED GOALS
5. ANNUAL PERFORMANCE REPORT: 2023/2024
6. CAPITAL INVESTMENT AND MAINTENANCE
 - 6.1 The Five-Year Capex Programme (2020 - 2026)
 - 6.2 Progress on Implementing Mandates
 - 6.3 Infrastructure Development Projects
 - 6.4 Secondary Activities Implemented
 - 6.5 Major Maintenance Activities Performed
 - 6.6 Asset Management
 - 6.7 Progress Made in Addressing the Maintenance Backlog
 - 6.8 System Automation
 - 6.9 Water Operations
 - 6.10 Fleet Management
7. SUMMARY OF PERFORMANCE IN MEETING POTABLE WATER QUALITY STANDARDS
 - 7.1 Introduction
 - 7.2 Reinstatement of Laboratory Accreditation by SANAS
 - 7.3 Scientific Disciplines
 - 7.4 Drinking Water Quality
 - 7.5 Conclusion

29
30
30
30
31
31
32
33
34
36
42
42
43
44
49
61
66
67
68
69
74
76

76
76
76
76
79

C

PART C: CORPORATE GOVERNANCE

1. INTRODUCTION	80
2. PORTFOLIO COMMITTEES	81
3. EXECUTIVE AUTHORITY (MINISTER OF WATER AND SANITATION)	81
4. ACCOUNTING AUTHORITY (BOARD OF VAAL CENTRAL WATER)	81
4.1 Profiles of Board Members	82
4.2 The Board Charter	88
4.3 Composition of the Board	89
4.4 Attendance of Board Meetings	89
4.5 Board of Directors and Board Committees	90
4.6 Functions of Board Committees and Meeting Attendance	90
4.6.1 Audit and Risk Committee (A&RC)	90
4.6.2 Infrastructural Development Committee (IDC)	91
4.6.3 Social and Ethics Committee	91
4.6.4 Finance Committee (FINCO)	91
4.6.5 Human Resources and Corporate Support Committee	92
4.6.6 ICT Security Committee (newly established)	92
4.7 Overall Structure of the Board	93
4.8 Remuneration of Board Members	94
5. COMPANY SECRETARY	94
6. RISK MANAGEMENT	94
6.1 Introduction	94
6.2 Risk Management Framework	94
6.3 Enterprise-wide Risk Assessment Report	95
6.4 Strategic Risk Profile	95
6.5 Business Continuity Management	97
7. INTERNAL AUDIT	98
8. COMPLIANCE MANAGEMENT	98
9. FRAUD AND CORRUPTION	99
9.1 Introduction	99
9.2 The Framework	99
9.3 Independent Ethics Hotline	99
10. MINIMISING CONFLICT OF INTEREST	99
11. CODE OF CONDUCT	100
12. HEALTH AND SAFETY, ENVIRONMENT AND SECURITY	100
12.1 Health and Safety	100
12.2 Environmental Management	101
12.3 Security Management	102

C

PART C: CORPORATE GOVERNANCE (CONTINUED)

13. INFORMATION AND COMMUNICATION TECHNOLOGY	103
14. CORPORATE SOCIAL INVESTMENT PROJECTS	104
15. STAKEHOLDER ENGAGEMENT AND MANAGEMENT	106
16. AUDIT AND RISK COMMITTEE REPORT	112
17. B-BBEE COMPLIANCE PERFORMANCE INFORMATION	113

D

PART D: HUMAN RESOURCE MANAGEMENT

1. OVERVIEW	114
2. SUSTAINABILITY	115
3. SET HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THEIR IMPACT	115
4. POLICY DEVELOPMENT / REVISION	122
5. EMPLOYEE WELLNESS PROGRAMMES	122
6. TRAINING AND DEVELOPMENT	123
7. HUMAN RESOURCE OVERSIGHT STATISTICS	130

E

PART E: FINANCIAL PERFORMANCE

1. FINANCIAL PERFORMANCE	132
1.1 Bulk Water Sales Analysis	133
1.2 Bulk Water Tariffs	133
1.3 Cash Flow Analysis	134
1.4 Assets and Funding Requirements	135
1.5 Supply Chain Management	135
1.5.1 Reporting of Procurement by other means	135
1.5.2 Reporting of Expansions and Variations of Contracts	135
1.5.3 Irregular Fruitless and Wasteful expenditure disclosures for 2024/2025	136
2. REPORT OF THE EXTERNAL AUDITOR	139
3. ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 2025	146

PART A

GENERAL INFORMATION



1. GENERAL INFORMATION

Vaal Central Water is listed as a Schedule 3B National Government Business Enterprise in terms of the Public Finance Management Act (Act No. 1 of 1999) (PFMA), as amended. The Board, as the Accounting Authority, reports to the Minister of Water and Sanitation as the Executive Authority.

Registered Name:	Vaal Central Water
Registered No:	Not applicable to Schedule 3B Entities
Physical Address:	2 Mzuzu Street Pellissier Bloemfontein
Street Code:	9302
Postal Address:	P.O. Box 30121 Bloemfontein
Postal Code:	9322
Telephone No:	(051) 403-0800
E-mail:	communications@vcwater.co.za
Website:	www.vaalcentralwater.co.za
External Auditors:	Auditor-General of South Africa
Bankers:	Nedbank and ABSA
Company Secretary:	Ms. N. Maduba-Silevu



2. ABBREVIATIONS AND ACRONYMS

ABC	Amanzi Bargaining Council
ACIP	Accelerated Community Infrastructure Programme
AET	Adult Education and Training
AGSA	Auditor-General of South Africa
ASB	Accounting Standards Board
B-BBEE	Broad-based Black Economic Empowerment
CAPEX	Capital Expenditure
CCMA	Commission for Conciliation, Mediation and Arbitration
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COGTA	Cooperative Governance and Traditional Affairs
CUT	Central University of Technology Free State
DWS	Department of Water and Sanitation
ERP	Enterprise resource planning
EWSETA	Energy and Water Sector Education and Training Authority
EXCO	Executive Committee
GCIS	Government Communication Information System
GRP	Glass Reinforced Plastic (pipe)
HCD	Human Capital Development
ICT	Information and Communication Technology
IDP	Integrated Development Plans
IGR	Intergovernmental Relations
IoDSA	Institute of Directors Southern Africa
IRIS	Integrated Regulation Information System
IRS	Implementing Readiness Study
IWA	International Water Association
LLF	Local Labour Forum
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MI /d	Mega litres per day
MMC	Member of the Mayoral Committee
MoU	Memorandum of Understanding
MWIG	Municipal Water Infrastructure Grant
NCOP	National Council of Provinces
NDP	National Development Plan
NEHAWU	National Education, Health, and Allied Workers' Union
NRW	Non-revenue water
NSFAS	National Student Financial Aid Scheme
NT	National Treasury
NTU	Nephelometric Turbidity Unit

ORA	Organisational Rights Agreement
PCP	Pre-stressed Concrete Pipeline
PFMA	Public Finance Management Act
PSEC-WS	Presidential State-Owned Enterprises Council Workstreams
PSP	Professional Service Provider
RBIG	Regional Bulk Infrastructure Grant
SA GAAP	South African Statements of Generally Accepted Accounting Practice
SA GRAP	South African Statement of Generally Recognised Accounting Practice
SAICE	South African Institution of Civil Engineering
SAIIE	Southern African Institute for Industrial Engineering
SALGA	South African Local Government Association
SAMWU	South African Municipal Workers Union
SANS	South African National Standards
SAR	South African Railways
SARS	South African Revenue Service
SASSETA	Safety and Security Sector Education and Training Authority
SCADA	Supervisory Control and Data Acquisition
SCM	Supply Chain Management
SEZ	Spatial Economic Zone
SHEQ	Safety, Health, Environmental, and Quality
SIP	Strategic Infrastructure Project
SMME	Small, Medium, and Micro Enterprises
SOP	Standard Operating Procedure
SWPN	Strategic Water Partners Network
TPTTP	Taking Parliament to the People
TR	Treasury Regulations
TVET	Technical and Vocational Education and Training
UFS	University of the Free State
uPVC	Unplasticized Polyvinyl Chloride (pipe)
VCW	Vaal Central Water
WRC	Water Research Commission
WSA	Water Services Authority
WSDP	Water Services Development Plan
WSP	Water Services Provider
WSP	Workplace Skills Plan
WTW	Water Treatment Works
WUA	Water User Associations
WWTW	Wastewater Treatment Works

3. FOREWORD BY THE MINISTER OF WATER AND SANITATION



Ms. P.C.P. Majodina, MP
Minister of Water and Sanitation

The year under reporting marks the first year in which I have been holding the fort as the Minister in the Department of Water and Sanitation (DWS). In realising the primary mandate and ensuring sustainability in the water sector and safeguarding the realisation of the constitutional rights to water and a safe environment (through basic sanitation services), the Department committed itself to deploying resources efficiently to ensure service delivery reaches communities.

The Department is further committed to ensuring efficient use of its budget and resources while maintaining accountability and transparency in its operations. Coupled with these commitments, the Department continued to implement significant reforms and initiatives to enhance water resource management emanating from the enactment of the National Water Resource Infrastructure Agency (NWRIA) Act 34 of 2024, including the amendments to the Water Services Act to strengthen service regulation. It is to be acknowledged that South Africa is one of the thirty most water-scarce countries in the world.

Therefore, for this reason, the implementation of the mitigating measures to curb the increasing demand for water in our country, and as a result of economic and population growth, becomes a priority. The Department is committed to ensuring collaboration with its institutions

and entities to improve water and sanitation services with the intention to strike a balance of water demands with localised deficits and surpluses. The Department ensured that there is timely investment in national water resource infrastructure, diversifying the water mix as well as implementing more effective water conservation and demand management programmes to bring our water consumption per capita levels in line with, or below, the international average.

To comprehend the national water resource infrastructure, significant investments in water infrastructure were embarked on across the country. In the service area of Vaal Central Water (VCW), particularly in the Northern Cape, DWS is implementing the R10 billion Vaal Gamagara Phase Two Project in collaboration with the mines, to provide additional water for mining and to provide water to previously unserved communities along the bulk pipeline.

In improving water services in rural municipalities, DWS continued to provide support for planning, funding, implementation, and monitoring of municipal water and sanitation projects in a number of rural provinces. In the Free State province, about R5.4 billion was allocated over the next five years for Maluti-a-Phofung, Matjhabeng, including Ngwathe Local Municipalities, which VCW is overseeing.

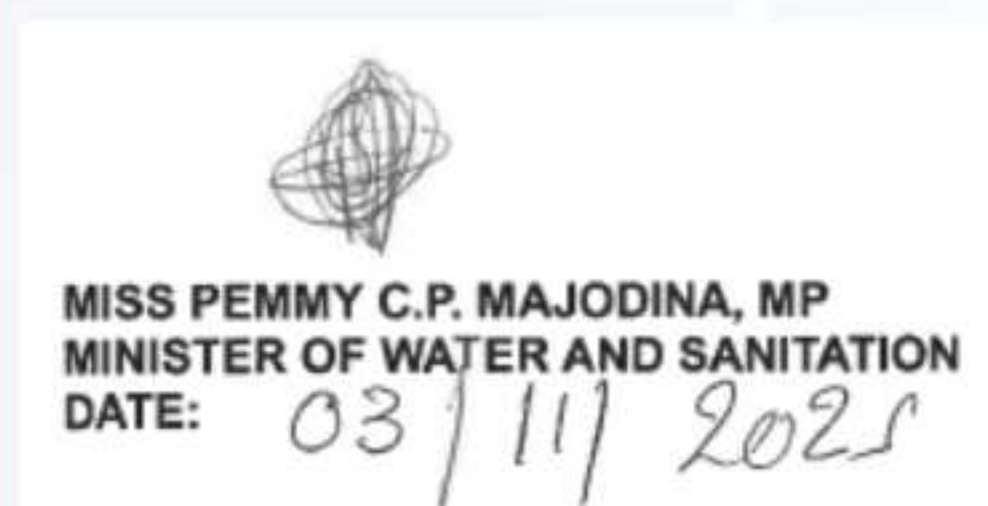
During the period under review, the Department enrolled initiatives that are aimed at addressing water quality, in which an Anti-Pollution Forum was launched. Through this initiative, the Ministry conducted oversight visits in the Kopanong Local Municipality to assess the state of sewerage pollution affecting agricultural activities.

It is commended that VCW was part of the delegation that participated in the World Water Week and contributed to influencing the global agenda on the achievement of SDG 6 and positioning South Africa as a preferred destination for investment in water and sanitation, as well as learning from the global community at large.

The Ministry has escalated the challenges emanating from revenue collection by initiating a programme of provincial engagements with the relevant Premiers, MECs for local government, Mayors and Municipal

Managers, with the aim of obtaining commitments from the non-paying municipalities to pay their bills to the water boards. This initiative has proved to be effective as these relevant stakeholders get to understand the ripple effects posed by non-payments.

It is befitting to commend the Board of Directors of VCW for ensuring that during the year under review, it exercised its fiduciary duties within the parameters and prescripts guided by good governance practices, including the oversight in monitoring the Entity's performance on its set targets as contained in the Shareholder Compact.



2025 Water and Sanitation Indaba

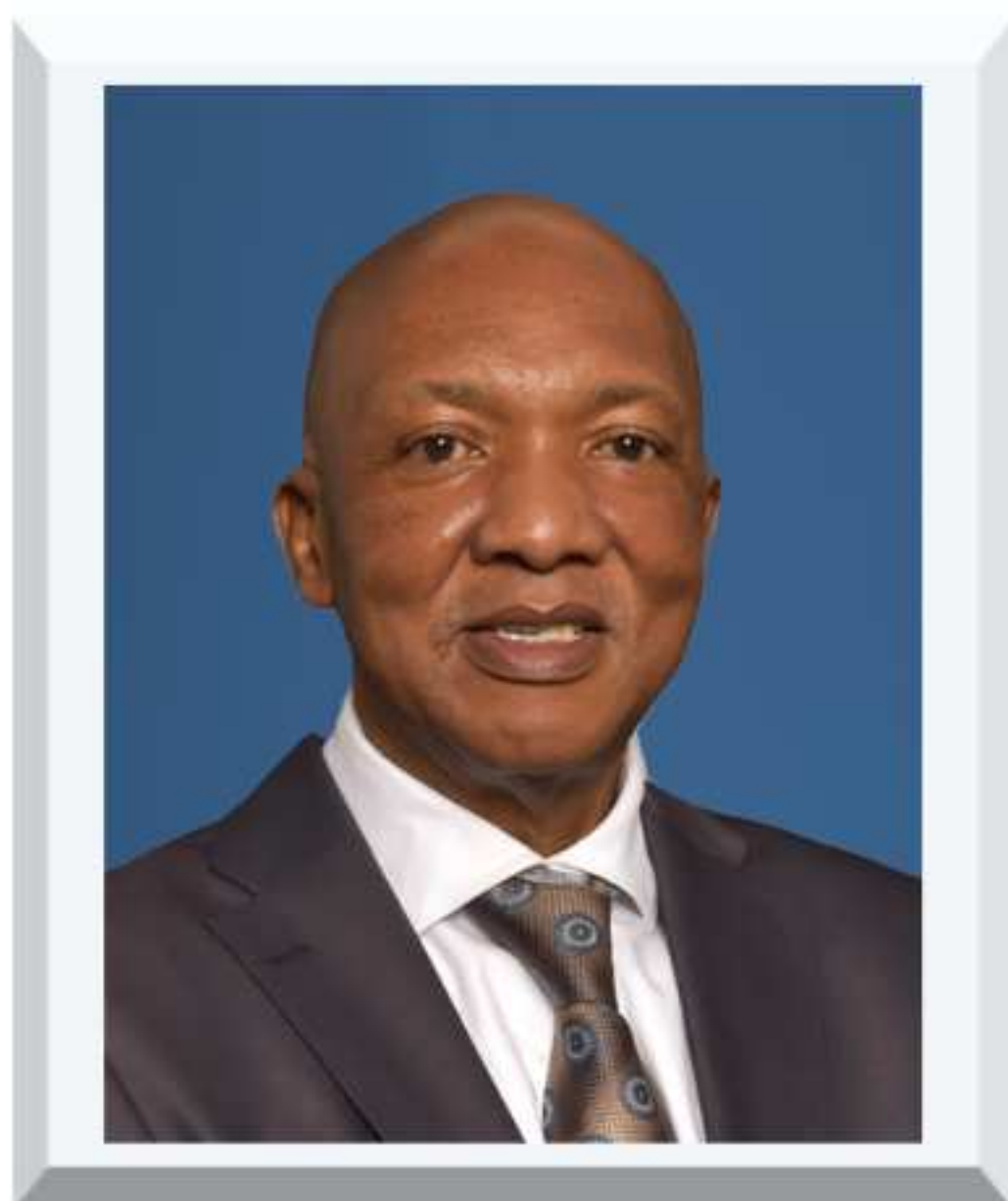
Vaal Central Water participated as an exhibitor and delegate at the Water and Sanitation Indaba, held on 27–28 March 2025 at the Gallagher Convention Centre in Midrand, Gauteng. The theme of the event was: “Water Security and Provision.”

During her keynote address, the Minister of Water and Sanitation, Honourable Ms. Pemmy C.P. Majodina, highlighted South Africa's critical water challenges:

“South Africa’s consumption of 218ℓ per capita per day exceeded the international average of 173ℓ per capita per day. We are a water-stressed country, among the 30 driest in the world. We need to tackle our infrastructure problems, municipal debt, organised crime, and non-revenue water if we are to realise our water security goals.”

(Minister Pemmy C.P. Majodina, at the Water and Sanitation Indaba)

4. FOREWORD BY THE CHAIRPERSON OF THE BOARD



Adv. M.S. Msibi
Chairperson of the Board

At the time of signing off this 2024/2025 Annual Report, the Board of Directors of Vaal Central Water has reached the halfway mark in its four-year tenure. The financial year under review highlights the impact the Board has made through ensuring that the Entity adheres to good governance prescripts and principles.

During the reporting period, the Board ensured the full integration of the former Bloem Water and the disestablished Sedibeng Water, as the Transfer Agreement came to an end by 31 December 2024.

The Board also ensured that Vaal Central Water as the new Entity addresses the sustainability challenges being experienced as a result of a culture of non-payment for water services delivered, which prevails among our municipal customers. In order to address this issue, the Board embarked on a strategic initiative to enhance and elevate stakeholder engagements so as to reach out to all those who form part of the value chain.

The Board conducted its Strategic Planning Session after scanning the post-integration environment, and subsequently formulated a plan to integrate Vaal Central Water's new areas of mandate with a particular focus on addressing the shortcomings that had necessitated the merging of the two former entities.

Through enhanced internal capabilities intended to fulfil the constitutional and legislative mandate of ensuring access to water, Vaal Central Water ensured that its new

vision and mission are set on realising this mandate.

In the 2024/2025 financial year, Vaal Central Water remained an active partner in initiatives aimed at promoting the United Nation's Sustainable Development Goal (SDG) 6, which focuses on ensuring access to clean water and sanitation. In doing so, the Board participated devotedly in the activities of various local and international platforms created for this purpose. During these engagements, information exchange focused primarily on service delivery models, governance structures and the facilitation of future engagements on areas of improvement.

During the financial year under review, the Board remained effective in exercising its oversight role and in providing leadership and guidance to optimise the performance of the Entity through execution of the strategic plans set for the year 2025-26 and beyond.

The Board acknowledges the support and leadership provided by the Minister of Water and Sanitation, Ms. Pemmy Majodina, as well as the Deputy Ministers for their unwavering and steadfast support in ensuring that the issues surrounding Vaal Central Water's sustainability are addressed with the relevant stakeholders.

The Board also extends its gratitude towards the Chief Executive and the Executive Management Team of the Entity for their commitment and ensuring not only the implementation of the Board's directives and resolutions, but also the Shareholder Compact as an annual performance agreement between the Minister of Water and Sanitation (as the shareholder) and the Water Board's Accounting Authority.

I likewise thank my fellow Board Members at Vaal Central Water for their significant contributions in the past financial year, and urge them to unite in our relentless strive to support for the success of the Entity and to ensure that the Water Board grows from strength to strength in advancing its mandate. It is a privilege to serve with you, while demonstrating what the power of a common cause can accomplish. We look forward to another successful year in the existence of Vaal Central Water.

Ms. M.M.G. Jele
Acting Chairperson of the Board
Date: 2025-10-31

5. OVERVIEW BY THE CHIEF EXECUTIVE



Mr. L.X. Ntoyi
Chief Executive

Vaal Central Water has been established in terms of Section 28(1)(a) of the Water Services (Act No. 108 of 1997) and is classified as Schedule 3B Entity in accordance with the Public Finance Management Act (Act No. 1 of 1999). As a national government business entity, Vaal Central Water reports under the Department of Water and Sanitation due to executive authority over the Water Boards being vested in the Minister of Water and Sanitation. Vaal Central Water derives its primary mandate from Section 27(1)(b) of the Constitution, which ensures access to water as a basic human right. All of the aforementioned Acts, together with national strategic objectives, governance and regulatory frameworks, provide an enabling environment to Vaal Central Water for the effective management of water resources and the efficient delivery of bulk water services to municipalities in the southern and central areas of the Free State and the Northern Cape Provinces.

As in the previous reporting period, the 2024/2025 financial year has been characterised by formidable challenges posed by incorporating the disestablished Sedibeng Water into Vaal Central Water. This integration process has to a large extent been successfully completed in the financial year currently under review. However, inheriting Sedibeng Water's comprehensive range of existing debtors and creditors and a considerable backlog in terms of the maintenance and refurbishment of infrastructure, have placed immense strain on the ability of Vaal Central Water to not only maintain its service delivery mandate, but also meet its financial obligations.

In order to mitigate the risks that supply fluctuations caused by aged infrastructure pose to the reliability of water distribution, Vaal Central Water embarked during the 2024/2025 financial year on a vigorous Infrastructure Maintenance and Refurbishment Programme. This programme was largely funded by the Department of Water and Sanitation, and allowed for the targeting of immediate repairs and the supporting of long-term infrastructure resilience. Investments have also been made in modern and smart technological solutions aimed at enhancing water treatment processes and improving distribution systems.

Despite the positive outcomes of the Infrastructure Maintenance and Refurbishment Programme, Vaal Central Water continued to be besieged by liquidity pressures and limited cash reserves during the financial year under review, largely due to poor payment performance by several municipalities. Vaal Central Water is primarily dependent on revenue collected from municipalities for bulk water supplied in order to fund its operations, maintenance, infrastructure refurbishment and capital expansion. Notwithstanding formal payment agreements having been negotiated with defaulting municipalities, non-compliance necessitated Vaal Central Water to implement prudent financial management and stringent austerity measures in balancing its expanding responsibilities against constrained fiscal capacity. This included a phased and prioritised approach to the implementation of certain operational, maintenance and capital expenditure initiatives.

While necessary, these mitigating plans and measures are not sufficient to fully counterbalance the financial impact of ongoing non-payment by municipal customers in a resource-constrained environment. Therefore, apart from implementing water restrictions in the case of persistently defaulting municipalities in accordance with Section 4(5) of the Water Services Act of 1997 and following legal remedies and arbitration processes, Vaal Central Water has also formally requested National Treasury through the Department of Water and Sanitation to consider withholding Equitable Share transfers to non-compliant municipalities as a last resort to protect the Entity's financial sustainability.

Amidst the volatile and often unpredictable operational environment experienced during the 2024/2025 financial year, Vaal Central Water nonetheless displayed resilience and unwavering commitment to fulfilling the

Entity's mandate in producing and supplying bulk water to customers and consumers in its areas of supply. When and where interruptions in water supply did occur due to aging infrastructure, such failures were addressed through the concerted efforts of a dedicated workforce, and resolved as soon as possible.

During the review period, Vaal Central Water continued to supply potable water of a high standard. Most water treatment works have delivered final water of exceptional quality, complying with requirements listed in SANS 241:2015. The Entity's commitment to water quality is underscored by the fact that Vaal Central Water's quality control laboratories at Balkfontein and Vaal Gamagara Quality were intensively assessed by the South African National Accreditation System (SANAS) during the 2024/2025 financial year, whereafter their accreditation status was renewed.

The review period saw good progress being made in the implementing infrastructure development projects, such as the Vaal-Gamagara Bulk Water Supply Scheme, the Namakwa Regional Water Supply Scheme and the Welbedacht Pipeline Phase 1 and 2. As Implementing Agent of the Department of Water and Sanitation, Vaal Central Water was successful in implementing ongoing interventions and projects to maintain infrastructure in the Maluti-a-Phofung and Matjhabeng Local Municipalities as per Ministerial Directives. The Annual Winter Maintenance Programme of the Entity was again implemented with positive effect in all the regions. Moreover, the Water Board has exceeded in many key performance areas set by the Board, while an unqualified audit opinion on the Entity's 2024/2025 financial statements has been obtained from the Auditor-General of South Africa.

Against this background, I would like in my capacity as Chief Executive to thank the Chairperson and the Board of Directors at Vaal Central Water for their continued and steadfast support during the 2024/2025 financial year. Your immersed guidance and visionary leadership empowered us as an organisation to not only navigate effectively through a highly challenging and demanding water services landscape, but also to excel in optimising organisational efficiency and operational performance. Furthermore, I want to express my gratitude to the Ministry and Department of Water and Sanitation for the trust they have placed in the Board and Management of Vaal Central Water. Your support provided us with a positive and constructive organisational environment for strategic planning, decision-making and day-to-day operations. This allowed us the opportunity to realise our mandate and make a meaningful contribution towards the development of our country and its people.

As was the case in previous years, our employees have again proven themselves as a workforce to be reckoned with. Vaal Central Water cannot sustain itself without your dedication, skilled input and willingness to address formidable challenges in a positive manner. On behalf of Management, I want to express my profound appreciation to all of you for your commitment and selfless efforts, which enabled Vaal Central Water to meet its statutory obligations as a Water Board during the financial year under review.



Mr. L.X. Ntoyi
Chief Executive
Date: 2025-10-31

6. STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

To the best of our knowledge and belief, Vaal Central Water hereby confirms the following:

The information, as well as the amounts disclosed in this Annual Report are consistent with the Annual Financial Statements audited by the Auditor-General of South Africa.

This Annual Report is complete, accurate and free from any omissions.

The Annual Report has been prepared in accordance with the guidelines on Annual Reports as issued by National Treasury. The Annual Financial Statements (Part E) have been prepared in accordance with GRAP (Generally Recognised Accounting Practice) and the PFMA (Public Finance Management Act, Act No. 1 of 1999) as applicable to the public entity.

The Financial Statements are based on appropriate accounting policies consistently applied and supported by reasonable, prudent judgements and estimates.

The Accounting Authority is responsible for the preparation of the Annual Financial Statements and for the judgements made on this information.

The Accounting Authority is responsible for establishing and implementing a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the Annual Financial Statements.

The External Auditors are engaged to express an independent opinion on the Annual Financial Statements.

In our opinion, this Annual Report fairly reflects the operations, performance information, human resources information and the financial affairs of the Entity for the financial year ended 30 June 2025.

This Annual Report was approved by the Board and signed on its behalf by the following authorised representatives of the Board:



Mr. L.X. Ntoyi
Chief Executive
Date: 2025-10-31



Ms. M.M.G. Jele
Acting Chairperson of the Board
Date: 2025-10-31

7. STRATEGIC OVERVIEW

During the 2024/2025 financial year, Vaal Central Water undertook a strategic organisational review focussing on the next financial year starting 1 July 2025-26. This marked the first strategic review since the introduction of the entity name change to Vaal Central Water, and will form the foundation on which the entity will be developed in order to drive operational excellence, inclusion, and the harmonisation of the cultures of the two former entities. The strategy includes objectives that will be phased in during the 2025/2026 and 2026/2027 financial years in order to pilot the direction of the organisation towards realising its full potential. The new strategy aligns exceptionally well with the introduction of the new Shareholder Strategic Priorities and performance indicators.

The Vaal Central Water is enthusiastic in presenting the new strategy emphasising its commitment to improving operational efficiency, financial independence, technological innovation and providing communities with clean, quality water.

The Vision, Mission, Values and Strategic Goals and Objectives have been retained as stated in the previous strategy, which ended in the 2024/2025 financial year:

Vision

Assuring sustainable and reliable quality of water services, for life!

Mission

To create a leading, value-driven, effective, and responsive water services institution, adapting best practice methods in anticipating tomorrow's challenges today.

Values

- Ethical;
- Respect;
- Integrity, People-centred/centric;
- Accountability;
- Professionalism;
- Transparency and Openness; and
- Equality/Equitable.

Strategic Goals and Objectives

- Plan, develop and maintain infrastructure to ensure sustainable water service delivery;
- Manage and optimise financial affairs to meet current and future obligations;
- Secure the supply and quality of raw water resources;
- Achieve an aligned, effective, and efficient institution through optimisation of all business processes and systems; and
- Engage and strengthen strategic partnerships with all relevant stakeholders.



A Vaal Central Water Strategy

The Strategic Goals of Vaal Central Water have been aligned with Ministerial Outcomes and the Goals of Department of Water and Sanitation in the following manner:

GENERAL INFORMATION

VAAL CENTRAL WATER OBJECTIVES		MINISTERIAL OUTCOMES		DEPARTMENT OF WATER & SANITATION GOALS	
SO1	Plan, develop, operate, and maintain infrastructure to ensure sustainable water service delivery	MO2	Ecological infrastructure, protected and restored	1.	Enhanced and protected water as a resource across the value chain
				1.1	Water resources protected through water supply and sanitation services regulation, compliance monitoring, and enforcement
		MO4	Water and Sanitation services managed effectively	1.2	Enhanced management of water and sanitation information
		MO5	Enhanced regulation of the water and sanitation sector	1.3	The integrity of freshwater ecosystems protected
				1.4	Enhanced water use efficiency and management of water quantity
SO2	Manage and optimise financial affairs to meet current and future obligations	MO2	Ecological infrastructure, protected and restored	2.	Equitable access to reliable, sustainable, and acceptable water resources and water and sanitation services
				2.1	A coordinated approach to water and sanitation infrastructure planning, monitoring, and evaluation
		MO4	Water and Sanitation services managed effectively	2.2	Targeted and aligned planning for adequate water availability and the enhanced provision of water supply and sanitation services
				2.3	Adequate water availability and enhanced provision of sustainable and reliable water supply and sanitation services
		MO5	Enhanced regulation of the water and sanitation sector	2.4	Safe, reliable, and sustainable water supply and water and sanitation services infrastructure
				2.5	Enhanced provision of sustainable and dignified basic sanitation
				SO3	Secure the supply and quality of raw water resources
3.1	Equitable water allocation and availability for socio-economic development				
MO4	Water and Sanitation services managed effectively	3.2	Targeted rural development initiatives that support smallholder farmers		
MO3	Water demand reduced, and water supply increased	3.4	Job opportunities created that expand economic opportunities for historically excluded and vulnerable groups		

VAAL CENTRAL WATER OBJECTIVES		MINISTERIAL OUTCOMES		DEPARTMENT OF WATER & SANITATION GOALS	
SO4	Achieve an aligned, effective, and efficient institution through the optimisation of all business processes and systems	MO1	Effective, efficient and development orientated Department	4.	An efficient, effective, and development orientated water and sanitation sector
				4.1	Targeted procurement that supports black entrepreneurs in the sector
				4.2	An enabling environment for the management of water resources and the provision of basic water and sanitation services
				4.3	Targeted and sustained African and global cooperation in support of the water and sanitation agenda
		MO3	Water demand reduced, and water supply increased	4.4	Sound governance and oversight of the DWS Public Entities
		MO6	Water redistributed for transformation	4.5	An efficient, effective, and high-performing organisation
				4.6	Coordinated development of the skills pool across the sector
SO5	Engage and strengthen strategic partnerships with all relevant stakeholders	MO1	Effective, efficient and development orientated Department	5.	Sound cooperative partnership and engaged citizenry
		MO3	Water demand reduced, and water supply increased	5.1	Informed and empowered communities and responsive government, securing integrated and sustainable partnerships to support the water and sanitation development agenda



8. ORGANISATIONAL PROFILE

Vaal Central Water is one of seven statutory Water Boards in South Africa resorting under the Department of Water and Sanitation. As one of these Water Boards, Vaal Central Water abides by the obligations imposed by the Constitution of the Republic of South Africa (Act No. 108 of 1996), and has been instituted to complement the activities of the Department of Water and Sanitation. In addition, the Vaal Central Water Board derives its primary mandate from Section 27(1)(b) of the Constitution, and was established in terms of Section 28(1)(a) of the Water Services (Act No. 108 of 1997). The main objectives of the Water Services Act of 1997 incorporate the right of access to basic water supply and sanitation, and an environment not harmful to human health or well-being.

Water Boards are classified as Schedule 3B Entities in accordance with the Public Finance Management Act (Act No. 1 of 1999, as amended by Act 29 of 1999). As business entities of National Government, the Executive

Authority to which Water Boards report is represented by the Minister of Water and Sanitation through the Department of Water and Sanitation. Moreover, Water Boards have to comply with applicable National Treasury Regulations and provisions of the Municipal Finance Management Act (Act No. 56 of 2003).

Water Boards in South Africa derive their mandates (including rights and obligations) primarily from the above-mentioned legislation in order to provide bulk potable and industrial water services to municipalities and industries within their designated operational areas. In particular, the Vaal Central Water Board is mandated with the provision of water services to the southern and central areas of the Free State and the Northern Cape Provinces, respectively. The Water Board's area of mandate includes the entire jurisdictional area that was previously serviced by the former Sedibeng Water as gazetted on 26 July 2022 by the Minister of Water of Water and Sanitation.

The following water treatment works are being operated and managed:

Northern Free State Region: Water Supply Infrastructure

Balkfontein Water Treatment Works



Category	Details
Source:	Vaal River and boreholes
Pumping System:	Balkfontein, De Erf, Riebeeckstad, Brabant, Bothaville, Kgotsong, and Allanridge
Treatment Capacity:	360 Ml/d
Storage:	26 × 507 Ml Reservoirs, 6 × 2.5 Ml Pressure Towers, and 1 × 500 Ml Raw Water Dam
Area of Service:	Nala Local Municipality: Bothaville, Kgotsong, Wesselsbron, and Monyakeng Matjhabeng Local Municipality: Allanridge, Nyakallong, Odendaalsrus, Kutlwanong, Riebeeckstad, Welkom, Thabong, Hennenman, Phomolong, Ventersburg, Mmamahabane, and Mines Magalies Water (Maquassi Hills Local Municipality)

Virginia Water Treatment Works



Category	Details
Source:	Sand River
Pumping System:	Virginia, Saaiplaas, and Beatrix
Treatment Capacity:	120 Ml/d
Storage:	5 x 140 Ml Reservoirs
Area of Service:	Matjhabeng Local Municipality: Virginia, Meloding, Saaiplaas, Merriespruit, Kitty, and Mines



Modder River Region: Water Supply Infrastructure

Rustfontein Water Treatment Works



Category

Details

Source:	Rustfontein Dam
Pumping System:	Rustfontein Raw & Clear Water, Longridge, Clear water, Lesaka pumpstation, Tabali reservoir, OK pumpstation, and Motlatla reservoir
Treatment Capacity:	100 Ml/d
Storage:	10 x Reservoirs
Area of Service:	Mangaung Metropolitan Municipality: Thaba Nchu, Botshabelo, and Bloemfontein Mantsopa Local Municipality: Excelsior Other: Small consumers

Groothoek Water Treatment Works



Category

Details

Source:	Groothoek Dam, Thaba Nchu, and Boreholes
Pumping System:	Groothoek Raw & Clear Water, Blydskap and Motlatla
Treatment Capacity:	18 Ml/d 4 x Reservoirs
Storage:	Mangaung Metropolitan Municipality: Thaba Nchu and Villages Mantsopa Local Municipality: Excelsior Other: Small consumers

Orange River Region: Water Supply Infrastructure

Bethulie Water Treatment Works



Category

Details

Source:	Orange River and Boreholes
Pumping System:	Hennie Steyn, SAR, Driefontein, and Kleinzuurfontein
Treatment Capacity:	12 Ml/d
Storage:	5 x Reservoirs
Area of Service:	Kopanong Local Municipality: Bethulie, Springfontein, and Trompsburg Other: Small consumers

Jagersfontein Water Treatment Works



Category

Details

Source:	Kalkfontein Dam and Boreholes
Pumping System:	Kalkfontein and Lemoenkloof
Treatment Capacity:	2 Ml/d
Storage:	1 x Reservoirs
Area of Service:	Kopanong Local Municipality: Jagersfontein and Fauriesmith Other: Small consumers

Orange River Region: Water Supply Infrastructure

Gariep Water Treatment Works



Category	Details
Source:	Gariep Dam
Pumping System:	Gariep
Treatment Capacity:	2.8 Ml/d
Storage:	2 x Reservoirs
Area of Service:	Gariep

Philippolis Water Treatment Works



Category	Details
Source:	Orange River and Boreholes
Pumping System:	Raft, Tolhuis, Brannewijnskuil, and
Treatment Capacity:	Vogelfontein
Storage:	1.2 Ml/d
Area of Service:	2 x Reservoirs
	Kopanong Local Municipality: Philippolis

Caledon River Region: Water Supply Infrastructure

Welbedacht Water Treatment Works



Category	Details
Source:	Welbedacht Dam, Caledon River, Knellpoort Dam, and boreholes
Pumping System:	Tienfontein, Novo, Reddersburg, Edenburg, Dewetsdorp, Raw and Clear Water
Treatment Capacity:	145 Ml/d
Storage:	8 x Reservoirs
Area of Service:	Mangaung Metropolitan Municipality: Bloemfontein and Edenburg Mangaung Metropolitan Municipality: Dewetsdorp and Wepener Kopanong Local Municipality: Reddersburg Other: Small consumers

Northern Cape Region: Water Supply Infrastructure

Vaal Gamagara Water Treatment Works



Category	Details
Source:	Vaal River
Pumping System:	Kneukel, Trewill, Beeshoek, and Kathu
Treatment Capacity:	36.4 Ml/d
Storage:	13 x Reservoirs
Area of Service:	Dikgatlong Local Municipality: Delpoortshoop and Koopmansfontein Tsantsabane Local Municipality: Postmasburg Gamagara Local Municipality: Kathu and Olifantshoek Joe Morolong Local Municipality: Hotazel and Blackrock Other: Mines, Solar companies and small consumers

Pelladrift Water Treatment Works



Category

Details

Source:	Orange River
Pumping System:	Pella Booster
Treatment Capacity:	27.5 Ml/d
Storage:	6 x Reservoirs
Area of Service:	Khai-Ma Local Municipality: Pella and Pofadder Other: Small consumers, renewable energy companies and mines

Henkries Water Treatment Works



Category

Details

Source:	Orange River
Pumping System:	Henkriesmond, Henkries River, Okiep, Garragoup, and Doringwater
Treatment Capacity:	18 Ml/d
Storage:	6 x Reservoirs
Area of Service:	Nama Khoi Local Municipality: Springbok, Steinkopf, Concordia, Nababeep, Carolusberg, and Kleinsee Other: Small consumers

Pampierstad Water Treatment Works



Category

Details

Source:	Vaalharts Canal
Pumping System:	Pampierstad
Treatment Capacity:	9.6 Ml/d
Storage:	4 x Reservoirs
Area of Service:	Phokwane Local Municipality: Pampierstad, Upper and Lower Majeakgoro, Sakhile, Seodin, and Sekhing

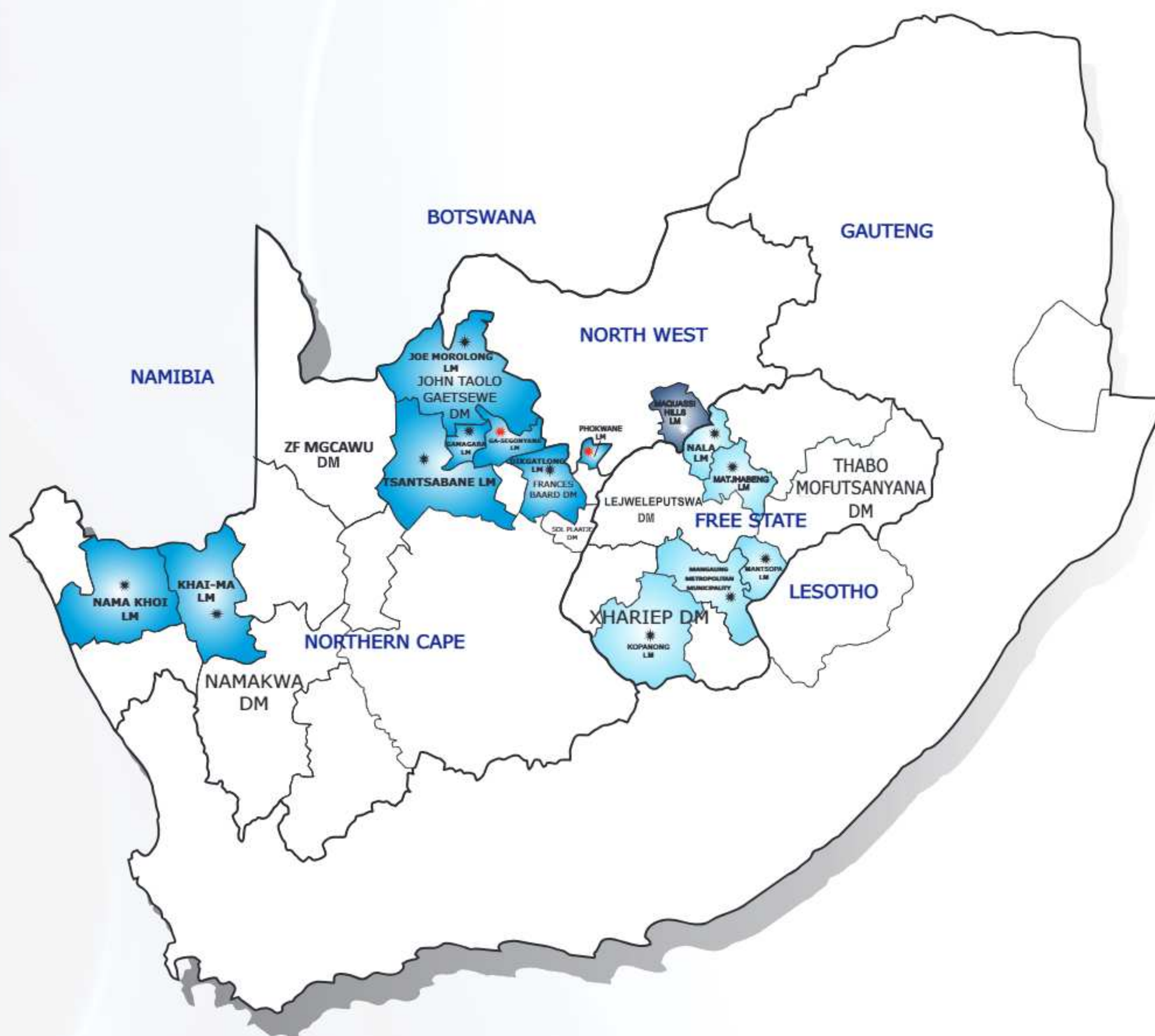
The largest scheme (Northern Free State Region) plays a crucial role in providing treated bulk water to the Matjhabeng and Nala Local Municipalities, respectively. Koppie Alleen, the primary reservoir being used, is owned by Vaal Central Water. The second largest scheme (Caledon River Region) relies on the Caledon River where raw water is abstracted from and treated at the Welbedacht Water Treatment Works to supply water to the Mangaung Metro Municipality and parts of the Kopanong Local Municipality. When low water levels are

experienced, the Novo Transfer Scheme augments the Rustfontein Dam and the Mockes Dam, which is operated by the Mangaung Metro Municipality. This augmentation is essential for raw water treatment at the Maselspoort Water Treatment Works, which is also operated and owned by the Mangaung Metro Municipality. Despite challenges, such as raw water quality issues and non-payment by municipalities, Vaal Central Water Operations takes pride in consistently delivering sustainable bulk water to all its customers.

A

Area of Supply

GENERAL INFORMATION



- VAAL CENTRAL WATER - FREE STATE
- VAAL CENTRAL WATER - NORTHERN CAPE
- VAAL CENTRAL WATER - NORTH WEST
- CROSS BORDER MUNICIPALITY (THROUGH MAGALIES WATER)
- OPERATIONAL AREAS (BULK WATER SUPPLY)
- OPERATIONAL AREAS (RETAIL SERVICES)

9. LEGISLATIVE AND OTHER MANDATES

In order to align with legislative and sectoral changes (including the expansion of Vaal Central Water's service areas), the Board had to review and approve all relevant policies that guide the operations and functioning of the Entity.

Legislative Mandate

- Section 27(1)(b) of the Constitution states that “everyone has a right to sufficient food and water”, while the realisation of this right is underpinned in Section 27(2) of the same act; and
- the Water Services Act of 1997.

The mandates and objectives of Water Boards are succinctly described and detailed in the preamble to the Water Services Act of 1997 in the following terms:

- This Act provides for the right of access to basic water supply and sanitation, the establishment of national norms, standards, and tariffs, and the development of water services plans. It sets a regulatory framework for water services institutions, including the establishment and disestablishment of Water Boards,

monitoring, and ministerial or provincial intervention.

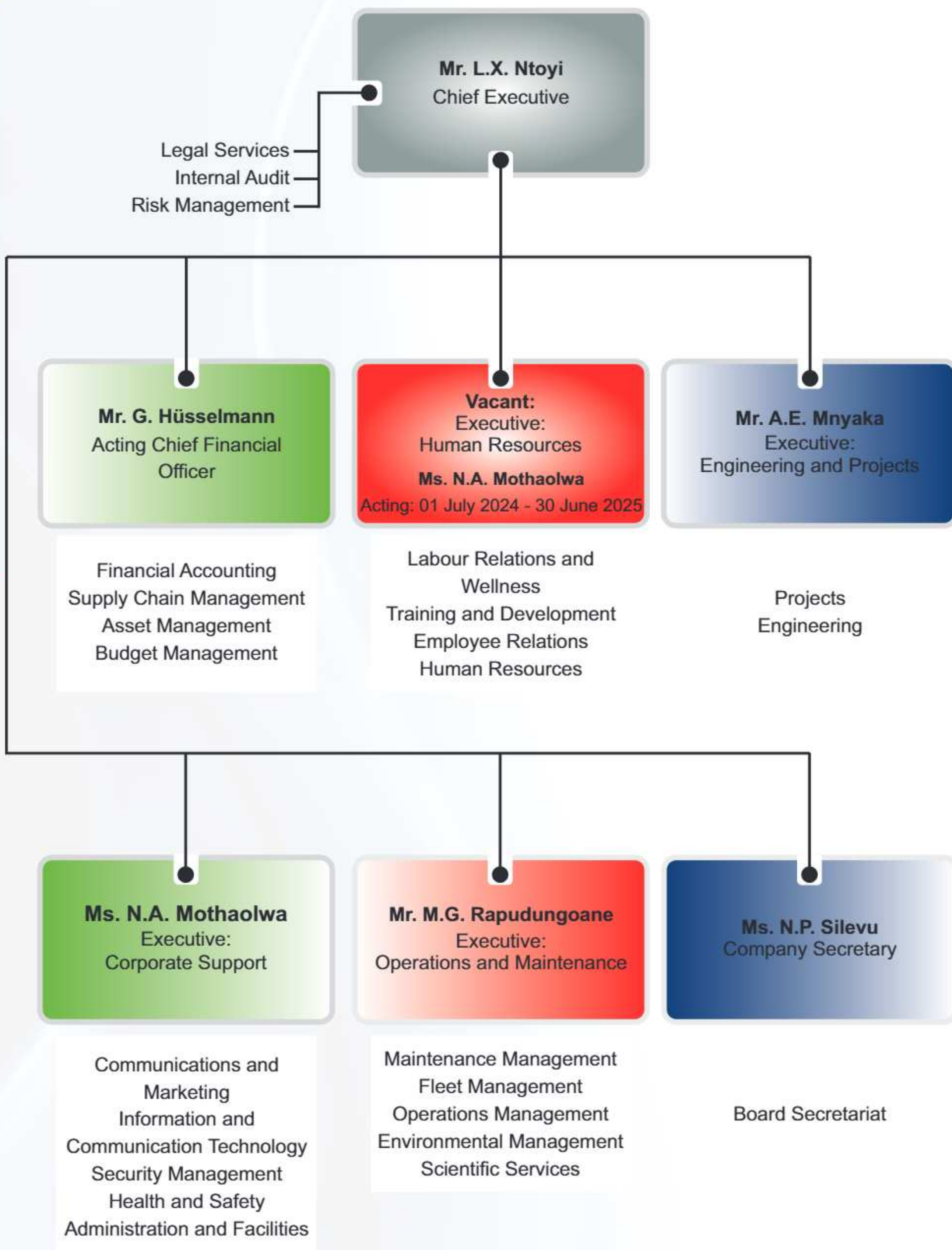
- The National Water Act of 1998 provides for fundamental reform of the law relating to water resources.
- The National Water Master Plan is aimed at guiding investment in the water sector and facilitating development planning for water resources and the delivery of water and sanitation services to 2030 and beyond.

Other legislations and good governance practice frameworks impacting on delivery of water include:

- King IV guidelines;
- Protocol on Corporate Governance in the public sector;
- The provisions of the Shareholder Compact, which serve as documentary evidence of the agreement between the Board and Executive Authority;
- Companies Act (Act No. 71 of 2008); and
- All other applicable frameworks, protocols and laws of the Republic of South Africa.



10. ORGANISATIONAL STRUCTURE



11. EXECUTIVE MANAGEMENT

The Executive Management of Vaal Central Water provides leadership and strategic direction in ensuring that the Entity fulfils its mandate of delivering sustainable bulk water services. The team is entrusted with driving strategic, operational and financial decisions; strengthening governance; fostering collaboration across functions; and guiding the Entity's developmental agenda in line with the approved Strategic Plan (2025–2030).

The 2024/2025 financial year marked significant progress in stabilising the leadership structure of the Entity. Following a period of vacancies and acting appointments, the Chief Executive and the Executive: Engineering and Projects were formally appointed during the financial year concerned. These appointments have strengthened

institutional capacity and provided renewed direction in advancing critical infrastructure programmes and organisational integration.

Despite these transitional dynamics, Executive Management collectively demonstrated resilience, accountability and commitment to the Entity's mandate. The team successfully steered Vaal Central Water through complex organisational integration processes and advanced key infrastructure projects (such as the Welbedacht Pipeline and Vaal Gamagara Regional Water Scheme), while likewise overseeing initiatives to strengthen governance, financial sustainability and stakeholder engagement.



Mr. L.X. Ntoyi
Chief Executive



Mr. G. Hüsselmann
Acting Chief Financial Officer



Mr. M. Rapudungoane
Executive: Operations and Maintenance



Ms. N.A. Motlhaolwa
Executive: Corporate Support



Ms. N.P. Maduba-Silevu
Company Secretary



Mr. A.E. Mnyaka
Executive:
Engineering and Projects





PART B

PERFORMANCE INFORMATION

1. AUDITOR-GENERAL'S REPORT ON PREDETERMINED OBJECTIVES

The Auditor General of South Africa's role is acknowledged as critical to the sustainability of the Entity, as it provides independent assurance that activities being carried out are in accordance with the approved predetermined objectives and mandate.

The audit conclusion on the performance against predetermined objectives is included in the Audit Report on page 141, with material findings being reported under the Predetermined Objectives heading in the report.

2. SITUATIONAL ANALYSIS

2.1 Service Delivery Environment

During the 2024/2025 financial year, Vaal Central Water operated in a dynamic and increasingly complex service environment, characterised by both persistent challenges and emerging opportunities. Rapid population growth within the supply areas continued to drive higher demand for water, placing significant pressure on already constrained resources and ageing infrastructure. Additionally, climatic unpredictability marked by erratic rainfall patterns, further complicates water security and resource management, necessitating a strategic focus on water conservation and efficient allocation.

An Infrastructure Assessment conducted during the review period highlighted several critical areas requiring urgent intervention. Many core assets have deteriorated due to their age and historical maintenance backlogs, resulting in operational inefficiencies and a heightened risk of service interruptions. In response, Vaal Central Water implemented a robust Infrastructure Maintenance and Refurbishment Programme (largely supported by funding from the Department of Water and Sanitation) in order to target immediate repairs and support long-term infrastructure resilience. Investments have also been made in modern technologies aimed at enhancing water treatment processes and improving the reliability of water distribution systems.

During the 2024/2025 financial year, stakeholder engagement continued to play a vital role in Vaal Central Water's broader service delivery strategy. Acknowledging that effective water management requires community involvement, the Entity expanded its public awareness initiatives focused on water conservation and catchment protection across its service areas. These efforts were

bolstered through collaborative engagements with Water Services Authorities (municipalities) and the Department of Water and Sanitation by means of workshops, outreach programmes and intergovernmental partnerships designed to promote a culture of water stewardship.

In optimising its operations, Vaal Central Water continues to advance towards smart solutions, which enable more accurate forecasting of water demand and facilitate timely responses to supply fluctuations.

Despite these proactive efforts, the Entity persistently contended with liquidity pressures and limited cash reserves during the financial year under review, largely due to poor payment performance by several municipalities. This necessitated a phased and prioritised operational approach, constraining the effective implementation of certain operational and capital expenditure (CAPEX) initiatives.

A broader strategic assessment underscored the need for adaptive, forward-looking approaches to ensure the continued resilience of bulk water supply services in the Vaal Central region. These include focused investment in infrastructure renewal, increased stakeholder collaboration and the strategic integration of technology, all aimed at achieving sustainable service delivery in a resource-constrained environment.

Continued governance instability and weak financial discipline in several defaulting municipalities have severely undermined efforts to improve cash flow. Despite formal payment arrangements being in place, widespread non-adherence to these agreements has exacerbated financial pressures on Vaal Central Water, impeding its ability to fulfil operational, maintenance and capital investment commitments. As a result, the Entity

has formally requested National Treasury (via the Department of Water and Sanitation) to consider withholding Equitable Share transfers to non-compliant municipalities. Legal recourse, including arbitration processes, has also been pursued as a last resort to protect the Entity's financial sustainability.

In light of these challenges, Vaal Central Water implemented stringent austerity measures aimed at reducing non-essential spending and reprioritising key operational and infrastructure requirements. While necessary, these measures alone are insufficient to fully offset the financial impact of ongoing non-payment by municipal customers. The Entity remains committed to prudent financial management, but continues to face considerable difficulties in balancing its expanding responsibilities against constrained fiscal capacity.

The persistent non-payment by municipalities as Water Services Authorities (WSAs) has a severe and far-reaching impact on the financial sustainability and operational capacity of Vaal Central Water. As bulk water providers, Water Boards rely predominantly on revenue collected from WSAs to fund critical functions, including operations, maintenance, infrastructure refurbishment and capital expansion. When WSAs fail to honour their financial obligations, it disrupts cash flow, impedes service delivery and delays essential repairs and upgrades to ageing infrastructure. Moreover, non-payment compromises the Entity's ability to meet its financial commitments, such as payments to raw water suppliers. Over time, this erodes Vaal Central Water's creditworthiness, increases operational risk and threatens the continuity of reliable water supply to communities. To ensure long-term sustainability and uninterrupted service, improved payment discipline and accountability mechanisms among WSAs are imperative. Vaal Central Water continues to pursue debt collection by incentive schemes and other measures, such as invoking Equitable Share withholding in terms of Section 216(2) of the Constitution; implementing water restrictions in accordance with Section 4(5) of the Water Services Act; and following other legal processes as a last resort.

2.2 Significant Legal Developments

During the 2024/2025 financial year, Vaal Central Water aligned itself with the implementation of the following two key changes in legislation:

- Climate Change Act (Act No. 22 of 2024); and
- Pension Funds Amendment Act (Act No. 31 of 2024).

2.3 Bulk Water Supply Service Level Agreements with Municipalities

The finalisation of bulk water Service Level Agreements is crucial for ensuring the efficient delivery of a public service in the form of the provision of clean portable water. Despite a delay among some municipal clients to conclude these agreements, Vaal Central Water in recognising the critical role of these agreements, continued during the review period with intensive stakeholder engagement at both administrative and political levels. In the process, municipal customers were strategically prioritised so as to strengthen partnerships, align objectives and drive sustainable service delivery.

The value of bulk water agreements stems from their capacity to achieve the following key objectives:

- Defining quality, quantity and pressure of water supplied;
- Establishing financial and billing clarity between the Entity and municipalities;
- Facilitating infrastructure planning; and
- Providing a framework for intergovernmental relations.

The following bulk water supply service level agreements between Vaal Central Water and the municipal clientele are valid:

- Khâi-Ma Local Municipality;
- Nama-Khoi Local Municipality;
- Nala Local Municipality;
- Mantsopa Local Municipality; and
- Kopanong Local Municipality.

In light of National Treasury's introduction of the Municipal Debt Relief Scheme, which requires the conclusion of Service Level Agreements between Vaal Central Water and its municipal clientele, the Entity anticipates an increase in the number of municipalities executing Service Level Agreements.

2.4 Organisational Environment

During the 2024/2025 financial year, Vaal Central Water continued to make significant strides in addressing complexities, which emerged as a result of the amalgamation process between the former Bloem Water and disestablished Sedibeng Water. These challenges stem from the rapid scale-up in operations and the need to integrate diverse organisational cultures, systems and processes. Key issues encountered include:

- A significant increase in the size and complexity of the Entity, as measured by employee numbers, capital base, turnover, and production capacity;
- The integration of specialised individuals and teams across different regions;
- The risk of role duplication and overlapping expertise in certain functional areas;
- The need to formalise documentation and standardise operational procedures across the expanded organisation;
- Widespread concerns over job security, which led to a substantial uptake of Voluntary Severance Packages; and
- A vastly changed stakeholder environment due to the broader geographical footprint and supply areas, necessitating multi-faceted communication strategies and stakeholder engagement channels.

To address these challenges and support business continuity, the Entity implemented several strategic interventions aligned with the following “hard” and “soft” elements in the internal environment:

Hard Elements:

- **Strategy:** The employee placement process, aligned with the Transfer Agreement, was successfully concluded. Furthermore, in the latter part of the financial year concerned, a focused recruitment drive was initiated to address vacancies and reduce the vacancy rate.
- **Structure:** An organisation-wide redesign process was undertaken, culminating in a proposed new organisational structure.
- **Systems:** The Entity continues to enhance its systems, albeit within the constraints of its limited financial resources.

Soft Elements:

- **Shared values:** Change management initiatives were actively pursued to promote a unified organisational culture rooted in integrity, ethical behaviour and sound governance principles.
- **Communication:** Diverse communication models were adopted to ensure that stakeholders across both the Free State and Northern Cape remain informed about key developments related to water service delivery.
- **Management style:** The Entity undertook a review of its Delegation of Authority to centralise decision-making and enhance organisational oversight and accountability.

3. REVENUE COLLECTION

Self-Sustainability and Revenue Challenges

Water Boards in South Africa are legally required to be financially self-sustaining, relying primarily on revenue generated from the sale of bulk potable water in line with tariffs approved by the Minister of Water and Sanitation. While ministerial engagements, intergovernmental interventions and credit control measures have contributed to some improvement in municipal payments, the overall collection rate remains inadequate.

Municipal Payment Behaviour and Concentration Risk

Vaal Central Water remains heavily reliant on two major municipal customers for the bulk of its revenue:

- Mangaung Metropolitan Municipality: Accounts for approximately 40-50% of total water sales; and
- Matjhabeng Local Municipality: Contributes to about 30-40% of total water sales.

The financial sustainability of Vaal Central Water is significantly exposed to the payment behaviour of these two municipalities. Any default or payment delay by either customer could severely compromise the Entity's short-term liquidity and operational viability.

Mangaung Metropolitan Municipality

The Mangaung Metropolitan Municipality has been consistently honouring the current account and arrears payment plan.

Matjhabeng Local Municipality

The payment behaviour of the Matjhabeng Local Municipality remains a critical concern for Vaal Central Water. Despite multiple interventions and credit control processes, the municipality's payment rate has remained persistently low and erratic over an extended period. The average recovery rate continues to fluctuate between 10-20% of the monthly invoiced amount.

As efforts to improve the situation have not yielded the necessary results, and the financial risk to Vaal Central Water remains severe, legal arbitration proceedings have been initiated as a last resort to enforce compliance and

ensure sustainability. An interim award has been granted that the municipality must pay a minimum of R62 million per month to Vaal Central Water.

Broader Municipal Recovery Concerns

Numerous other municipalities continue to underperform financially. Collection mechanisms have resulted in improvement but remain insufficient to cover water supply and operational costs.

Credit control and Enforcement Limitations

Vaal Central Water has implemented a broad range of measures in this regard. However, impact of these measures has been subdued, due to a combination of operating, legal and economic challenges.

Actions implemented:

- Issuing water restriction notices in terms of Section 4(5) of the Water Services Act;
- Legal notices and proceedings;
- Invoking Equitable Share withholding according to Section 216(2) of the Constitution;
- Participating in the Water Debt Relief Scheme;
- Engaging municipalities through intergovernmental forums;
- Writing off historic debt and accrued interest;
- The finalisation of Service Level Agreements and arrear payment arrangements;
- Resolution of disputed amounts;
- Short-term funding reprioritisation; and
- Deployment of technical teams to key Free State municipalities in terms of Section 139 of the Constitution.

Structural challenges related to the following are also receiving attention through the Department of Water and Sanitation and National Treasury:

- Ageing infrastructure and high-water losses;
- Unresolved billing disputes and metering issues;
- Weak revenue base and extensive indigent backlogs;
- Incomplete Municipal Infrastructure Grant/Regional Bulk Infrastructure Grant-funded infrastructure; and
- Urgent need for a revised water sector funding model.

Operational and Cash Flow Risk

Persistent non-payment by municipalities has significant consequences, such as:

- Delay of critical operational and infrastructure projects;
- Escalating payables exceeding liquid assets;
- Inability to settle raw water accounts to the Department of Water and Sanitation and Water User Association stakeholders; and

- Short-term solvency risks that could disrupt bulk water supply across the Entity's service regions.

Nonetheless, Vaal Central Water remains committed to prudent financial management and reliable water provision. This commitment, however, must be complemented by improved and consistent municipal payment performance.

Water Sales as a Source of Revenue

Source of Revenue	2023/2024			2024/2025		
	Billed revenue – water sales	Cash flow from water sales receipts	Over/(Under) collection	Billed revenue – water	Cash flow from water sales receipts	Over/(Under) collection
	R'000	R'000	R'000	R'000	R'000	R'000
Water Sales – excl. VAT	2 350,1			2 432,8		
Water Sales – incl. VAT	2 702,6	1 816,1	-886,5	2 797,7	1 921,9	-875,8

4. STRATEGIC OUTCOME-ORIENTED GOALS

Strategic Objective 1: Plan, develop, operate and maintain infrastructure to ensure sustainable water service delivery.

Vaal Central Water prides itself with the development and implementation of infrastructural plans (planned maintenance, refurbishment and replacement plans), which keep infrastructure in a good state to ensure optimal operation. The implementation of a Winter Maintenance Programme is yielding far-reaching results in maintaining the infrastructure of Vaal Central Water for sustainable water services delivery. This intervention is embarked upon during the winter season when the water demand is very low, as it enables the Entity to carry out the maintenance of systems and equipment without undue disruptions. The initiative has been successful over the years, and Vaal Central Water is working on new productive approaches of infrastructure maintenance to improve on operational reliability. As part of its Five-year Refurbishment and Replacement Plan, Vaal Central Water has since the amalgamation of the former Sedibeng Water with Bloem Water, embarked on an intense programme of plant upgrades and modernisation in the Northern Free State and the Northern Cape

Regions. These geographical areas are especially important given their status as developing industrial mining areas.

The Department of Water and Sanitation has funded the upgrades and refurbishment of some plants in the Northern Free State and the Northern Cape. The funding programme related to the refurbishment of the Balkfontein Chlorine Plant served as a valuable opportunity for implementing new technologies, new materials and assuring the optimisation of plants of this nature. The necessity of this investment was essential, as the technical condition of the equipment of such stations/plants form a real risk to the continuity of a sustainable drinking water supply for a great part of the communities concerned. The programme will continue with the modernisation of treatment plants, which will additionally focus on electro-mechanical issues at plants in the Northern Cape, Supervisory Control and Data Acquisition (SCADA) systems, telemetry, and motors and valves.

Strategic Objective 2: Manage financial affairs to meet current and future obligations.

The limited funded amalgamation with the former

Sedibeng Water continues to place significant financial strain on the Vaal Central Water Board. This process has further resulted in a substantial escalation of municipal debt, primarily due to the financial distress of municipalities, compounded by the indigent and economically disadvantaged nature of the areas they serve.

Vaal Central Water faces a material customer concentration risk, with the Mangaung Metropolitan Municipality and Matjhabeng Local Municipality as its primary debtors. Of particular concern is the fact that the Matjhabeng Local Municipality has consistently paid only approximately 20% of its current accounts, a trend that is unsustainable should it persist.

Moreover, limited payments from other municipalities continue to undermine the financial sustainability of Vaal Central Water. To mitigate these risks, a range of credit control interventions have been implemented, including Intergovernmental Relationship processes, Section 4(5) water restrictions, the withholding of Equitable Share allocations, a Debt Relief Incentive Scheme and, as a last resort, legal proceedings. Concurrently, cost containment strategies are being applied. However, sustainable service delivery and long-term viability will ultimately depend on improved revenue collection.

The Department of Water and Sanitation remains actively engaged in ongoing discussions with Vaal Central Water to identify solutions and provide the necessary support in addressing these challenges.

Strategic Objective 3: Security of supply and quality of raw water sources.

During the 2024/2025 financial year, Vaal Central Water maintained a robust focus on the security of supply and the quality of its raw water sources, ensuring the continued delivery of reliable and safe potable water to all municipalities as Water Services Authorities. The Entity pursued a comprehensive approach to managing and utilising water resources, emphasising efficiency, reduced losses and maximised productivity across its supply systems.

Hydrological and operational challenges

This 2024/2025 financial year was marked by varying climatic conditions across the regions of operation. Late

rainfall in the Vaal River Catchment resulted in elevated organic content in the raw water, creating aesthetic challenges such as discolouration. Conversely, periods of above-normal rainfall in other catchments contributed to increased turbidity levels in the raw water. These conditions tested the resilience of the treatment systems and required enhanced monitoring and operational adjustments.

Compliance and water quality standards

Despite these challenges, Vaal Central Water consistently achieved compliance with the SANS 241:2015 Drinking Water Quality Standard. Rigorous treatment processes, operational vigilance and proactive interventions ensured that water supplied remained safe, reliable and of high quality. In fact, performance during the year under review demonstrated the Entity's ability to adapt to hydrological variability, while maintaining consumer confidence in the safety of the bulk water supply.

Resilience and adaptability

Through the ongoing optimisation of water treatment processes, proactive scientific monitoring and close coordination with municipalities, Vaal Central Water not only safeguarded water quality, but also reinforced the long-term resilience of its supply systems. These actions underscored the Entity's commitment to delivering on its mandate of secure and high-quality bulk water supply, regardless of external environmental pressures.

Strategic Objective 4: Achieving an aligned, effective and efficient institution through optimisation of all business processes and systems.

Vaal Central Water's use of Information and Communications Technology (ICT) demonstrates a forward-thinking approach in adapting to evolving business needs. Ongoing investments in digital infrastructure are enhancing communication and collaboration between business units, driving greater operational alignment in the process. Security upgrades further highlight the Entity's dedication to protecting digital assets and maintaining data integrity. This strategic focus on ICT not only enhances security, but also emphasises the Entity's pursuit of operational excellence, particularly in the water utility sector, where precision and efficiency are paramount.

Strategic Objective 5: Engaging and strengthening strategic partnerships with all relevant stakeholders.

Stakeholder engagement remains critical to Vaal Central Water's operations. During the 2024/2025 financial year, the Entity continued to engage with its clients and stakeholders in the Free State and Northern Cape Provinces. Participation in the multi-stakeholder meetings of the Ministerial Intervention Programme, including the War Room on Water and Sanitation Challenges in the Matjhabeng Local Municipality, resulted in a better working relationship between the Entity and the municipalities it serves, which improved service delivery to communities.

Water Month, which was observed in March 2024, provided Vaal Central Water with an opportunity to raise awareness among the communities of the Kha-Ma Local Municipality in the Northern Cape. The Entity, through its Corporate Social Responsibility Programme and in partnership with the municipality and stakeholders such as the Department of Water and Sanitation and the Government Communication Information System, donated much-needed water harvesting tanks to a local school and Early Childhood Development Centre. Beneficiaries were also provided with garden tools and urged to plant and manage vegetable gardens in order to help with food security and soil erosion prevention.

Strong stakeholder involvement and the development of cooperation between Vaal Central Water and the Mangaung Metropolitan Municipality resulted in a significant improvement in debt payment and the current account balance. In the 2024/2025 financial year, the Entity achieved milestones in the signing of Service Level Agreements (SLAs). A Service Level Agreement was concluded with Kopanong Local Municipality in December 2024, and in April 2025 Nala Local Municipality finalised a long-outstanding SLA with the Entity. These two agreements pave the way for strong collaboration between the Entity and its clients in the provision of sustainable, quality water services.

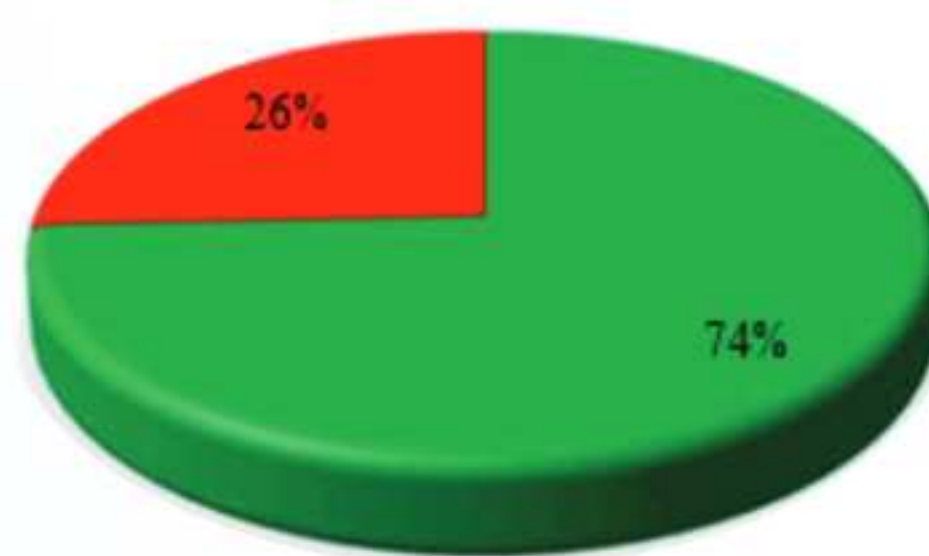
Vaal Central Water used the Department of Water and Sanitation and the National Treasury's Debt Relief Programme to persuade municipalities to participate and decrease their debts to the Entity. This programme is designed to help municipalities resolve their mounting water-related debt to water boards.

5. ANNUAL PERFORMANCE REPORT: 2024/2025

Vaal Central Water's strategic goals are aligned with those of the Ministry and the Department of Water and Sanitation and therefore, support government priorities in relation to equitable access to reliable sustainable and acceptable water services. The Entity reports quarterly to the Minister on the performance Objectives of the Shareholder Compact as contracted between the Executive Authority and the Board. The alignment between the key strategic objectives of Vaal Central Water, ministerial outcomes and the goals of the Department of Water and Sanitation, as well as Vaal Central Water's contributions to the government outcomes, have already been indicated earlier in this Annual Report. Vaal Central Water's Key Strategic Objectives and Performance Indicators The key strategic objectives of Vaal Central Water set out below are linked with the priorities of Government.

Summary of the Annual Performance Report:

The entity's performance has improved during the performance year due to the improvement in the financial indicators. This was predominantly due to the debt relief scheme within the water sector. The entity achieved 72 % of the targets agreed with the minister of Water and Sanitation.



■ Achieved
■ Not achieved

PERFORMANCE PERSPECTIVE: ORGANISATIONAL EFFICIENCY AND EFFECTIVENESS

Performance Objective		Key Performance Indicator	Annual Target 24/25	Annual Performance 24/25	Comment
1.1	Bulk potable water quality compliance	1. Test results, SANS 241 2. Acute health microbiological compliance $\geq 99\%$ 3. Acute health chemical compliance $\geq 97\%$ 4. Chronic health chemical compliance $\geq 97\%$ 5. Operational compliance $\geq 95\%$ Aesthetic compliance $\geq 95\%$	$\geq 96\%$	97%	Target Achieved
2.1	Manage avoidable water losses	Avoidable water losses as a percentage of total water produced at the treatment and distribution systems	$\leq 15\%$	18%	Target Not Achieved Note 1
3.1	Reliability of supply	Number of days of unplanned supply interruptions	2 days	48 days	Target Not Achieved Note 2
4.1	Increased access to Services	Actual CAPEX Expenditure on Expansion-Related Projects (Ministerial Initiatives) as a Percentage of Allocated Budget	100%	171%	Target Achieved

PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE

Performance Objective		Key Performance Indicator	Annual Target	Annual Performance	Comment
5	Financial reporting compliance	Annual external audit	Unqualified report	Unqualified report	Target Achieved
6	Improve key financial ratios	Current Ratio	0.38	1.06	Target Achieved
		Gross profit margin % (primary activity)	78.78%	79.44%	Target Achieved
		Gross profit margin (secondary activity)	76.36%	54.37%	Target Not Achieved Note 3
		Net profit margin (primary activity)	0.10%	106.01%	Target Achieved
		Net profit margin (secondary activity)	76.36%	54.37%	Target Not Achieved Note 3
		Debt equity	18.27	0.719	Target Achieved
		Return on Assets	0.62%	10.45%	Target Achieved
		Debtors' days	223.58	45.53	Target Achieved
		Repairs and maintenance as % of PPE and Investment Property (Carrying Value)	3.80%	4.10%	Target Achieved
		Staff remuneration as % of total operating expenditure	21.94%	22.14%	Target Not Achieved Note 4

5. ANNUAL PERFORMANCE REPORT: 2024/2025 (continued)

PERFORMANCE PERSPECTIVE: FINANCIAL PERFORMANCE

Performance Objective		Key Performance Indicator	Annual Target	Annual Performance	Comment
7	Increase BBBEE expenditure in relation to operational projects	% Spend	65%	122.65%	Target Achieved
		New service providers awarded work	32	134	Target Achieved
8.1	Manage costs within the approved budget	Financial reports	+/-10%	-0.59%	Target Achieved
9.1	Capital Expenditure Programme	Overall project expenditure within the R target	20%	0%	Target Not Achieved
		Overall project completion dates within targets	20%	0%	Note 5
10.1	Engagement in secondary activities	% of total turnover	1.85%	4.06%	Target Achieved

PERFORMANCE PERSPECTIVE: CUSTOMER/STAKEHOLDER INTERACTION

Performance Objective		Key Performance Indicator	Annual Target	Annual Performance	Comment
11.1	Bulk supply agreements concluded with municipalities/ other customers	Municipalities / Other Customers with bulk supply agreements	900%	55%	Target Not Achieved Note 9
12	Implementation of Ministerial directives	Progress against the implementation plan	100%	100%	Target Achieved
13	Support Rural Development	Signed contracts, MOUs etc.	3	8	Target Achieved
14	Achieve statutory reporting compliance	Submission dates met	100%	100%	Target Achieved

PERFORMANCE PERSPECTIVE: ORGANISATIONAL CAPACITY

Performance Objective		Key Performance Indicator	Annual Target	Annual Performance	Comment
15	Staff levels	Staff turnover	13 (1.75%)	20 / 3,05%	Target Not Achieved Note 7
16	Training and Skills Development	Learnerships	25	18	Target Not Achieved Note 8
		Bursaries employees	25	49	Target Achieved
		Graduate/skills development Programmes	350	614	Target Achieved
17	Jobs Created	Total number	65	40	Target Not Achieved Note 9
		Temporary (indirect): Total number	350	399	Target Achieved

5. ANNUAL PERFORMANCE REPORT: 2024/2025 (continued)

B

PERFORMANCE INFORMATION

PERFORMANCE PERSPECTIVE: GENERAL PERFORMANCE

Performance Objective		Key Performance Indicator	Annual Target	Annual Performance	Comment
18	Board Effectiveness	Board Member attendance at all Board/ committee meetings	90%	96.87%	Target Achieved
		Decision making: % number of resolutions taken by the board vs the number of resolutions required	100%	100.00%	Target Achieved
19.1	Effective Internal Controls and Risk Management	Internal audit reports: Number of repeat findings	15	16	Target Not Achieved
		Internal audit reports: Number of unresolved findings	15	0	Target Achieved
20	Good Governance	Breaches of the materiality and significance framework	0	0	Target Achieved
21	Corporate Social Responsibility Initiatives	Number of initiatives undertaken	4	5	Target Achieved

PERFORMANCE PERSPECTIVE: OPTIONAL WB SPECIFIC PERFORMANCE OBJECTIVES

Performance Objective		Key Performance Indicator	Annual Target	Annual Performance	Comment
22	Quarterly reports on the management of strategic risks	Quarterly reports to the Board	4	4	Target Achieved
23	Financial Management	Approved tariff as per section 42 of the MFMA	1	1	Target Achieved
24	Financial Management	Board-approved budget	1	1	Target Achieved

Notes to the Annual Performance Report 2024/25

	Reason for the target not being achieved	Recovery Plan
Note 1 Manage avoidable water losses	Winter Maintenance Programme: - Cleaning of three pulsators. - More frequent backwashing of filters, due to filter rehabilitation. - Scouring of the mainline.	Winter Maintenance Programme: - Reinstatement of the wash water recovery plant to reduce backwash water losses. - Upgrading of the sludge lagoon recovery system with a sludge water recovery plant.
Note 2 Number of days of unplanned supply interruptions	Orange River Region: - Kopanong Pipeline is susceptible to damage due to the pipe material (asbestos) and its location in a rocky mountain area. Northern Free State Region: - Power outages as a result of Eskom supply interruption.	Orange River Region: - Re-routing of the pipeline and replacement with more suitable material in affected areas has been recommended to the Department and the Municipality. Northern Free State Region: - No recovery plan in place, as the matter is not within the entity's control.



Notes to the Annual Performance Report 2024/25 (continued)

	Reason for the target not being achieved	Recovery Plan
Note 3 Improve key financial ratios: Gross profit margin (secondary activity)	- Implementing Agent expense of PSP recognised, with the cost to be paid by the Entity. - Secondary services are rendered on a cost-recovery basis to assist other Departments and Municipalities. - Limited secondary service project indirect costs absorbed into primary activity costs. - Unaccounted-for water of 19% in the Northern Free State Region contributed to the losses.	- Monitoring of budgets and implementation of cost-saving measures. - Recovery of all costs or increasing the Implementing Agent percentage when new SLAs are revised or drafted. - Implementation of a refurbishment plan for the affected infrastructure.
Note 4 Staff remuneration as % of total operating expenditure	- Increased employee costs due to the integration. - Additional impact from VSP (Voluntary Severance Package) amounts paid during the financial year, as per the transfer agreement.	- Prioritisation of critical vacant positions. - Alternative staff utilisation where possible. - Ongoing monitoring of budgets.
Note 5 Overall project expenditure within R target Overall project completion dates within targets	No internally funded CAPEX project.	Procurement of the new office block is still underway.
Note 6 Bulk supply agreements concluded with municipalities/ other customers	Dikgatlong Local Municipality SLA expired during the year.	Legal and operations are still in the process of negotiating the new SLA.
Note 7 Staff levels	- A high number of resignations were recorded during Quarters 1 and 2 due to the availability of voluntary severance packages, as per the transfer agreement between the former Sedibeng Water and Bloem Water. - The transfer agreement expired at the end of December 2024. - A noticeable decline in resignations was observed during Quarters 3 and 4, with only one resignation recorded.	- The Entity is entering a stabilising post-integration phase, with a decline in resignations noted. - Continued implementation of staff retention practices to ensure staff turnover targets are achieved.
Note 8 Training and Skills Development	- The intervention was a SETA-funded programme, and the set target was not achieved due to limitations specified in the funding agreement, which defined a lower number of participants than initially planned. - Implementation was aligned with the agreed-upon target figures outlined in the funding agreement, resulting in a variance from the original target.	- Future programme planning will incorporate more accurate alignment between internal targets and donor-approved figures. - Explore opportunities to secure additional funding or reallocate existing resources to expand participant reach. - Engage with the donor to discuss the possibility of amending the current agreement or increasing target numbers in subsequent funding cycles.

	Reason for the target not being achieved	Recovery Plan
Note 9 Jobs Created	- An annual target was set for 65 appointments during the 2024/2025 financial year. - Only 40 appointments were recorded due to delays in recruitment processes.	- Internal process and time frame revisions to be applied. - Interruptions were aggravated by ageing infrastructure, which is currently being addressed. - Vaal Central Water has earmarked a share of available resources to fund some refurbishments. - The Entity, together with the Department of Water and Sanitation (DWS), is implementing an action plan to address the maintenance backlog across all Northern Cape and Northern Free State water supply schemes.
Note 10 Effective Internal Controls and Risk Management: Number of repeat findings	- The 2023/2024 financial year was the first year that the new, combined entity was audited. - During the 2024/2025 financial year, many of the business processes audited in the previous year were audited again. - Where management did not implement the recommendations raised by Internal Audit during the 2023/2024 audits, repeat findings are to be expected.	- Internal Audit will, through formal meetings, emails, EXCO feedback sessions, and informal discussions, reiterate to management the importance of implementing Internal Audit recommendations completely and timeously. - Full and timely implementation of recommendations will greatly increase the likelihood of a decrease in repeat findings noted by Internal Audit.
Note 9 Jobs Created	- An annual target was set for 65 appointments during the 2024/2025 financial year. - Only 40 appointments were recorded due to delays in recruitment processes.	- Internal process and time frame revisions to be applied. - Interruptions were aggravated by ageing infrastructure, which is currently being addressed. - Vaal Central Water has earmarked a share of available resources to fund some refurbishments. - The Entity, together with the Department of Water and Sanitation (DWS), is implementing an action plan to address the maintenance backlog across all Northern Cape and Northern Free State water supply schemes.

6. CAPITAL INVESTMENT AND MAINTENANCE

6.1 The Five-Year CAPEX Programme (2020 - 2026)

Vaal Central Water's Five-Year Capital Expenditure (CAPEX) Programme, developed to support the implementation and development of infrastructure, could not be fully implemented during the period under review due to funding constraints. Much of the infrastructure has reached the end of its design life, undermining the reliability of water supply and creating operational challenges.

Despite these challenges, a few key projects were implemented with the assistance of funding from the Department of Water and Sanitation. Current active projects include the construction of a 33.7 km pipeline from Leeukop to Brandkop to ensure a reliable water supply to Greater Bloemfontein, as well as the refurbishment and upgrading of the Namakwa Regional Water Scheme in the Northern Cape.

In addition, planning studies have commenced for other strategic projects to address water supply and demand challenges within the jurisdiction of the Entity. These include the Welbedacht Pipeline Phase 2, which entails the construction of approximately 70 km of pipeline from the Welbedacht Water Treatment Works (WTW) to Leeuwkop, the construction of the Xhariep Pipeline, and the construction of sedimentation tanks at the Welbedacht WTW to mitigate siltation challenges.

The Infrastructure Programme is aligned with the Greater Bloemfontein Reconciliation Strategy, which provides a planning horizon up to 2035 and maintains continuous alignment with Integrated Development Plans, as well as with the National Water Resources Strategy.

Progress on CAPEX requirements financed through external funding has been slower than anticipated, largely due to financial constraints caused by declining revenue and persistent non-payment by municipalities. Future borrowings will be necessary to finance part of the CAPEX programme, within the borrowing limits allowed by National Treasury. These borrowings will be supported by internal reserves through asset depreciation.

However, borrowing limits are subject to Vaal Central Water's ability to finance and service the loans. Investments sourced through loan funding will be recovered via approved municipal tariffs applicable to Water Services Authorities and consumers.

In addition, the Entity has, both in the past and more recently, approached the Department of Water and Sanitation, as well as the Presidential Infrastructure and Investment Office to secure grant funding for critical infrastructure extension projects.

Furthermore, Vaal Central Water has been appointed by the Department of Water as an Implementing Agent for infrastructure projects and operational interventions in the following municipalities under Ministerial Directives:

- Maluti-a-Phofung Local Municipality;
- Matjhabeng Local Municipality;
- Mafube Local Municipality;
- Masilonyana Local Municipality;
- Mantsopa Local Municipality;
- Kopanong Local Municipality; and
- Mohokare Local Municipality.

6.2 Progress on Implementing Mandates

The purpose of the table below is to provide a status update on the Implementing Agent Mandates according to which Vaal Central Water has been appointed by the Department of Water and Sanitation to implement projects in a number of local municipalities.

Municipality	Project Name	Appointment Amount	Expenditure	Start Date	Completion Date	Progress to Date	Remarks
Mantsopa Local Municipality	Refurbishment of Ladybrand WWTW	R12m	R9m	21/10/2021 14/03/2024*	23/10/2024	75%	The services of the previous contractor were terminated due to poor performance. A new Professional Service Provider (PSP) was appointed on 14 March 2024, and the Conditional Assessment Report was submitted to DWS for approval.
	Drilling and equipping of boreholes in Excelsior	R4.9m		14/02/2025	30/11/2025		The contractor was appointed, and the site handover meeting was scheduled for 14 February 2025.
Masilonyana Local Municipality	Refurbishment of Brandfort WWTW	R43m	R38m	29/05/2023	28/02/2025	95%	The project is in progress. It commenced with preparation for the handover process, including training manuals.
	Masilonyana Bulk Water Supply Phase 2B	R356m Project estimate*					DWS recently appointed VCW as the Implementing Agent for the project. The MOU was finalised on 31 January 2025.
Mafube Local Municipality	Construction of a 4.5 Ml concrete reservoir at the town of Cornelia	R18m	R0.6m	09/01/2024	20/10/2024	15%	The services of the previous contractor were terminated due to poor performance. The tender was re-advertised on 7 February 2025, and a compulsory briefing session was scheduled for 14 February 2025.

Municipality	Project Name	Appointment Amount	Expenditure	Start Date	Completion Date	Progress to Date	Remarks
Mafube Local Municipality	Construction of outfall sewer and two pump stations at the town of Cornelia	R29m *Estimate	R0.00				The project is in the procurement stage.
	Installation of sewer connections for 108 houses and water connection in Qalabothia and 102 house connections in Tweeling Ext. 1						The project was put on hold by DWS due to financial constraints.
Kopanong Local Municipality	Construction of 3 Ml concrete reservoir and associated works	R15m	R18m	28/04/2015	30/11/2024	100%	The reservoir was sealed and handed over to the Kopanong LM for operation and maintenance.

Remarks

- Vaal Central Water earns a 5% Implementing Agent fee on invoices submitted to the Department of Water and Sanitation.
- Most municipalities do not have qualified and competent staff to take over the operation of the infrastructure upon completion of these projects.
- The Department of Water and Sanitation instructed that the department has to be informed about (and also be involved) in handover processes related to all projects. Therefore, formal notifications in this regard will be prepared and submitted to the Department of Water and Sanitation upon the completion of each project.

6.3 Infrastructure Development Projects

In order to report on the progress of the planning and development of infrastructure projects for Quarter 3 (January - March 2025), which are aimed at ensuring the security of water supply (as required under Section 29 of the Water Services Act of 1997), note should be taken of the following currently active projects:

	Project Name	Region
1	Vaal Gamagara Bulk Water Supply Phase 2	Northern Cape
2	Namakwa Bulk Water Supply Scheme	
3	Welbedacht Pipeline Phase 1	Caledon River
4	Welbedacht Pipeline Phase 2	

6.3.1 Project Progress: Vaal-Gamagara Bulk Water Supply Scheme – Phase 2

Phase 2 of the project involves the construction of new pipelines from Delporthoop to Olifantshoek; the upgrading of three pump stations; the refurbishment of the Delporthoop Water Treatment Works, and the development of two groundwater abstraction sites in the Northern Cape. The total estimated cost of this phase is R12.7 billion.

Funding Instrument: The project is financed through a Public-Private Partnership (PPP), with 44% of the required funds being contributed by the public sector and 56% by the private sector (mainly commercial users in the Northern Cape).

Pending Actions to Finalise Contractual Documentation for the PPP

The following items are outstanding and required to formalise the contractual relationship under the PPP:

- Finalisation and signing of the Implementation and Funding Agreement;
- Appointment of the Development Bank of Southern Africa as the Implementing Agent; and
- Appointment of Pro-Plan Engineering to resume and continue with the planning studies and detailed design work.

The monthly meetings of the Project Steering Committee of the Vaal-Gamagara Bulk Water Supply Scheme project are ongoing, serving as a platform to provide updates on the finalisation of the Implementation and Funding Agreement. The most recent engagement was held on 22 January 2025, convened by the Legal and Institutional Subcommittee of the project.

6.3.2 Project Progress: Namakwa Regional Water Supply Scheme

Background

The refurbishment of the Namakwa Regional Water Supply Scheme is funded through the Regional Bulk Infrastructure Grant Programme of the Department of Water and Sanitation, Northern Cape.

Originally constructed in 1973 by the former Department of Water Affairs, the scheme was designed to supply potable water to the greater Springbok area, including the strategically significant copper mining sector.

The scheme currently provides potable water to the communities of Steinkopf, Bulletrap, Okiep, Nababeep, Springbok, Carolusberg, Concordia and Kleinzee.

Being more than 50 years old, the system has reached the end of its functional design life. The main challenges stem from its age and a lack of comprehensive maintenance over an extended period, which now necessitates urgent refurbishment to ensure reliable and sustainable water provision.

Project History and Implementation

The refurbishment project commenced in 2012 with the appointment of the Construction West Unit of the Department of Water and Sanitation as the main implementing contractor. This responsibility has since been transferred to the Construction South Unit, following internal restructuring within the department.

The implementation of the project was divided into multiple phases, with Phase 1 successfully completed. During Phase 2, the project was restructured, and all outstanding works from the earlier phase were incorporated into a new contract to streamline delivery and ensure continuity in execution.

Current Implementation Approach

The current contract commenced in September 2023. The remaining scope of work for the refurbishment of the scheme will be implemented through work packages, prioritised according to the availability of funds, the urgency of specific components, and the status of active works. This phased approach allows for more efficient resource allocation and targeted progress within the broader programme objectives.

PACKAGE 1**Contractor appointed: DWS Construction Unit****Contract Value: R229 059 173.66 (including VAT, 10% contingency and 5% CPA)****Contract Duration: 14 months**

Task	Activity Description	Project Stage	% Completed	Comment
1	3 Ml reservoir at Doornwater	5	13%	-
2	Henkriesmond to Henkries: Above ground pipeline	5	18%	-
3	Henkriesmond to Henkries: Underground pipeline	5	14%	-
4	Henkries to Doornwater: Outstanding works	5	26%	-
5	Doornwater to Eenriet: Outstanding works	5	22%	-
6	Henkriesmond to Orange River: GRP gravity main	5	14%	-
7	Orange River: Structural steel and concrete repairworks	5	4%	-

Budget Allocation and Expenditure

Detail	Date	Amount R
Amount carried over from previous funds	01/04/2021	6 670 141.32
Amount carried over from previous funds	23/03/2022	7 058 311.40
Transfer	29/06/2022	143 729 000.00
Expenses to date		112 575 427.41
Total remaining		44 882 025.31
Detail		Amount
Invoices in possession – January 2025 (mainly DWS CU)		62 887 902.30
Variance		- 18 005 876.99
Detail	Date	Amount
Transfer	07/02/2025	74 850 000.00
2024/25 Projected Expenses (incl. deficit)		77 005 876.99

Cashflow Projections

Namakwa Pipeline Packages			
Task	Activity Description	Total cost	2024/2025
Task 1	3 Ml reservoir at Doornwater	R 33,311,762.65	R 33,311,762.65
Task 2	Henkriesmond to Henkries: Above ground pipeline	R 14,030,932.57	R 14,030,932.57
Task 3	Henkriesmond to Henkries: Underground pipeline	R 10,082,528.07	R 10,082,528.07
Task 4	Henkries to Doornwater: Outstanding works	R 2,511,569.42	R 2,511,569.42
Task 5	Doornwater to Eenriet: Outstanding works	R 4, 949,648.02	R 4, 949,648.02
Task 6	Henkriesmond to Orange River: GRP pipeline	R 37,867,556.67	R 37,867,556.67
Task 7	Orange River: Structural steel and concrete repair works	R 7,301,013.45	R 7,301,013.45
Sub-Total		R 110,055,010.85	R 110,055,010.85

Package 2

Task	Activity Description	Total cost	2024/2025	2025/2026
Task 1	Refurbish the Doornwater Booster Pump Station	R 47,000,000.00	R 47,000,000.00	
Task 2	Refurbishment of Doornwater facility	R 1,649,909.39		R 1,649,909.39
Task 3	Upgrade Henkriesmond Pump Station	R 47,000,000.00		R 47,000,000.00
Task 4	Upgrade Henkriesmond pre-sedimentation facility	R 12,128,228.16		R 12,128,228.16
Task 5	Refurbishment of the Orange River facility	R 1,275,064.02		R 1,275,064.02
Task 6	Upgrade Henkries Water Treatment Works pump station	R 47,000,000.00	R 47,000,000.00	R 47,000,000.00
Task 7	Refurbishment of Henkries WTW facility	R12,171,901.74		R12,171,901.74
Task 8	Henkries WTW: Waterproofing works	R8,554,302.23	R8,554,302.23	
Task 9	Henkries WTW: Refurbishment of three clarifiers	R21,138,843.38	R21,138,843.38	
Sub-Total		R 197,918,248.92	R 123,693,145.61	R 74,225,103.31

Cashflow Projections (continued)

Package 3					
	Activity Description	Total cost	2024/2025	2025/2026	2026/2027
Task 1	Concordia Rising Main	R 56,318,744.73		R 56,318,744.73	
Task 2	Carolusberg Rising Main	R 66,392,881.23		R 66,392,881.23	
Task 3	Nababeep Gravity Main	R 81,189,612.51			R 81,189,612.51
Task 4	Springbok Gravity Main	R 53,609,413.68			R 53,609,413.68
Task 5	3 Ml reservoir Nababeep	R 31,133,601.58			R 31,133,601.58
Task 6	Refurbishment of the Okiep Pump Station complex	R10,000,000.00		R10,000,000.00	
Sub-Total		R 298,644,253.73	R -	R 132,711,625.96	R 165 932 627.77
		R 606,617,513.50	R 233,748,156.46	R 206,936,727.27	R 165 932 627.77
Professional Engineering Fees		R 41,200,000.00	R 20,600,000.00	R 10,300,000.00	R 10,300,000.00
Total		R 647,817,513.50	R 254,348,156.46	R 217,236,729.27	R 176,232,627.77

DWS Construction Unit: Challenges and Current Intervention

Challenges:

- Uncommon contractual arrangements with DWS Construction Unit;
- Procurement of material on behalf of Principal Contractor;
- Confirmation of budget allocation (annually); and
- Impression that the DWS Construction Unit has been appointed for the entire intervention (2010 to 2027).

Current interventions:

- Vaal Central Water implemented a new procurement strategy in 2024 by dividing the project into smaller, manageable packages and appointing two external contractors alongside DWS.
- The project was broken down into Packages 1 through 7. This approach will enable better planning, forecasting, funding requirements and progress tracking.

6.3.3 Project Progress: Welbedacht Pipeline Phase 1

Progress to Date

Activity	Progress
Site clearance	R 33 800 million (100%)
Excavation	R 39 959 million (100%)
Pipe laid	R 33 800 million (100%)
Pipe jacking – 4 areas	100%
Hydrostatic pipe testing	100%
Practical completion date	8 May 2024
Completion date	31 March 2025

Progress on Snag List

The contractor commenced with addressing the snag list after receiving 50% of the retention monies. Weekly site meetings between Vaal Central Water, the Department of Water and Sanitation, the Consulting Engineer and the Contractor continue to take place to monitor and track progress.

Snag list progress as at 30 July 2024:

- Rehabilitation: 99% complete;
- Connection C – Mangaung Prison: Ongoing;
- Connection E – Longridge: Completed on 12 February 2025; and
- Connections D & F: 100% completed on 05 February 2025.

The only remaining item on the snag list is the off take connection to the Mangaung Prison, which is scheduled for completion during August 2025

6.3.4 Project Progress: Welbedacht Pipeline Phase 2

This project involves the design and construction of an approximately 71.3 km water supply pipeline from the Lieuwkop Junction, located adjacent to the R702, to the Welbedacht Water Treatment Works. The primary objective of the project is to ensure a reliable water supply to the residents of the Mangaung Metropolitan Municipality, as well as surrounding towns and areas.

Scope of Work

The scope of work includes:

- Design and construction of a 1200 mm steel pipeline running parallel to the existing Bloemfontein Caledon PCP pipeline; and
- Design and construction of two reservoirs and associated infrastructure: a 22.7 Mℓ reservoir near De Hoek, and a 9.1 Mℓ pressure break reservoir near Uitkyk.

As the Welbedacht WTW currently struggles to reach its rated production capacity of 145 Mℓ/day due to high siltation levels, the PSP was instructed to investigate possible options to alleviate the siltation issue. These options are to be included in the feasibility study.

Total Budget Estimate for the project	Allocation for 2024/25 FY	Expenditure 2024/25 FY	Balance on 2024/2025 allocation
R 2 325 834 293.94	R 80 000 000,00	R 32 664 721,33	R47 335 278,67

Task	Completion %	Started Date	Completion Date
Stage 1a: Inception	100%	01/10/2023	28/02/2023
Stage 1b: Scoping Report	100%	01/10/2023	10/04/2024
Stage 2: Feasibility Study (adding in Welbedacht WTW siltation mitigation measures)	99%	01/12/2023	28/02/2025
Stage 3a: Compile Detail Design Report	20%	01/11/2024	31/04/2025
Stage 3b: Compile Implementation Readiness Study	0%	31/03/2025	30/07/2025
Stage 4: Procurement and Documentation	0%	15/04/2025	30/09/2025
Stage 5: Construction Administration (5-year estimated construction)	0%	01/01/2026	01/01/2031

Remarks

During the meeting held with the Department of Water and Sanitation (Northern Cape) on 11 February 2025, the department requested Vaal Central Water to review and revise the Implementation Plan for the Namakwa Bulk Water Supply Scheme, targeting completion of the entire programme by March 2026. The Deputy Director-General indicated that the Minister of Water and Sanitation is interested in visiting the project. Vaal Central Water is to identify key areas within the Namakwa Programme where the Minister can observe and showcase the project's impact.

The Deputy Director-General also indicated that the Namakwa Bulk Water Supply Scheme project is being

closely monitored by the Parliamentary Portfolio Committee.

The Department of Water and Sanitation's approval process for planning studies and designs is taking excessively long (more than two months), which causes project delays and results in the underutilisation of allocated funds.

The lack of funding for long-term capital expenditure projects is impacting sustainable water services. Debt recovery remains a significant challenge and risk, continuously affecting the sustainability and business continuity of Vaal Central Water.

6.4 Secondary Activities Implemented

During the 2024/2025 financial year, Vaal Central Water intensified its efforts to reinforce the reliability of its water infrastructure through strategic upkeep and system improvements. Recognising the strain placed by ageing assets, the Entity executed a comprehensive maintenance agenda aimed at stabilising operations and reducing service interruptions.

The year under review saw significant work undertaken on core infrastructure components, including upgrades and refurbishments of key pipelines, storage facilities and purification systems. Emphasis was placed on structured inspections, early fault detection, and swift corrective measures in high-risk zones to prevent the escalation of issues.

Investments in modern tools and continuous technical training enabled maintenance teams to operate with greater precision and speed. This proactive approach not only reduced emergency breakdowns, but also extended the useful life of critical infrastructure.

These maintenance activities were central to sustaining dependable water supply and meeting the rising expectations of the municipalities under Vaal Central Water's jurisdiction.

6.4.1 Ministerial Directive: Maluti-a-Phofung

The Minister of Water and Sanitation identified that the Maluti-a-Phofung Local Municipality (MAP LM) is facing serious challenges due to its aged water supply infrastructure, which has led to frequent pipe bursts. In addition, pump stations have been vandalised, and the poor state of governance and financial management at MAP LM has resulted in minimal maintenance of both water and sanitation infrastructure.

On 5 April 2022, the Minister issued a directive in terms of Section 41(1)(ii) of the Water Services Act of 1997, instructing Vaal Central Water to intervene in terms of the operations and maintenance of Maluti-a-Phofung Water (MaP Water).

This programme forms a critical part of Maluti-a-Phofung Water's overall plan to:

- Provide reliable, efficient and cost-effective water treatment, supply and distribution to consumers

without unnecessary interruptions;

- Operate and maintain the water treatment plants, pump stations and distribution systems of Maluti-a-Phofung;
- Provide responsible customer services;
- Deliver effective programme management services to Maluti-a-Phofung; and
- Align the delivery of water services with MaP Water's strategic goals.

Highlights

Highlights include:

- Implemented maintenance strategies for the main supply line, improving system reliability and operational efficiency;
- Revised and implemented Standard Operating Procedures to enhance the effectiveness of maintenance plans and increase water supply reliability;
- Reduced pipe bursts on the Fikapatso main supply line (Phase 1: 700 mm GRP and Phase 2: 600 mm steel pipe) through targeted interventions, including:
 - pipeline inspections and condition assessments;
 - identification of severe leakages;
 - repair of all visible leaks;
 - procurement of critical stock and materials;
 - identification and replacement of leaking air valves; and
 - on-site welding and bonding of the severely leaking GRP elbow by Flowtite (glass reinforced pipe manufacturer).
- Refurbished water treatment works, including pump stations, pumps and motors, along with internal installations and commissioning;
- Implemented an innovative approach to line scouring and line filling during pipe bursts, significantly reducing water losses;
- Achieved record-breaking internal repair time on both the 700 mm steel and 600 mm GRP pipelines (within 36 hours);
- Restored water supply to affected areas, including Monontsha, Qoqolosing and Qholaqho;
- Resuscitated vandalised pump stations, including Pereng and Qoqolosing;
- Resuscitated and recommissioned boreholes to improve water access; and
- A minimum of 10 pipe bursts and leakages are repaired weekly as part of ongoing infrastructure responsiveness.

6.4.2. Operations and Maintenance

Makwane Water Treatment Works (WTW)

The recycling pump station at the Makwane WTW had been non-operational due to damaged pumps. Vaal Central Water assessed the situation and successfully resuscitated the pump set. The pump station is now operating at 100% capacity, and sufficient water supply is being pumped to the previously affected areas.



Pump set before



Pump set after



New plant recycling pumps and the previously damaged pump



Refurbished pump



Intabazwe pump set removed for refurbishment

Wilge Water Treatment Works (WTW): Pumps and motors

Emergency repairs and refurbishment were carried out on the Wilge WTW pump sets and motors, servicing the Bergsig, Intabazwe and Botanical Gardens areas. These interventions restored critical functionality and improved water supply reliability across the affected zones.

In the event of a sudden and unexpected failure of the current pump set (which is already showing signs of elevated motor temperatures), both the operational and standby pump sets will be out of service, resulting in a total service interruption.

Harrismith–Intabazwe main supply line: Burst repairs



350 mm pipe burst on elbow section



Repairs in progress

Due to a lack of equipment and materials, MaP Water was unable to attend to the pipe burst for three days. Vaal Central Water intervened and repaired the burst on the elbow, using a concrete block to restrain the pipework.



Concrete reinforcement



Fika Patso 700 mm GRP supply line burst



After repairs



Repair of 350 mm pump line burst – Wilge Water Treatment Works





De Bult: Inlet pipe elbow burst – currently supported by temporary reinforcement. A new elbow, one UPVC pipe length, and a VJ coupling have been installed. A concrete slab is required for permanent support

Fika Patso

GRP Main supply line initial leakage:

Water pressure opened a trench of about 4 meters deep under the pipe. The repair team had to embark on a reinforcement plan to fill the trench with gravel so as to prevent further erosion. Repair work was subjected to constant monitoring to ensure stability and prevent future issues.



Repairing the GRP main supply line leakage

700 mm GRP failures:

Service delivery was affected on 11 October 2024 by a damaged 700 mm glass reinforced plastic (GRP) pipe at Thabatshweu near the river. Arrangements were made with Flowtite (the company manufacturing GRP material) to assist with welding/bonding the damaged elbow. The repair team could not take the risk of replacing the elbow itself, due to a lack of materials. The concrete block could not be demolished, since it would take days to restore supply, while awaiting the concrete to dry. Vaal Central Water then decided to shut down the plant temporarily for few hours to enable repairs to continue. The plant was restarted the following day, and water supply to the area was restored.

The photographs on top of page 53 indicate the alternative plans that had to be made on-site to scour the pipe as the valves on the line were not closing properly. The repair team also had to scour on the upstream of the leaking GRP elbow to prevent water from flowing, and to allow for the welding/bonding of the elbow concerned. In doing so, the damaged pipe was repaired successfully.



On-site adjustments made to scour the pipeline and repair the leaking GRP elbow after valves failed to close properly.



Repairing the damaged 700 mm GRP pipe at Thabatshweu

Qoqolosing reservoirs

The Qholaqhwe Reservoir, which had previously been decommissioned, was recommissioned by Vaal Central Water. MaP Water was informed of the development. The reservoirs will be cleaned and disinfected to ensure water quality. The system must now be utilised as originally designed to provide reliable supply to the high-lying areas.



Reconnection of the two small reservoirs has been completed

Critical spares procured for MaP Water



600 mm gate valves



Scour valves



600 mm VJ couplings



600 mm GRP pipes

Intervention Requested by the Executive Mayor for Water Restoration at Thabo Mofutsanyane District Municipality

The Vaal Central Water team, together with MaP Water, embarked on a mission to investigate and resuscitate the water system from the downstream supply interlink. Initially, provision had been made for the installation of two pumps to boost pressure to the elevated reservoir. However, no pumps were found inside the pump station. A pressure gauge indicated that pressure to the Thabo



Cascade clamps

Mofutsanyane District Municipality (TMDM) buildings was less than 2 bar.

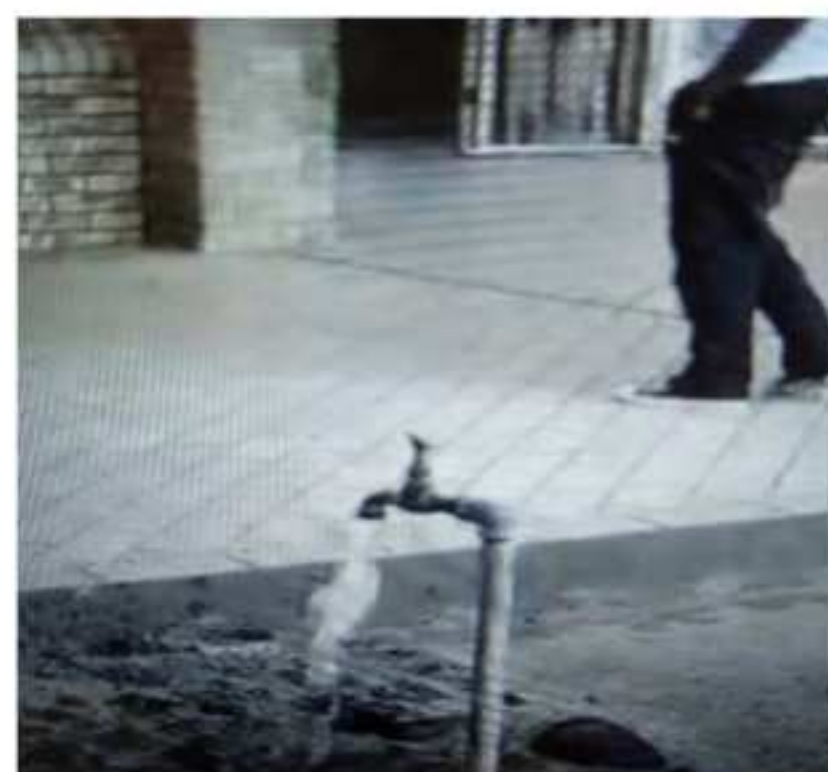
The exercise involved closing the supply to the two reservoirs supplying De Bult and Manapo downstream. This action clearly indicated the necessity for pressure boosting, as the gauge pressure increased to 3.2 bar, and water was immediately restored to the TMDM office systems.



Water pressure gauge indicating sufficient pressure to supply TMDM



Fire hydrant is displaying sufficient pressure



Water taps around the building with sufficient pressure

System Operation and Water Quality Concerns at the Mofumahadi Manapo Regional Hospital

The water supply system at the Mofumahadi Manapo Regional Hospital operates by gravity from the Phuthaditjhaba Reservoir to the Manapo Reservoir, which in turn supplies the hospital, bypassing the elevated steel tank. However, water quality concerns arose because water remained stagnant in the steel elevated tank for extended periods, posing a risk of compromised quality.

The hospital representative reported that after pipe repairs or water supply interruptions, dirty water

sometimes enters their system temporarily.

Resolutions:

- Vaal Central Water was tasked with closing an illegal connection in the area by shutting off the connection from the hospital's main supply line. This was completed on the same day.
- Vaal Central Water was also assigned to prevent severe leakage from the Phuthaditjhaba Reservoir pipework. It was determined that an excavator would be needed. The assessment and repair plan were conducted on the same day. Investigations revealed that a valve inside the reservoir was not properly

closed. The suspected pipe burst was actually a temporary overflow pipe, which led to the misconception that wasted water was due to reservoir overflow. The valve chamber was full of water. Valves were tested and properly closed. This reduced the severe leakage to about a quarter of its initial volume.

- Ongoing monitoring identified another leakage causing some water to continue flowing in the channel. The 300 mm AC pipe will be repaired in due course, alongside other urgent pipe bursts reported.
- MaP Water was tasked with assisting the hospital in cleaning the reservoir and developing a Safe Operating Procedure to manage the hospital's water system effectively. The plan involves throttling the outlet valve by reducing pressure on the mains supply to allow circulation from the steel tank.

Phuthaditjhaba Main Mupply Lines: Multiple Bursts

On 18 June 2024, a 450 mm AC main pipe (Phuthaditjhaba Reservoir inlet pipe) burst at Setsing Complex, near the traffic lights at a very busy T-junction adjacent to the local and long-distance taxi ranks. Repairs on this pipe commenced on 19 June 2024 and were completed on 25 June 2024.

Moreover, a 400 mm AC pipe (Phuthaditjhaba Reservoir outlet) also burst next to Mohapi Funeral Services in Phuthaditjhaba on 21 June 2024. Repairs on the pipe

were completed on 23 June 2024 by Vaal Central Water and MaP Water.

Several factors contributed to significant delays in completing the repairs, including:

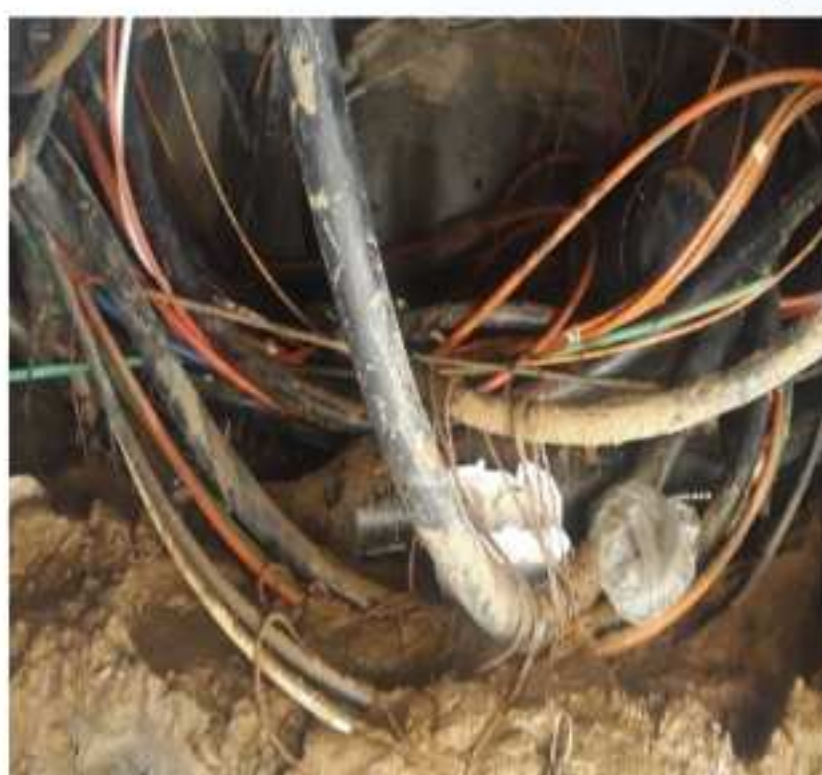
- Obstruction of physical access by Telkom fiber optic cables and a cable chamber constructed directly above the 450 mm AC pipe;
- Electrical cables servicing the traffic lights; and
- The high-traffic volume and busy nature of the T-junction, which created unsafe working conditions for employees.

Telkom was informed of the obstruction caused by the fiber cable chamber and took two days to remove part of the chamber. Additionally, the pipe was located more than 1.5 meters below ground level, requiring deep excavation. As a result, the full repair job was only completed by 2 July 2024.

Had these challenges (including power supply issues) not been experienced, water restoration would have taken place sooner. Vaal Central Water acknowledges the impact these delays have had on the consistency and availability of water supply. Nevertheless, repair teams continue to work diligently to resolve water supply issues across the entire jurisdiction of the Maluti-a-Phofung Local Municipality.



Telkom manhole chamber constructed on top of a water supply pipeline



Fibre optic, telephone lines, and electrical cables all in one area



Repaired pipeline within a very dangerous, congested area



500 mm GRP burst replaced with a UPVC pipe



2 x 450 mm lengths of GRP pipe replaced with UPVC pipe



Leaking 400 mm AC pipe replaced with a UPVC pipe

Wilge Water Treatment Works (Dam Level) — March 2025

As part of Vaal Central Water's ongoing efforts to improve the operational efficiency and chemical dosing accuracy at client Water Service Providers, a significant upgrade was implemented at the Wilge Water Treatment Works (WTW). The Entity procured and delivered a new set of high-precision chemical dosing pumps to replace the ageing and inefficient units previously in operation at the Wilge WTW. This intervention forms part of Vaal Central Water's Technical Support Programme aimed at enhancing service reliability and regulatory compliance at municipal water treatment facilities. The newly installed dosing pumps offer improved metering accuracy and flow control, enabling the more efficient use of treatment chemicals i.e. coagulants, while also reducing wastage and operational costs. The equipment upgrade ensures better alignment with SANS 241:2015 water quality standards, particularly in managing turbidity.

This upgrade demonstrates Vaal Central Water's commitment to implement the Ministerial Directive on technical support to municipalities and reinforces the Entity's role in capacitating Water Services Authorities to meet Blue Drop requirements and safeguard public health. Ongoing support, calibration training and maintenance guidance were also provided to local technical personnel, ensuring the sustainability of the intervention.



Old dosing pumps



New smart digital dosing pump

6.4.3 Ministerial Directive: Matjhabeng Local Municipality

Background

On 15 July 2022, the Department of Water and Sanitation appointed Vaal Central Water as the Implementing Agent to oversee the sanitation infrastructure challenges experienced in the Matjhabeng Local Municipality (MLM). The infrastructure concerned had been vandalised and not operational for more than ten years.

The intervention mandate was divided into three areas of scope, namely (i) Wastewater Treatment Works (WWTWs), (ii) pump stations, and (iii) sewer networks.

1. Refurbishment or upgrading of the WWTWs:
 - A total of 11 WWTWs, of which 9 require refurbishment; and
 - 2 x WWTWs in construction, 1 x WWTW in procurement, 6 x WWTWs remaining.
2. Refurbishment of the sewer pump stations:
 - A total of 57, and 42 require refurbishment; and
 - 19 pump stations in construction, 6x completed, 17 x remaining.
3. Unblocking of sewer network pipelines and clogged chambers:
 - The repair, unblocking, and replacement of dilapidated and collapsed sewer pipelines within the MLM network, with a total length of 1,543 km;
 - A total of 28 projects has been identified under the sewer network scope area; and
 - 7x sewer networks in construction (101 km), 7 x in procurement (107 km), 14 x remaining (172 km).

Budget allocation		
Project Type	Initial Budget Per Project Type	Anticipated Final Budget
Sewer Networks	R 1 140 918 939	R 1 644 500 868
WWTW	R 844 228 317	R 1 148 466 216
Pump Stations	R 296 227 836	R 364 422 414
Networks – Emergency Works	R 0	R 255 505 874
Grand Total Incl. Vat	R 2 281 375 092	R 3 412 895 372

Expenditure	
2025/2026 - Budget	R 580 million
2025/2026 - FY Spend to date (April 2025)	R 24.1 million
2025/2026 - Planned Cashflow	R 580 million
Emergency works (September 22 – November 2023)	R 255.5 million
Actual Expenditure (April 2022 – April 2025)	R 705.3 million
Expenditure all Inclusive up to (September 2022 – April 2025)	R 960.8 million
Current Appointments: Total for 22 Contractors	R 1.131 billion

Procurement

As part of the ongoing monitoring of the Procurement Plan, a decision was made by the **Department of Water and Sanitation and Vaal Central Water** to focus on the completion of the drainage areas. The succession of

projects was prioritised and based on the projects already activated in a drainage area, budget availability and engineering logic. As a result, the following projects were selected, followed by briefing sessions held on 10 and 11 February 2025.

DRAINAGE AREA PRIORITY 1 – WELKOM	DRAINAGE AREA PRIORITY 2 - ODENDAALSRUS
Bronville Sewer Network	Odendaalsrus A Sewer Network
Flamingo Park Sewer Network	Odendaalsrus B Sewer Network
Naudeville Sewer Network	Odendaalsrus WWTW
Rheeder Park Sewer Network	
Riebeeckstad Sewer Network	

The closing date for tenders related to the above was 6 March 2025.

The following drainage areas still need to be advertised, pending the availability of funds:

- Priority 3: Allanridge & Nyakallong;
- Priority 4: Hennenman & Whites – Sewer network & three (3) pump stations in progress;
- Priority 5: Phomolong;
- Priority 6: Virginia and Meloding; and
- Priority 7: Ventersburg and Mmamahabane

Detailed Progress Report: Networks, Pump Stations, and Wastewater Treatment Works							
Category	Projects	Drainage Area	Wards	Status	Plan- ned	Actual	Com- pletion Date
Pump Stations	Western	Welkom, Thabong & Riebeeckstad	33	Complete	100%	100%	31/07/2024
Pump Stations	T16	Welkom, Thabong & Riebeeckstad	13	Complete	100%	100%	22/11/2024
Pump Stations	Akasia	Odendaalsrus	35	Complete	100%	100%	10/02/2025
Pump Stations	Ben Regal	Odendaalsrus	36	Complete	100%	100%	18/02/2025
Pump Stations	Althea	Odendaalsrus	35	Complete	100%	100%	21/05/2025
Pump Stations	Bothaville	Odendaalsrus	36	Complete	100%	100%	26/05/2025
Pump Stations	Eldorie	Odendaalsrus	36	Complete	100%	100%	26/05/2025

Detailed Progress Report: Networks, Pump Stations, and Wastewater Treatment Works (continued)							
Pump Stations	Goudrif 1	Odendaalsrus	36	Complete	100%	100%	26/05/2025
Pump Stations	Goudrif 2	Odendaalsrus	36	Complete	100%	100%	26/05/2025
Pump Stations	Hospital Way	Odendaalsrus	36	Complete	100%	100%	26/05/2025
Pump Stations	Small Frank	Odendaalsrus	36	Complete	100%	100%	26/05/2025
Pump Stations	Bronville South	Welkom, Thabong & Riebeeckstad	11	Complete	100%	100%	30/05/2025
Pump Stations	Major	Welkom, Thabong & Riebeeckstad	33	Complete	100%	100%	30/05/2025
Pump Stations	Power Road	Welkom, Thabong & Riebeeckstad	32	Complete	100%	100%	30/05/2025
Pump Stations	Rheeders Park 1	Welkom, Thabong & Riebeeckstad	34	Complete	100%	100%	30/05/2025
Pump Stations	Rheeders Park 2	Welkom, Thabong & Riebeeckstad	35	Complete	100%	100%	30/05/2025
Pump Stations	Traffic	Welkom, Thabong & Riebeeckstad	27	Complete	100%	100%	30/05/2025
Pump Stations	Big Frank	Odendaalsrus	36	Complete	100%	100%	30/05/2025
Pump Stations	Bandedienes	Hennenman & Whites	3	In Construction	100%	46%	12/06/2025
Pump Stations	Hertzog Wastewater	Hennenman & Whites	3	In construction	100%	45%	12/06/2025
Pump Stations	Hennenman Main	Hennenman & Whites	3	In construction	100%	26%	12/06/2025
Wastewater Treatment Works	Thabong 1b	Welkom, Thabong & Riebeeckstad	31	In construction	100%	71%	16/06/2025
Wastewater Treatment Works	Kutlwanong	Kutlwanong	10	In construction	100%	71%	08/07/2025
Networks	Thabong Extension 04	Welkom, Thabong & Riebeeckstad	17, 13	In construction	100%	81%	25/07/2025
Networks	Thabong Extension 03	Welkom, Thabong & Riebeeckstad	11, 23, 24, 31, 32	In construction	75%	77%	22/12/2025
Networks	Thabong Extension 02	Welkom, Thabong & Riebeeckstad	26, 29, 30, 32	In construction	55%	52%	10/04/2024
Networks	Kutlwanong SN	Kutlwanong	18, 20, 21, 22	In Construction	52%	46%	04/06/2026
Networks	Welkom SN	Welkom, Thabong & Riebeeckstad	27, 28, 32, 34	In Construction	62%	56%	04/08/2026
Networks	Hennenman SN	Hennenman & Whites	3	In Construction	36%	34%	12/02/2027

Contractor Performance

Some contractors are performing exceptionally well, while others are struggling to keep up with their approved programmes of work. Factors contributing to the decline in progress among certain contractors include poor cash flow, inadequate Health and Safety compliance, community unrest and adverse weather conditions.

In April 2025, some network contractors recorded only seven productive working days due to cumulative delays caused by high rainfall measured at 240 mm in February, 167 mm in March, and 180 mm in April 2025.

While some contractors' time lapse on their contracts is above 50%, their progress is significantly lower. Examples include Botong Civils and Sefako Engineering in Welkom and Thabong Ext 1, respectively. In the presence of such poor performance, the Vaal Central Water as Implementing Agent, through the Project Management Office (PMO) and Professional Service Provider (PSP) has put the contractors on terms, including issuing letters of intent to terminate their contracts. A final termination letter has been issued to Sefako Engineering (Thabong Extension 1).

The contractors working on pump stations continued to register significant progress, while also going through some challenges impacting the overall progress of the directive. Typical challenges include cash flow issues, as well as failure to adhere to Health and Safety compliance requirements. Despite these challenges, six completed pump stations have been handed over to the local municipality concerned. It is anticipated that up to 14 more pump stations will be handed over within the next three months. It is important to highlight that while work is in progress and slightly behind schedule, most pump stations are operational and currently handling sewage.

According to the directive, two WWTWs (Kutlwanong and Thabong) are currently also being refurbished. The contractor responsible for the Kutlwanong WWTW has enhanced its progress in the past few reporting periods by augmenting the number of site teams and resources (plant and material) on-site. However, inclement weather

conditions are still restricting progress. For an extended period, the primary access road to the facility was closed due to excessive rainfall. At the sludge ponds, the contractor was only able to lay twenty cubic metres of concrete. As of 30 April 2025, the installation of tiling, doors and windows was anticipated to commence. The contractor intends to install Archimedean Screw Pumps at the inlet works, as well as mechanical screens and an MCC panel. The final stages of the construction period were to be closely monitored by the PSP, with the objective of maintaining a balance between financial expenditure and progress, while penalties are implemented.

The works carried out at the Thabong WWTW have registered minimal progress during this reporting period. Currently, the contractor has completed works to allow for the partial operation of the treatment works. The final pipework installation and testing were conducted on 23, 24, and 25 November 2024. Inflow to the plant was initiated late on 25 November 2024.

The contractor still needs to complete the drying beds and the procurement of lay-flat pipe and pumps for sludge management. However, this will not affect the commencement of partial operations.

The power supply to the plant remains cut off, due to a damaged feeding cable to the S11 Substation located at the plant. Since this breakdown, power supply has not been restored, making it impossible for the Matjhabeng Local Municipality to commence with partial operations.

Project Governance

The oversight of the Ministerial Directive is conducted through collaborative structures comprising various Steering Committees. Additionally, a Technical Committee has been established to manage the day-to-day implementation of activities.

- **Water Services Committee**

This committee operates at a programme level and is chaired by the Provincial Head of the Department of Water and Sanitation. Its members include

representatives from Vaal Central Water, the Water Services Authority (Matjhabeng Local Municipality), the Department of Cooperative Governance and Traditional Affairs and community members. The committee meets on a monthly basis to provide strategic oversight.

- **Project Progress Meetings**

At project level, this forum is chaired by the appointed consulting engineers. It includes the appointed contractor, project managers from Vaal Central Water and the Matjhabeng Local Municipality as Water Services Authority, as well as a Community Liaison Officer. The forum meets on a monthly basis to oversee project development and monitor progress.

- **Project Steering Committee**

Also operating at the project level, this committee is chaired by the MMC for Infrastructure of the Matjhabeng Local Municipality as Water Services Authority. Membership comprises the appointed consulting engineers, the contractor, project managers from Vaal Central Water and the Water Services Authority, and the Community Liaison Officer concerned, affected ward councillors and community representatives. The committee facilitates the dissemination of information to the community and

coordinates the identification of workers for contracted repair work. Meetings are held on a monthly basis.

Impact

- **Jobs created:** To date, 321 local community members have been employed.
- **Sub-contractors:** A total of 107 sub-contractors, including both local and specialist contractors, have been employed to date.
- **Completed projects:** 6 projects have achieved practical completion as follows:
 - Vida Pump Station – operational;
 - Western Pump Station – operational;
 - Bronville North – operational;
 - Akasia Pump Station – operational;
 - Ben Regal Pump Station – operational; and
 - T16 Pump Station – operational.
- **Active projects:** 17 pump station projects are currently under construction, managing sewer flow and providing sewer relief to communities.
- **Partial commissioning of Thabong wastewater treatment works:** Works to commission partial operations at the Thabong plant were completed on 26 November 2024, with inflow to the plant initiated on the same date. The expected flow through the plant is 4 Ml/day.

Photographic Overview



Akasia Pump Station (Odendaalsrus)



Bronville North Pump Station (Thabong)



Kutlwanong Waste Water Treatment Works



Matjhabeng Local Municipality Sewer Network

6.5 Major Maintenance Activities Performed

6.5.1 Maintenance of Infrastructure

During the 2024/2025 financial year, Vaal Central Water's maintenance efforts were driven by the urgent need to stabilise and extend the life of ageing infrastructure assets across all five operational regions (Modder River, Orange River, Caledon River, Northern Free State and Northern Cape). With the infrastructure base under increasing strain due to decades of wear and environmental pressures, the focus of the maintenance programme remained on safeguarding continuity of supply, mitigating risk and avoiding catastrophic system failures.

Given the constraints on capital funding and the deferral of major new-build projects, the Entity concentrated on high-impact refurbishment, equipment replacements and rapid-response maintenance to address the most critical operational vulnerabilities. Key infrastructure, such as pump stations, treatment works, pipelines, reservoirs and chemical dosing systems, underwent essential repairs and upgrades. These included civil, mechanical refurbishments, electrical panel upgrades, instrumentation calibrations and structural reinforcements aimed at ensuring the safe and consistent delivery of potable water.

During the review period, each region faced its own unique challenges. The Modder River Region contended with increased turbidity and sediment load following heavy rains, requiring intensified plant maintenance and filter rehabilitation. In the Caledon River and Orange River Regions, teams focused on restoring worn mechanical infrastructure and maintaining reservoir integrity. The Northern Free State Region received strategic reinforcements with the deployment of a new fleet and equipment to support operational demands, while the Northern Cape Region required urgent intervention at inlet works and sluice gate systems impacted by flood debris and mechanical degradation.

The ongoing burden of reactive maintenance, often triggered by equipment failures in the absence of sufficient long-term reinvestment, underscored the

importance of adopting a structured, risk-based Maintenance Management System. To this end, Vaal Central Water advanced its planning and condition assessments for all high-risk infrastructure, forming a baseline for future prioritisation and costed maintenance schedules.

In parallel, the Entity undertook proactive engagements with municipal partners based on Ministerial Directives, particularly in the Maluti-a-Phofung Local Municipality, where infrastructure degradation remains a persistent threat to water service delivery. These interventions were critical in restoring basic functionality and enabling local governments to gradually regain operational control of key assets.

Despite limited financial resources, the Maintenance Strategy was adapted to maximise impact through careful scheduling, targeted interventions and leveraging internal technical expertise. However, the increasing complexity of water infrastructure and rapid integration of new technologies have added layers of difficulty, requiring ongoing training and upskilling of maintenance personnel to meet new operational standards.

Looking forward, Vaal Central Water recognises that sustained investment in maintenance, particularly for refurbishment and system resilience, is not optional but essential. Addressing the mounting backlog of repairs while keeping systems functional under pressure, remains a top priority and the Entity continues to explore funding options and partnerships to support this ongoing mission.

6.5.2 Annual Winter Maintenance Programme

During the 2024/2025 reporting period, Vaal Central Water once again executed its annual Winter Maintenance Programme with precision and efficiency. The programme focused on comprehensive servicing and optimisation of essential infrastructure during off-peak demand, allowing for minimal disruption to operations.

This cycle included intensive work across major assets, ensuring systems remained stable and ready for peak

usage periods. Enhancements to planning and scheduling processes, coupled with improved resource coordination, enabled teams to address known pressure points and complete priority tasks on time.

The successful roll-out of the Winter Maintenance Programme reaffirmed the Entity's commitment to structured, seasonal upkeep as a cornerstone of long-term infrastructure reliability.

6.5.3 Pictorial Overview: Activities, equipment and infrastructure in the Caledon River Region



Welbedacht Dam – river outlet valves



Backwash pumps: 100% availability



6.5.4 Pictorial Overview: Activities, equipment and infrastructure in the Modder River Region



Stripping and assessing Secondary Pump 4



Refurbished Secondary Pump 4



Vandalized 22 kV electrical cable



Laid sleeved electrical cable



Secured cable avoiding vandalism



CCTV draining pipe assessment prior jet blasting



Drainpipe jet blasting between Turbo Circulator 2 and the filter plant



Actuated air release valves

6.5.5 Pictorial Overview: Activities, equipment and infrastructure in the Northern Free State Region



Cleaned settling dams



Installed valves and actuators



Damage expansion joints on the Allanridge Reservoir



Expansion joints were repaired on the Allanridge Reservoir



Allanridge Reservoir after refurbishment

6.5.6 Pictorial Overview: Activities, equipment and infrastructure in the Northern Cape Region



Installation of flow control valve at high lift pump station



Installation of new overhead crane at Kneukel Pump Station



Repairs of the pipeline damaged by floods in Pella

6.5.7 Pictorial Overview: Activities, equipment and infrastructure in the Orange River Region



Maintenance on pipeline from Lemoenkloof to Jagersfontein Water Treatment Works



Kalkfontein to Lemoenkloof raw water pipeline/road repairs



6.5.8 Maintenance Activities in Municipalities as per Ministerial Directives

In line with Ministerial Directives, Vaal Central Water intensified its support to municipalities during the 2024/2025 financial year, with a focus on stabilising critical infrastructure through targeted maintenance interventions. Due to the ongoing deterioration of ageing systems, much of the work remained reactive in nature, addressing urgent failures that posed risks to water supply continuity and public health.

Significant attention was directed to the Maluti-a-Phofung Local Municipality, where infrastructure failures have become increasingly frequent. Key activities included the repair and replacement of severely corroded pipelines, the refurbishment of malfunctioning pump stations, and the restoration of key components within water treatment facilities. These efforts were essential in minimising water losses and restoring functionality in areas previously experiencing extended service interruptions.

In the Balkfontein and Virginia Schemes, maintenance teams focused on equipment upgrades at critical treatment plants, as well as the replacement of broken valves, pumps and damaged pipeline sections. High-priority work was carried out at sites where system breakdowns had previously led to severe supply constraints.

In both the Matjhabeng and Maluti-a-Phofung Local Municipalities, assessments conducted during the year reaffirmed the urgent need for a structured maintenance

management system to support more proactive, data-driven planning. Such a system will be vital for improving risk management, prioritising renewals and coordinating long-term infrastructure rehabilitation - particularly as much of the existing network approaches the end of its service life.

Vaal Central Water remains committed to supporting municipalities in their efforts to restore and maintain essential water infrastructure, while laying the groundwork for sustainable asset management over the next two decades.

6.5.9 Challenges Experienced

The 2024/2025 financial year presented both defining progress and significant operational strain for the Operations and Maintenance (O&M) Department of Vaal Central Water. While strides were made in implementing structured planned and periodic maintenance regimes for all critical infrastructure assets listed in the Entity's Asset Register, the O&M Department simultaneously faced growing pressures tied to aging infrastructure, expanding service demands, and the increasing complexity of modern technologies.

A key challenge during the review period was the scale and urgency of maintenance work required in the Matjhabeng and Maluti-a-Phofung Local Municipalities. Both areas experienced persistent infrastructure breakdowns due to years of underinvestment and degradation, placing substantial demand on already-stretched operational teams. Frequent pipe bursts, pump

failures and component breakdowns created a high volume of unplanned, reactive maintenance, which often disrupted scheduled work and strained available resources.

In addition to infrastructure issues, teams had to navigate difficult working environments, including remote locations with limited access, poor historic documentation of systems and unpredictable conditions following heavy rainfall events. These factors made diagnosis and response more time-consuming and technically demanding.

Furthermore, the rapid adoption of advanced technologies (from digital communication systems to Supervisory Control and Data Acquisition (SCADA) integration and automated equipment) has required maintenance personnel to upskill continuously. What were once routine tasks, have now evolved into technically complex procedures, demanding a deeper level of systems understanding, troubleshooting capabilities and real-time data interpretation. As a result, training and skills development have become critical priorities, even as teams are under constant operational pressure.

Despite these challenges, the O&M leadership and staff maintained strong collaboration with key stakeholders, ensuring transparency, responsiveness and a shared commitment to restoring infrastructure functionality. Their resilience and adaptability have been central to managing immediate crises, while laying the foundation for more stable and sustainable operations in the years ahead.

6.6 Asset Management

Vaal Central Water (VCW) recognises that sound asset management is fundamental to the sustainable delivery of bulk water services. In line with the requirements of the Public Finance Management Act (PFMA) and Generally Recognised Accounting Practice (GRAP) standards issued by the Accounting Standards Board, the entity continued to strengthen its asset management framework during the 2024/2025 financial year.

Asset Register and Recognition

- Vaal Central Water maintained a comprehensive and compliant asset register, recording all property, plant and equipment in accordance with GRAP 17: Property, Plant and Equipment.
- Additions, disposals, refurbishments and revaluations were updated in the register to ensure accuracy, reliability, and audit readiness.
- Assets were capitalised where future economic benefits and service potential could be measured reliably, while repairs and maintenance were expensed in line with GRAP requirements.

Valuation and Depreciation

- All infrastructure assets were measured at cost less accumulated depreciation and impairment losses.
- Depreciation was calculated using the straight-line method over the estimated useful lives of assets, reflecting the consumption of economic benefits and service potential.
- Vaal Central Water applied GRAP 21 and GRAP 26 in assessing indicators of asset impairment, ensuring that assets were carried at no more than their recoverable service amount.

Asset Condition and Maintenance Integration

- Asset condition assessments were conducted across regions, particularly in the Northern Free State and Northern Cape, to inform refurbishment priorities and update useful life estimates.
- Findings from the assessments were integrated into the maintenance programme and the Five-Year Capital Expenditure (CAPEX) Plan, ensuring alignment between accounting records and operational realities.
- The link between asset health and service reliability was emphasised, with maintenance expenditure tracked separately from capitalisable upgrades.

Asset Verification and Audit Assurance

- A full physical verification of immovable and movable assets was conducted during the financial year under review, reconciling asset records to the general ledger and operational site inspections.
- Vaal Central Water strengthened its internal controls

over asset management to address previous audit findings, focusing on completeness, valuation and existence of assets.

- No material misstatements relating to asset management were reported, reinforcing the reliability of the asset register and compliance with GRAP standards.

Key Challenges

- The majority of bulk water infrastructure has exceeded its design lifespan, increasing the risk of impairment and accelerating depreciation charges.
- Funding limitations delayed large-scale refurbishment and replacement projects, leaving sections of the asset base vulnerable to operational failure.
- High maintenance costs on aged assets continue to place strain on operating budgets.

Way Forward

- Vaal Central Water will continue to align its asset management practices with GRAP, PFMA, and National Treasury frameworks, ensuring full compliance.
- Focus will be placed on optimising the useful lives of existing assets through targeted refurbishment, while progressing priority infrastructure replacement projects.
- A strategic asset management plan will be implemented to integrate financial, operational, and risk considerations, supporting long-term sustainability of the entity's service delivery mandate.

6.7 Progress Made in Addressing the Maintenance Backlog

Vaal Central Water has historically carried a substantial maintenance backlog due to the ageing of bulk water infrastructure, limited funding for refurbishment and competing priorities between capital projects and operational demands. During the 2024/2025 financial year, meaningful progress was made in reducing this backlog through targeted interventions, improved planning and alignment with the Five-Year CAPEX Programme.

Key Achievements

- **Prioritisation of High-Risk Assets:** Vaal Central Water focused on pipelines, pump stations and treatment works with the highest risk of failure. In the Northern Free State Region, critical sections of aged pipelines were replaced, significantly reducing the frequency of bursts and unplanned supply interruptions.
- **Emergency Stabilisation in the Northern Cape:** Along the Vaal Gamagara pipeline, sectional replacements, coupling installations and refurbishment of air valves addressed long-standing issues, improving reliability for municipal and mining customers.
- **Treatment Works Refurbishment:** Major components at Balkfontein, Virginia, and Welbedacht WTWs were refurbished, including pump sets, dosing systems, and clarifiers, extending the operational life of these facilities and addressing deferred maintenance.
- **Integration with Asset Management:** Backlog items were systematically integrated into the Entity's Asset Register and Condition Assessment Programme, ensuring that deferred maintenance is tracked, costed and aligned with available budgets.
- **Improved Funding Alignment:** Through reprioritisation of the CAPEX plan, certain refurbishment projects (e.g., pump motor replacements and electrical MCC upgrades) were executed despite funding constraints.

Impact on the Backlog

- The backlog of critical maintenance projects was reduced by focusing on short-term, high-impact interventions, particularly on pipelines that had historically contributed to high water losses.
- Maintenance expenditure in the 2024/2025 financial year was better targeted, resulting in measurable improvements in system reliability and a modest reduction in unplanned downtime compared to prior years.
- Backlog reduction efforts also improved Blue Drop readiness by ensuring water treatment infrastructure was operating within compliance standards.

Remaining Challenges

- A significant portion of the infrastructure remains beyond its design life, and full elimination of the backlog will require sustained capital investment.
- Deferred refurbishment of large-scale pipelines such as the Xhariep and Caledon/Bloemfontein systems, remains a risk to long-term service reliability.
- Rising operational costs linked to recurring emergency repairs continue to divert resources away from systematically clearing the backlog.

Way Forward

- Vaal Central Water will continue to align maintenance backlog reduction with the Five-Year CAPEX Programme and Strategic Asset Management Plan.
- Focus will be placed on pipeline replacements, pump refurbishments and upgrading dosing and electrical systems at water treatment works.
- Partnerships with the Department of Water and Sanitation, municipalities and industry clients will be leveraged to mobilise additional funding for addressing the backlog.
- Continuous monitoring through SCADA, telemetry, and improved asset condition assessments will support proactive planning and prevent further backlog accumulation.

6.8 System Automation

Vaal Central Water has continued to push forward with its system automation agenda during the 2024/2025 financial year, reinforcing its commitment to modern technology to improve operational efficiency, water security and service delivery. The transition from legacy systems to integrated digital infrastructure across all five operational regions remains a key strategic focus.

Digital Migration and Communication Integration

The transition from analogue to digital communication systems has been fully completed in the Modder River, Orange River and Caledon River Regions, resulting in significantly improved real-time data transmission and operational responsiveness. These regions now benefit from streamlined control room operations, more accurate system diagnostics and faster decision-making capabilities.

In the Northern Free State Region, migration is nearing completion, with most critical sites already operating on digital platforms. Remaining conversions are scheduled for early implementation in the upcoming cycle. Meanwhile, digital migration in the Northern Cape Region has reached an advanced planning phase, with feasibility studies, site assessments and procurement processes under way to support the transition.

SCADA System Upgrades

The roll-out of the latest SCADA system has progressed steadily. Implementation is active in the Modder, Orange, Caledon and Northern Free State Regions, with several control nodes now fully upgraded. These enhancements enable remote monitoring, automated alerts and predictive maintenance capabilities, which collectively reduce system downtime and operational risks. In the Northern Cape, technical designs have been completed, and SCADA integration is scheduled to commence in the next reporting period.

Modernisation of Infrastructure

Automation efforts have gone hand-in-hand with physical infrastructure upgrades. The technical condition of treatment plants, booster stations and pump houses has been systematically assessed and prioritised for refurbishment. This includes control panel replacements, actuator upgrades and improved sensor calibration - all aimed at boosting reliability, efficiency and regulatory compliance.

A key achievement during the year under review was the automation of the Rustfontein sludge pump station, which is now fully operational. The upgrade allows for the reintroduction of filtered water back into the supply system to minimise losses, while the extracted sludge is now processed for potential reuse or environmentally responsible disposal. This closed-loop improvement contributes to the Entity's sustainability objectives and cost efficiency.

Similarly, the Balkfontein chlorine plant underwent a major technological overhaul. Automation of its dosing and safety systems now ensures consistent chlorine

levels, improved worker safety and reduced chemical wastage, aligning with best practices in water treatment operations.

Efficient Water Use Programme

To further support automation and data-driven decision-making, Vaal Central Water has intensified its Efficient Water Use Programme. This initiative focuses on the phased replacement of ageing and inaccurate control and billing flow meters across all regions. New-generation smart meters have been introduced, providing higher measurement accuracy, remote data transmission and analytics capability.

These upgrades allow for more precise tracking of water distribution, quicker identification of losses or leaks, and better-informed billing processes. The initiative plays a critical role in improving non-revenue water management, enhancing financial sustainability and reinforcing accountability in service provision.

6.9 Water Operations

6.9.1 Water Quality

Throughout the 2024/2025 financial year, Vaal Central Water maintained its commitment to delivering potable water that meets the stringent quality requirements set out in SANS 241:2015. Despite above-average rainfall and sporadic flash floods (particularly in the Modder River catchment area during the Third Quarter), raw water quality in key supply dams such as Rustfontein and Groothoek remained within acceptable parameters. Water treatment processes were not adversely affected, and compliance with final water quality standards was consistently achieved across all regions.

To uphold this standard, all operational regions implemented robust water Quality Monitoring Programmes. Each region performed regular operational compliance testing, tailored to local conditions and risk profiles. In the Modder River Region, for example, water quality was monitored every two hours, using an on-site laboratory equipped for continuous operational testing.

Instrumental to maintaining quality standards is the annual calibration and daily verification of laboratory

instruments across all regions. These procedures ensure that both real-time and routine testing for microbiological, chemical and physical parameters remain accurate and reliable.

To further reinforce quality assurance, Vaal Central Water continues its collaboration with the Institute for Groundwater Studies at the University of the Free State, which provides independent verification of laboratory results. This partnership adds an external layer of credibility to internal water quality data, helping the Entity maintain public trust and regulatory alignment. Furthermore, the Entity still relies on its two SANAS accredited laboratories in both Balkfontein and Vaal Gamagara in order to support regions and other customers in the analysis of water quality.

Across all operational areas, these combined efforts have ensured that treated water delivered to municipalities remained consistently compliant with national safety standards, despite varying raw water conditions. Vaal Central Water remains committed to continuous improvement in water quality monitoring, testing accuracy and the risk-based management of source water.

6.9.2 Raw Water Quality per Catchment

During the 2024/2025 reporting period, intense and sustained rainfall across all catchment areas had a marked impact on the quality of raw water entering Vaal Central Water's treatment systems. Elevated turbidity levels, particularly following episodes of flash flooding, required operational teams in several regions to temporarily halt treatment processes to safeguard water quality and protect infrastructure.

These rainfall events, while beneficial to reservoir levels, introduced significant challenges. Inflows carried debris, sediment and organic material into dam systems, causing blockages and mechanical strain on inlet structures, sluice gates and abstraction points. Immediate response was required in multiple regions (especially in the Modder River, Orange River, and Northern Cape Regions) to clear obstructions and restore normal operations, which in turn increased maintenance workloads and costs.

The deterioration in raw water quality also placed added pressure on treatment facilities. To maintain compliance with SANS 241:2015 standards, the Entity was compelled to increase the use of treatment chemicals, including coagulants and disinfectants. This rise in chemical demand (particularly in the Caledon River and Northern Free State Regions where raw water conditions were especially volatile) led to a notable increase in operational expenditure.

In response to these conditions, Vaal Central Water has prioritised the strengthening of its raw water quality monitoring systems. Investments are being directed toward real-time monitoring technology, early-warning systems and the upgrading of critical infrastructure to better withstand the impact of extreme weather patterns. In tandem, maintenance protocols are being revised and standardised across all regions to improve readiness and response to climate-related disruptions.

These strategic interventions form part of a broader effort to ensure the resilience and sustainability of Vaal Central Water's raw water intake and treatment operations. By proactively addressing the operational and financial challenges linked to degraded raw water quality, the Entity continues to safeguard its ability to deliver safe, reliable water to the municipalities and communities it serves - even under increasingly unpredictable environmental conditions.

Welbedacht Dam

Due to the high silt concentrations in abstracted raw water, especially in times of flooding, the output capacity of the Welbedacht Water Treatment Works (WTW) is reduced, and in summer, the output capacity drops to 100 Ml/d. The gross storage capacity has decreased significantly since 1974, when the original storage capacity was 115 million m³ to approximately 40 million m³ in the first nine years of commissioning. Since then, it has reduced to 15.5 million m³.

Orange River

Vaal Central Water relies on the Orange River as its primary raw water source, which provides a steady supply to the Bethulie WTW. The river has demonstrated a

commendable ability to maintain stable raw water levels throughout the review period, ensuring a reliable source for treatment.

Monitoring efforts revealed that turbidity levels in the catchment area surrounding the Bethulie WTW were stable, reflecting consistent water quality and effective management practices. The river's natural filtration processes and surrounding ecosystems have contributed positively to the overall condition of the water.

Before the water is transferred to the Bethulie WTW for advanced treatment, it undergoes pre-treatment in an off-channel storage tank, previously utilised by the South African Railways. This tank plays a vital role in mitigating silt levels, which is essential for improving the efficiency of subsequent treatment processes. By effectively reducing silt content, the tank helps ensure that the water meets the necessary quality standards before entering the treatment facility.

Despite the advantages of this pre-treatment process, Vaal Central Water has experienced increased operational costs due to the need for occasional modifications to the treatment chemicals. These adjustments are necessary to respond to variations in raw water quality and maintain compliance with health and safety regulations. The Entity's commitment to providing high-quality water has necessitated these additional expenditures, which are essential for sustaining water safety and reliability.

Throughout the financial year under review, water quality has remained consistently high, affirming the effectiveness of treatment processes and the reliability of water sources. Continued vigilance and adaptation to changing conditions will ensure that Vaal Central Water can uphold its commitment to delivering safe, high-quality water to the communities which are being served.

Groothoek Dam

In the financial year under review, the quality of raw water sourced from the dam exhibited remarkable stability, which significantly contributed to lower operational expenses related to the water purification processes. This

consistent water quality allowed for efficient treatment operations, reducing the need for additional resources and interventions. Vaal Central Water exercised caution in its use of the watershed, due to the elevated costs associated with raw water. As a result, the Entity has prioritised the sustainable management of water resources, ensuring that available supplies are utilised effectively without compromising quality or availability.

Throughout the review period, the water determinants in the dam remained consistent, reflecting effective watershed management and environmental conditions. Additionally, the water level in the dam consistently maintained above 65%, which not only ensured a reliable supply of final quality water, but also provided a buffer against potential supply disruptions. This steady availability has been instrumental in meeting the water demands of the service areas, thereby enhancing overall customer satisfaction and confidence in the reliability of Vaal Central Water's services. Through these measures, the Entity continues to demonstrate its commitment to providing high-quality water, while managing costs effectively and ensuring the sustainable use of water resources.

Gariep Dam

The Gariep Dam, renowned as the largest dam in South Africa, plays a critical role in the region's water supply and management. At the confluence of the Caledon and Orange Rivers, the dam serves as a vital source for the Bethulie WTW, which extracts raw water for purification. This treated water is then distributed to the surrounding areas of Bethulie, Springfontein and Trompsburg.

One of the key advantages of the Gariep Dam is the consistent quality of its raw water. The stability of this water source significantly contributes to operational efficiency, leading to reduced operational costs and less intensive abstraction efforts at the Gariep Water Works. This reliability not only ensures a steady supply of high-quality water for treatment, but also supports the overall sustainability of water resources in the region.

Moreover, the Gariep Dam stands as a cornerstone in the management of water resources in South Africa,

exemplifying effective water storage and distribution strategies. Its vast capacity and strategic location enhance the resilience of local water systems, allowing for more efficient responses to water demand fluctuations and drought conditions. Through the ongoing management and optimisation of the Gariep Dam, Vaal Central Water is committed to providing reliable water services to the communities it serves, while maintaining environmental integrity.

Kalkfontein Dam

The Kalkfontein Dam is strategically situated in the Orange River Region, nestled along the banks of the Riet River, between the towns of Fauresmith and Koffiefontein. This vital water resource plays a crucial role in the regional water supply system, serving as a key provider of raw water to the Jagersfontein WTW. Additionally, it supports the water needs of Fauresmith, where Vaal Central Water operates on behalf of the Kopanong Local Municipality.

Throughout the financial year concerned, the dam has benefited from consistent rainfall, which has helped maintain robust water levels, ensuring a reliable supply of raw water. The quality of this water remains stable, meeting the demands of both treatment facilities and local communities. The Kalkfontein Dam not only enhances water availability in the region, but also contributes to the overall sustainability of water resources, supporting the growing population and agricultural needs of the surrounding areas.

As part of its commitment to effective water management, Vaal Central Water continually monitors the dam's water quality and quantity, ensuring that the Entity can respond promptly to any changes in environmental conditions. The strategic management of the Kalkfontein Dam underlines the Entity's dedication to providing safe and sustainable water supply solutions to the municipality being served in this regard.

Vaal River

The Kalkfontein WTW is strategically positioned to leverage the stable supply of raw water from the Vaal River, a critical resource for Vaal Central Water's operations. This raw water source, while generally

reliable, does experience seasonal fluctuations in quality due to various environmental factors. Recognising the importance of providing safe and clean water, the Entity has implemented rigorous treatment processes to effectively manage these variations.

The treatment facilities of Vaal Central Water are equipped with advanced technologies designed to remove impurities and ensure compliance with SANS 241 standards for drinking water quality. This not only guarantees that the water is safe for consumption, but also enhances its overall quality, making it suitable for further purification processes.

In addition to ensuring water quality, the Entity's efforts directly benefit the Nala and Matjhabeng Local Municipalities. By providing treated water that meets or exceeds regulatory standards, Vaal Central Water supports these communities in their efforts to deliver reliable and safe water to their residents. Furthermore, Vaal Central Water's commitment to continuous monitoring and improvement of its treatment processes ensures that the Entity adapts to changing water quality conditions, ultimately contributing to the sustainability of water resources.

Vaal Central Water remains dedicated to fostering strong partnerships with local municipalities and stakeholders to ensure that its water treatment efforts align with the broader goals of water security and public health in the region. The Balkfontein WTW stands as a vital component of the water supply chain, playing a crucial role in enhancing the quality of water sourced from the Vaal River for the benefit of the communities concerned.

Sandvet Canal System

The Virginia WTW is strategically positioned to leverage the exceptional quality of raw water sourced from the Sandvet Canal System. This vital resource has consistently met the demands of the treatment facility, ensuring that it operates efficiently and effectively.

During the 2024/2025 financial year, the Sandvet Canal System maintained a robust water supply, significantly aided by good rainfall in the surrounding catchment area.

This favourable weather pattern not only enhanced the overall availability of water, but also contributed to the sustained health of the ecosystem supporting the canal. Moreover, the Virginia plant benefited from additional water allocations, a direct result of the unused quotas from other users within the system. This collaborative management of water resources allowed for a more flexible approach to supply, ultimately enabling the plant to enhance its production capacity without compromising on the quality of the treated water.

The treatment processes at the Virginia WTW adhere strictly to the SANS 241 quality standards, ensuring that the water distributed to the community is safe and of high quality. The operational successes of the Virginia plant exemplify the effective use of the Sandvet Canal as a raw water source, reflecting Vaal Central Water's commitment to sustainable water management and service delivery. Looking ahead, continued monitoring and assessment of the Sandvet Canal System will be essential to maintain these high standards and address any emerging challenges, ensuring that the Virginia WTW remains a reliable supplier of clean water for the region.

6.9.3 Water losses

Effective management of water losses remains a strategic priority to Vaal Central Water, as it directly impacts operational efficiency, revenue collection and sustainability of supply to customers. During the 2024/2025 financial year, the Entity continued to monitor and manage water losses across its supply systems in line with the International Water Association (IWA) Water Balance Model and its own Key Performance Indicators.

Performance Overview

- **Avoidable Water Losses:**

Vaal Central Water recorded an average of 18% avoidable water losses against a target of ≤15%. While progress was made in certain systems, the overall performance did not meet the Entity's target.

- **Regional Performance:**
 - **Central System Region (CSR):** Achieved a water loss percentage of 11.62%, within acceptable thresholds.
 - **Free State Northern & Central Region (FSNCR):** Recorded 22.42%, largely due to pipeline bursts and ageing infrastructure.
- **Financial Impact:** Higher-than-expected water losses contributed to increased operating costs, reduced revenue efficiency and higher levels of unaccounted for water.

Contributing Factors

- **Ageing Infrastructure:** The bulk of the Entity's transmission pipelines have exceeded their design lifespan, resulting in frequent bursts and leaks. This challenge was most acute in the Northern Free State and Northern Cape Regions.
- **Delayed Refurbishment:** Limited capital funding slowed down refurbishment and replacement projects, constraining efforts to address high-risk sections of the network.
- **Operational Interruptions:** Unplanned outages and breakdowns led to emergency repairs which, while restoring supply, increased system stress and water losses.
- **Metering Gaps:** Outdated bulk meters and delays in calibration limited the accuracy of water loss detection and quantification.

Interventions and Achievements

- Vaal Central Water implemented targeted pipe section replacements in the Northern Free State Region, which reduced the frequency of bursts in critical areas.
- Emergency repairs along the Vaal Gamagara pipeline stabilised losses in the Northern Cape Region, ensuring continuity of supply to mines and municipalities.
- Enhanced pressure management and monitoring contributed to reduced leakage in specific reticulation interfaces.
- Engagement with municipalities on shared responsibility for water conservation and demand management (WCWDM) was intensified through

technical support and joint inspections.

Recovery Plan

Looking ahead, Vaal Central Water will strengthen its water loss management programme by:

- Prioritising refurbishment of ageing pipelines under the Five-Year CAPEX Programme;
- Accelerating bulk meter replacement and calibration to improve accuracy of water balance reporting;
- Expanding active leakage detection programmes, including the use of acoustic loggers and telemetry;
- Deepening collaboration with municipal Water Services Authorities to ensure joint accountability for reducing non-revenue water; and
- Embedding water loss reduction targets in the performance contracts of regional O&M units.

Water Loss Table for Consolidated Period: 2024/07/01 to 2025/06/30			
System Input	Authorised Consumption	Billed	Revenue Water
224 239 699	182 935 855 81.58%	180 758 869 80.61%	180 758 869 80.61%
		Unbilled	Non-Revenue Water
		2 176 986 0.97%	
	Water Losses	Apparent Losses	
	41 303 844 18.42%	3 942 765 1.76%	43 480 830 19.39%
		Real Losses	
		37 361 076 16.66%	

6.9.4 Blue Drop Assessments / Progress

Assessment Tool (PAT)

The Department of Water and Sanitation is planning to conduct Blue Drop Assessments during the 2025/2026 financial year. Gathering of the required documents as part of the preparation for the Blue Drop Assessment has been progressing well during the 2024/2025 review period. Vaal Central Water has uploaded all the information related to the Blue Drop Performance Information Assessment onto the IRIS system before the due date of June 2025. Vaal Central Water has registered the water services, boreholes and Process Controllers on IRIS as per Regulation 3630. The Entity's Central Blue Drop Committee has been working hard in preparing for the upcoming Blue Drop Assessments in 2025/2026.

6.10 Fleet Management

During the 2024/2025 financial year, Vaal Central Water continued to strengthen its fleet capacity to support efficient operations and maintenance across all five regions (Modder River, Orange River, Caledon River, Northern Free State and Northern Cape). Fleet availability remains a key enabler in the Entity's ability to respond promptly to service interruptions, undertake preventative maintenance and execute infrastructure upgrades in both urban and remote areas.

A major achievement during the year under review was the procurement of two excavators, strategically allocated to the Northern Free State and Northern Cape Regions. These heavy-duty units significantly boost the capability of regional Operations and Maintenance teams to carry out critical repair work, particularly in areas prone

to pipeline failures or where access to underground infrastructure is limited. The addition of these machines directly supports the strategic objectives of Vaal Central Water by reducing response time during emergencies and minimising service disruptions.

In addition, new white fleet vehicles, which comprise light utility vehicles and service bakkies, were procured during Quarter Two for both the Northern Cape and Northern Free State Regions. These acquisitions form part of the broader vehicle replacement and expansion plan, aimed at ensuring staff mobility, improving site coverage and supporting cross-functional field operations, such as quality monitoring, meter reading and technical inspections.

Fleet deployment across all five regions is being continuously reviewed to align with operational priorities and emerging challenges. The Entity remains committed to modernising its fleet to ensure safety, reliability and cost-efficiency, while enabling teams to operate at full capacity in delivering on Vaal Central Water's mandate.

The delivery of new light commercial vehicles (LCVs) to the O&M Department ensures that the entity stays responsive to the strategic objectives of the organisation.

Pictorial Overview: Handover of the new LCVs to different regions



The new fleet of light commercial vehicles (LCVs)



The Chief Executive, Board Members, and O&M Executive hand over the new LCVs to the Northern Free State Regional Manager



The Chief Executive and Board Members hand over new LCVs to the Northern Cape Regional Manager



Northern Free State Region takes possession of the new LCVs

7. SUMMARY OF PERFORMANCE IN MEETING POTABLE WATER QUALITY STANDARDS

7.1 Introduction

The mission of the Scientific Services Quality Control Laboratories at Vaal Central Water is to provide accurate, reliable, professional and economically viable laboratory services to internal and external clients. This has to take place within agreed time frames, in concurrence with ISO/IEC 17025:2017 requirements, and by displaying respect to clients and fellow employees at all times.

7.2 Reinstatement of Laboratory Accreditation by SANAS

During the 2024/2025 financial year, laboratories of the Scientific Services Department were assessed by the South African National Accreditation System (SANAS) with the aim of reinstating the accreditation status for both the Balkfontein and Vaal Gamagara Quality Control Laboratories. This was one of the major goals set by the department for the financial year under review. The assessments were successful, as both laboratories were found to comply with the requirements of the ISO/IEC 17025:2017 standard. Thus, SANAS granted both laboratories accreditation status.

7.3 Scientific Disciplines

The Scientific Services Department incorporates the following disciplines:

The Quality Control Laboratories comply with the requirements of ISO/IEC 17025:2017 and are accredited by SANAS:

- The Balkfontein Laboratory's scope of accreditation consists of Microbiology and Chemistry determinants.
- The Vaal Gamagara Laboratory's scope of accreditation consists of only Microbiology determinants for now, with the goal of adding chemical determinants in the next financial year.

As quality control laboratories, the main focus of these facilities is the provision of credible and accurate testing for internal customers promptly. Therefore, test methods used focus on drinking water and wastewater analysis as per the South African National Standard for Drinking Water (SANS 241:2015) and the General/Special Wastewater Standard/Gazette.

Services are also extended to external customers (municipalities as Water Service Authorities, government departments, mines and farmers, to name a few), including the provision of related ad hoc services on a commercial basis.

7.4 Drinking Water Quality

The following drinking water quality compliance levels were achieved during the year under review:

Northern Free State Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	2172	11	99,5
Risk-defined operational (final stage to water distribution)	10161	1314	87,1
Acute health – 1 Chemical	4032	0	100
Chronic health	7941	24	99,7
Aesthetic	11919	1627	86,3
Total Compliance for Supply System	36225	2976	91,80

There were significant improvements in the water quality produced from the Balkfontein Water and Virginia Treatment Works throughout the financial year concerned. The operational compliance percentage increased from **70% in Q1 to 97% in Q4**, as a result of the interventions undertaken by the region in improving water treatment processes. Although water quality in the Vaal River catchment **continues** to deteriorate due to pollution and changes in **climatic** conditions. Nonetheless, the overall water quality met the SANS 241:2015 Drinking Water Standard.

Vaal Gamagara Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	368	16	95,6
Acute health – 1 Chemical	36	0	100
Chronic health	907	10	98,9
Aesthetic	1221	10	99,2
Risk-defined operational (final stage to water distribution)	1980	94	95,2
Total Compliance for Supply System	4512	130	97,1

The Vaal Gamagara Water Treatment Works also obtains its raw water source from the Vaal River. There were some challenges experienced as a result of inadequate disinfection, leading to some bacteriological failures in the distribution network and a compliance percentage below the required specification of 99.9%. Overall, the water quality met the SANS 241:2015 Drinking Water Standard.

Henkries Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	157	2	100
Acute health	406	0	84,7
Chronic health – 1 Chemical	191	0	94,6
Aesthetic	808	32	86,9
Risk-defined operational (final stage to water distribution)	716	114	73,8
Total Compliance for Supply System	2278	148	95,0

The Henkries Water Treatment Works had operational failures relating to turbidity during the year under review, but the water produced could be classified as good. Overall, the water quality met the SANS 241:2015 Drinking Water Standard.

Pelladrift Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	98	0	100
Acute health	236	36	84,7
Chronic health – 1 Chemical	112	1	94,6
Aesthetic	472	62	86,9
Risk-defined operational (final stage to water distribution)	424	111	73,8
Total Compliance for Supply System	1342	215	84,0

The Pelladrift Water Treatment Works had some water quality challenges, because the works were designed and built (and later upgraded) without a filtration facility. Due to the lack of filters, it is impossible to achieve turbidity of less than 1 NTU. However, there was significant improvement in overall compliance during the 2024/2025 review period.

Phokwane Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	68	3	95,6
Acute health	229	0	100
Chronic health – 1 Chemical	152	1	99,3
Aesthetic	296	18	93,9
Risk-defined operational (final stage to water distribution)	285	56	80,4
Total Compliance for Supply System	1030	78	92,4

Overall, the Pampierstad Water Treatment Works achieved a 92.4% drinking water compliance percentage and met the SANS 241:2015 Drinking Water Standard. Although not in the excellent category of the Standard, water quality has still been classified as good.

Ga-Segonyana Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	336	63	81,3
Acute health	990	78	92,1
Chronic health – 1 Chemical	439	0	100
Aesthetic	1282	12	99,1
Risk-defined operational (final stage to water distribution)	885	69	99,2
Total Compliance for Supply System	3932	222	94,4

The quality of water in the Ga-Segonyana Water Supply System met the SANS 241:2015 Drinking Water Standard. Since all water is untreated underground water, it is inevitable to have some bacteriological failures. However, the water is treated on-site by adding disinfectant when microbiological failures occur.

Caledon River Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	475	1	99,8
Acute health	343	0	100
Chronic health – 1 Chemical	1345	2	99,8
Aesthetic	1621	21	99,0
Risk-defined operational (final stage to water distribution)	1391	52	96,0
Total Compliance for Supply System	5175	76	99,0

Water quality at the Welbedacht Dam Water Treatment Works met the SANS 241:2015 Drinking Water Standard. Overall, the water quality is classified as excellent according to SANS 241:2015, except for a few turbidity failures during heavy rainfall in the catchment.

Modder River Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	556	0	99,9
Risk-defined operational (final stage to water distribution)	1320	22	99,8
Acute health – 1 Chemical	244	3	99,8
Chronic health	1291	4	99,9
Aesthetic	956	1	99,9
Total Compliance for Supply System	4367	30	96,86

Water quality at the Rustfontein Dam Water Treatment Works met the SANS 241:2015 Drinking Water Standard. Overall, the water quality is classified as excellent according to SANS 241:2015, except for a few turbidity failures during heavy rainfall, and occasional cyanobacteria blooms in the catchment area.

Orange River Water Supply System			
Performance Indicator	# Analysed	# Failed	Compliance
Risk-defined health (acute or chronic)	420	0	100
Risk-defined operational (final stage to distribution waters)	190	0	100
Acute health – 1 Chemical	805	0	100
Chronic health	819	1	100
Aesthetic	932	13	99,2
Total Compliance for Supply System	3166	14	100

Water quality at the Bethulie Water Treatment Works met the SANS 241:2015 Drinking Water Standard. Overall, the water quality is classified as excellent according to SANS 241:2015.

7.5 Conclusion

Throughout the 2024/2025 financial year, Vaal Central Water benefited significantly from the specialised expertise of Scientific Services and the Institute of Groundwater Studies at the University of the Free State. These institutions provided critical support through chemical and bacteriological analyses, which underpin the production of potable water, environmental management and process optimisation. Looking ahead, Vaal Central Water's Quality Control Laboratories will in the 2025/2026 financial year assume responsibility for most of these analyses in-house, in line with the Entity's strategic objective to perform all water quality testing internally.



Final turbidity testing



Sterilising bacteriological sampling bottles



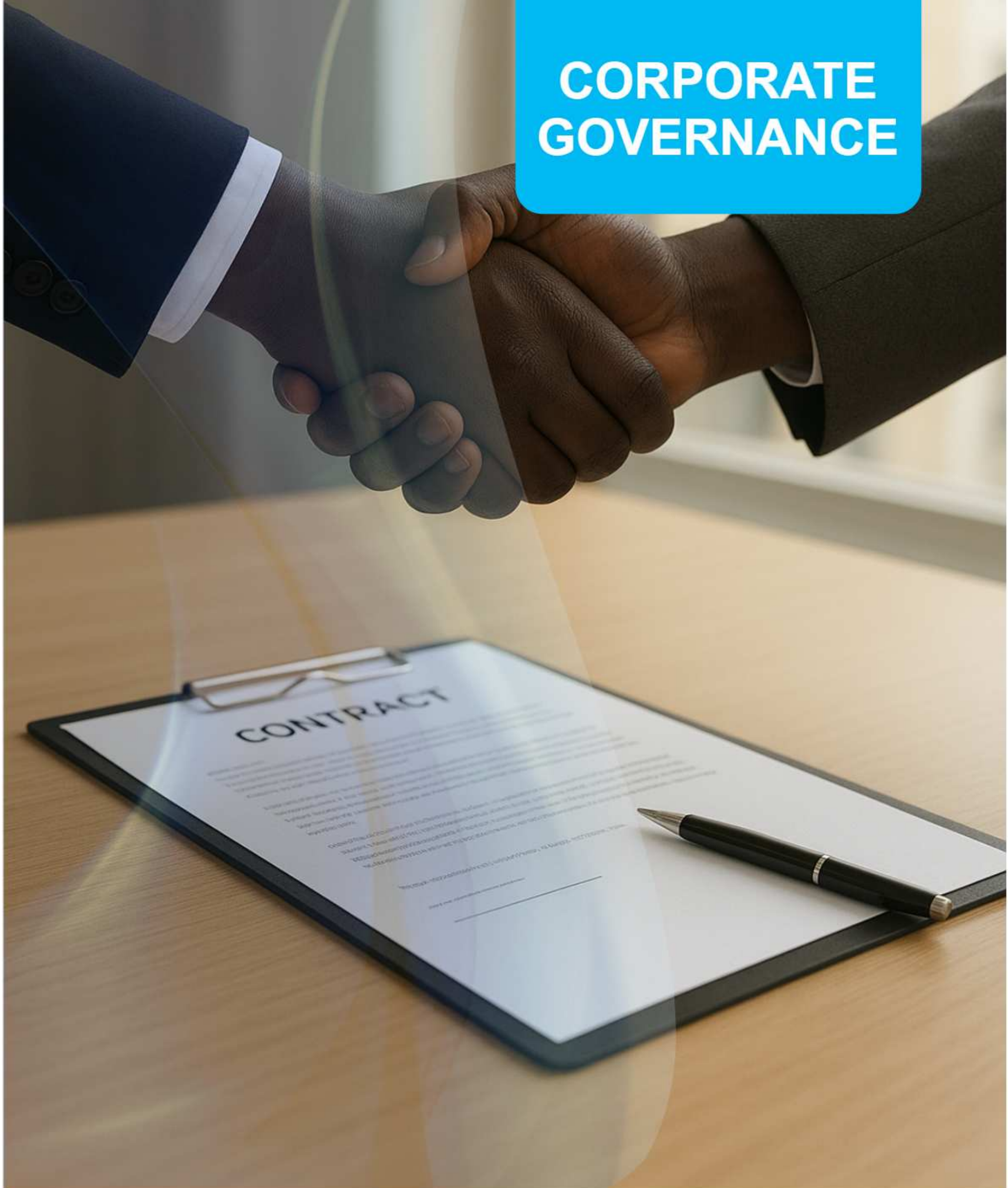
Incubating bacteriological samples



Sampling for operational monitoring

PART C

CORPORATE GOVERNANCE



1. INTRODUCTION

The Board of Vaal Central Water continued to effectively exercise its power and control over the critical functions of the Entity, assisted by the leadership qualities and corporate governance insights of the Directors. The Board's due diligence led to effective control of the organisation's activities and prudent management of its financial resources to deliver on its mandate. Vaal Central Water maintained an unqualified audit opinion for the 2024/2025 financial year.

The Board, supported by Management, monitored Vaal Central Water's performance and effectively dealt with key strategic matters. Furthermore, the Board also managed the Entity's budget by maintaining leading practices in financial management and reporting. Key governance instruments and policies were likewise reviewed to ensure relevance to environmental changes. All meetings of the Board were convened as planned, and additional meetings were held, as and when required.

2. PORTFOLIO COMMITTEES

Vaal Central Water appeared before the Portfolio Committee of Water and Sanitation in Parliament on 29 October 2024, presenting on its Corporate Plan over the medium-term, including reflections on achievements and challenges. Furthermore, the Vaal Central Water Board has responded timeously to all parliamentary questions received during the year under review.

3. EXECUTIVE AUTHORITY (MINISTER OF WATER AND SANITATION)

The Shareholder Compact signed by the Minister and the Board requires that the Entity be accountable and provide assurance to the Executive Authority (the Minister of Water and Sanitation) and Parliament on the performance, governance, and sustainability of the Entity.

Vaal Central Water's Business Plan 2025/2026 was submitted to and approved by the Minister and thereafter, tabled in Parliament. Reporting on the performance of the Entity against the key performance indicators was done through quarterly performance reports to provide updates to the Minister.

The Vaal Central Water Annual Report 2023/2024 was prepared as per governance prescripts and in compliance with the National Treasury Annual Report Guide for Schedule 3B Public Entities, and was approved by the Board on 29 October 2024. The finalised Annual Report was submitted to the Minister, National Treasury, in compliance with section 55(1)(d) of the PFMA by 31 October 2024.

4. ACCOUNTING AUTHORITY (BOARD OF VAAL CENTRAL WATER)

The Board subscribes to good corporate governance guided by the Water Services Act, Board Charter, PFMA and other statutory codes, including the King IV Code on Corporate Governance for South Africa. The Board performed its oversight duties to ensure that Directors, employees and stakeholders were focused on bringing the organisation's values to the fore. In doing so, the Board sets the tone for ethical leadership, which paved the way to ensure that the end users within the area of mandate are served by accountable employees, who exemplify the Entity's values and aim to excel in their duties.

In the 2024/2025 financial year, the Board reviewed and approved governance instruments; monitored the execution of the Business Plan through quarterly reports; and considered and approved policies and strategic plans to ensure effective risk management within Vaal Central Water.

The Board consists of independent, non-executive Directors, who possess diverse skills and experience in the fields of engineering, law and related legal issues, science, human resources, finance, accounting, business and risk management.

During the reporting period, the Board of Vaal Central Water had two resignations, including one Director, Ms. E. Rockman, being appointed as MEC in the Free State Government, and Mr. L.X. Ntoyi, being appointed as the Chief Executive of the Entity.

4.1 Profiles of Board Members

**Adv. M.S. Msibi****Chairperson of the Board****Appointed: October 2023 – September 2027*****Academic and professional background***

Bachelor of (LLB); B. Juris

Employment history

Adv. Msibi has a vast experience in public service. He served as a member of the Free State Provincial Executive Committee, and was also appointed earlier as a member of the Council of the University of the Free State; Chairperson of the Free State Tender Board; and Chairperson of the National Rationalisation Committee for the Department of Justice. After being part of a South African delegation to the USA, where he assisted in the formation and formulation of procurement policies, he served as the Mayor of Greater Harrismith and the Head of the Department of Public Works, Roads and Transport in the Free State Provincial Government.

Expertise and core skills

Adv. Msibi possesses extensive experience of more than 25 years in the legal, administrative and business environments, with a proven track record of improving operational efficiency, customer/stakeholder relations, and the overall profitability of businesses or institutions. He previously worked as an Advocate in the Independent Bar and currently serves as the Chief Executive Officer of the Road Traffic Management Corporation.

**Adv. L.R. Bomela****Deputy Chairperson of the Board****Appointed: October 2023 – September 2027*****Academic and professional background***

Adv. Bomela served his articles of clerkship with the law firm Schutz and De Jagers, as well as with Lawyers for Human Rights (Karoo Mobile Law Clinic). He served as a Public Prosecutor with the Department of Justice and Constitutional Development, and was also appointed as an Assistant State Attorney and a Senior Assistant Attorney in the Office of the State Attorney in Bloemfontein and Bisho.

Employment history

Adv. Bomela practiced in partnership and as a director in the law firm Du Toit Bomela, and later operated his own independent law practice under the name Bomela's. Thereafter, he joined the Department of Health, Free State as the Director of Legal Services. After leaving the department, he became the Company Secretary of Centlec (SOC) Limited. While serving in this position, he continued practicing for his own account. He is currently a member of the Free State Society of Advocates. His experience as a practicing advocate spans over 14 years.

Expertise and core skills

Adv. Bomela is a former non-executive Director of Centlec (SOC) Limited; a former member of the Free State Law Society Gender Committee; and a former Secretary (two terms) of the National Association of Democratic Lawyers, Free State. His current field of specialty is corporate governance, labour law, administrative law and the law of contracts. He is likewise an accredited arbitrator, mediator, negotiator and facilitator with the Arbitration Foundation of Southern Africa.



Ms. M.G.M. Jele

Appointed: October 2023 – September 2027

Academic and professional background

Master's Degree from the University of Pretoria in Public Administration, focusing on Municipal Infrastructure; Civil Engineer B-Tech degree in Urban Design and Planning from the University of South Africa.

Employment history

From 1994 to 2006, Ms. Jele followed a career in civil engineering being employed in numerous positions, such as control engineering assistant and deputy technical manager. Her key accountabilities were the supervision of maintenance and construction sub-sections, as well as

planning, controlling and coordinating civil engineering functions and services (water and sanitation, roads and stormwater, town planning and building control). Other major responsibilities included the implementation of projects and ensuring compliance with standards, policies, specifications and regulations within the technical department. Furthermore, Ms. Jele served as an Assistant City Engineer from April 2005 to October 2006, and was thereafter appointed as the Manager of a Project Management Unit (PMU) for Infrastructure Division Services from November 2006 to October 2021. In her position as PMU manager, she likewise served as an Acting Executive Director (Infrastructure and Services) between the years 2010-2011 and 2016-2017.

Expertise and core skills

Ms. Jele's extensive experience lies in managing municipal infrastructure division services, and ensuring that municipal funds/grants are administered and managed in an effective and efficient manner. During her career spanning 27-years, she has served in numerous operations and stakeholder government departments, as well as in various organisations to provide leadership and direction for diverse and complex projects. Ms. Jele's professional involvement include interpreting business strategy; developing organisational objectives to align with strategy as per Municipal Integrated Development Plans and Spatial Development Frameworks; and ensuring competence and continuity in qualified staff through optimum selection, development and appraisal in accordance with appropriate policies and procedures.

Academic and Professional Background

Mr. Fransman is professional engineer (Pr. Techni Eng) and registered with the Engineering Council of South Africa (Registration Number: 200230173). He is also a registered member of the South African Institute of Electrical Engineers (Registration Number: 10981).

Employment History

Mr. Fransman is currently serving as the Chairperson of the Vaal-Orange Catchment Management Agency; a Board Member of the Northern Cape's Provincial Growth & Investment Council; and the Lead Independent Director on the Northern Cape Cricket Board. He also served as the Chairperson of RTS FM and CEO of Aga Mzansi Technical Consultancy, where he managed the town planning of De Aar 1400 and De Aar 1000, as well as the Britstown 800 and Hanover 600 Human Settlements Projects. These projects were successfully handed over



Mr. D.S.E. Fransman

Appointed: October 2023 – September 2027

in 2014. Furthermore, Mr. Fransman served as CEO of Silver Solutions, which for example provided services as Turnkey Implementing Agent to the Emthanjeni Municipality.

Expertise and Core Skills

Mr. Fransman has vast experience in process and project management, especially in Engineering Management,

Human Resources & Ethics, and Leadership and Corporate Governance. In addition, he has extensive experience in Executive Management, Technical Experience (Engineering), and Pastoral, Moral and Ethical Leadership. He also has experience in serving on different Boards of Directors, as well as in leading School Governing Bodies.

strategic management. As the former Acting Dean of Student Affairs at Central University of Technology, she was also responsible for (among others) strategic leadership in ensuring a student-centered approach to governance and student affairs. Moreover, she likewise serves as a Board Member of the Free State Development Corporation.

Experience and Core Skills

Ms. Nakedi is an accomplished professional who has acquired extensive experience in strategic management, development communication, local government management, private sector management and public administration. Her acquired experience and expertise in the public and private sectors in various roles include Information Management, Public Administration, Development Communication, Education Services, Corporate Communications, Executive Administration and Local Economic Development.

Ms. Nakedi is passionate about the development of young people and demonstrated her capacity and capability through developmental programmes for students as a former Acting Dean of Students, and currently a Faculty Administrator at the Central University of Technology. She also worked for various employers including inter-alia, the Public Service Commission, Department of Health, Mafikeng Municipality, Tshwane Metro Council, P.G. Bison and Eskom. Additionally, Ms. Nakedi is a development oriented black feminist, and passionate about intersectionality jurisprudence, public leadership, and management and public administrative tools.



Ms. M.F. Nakedi

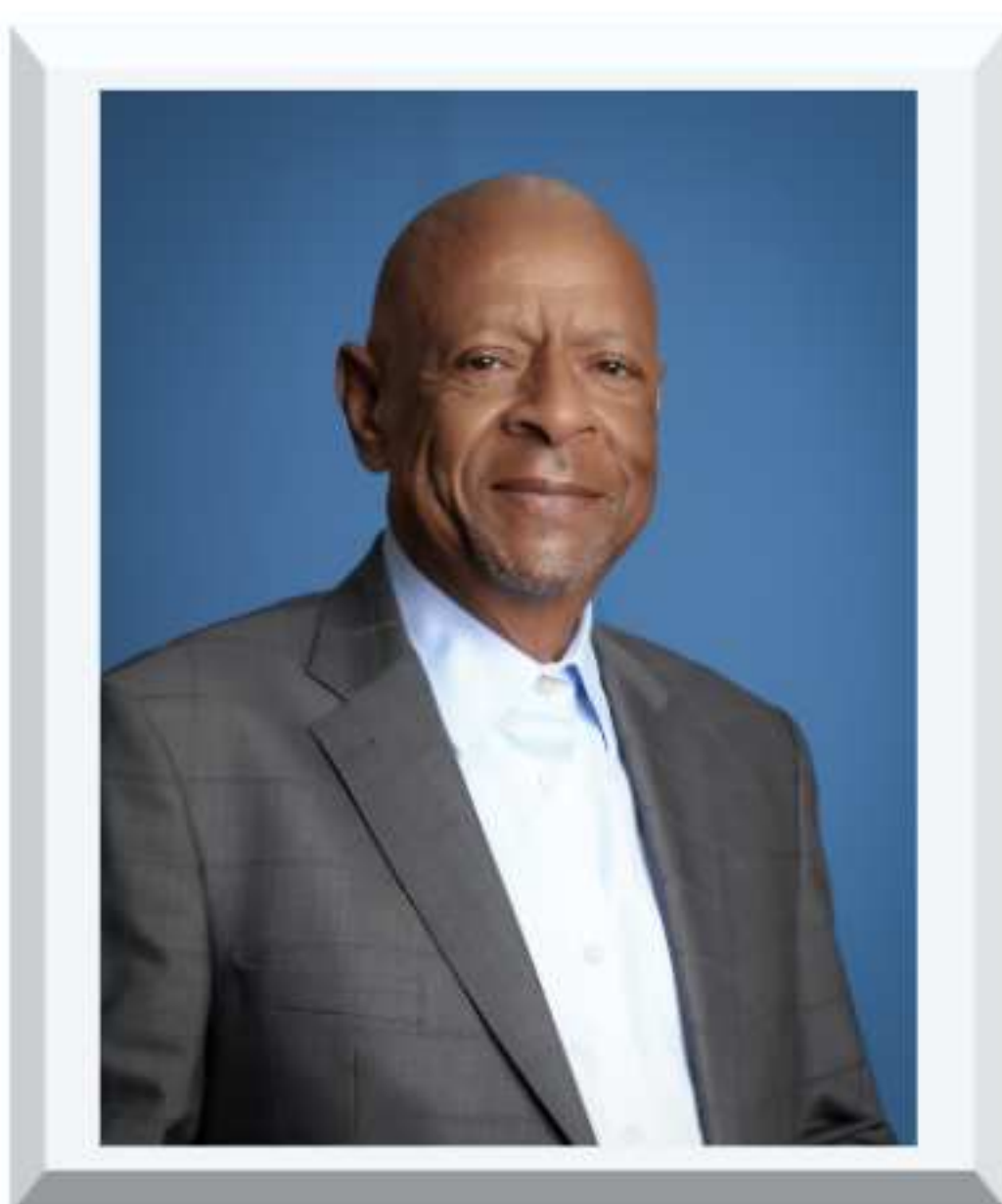
Appointed: October 2023 – September 2027

Academic and Professional Background

Ms. Nakedi attended the Batswana High School in Mafikeng and matriculated with exemption from the Khululeka Educational Institute in Johannesburg. She holds an MPhil in Human Rights Law, and is currently an LLD researcher at the University of Pretoria, focusing on comparative human rights jurisprudence in South Africa and the USA through the lens of intersectionality analysis from a Black feminist perspective. She is likewise a Development Communication specialist and holds a BA in Communication and a BA (Honours) in Development Communication from the North West University.

Employment History

Currently, Ms. Nakedi is the Faculty Administrator of Health and Environmental Sciences at the Central University of Technology, where she is responsible for faculty administration, policy implementation and



Mr. T. Manyoni

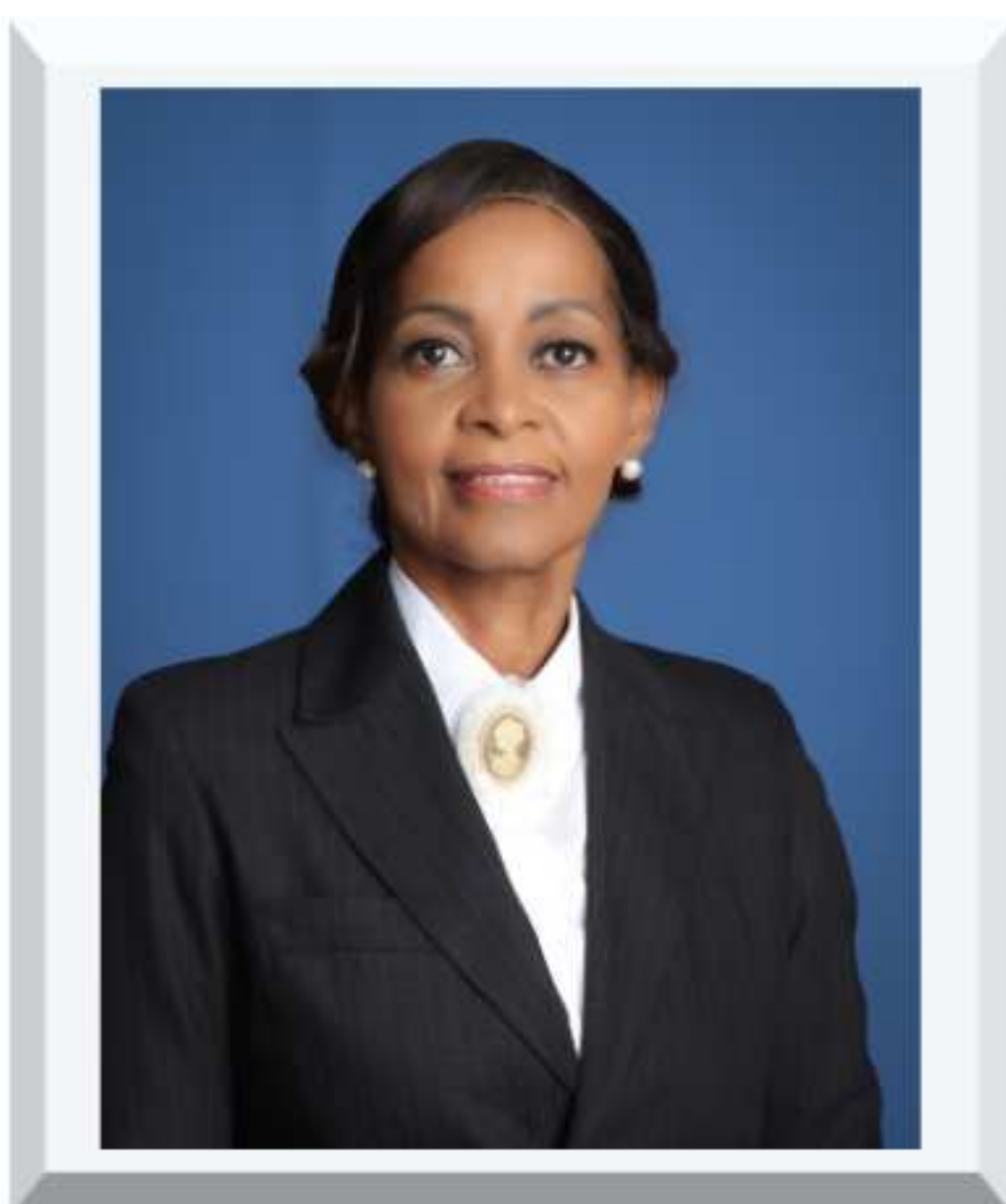
Appointed: October 2023 – September 2027

Academic and professional background

BA degree (University of the Witwatersrand); Diploma in Business Management; Certificate in Leadership (University of Pretoria).

Employment history

Mr. Manyoni's employment history include: CEO: FS Tourism; Municipal Manager: Maluti-a-Phofung



Ms. T.N.N. Sandlana

Appointed: October 2023 – September 2027

Academic and professional background

Ms. Sandlana holds a B.Com (Hons); H.E.D; M.B.A; CQA

Municipality; City Manager: Mangaung Metropolitan Municipality; MEC: Police, Roads and Transport; Executive Mayor: Mangaung Metropolitan Municipality; Chairperson: SALGA; President: United Cities and Local Governments (SADEC); Vice President: United Cities and Local Governments – Africa; and MPL: Parliament of SA. Mr. Manyoni is presently also the Executive Chairperson of the Demarcation Board.

Expertise and core skills

Mr. Manyoni's expertise and core skills relate to being a local government practitioner with extensive senior level executive management experience, including advanced administrative and corporate governance skills across a range of differently sized municipalities; a proven and a well-developed understanding of local government functions both in local (SA) and international settings; exposure and experience in leading local governments in SADEC countries; a strong reputation for delivering results through collaboration amongst diverse teams; experience in managing and operating at international settings and handling of international relations; experience as Executive Authority and MPL providing for efficiency in policy formulation; in-depth understanding of legislative frameworks related to development and service delivery; and leading and managing projects at strategic and operational levels.

and CBCI, and is currently also studying CD(SA) with IODSA. Furthermore, she is a member of the Institute of Internal Auditors of South Africa (IIA); the South African Institute of Chartered Accountants (SAICA); the Independent Regulatory Board for Auditors (IRBA); the Institute of Directors; the Institute of Risk Management in South Africa; and the Business Continuity Institute. Previously, Ms. Sandlana served as a Board Member of the City of Johannesburg Parks and Zoo, including being the Chairperson of the Risk Committee and a member of the Audit and Risk Committee, while also fulfilling duties as a member of the Audit and Risk Committee of Gauteng Enterprise Propeller. At present, she serves as a Board Member of the Free State Development Corporation, where she also acts as Chairperson of the Audit and Risk Committee and the Finance and Investment Committee and serves as a member of the Human Resource Committee. Moreover, Ms. Sandlana also serves as a Board Member of a Special Economic Zone and being the Chairperson of the Audit and Risk Committee concerned. Additionally, she is a member of the Audit and Risk Committee of the Mafube Local Municipality. Earlier, Ms.

C Sandlana was a director/partner in the Corporate Governance Services Division at Sizwe Ntsaluba Gobodo for more than 10 years. At the moment, she is a director at PKF (Advisory) Services (Pty) LTD.

Employment history

Ms. Sandlana has more than 20 years of experience in risk management, internal audit and related fields; and worked for the three of the largest four audit firms: Ernst and Young, PwC and KPMG. Further experience includes being a director in charge of both consulting and audit projects; being part of the finance team at Anglo American Gold Division and AngloGold Ashanti; and being the head of the internal audit department at a self-administered medical scheme (Egolide Health Services) within the

AngloGold Group. Her professional experience likewise includes substantial exposure to internal audits, governance and risk assignment in national and provincial entities at departmental and local government level.

Expertise and core skills

Ms. Sandlana's consultancy capabilities relate to internal auditing; managing outsourced internal audit at a large public entity; providing internal audit and risk management services to various complex and challenging clients; and having extensive experience in various private industries, including financial services, mining, medical schemes and pension funds.



Ms. G.W. Phakathi

Appointed: October 2023 – September 2027

Academic and professional background

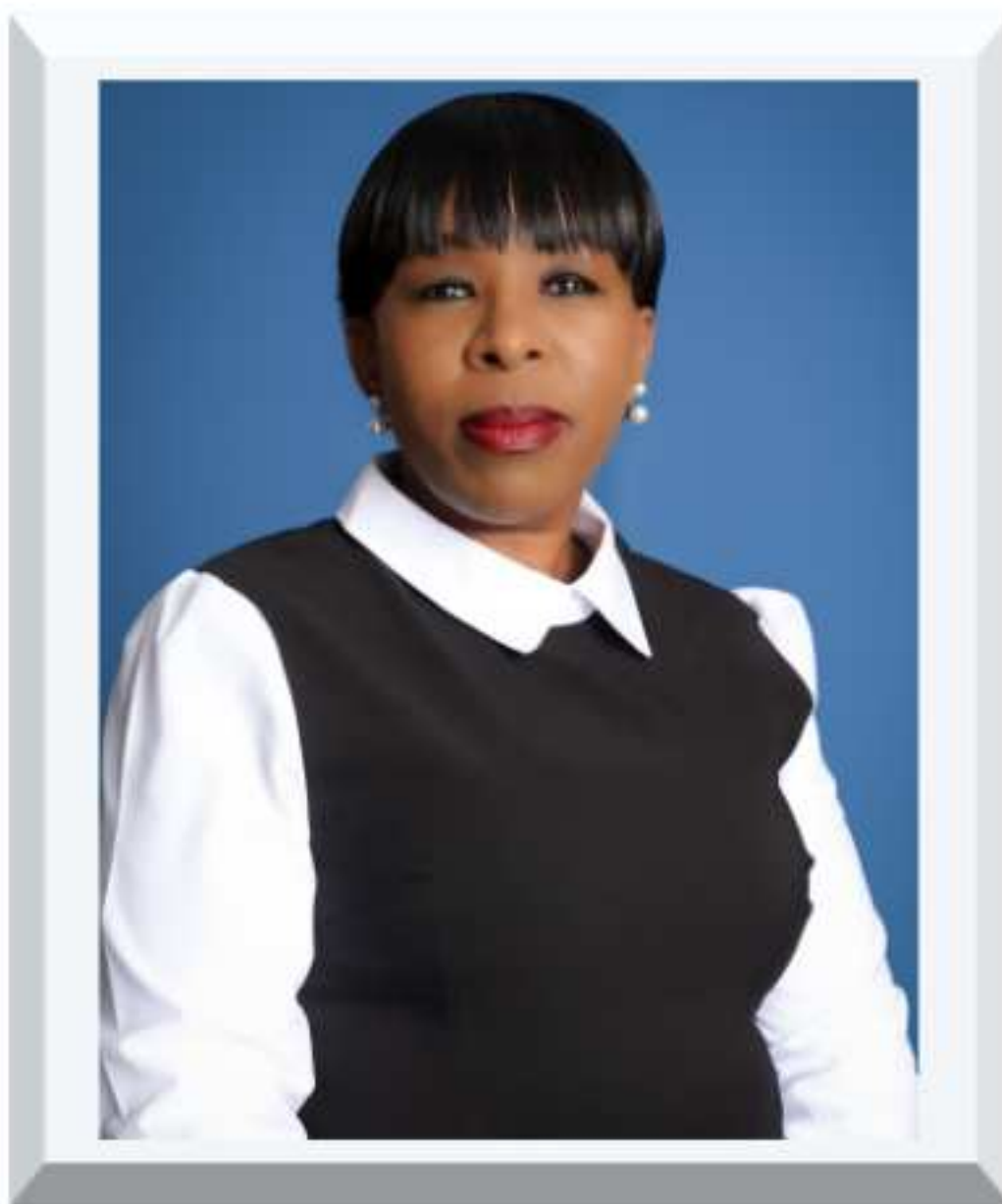
NDIP (Mechanical Engineering); B.Tech Degree in Mechanical and Engineering

Employment history

Ms. Phakathi's career commenced in the manufacturing and production sector. Later she joined in the engineering and construction industry, working as a project manager, as well as mechanical and project engineer on various projects, some of which required quantity surveying expertise. She is currently serving as a Chairperson of the Johannesburg Water Board. Her experience in project management, engineering and construction serve as an advantage to her involvement in the water sector.

Expertise and core skills

Ms. Phakathi is a skilled professional with 13 years of experience in the Build Environment, Project Management and Construction and Engineering (project engineer, project manager, mechanical engineer). Moreover, she has experience in the water sector as a Project Manager/Project Engineer on various water treatment solutions, water services management, water resource management, water project management, environmental management and construction management. Ms. Phakathi is a decisive and committed individual, who not only applies innovative skills spectrums, but also presets as a team player functioning well within any project team.



Adv. T.D. Segoe-Backward
Appointed: October 2023 – September 2027

Academic and Professional Background

Adv. Segoe-Backward holds a B Juris degree (University of the Western Cape); an LLB degree (University of the Western Cape); and a Post Graduate Diploma in Drafting and Interpretation of Contracts (former RAU, currently known as the University of Johannesburg). She likewise obtained the following certificates: Contracts Management Certificate (Gamelihle Consulting); Mediation and Conflict Resolution/Alternative Dispute Resolution Certificate (Resolve Consulting); Discipline in the workplace Certificate (CCMA); as well as a Business Management Certificate (UNISA) and Constitutional Interpretation of Statutes Certificate (University of Pretoria).

Employment history

Adv. Segoe-Backward's employment history include: Candidate attorney at Mokoena Rajuili Attorneys; Legal Officer at Lawyers for Human Rights; trade and industry advisor at Department of Economic Development; Registrar for the Consumer Court; legal advisor for the Department of Social and Development; serving as an Audit Committee member at the Departments of the Premier, Treasury and Agriculture; former member of the Risk and Audit Committees at Motheo FET College; serving as a member of the Free State Rental Housing

Tribunal, and serving as a member of the Free State Consumer Court. Adv. Segoe-Backward is also the director of a legal and business consulting firm.

Expertise and core skills

Adv. Segoe-Backward's expertise and core skills include: Administrative Law; Governance; Contracts Management; Labour Law; Human Rights; Drafting and Interpretation of Legal Documents; Commercial Contracts; Business Management; Conflict Resolution; and Mediation and Arbitrations, among others.



Mr. A.M. Rantho
Appointed: October 2023 – September 2027

Academic and professional background

Senior Education Diploma; Human Resources Diploma; Leadership Certificate; Post Graduate Diploma in Governance and Public Management; Post Graduate Diploma in Governance and Political Transformation; BTECH Project Management; Diploma in Economic Management.

Employment history

Mr. Rantho is the Executive Chairperson and Founder of Phetolo Petroleum (Pty) Ltd, which specialises in the sourcing, storage and distribution of petro-chemical products since 2006. He is also the Managing Member of Motla Investments, Best Ever Trading 565, and Leruo La Afrika.

Experience and core skills

Mr. Rantho is a strategic thinker and astute businessman with leadership abilities have been demonstrated in various organisations in the government and business sectors. His constructive involvement in the investment, petroleum, arms industry and construction industry is reflective of his character and leadership insight. Mr. Rantho has embarked on a number of successful entrepreneurial ventures, during which he gained extensive knowledge and experience in different industries, especially in the energy sector. His knowledge and skills as a project manager, as well as his experience in stakeholder management, strategic leadership, change management and cooperative governance allow him to interact at prominent levels with senior government officials and business executives. He has shown great passion for the energy sector, and dedicates himself to the execution of tasks with diligence and on time. He likewise has excellent writing and communication skills.

**4.2 The Board Charter**

The roles and responsibilities of the Board Members are set out in the Board Charter, which corresponds with what is stipulated in the Water Services Act of 1997 with regards to the powers, functions and duties of a Board. During the year under review, the Board reviewed its Charter as one of its governance instruments. The separation of responsibilities at board level, and between the Board and Management is clearly defined in the Board Charter.

During the financial year concerned, the Board ensured that it discharged its role and responsibilities as contained in the Charter, in that the Board:

- Signed a Shareholders Compact, which serves as the performance agreement between the Board and the Shareholder;
- Ensured that the Board Committees functioned effectively and fulfilled their fiduciary duties in terms of their respective mandates;
- Ensured that there is effective leadership coupled with high standards of ethics within the Entity; and
- Maintained constant engagements with stakeholders, as well as the Shareholder.

Moreover, the Board continued during the review period to act in the best interest of the Entity, while an independent service provider also evaluated the Board's performance.

4.3 Composition of the Board

During the 2024/2025 financial year, the composition of the Board was as follows:

Members	Age	Gender	Race	Academic Qualifications
Adv. M.S. Msibi	67	Male	African	B. Juris; LLB
Adv. L.R. Bomela	52	Male	African	LLM in Labour Law; LLB; B. Proc
Ms. M.G.M. Jele	50	Female	African	Master's in Public Administration and Infrastructure
Mr. D.S.E. Fransman	52	Male	Coloured	S3 (National Diploma in Electrical Engineering); Bachelor of Theology
Ms. B.F. Nakedi	52	Female	African	BA in Communications; BA (Hons) in Communications; Master of Philosophy in Multidisciplinary Human Rights Law
Adv. T.S. Segoe-Backward	50	Female	African	LLB B Juris; Post-graduate Diploma in Interpretations of Contracts
Mr. T. Manyoni	63	Male	African	BA
Mr. A.M. Rantho	54	Male	African	B. Tech in Project Management; Postgraduate Diploma in Governance & Political Transformation; Advanced Diploma
Ms T.N.N. Sandlana	62	Female	African	MBA; B. Com
Ms. G.W. Phakathi	39	Female	African	B. Tech in Mechanical Engineering; Diploma in Mechanical Engineering

4.4 Attendance of Board Meetings

Members	30/08/2024 Board Meeting	28/10/2024 Special Board Meeting	30/10/2024 Special Board Meeting	04/12/2024 Board Meeting	24/01/2025 Special Board Meeting	02/04/2025 Board Meeting	15/04/2025 Special Board Meeting	12/06/2025 Board Meeting
Adv. M.S. Msibi	v	v	v	v	v	v	v	v
Adv. L.R. Bomela	v	v	v	v	v	v	v	v
Ms. M.G.M. Jele	v	v	v	v	v	v	v	v
Mr. D.S.E. Fransman	v	v	v	v	v	v	v	v
Ms. B.F. Nakedi	v	v	v	v	v	v	v	v
Adv. T.S. Segoe-Backward	v	v	v	v	v	v	v	v
Mr. T. Manyoni	v	v	v	v	v	v	v	v
Mr. A.M. Rantho	v	v	v	v	v	v	v	v
Ms T.N.N. Sandlana	v	v	v	v	v	v	v	v
Ms. G.W. Phakathi	v	v	v	v	v	v	#	v
# Apology v In attendance								

Meetings of the Board and its Committees are scheduled annually in advance. Special Meetings are convened as and when required to address specific material issues. During the financial year under review, the Board conducted four (4) Scheduled Meetings and four (4) Special Meetings.

4.5 Board of Directors and Board Committees

Governance, as well as the responsibility for driving good corporate citizenship, is vested in a unitary Board, which is supported by several Board Committees and the Company Secretary. The Board, through its Committees, provides strategic direction to the Entity, while the Chief Executive, assisted by the Executive Committee (EXCO) and its Sub-Committees, is accountable to the Board for implementing strategy.

Six Board Committees were established to enable the Board to discharge its responsibilities. These Committees make recommendations to the Board to advance business efficiency. However, the Committees are not set on taking over the Board's overall responsibility. The Board Committees include:

- Audit and Risk Committee;
- Social and Ethics Committee;
- Finance Committee;

- Infrastructure Development Committee;
- Human Resources and Corporate Support Committee; and
- Information Communication Technology and Security Committee.

4.6 Functions of Board Committees and Meeting Attendance

4.6.1 Audit and Risk Committee (A&RC)

This Committee performs a statutory function and assists the Board with oversight over financial reporting, internal control, risk management systems, as well as internal and external audit functions. Amongst others, some of the key activities of this Committee include:

- Review of the Internal Audit Progress Report every quarter;
- Approval of the 2024-2025 Internal Audit Plan;
- Approval of the Internal Audit Operation Plan for the 2024/2025 financial year;
- Approval of Risk Assessment Reports every quarter;
- Approval of the Risk Management Implementation Plan; and
- Review of the Audited Annual Financial Statements for recommendation to the Board for approval.

Meeting Attendance

Members	29/08/2024 (Joint A&RC and FINCO meeting)	28/10/2024 (Joint A&RC and FINCO meeting)	30/10/2024 (Joint A&RC and FINCO meeting)	13/11/2024 Audit and Risk Meeting	27/02/2025 Audit and Risk Meeting	14/04/2025 Special Audit and Risk Meeting	29/05/2025 Audit and Risk Meeting
Ms T.N.N. Sandlana	v	v	v	v	v	v	v
Adv. T.S. Segoe-Backward	v	v	v	v	v	v	v
Adv. L.R. Bomela	v	v	#	v	v	#	#
Ms. B.F. Nakedi	v	v	#	v	v	v	v
# Apology v In attendance							
The Audit and Risk Committee of the Board conducted six ordinary meetings and one special meeting during the 2024/2025 financial year.							

4.6.2 Infrastructural Development Committee (IDC)

The Infrastructural Development Committee supports the Board in executing its duties with regards to the capital projects of the Entity.

Among others, some of the key activities of this Committee include:

- Ensuring that Vaal Central Water's procurement system for projects and infrastructure development

services is fair, equitable, transparent, competitive and cost-effective, as required by Section 217 of the Constitution, PFMA and Preferential Procurement Policy Framework Act (Act No. 5 of 2000) (PPPFA);

- Reviewing the infrastructure and expansion programmes of the organisation; and
- Ascertaining that the Maintenance Programme and schedules are adhered to.

Meeting Attendance

Members	13/08/2024	17/10/2024	25/02/2025	27/05/2025
Adv. L.R. Bomela	v	v	v	v
Ms. B.F. Nakedi	v	v	v	v
Mr. A.M. Rantho	v	v	v	v
Mr. D.S.E. Fransman	v	v	v	v
Ms. G.W. Phakathi	v	v	v	v
# Apology v In attendance				
During the year under review the Board Infrastructural Development Committee Meetings had four ordinary meetings.				

4.6.3 Social and Ethics Committee (SEC)

A rolling Annual Plan, which deals with the principles that are contained in the United Nations Global Compact, guides the Social and Ethics Committee in overseeing and monitoring the ethical and social practices of the

Entity. During the year under review, this Committee considered the extent to which organisational values are implemented, and the impact thereof on both internal and external stakeholders.

Meeting Attendance

Members	19/08/2024	01/10/2024	22/01/2025 Special Meeting	11/02/2025	20/05/2025
Mr. D.S.E. Fransman	v	v	v	v	v
Adv. T.S. Segoe-Backward	v	v	v	v	v
Ms T.N.N. Sandlana	v	v	v	v	v
Ms. M.G.M. Jele	v	v	v	v	v
# Apology v In attendance					
During the year under review, the Social and Ethics Committee had four ordinary meetings and one special meeting.					

4.6.4 Finance Committee (FINCO)

The Committee assists the Board in executing its mandate by ensuring the effective financial management of the Entity. During the review period, this Committee:

- Recommend the Significance and Materiality Framework to the Board for approval;
- Reviewed Irregular Expenditure and Fruitless and Wasteful Expenditure Reports for recommendation to the Board for condonation and noting;
- Reviewed Management Accounts for recommendation to the Board for approval every quarter;
- Reviewed the Audited Annual Financial Statements for recommendation to the Board for approval;

- Reviewed the Delegation of Authority for recommendation to the Board for approval;
- Recommended the Annual Review of the FINCO Charter to the Board for approval;
- Reviewed the 2024/2025 Business/Corporate Plan for recommendation to the Board for approval;
- Reviewed the Finance Strategy Implementation Plan;
- Reviewed the Supply Chain Management, Debt Management, and Information Technology Reports; and
- Reviewed the progress made on debt collection/cost-recovery for reporting to the Board.

Meeting Attendance

Members	27/08/2024	11/11/2024	13/02/2025	22/05/2025
Ms. G.W. Phakathi	v	v	v	v
Mr. T. Manyoni	v	v	v	v
Mr. D.S.E. Fransman	v	#	v	v
Adv. L.R. Bomela	#	v	v	v
# Apology v In attendance				
<i>The Finance Committee of the Board held four ordinary meetings during the year under review.</i>				

4.6.5 Human Resources and Corporate Support Committee (HRCSC)

This Committee is responsible for recommending remuneration, ethics and other human resources related policies, succession planning, training, as well as the evaluation of the Board and its Committees. Among others, some of the key activities of this Committee include:

- Recommendation to the Board of the Minimum Services Agreement for the Amanzi Bargaining Council;
- Recommendation of the Marketing and Communication

Policy to the Board for approval;

- Recommendation of Annual Performance Incentive Bonuses for Employees to the Board for approval;
- Recommendation of the Annual Salary Increase for Non-bargaining Levels to the Board for approval;
- Recommendation of the Executive Organisational Structure to the Board for approval;
- Review of Amanzi Bargaining Council matters;
- Consideration of the Safety, Health, and Environment Report; and
- Consideration and recommendation of the Skills Development and Employment Equity Plan.

Meeting Attendance

Members	01/08/2024	8/10/2024	18/02/2025	07/05/2025 Special Meeting	21/05/2025
Mr. T. Manyoni	v	v	v	v	v
Ms. M.G.M. Jele	v	v	v	v	v
Adv. T.S. Segoe-Backward	v	v	v	v	v
Mr. A.M. Rantho	v	v	v	v	v
Ms T.N.N. Sandlana	v	v	v	v	v
Ms. G.W. Phakathi	v	v	v	v	v
# Apology v In attendance					
<i>The Human Resources and Corporate Support Committee conducted four ordinary meetings and one special meeting during the review period.</i>					

4.6.6 Information Communication Technology and Security Committee (ITCSC)

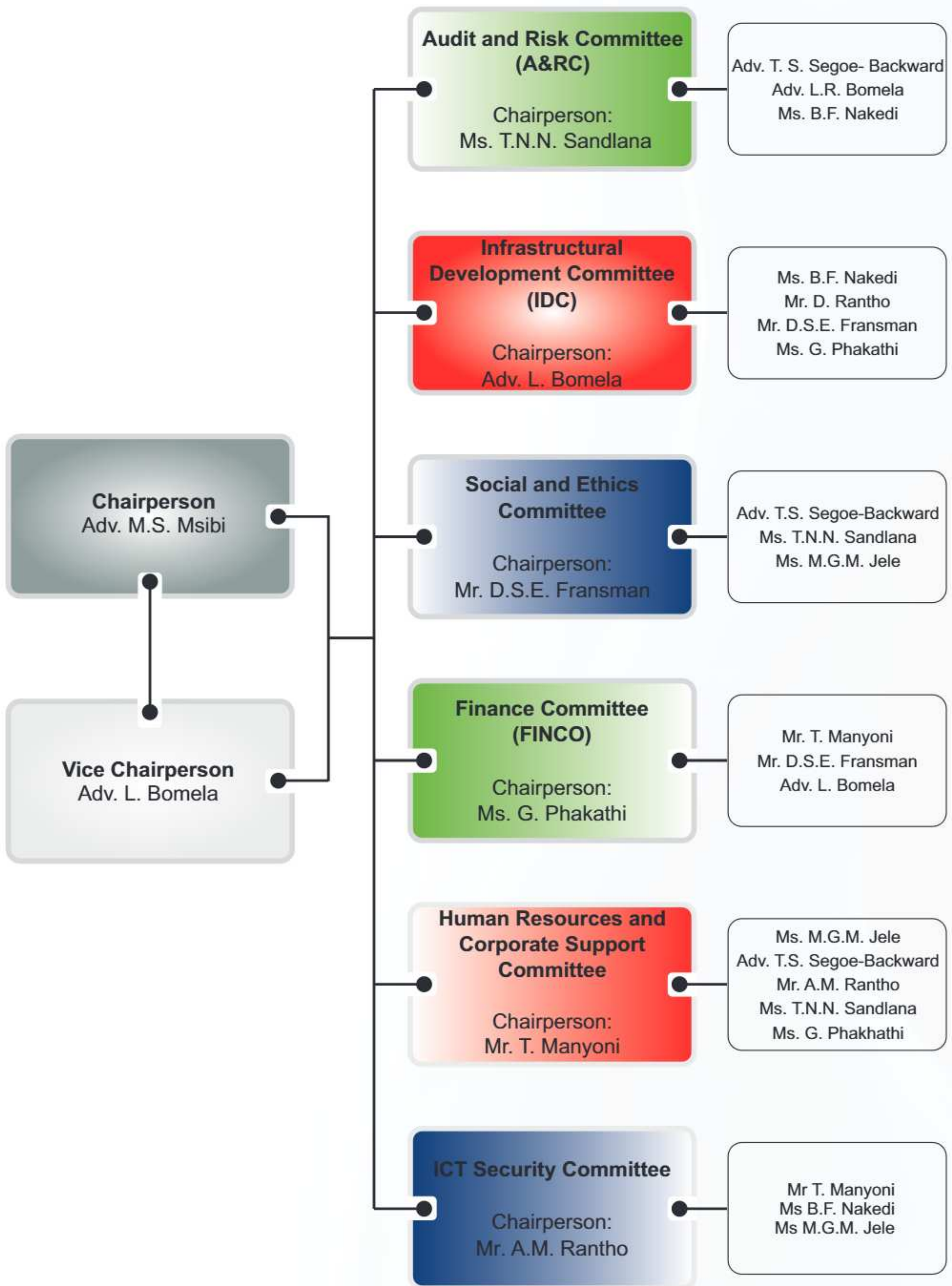
This Committee is responsible for assisting the Board in

the oversight of the Information, Communications Technology and Security of the organisation, and making recommendations to the Board in this regard.

Meeting Attendance

Members	15/08/2024	11/10/2024	18/02/2025	08/05/2025
Mr. A.M. Rantho	v	v	v	v
Mr. T. Manyoni	v	v	#	v
Ms. B.F. Nakedi	v	v	v	v
Ms. M.G.M. Jele	v	v	v	v
# Apology v In attendance				
<i>Four ordinary meetings were convened by the ICT and Security Committee of the Board during the review period.</i>				

4.7 Overall Structure of the Board



4.8 Remuneration of Board Members

The remuneration of Board Members is regulated in terms of Section 35(6) of Water Services Act of 1997, which reads as follows:

"Non-Executive members of a water board may be paid out of the funds of the water board for carrying out their duties as board members according to a level of remuneration approved by the Minister."

Therefore, the remuneration of Board Members takes place within the context of the legislative prescript. Board Member fees paid are explained in the Note 41 of the Annual Financial Statements of the year under review.

5. COMPANY SECRETARY

The Board benefited from the services of the Company Secretary, who played a critical role in ensuring the smooth running of the Board's activities. The Company Secretary acted as the primary point of contact and source of legal and governance advice for Non-executive Directors regarding the Entity and its activities, to support their decision-making process.

Board Secretariat activities also include the following:

- Providing the Board with assistance to review all governance instruments and keep up with the legislation, regulatory and corporate governance developments that have the potential to impact on Vaal Central Water;
- Facilitation of engagements with stakeholders, whenever required;
- Development of the Board members by inducting new members and arranging training programmes/content for members;
- Ensuring that Board and Committee Charters are up to date;
- Ensuring that the content of meeting agendas is agreed upon with the Chairperson of the Board and Committees, and that agendas and documents are distributed timeously to members and attendees;
- Performing all other necessary tasks to ensure that meetings were held as scheduled and ensuring that

the minutes of Board and Committee meetings were recorded, and agreed to by members of the Board and that the decisions were implemented; and

- Assisting with the facilitation of the evaluation of the Board, its Committees, and individual members.

6. RISK MANAGEMENT

6.1. Introduction

Vaal Central Water as one of the delivery vehicles of the Constitution of the Republic of South Africa through bulk water provision, is expected to be vigilant and respond to the full range of potential hazards that might compromise the safety and security of water as a scarce resource.

In order to meet this imperative expectation and achieve its strategic objectives, the Entity must forever be prepared for responding to risks and exploring opportunities that might also be presented by the risks. Therefore, by implementing enterprise-wide risk management the Board of Vaal Central Water has established a combination of culture, systems and processes to coordinate the identification and management of risk. These activities in turn support the Entity's decision-making processes and the achievement of objectives.

6.2. Risk Management Framework

In pursuance of maintaining public confidence, Vaal Central Water has put in place a set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the Entity. These components demonstrate the totality of all processes, procedures, documents, policies, resources and arrangements in place that contribute to risk management. Adherence to the following guiding documents supports the Entity's constitutional mandate:

Document Name	Strategic Intent
Enterprise Risk Management Policy	The Enterprise Risk Management Policy sets out Vaal Central Water's risk management philosophy within the context of how enterprise-wide risk management is being expected to support the Entity in achieving its operational and strategic objectives.
Enterprise Risk Management Strategy	The Risk Management Strategy describes the Entity's future vision, direction and objectives for risk management. It incorporates key activities designed to achieve these objectives, and the plan to build risk management capability and maturity.
Enterprise Risk Management Implementation Plan	The primary objective of the Risk Management Implementation Plan is to facilitate the execution of risk management. It gives effect to the rollout of the Risk Management Policy and Strategy, and set out all risk management activities planned for the 2024/2025 financial year.
Regulatory Compliance Policy	The Regulatory Compliance Policy sets out the Entity's strategic compliance matters and its commitment to compliance. It is intended to inform all Board Members and staff of Vaal Central Water in terms of what is expected from them with regards to compliance matters.
Regulatory Compliance Management Framework	The objective of the Regulatory Compliance Management Framework is to support and complement the Board's approved compliance policy. It further seeks to outline the structure of the Vaal Central Water compliance management process.
Regulatory Compliance Universe	The Compliance Universe assists the Entity to determine and understand what regulatory requirements were applicable to Vaal Central Water that needed to be adhered to as part of the Compliance Programme.
Business Continuity Management Policy	The Business Continuity Management Policy establishes the mandate for Business Continuity Management (BCM) by providing commitment to and minimum requirements for the implementation of the BCM Programme.
Business Continuity Management Framework	This Business Continuity Management Framework supports Vaal Central Water's BCM programme by providing further guidance in terms of the requirements that were set out in the BCM policy.
Business Continuity Plans	Business Continuity Plans provide Vaal Central Water with a structure and high-level processes to identify, respond to and manage any crisis affecting the Entity, thus recovering/continuing urgent and critical business processes in the shortest possible time.

6.3. Enterprise-wide Risk Assessment Report

Enterprise-wide Risk Management is a continuous broad-based application of risk management in all major functions and activities of an organisation, rather than in selected areas only. To accomplish this, a formal process whereby Vaal Central Water's risk profile was reviewed, had to be affected. This involved a structured approach to identify what could cause Vaal Central Water to deviate from its objectives, to determine how likely it was to happen, as well as the potential consequences thereof.

The 2024-2025 Risk Assessment Report saw the Entity recording 97 operational risks, which were managed routinely through the normal policies and standard operating procedures. These risks were categorised as operational in nature, due to being triggered by vulnerabilities influenced by employees, internal processes and systems, contractors, regulatory authorities and external events.

6.4. Strategic Risk Profile

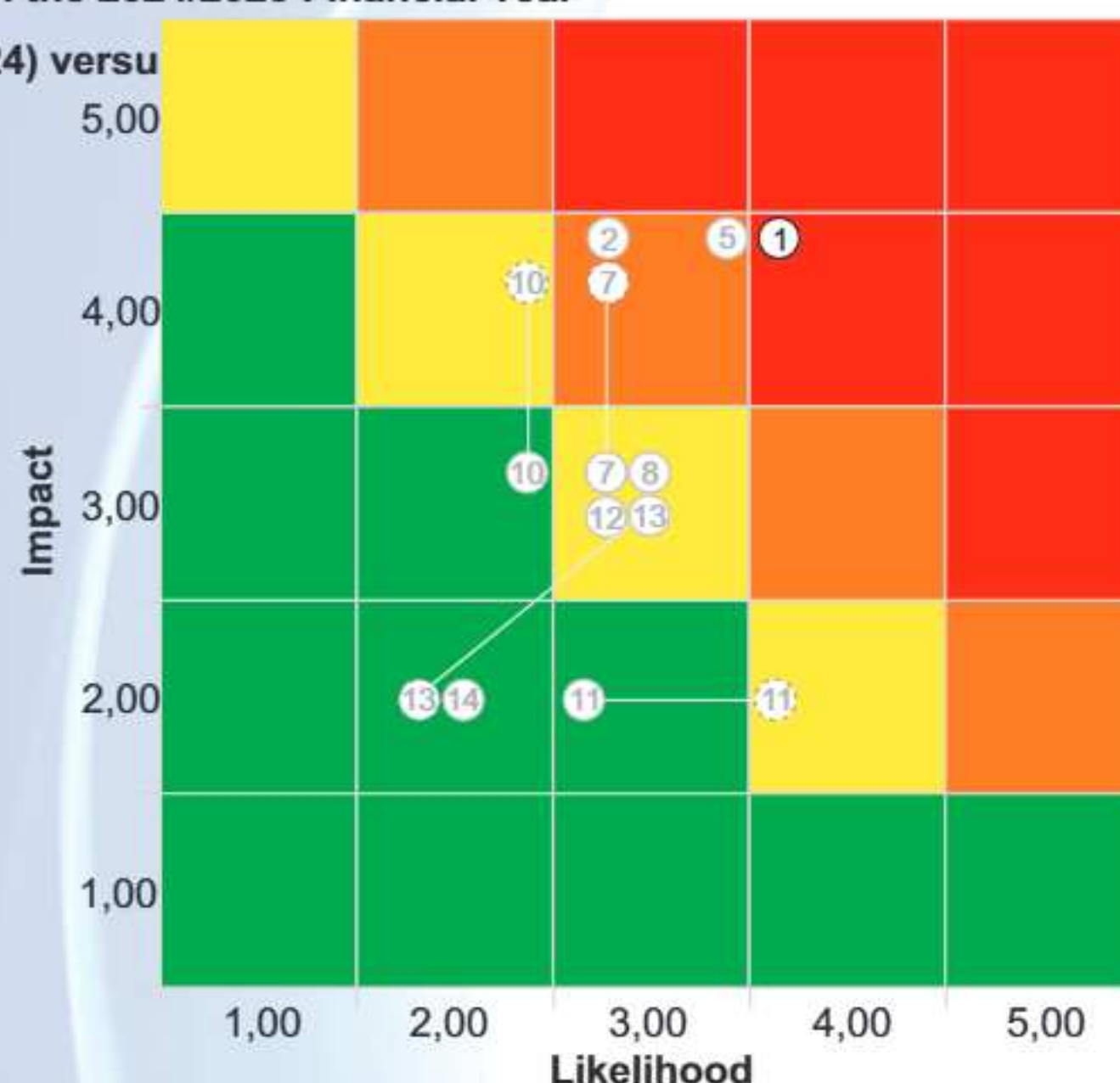
Strategic risks are those threats emanating from the strategic choices made by Vaal Central Water, specifically regarding whether such choices weaken or strengthen the Entity's ability to execute its constitutional mandate.

The Entity commenced the 2024/2025 financial year with 14 identified strategic risks. The number increased by two during the review period, as influenced by ongoing monitoring of risk trends, successes, failures and emerging risks. Towards the end of the financial year concerned, the Entity incorporated 16 strategic risks. The Strategic Risk Profile was included in all Board meetings as a standing agenda item.

The bar graph on page 96 provides a synopsis of the strategic risks as at the beginning and end of the review period.

Graph 1: Strategic Risks in the 2024/2025 Financial Year

Residual Risk (01 July 2024) versus



Number	Title	01 July 2024	30 June 2025	Risk Trend
1	Sustainability of the Entity	16,5	16,0	↔
2	Water infrastructure failure (challenges)	13,2	12,6	↓
3	Management (operations and maintenance) of Vaal Gamagara Water Scheme	N/A (identified during the financial year)	12,2	N/A
4	Procured contractors' capabilities (specialisation, financial, skills, etc.) not matching project objectives	N/A (identified during the financial year)	11,2	N/A
5	Security of strategic assets	11,2	10,6	↓
6	Project delays	N/A (added to Strategic Risk Profile during the financial year from OP profile)	10,4	N/A
7	Failure to meet customer demands (water availability/water outages)	9,2	9,2	↔
8	Pension fund transfer (Section 14 transfer)	10,6	8,5	↓
9	Manipulation of progress in construction projects	N/A (identified during the financial year)	8,2	N/A
10	Water quality failure	6,2	6,2	↔
11	Disruption of water operations (Eskom loadshedding)	6,0	5,2	↓
12	Occupational Health and Safety (personnel injuries, illness and fatalities)	7,0	7,0	↔
13	Fraud and corruption	7,2	6,1	↓
14	Non-alignment of the ICT Initiatives or processes with the strategic objectives of Vaal Central Water	5,6	5,4	↔
15	Natural and man-made disasters	5,8	5,2	↔
16	Decreasing water volumes/sales (low demand).	4,9	4,5	↔
17	Implementation of Ministerial Directives	11,6	N/A (broken down into Risk 4 & 6 during the financial year)	N/A
18	Chief Executive vacant position	10,0	N/A (resolved risk during the financial year)	★

Legends:

↑ Increasing Risk

↓ Decreasing Risk

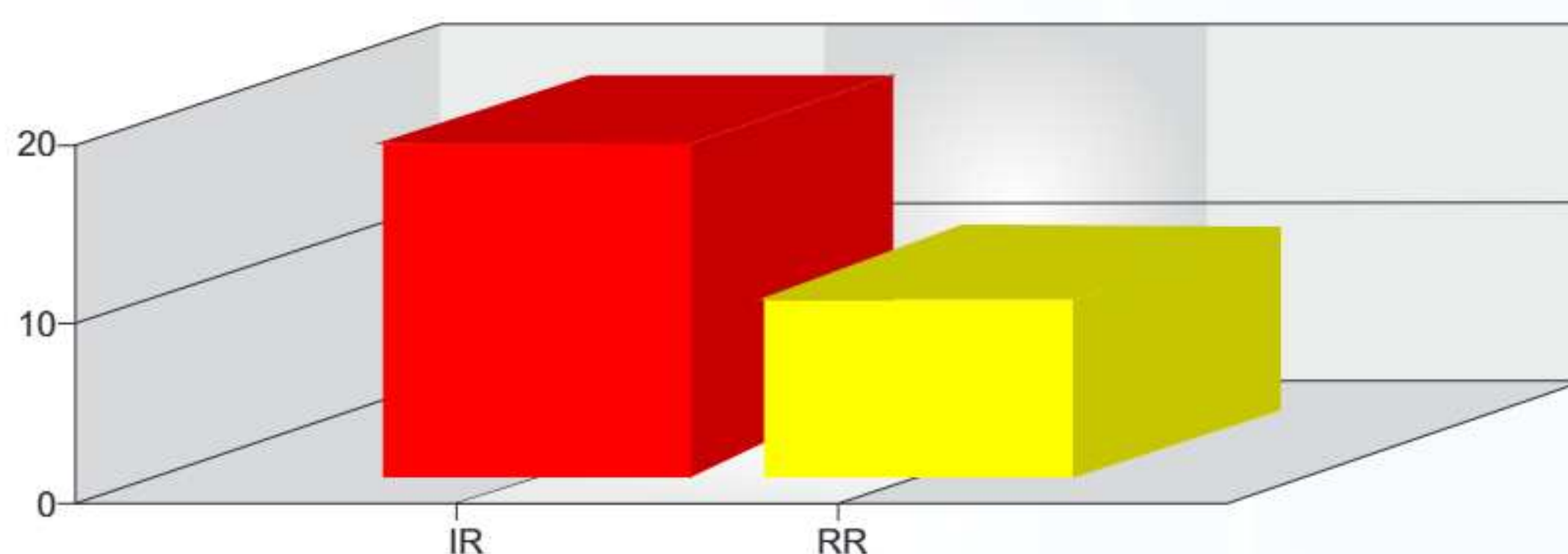
↔ Stable Risk

★ Fully Mitigated

Legends/Captions

Colour Code	Colour Code
Low	Low
Moderate	Moderate
High	High
Extreme	Extreme

Graph 2: 2024/2025 Strategic Risk Profile as at 30 June 2025



	Title	Rating
1	IR	18,9
2	RR	9,0

Risk Profile Status Descriptor	
Status Rating	Description
Extreme	No controls/controls identified are not adequate to mitigate the risks identified. Pervasive weaknesses in the control of the environment and/or instances of non-compliance with internal controls and legislation.
High	The required control(s) are not implemented. The risk may not be adequately mitigated should it occur, and the organisation may suffer considerable consequences.
Moderate	The controls implemented are fair and, in certain areas, require improvement. The occurrence of the risk will result in a low to moderate impact in the presence of the existing controls.
Low	Risk exposure is effectively controlled and managed. The controls implemented are adequate and effective to mitigate the risk. The occurrence of the risk will result in a low impact in the presence of the existing controls.

6.5. Business Continuity Management

Vaal Central Water is obliged to ensure the continuity of critical services to all its relevant stakeholders in any event that could cause a material disruption to its critical activities. To achieve this, the Entity includes integrated Business Continuity Management (BCM) as an essential part of its day-to-day operations.

Thus, the following were in place during the period of reporting:

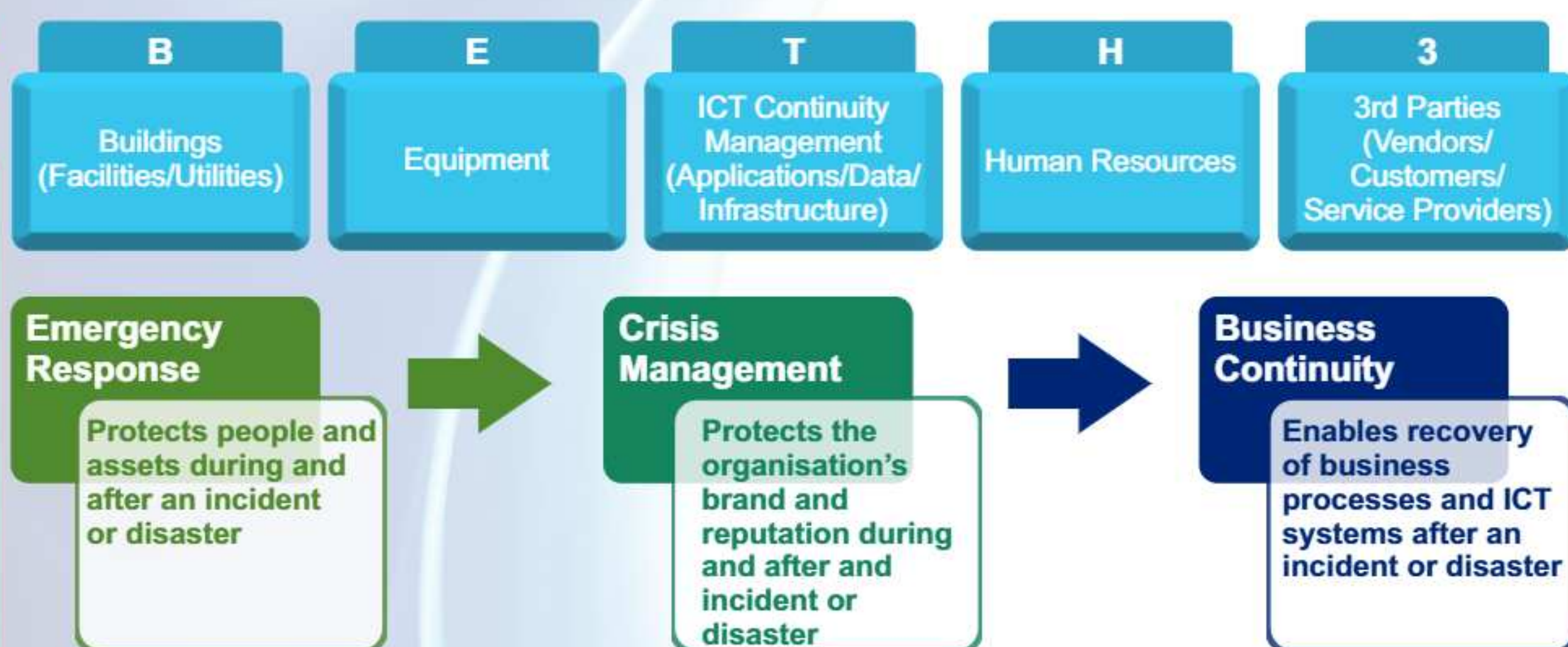
- Business Continuity Management Policy;
- Business Continuity Management Framework; and
- Business Continuity Plans for all regions.

The Entity has adopted a BETH3 methodology, depicted below, in terms of identifying risks that have potential to trigger a crisis or disaster.

The Entity conducted testing exercises of the Business Continuity Plans for the following regions in the 2024/2025 financial year in alignment with the structure for:

- Orange River Region – 4 February 2025;
- Northern Cape Region – 27 March 2025; and
- Modder River Region – 8 May 2025.

Detailed remedial actions were developed for each region in line with the gaps identified during the different testing exercises.



7. INTERNAL AUDIT

In line with the Public Finance Management Act of 1999 and the King IV principles and practices, the Internal Audit Function (IAF) continued to provide the Audit and Risk Committee and Management with risk-based and objective assurance, advice and insight. The IAF played a significant role in enhancing the effectiveness of governance, risk management and the control environment at Vaal Central Water. Furthermore, the IAF contributes to reducing the Entity's exposure to adverse risks and ensuring the adequacy of internal controls.

To maintain its independence, the IAF reports administratively to the Chief Executive and functionally to the Audit and Risk Committee. The committee approved the Internal Audit Charter, policies, Annual Audit Plan and three-year Strategic Plan, which were developed based on the evaluation of risk assessment outcomes and an understanding of the current environment in which Vaal Central Water operates.

The IAF conducted reviews and provided assurance on the adequacy of the internal control environment across the Entity's operations. Furthermore, both the Internal Audit Charter and the Audit and Risk Committee Charter were reviewed and aligned with the updated Institute of Internal Auditors' (IIA) Global Internal Audit Standards™ (Standards).

During the year under review, the IAF continued to implement the Quality Assurance Improvement Programme as approved by the Audit and Risk Committee. As part of the programme, a quality assurance self-assessment was performed, whereby a "Full Achievement" rating was obtained. The IAF obtained a similar rating during a self-assessment review in the prior financial year, and is scheduled for an external quality assurance review in the next three years.

8. COMPLIANCE MANAGEMENT

The Compliance Management Programme put in place by Vaal Central Water, is aimed at ensuring compliance and in the process, promoting the integrity of the institution. This programme serves as a key element in building public and stakeholder confidence towards the Entity in terms of its role in complying with applicable laws and regulations in the country. The programme includes:

- Implementing of policies and procedures;
- Involving a designated compliance officer;
- Conducting training and awareness;
- Conducting communication on the policies and framework;
- Monitoring and auditing; and
- Taking corrective actions.

Vaal Central Water successfully implemented this programme in the period of reporting through the following key approved guiding documents:

- Regulatory Compliance Policy;
- Regulatory Compliance Management Framework - linked to the 23 principles and standards of the Compliance Institute Southern Africa;
- Identification and updating of compliance obligations, which ultimately leads to the Regulatory Compliance Universe;
- Compliance risk assessment - presented to Audit and Risk Committee on a quarterly basis; and
- Monitoring of compliance risks – presented to Audit and Risk Committee on a quarterly basis.

9. FRAUD AND CORRUPTION

9.1 Introduction

The King IV Report on Corporate Governance (Principle 2) clearly indicates that a Governing Body has the responsibility to govern the ethics of the organisation in a way that supports the establishment of an ethical culture. One of the focal activities of effective ethics management is fraud and corruption prevention.

Fraud and corruption deprive valuable resources from an organisation's budgeted programmes and services. Therefore, fraud and corruption would impact negatively on Vaal Central Water's reputation and also diminish stakeholder trust and confidence in the Entity's ability to deliver results in an accountable and transparent manner.

9.2 The Framework

To combat the effects of fraud and corruption, Vaal Central Water has established structures to manage the risk of fraud and corruption. The Board has adopted a zero-tolerance stance for any type of fraud or corruption, which means that all suspected incidents of fraud and corruption are thoroughly investigated, and that any improper behaviour may result in disciplinary action against the Entity's personnel and other relevant stakeholders, including dismissal or the termination of employment contracts, or other sanctions in cases involving non-staff or contractors.

Fraud and corruption prevention plans were executed using the following documents as framework, which ensure that the Entity's prevention programmes were within the ambits of the law:

- Anti-Fraud and Corruption Policy;
- Anti-Fraud and Corruption Strategy and Response Plan;
- Whistle-blowing Procedures;
- Declaration of Interest Policy;
- Remunerative Work Policy; and
- Code of Conduct and Code of Ethics.

9.3 Independent Ethics Hotline

Vaal Central Water continued to maintain an independent reporting platform during the reporting period. The Ethics Hotline is regarded as supplementary to whistle-blowing procedures.

In the 2024/2025 financial year, the Register of Fraud and Corruption Allegations contained two reported matters:

- Theft of water through illegal connections to the Mangaung Metropolitan Municipality's reticulation system, which was referred to the municipality by the Entity for further investigation and action.
- Water theft involving illegal connections within the Matjhabeng Local Municipality - a case was opened with the South African Police Service, and the water supply of the customer concerned was disconnected as a result.

10. MINIMISING CONFLICT OF INTEREST

Vaal Central Water reviewed its Remunerative Work Outside Employment Policy, which is one of the tools that assists in managing conflict of interest. Declaration of interest also takes place in all meetings. Management, supervisory staff and designated employees within Supply Chain Management are likewise required to annually disclose business interests in line with the requirements of the Disclosure Framework. Furthermore, the Entity ensures the continuous declaration of gifts by senior management and all Vaal Central Water personnel.

11. CODE OF CONDUCT

The Board adopted and approved a Code of Conduct, which is regularly reviewed with all the policies of the Entity. The Code of Ethics and Code of Conduct have been the best preventive measure implemented by the Board in guiding decision-making processes and is, therefore, applicable to the Board, Management and all employees. Contravention of the Code of Conduct is addressed through consequence management processes.

12. HEALTH AND SAFETY, ENVIRONMENT AND SECURITY

12.1 Health and Safety

During the 2024/2025 financial year, Vaal Central Water continued to prioritise the health and safety of its workforce and surrounding communities. A structured programme of toolbox talks, SHEQ (Safety, Health, Environment and Quality) meetings, and compliance audits were implemented across all operational regions. These initiatives aimed to reinforce awareness of workplace hazards and ensure adherence to the Occupational Health and Safety Act (Act No. 85 of 1993) and related regulations.

Despite these efforts, the Entity experienced several incidents, including one contractor fatality and two tragic drownings involving children near an open excavation site. These events highlighted the need for stricter control measures and reinforced the importance of proactive risk management. Vaal Central Water remains committed to improving its safety culture and reducing preventable incidents through continuous training, monitoring and enforcement.

Disabling Injury Frequency Rate (DIFR)

Vaal Central Water's Disabling Injury Frequency Rate (DIFR) for the reporting period stood at 4.7, which is more than double the corporate target of ≤ 2 as set out in the Entity's scorecard. This metric, calculated as the number of disabling injuries per 200 000 hours worked, serves as a critical indicator of safety performance.

The Northern Free State Region was identified as the largest contributor to the elevated DIFR, accounting for more than half of the disabling injuries reported. The increase in DIFR compared to previous years signals a need for intensified interventions, including improved supervision, stricter enforcement of safety protocols, and enhanced incident reporting and investigation procedures.

Occupational Medical Screening

During the reporting period, occupational medical screening remained a cornerstone of Vaal Central Water's Health and Safety Strategy. A total of 410 safety-critical medical assessments were conducted, in addition to exit, pre-employment, ill-health and immunisation screenings.

These screenings are essential for identifying health risks early, ensuring legal compliance and maintaining a healthy and productive workforce. Conditions, such as hearing loss, respiratory issues and musculoskeletal disorders, were monitored through these assessments. The Entity continues to invest in occupational health services to safeguard employee well-being and reduce the risk of workplace-related illnesses.

Policies and Standard Operating Procedures

Vaal Central Water has developed and is implementing a comprehensive set of health and safety policies and Standard Operating Procedures (SOPs) in line with the Occupational Health and Safety Act of 1993. These documents guide operational practices, and ensure consistency in safety management across all sites.

However, several audits revealed gaps in the application of the SOPs, particularly in areas such as excavation safety, confined space entry, lifting operations and machinery supervision. In response, the Entity initiated corrective action plans and engaged with the Department of Employment and Labour to address non-compliance. Vaal Central Water is committed to strengthening its procedural framework and ensuring that all contractors and employees operate within clearly defined safety parameters.

12.2 Environmental Management

Environmental Management, Sustainability Initiatives

In an era where environmental sustainability is no longer optional but imperative, Vaal Central Water has embraced a proactive role in promoting responsible environmental stewardship. The Entity recognises that environmental education and awareness are fundamental to shifting societal behaviour and fostering a culture of sustainable water resource management. During the 2024/2025 financial year, significant strides were made to embed environmental consciousness within both internal operations and the broader communities the Entity serves.

Vaal Central Water undertook extensive environmental education and outreach campaigns targeting schools, early childhood development centres and community groups within its operational footprint. These initiatives aimed to deepen public understanding of critical environmental issues, such as climate change, water conservation and sustainable consumption.

By focusing on the interconnectedness of water with everyday human activities, such as agriculture, manufacturing and lifestyle choices, the Entity amplified the message that every product consumed has a water footprint. The campaigns highlighted the reality that, without significant changes in production and consumption behaviours, the global community risks facing an unprecedented water crisis.

These programmes not only raised environmental literacy, but also inspired action-oriented behavioural changes, laying the groundwork for more resilient, water-conscious communities.

Strategic Partnerships for Environmental Sustainability

Vaal Central Water in collaboration with its stakeholders, implemented initiatives aimed at restoring ecological balance through the eradication of alien and invasive plant species. This effort is crucial for restoring indigenous biodiversity, improving water availability, and enhancing climate resilience.

In further reinforcing its commitment to environmental innovation, Vaal Central Water donated water tanks to schools and early childhood development centres to promote rainwater harvesting. This low-cost, high-impact solution supports local water security, reduces dependence on municipal water systems, and aligns with climate change adaptation strategies.

The Entity also participated in indigenous tree-planting drives, reinforcing the benefits of afforestation in carbon sequestration, air quality improvement, ecosystem restoration and community greening. These initiatives not only yield environmental gains, but also serve as catalysts for socio-economic upliftment, job creation and improved community well-being.

Pictorial Overview



Indigenous tree planting initiative

Pictorial Overview



Tree planting by Vaal Central Water employees

Environmental Compliance and Project Management

Vaal Central Water remains fully committed to environmental compliance and sustainable development, guided by the principles enshrined in the National Environmental Management Act (Act No. 107 of 1998). All capital and operational projects undertaken by the Entity are aligned with regulatory requirements, ensuring that environmental considerations are integrated throughout the project lifecycle - from planning and design to implementation and eventual decommissioning.

Key environmental governance tools, such as Environmental Impact Assessments and Environmental Management Programmes, were rigorously applied to mitigate negative impacts and enhance project benefits. Notably, in areas where Vaal Central Water operates as an Implementing Agent in response to Ministerial Directives, particularly within the Matjhabeng, Maluti-a-

Phofung and Mafube Local Municipalities, strict adherence to environmental protocols was observed.

12.3 Security Management

Throughout the financial year concerned. the Security Department of Vaal Central Water continued to play a critical role in ensuring the safety and protection of company personnel, assets and operations. The Entity's security operations comply with the regulatory standards of the Private Security Industry Regulatory Authority, and maintain a secure environment across all regions and sites.

The following are regarded as key activities:

- Security is operational on a 24/7 basis at all key points to ensure minimal risk of disruption to operations.
- The Security Department partners with law enforcement, local private security companies and emergency services to minimise risk and deal with



incidents that may affect the Entity.

- Upgrades to surveillance systems and the introduction of improved access control measures are being implemented across the Entity's sites to enhance physical security.
- Regular security audits and risk assessments are conducted to identify vulnerabilities, resulting in corrective actions being implemented.
- Incidents are responded to and managed by the Security Department in collaboration with the South African Police Service for further investigation.

Vaal Central Water aims to further enhance its security capabilities through digital transformation, improved data-driven security monitoring, and a continued focus on fostering a culture of safety across the Entity.

13. INFORMATION AND COMMUNICATION TECHNOLOGY

Information and Communication Technology (ICT) is recognised as a pivotal strategic asset and a key enabler of Vaal Central Water's mandate. ICT is instrumental in strengthening governance, enhancing operational efficiency, and enabling the Board to fulfil its oversight responsibilities in accordance with approved regulatory and policy frameworks.

The Entity's ability to achieve its strategic objectives is inherently linked to continued investment in ICT. Technology serves as a cornerstone for the effective management of critical resources (such as technical, financial and human resources) by delivering integrated and practical solutions that optimise performance and service delivery.

As part of Vaal Central Water's commitment to sound governance, information and technology-related risks are embedded within the Enterprise-wide Risk Management Strategy. These risks are proactively reviewed on a quarterly basis by the Risk Committee, which monitors ICT's performance and its contribution to mitigating risk, ensuring resilience and driving innovation.

In a sector where reliable access to water treatment, pumping stations, monitoring systems and ICT infrastructure is vital, uninterrupted power solutions (UPS) provide immediate backup power during outages or fluctuations. Thus, preventing operational disruptions, protecting sensitive equipment (servers and networking infrastructure) from damage, and ensuring the uninterrupted functioning of critical systems, such as SCADA, communication networks and data servers. In maintaining business continuity, reducing downtime and safeguarding water quality and service delivery, the procurement of UPS contributes directly to the resilience, reliability, and efficiency of the Entity.

In line with Vaal Central Water's digital transformation agenda, several key ICT initiatives were implemented during the reporting period:

- Employee Self-Service Kiosks were deployed to provide system access to employees who previously lacked computer access and had to rely on supervisors. This intervention promotes transparency, autonomy and improved efficiency in accessing human resources and internal services.
- An Online Recruitment System was introduced to automate and streamline recruitment processes, significantly reducing manual administrative work and enhancing the speed and accuracy of candidate management.

These initiatives reflect the Entity's ongoing commitment to leveraging technology to modernise operations, improve internal controls and deliver value to stakeholders.

14. CORPORATE SOCIAL INVESTMENT PROJECTS

In the 2024/2025 financial year, Vaal Central Water implemented a series of impactful Corporate Social Investment (CSI) initiatives, with a strong emphasis on education, environmental awareness and sustainable water use. These activities were aligned with Mandela Month celebrations in July 2024, and included educational plant tours at the Vaal Gamagara and Virginia Water Treatment Works. Grade 9 learners from the Dikgatlong High School, Delporthoop Combined School and Mamello Secondary School were introduced to water purification processes and career opportunities within the sector. This initiative not only encouraged learners to make informed subject choices, but also inspired their interest in the water industry.

Beyond education, Vaal Central Water extended support to schools through the donation of water harvesting tanks and gardening implements, enhancing sustainability and food security. An assessment of existing infrastructure was conducted, with further interventions planned for the next financial year. The Rainwater Harvesting Programme, which received an investment of R879,994.00, will benefit schools, early childhood centres, small-scale farmers, NGOs, and vulnerable households.

The CSI function resorts within the Office of the Chief Executive and serves as a strategic tool for community upliftment. It focuses on investing in areas where Vaal Central Water operates, addressing infrastructure needs, water-related challenges and humanitarian concerns. This initiative not only meets pressing community needs, but also promotes the Entity's public image and reinforces its role as a responsible corporate citizen.

Nelson Mandela Month Activities

As part of Mandela Month celebrations in 2024, Vaal Central Water hosted Grade 9 learners from the Mamello Secondary School (Matjhabeng Local Municipal area) at the Virginia Water Treatment Works, and learners from the Delporthoop High School and Dikgatlong High

School at the Vaal Gamagara Water Treatment Works. These educational tours introduced learners to the water purification process and career opportunities within the sector. In addition, Vaal Central Water also partnered with the National Women's Memorial in Bloemfontein and the 67 Blankets for Nelson Mandela Day Project to support orphaned and abandoned children. Employees contributed by crocheting squares that were assembled into blankets, highlighting the Entity's culture of compassion and active employee involvement in social causes.

Clear Rivers Campaign

In collaboration with the Department of Water and Sanitation, Coca Cola Beverages South Africa, the Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs, Maluti-a-Phofung Water and the Maluti-a-Phofung Local Municipality, Vaal Central Water participated in the Clear Rivers Campaign in Makgolokweng near Harrismith. This initiative mobilised community members to clean local rivers, raising awareness about water resource protection and environmental stewardship. The Entity also used the opportunity to educate the public about its mandate and promote its new brand identity.

Water Month Awareness and CSI at Khâi-Ma Local Municipality

During March 2025 and as part of Water Month, Vaal Central Water partnered with the Government Communication and Information Systems and the Khai Ma Local Municipality to conduct an awareness campaign and provide CSI donations in the form of water harvesting tanks and garden implements to the St Philomena Intermediate School and Kleinbegin Kleuterskool ECD Centre in Onseepkans near Poffader in the Northern Cape Province. The campaign focused on water conservation, combating infrastructure vandalism and pollution, while addressing community concerns regarding water quality.

Internal CSI Drive

An internal campaign encouraged employees to donate non-perishable food items, toiletries and sanitary pads.

These items were distributed to schools in the Northern Free State and Northern Cape, reinforcing Vaal Central Water's commitment to holistic community support and employee-driven philanthropy.

Launch of Tree Project with the South African Redcross Society

At the beginning of 2025, Vaal Central Water supported the Tree Project of the South African Redcross Society, which involved the donation of 1 000 apple trees by the Turkish Cooperation and Coordination Agency. Vaal Central Water contributed water harvesting tanks and engaged with tribal elders to address local water issues, demonstrating a multi-layered approach to environmental and social sustainability.

Pictorial Overview



CUT Students from Welkom visited the Virginia Water Treatment Works



Delportshoop and Dikgatlong High schools at the Vaal Gamagara Water treatment Works in the Northern Cape



Vaal Central Water in partnership with Manguang Metro Municipality donated rain water harvesting tanks to Qibing Secondary School in Wepener



Grade 9 learners from Mamello Secondary School toured the Virginia Water Treatment Works, accompanied by representatives from the Department of Water and Sanitation, Lejweleputswa District Municipality, and the Free State Sun Community newspaper



Vaal Central Water partnered with the National Women's Memorial in Bloemfontein and the 67 Blankets for Nelson Mandela Day Project to support orphaned and abandoned children. Employees crocheted squares that were joined into blankets, reflecting the Entity's culture of compassion and active employee involvement in social causes

15. STAKEHOLDER ENGAGEMENT AND MANAGEMENT

Stakeholder engagement is a central pillar of Vaal Central Water's communication strategy. The Communications and Marketing Department plays a vital role in facilitating interactions with key stakeholders, including municipalities, government departments, NGOs and communities. These engagements ensure that the Entity's messages, services and developments are communicated, fostering trust and collaboration in the process.

Multi-Stakeholder Forums and Community Involvement

Throughout the 2024/2025 financial year, Vaal Central Water actively participated in various multi-stakeholder forums at provincial and local levels. These platforms promoted the Entity's corporate image, shared information about water services, and raised awareness of Vaal Central Water's new name and identity. Community awareness sessions and plant tours highlighted career opportunities in the water sector, positioning Vaal Central Water as an employer of choice.

On 25 March 2025, Vaal Central Water in partnership with the Government Communication and Information



Systems (GCIS), the Department of Water and Sanitation and the Kopanong Local Municipality, conducted an awareness campaign at the Poding tse Rolo Community Hall in Philippolis. The campaign focused on water conservation, infrastructure vandalism and effective information flow.

From 25 April 25 – 3 May 2025, Vaal Central Water participated in the Bloem Show with an educational exhibit highlighting its strategic focus on sustainable water practices. The exhibit attracted learners, educators and the general public with interactive demonstrations of water treatment processes led by staff from the Scientific Services Department. Team members from the Communications and Marketing Department, Regional Operations and Scientific Services collaborated to deliver a unified message on protecting water resources and infrastructure. The exhibit communicated values of Vaal Central Water and also provided conservation guidelines through educational brochures. The Entity was honoured by the show management with a Silver Award of Achievement for its professional presentation. This initiative demonstrates how public awareness can contribute to achieving strategic goals and cultivating a water-conscious community.

Youth Engagement and Indabas

Vaal Central Water supported youth initiatives, such as the National Water and Sanitation Youth Indaba (22–25 July 2024, Polokwane) and the establishment of Youth Professionals in Water Forums. These efforts empower youth, raise awareness about water sector careers, and encourage participation in sustainable water management.

At the beginning of 2025, members of the Communications and Marketing Department attended the District Communicators' Forum convened at the John Taolo Gaetsewe District Municipality in Kuruman, Northern Cape. The forum creates a platform for public sector stakeholders to consolidate communication efforts for improved service delivery. Participants included local municipalities and public entities, such as GCIS, Statistics South Africa and the Departments of Social Development, Health, and Sport, Arts and Culture.

From 27–28 March 2025, the Communications and Marketing Department featured as an exhibitor in the National Water and Sanitation Indaba at the Gallagher Convention Centre, Midrand. The delegation was led by the Board Chairperson and also included Board Members, the Chief Executive and executives. The highlight in participating in the event was a visit by the President, Deputy President, Minister of Water and Sanitation and Gauteng Premier to the Entity's exhibition stand.

Ministerial and Executive Engagements

Vaal Central Water facilitated several high-level visits during the review period, including visits by the Deputy Minister of Water and Sanitation and national leaders to showcase projects such as the Brandkop Hydropower facility, and to engage in strategic discussions on innovation and best practices. The Entity also hosted an Executive Benchmarking Session during the Water Utilities Heritage and Wellness Games to foster knowledge exchange with other water boards and the Department of Water and Sanitation.

Furthermore, on 27 June 2025, Vaal Central Water hosted a ministerial delegation for the official launch and

handover of the Welbedacht Steel Pipeline Phase 1 Project. Led by the Minister of Water and Sanitation, Ms. Pemmy Majodina, and supported by various national and provincial dignitaries, the event included strategic briefings, while also showcasing infrastructure achievements. The pipeline project, funded by the Department of Water and Sanitation, will significantly enhance water supply to the Mangaung area, reinforcing government's commitment to reliable and sustainable water services.

Water Month and Community Awareness Campaigns

During Water Month, Vaal Central Water presented multiple campaigns and webinars with the Department of Water and Sanitation, GCIS and local municipalities. These initiatives focused on water conservation, preventing infrastructure vandalism, and promoting environmental awareness. Community members voiced concerns about water quality and service delivery, which the Entity relayed to the relevant municipalities.

Career and Education Exhibitions

Vaal Central Water participated in exhibitions at the Bloem Show, SAICE Water Competition, Phunya Tsela Career Expo, etc. to market services and career opportunities to thousands of learners. The Entity also announced bursaries for Grade 12 learners interested in water-related studies.

Internal Stakeholder Engagement

Internally, Vaal Central Water conducted employee roadshows across all regions, facilitating direct interaction between Management and staff. These sessions emphasised the new strategic objectives, vision and mission of the Entity, and also explained how the Annual Performance Plan guides service delivery.

Pictorial Overview



Residents actively participate in discussions about water supply challenges during the awareness campaign in Podingtse Rolo Community Hall in Philippolis



Engaged visitor sharing thoughts on water issues at the VCW stand



VCW receives Silver Award of Achievement at the 2025 Bloem Show



Vaal Central Water's young professionals visiting the exhibition stand during the National Youth Indaba in 2024, hosted by the Department of Water and Sanitation in partnership with Lepelle Northern Water Board



Young minds engaging at the National Youth Indaba, empowering future leaders in the water and sanitation sector through active participation and dialogue



A delegate interacts with a Vaal Central Water officials during the National Youth Indaba



Engaging young minds at the National Youth Indaba.



Vaal Central Water showcasing its commitment to sustainable water services at the Water and Sanitation Indaba



Mr. D. Maelamo and Ms. L. Mnguni presenting a promo pack to the Minister, Ms. P. Majodina at the Water and Sanitation Indaba



Mr L.X. Ntoyi with Deputy Minister Mr I. Seitholo and Dr T. Ntli, Free State Provincial Head, Department of Water and Sanitation, at the Indaba



From left to right: Mr. M. Rapudungoane (Executive Operations and Maintenance), Ms. G. Phakathi (Board Member), and Mr. D. Fransman (Board Member)



Mr A. Mnyaka (Executive: Engineering and Projects), third from left, is joined by delegates from the Free State DWS and local municipalities at the Vaal Central Water exhibition stand



Minister, Ms. P. Majodina, accompanied by Deputy Ministers Mr. D. Mahlobo and Mr. I. Seitholo, engaged with the Communications and Marketing team at the Indaba



Warm welcome for the Minister ahead of the Welbedacht pipeline handover at Vaal Central Water



Minister Pemmy Majodina and Deputy Minister Cassel Mathale receiving a briefing at Vaal Central Water's Head Office prior to the Phase 1 Handover of the Welbedacht Steel Pipeline Project



Symbolic ribbon cutting at the air valve by the reservoir



The Minister officially hands over the completed pipeline to VCW



Ms Palesa Molelekoa and Mr. Melford Sebola engaging learners on careers available at VCW



Mr Godfrey Ratshisuka explaining the water treatment process to learners at the Phunya Tsela Career Expo in Kuruman



Mr Lereko Sethathi delivers the 2025–2030 Strategy and Shareholder Compact presentation during an internal employee road show



More than 70% of Balkfontein employees from the Northern Free State Region participated in the road show



Mr T Metswi presents the Corporate Identity to Virginia employees during the road show.



Modder River Region team during their road show



Ms. Nokukhanya Gabela presenting the Environmental Policy during the road shows



Caledon River Region listening attentively to the presentation



During these sessions, employees were also given the opportunity to ask questions

16. AUDIT AND RISK COMMITTEE REPORT

Audit and Risk Committee Responsibility

The Audit and Risk Committee is a Committee of the Board of Vaal Central Water duly constituted in terms of the Public Finance Management Act (Act No. 1 of 1999) (PFMA) and Treasury Regulations. The Committee has been delegated and is accountable to the Board in fulfilling its oversight responsibility in respect of the system of internal financial control, the governance of risk, internal and external audit, risk functions, integrated reporting and Vaal Central Water's processes for monitoring statutory and regulatory compliance. The Committee adopted its Charter, which regulates its statutory duties and those assigned to it by the Board. The Charter is reviewed annually and approved by the Board.

During the 2024/2025 financial year, the Committee carried out its duties in accordance with its Charter, the PFMA, National Treasury Regulations, and the King IV Report on Corporate Governance for South Africa (2016).

Composition and Meetings

The Committee consists of four independent Non-executive Directors. These Committee Members have sufficient skills and knowledge to deliver on the set responsibilities of the Committee. The qualifications of Committee Members and their attendance of Audit and Risk Committee meetings for the year under review are detailed on page 90 of this Annual Report.

The Committee held seven meetings during the financial period, in accordance with its approved Charter. The Chief Executive and Management of Vaal Central Water, together with the internal and external auditors, are regular invitees to the Committee meetings. The Committee also holds in-committee meetings with Management, as well as with the external and internal auditors.

The internal and external auditors have unrestricted access to the Audit and Risk Committee.

The Audit and Risk Committee and its members are assessed for effectiveness on an annual basis by the Board.

The Audit and Risk Committee is satisfied that it has regulated its affairs in compliance with the Committee's Charter, and has delivered on all its responsibilities as contained therein.

The Effectiveness of Internal Control

The Committee reviewed:

- the significant issues raised by both internal and external auditors;
- the policies and procedures relating to the prevention and detection of fraud and corruption;
- the effectiveness of the Entity's systems of internal control; and
- the Combined Assurance Model and the tracking map were reported to the Committee during the 2024/2025 financial year.

Regulatory Compliance

The Committee has complied with all applicable legal and regulatory responsibilities. These are tracked, reported and discussed at the quarterly meetings.

External Audit

The Committee reviewed, and deliberated on the external audit scope and coverage, including the audit fees as set out in the note 31 of the Annual Financial Statements. The Committee concurs with the conclusions on the status of the internal financial controls and therefore, recommended these to the Board for approval. The Board adopted the recommendations.

Internal Audit

The Committee:

- reviewed the updated the Internal Audit Charter and recommended it for approval by the Board;
- evaluated the independence, effectiveness and performance of the function, as well as compliance with its Charter;
- approved the internal audit policies and procedures;
- considered and satisfied itself that Internal Audit has

the necessary resources, budget and appropriate standing within the Entity;

- approved the Internal Audit Plan and the adjustments made thereafter; and
- continuously encouraged co-operation and reliance between Internal and External Audit.

Risk Management

Risk Management remained an agenda item in all Audit and Risk Committee meetings. This provided assurance to the Committee on progress made by the Entity on the management of significant risks. Furthermore, the Committee is satisfied with risk management processes in the Entity.

Evaluation of Financial Statements

The Audit and Risk Committee reviewed and evaluated the Annual Financial Statements for the 2024/25 financial period.

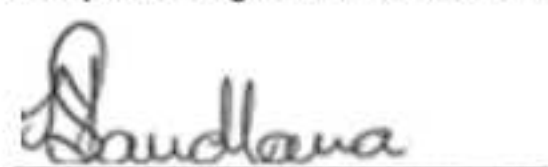
Auditor's Report

The Committee concurs and accepts the conclusions and audit opinion of the External Auditor on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General of South Africa.

Annual Reporting

The Audit and Risk Committee recommended the Annual Report for approval by the Board on the basis of the processes in place.

In conclusion, nothing came to the attention of the Committee to indicate any material breakdown of the Entity's internal control processes, risk management, corporate governance and compliance.



Ms. N. Sandlana

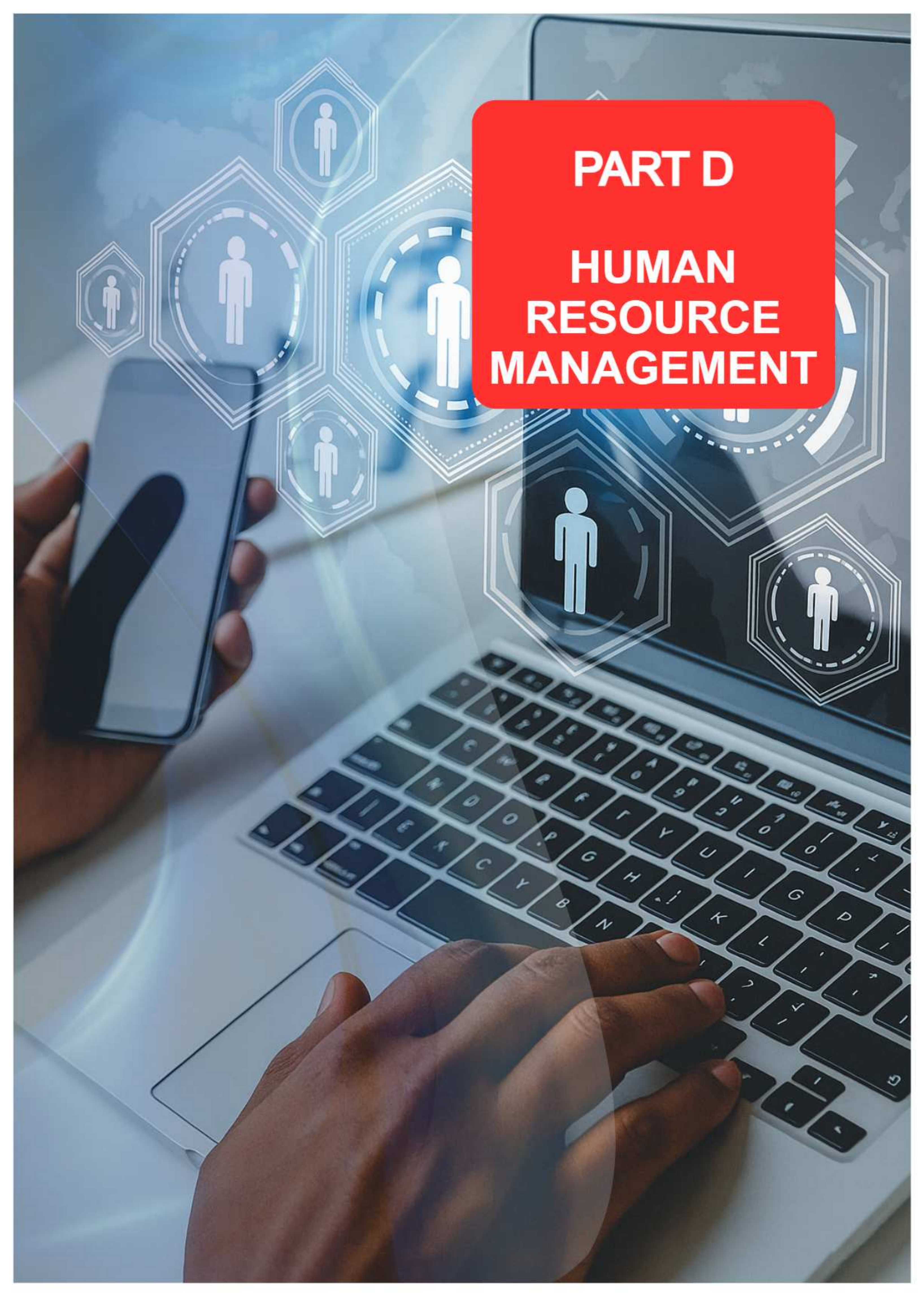
Chairperson of the Audit and Risk Committee

Date: 31 October 2025

17. B-BBEE Compliance Performance Information

Vaal Central Water's approach to economic empowerment is guided by the Constitution of the Republic, Section 217 as supported by enabling parts of legislation, such as the Preferential Procurement Policy Framework Act (PPPFA) and Regulations and the Broad-Based Black Economic Empowerment Act. To facilitate the realisation of economic empowerment, Vaal Central Water included a B-BBEE section in the Supply Chain Management Policy. These efforts are targeting Small, Medium and Micro Enterprises (SMMEs) in Vaal Central Water's area of operation, and greater Free State and Northern Cape Provinces.

- Vaal Central Water continues to monitor and ensure sourcing from B-BBEE compliant suppliers. The B-BBEE spend target of $\geq 65\%$ for the 2024/2025 financial year was achieved. Spend performance for the review period exceeded (123%). Of the new entrants added to the database, 134 were awarded work for the first time at Vaal Central Water. The Monitoring B-BBEE implementation of awarded contracts is undertaken to confirm that:
 - Contractors are engaging the targeted enterprises as per contracts;
 - Targeted enterprises are performing the scope of work as per contract; and
 - Payments due to targeted enterprises are processed at the correct rates and at agreed time frames.

The background image shows a hand holding a smartphone on the left and a laptop keyboard on the right. Overlaid on this are several glowing, hexagonal digital icons, each containing a white silhouette of a person. These icons are arranged in a cluster on the left and right sides of the page. A large red rectangle with rounded corners is positioned in the upper right quadrant, containing the text 'PART D' and 'HUMAN RESOURCE MANAGEMENT' in white, bold, sans-serif font.

PART D

**HUMAN
RESOURCE
MANAGEMENT**

1. OVERVIEW

The Human Resources Department creates and maintains an environment that is supportive of employees through targeted high-impact interventions that can enhance performance. The Department attracts, develops and retains a skilled workforce, which Vaal Central Water regards as key to achieving its strategic objectives.

The Human Resources (HR) Department is further responsible for matters relating to remuneration and rewards, absenteeism management, workforce profiling, employment equity, staff turnover and staff retention. Coupled with the aforementioned, the HR Department manages performance, employee wellness programmes and transformational initiatives, such as bursaries, internships, learnerships and graduate programmes.

As the well-being of staff is a fundamental pillar in talent management, the organisation provides an Employee Wellness Programme that includes health testing and counselling services and managing employee psychosocial challenges.

The Employee Relations (ER) Unit focuses on maintaining healthy internal stakeholder relationships, engagement plans and consultation with the unionised labour force, among others. The ER unit also manages compliance with the labour relations-related legislative frameworks.

The 2024/2025 financial year was both exciting and challenging, having demonstrated organisational resilience during a period that presented with an extension of the service area, staff integration processes, as well as infrastructure and economic challenges.

2. SUSTAINABILITY

The implementation of the Section 197 transfer of the former Sedibeng Water required agility and strategic leadership. During the first of an agreed two-year transitional period, the Board sanctioned continued

measures to improve sustainability through alternative staff utilisation, early retirement options, and limiting recruitment to critical operational positions only.

The effect of the disestablishment of Sedibeng Water and the subsequent Section 197 transfer to Vaal Central Water required redesigning of the operational model, the organisational structure, business processes and sustainability targets. These processes to establish a business model that will best suit the changed operational environment unfolded during the 2024/2025 review period, and will continue in the 2025/2026 financial year.

The Board remained committed to the ministerial objectives of improved water services to the country at large, focusing on the extended supply area of the reconfigured Vaal Central Water. Management and employees functioned with perseverance and determination to optimise the utilisation of existing resources to deliver on its mandate.

3. SET HR PRIORITIES FOR THE YEAR UNDER REVIEW AND THEIR IMPACT

Recruitment

The Section 197 transfer impacted on recruitment and selection, performance management, learning and development, succession planning, compensation and benefits, etc. Despite this, the HR Department remained focused on the recruitment requirements of Vaal Central Water for the 2024/25 financial year, and aligned recruitment processes accordingly. The Entity ensures compliance with recruitment processes in relation to its Recruitment and Selection Policy and Employment Equity Policy.

The recruitment objective was to source suitable candidates in response to operational requirements for critical vacant positions. Although there are vacancies in the organisational structure, alternatives to recruitment, such as internal transfers and alternative staff utilisation, were considered. Critical vacancies within the Entity were identified for inclusion in the annual Human Resource Plan for the 2024/2025 financial year.

The structure, staffing requirements and alternatives are discussed at Executive Committee meetings on an on-going basis, as and when required. All recruitment and transfer considerations are subject to approval by the Chief Executive as per the Delegation of Authority approved by the Board.

Vacancies were analysed in terms of core versus support positions, and the recruitment of core vacancies (including Artisans and classified Process Controllers) were given preference. Although the Entity is undergoing organisational review and design processes, it was resolved to have critical positions becoming vacant due to retirements and resignations included under the prioritised vacancies. The critical technical and maintenance vacant positions were advertised during the third quarter of the 2024/2025 financial year.

Employment Changes

Vaal Central Water seeks to maintain a workforce that enables it to deliver quality services to all stakeholders. The Entity's 2024/2025 workforce included 653 permanent employees and 25 volunteers. For reporting purposes, volunteers were included in the table below, but do not form part of the employee count as they do not meet the definition of an employee.

A total of 40 positions were filled externally, comprising two Executive positions, 12 technical positions (including Mechanical and Electrical Artisans), 23 Process Controller positions, three Supply Chain positions, and one Legal Officer. The Entity had targeted 65 appointments during the year under review, and further recruitment processes only commenced during the last quarter of the financial year concerned.

The table below explains staff movements recorded during the year under review.

Salary Band	Employment at the beginning of the period on payroll (01/07/2024)	External Appointments	Terminations	Employment at the end of the period on payroll (30/06/2025)
Top management	5	2	2	5
Senior management	27	0	1	26
Professionally qualified and experienced specialists and mid-management	35	1	3	33
Skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents	136	13	15	134
Semi-skilled and discretionary decision making	323	24	28	319
Unskilled and defined decision-making	143	0	7	136
Total Permanent Employees	699	40	56	653
Volunteers	25	0	0	25
Grand Total	694	40	56	678

Exit Analysis / Reasons for Staff Leaving

In total, 56 employees terminated their service with Vaal Central Water during the 2024/2025 financial year. This accounts for 8.58% of the total staff establishment. All retirements recorded were voluntary early retirements from employees between the ages of 55 to 64 years.

Reasons for Staff Leaving : 2024/2025		
Reason	Number	% of Total Number of Staff Leaving
Death	1	0.15
Resignation	15	2.30
Dismissal	5	0.77
Retirement	29	4.44
Ill health	4	0.61
Contract expiry	2	0.31
Total	56	8.58

The number of employees terminated has noticeably declined from 13.30% recorded during the 2023/2024 financial year to 8.58% recorded during the 2024/2025 financial year. The end of the transitional period in December 2024, and the fact that Voluntary Severance packages were no longer available, can be clearly observed.

Reasons for staff leaving mostly included personal matters, self-employment due to approval of voluntary severance packages, career changes, and employees wanting to further their studies, or move closer to their families. Analysing the reasons for staff leaving enables

the Entity to revise and apply staff retention strategies to retain services.

Employment and Vacancies

An organisational study conducted is nearing conclusion, and a revised organogram for Vaal Central Water will be presented to the Board for approval. The staff count at the end of June 2025 is 653 permanent employees. A revised vacancy rate will be calculated once the revised organogram has been approved for implementation. For reporting purposes, the approved structure of the former Bloem Water was used in the calculation.

Programme/activity/objective	2023/2024 Approved Posts	2024/2025 No. of Employees	2024/2025 Vacancies	% Of Vacancies
Top management	8	5	3	37,50
Senior management	28	26	2	7.14
Professionally qualified and experienced specialists and mid-management	25	33	-8	-28.57
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	154	134	20	12.99
Semi-skilled and discretionary decision-making	220	319	-99	-45.00
Unskilled and defined decision-making	90	136	-46	-51.11
TOTAL	525	653	-128	-24.38

Attraction and Retention

Vaal Central Water values engaged and committed employees through its policies and by applying best practices to attract and retain staff. The following measures were applied to attract and retain employees: Advertising internally and externally with outlined job

requirements; the promotion of fair labour practices; competitive market-related remuneration; appropriate induction of new staff; growth opportunities through developmental and upward mobility prospects; and employee-friendly policies.

The provision of continued training initiatives, as well as encouraging employees to become members of relevant professional bodies, are regarded as being important for staff retention.

Employee tenure/years in service is used to measure an employee's level of experience, commitment and value to the Entity. Tenure at the end of the 2024/2025 financial year measured at 11.96 years, compared to 12.35 years measured in the 2023/2024 financial year, which also reflects on the staff turnover measuring higher than usual at 3.05%. Measuring tenure indicates adequate staff retention processes and procedures, and sudden fluctuations can identify interventions, if required.

Moreover, Vaal Central Water monitors the turnover risks through exit interviews and related analysis. During the year under review, staff turnover was measured at 3.05% against a projected 1.75%. The Entity recorded 15 resignations and 5 dismissals in relation to the initially anticipated 13 terminations. The high number of resignations can still be contributed to the provision of voluntary severance packages as agreed to in the Section 197 Transfer Agreement.

It is anticipated that the staff turnover will measure lower in the 2025/2026 financial year, as the Entity enters a post-transitional stabilising phase.

Despite the above-average staff turnover, Vaal Central Water is being regarded as an employer of choice, as demonstrated by the interest expressed for employment and the number of applications received when vacancies are advertised. A further indication that staff retention strategies are successfully applied, is that tenure measures on average at 12 years.

The Entity constitutes a balanced, yet multi-generational workforce. Although youth employment shows a decrease in comparison to the previous financial year (from 12.35% to 11.49%), the recruitment and/or retention of younger employees (under 36 years of age) will enjoy priority, ensuring a healthy youth staff complement.

Employment Equity Status

Vaal Central Water adheres to the principles embodied in the Employment Equity Act (Act No. 58 of 1998). During the 2024/2025 financial year, the annual Employment Equity Report was submitted electronically to the Department of Employment and Labour as a statutory requirement on 14 January 2025. Thus, the Entity is compliant with employment equity reporting requirements.

An updated 5-year Employment Equity Plan was developed and submitted to the Department of Employment and Labour for the period 01/07/2023 - 30/06/2028, and progress is to be monitored and reported on an annual basis. The analysis and monitoring of the Employment Equity Plan are the responsibility of the Employment Equity and Skills Development Committee.

Employment equity numerical targets are revised on an annual basis as informed by the numerical goals of a 5-year Employment Equity Plan. During the 2024/2025 review period, no major variances were identified, and improvement on targets has been maintained. The legislative compliance and monitoring of set targets are taken into consideration to oversee the Entity's performance in respect of employment equity, transformation, and staff development.

The table on page 119 reflects the status of equity and targets for male employees.



Employment Equity 2024/2025 - Male Representation								
Occupational Levels	Male							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	3	2	0	0	0	0	0	2
Senior management	10	12	2	2	0	0	2	2
Professionally qualified and experienced specialists and mid-management	17	19	0	2	0	0	5	5
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	71	72	3	2	1	1	4	6
Semi-skilled and discretionary decision making	199	242	24	32	0	2	2	2
Unskilled and defined decision-making	72	93	3	4	1	0	1	2
Total Permanent Employees	372	440	32	42	2	3	14	19
Volunteers*	19	0	0	0	0	0	0	0
Grand Total	391	440	32	42	2	3	14	19

* For reporting purposes, volunteers were included in the table, but did not form part of the employee count as they do not meet the definition of an employee.

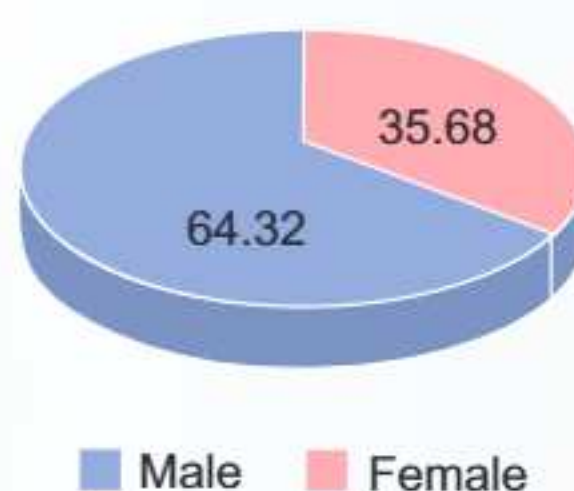
The table below contains a breakdown of female employees by race and related targets:

Employment Equity 2024/2025 - Male Representation								
Occupational Levels	Female							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	3	0	0	0	0	0	1
Senior management	9	6	1	1	0	1	2	2
Professionally qualified and experienced specialists and mid-management	9	12	2	2	0	0	0	1
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	47	51	5	5	1	1	2	8
Semi-skilled and discretionary decision making	89	87	4	6	0	1	1	4
Unskilled and defined decision-making	52	5	7	7	0	0	0	0
Total Permanent Employees	208	211	19	21	1	3	5	16
Volunteers*	6	0	0	0	0	0	0	0
Grand Total	214	211	19	21	1	3	5	16

* For reporting purposes, volunteers were included in the table, but did not form part of the employee count as they do not meet the definition of an employee.

The graph below indicates the male/female ratios:

Gender Representation



Employees Living with Disabilities

The representation of employees living with disabilities is 0.31% as opposed to a target of 2%. Getting employees to declare disabilities could impact the statistics, however, it was found that employees are reluctant to declare disabilities due to fear of being victimised and stigmatisation. The recruitment of employees with disabilities remains a challenge.

Employees With Disabilities: 2024/2025					
Population Group	Male	Female	Total	Percentage	Employees with Disabilities
African	372	208	580	88.82%	1
Coloured	32	19	51	7.81%	0
Indian	2	1	3	0,46%	0
White	14	5	19	2.91%	1
Staff Total	420	233	653	100,00	2*
Staff Percentage	64,32%	35,68%			0,31%

**The employees who declared their disabilities were males.*

Employee and Organised Labour Engagement and Participation

Employee involvement and participation is an essential element of workplace democracy as enshrined in Section 80 of the Labour Relations Act (Act No. 66 of 1995). Resultantly, efforts were made to ensure that Workplace Collective Bargaining and various consultative structures, such as the Local Labour Forum, are convened as provided for in the Organisational Rights Agreement (ORA) of the Amanzi Bargaining Council (ABC). The composition of the Local Labour Forum was also amplified from eight to ten, aside from management and organised labour representatives as per Clause 10.1.4 of the ORA, following the integration of the former Sedibeng Water employees.

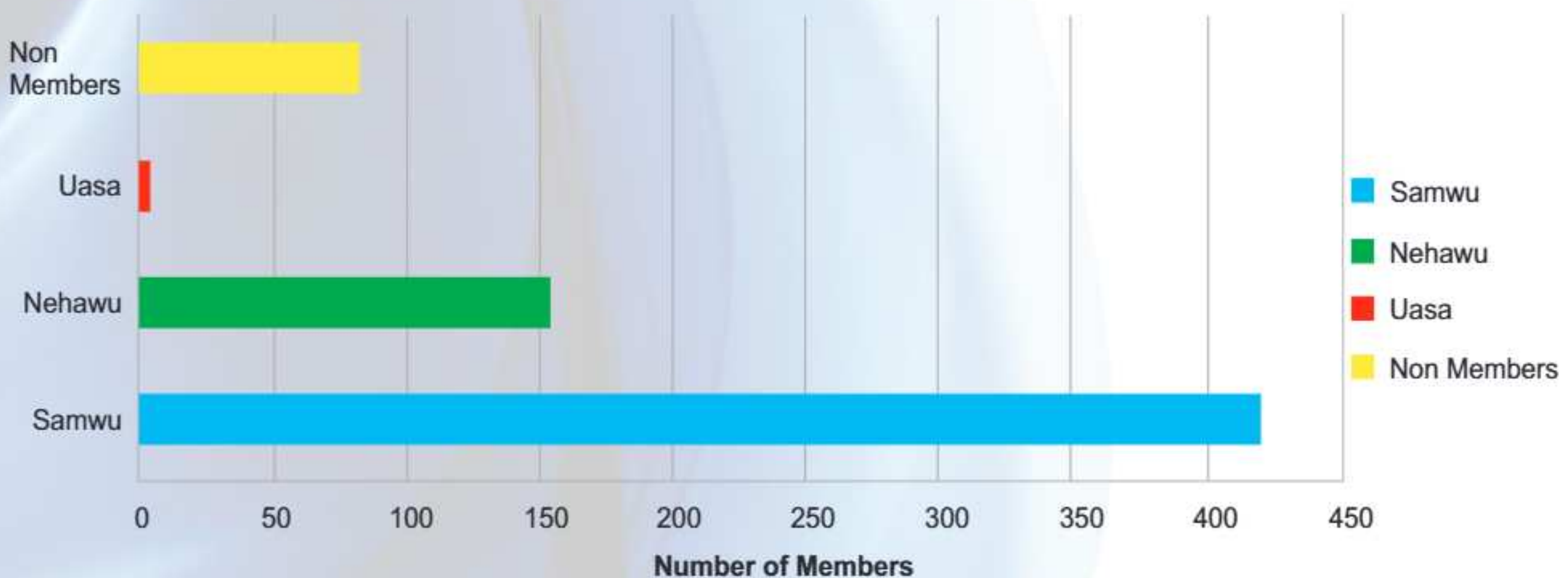
The Local Labour Forum (LLF) sub-committee was established in the 2023/2024 financial year to deal with issues emanating from the Section 197 Transfer Agreement, and developed a plan for progress monitoring and reporting to the LLF. The sub-committee

consists of labour and management representatives.

Trade Union Representation

As Vaal Central Water upholds the ideals of the Constitution of the Republic of South Africa, the right to freedom of association is recognised and protected. Employees are free to join, or not join trade unions, but if they do, such trade unions should have adequate representation in the water sector and in the workplace. Unionised staff members belong to either the National Education, Health and Allied Workers Union (Nehawu), the South African Municipal Workers Union (Samwu), or the United Association of South Africa (Uasa). The graph below depicts membership to the trade unions that are recognised as bargaining agents for their members in the water sector and at the Entity.

Non-union members represent 12% of the total staff complement with Samwu being the majority union having 416 members.



Participation at Amanzi Bargaining Council

Whereas Vaal Central Water is a member of the South African Association of Water Utilities (SAAWU), through its Amanzi Bargaining Council (ABC), the water sector has made advancements to harmonise the conditions of service of various water boards for uniformity and the realisation of seamless centralised collective bargaining processes.

The remuneration of employees within the Bargaining Unit is determined by the ABC wage agreements. These agreements are inclusive of allowances and benefits applicable within the sector.

Vaal Central Water has implemented the wage agreement for the 2024/2025 financial year as agreed by the ABC.

Misconduct and Disciplinary Action

The Industrial Relations Unit oversees the implementation of mandatory and statutory compliance imperatives specified in the labour laws of South Africa, as well as any other binding government instruments. The unit handles the disputes and grievances of both unionised and non-unionised staff.

Disciplinary cases and grievances are attended to in line with the approved Disciplinary Code and Grievance Policy of Vaal Central Water. Although disciplining of employees is always taken seriously, the Entity applies disciplinary measures not necessarily for punitive reasons only, but also to correct and take note of undesirable behaviour.

The table below indicates the disciplinary outcomes recorded during the reporting period. The Entity recorded five dismissals, and discipline was managed at a satisfactory level.

2024/2025	
Nature of Disciplinary Outcomes	Number
Verbal warning	7
Written warning	17
Final written warning	10
Demotion	0
Precautionary suspension	7
Dismissal	5
Incapacity	0
Contract expiry	0
Total	46

Employee Performance Management Framework

Despite efforts to successfully roll out performance management processes and practices to employees in the extended Entity, making progress in having employees participate in performance revisions and the reviewing of job profiles, was a challenge. The organisational review which took longer than anticipated, and the unavailability of a revised and approved

organogram, further impacted on performance reviews during the financial year concerned. Through organisational redesign processes, the finalisation of revised job profiles, the grading of the profiles, employee consultation and performance management policy workshops, some progress was made (however, only during the first quarter of the 2024/2025 financial year).

4. POLICY DEVELOPMENT/REVISION

Vaal Central Water embraces the principle that the Entity's goals and human resource needs are mutually compatible and strongly interdependent. The Entity's HR policies, therefore, seek to ensure a competent, motivated and engaged workforce for strategy implementation.

Following the disestablishment of the former Sedibeng Water, and the signing of a Transfer Agreement in December 2022, an internal change management process was initiated to assist with employee engagement during the two-year integration period and beyond.

In line with an approved Integration Implementation Plan, the focus during the 2024/2025 financial year was mainly on policy and procedure alignment and revisions.

Following consultation with important stakeholders such as collective labour unions, and presentations to the Human Resources and Corporate Support Committee, the policies were approved by the Board for implementation in the 2025/2026 financial year.

The focus will then shift to Policy Awareness sessions intensifying concrete work integration, and to foster an inclusive culture for all employees of Vaal Central Water.

5. EMPLOYEE WELLNESS PROGRAMMES

The Employee Wellness Unit actively promotes and communicates the value and advantages of the programme to employees, encouraging their engagement and participation.

Employee Assistance Interventions:

Employee Assistance interventions are strategically designed to support employees facing personal or work-related challenges. Internal counselling services are provided by the Assistant Manager: Health and Wellness, who offers professional guidance and compassionate support to those seeking to resolve personal concerns.

During the 2024/2025 financial year, internal utilisation of the Employee Wellness Programme reached 8%, while external utilisation stood at 2%. This positive uptake reflects employees' continued trust in and comfort with accessing the programme, highlighting its role in enhancing resilience and coping mechanisms during times of stress.

The top three presenting challenges were:

- Trauma,
- Family/personal problems; and
- Relationships.

The top three most commonly reported concerns were:

- Trauma-related experiences,
- Family and personal challenges, and
- Relationship difficulties.

Preventative Services:

As part of preventative wellness initiatives, a 5km Walk/Fun Run was held across all regions on 14 February 2025 to celebrate Valentine's Day and promote physical wellbeing. Employees also actively participate in various sporting codes as part of the organisation's psycho-physical wellness programme, with activities taking place on a weekly, monthly and quarterly basis.

The following wellness initiatives were successfully implemented during the 2024/2025 financial year:

- Financial Wellness Workshops aimed at educating employees on effective personal financial management;
- Vaal Central Water's hosting of the SA Water Utilities Wellness Event in September 2024, promoting sector-wide health awareness;
- Mental Health Awareness Campaigns to support emotional well-being;
- Healthy Lifestyle Awareness Sessions encouraging balanced nutrition and physical activity;
- Sexually Transmitted Infections (STI) and Tuberculosis (TB) Awareness Drives to promote early detection and prevention; and
- Voluntary Health Screenings (including HIV, Hypertension, Diabetes and TB) to support proactive health management.

Vaal Central Water is deeply committed to fostering employee wellbeing, recognising its importance in sustaining a healthy workforce and reducing human capital risk. The Integrated Employee Wellness Programme is strategically designed to address all key pillars of wellness, namely: physical, emotional, motivational, nutritional, social and financial well-being.

6. TRAINING AND DEVELOPMENT

Skills training remains essential to Vaal Central Water in order to enable employees to excel in their individual and organisational roles and functions. For the year under review, the Entity submitted the Workplace Skills Plan (WSP) to the Energy & Water Sector Education and Training Authority (EWSETA), with various training programmes to be implemented to further build the capacity of employees. The Annual Training Report (ATR) was also submitted concurrently with the WSP to EWSETA, highlighting the training programmes implemented by the Entity during the previous financial year. The adherence to the submission of the compliance documents and the positive contribution thereof, demonstrates Vaal Central Water's commitment to the intended objectives of the Skills Development Act, as well as the directives of the HR Department's strategic pillars.

Vaal Central Water has invested in a range of initiatives to ensure that it remains a dynamic, high-performing organisation that attracts talented, values-driven and high-performing individuals. The Entity continues to

invest in full-time and part-time sponsored study programmes, which include functional/technical areas of study, safety and compliance learning and development programmes, as well as leadership development, career and succession planning programmes.

The Workplace Skills Plan has continually been rolled out successfully, with a total of 681 multi-skilled trained personnel during the period under review (employees who received more than one course). However, of the total indicated, only 360 are actual trained personnel, as per headcount. A total of 69 training instances/interventions were completed, and this included financial assistance for studies, compliance, conferences, workshops and functional training for employed personnel. The duration of these training interventions varied from one day to 12 months.

The information below provides the overall occupational-level representation in terms of the beneficiaries of various development initiatives undertaken by the Entity during the year under review.

Summary: Training Provided 1 July 2024 to 30 June 2025							
Occupational Categories	Gender	Number of Employees: 30/06/2025	Training Provided within the Reporting Period				Total
			Learnership/ Apprenticeship/ ARPL Programmes	Academic Studies/ Bursaries	Skills Programmes & Other Short Courses	Other forms of training	
Top Management	Female	2	0	1	0	0	1
	Male	3	0	2	0	3	5
Snr Management	Female	12	0	2	0	9	11
	Male	14	0	1	1	2	4
Mid Management	Female	11	0	1	8	3	12
	Male	22	0	1	15	3	19
Skilled	Female	55	0	10	27	5	42
	Male	79	0	10	117	6	133
Semi-Skilled	Female	94	3	13	56	6	78
	Male	225	12	4	263	10	289
Elementary/ Unskilled	Female	59	2	2	14	0	18
	Male	77	6	1	62	0	69
Sub-Total	Female	233	5	29	105	23	162
	Male	420	18	19	461	24	519
Total		653	23	48	566	47	681
*It should be noted that the total of 681 reported refers to multi-skilled personnel trained during the year (employees who received more than one course). However, of the total indicated, only 360 are actual trained personnel, as per headcount.							

Compliance, Conference and Functional Training

The skills programmes rendered to the above-mentioned beneficiaries were aimed at developing mandatory or operational skills to ensure compliance as regulated by legislation. A total of 42 training courses were recorded, varying from soft skills programmes to legislative training and workshops. For the period under review, the focus and priority were on improving the skills programme interventions and functional training, which are occupationally based, in order to address the critical skills needs of the organisation and industry sector.

The Entity's commitment to professional development is evident through its participation in various professional conferences, workshops and seminars. These initiatives aim to enhance the skills and competencies of employees across various management and technical levels.

Learnership/Apprenticeship Programme

Vaal Central Water has a clear and strategic long-term interest and commitment to technical and professional training in the Water Sector - both to rebuild the professional capacity of the Entity and to contribute to the scarce skills required in the water sector in general.

In support of the above, the Entity embarked during the period under review on the ARPL (Artisan Recognition Prior Learning) Electrical Trade Training Programme, which was co-funded by the Energy and Water SETA and targeted employed learners (18.1). A total of 19 employees across all regions were enrolled in this programme, which commenced in April 2024 for a duration of one year, and therefore overlapped into the 2024/2025 financial year.

The table below indicates the number of employees enrolled and the regions they represent.

Apprenticeship Programme		
Apprentice Programme	No. of Employees	Business Unit/Region
Electrical Trade	6	Central and Southern Free State
	8	Northern Free State
	5	Northern Cape
Total	19	

To date, ten incumbents have undergone trade test preparation and assessment, which was conducted in March 2025. Nine of the incumbents were found competent on their first attempt and are now qualified artisans. Unfortunately, one learner passed away in February 2025 while still in the programme.

The programme has now been extended by one year to accommodate the remaining nine incumbents, who have been recommended for the workplace training component/in-task training phase due to the additional work exposure required.

The bar graph below indicates the status quo of participants in the ARPL Programme to date:





Participants in the Apprenticeship Programme

Financial Assistance for Educational Studies/Bursaries

Internal bursaries

Current employees have the opportunity to further their qualifications on a part-time basis with financial assistance from the organisation. Vaal Central Water's support for the part-time studies and professional development of employees extends across various



disciplines and fields of study. The Entity recorded 49 bursaries during the 2024/2025 financial year, of which 29 were new contracts awarded in the current 2025 academic year, while the remaining 20 were continuing bursary contracts from previous academic years.

The table below indicates the number of active and inactive bursary offers per academic level:

Internal Bursary Programme						
Academic Levels	Total Approved	Gender		Bursary Offer Status		
		Male	Female	Registered	Pending Registration	Completed
Postgraduate Bursaries	28	14	14	28	-	2
Undergraduate Bursaries	14	4	10	14	-	2
Vocation Programmes Bursaries	7	2	5	7	-	0
Totals	49	20	29	29	-	4

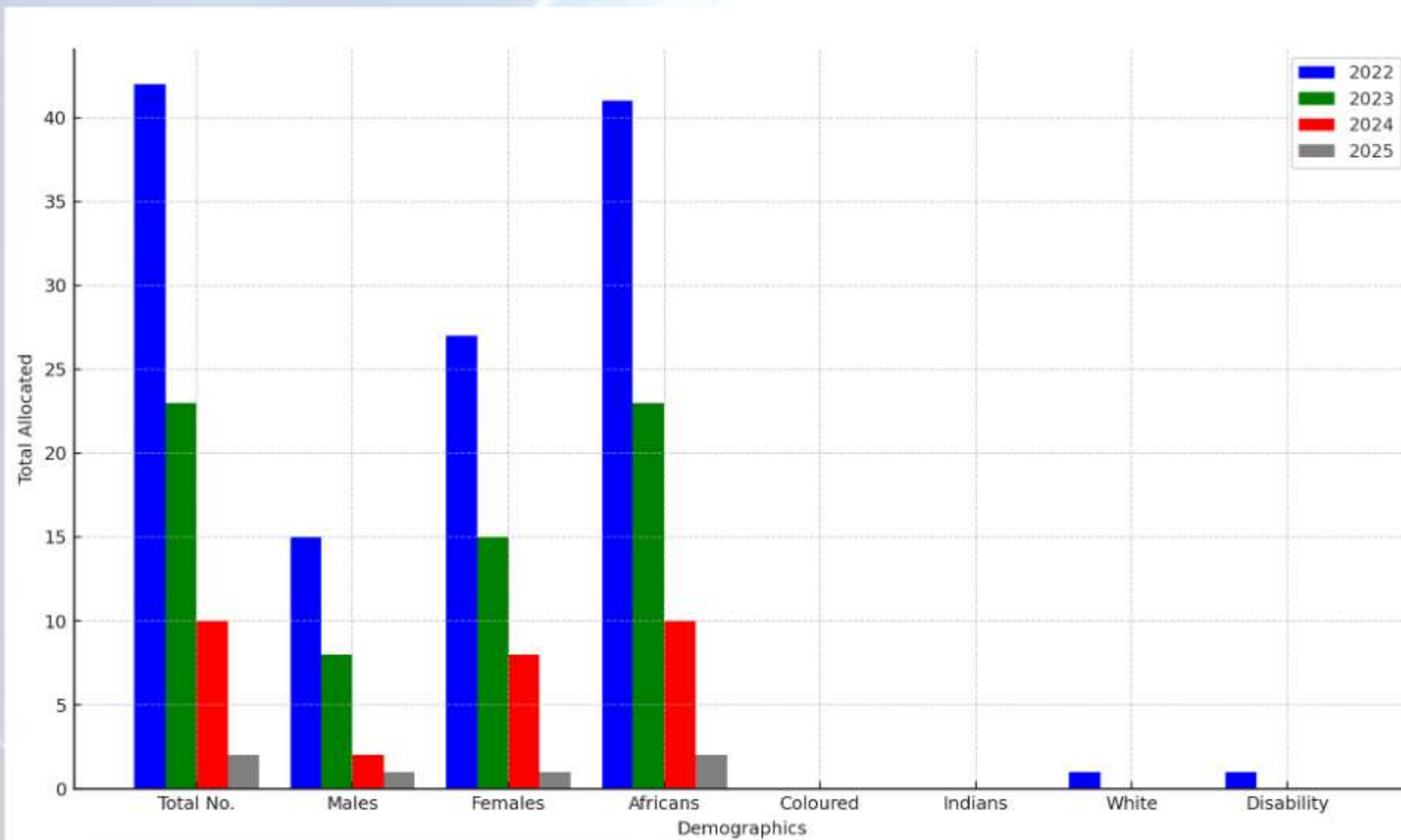
External bursaries

The Vaal Central Water bursary scheme caters to both internal employees and external youths. The external bursary scheme serves as a platform through which the Entity creates a pipeline (guided by Strategic Workforce Planning) for future skills required by the organisation and the water sector at large.

For the 2024 academic year, ten unemployed youths continued with their study contracts into the new financial year. Only two of the recipients have registered for, or are

continuing their studies for the 2025 academic year. The remaining group exited the programme for various reasons, i.e., completed/qualified, poor performance, or opted for other funding (NSFAS). These students were awarded bursaries through the EWSETA Discretionary Grant in 2022 for various courses within the water sector. The graph below compares the total number of bursary recipients recorded from the inception of the programme in the 2022 academic year up to the 2025 academic year.

Community Bursaries



EWSETA and WISA Partnership Co-funded Learning Projects

During the period under review, Vaal Central Water embarked on providing several skills development projects through EWSETA co-funding, including learnerships, bursaries, skills programmes, short courses and Section 26D initiatives, for internal (employed - 18.1) and external (unemployed - 18.2) participants in order to

support the National Skills Development Strategy. These projects are targeted to build feeder and talent pipelines for the organisation, enhancing the supply of key skills in critical positions and addressing historical challenges.

The diagram below illustrates the number of funded interventions implemented and the number of beneficiaries for the 2024/2025 financial year:

SETA/WISA Funded Programmes			
Beneficiaries Head Count			
Funded Learning Projects	Female	Male	Grand
	Total	Total	Total
Bursaries for Employed – 18.1	13	9	21
Bursaries for Unemployed – 18.2	8	2	10
CPD Short Courses: Water Treatment Operation-related	46	95	141
- Blue Drop Audit - Green Drop Audit - Plant Process Audit - Water Safety Planning - Professional Process Controller Candidacy Programme - Anaerobic Digestion of Municipal Wastewater Sludge - Water Quality & Sampling for Water and Wastewater Treatment - Advance Wastewater Treatment: Secondary Treatment - Sustainable Water Operation & Maintenance of Water Treatment Plant - Advanced Water Treatment: Coagulation, Flocculation & Filtration - Wastewater Risk Abatement Plan			
Artisan Recognition of Prior Learning (ARPL): Electrical Trade	5	14	19
Grand Total	71	120	191

External Learning Projects: Work Integrated Learning and Internship Programmes

Vaal Central Water is responsible for implementing learning projects for unemployed youth to capacitate the water sector. These projects are targeted at graduate development, internships, work-integrated learning, external bursaries and learnership programmes. In the financial year under review, five learners were successfully placed for a period of twelve months to complete the Work-Integrated Learning module and attain their qualifications.

Additionally, a total of 15 interns were contracted for an

internship programme in multi-disciplinary fields across the organisation for a period of one year. This was implemented concurrently with the Structured Youth Development Programme (SYDP), consisting of six beneficiaries. The programme provides a structured experience for young persons who have completed their school-leaving certificates, enabling them to be exposed to a workplace and to be equipped with the skills, attitudes, competencies and values needed to successfully build a career in the sector.

The table below indicates the number of participants, their gender and the actual allocation per business unit:

Business Unit	Male	Female	Total
Water Treatment Operation	1	1	2
Mechanical Engineer	1	0	1
Engineering Projects	1	0	1
Internal Audit	0	1	1
ICT	1	0	1
Monitoring & Evaluation	0	1	1
Human Resource	0	2	2
Finance	2	1	3
Civil & Terrain	3	3	6
Security Services	0	2	2
Total	9	11	20

Role of Professional Bodies

Professional bodies have been identified for the affiliation of staff members. These councils have a rich history of experience in certifying qualifications and maintaining standards in their respective professions. A total of 65 professionally registered individuals, including the Entity's registered patron membership, are recorded in the database across the different approved categories.

On average, in departments where occupations require professional registration, fewer staff members are affiliated with the professional bodies relevant to their professions. The Entity has an average of 25% of the departments that identified professional bodies for the affiliation of staff members, while 75% of the departments were unable to identify professional bodies for affiliation during the reporting period.

Giving Back to the Community

Giving back to the community is a key focus area within Vaal Central Water, aimed at strengthening and maximising educational support programmes for unemployed learners and providing skills development for unemployed youth. This is undertaken through learnerships, apprenticeships, graduate internships, external bursaries and other initiatives.

One of the initiatives in this regard is the Career Expo/High School Drives. This serves to create an information sharing platform about Vaal Central Water career opportunities and to educate students about careers in the water sector.

The following are some of the Career Expos/High School Drives in which Vaal Central Water participated. These were conducted in collaboration with both key internal and external stakeholders:

- **Phunya-Tsela career exhibition** (Grades 10–12) in Kuruman, Northern Cape;

D

HUMAN RESOURCE MANAGEMENT

- **Electrical engineering student walk-through survey** at the Virginia Water Treatment Plant, initiated by the Central University of Technology, Motheo TVET College and SAIEE; and
- **Environmental health student walk-through survey** at the Virginia Water Treatment Plant, conducted by the Central and Cape Peninsula Universities of Technology.



Environmental Health students participating in the walk-through survey at the Virginia Plant



Grade 9–12 learners from across the Free State participate in the SAICE Bloemfontein Bridge Building and Water Competition



Learners working on their project



Moemedi High School: Proud Winners of the Water Competition



Parys High School: Champions of the Bridge Building Competition

Skills Development Spending/Budget

The table below shows the allocation of all training instances for internal (employed - 18.1) staff. In total, 69 training instances/interventions were presented.

During the 2024/2025 financial year, Vaal Central Water spent R7,857,007.00 on skills development for internal

employees, representing 8% of the total payroll. The Entity also spent R1,862,515.91 on previously disadvantaged unemployed individuals through training initiatives, including bursaries, internships, and Work-Integrated Learning Programmes. This represents 0.30% of the total payroll.

Training Costs 2024/2025					
Programme/activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Cost.	No. of employees trained	Avg training cost per employee
Management	117 086	277	0.05	14	21,36
Administration	147 386	1 456	0.24	62	
Electrical	34 476	3 926	0.64	29	
Civil	29 603	123	0.02	34	
Water Treatment	152 421	1 205	0.20	150	
Mechanical	93 140	684	0.11	70	
Security	37 765	22	0.003	1	
Volunteers	1 188	-	-	0	
Total	613 065	7 693	1.26	360	

7. HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Related Expenditure/Personnel Cost by Salary Band

For the 2024/2025 financial year, the total expenditure on payroll represents 11.85% of the total operating expenditure of the Entity, as indicated in the table below:

Personnel Cost by Programme / Activity / Objective as at 30 June 2025						
Programme/activity/objective	*Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	% of Total Personnel	Average personnel cost per employee (R'000)
Top Management	5 174 398 000	23 662	0,46%	5	0,77	4 732
Senior Management		49 992	0,97%	26	3,98	1 923
Professionally qualified and experienced specialists and mid-management		65 911	1,27%	33	5,05	1 997
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents		164 151	3,17%	134	20,52	1 225
Semi-skilled and discretionary decision-making		251 851	4,87%	319	48,85	790
Unskilled and defined decision-making		56 310	1,09%	136	20,83	414
TOTAL		611 877	11,83%	653	100,00	937
Volunteers*		1 188	0,02%	25	-	48
TOTAL		613 065	11,85%	678	100	985

* For reporting purposes, volunteers are included in the table, but do not form part of the employee count as they do not meet the definition of an employee.

Personnel Cost by Salary Band 2024/2025					
Level	Personnel Expenditure (R'000)	% of Personnel Expenditure to Total Personnel Cost	No. of Employees	% of Total Personnel	Average personnel cost per employee (R'000)
Top Management	23 662	3.86	5	0.77	4 732
Senior Management	49 992	8.15	26	39.82	1 923
Professionally qualified and experienced specialists and mid-management	65 911	10.75	33	5.05	1997
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	164 151	26.78	134	20.52	1 225
Semi-skilled and discretionary decision-making	254 851	41.08	319	48.85	790
Unskilled and defined decision-making	56 310	9.19	136	20.83	414
TOTAL	611 877	99.81	853	100.00	937
Volunteers*	1 188	0.19	25	-	48
TOTAL	613 065	100.00	678	100.00	985

For reporting purposes, volunteers are included in the table, but do not form part of the employee count as they do not meet the definition of an employee.



Turbo Circulator 2 cleaning completed by a dedicated crew.

PART E

FINANCIAL PERFORMANCE



1. FINANCIAL PERFORMANCE

1.1 Bulk Water Sales Analysis

Vaal Central Water's billed revenue for the 2024/2025 financial year was directly aligned with the volume of water demanded and the diversified tariff structure approved by the Minister of Water and Sanitation. During the review period, water volumes billed amounted to 14.2 million m³ (2023/24: 15.5 million m³) of untreated water and 166.8 million m³ (2023/24: 168.03 million m³) of treated bulk water. The treated water volumes are primarily attributed to Vaal Central Water's two largest municipal customers (the Mangaung Metropolitan Municipality and Matjhabeng Local Municipality) who continue to represent a significant portion of the Vaal Central Water's customer base.

Water demand from other local municipalities and customers varied, driven by fluctuating consumption needs and Vaal Central Water's ability to meet supply requirements. In the Northern Free State, water supply to

the Matjhabeng and Nala Local Municipalities was also impacted by ongoing maintenance and refurbishment activities on ageing infrastructure. Additionally, the supply of bulk water was constrained by poor payment performance from several municipalities. As a result, water provision to certain municipalities was restricted due to persistent non-payment.

As per the previous arbitration settlement agreement with the Mangaung Metropolitan Municipality, the agreement requires the release of 5.9 million m³ of free water to the municipality's Maselspoort treatment facility. The agreement further authorised Vaal Central Water to recover costs for 15% water losses incurred within the river conveyance system.

Total billing revenue for the year under review reflects all volumes sold, invoiced at the approved diversified tariffs, as published and tabled in Parliament. Notably, no drought-related charges were levied during the reporting period.

Description	2023/2024	2024/2025
Quantity Treated Water Sold (kl - millions)	168,03	166,8
Quantity Untreated Water Sold (kl - millions)	15,5	14,2

1.2. Bulk Water Tariffs

National Treasury issued Circular No. 23 in accordance with Section 42 of the Municipal Finance Management Act of 2003, for institutions to comply with. Vaal Central Water adhered to the tariff process as set out in the circular. This process entailed:

- Presenting a preliminary meeting and obtaining Board approval;
- Consulting with municipalities;
- Making a submission to National Treasury and SALGA;
- National Treasury and SALGA providing comment to the Board and Regulator;
- Making a submission to the Regulatory Department;
- Tabling in Parliament by the Regulator; and
- Notifying municipalities.

Water Demand Tariff	Approved 2024/2025 Tariff	(R/C)
Central and Southern Region (Free State Bloemfontein) Scheme		
Municipalities and Others		
Treated Water		R12.59
Raw Water		R9.25
Drought tariff		
Treated Water		R1.37
Raw Water		R0.98
Northern Free State (Balkfontein and Virginia) Schemes		
Municipalities		R15.39
Magalies Water		R13.26
Mines, Industries, and others		R16.86
Vaal Gamagara Scheme		
Dikgatlong Local Municipality		R11.06
Tsantsabane Local Municipality		R12.50
Gamagara Local Municipality		R12.50
Joe Morolong Local Municipality		R12.50
Other Customers (Mines, Industry, Agricultural & Government) Scheme		
Purification Works to Kneukel		R12.25
Kneukel to Clifton		R14.93
Postmasburg to Roscoe		R18.84
Roscoe to Blackrock		R21.52
Roscoe to Olifantshoek		R20.55
Sishen to Olifantshoek		R9.23
From Sishen to Ground Water		R3.85
Namakwa Scheme		
Municipalities		R24.05
Mines, Industries, and others		R26.33
Pelladrift Scheme		
Municipalities		R6.86
Mines, Industries, and others		R11.51

1.3 Cash Flow Analysis

Operating Activities

Vaal Central Water's cash flows from operating activities were negatively impacted primarily due to limited payments from municipalities. At the same time, payments increased owing to higher operational and maintenance expenditure, particularly to address the substantial maintenance backlog. Positive cash flow contributions included grant funding received from the Department of Water and Sanitation (DWS) for refurbishment and maintenance activities.

Investing Activities

Investment activities remained constrained as a result of insufficient or non-payment by municipalities, which in turn hindered the Entity's ability to secure the necessary funding for capital investment. Several high-priority and strategically important projects remain delayed due to the unavailability of funding for construction.

Financing Activities

Financing cash flow movements primarily relate to loan repayments, with the final instalment on the existing loan having been made in December 2024.

Liquidity and Reserves

While the Entity holds some operational cash reserves, these are only sufficient to support a limited number of months of operational expenditure should the current payment challenges persist. It is important to note that funds reflected under Capital Raising Levy and Deferred Income in the Cash and Cash Equivalents Note are ring-fenced and not available for operational use.

Liquidity Position

The liquidity position of Vaal Central Water remains under significant pressure due to liabilities, mostly related to DWS and WUA raw water payables, coupled with a persistently low payment recovery rate from financially distressed municipalities.

1.4 Assets and Funding Requirements

Assets are accounted for in accordance with Generally Recognised Accounting Practice (GRAP) standards. However, the ageing and deteriorating condition of infrastructure continues to pose a significant risk, which is actively managed within the constraints of available funding.

Vaal Central Water undertakes short to medium-term planning for asset maintenance, refurbishment and replacement. The ability to implement capital projects is contingent upon stable revenue streams, adequate cash reserves, Minister-approved tariff increases, and borrowing limits approved by National Treasury. These factors collectively determine the Entity's financial capacity to either self-fund capital expenditure, or secure external loan financing.

Given the current financial environment and continued instability in revenue collections, Vaal Central Water is unable to initiate new borrowing. The process of applying for borrowing limits has also been suspended due to concerns over the Entity's ability to service additional debt.

The Capital Expenditure (CAPEX) Plan is continuously revised in alignment with financial capacity. Where internal funding is insufficient, projects are referred to the DWS for financial assistance. In addition, critical high-value infrastructure projects have been submitted to the Presidential Infrastructure Investment Office for potential inclusion in the National Infrastructure Plan to secure long-term financial support.

1.5 Supply Chain Management

1.5.1 Reporting of Procurement by Other Means

In line with the Compliance and Reporting Framework for the 2024/25 FY, Appendix E, *"Institutions are required to annually disclose information on supply chain management payment in the Annual Report of their respective institutions."*

The table below outlines information on procurement, made by other means during the 2024/2025 financial year.

Procurement by 'other means'	Total number of transactions	Total amount
Sole source	20	R1 236 075.17
Single source	2	R503 602.50
Urgent cases	2	R1 236 075.17
Limited bidding	20	R54 822.93



1.5.3 Irregular Expenditure Disclosures for 2024/2025

	Notes	30 June 2025 R'000	30 June 2024 R'000
The following table includes disclosure of the total Irregular Expenditure balance, including the historic closing balances:			
Total Irregular Expenditure			
Opening Balance		2 334 290	1 850 528
Less: condonations in prior years not removed		-	-
Less: condonations in prior years		-	-
Add: prior year error		-	201 859
As restated		2 328 029	2 029 759
Add: Irregular Expenditure confirmed		-	-
Irregular Expenditure for the current year	a)	347 089	281 903
Less: Irregular Expenditure condoned	b)	-	-
Less: Irregular expenditure not condoned and removed	c)	-	-
Less Irregular expenditure recoverable	d)	-	-
Less: Irregular expenditure not recovered and written off	e)	-	-
Closing balance		2 681 379	2 334 290

Irregular Expenditure comprises of many transactions emanating from payments for IE from ongoing contracts identified in prior years:			
A. Reconciling notes to the annual financial statements' disclosure			
Irregular Expenditure that was under assessment in 2023/2024		-	-
Irregular Expenditure that relates to 2023/2024 and was identified in 2024/2025		-	-
Irregular Expenditure for the current year		347 089	281 903
Total		347 089	281 903

Irregular expenditure incurred relates to continuing contracts identified in the prior year, whose services could not be terminated due to business continuity:			
B. Details of current year and previous year irregular expenditure under assessment, determination, and investigation			
Irregular Expenditure under assessment		2 681 379	2 334 290
Irregular Expenditure under determination		-	-
Irregular Expenditure under investigation		-	-
Total		2 681 379	2 334 290

Cases for IE incurred in 2022/2023 and 2023/2024 are currently awaiting determination/further investigation reports. Action will be taken as recommended. This is a consolidated amount which includes the take -on of the former Sedibeng Water of R 2.1 billion:			
C. Details of current and previous year irregular expenditure condoned			
Irregular Expenditure condoned by the Board		-	-
Total		-	-
D. Details of current and previous year irregular expenditure removed - not condoned			
Irregular expenditure not condoned and removed		2 577 865	2 328 029
Total		2 577 865	2 328 029

	Notes	30 June 2025 R'000	30 June 2024 R'000
E. Details of current and previous year irregular expenditure recovered			
Irregular Expenditure recovered		-	-
Total		-	-
Awaiting determination report recommendations			
F. Details of current and previous year irregular expenditure written off			
Irregular Expenditure written off		-	-
Total		-	-

(a) Reconciliation of fruitless and wasteful expenditure:	Notes	30 June 2025 R'000	30 June 2024 R'000
Opening Balance		606 923	163 305
Add: Fruitless and Wasteful expenditure - prior year identified in the current year		-	-
Add: Fruitless and Wasteful expenditure - current year		306 504	443 618
Less: Losses recovered/or written off		-21 688	
Closing balance		891 739	606 923

Details of fruitless and wasteful expenditure incurred

Year Ended June 2025		
Incident	R'0000	Details
Interest	306 504	Relates primarily to interest charged by suppliers on late payments.

Year Ended June 2024		
Incident	R'000	Details
Interest	443 618	Relates primarily to interest charged by suppliers on late payments.

Reconciling notes to the annual financial statement disclosure:		
Fruitless and Wasteful Expenditure that was under assessment in the prior year		
Fruitless and Wasteful Expenditure that relates to the prior identified in the current year		
Fruitless and Wasteful Expenditure incurred	306 504	606 923
Total	306 504	606 923



**ANNUAL
FINANCIAL
STATEMENTS**

**FOR THE YEAR ENDED
JUNE 2025**



2. REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON VAAL CENTRAL WATER

Report on the audit of the financial statements

Opinion

1. I have audited the financial statements of the Vaal Central Water set out on pages 146 TO 207, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Vaal Central Water as at 30 June 2025 and its financial performance and cash flow statement for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

Basis for opinion

2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Vaal Central Water as at 30 June 2025 and its financial performance and cash flow statement for the year then ended in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).
3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the responsibilities of the auditor-general for the audit of the financial statements section of my report.
4. I am independent of the public entity in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA code) as well as other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Material uncertainty related to going concern

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. As disclosed in note 43 to the financial statements, the gross trade receivables from exchange transactions amounted to R9.975 billion, and a substantial portion of these debtors has been provided for as irrecoverable, and the entity's creditor period is significantly higher than the generally acceptable period of 30 days, this adverse settlement period reflects severe liquidity risk for the entity and indicates that the entity is unable to meet its obligations as they fall due. These events or conditions, along with other matters as set forth in note 43, indicate that a material uncertainty exists that may cast significant doubt on the public entity's ability to continue as a going concern.

Emphasis on matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

9. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2024 were restated as a result of an error in the financial statements of the public entity at, and for the year ended 30 June 2025.

Fruitless and wasteful expenditure

10. As disclosed in note 39 to the financial statements, fruitless and wasteful expenditure of R306 504 000 (2024: R443 618 000) was incurred by the public entity, due to interest charged on late payments to suppliers.

Irregular expenditure

11. As disclosed in note 39 to the financial statements, irregular expenditure of R347 089 000 (2024: R281 903 000) was incurred by the public entity, due to non-compliance with supply chain management (SCM) requirements.

Contingencies

12. With reference to note 35 to the financial statements, the public entity is the defendant in various claims against the public entity. The public entity is opposing these claims. The ultimate outcome of these matters could not be determined and no provision for any liabilities that may result was made in the financial statements.

Irregular expenditure

11. As disclosed in note 39 to the financial statements, irregular expenditure of R347 089 000 (2024: 281 903 000) was incurred by the public entity, due to non-compliance with supply chain management (SCM) requirements.

Contingencies

12. With reference to note 35 to the financial statements, the public entity is the defendant in various claims against the public entity. The public entity is opposing these claims. The ultimate outcome of these matters could not be determined, and no provision for any liabilities that may result was made in the financial statements.

Material impairments

13. As disclosed in note 4 to the financial statements, receivables from exchange transactions were impaired by R9 523 963 000 (2024: R10 021 185 000).
- 14.. As disclosed in note 4 to the financial statements, material losses of R2 330 751 000 were incurred as a result of a write-off of irrecoverable trade debtors.

Responsibilities of the accounting authority for the financial statements

15. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the Standards of GRAP and the requirements of the PFMA and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
16. In preparing the financial statements, the accounting authority is responsible for assessing the public entity's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the public entity or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

17. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
18. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report. This description, which is located at page 144, forms part of my auditor's report.

Report on the audit of the annual performance report

19. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported performance against predetermined objectives for the selected strategic objectives presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
20. I selected the following strategic objectives presented in the annual performance report for the year ended 30 June 2025 for auditing. I selected strategic objectives that measures the public entity's performance on its primary mandated functions and that are of significant national, community or public interest.

Strategic objective	Page numbers	Purpose
Strategic objective 1	18	Plan, develop, operate, and maintain infrastructure to ensure sustainable water service delivery.
Strategic objective 3	18	Securing of supply and quality of raw water resources.

21. I evaluated the reported performance information for the selected objectives against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the public entity's planning and delivery on its mandate and strategic objectives.
22. I performed procedures to test whether:
- ☐ the indicators used for planning and reporting on performance can be linked directly to the public entity's mandate and the achievement of its planned objectives;
 - ☐ all the indicators relevant for measuring the public entity's performance against its primary mandated and prioritised functions and planned objectives are included;
 - ☐ the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements;
 - ☐ the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated;
 - ☐ the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents; and
 - ☐ the reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.
23. I performed the procedures for the purpose of reporting material findings only; and not to express an assurance conclusion.
24. I did not identify any material findings on the reported performance information for the selected strategic objectives.

Other matters

25. I draw attention to the matters below:

Achievement of planned targets

26. The annual performance report includes information on reported achievements against planned targets and provides explanations for over- or under achievements.
27. The tables that follow provide information on the achievement of planned targets and lists the key indicators that were not achieved as reported in the annual performance report.

Plan, develop, operate, and maintain infrastructure to ensure sustainable water service delivery

Material misstatements

Targets achieved: 33%

Key indicator not achieved	Planned target	Reported achievement
Avoidable water loss as a percentage of water produced at the treatment and distribution systems.	≤15%	18%
Number of days of unplanned system interruptions	2 days	48 days

Material misstatements

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for strategic objective 3, "securing of supply and quality of raw water resources". Management subsequently corrected all the misstatements, and I did not include any material findings in this report.

Report on compliance with legislation

29. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting authority is responsible for the public entity's compliance with legislation.
30. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.
31. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the public entity, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.
32. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Annual financial statements

33. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework as required by section 55(1)(b) of the PFMA. Material misstatements of non-current assets, current assets, revenue and disclosure items identified by the auditors in the submitted financial statement were corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

34. Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

Expenditure management

35. Effective and appropriate steps were not taken to prevent irregular expenditure as disclosed in note 39 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with preferential procurement regulations (PPR) 2017 and PPR 2022 relating to panel appointments.
36. Effective steps were not taken to prevent fruitless and wasteful expenditure, as disclosed in note 39 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by non-payment of creditors, including Department of Water and Sanitation and the water associations.

Consequence management

37. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.
38. I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was because investigations into fruitless and wasteful expenditure were not performed.

Procurement and contract management

39. I was unable to obtain sufficient appropriate audit evidence that goods, works and services were procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar limitation was also reported in the prior year.

Other information in the annual report

40. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported on in this auditor's report.
41. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.
42. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected objectives presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
43. If, based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I'm required to report that fact. I have nothing to report in this regard.

Internal control deficiencies

44. I considered internal control relevant to my audit of the financial statements, annual performance report, and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.
45. The matters reported below are limited to the significant internal control deficiencies that resulted in the opinion, and the material findings on compliance with legislation included in this report.
46. Senior management did not adequately review and monitor compliance with applicable laws and regulations. This resulted in instances of non-compliance being identified during the audit process.
47. Senior management did not implement adequate controls over daily and monthly processing and reconciling of transactions, resulting in material adjustments being processed on the financial statements submitted for audit.
48. The board of directors did not exercise effective oversight responsibility regarding financial reporting, compliance, and related internal controls, as material findings were identified in the current and prior year.

Material irregularities

49. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit.

Material irregularities in progress

50. I identified a suspected material irregularity during the audit and notified the accounting authority, as required by the material irregularity regulation 3(2). By the date of this auditor's report, the response of the accounting authority was not yet due. This suspected material irregularity will be included in next year's auditor's report.

Auditor-General

Bloemfontein

31 October 2025



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

The annexure includes the following:

- The auditor-general's responsibility for the audit
- The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected objectives and on the public entity's compliance with selected requirements in key legislation.

Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the public entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
- conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the public entity to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a public entity to cease operating as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

iCommunication with those charged with governance

I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation - selected legislative requirements

The selected legislative requirements are as follows:

Legislation	Sections or regulations
Public Finance Management Act 1 of 1999	Section 50(3)(b); 51(1)(a)(iii); 51(1)(b)(i); Section 51(1)(b)(ii); 51(1)(e)(iii); 52(b); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56; 57(b); 66(3)(b)
Treasury Regulations, 2005	Regulation 29.1.1; 29.1.1(a); 29.1.1(c); 29.2.1; Regulation 29.2.2; 29.3.1; 31.1.2(c); 31.2.5; Regulation 31.2.7(a); 33.1.1; 33.1.3
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Preferential Procurement Policy Framework Act 5 of 2000	Section 1(i); 2.1(a); 2.1(f)
Preferential Procurement Regulation, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; Regulation 6.3; 6.6; 6.8; 7.1; 7.2; 7.3; Regulation 7.6; 7.8; 8.2; 8.5; 9.1; 10.1; 10.2; Regulation 11.1; 11.2
Preferential Procurement Regulation, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
National Treasury SCM Instruction Note 3 of 2021-22	Paragraph 4.2
National Treasury SCM Instruction Note 11 of 2020-21	Paragraph 3.1; 3.4(b); 3.9
National Treasury Instruction note 4 of 2015-16	Paragraph 3.4
National Treasury Instruction Note 5 of 2020-21	Paragraph 4.8; 4.9; 5.3
Erratum to National Treasury Instruction Note 5 of 2020-21	Paragraph 2
Second Amendment National Treasury Instruction No.5 of 202/21	Paragraph 1



GENERAL INFORMATION

Country of incorporation and domicile	South Africa
Legal form of entity	Vaal Central Water , in terms of the Public Finance Management Act, 1999 (Act no. 1 of 1999), as amended, is listed as a Schedule 3B National Government Business Enterprise which reports to the Minister of Water and Sanitation as the Executive Authority, through the Board as the Accounting Authority.
Nature of business and principal activities	The supply of bulk purified and unpurified water
Executive management	Mr. L.X. Ntoyi (CE) (appointed 1 November 2024) Dr. L. Moorosi (CE) (contract ended 31 October 2024) Mr. M.G. Rapudungoane Ms. N.P. Silevu Ms. N.A. Motlhaolwa Mr. D. Traut (resigned 31 December 2024) Mr. G. Husselmann (Acting CFO) Mr. A.E. Mnyaka (appointed 7 October 2024)
Company secretary	Ms NP Silevu
Business address	2 Mzuzu Street Pellissier Bloemfontein Free State 9301
Postal address	P.O. Box 30121 Bloemfontein Free State 9322
Bankers	ABSA Nedbank
Auditors	Auditor-General of South Africa

TABLE OF CONTENTS AND ABBREVIATIONS



E

Board's Responsibilities and Approval	148
Statement of Financial Position	149
Statement of Financial Performance	150
Statement of Changes in Net Assets	151
Cash Flow Statement:	152
Accounting Policies	153
Notes to the Annual Financial Statements June 2025	163

Abbreviations used:

GRAP	Generally Recognised Accounting Practice
EWSETA	Energy and Water Sector Education Training Authority
IRESS	Integrated Real-time Equity System
JSE	Johannesburg Stock Exchange
PFMA	Public Finance Management Act, 1999 (Act no. 1 of 1999), as amended
VAT	Value Added Taxation



BOARD'S RESPONSIBILITY AND APPROVAL

The Board is responsible for the maintenance of adequate accounting records and the preparation, fair presentation and integrity of the annual financial statements and related information. The external auditors are responsible to report on the fair presentation of these annual financial statements. The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Public Finance Management Act, 1999 (Act no. 1 of 1999).

The Board is also responsible for the other information included in the annual report and to ensure both its accuracy and consistency with the annual financial statements.

The Board acknowledges that they are ultimately responsible for such internal controls as the Board determines are necessary to enable the preparation of Annual Financial Statements that are free from material misstatement, whether due to fraud or error. These controls are designed to provide reasonable, but not absolute assurance as to the reliability of the annual financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatements and loss. No issues were brought to the attention of the Board to indicate that there was any material breakdown in the functioning of these controls, procedures and systems during the year under review.

The annual financial statements are prepared on the basis of accounting policies applicable to a going concern since the Board believes that the entity will obtain adequate resources through risk mitigation strategies to continue with operations in the foreseeable future.

The annual financial statements set out on pages 1 - 64, which have been prepared on the going concern basis, were approved by the Board on 31 October 2025 and was signed on its behalf by:

Mr. L.X. Ntoyi
Chief Executive
Date: 2025-10-31

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2025

	Note(s)	2025 R '000	2024 Restated* R '000
Assets			
Current Assets			
Inventories	3	53 477	66 887
Receivables from exchange transactions	4	595 342	489 583
VAT receivable	5	1 596	-
VAT accrual	6	184 204	483 564
Investments	7	124 540	-
Cash and cash equivalents	8	1 519 687	1 212 978
		2 478 846	2 253 012
Non-Current Assets			
Property, plant and equipment	9	3 516 656	3 591 931
Living assets	10	516	427
Investments	7	-	115 453
		3 517 172	3 707 811
Total Assets		5 996 018	5 960 823
Liabilities			
Current Liabilities			
Interest bearing borrowings	11	-	6 844
Finance lease obligation	12	1 247	1 094
Employee benefit obligation	13	71 699	66 730
Payables from exchange transactions	14	2 015 596	4 508 233
VAT payable	5	22 706	31 004
VAT accrual	6	58 940	39 157
Deferred income	15	168 244	262 691
		2 338 432	4 915 753
Non-Current Liabilities			
Employee benefit obligation	13	169 086	134 443
Finance lease obligation	12	339	1 586
		169 425	136 029
Total Liabilities		2 507 857	5 051 782
Net Assets		3 488 161	909 041
Accumulated surplus		3 488 161	909 041
Total Net Assets		3 488 161	909 041

*Refer to Note 40



STATEMENT OF FINANCIAL PERFORMANCE

AS AT 30 JUNE 2025

FINANCIAL PERFORMANCE

	Note(s)	2025 R '000	2024 Restated* R '000
Revenue			
Revenue from exchange transactions			
Water sales		2 432 840	2 350 163
Service delivery fees	16	62 689	70 299
Interest received on outstanding debtors	17	1 201 194	1 135 188
Interest received from external investments	18	91 703	71 474
Other income	19	7 352	5 213
Infrastructure development construction contracts	20	716 264	523 443
Implementing agent fees		32 841	22 857
Total revenue from exchange transactions		4 544 883	4 178 637
Revenue from non-exchange transactions			
Transfer revenue			
Grants	21	264 732	276 524
Amounts written-off	22	3 102 194	884 542
Other income	23	3 542	1 144
Total revenue from non-exchange transactions		3 370 468	1 162 210
Total revenue		7 915 351	5 340 847
Expenditure			
Water abstraction cost	24	(500 309)	(534 826)
Inventory chemicals consumed		(134 223)	(87 069)
Employment cost	25	(613 065)	(607 356)
Depreciation	26	(266 872)	(256 236)
Impairment of property, plant and equipment	27	(1 846)	(2 930)
Finance costs	28	(380 008)	(515 457)
Repairs and maintenance	9	(133 610)	(96 353)
Maintenance items consumed	9	(10 679)	(9 026)
Energy costs		(510 453)	(442 112)
Bad debts written off	4	(2 330 751)	-
Lease rentals on operating lease	29	-	(37)
Reversal (impairment) of receivables	30	496 276	(2 009 210)
Operating expenses	31	(234 427)	(218 638)
Infrastructure development construction contracts	20	(716 264)	(523 443)
Total expenditure		(5 336 231)	(5 302 693)
Surplus for the year		2 579 120	38 154

*Refer to Note 40

STATEMENT OF CHANGES IN NET ASSETS

AS AT 30 JUNE 2025

	Accumulated surplus / deficit R '000	Total net assets R '000
Opening balance as previously reported	(7 205)	(7 205)
Adjustments		
* Correction of errors	878 092	878 092
* Restated balance at 01 July 2023	870 887	870 887
Changes in net assets		
Surplus (deficit) for the year - previously disclosed	(16 591)	(16 591)
* Surplus (deficit) for the year - correction of errors	54 745	54 745
Total changes	38 154	38 154
* Restated balance at 01 July 2024	909 041	909 041
Changes in net assets Surplus for the year		
Surplus for the year	2 579 120	2 579 120
Total changes	2 579 120	2 579 120
Balance at 30 June 2025	3 488 161	3 488 161

*Refer to Note 40



CASH FLOW STATEMENT AS AT 30 JUNE 2025

	Note(s)	2025 R '000	2024 Restated* R '000
Cash flows from operating activities			
Receipts			
Water sales		1 921 928	1 816 197
Service delivery fees		51 981	13 780
Grants		304 442	268 002
Interest income from external investments		82 616	62 534
Interest received from overdue debtors		684	3 507
VAT received from the South African Revenue Services	5	-	4 812
VAT received from SARS as a result of the conversion		-	269 779
Infrastructure development construction costs (revenue)		789 786	609 768
Implementing agent fees		37 767	26 286
Other income		9 550	6 229
		3 198 754	3 080 894
Payments			
Employee costs		(646 901)	(690 303)
Finance costs		(392)	(307)
Suppliers paid for goods and services		(1 390 896)	(1 435 498)
Energy cost suppliers paid		(484 581)	(421 178)
VAT paid to the South African Revenue Services	5	(149 478)	(105 909)
		(2 672 248)	(2 653 195)
Net cash flows from operating activities	32	526 506	427 699
Cash flows from investing activities			
Purchase of property, plant and equipment	33	(212 044)	(140 938)
Proceeds from sale of property, plant and equipment		185	474
Net cash flows from investing activities		(211 859)	(140 464)
Cash flows from financing activities			
Repayment of interest bearing borrowings		(6 844)	(4 128)
Capital portion payment on finance lease liability		(1 094)	(731)
Net cash flows from financing activities		(7 938)	(4 859)
Net increase/(decrease) in cash and cash equivalents		306 709	282 376
Cash and cash equivalents at the beginning of the year		1 212 978	930 602
Cash and cash equivalents at the end of the year	8	1 519 687	1 212 978

*Refer to Note 40

ACCOUNTING POLICIES AS AT 30 JUNE 2025

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with and are in compliance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with section 91(1) of the Public Finance Management Act, 1999 (Act no. 1 of 1999) as amended.

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand (R), which is the functional and presentation currency of Vaal Central Water, rounded to the nearest thousand (R'000) except where otherwise indicated.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Going concern assumption

In preparing the financial statements the Board assess whether there are material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern. There is no intention to liquidate the entity or to cease operating and the Board has reason to believe based on actuals, forecast business plans, strategies and risk mitigations that it will obtain adequate resources to continue as a going concern in the foreseeable future. Annual Financial Statements have therefore been prepared on the going concern basis.

1.2 Comparative figures

Comparative information was represented where required to provide relevant information and corrections have been made for prior period errors.

1.3 Off-setting

Amounts are only off set and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net

basis, or to realise the asset and settle the liability simultaneously.

1.4 Significant accounting judgements, estimates and assumptions

The preparation of the entity's annual financial statements in conformity with Generally Recognised Accounting Practices (GRAP) requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised.

Significant judgements, estimates and assumptions are included in the accounting policies and notes below:

- Employee benefits (note 13)
- Allowance for impairment of financial assets measured at amortised cost (note 4)
- Valuation and depreciation of property, plant and equipment (note 9)
 - Classifying assets as non-cash generating
 - Impairment
 - Useful lives of depreciable assets

1.5 Property, plant and equipment

Vaal Central Water recognises items of property, plant and equipment when the asset is controlled by the entity and the cost can be measured reliably. Property, plant and equipment is measured at cost less accumulated depreciation and impairment, except for land which is not depreciated.

Borrowing costs are capitalised to the cost of an item of property, plant and equipment when the item is being constructed or developed and the period to complete the asset and get it ready for its intended use are longer than 1 year. The capitalisation rate applied is the weighted average of the borrowing costs applicable to the borrowings.



ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

Repairs and maintenance are charged to the statement of financial performance during the financial period in which it is incurred.

Depreciation of assets commences when the assets are ready for their intended use. Finance lease assets are depreciated over the shorter of the lease term and its useful life. Depreciation is calculated on a straight-line basis over the estimated useful lives.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Not depreciated	indefinite
Buildings	Straight-line	40 - 60 years
Plant equipment	Straight-line	5 - 54 years
Furniture and office equipment (including leased assets)	Straight-line	2 - 50 years
Vehicles and machinery	Straight-line	10 -39 years
Roads	Straight-line	25 - 60 years
Pipeline and reservoirs	Straight-line	20 - 50 years

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of financial performance in the year the asset is derecognised.

The following judgements, estimates and assumptions have been applied:

Classifying property, plant and equipment as non-cash generating

Judgement have been applied around classifying assets as Cash Generating or Non-Cash Generating. Vaal Central Water assets and operation are not commercial in

nature and the intention is not to generate cash flows that are significantly higher than the cost of the assets but on a sustainable basis to deliver services. Assets are therefore classified as non-cash generating.

Impairment

In assessing impairment, management estimates the recoverable service amount of each asset, based on present value of expected future service potential and uses an interest rate to discount them. Estimated uncertainty relates to assumptions about future service potential and the determination of a suitable discount rate. It is expected that the future potential of all assets impaired are none.

Useful lives of depreciable assets

Depreciation is based on the useful lives of the property, plant and equipment. The estimation of useful lives of property, plant and equipment is based on historical performance as well as expectations about future use. Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on condition assessments taking into consideration the current condition of asset and expected utilisation of the assets.

ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

1.6 Living assets

A living resource is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the asset will flow to the entity; and the cost or fair value of the resource can be measured reliably.

Living assets consist of game which is measured at fair value less estimated cost to sell. The fair value of the living assets is determined annually based on observable living resource prices in the active market or recent market transactions.

1.7 Inventories

Inventories consist of chemicals, maintenance and consumable items and water. Inventories are valued at the lower of cost or net realisable value. Cost is determined on the weighted average basis.

The cost of water inventory comprises of all costs of water abstraction, costs of conversion and other costs incurred in bringing the inventory to its present location and condition.

1.8 Financial instruments

Identification

Financial assets comprise mainly of trade receivables (included in receivables from exchange transactions in note 4) and cash and cash equivalents (note 8). Financial liabilities comprise of interest bearing borrowings included in note 11 and trade payables and accruals included in note 14.

Recognition

Vaal Central Water recognise financial assets and financial liabilities when it becomes a party to the contractual obligations in the contract.

Initial measurement

Financial assets are initially measured at fair value and financial liabilities at amortised cost.

Subsequent measurement

Financial assets and liabilities are subsequently measured at amortised cost. Trade and other short-term receivables and payables are not discounted where the initial credit period granted or received is consistent with terms used in the public sector, either through established practices or legislation.

Impairment losses

Financial assets measured at amortised cost is impaired when the present value of estimated future cash flows is less than the carrying amount of the asset after objective evidence indicated that such an impairment may exist. The impairment is recognised in a provision for an impairment account and changes in the impairment provision is recognised in expenditure in the statement of financial performance. Bad debts written off after approval in terms of delegation is recognised as an expense in the Statement of financial performance and the related receivable is derecognised. It also results in a decrease in provision for impairment if the receivable was provided for in the prior period.

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment which requires significant judgements, estimates and assumptions. Impairment of trade receivables is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed.

As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence may materially affect the carrying amounts of receivables at the reporting date. The allowance for impairment is calculated taking into account the ageing of receivables, payments received after year end and commitments/agreements reached on outstanding amounts. There remains an element of uncertainty whether commitments reached with Municipalities will be honoured. Further details are disclosed in note 4.



ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

Derecognition

Financial assets and liabilities are derecognised when the asset or liability is settled, waived or cancelled on the date of such transaction. Interest based on the effective interest method is recognised as revenue (note 17) or expense (note 28).

1.9 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on revenue from non-exchange transactions (taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an

asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Initial measurement

The entity initially measures statutory receivables at their transaction amount.

Subsequent measurement

The entity measures statutory receivables after initial recognition using the cost method. Under the cost method, the initial measurement of the receivable is changed subsequent to initial recognition to reflect any:

- interest or other charges that may have accrued on the receivable (where applicable);
- impairment losses; and
- amounts derecognised.

Impairment losses

The entity assesses at each reporting date whether there is any indication that a statutory receivable, or a group of statutory receivables, may be impaired.

In assessing whether there is any indication that a statutory receivable, or group of statutory receivables, may be impaired, the entity considers, as a minimum, the following indicators:

- Significant financial difficulty of the debtor, which may be evidenced by an application for debt counselling, business rescue or an equivalent.
- It is probable that the debtor will enter sequestration, liquidation or other financial re-organisation.
- A breach of the terms of the transaction, such as default or delinquency in principal or interest payments (where levied).
- Adverse changes in international, national or local economic conditions, such as a decline in growth, an increase in debt levels and unemployment, or changes in migration rates and patterns.

If there is an indication that a statutory receivable, or a group of statutory receivables, may be impaired, the entity measures the impairment loss as the difference

ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

between the estimated future cash flows and the carrying amount. Where the carrying amount is higher than the estimated future cash flows, the carrying amount of the statutory receivable, or group of statutory receivables, is reduced, either directly or through the use of an allowance account. The amount of the losses is recognised in surplus or deficit.

An impairment loss recognised in prior periods for a statutory receivable is revised if there has been a change in the estimates used since the last impairment loss was recognised, or to reflect the effect of discounting the estimated cash flows.

Any previously recognised impairment loss is adjusted either directly or by adjusting the allowance account. The adjustment does not result in the carrying amount of the statutory receivable or group of statutory receivables exceeding what the carrying amount of the receivable(s) would have been had the impairment loss not been recognised at the date the impairment is revised. The amount of any adjustment is recognised in surplus or deficit.

Derecognition

- The entity derecognises a statutory receivable, or a part thereof, when:
- the rights to the cash flows from the receivable are settled, expire or are waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the receivable; or
- the entity, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable to another party and the other party has the practical ability to sell the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the receivable; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of any statutory receivables transferred are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. The entity considers whether any newly created rights and obligations are within the scope of the Standard of GRAP on Financial Instruments or another Standard of GRAP. Any difference between the consideration received and the amounts derecognised and, those amounts recognised, are recognised in surplus or deficit in the period of the transfer.

1.10 Investments (non-current and current)

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

Investment in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the municipality has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with investment income over receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as either held for trading or available-for-sale, and are measured at subsequent reporting dates at fair value, based on quoted market prices at the reporting date. Where securities are held for trading purposes, unrealised gains and losses are included in net surplus/(deficit) for the period. For available-for sale investments, unrealised gains and losses are recognised directly in net assets, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in net assets is included in the surplus/(deficit) for the period.



ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

Investments in derivative financial instruments

Derivative financial instruments are initially recorded at cost and are subsequently measured at fair value.

Changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognised directly in accumulated surpluses/(deficits). Amounts deferred in net assets are recognised in the statement of financial performance in the same period in which the hedged firm commitment or forecasted transaction affects the surplus/(deficit).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the statement of financial performance as they arise.

1.11 Cash and cash equivalents

Cash and cash Equivalents include cash on hand, deposits held in call accounts with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

1.12 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Finance leases - lessee

Leases where the entity assumes substantially all the benefits and risks of ownership, are classified as finance leases. Finance leases are capitalised as property, plant and equipment at the lower of fair value or the present value of the minimum lease payments at the inception of the lease with an equivalent amount being stated as a finance lease liability. The capitalised amount is

depreciated over the asset's useful life. Lease payments are allocated between capital repayments and finance expenses using the effective interest rate method. The incremental borrowing rate of interest implicit in the lease is based on what the entity would have to pay on a similar lease or, if that is not determinable, the rate that, at the inception of the lease, the lessee would incur to borrow over a similar term, and with a similar security, the funds necessary to purchase the asset.

Operating leases - lessee

Leases where substantially all of the risks and rewards of ownership are not transferred to the entity, are classified as operating leases. Operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

1.13 Tax

1.13.1 Value added tax (VAT)

The entity is registered with the South African Revenue Services (SARS) for VAT on the payments / cash basis, in accordance with section 15(2) of the VAT Act, 1991 (Act no. 89 of 1991), while former Sedibeng Water was registered on the accrual basis of accounting. Since July 2023 all regions have been transferred to the payment / cash basis.

On the accrual basis of accounting, VAT becomes receivable when the input VAT that has already been accrued on supplier invoices exceeds the output VAT that has already been billed to customers, while VAT becomes payable when the input VAT already accrued does not exceed the output VAT billed to customers.

The total VAT receivable / (payable) at yearend consists of an amount payable or receivable. VAT accrual consist of an amount payable or receivable in future periods. The Entity is liable to account for VAT at the standard rate of 15% in terms of section 7 (1) (a) of the VAT Act in respect of the supply of goods or services, except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or are scoped out for VAT purposes. The entity is registered and submits VAT 201 returns on a monthly basis.

ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

1.13.2 Income tax

No provision is made for taxation since Vaal Central Water is exempt from tax in terms of section 10(1) (cA) of the Income Tax Act, 1962 (Act no. 58 of 1962) of South Africa.

1.14 Employee benefits obligations

1.14.1 Post retirement benefit obligation – Pension fund

The policy of Vaal Central Water is to provide retirement benefits for all its employees. The fund is a defined benefit plan administered by Verso Funds Administrator.

A defined liability (or obligation) is recognised as the net total of the present value of the defined benefit obligation at reporting date less the fair value the plan assets. An asset is recognised where the net total liability calculated above is negative. The asset is limited to the present value of any refunds or reductions available in future contributions to the plan.

The defined benefit obligation comprises the present value of the defined benefit plan obligation less past service cost not yet recognised and less the fair value of plan assets out of which the obligations are to be settled directly. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

The valuation is performed annually by a qualified actuary. The defined benefit assets and obligations are measured making use of actuarial assumptions. Refer to note 13 for actuarial assumptions.

Interest on the defined benefit obligation is recognised in finance cost (note 13) and all other gains and losses are recognised in employment cost (note 25).

1.14.2 Post-employment benefits - Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or

constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior financial years.

When an employee has rendered service to the entity during a financial year, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the financial year in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

A liability is recognised for short term employee benefits due not paid (refer to note 13).

Employee benefits obligations (continued)

1.14.3 Long-term service awards

Vaal Central Water provides long-term service awards to all its employees in the form of a cash bonus for every five years of completed service. The amount due is calculated based on a daily cost-to-company rate multiplied by the number of leave days entitlement on the date that the employee becomes entitled to the bonus considering the probabilities that the employee will resign before the amount becomes payable. The liability is measured as the present value using the projected unit credit method. The liability is unfunded. Interest on the long-term service



ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

awards is recognised in finance cost (note 28) and all other gains and losses are recognised in employment cost (note 25).

The benefit is paid in the month the employee reaches the milestone. The method of accounting and frequency valuation are similar to those under the defined benefit schemes. The actuarial valuation to determine the liability is performed annually.

1.14.4 Post employment health care

The entity has a policy to subsidise the post-employment health care costs of employees that joined the entity on or before 1 July 2003 and are covered by an entity sponsored health care arrangement at retirement. The current policy allows for members who qualify for the subsidy scheme to receive a subsidy of 100% of the medical scheme contributions on retirement; on the death in service of the member no benefit continues to the spouse; and on the death of a retired person in receipt of the subsidy the subsidy does not continue to the spouse.

The defined benefit obligation comprises the present value of the defined benefit plan obligation less past service cost not yet recognised. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

1.14.5 Short term employee benefits

Short-term employee benefits provided includes leave, overtime, standby, shift benefits and 13th cheque. These expenses are included in employment cost (note 25). Leave liabilities are measured at the amount of leave days accrued at year-end and the cost-to-company rate per day as at reporting date. A liability for performance bonuses and board member allowance are provided for when a legal or constructive obligation exist, and the amount can be estimated reliably.

A liability is recognised for short term employee benefits due not paid (refer to note 13).

1.15 Revenue from exchange transactions

Vaal Central Water earns its revenue mainly from water sales and interest revenue classified as revenue from exchange transactions.

Revenue from water sales is measured at the fair value of the consideration received or receivable. Vaal Central Water's water tariffs are regulated in terms of Municipal Finance Management Act Circular No. 23.

This income is derived from service delivery fees treatment and is received from Water Services Authorities in the Northern Cape Region for services rendered in terms of section 30(2)(d) of Water Services, 1997 (Act no. 108 of 1997). The Water Board acts as Water Services Provider and receives this income for services rendered. The income is recognised at the net invoiced value, exclusive of value added tax and at actual amounts as agreed by the Water Services Authorities.

Interest revenue comprises interest receivable on trade receivables and interest revenue on cash and cash equivalents. Interest revenue is recognised as it accrues in the statement of financial performance, using the effective interest rate method.

Other income comprises of income that does not arise from the main operating activities of Vaal Central Water. These other income items, *inter alia*, include employee rent and cost recoupments, implementation agent income, insurance proceeds, garnishees income, skills development grants, etc.

1.16 Revenue from non-exchange transactions

Vaal Central Water receives operational grants that are unconditional and recognised as revenue as soon as the recognition criteria is met. These grants are conditional and are recognised as revenue as the conditions relating to these grants are met. The remaining balance is deferred and included in current liabilities.

Amounts written-off represents non-exchange transactions whereby outstanding debt is written off and no longer payable by the entity.

ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

1.17 Expenditure

Expenses are recognised in the statement of financial performance upon utilisation of the service or as incurred. Expenses are classified based on their nature.

1.18 Construction contract income and expenditure

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Contractor is an entity that performs construction work pursuant to a construction contract.

A contractor is an entity that enters into a contract to build structures, construct facilities, produce goods, or render services to the specifications of another entity either itself or through the use of sub-contractors. The term “contractor” thus includes a general or prime contractor, a subcontractor to a general contractor, or a construction manager.

Revenue from the construction contracts arise from grants received on the Department of Water and Sanitation (DWS) for the development and construction of water infrastructure on behalf of the department. The accounting treatment of the grant as a construction revenue is in accordance with the ASB Guide for Accounting for Regional Bulk Infrastructure Grant (RBIG) allocations, where the entity is responsible for the appointment of contractors (service provide for the construction of these units).

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any. The entity receives invoices for work performed by contractors and raise a liability for the amounts owned. Grants expenditure will be realised when the entity is compensated for the work performed.

Once the liability is raised, an invoice is generated to the DWS. Grants funds received will initially be recognised as a grant receivable, and realised to the contractor payment.

Construction revenue will be realized based on the refund of work performed by the DWS.

1.19 Finance costs

Finance costs comprise of interest on borrowings, interest on finance lease liability, net interest on defined benefit liability and other. Finance costs are recognised in the statement of financial performance as an expense except for capitalised borrowing costs.

1.20 Fruitless and wasteful expenditure, irregular expenditure and material losses through criminal conduct

Fruitless and wasteful expenditure, irregular expenditure and material losses through criminal conduct are disclosed in accordance with the requirements of the PFMA and the guidelines issued in terms of the PFMA when the entity identifies events that gave rise to the classification of these expenditures and the entity confirmed the classification as such.

Receivables for the recovery of these expenditure are only recognised when there is a reasonable expectation that the amounts will be recovered. These expenditures are reduced by the amounts recoverable, condoned by National Treasury or written off as irrecoverable. Any uncertainties to these expenditures are also disclosed. Fruitless and wasteful expenditure is included in note and irregular expenditure is included in note 39. There were no expenditures identified relating to material losses through criminal conduct.

Fruitless and wasteful and irregular expenditure incurred and confirmed is disclosed in the annual financial statements. This expenditure relates to expenditure incurred in the current year, with one financial year comparative analysis. Expenditure relating to prior years and additional information are disclosed in the entity's annual report



ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

1.21 Cash flow statement

The cash flow statement is prepared in accordance with Standard of GRAP 2: Cash Flow Statements. The cash flows are classified into three main activities: operating; investing; and financing.

Cash flows from operating activities are presented using the direct method, with major classes including receipts from water sales, service delivery fees, infrastructure development construction contracts revenue and implementing agent fees, and payments for salaries, goods and services. Interest received from external investments are classified operating activities.

1.22 Contingent liabilities

A contingent liability is a possible obligation that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because: (i) it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability. Refer to note 35 for detail.

1.23 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Vaal Central Water is a 100% controlled entity of the Government of South Africa as represented by the Department of Water and Sanitation. As a Schedule 3B Enterprise in terms of the PFMA. Key management is defined as being individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. Vaal Central Water considers the key management personnel to be the board members and executives as detailed in the related party note. Close family members of key management personnel are considered to be those family members who may be expected to influence or be influenced by key

management individuals or other parties related to the entity. Transactions and balances with the related parties as defined by Vaal Central Water that occurred during the financial period are disclosed as related party transactions or balances.

These disclosures are not made if the relevant transaction occurs within:

- Normal supplier and/or client/recipient relationships on terms and conditions no more or less favorable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- Terms and conditions within the normal operating parameters established by that reporting entity's legal mandate.

In these cases, the entity discloses narrative information about the nature of the relevant transactions.

1.24 Contingent assets

A contingent asset is a possible asset that arises from past events, and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

Contingent asset are not recognised, however where an inflow of economic benefits or service potential is probable, the entity discloses a brief description of the nature of the contingent assets at the reporting date, and, where applicable, an estimate of their financial effect.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognised in the financial statements of the period in which the change occurs.

ACCOUNTING POLICIES AS AT 30 JUNE 2025 (continued)

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date. These are adjusting events after the reporting date.
- those that are indicative of conditions that arose after the reporting date. These are non-adjusting events after the reporting date that are disclosed in the annual financial statements accordingly.

1.26 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS AS AT 30 JUNE 2025

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2025 or later periods:

Guideline: Guideline on the Application of Materiality to Financial Statements

The objective of this guideline: The objective of this Guideline is to provide guidance that will assist entities to apply the concept of materiality when preparing financial statements in accordance with Standards of GRAP. The Guideline aims to assist entities in achieving the overall financial reporting objective. The Guideline outlines a process that may be considered by entities when applying materiality to the preparation of financial statements. The process was developed based on concepts outlined in

Discussion Paper 9 on Materiality – Reducing Complexity and Improving Reporting, while also clarifying existing principles from the Conceptual Framework for General Purpose Financial Reporting and other relevant Standards of GRAP. The Guideline includes examples and case studies to illustrate how an entity may apply the principles in the Guideline, based on specific facts presented.

It covers: Definition and characteristics of materiality, Role of materiality in the financial statements, Identifying the users of financial statements and their information needs, Assessing whether information is material, Applying materiality in preparing the financial statements, and Appendixes with References to the Conceptual Framework for General Purpose Financial Reporting and the Standards of GRAP & References to pronouncements used in the Guideline.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

The guideline is encouraged to be used by entities.

The impact of this standard is currently being assessed.

GRAP 104 (as revised): Financial Instruments

The main changes made were to amend the scope of financial instruments, classification and reclassification rules, recognition of interest and the impairment model and disclosure.

Revisions in the Standard requires the issuer of a guarantee or a loan commitment to be recognised at fair value when the entity becomes a party to the contract.

The classification of financial assets is based on (a) the entity's management model for managing the asset, and (b) the contractual cash flow characteristics of the asset. Reclassifications are permitted when there is a change in the management model.

Financial assets are measured at amortised cost when it consists solely of principal and interest payments. All other financial assets are measured at fair value unless it is measured at amortised cost or cost.

Changes were made to how interest revenue is recognised and calculated using the effective rate.

The financial assets of Vaal Central Water consist mainly of trade debtors and cash and cash equivalents.

The changes relating to the interest recognition and impairment model may significantly impact the current approach and methods applied in measuring financial assets at amortised cost.

The current approach only requires an entity to recognise

an impairment if there is evidence that a receivable is impaired. The new model is based on an expected credit loss and requires an entity to assess expected cash flows irrespective of whether there is evidence of a loss. It is expected that impairment of receivables may be impacted as a result of the model. The expected amount is not yet determinable.

Vaal Central Water does not expect any significant changes as a result of the changes in the reclassification rules or measurement basis when the Standard becomes effective.

As Vaal Central Water is not issuing financial guarantee contracts or loan commitments, it is not expected that the changes in the scope will impact the entity.

The effective date of this Standard is for years beginning on or after 1 April 2025.

The entity expects to adopt the revisions for the first time when the Minister sets the effective date for the revisions. The impact of this standard is currently being assessed.

GRAP 1 (amended): Presentation of Financial Statements

The amendments clarify the line items to be presented on the face of the financial statements and presentation and ordering of notes.

Entities are not required to disclose the impact of any changes made in accordance with GRAP 3 par.30 to .32 for these amendments.

The effective date of this Standard is yet to be determined by the Minister of Finance. The impact of the amendment is not material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000
3. Inventories		
Chemicals and raw materials	14 795	23 121
Maintenance items and consumables	24 634	30 486
Water	14 048	13 280
	53 477	66 887

Inventories are measured after recognition at the lower of cost and net realisable value. Impairment of inventory of R 2.776 million (2024: R 3.406 million) consisting of obsolete inventory (consumables) written-off through expenditure is R 0 (2024: R 0) and the value of inventory written-off (reversed) to estimate net realisable value through expenditure is R 0.631 million (2024: R 0.927 million).

No inventory has been pledged as security.

4. Receivables from exchange transactions

Trade receivables	451 383	328 162
Other receivables	1 876	621
Deposits - Eskom (SOC) Ltd, Centlec (SOC) Ltd and other	31 766	30 827
Cost recovery project	82 139	108 585
Accrued income	28 178	21 388
	595 342	489 583

Refer to note 37 for financial instrument disclosure. Deposits is expected to be recovered at end of the contract period but is available on demand. No trade and other receivables have been pledged as security.

Credit quality of trade and other receivables

Management evaluated credit risk relating to customers on an ongoing basis. Management assesses the credit quality of the customer, considering its financial position, past and current experience and its future expectations. The entity utilises a system where when debtors do not settle their account within 60 days a warning letter is issued after which the water supply is restricted in accordance with the Water Services Act, 1997 (Act no. 108 of 1997) until the account is settled. Legal processes, intergovernmental, mediation, and arbitration processes are also being pursued.

The entity is supported by National Treasury that has been granted powers through Section 216 of the Constitution of the Republic of South Africa, to stop funding to an organ of state for serious or persistent breaches of financial obligations. National Treasury has the powers to withhold the equitable share funding from the organs of state that do not settle their accounts or adhere to any agreements.

Reconciliation of carrying amount for trade receivables:

Gross balances		
Municipal trade receivables	9 686 789	10 170 435
Other trade receivables	288 557	178 912
	9 975 346	10 349 347
Allowance for impairment		
Municipal trade receivables	(9 434 721)	(9 950 756)
Other trade receivables	(89 242)	(70 429)
	(9 523 963)	(10 021 185)
Net balances		
Municipal trade receivables	252 076	219 679
Other trade receivables	199 307	108 483
	451 383	328 162





NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000

4. Receivables from exchange transactions (continued)

Included in gross other receivables is R 139.275 million (2024 restated: R 53.380 million) which relates to DWS. These funds are owed to the entity for cost incurred (cost recovery) on behalf of the department; as well as implementing and other fees.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	10 021 186	7 881 544
Increase (decrease) in provision raised in current year	(497 223)	2 139 642
	9 523 963	10 021 186

Bad debt written-off as per statement of financial performance:

Water sales and interest	2 330 751	-
	2 330 751	-

The entity has written-off debt that has been deemed to be irrecoverable during the current financial year. The debt relate to services rendered by the entity to various municipalities including interest charged.

The debts were previously provided for as part of the provision of debt impairment.

Receivables not impaired

Based on historical default rates, the entity believes that no additional impairment allowances are necessary in respect of the following trade receivables due to payments received or payment commitments made by customers. Past due amount not impaired consist of invoices for which payments have been made on after year end or for which approved payment plans exist.

The following receivable amounts have not been impaired:

Amounts past due not impaired

Current	260 466	213 191
Past due 30 - 60 days	22 441	14 363
Past due 60 - 90 days	15 803	-
Past due 90 - 120 days	5 696	2 779
Past due more than 120 days	146 969	97 829
	451 375	328 162

Trade and other receivables impaired

Trade receivables exceeding payment terms are interest bearing at the prime overdraft rate plus 200 basis points. Payment terms are generally 30 days from statement date. At year-end the prime overdraft rate was 10,75% per annum (2024: 11,75% per annum).

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

4. Receivables from exchange transactions (continued)

Concentration of risk

At 30 June, the concentration of credit risk is as follows:

Gross trade receivables

Assmang (Pty) Ltd	10 059	9 269
Black Mountain	21 011	13 234
Department of Water and Sanitation	139 275	53 380
Dikgatlong Local Municipality	19 008	37 740
Ga-Segonyane Local Municipality	9 378	45 028
Gamagara Local Municipality	524	3 486
Harmony	16 252	14 084
Kalagadi Manganese (Pty) Ltd	7 797	8 516
Kalahari East	29 543	24 287
Khai-Ma Local Municipality	15 333	26 089
Kopanong Local Municipality	99 546	768 746
Magalies Water	127 990	403 787
Mangaung Metropolitan Municipality	637 095	921 841
Mantsopa Local Municipality	2 770	3 741
Matjhabeng Local Municipality	8 420 604	6 937 696
Nala Local Municipality	157 217	404 927
Nama-Khoi Local Municipality	53 854	275 642
Ntsu Trading (Pty) Ltd	3 931	3 617
Other	60 352	35 354
Pamodzi	9 754	9 754
Phokwane Local Municipality	95 668	219 050
Star Diamonds	8 687	8 040
Tsantsabane Local Municipality	29 698	122 039
	9 975 346	10 349 347

Reconciliation of carrying amount for other receivables:

Gross balance	19 589	100 767
Allowance for impairment	(17 713)	(100 146)
	1 876	621

The balance of account not impaired includes staff accounts and salary balances. It is therefore not suitable to include an aging of accounts not impaired as these are not included on an age analysis.

Reconciliation of provision for impairment of other receivables:

Opening balance	100 146	98 614
Increase (decrease) in provision raised in current year	(82 433)	1 532
	17 713	100 146

5. VAT receivable (payable)

VAT payable	(22 706)	(31 004)
VAT receivable	1 596	-
	(21 110)	(31 004)

For the previous financial years, the Central and Southern Free State regions (former Bloem Water) was registered on the cash basis for VAT, whilst the Northern Free State and Northern Cape regions registered on the accrual (invoice) basis. Since July 2023 all regions that were registered on the accrual basis were converted to the cash basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

5. VAT receivable (payable) (continued)

Statutory receivables general information

Transaction(s) arising from statute

VAT receivables is a statutory receivable in terms of GRAP 108, the balance recognised as a receivable is directly attributed to the Value Added Tax Act, 1991 (Act no. 89 of 1991).

Credit quality of statutory receivables

The credit quality of statutory receivables that are neither past nor due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

6. VAT accrual

VAT accrual (asset)	184 204	483 564
VAT accrual (liability)	(58 940)	(39 157)
	125 264	444 407

VAT accrual consists of an amount payable or receivable in future periods as cash transactions are realised.

7. Investments

Unit trusts

Sanlam	124 540	115 453
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The entity has an investment with Sanlam, which carried interest at 8,1%. The investment was converted into cash after year end and was therefore accounted for as a current investment as at 30 June 2025.

Non-current assets

Investment	-	115 453
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Current assets

Investment	124 540	-
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8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	80	40
Bank balances	323 978	366 658
Short term deposits	1 195 629	846 280
	1 519 687	1 212 978

Interest on the bank balances were between 0,25% to 8,95% (2024: 0,80% to 8,25%) per annum.

The Capital Raising Levy account is restricted for use	284 303	279 138
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Capital Raising Levy held on behalf of a triparty agreement between DWS, Vaal Central Water and Mining Leadership for development for Vaal Gamagara Phase 2 development project is restricted for use. This account form part of the bank balances.

Restricted amounts included in deferred income	168 244	262 691
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Included in deferred income are funds received from DWS for specific projects which are not available for normal operating purposes. It is included in short term deposits.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

9. Property, plant and equipment

	2025 R '000			2024 R '000		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land	879	-	879	879	-	879
Buildings	606 674	(182 692)	423 982	599 735	(157 696)	442 039
Plant and machinery	404 288	(99 324)	304 964	338 663	(86 350)	252 313
Furniture and office equipment (owned)	82 426	(40 964)	41 462	66 177	(30 874)	35 303
Furniture and office equipment (finance lease assets)	3 411	(1 990)	1 421	3 411	(853)	2 558
Vehicles and machinery	117 288	(45 700)	71 588	97 199	(37 312)	59 887
Roads	16 921	(4 878)	12 043	16 921	(3 773)	13 148
Pipelines and reservoirs	4 074 729	(1 414 412)	2 660 317	3 990 882	(1 205 078)	2 785 804
Total	5 306 616	(1 789 960)	3 516 656	5 113 867	(1 521 936)	3 591 931

Reconciliation of property, plant and equipment - 2025

	Opening balance	Additions	Disposals	Transfer	Depreciation	Impairment loss	Total
Land	879	-	-	-	-	-	879
Buildings	442 039	6 939	-	-	(24 996)	-	423 982
Plant and machinery	252 313	46 621	-	19 004	(12 974)	-	304 964
Furniture and office equipment (owned)	35 303	16 939	(232)	-	(10 548)	-	41 462
Furniture and office equipment (finance lease assets)	2 558	-	-	-	(1 137)	-	1 421
Vehicles and machinery	59 887	20 586	(265)	-	(8 620)	-	71 588
Roads	13 148	-	-	-	(1 105)	-	12 043
Pipelines and reservoirs	2 785 804	102 866	(11)	(19 004)	(207 492)	(1 846)	2 660 317
Total	3 591 931	193 951	(508)	-	(266 872)	(1 846)	3 516 656

Reconciliation of property, plant and equipment - 2024 (restated)

	Opening balance	Additions	Disposals	Transfer	Depreciation	Impairment loss	Total
Land	879	-	-	-	-	-	879
Buildings	436 878	19 969	-	8 955	(23 713)	(50)	442 039
Plant and machinery	205 247	27 268	-	29 803	(9 789)	(216)	252 313
Furniture and office equipment (owned)	31 104	12 009	(31)	-	(7 774)	(5)	35 303
Furniture and office equipment (finance lease assets)	-	3 410	-	-	(852)	-	2 558
Vehicles and machinery	60 011	6 293	(27)	-	(6 389)	(1)	59 887
Roads	14 255	-	-	-	(1 106)	(1)	13 148
Pipelines and reservoirs	2 951 598	82 234	-	(38 758)	(206 613)	(2 657)	2 785 804
Total	3 699 972	151 183	(58)	-	(256 236)	(2 930)	3 591 931





NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000

9. Property, plant and equipment (continued)

Borrowing costs capitalised

Cumulative amount of borrowing costs included in the carrying amount of qualifying assets

Work-in-progress (qualifying assets)	2 782	2 782
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There were no borrowing costs on general borrowings capitalised during the period due to cessation and suspension of projects. The average borrowing cost on qualifying assets were not applicable for the financial years 2021 to 2025 (9,69% p.a. in 2020). No specific borrowings existed at year end.

General borrowings were initially incurred during the planning and design phase of the projects, before construction commenced.

Property, plant and equipment in the process of being constructed or developed

Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected:

The Pipeline between Knellpoort and Welbedacht project	6 500	6 500
Construction funding constraints.		
The extension of head office project: Inclement weather, additional work and contractor terminated following new appointment	4 973	4 973
The construction of Orange River abstraction point project: Construction funding constraints.	286	286
Construction of Tabali -OK pipeline projects	1 267	1 267
Construction funding constraints.		
Upgrading of Wesselsbron bulk water services	81 965	81 965
Construction funding constraints.		
Borrowing cost included in assets under construction of delayed projects	2 782	2 782
	97 773	97 773

Other projects not delayed:

Filter media and nozzles	-	1 810
Building upgrade and renovation	1 975	94
Replacement of flow meters	2 720	3 728
Powerline and transformer Wepener Booster	-	5 587
Balkfontein and Virginia WTW's refurbishment	69 488	35 148
Park homes extension	-	6 921
Upgrade of Caledon Lime Plant	3 958	-
Welbedacht Steel Pipeline 71.3km - Phase 2	43 328	4 684
Medium voltage VSD	4 372	-
Rustfontein clear water monitoring	8 423	-
	232 037	155 745

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

9. Property, plant and equipment (continued)

Reconciliation of work-in-progress 2025

	Buildings	Pipelines and reservoirs	Plant and machinery	Total
Opening balance	18 298	100 694	36 753	155 745
Additions/capital expenditure	4 761	41 767	71 454	117 982
Transferred to completed items	(16 356)	(3 165)	(22 169)	(41 690)
	6 703	139 296	86 038	232 037

Reconciliation of work-in-progress 2024

	Buildings	Pipelines and reservoirs	Plant and machinery	Total
Opening balance	6 218	93 217	1 760	101 195
Additions/capital expenditure	19 748	10 350	76 624	106 722
Classification	8 955	-	(8 955)	-
Transferred to completed items (classification)	(16 623)	(2 873)	(32 676)	(52 172)
	18 298	100 694	36 753	155 745

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of financial performance

Vehicle repairs and maintenance	13 182	13 608
Infrastructure and other assets repairs and maintenance	120 428	82 745
Maintenance items consumed	10 679	9 026
	144 289	105 379

The nature of repairs and maintenance as reflected in statement of financial performance consist of maintenance work conducted by contractors. The nature of maintenance items consumed as reflected in statement of financial performance consist of inventory items (material and consumables) used for maintenance by Vaal Central Water employees.

A register of all land and servitudes held by Vaal Central Water is available for inspection at the registered office of the entity. There are no assets pledged as security.

10. Living assets

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Game	516	-	516	427	-	427



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000

10. Living assets (continued)

Reconciliation of living assets – 2025

	Opening balance	Fair value adjustment	Total
Game	427	89	516

Reconciliation of living assets – 2024

	Opening balance	Fair value adjustment	Total
Game	297	130	427

Methods and assumptions used in determining fair value

Game was valued in June 2025. The fair value was based on an estimated 67 (2024: 63) animals, the most significant categories being Red Hartebeest and Eland (2024: Red Hartebeest and Eland). The fair value of the living assets is determined annually based on observable living resource prices in the active market or recent market transactions. The value increased due to the increase in quantities of certain categories and changes in market values. These assets are not restricted nor are they pledged as security.

Fair value less estimated point-of-sale costs to sell	416	427
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11. Interest bearing borrowings

At amortised cost

Sishen Iron Ore	6 844
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The loan bears interest at prime minus 2,5% and is repayable in monthly instalments over a period of 10 years commencing on 31 January 2015 with the last payment on 31 December 2024. The loan is not secured by any assets of the entity.

Current liabilities

At amortised cost	-	6 844
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12. Finance lease obligation

Minimum lease payments due

- within one year	1 384	1 384
- in second to fifth year inclusive	346	1 730

	1 730	3 114
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Less: future finance charges	(144)	(434)
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Present value of minimum lease payments	1 586	2 680
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Present value of minimum lease payments due

- within one year	1 247	1 094
- in second to fifth year inclusive	339	1 586

	1 586	2 680
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Non-current liabilities	339	1 586
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Current liabilities	1 247	1 094
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	1 586	2 680
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

12. Finance lease obligation (continued)

Photocopier contract commenced in October 2023

The 36 months finance lease was entered into for 47 photocopiers. Interest was calculated based on Vaal Central Water's incremental borrowing rate of interest of 13,25% per annum. Instalments of R 115 thousand are payable on the 1st day of each month without any escalation. No further restrictions and contingent rent are imposed on the lease agreement.

The depreciation on these assets were R 1 137 thousand (2024: R 852 thousand) and the finance charge was R 290 thousand (2024: R 307 thousand) for the year.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 9.

13. Employee benefit obligations

	Notes	Current	2025 Non-current	Total	Current	2024 Non-current	Total
Defined pension benefits	13.1	-	-	-	-	-	-
Long term service awards	13.2	-	53 540	53 540	-	42 059	42 059
Post-employment health care liability	13.3	-	115 546	115 546	-	92 384	92 384
Other short-term benefits	13.4	71 699	-	71 699	66 730	-	66 730
Employee benefit obligations		71 699	169 086	240 785	66 730	134 443	201 173

13.1 Employee benefit obligations - Defined benefit plan

The entity provides retirement benefits for all its permanent employees through a funded defined benefit pension scheme that is subject to the Pension Funds Act, 1956 (Act no. 56 of 1956) as amended.

Vaal Central Water (former Bloem Water) operates the defined benefit pension plans in South Africa. The plan is a final salary pension plan, which provide benefits to members in the form of a guaranteed level of pension payable. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. Responsibility for governance of the plans, including investment decisions and contributions schedules, lies jointly with Vaal Central Water and the board of trustees. The board of trustees are composed of representatives of Vaal Central Water and plan participants in accordance with the plan's regulations.

The former Sedibeng also had a defined benefit plan, to which only a group of employees transferred from the then Botshelo Water Board were members of. The deficit of this fund was settled as at 30 June 2024, by Vaal Central Water and Magalies Water to commence with the section 14 transfer in accordance with the Pension Funds Act. As at 30 June 2025 the Section 14 transfer has not been finalised resulting in Vaal Central Water not having a present obligation.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000
13. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Carrying value analysis of funding indicating the present value of the defined benefit obligations that is fully or partially funded:		
Present value of the defined benefit obligation	(464 178)	(421 043)
Fair value of plan assets	624 013	510 534
	159 835	89 491
Asset ceiling limit	(159 835)	(89 491)
	-	-
Changes in the present value of the defined benefit obligation are as follows:		
Opening balance	421 043	445 346
Interest cost	57 481	58 652
Entity service cost	21 242	20 537
Employee cost	12 419	13 486
Benefits paid	(44 195)	(102 869)
Actuarial (gains)/losses	(3 812)	(14 109)
	464 178	421 043
Changes in fair value of plan assets are as follows:		
Opening balance	510 534	510 001
Expected return	63 834	61 689
Contributions	35 061	51 482
Benefits paid	(44 195)	(102 869)
Actuarial (gains)/losses	58 779	(9 769)
Fair value of assets	624 013	510 534
Asset ceiling limit	(159 835)	(89 491)
Fair value of plan assets after application of asset ceiling limit	464 178	421 043
Post-retirement benefit plan		
Defined benefit asset ceiling limit applied		
Present value of defined benefit obligation	(464 178)	(421 043)
Fair value of plan asset	624 013	510 534
Ceiling limit applied	159 835	89 491
Asset allocation of fund		
Domestic equity	37,26 %	36,54 %
Domestic property	7,28 %	4,50 %
Domestic bonds	15,92 %	15,91 %
Domestic cash	2,70 %	7,46 %
Private equity	0,84 %	0,95 %
Foreign assets	36,00 %	34,64 %

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

The assets of the fund as at the valuation date were invested as follows:

M&G (Prudential) Inflation Plus	76 402	63 342
Coronation Managed	535 279	396 808
Sanlam Absolute Return	7 695	40 810
Sampada Equity	5 256	4 939
Cash at bank	7 264	14 438
Sundry creditors	(7 883)	(9 803)
	624 013	510 534

Net expense recognised in the statement of financial performance

Net interest	6 353	3 037
Interest cost on obligation	(57 481)	(58 652)
Return on assets	63 834	61 689
Employer service cost	13 819	30 945
Employee cost	(12 419)	(13 486)
Actuarial (gains)/losses on obligation	62 591	4 340
Asset ceiling Paragraph .68 limit movement	(70 345)	(24 836)

Over the valuation period the return on assets was approximately 21,10% (2024: 12,40%) per annum, net of investment fees. The expected cost of benefits accruing to qualifying employees for the following financial year is calculated at R 24.132 million (2025: R 21.242 million; 2024: R 20.536 million).

Analysis for five years	2025 R '000	2024 R '000	2023 R '000	2022 R '000	2021 R '000
Present value of defined benefit obligation	464 178	421 043	445 346	341 691	316 493
Fair value of plan assets	624 013	510 534	510 001	429 462	405 421
Surplus (deficit) before asset ceiling limit	159 835	89 491	64 655	87 771	88 928
Ceiling limit applied	(159 835)	(89 491)	(64 655)	(87 771)	(88 928)
Defined benefit plan balance	-	-	-	-	-

Reconciliation of active members:

Description

Active members at 1 July	370	383
New members	-	4
Retirements	(14)	(17)
	356	370

Assumptions

The principal actuarial assumptions used were:

Pre-retirement discount rate	12,87 %	13,85 %
Post-retirement discount rate*	5,19 %	5,21 %
Inflation	7,30 %	8,19 %
General salary increase rate	8,30 %	9,19 %
Private equity	4,22 %	4,24 %

Pre-retirement mortality – SA-85-90 ultimate with alight AIDS loading.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

Post-retirement mortality – PA (90) ultimate less 3 years.

*This rate implicitly takes into account the pension increases policy of the Trustees of 100% of inflation.

Discount rate assumption

The Fund's liabilities are discounted with reference to the yield on government debt. For this purpose, it was relied on the JSE Zero Coupon Nominal Bond Curve with an average duration of 15 to 20 years.

The discount rate has been set by using the best-fit discount rate as at 30 June 2025 based on the yields from the zero-coupon government bond curve. The discount rate is 12,87% (2024: 13,82%) per annum. The source is the Johannesburg Stock Exchange through IRESS data service.

Inflation assumption

The implied long-term inflation rate at the valuation date was based on the differential between the above discount rate, and the real rate implied by the JSE Zero Coupon Real Bond Yield Curve, also with an average duration of 15 to 20 years. The latter was equal to 5,19% (2024: 5,21%) per annum at the valuation date. This gave rise to the inflation assumption of 7,30% (2024: 8,19%) per annum.

Salary inflation assumption

It is assumed that future salary inflation will exceed general inflation by 1,00% per annum. The implied salary inflation assumption is therefore 8,30% (2024: 9,19%) per annum.

Salary increases due to promotional, or merit increases are as follows:

Age	Salary increases
20	12,0%
25	9,0%
30	6,0%
35	3,0%
40	2,0%
45+	1,0%

Investment return assumption relative to salary increase assumption

The salary-increase and investment-return assumptions reflect a “real return” of 4,22% (2024: 4,24%) per annum consisting of 12,87% (2024: 13,82%) per annum investment return relative to 8,30% (2024: 9,19%) per annum salary inflation. It is important to note that salary increases and the return on assets tend to be related. This means that if the actual real return is in excess of that assumed then the excess will go toward improving the financial position of the Fund.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

Pension increase assumption

The Vaal Central Water Pension Fund's stated aim is to target pension increases of 100% of the change in inflation. This implies future pension increases of 7,30% (2024: 8,19%) per annum.

Net post-retirement discount rate

Based on the differential between the gross discount rate of 12,87% (2024: 13,83%) per annum and the pension increase rate of 7,30% (2024: 8,19%) per annum, it is expected that a net post-retirement discount rate of 5,19% (2024: 5,21%) per annum would finance pension increases of 100% of inflation over the long term.

Minimum benefits

The Board of Trustees elected to use the Earnings Yield method for the calculation of minimum benefits. The Earnings Yield as at 30 June was equal to 2,62% (2024: 3,01%) per annum.

Demographic valuation assumptions

Pre-retirement mortality

We have not specifically allowed for pre-retirement mortality. This implies that the actuarial reserve value will be available to pay benefits on death in service.

Post-retirement mortality

It is assumed that the post-retirement mortality will be in line with PA (90) mortality tables (male and female), rated down 3 years.

Family statistics

We have assumed that on average a husband would be 4 years older than his wife and that 90% of members are married at retirement. This is aligned to the statutory actuarial valuation assumptions used by the Fund. The previous valuation assumed 90% of members would be married at retirement.

Resignation rates

We have not specifically allowed for resignation rates in the valuation. This implies that the actuarial reserve value will be available to pay benefits on resignation.

Early retirement rates

Early retirement rates were allowed for at the following rates:

- Assumed ages 55 - 59 at 5% per annum.
- Assumed ages 60 - 64 at 10% per annum.
- Age 65 at 100%.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

Other assumptions

The projected unit credit method is used to place a value on the past service liabilities.

The asset ceiling provision ensures the asset to be recognised in the statement of financial position is subject to a maximum of the present value of any economic benefits available to the employer in the form of refunds or reductions in future contributions.

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The tables below illustrate the likely impact that certain changes to the underlying assumptions would have on the figures as at 30 June 2025. These values are determined by assuming all other relevant assumptions remain constant. These tables set out the impact on results relating to changes of the following assumptions:

Discount rate

	Current assumptions R'000	1% decrease	1% increase
Active member liability	464 178	570 553	411 570
Cost/(savings)	-	106 374	(52 608)
Total change	- %	22,90 %	(11,30)%

Inflation rate

	Current assumptions R'000	1% decrease	1% increase
Effect on the aggregate of the service cost and interest cost	464 178	413 601	569 495
Effect on defined benefit obligation	-	(50 577)	105 317
Total change	- %	(10,90)%	- %

13.2 Employee benefit obligation - Long service awards

Vaal Central Water has a policy to provide long-service awards to eligible employees that complies with the Basic Conditions of Employment Act, 1997 (Act no. 75 of 1997). An employee qualifies for service leave equal to his/her annual leave entitlement after every completed period of five years uninterrupted service with Vaal Central Water. Service is granted on the employee's anniversary of appointment date and may be accumulated and taken part of the employee's annual leave or as cash-in-lieu of leave. All employees are entitled to 30 (2024: 25) working days annual leave per annum. This has increased from awards which were based on either 20 or 25 days leave and executives had 27 days.

The expected value of each employee's long-service award is projected by allowing for future salary growth (through inflationary and promotional salary increases). The calculated values are then discounted at the assumed discount interest rate to the present date of the valuation. Allowance for mortality, retirements and withdrawals were made. No allowance for retrenchments were made.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000
13. Employee benefit obligations (continued)		
Long-service awards accrued liability is estimated as follows:		
Eligible in-service employees	53 540	42 059
Reconciliation of opening to closing balance of long service awards accrued liability:		
Obligation at the beginning of financial year	42 059	45 700
Interest cost (all eligible individuals)	3 937	4 558
Current service cost (eligible in-service employees)	4 207	4 858
Benefit payments	(10 439)	(11 507)
Actuarial (gain)/loss on basis	(652)	(181)
Actuarial (gain)/loss on experience	14 428	(1 369)
Obligation at the end of financial year	53 540	42 059
Membership reconciliation		
Number of eligible in-service employees at the beginning of the year	669	747
Exits	(15)	(78)
	654	669
Financial assumptions:		
Discount rate	9,07 %	10,09 %
Real rate	4,91 %	4,69 %
General inflation	3,96 %	5,16 %
Salary inflation	4,96 %	6,16 %
Salary-inflation premium	1,00 %	1,00 %
Net discount rate (Gap)	3,92 %	3,70 %

The Projected Unit Credit Method has been used to value the liabilities. The liability for the in-service employees is accrued over their expected working lifetimes. The average expected remaining working lifetime of eligible in-service employees is 21 (2024: 20.70) years as at 30 June.

Discount rate assumption

The discount rate is set by taking the average yields from the zero-coupon Government bond curve with a duration of 5,5 years. The discount rate as at 30 June is 9,07% (2024: 10,09%) per annum. The source is the Johannesburg Stock Exchange through IRESS data service.

Inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future employee benefits will increase. Vaal Central Water have estimated the market's pricing of inflation by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of 5.5 years. The implied inflation assumption is therefore 3,96% (2024: 5,16%) per annum as at 30 June for future inflation. The source is the Johannesburg Stock Exchange through IRESS data service.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

Salary inflation assumption

We have assumed that the salaries (total-cost to company) will increase in line with 1,00% in excess of general inflation, i.e., 4,96% (2024: 6,16%) per annum as at 30 June.

Promotional salary increases according to the following table have been allowed:

Age band	Males	Females
20-24	12%	12%
25-29	9%	9%
30-34	6%	6%
35-39	3%	3%
40-44	2%	2%
45-49	1%	1%

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the “gap” between the two assumptions is more important. This “gap” is referred to as the net discount rate. The net discount rate for salary inflation is assumed to be 3,92% (2024: 3,70%) per annum as at 30 June. (Derived from a discount rate of 9,07% (2024: 10,09%) per annum and the expected salary inflation rate of 4,96% (2024: 6,16%) per annum.

The entity does not have any specific assets set aside to fund the long-service award liability.

Demographic assumptions

The key demographic assumptions that were used for the previous and current valuations are summarised in the table below.

Normal retirement age	65	65
Mortality during employment	SA 85-90 Ultimate with a light AIDS loading	SA 85-90 Ultimate with a light AIDS loading

Sensitivity analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions present our best-estimate view of future experience. The actual cost of the Long-service award benefits will however be dependent on the actual experience.

The tables below illustrate the likely impact that certain changes to the underlying assumptions would have on the figures as at 30 June 2025. These values are determined by assuming all other relevant assumptions remain constant.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

These tables set out the impact on results relating to changes of the following assumptions:

- The discount rate
- The salary inflation rate
- The age-rating of the mortality rates
- The retirement age

Discount rate

	Current assumptions R'000	1% decrease	1% increase
Liability	53 540	56 789	50 608
Cost/(saving)	-	3 249	(2 932)
Total change	- %	6,07 %	(5,48)%
Projected service cost	5 254	5 582	4 958
Projected interest cost	4 837	4 577	5 062
Total change	- %	0,68 %	(0,70)%

Salary inflation

	Current assumptions R'000	1% decrease	1% increase
Liability	53 540	50 508	56 846
Cost/(saving)	-	(3 032)	3 306
Total change	- %	(5,66)%	6,17 %
Projected service cost	5 254	4 948	5 587
Projected interest cost	4 837	4 550	5 149
Total change	- %	(5,86)%	6,40 %

Retirement age

	Current assumptions R'000	1% decrease	1% increase
Liability	53 540	52 216	54 882
Cost/(saving)	-	(1 324)	1 342
Total change	- %	(2,47)%	2,51 %
Projected service cost	5 254	5 161	5 369
Projected interest cost	4 837	4 712	4 963
Total change	- %	(2,15)%	2,40 %

13.3 Post employment health care

The entity has a policy to subsidise the post-employment health care costs of employees that were transferred from the former Sedibeng Water and who joined the entity on or before 1 July 2003 and are covered by an entity sponsored health care arrangement at retirement. The current policy is as follows:

- Members who qualify for the subsidy scheme will receive a subsidy of 100% of the medical scheme contributions on retirement.
- On the death in service of the member no benefit continues to the spouse.
- On the death of a retired person in receipt of the subsidy the subsidy does not continue to the spouse.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000
13. Employee benefit obligations (continued)		
The amounts recognised in the statement of financial position are as follows:		
Reconciliation of present value of retirement benefit		
Opening balance	92 384	91 763
Interest cost	11 484	11 838
Service cost	650	1 315
Estimated payments	(9 070)	(5 628)
Actuarial gain on financial assumption	(843)	(462)
Actuarial gain on experience	20 941	(6 442)
	115 546	92 384
Projections of post employment health care		
Projected benefit obligation at start of period	115 546	92 384
Interest cost	13 059	11 599
Service cost	411	650
Expected benefit payments*	(9 763)	(7 236)
	119 253	97 397
Key assumptions		
Discount rate	11,76 %	13,00 %
Future inflation	6,16 %	7,49 %
Medical inflation	7,66 %	8,99 %
Post retirement interest rate	3,81 %	3,69 %

Discount rate assumption

The discount rate is set by taking the average yields from the zero-coupon Government bond curve with a duration of between 10 and 15 years. The discount rate as at 30 June is 11,76% (2024: 13,00%) per annum. The source is the Johannesburg Stock Exchange through IRESS data service.

Inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future employee benefits will increase. Vaal Central Water have estimated the market's pricing of inflation by comparing the yields on nominal bonds to the yields on real bonds on the yield curve for bonds with a duration of between 10 and 15 years. The implied inflation assumption is therefore 6,16% (2024: 7,49%) per annum as at 30 June for future inflation. The source is the Johannesburg Stock Exchange through IRESS data service.

Future medical inflation assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future health care subsidies will increase. South Africa has experienced high health care cost inflation in recent years and our assumption is that health care cost will exceed general inflation by about 1.50% per annum. The Healthcare cost inflation rate was therefore set at 7,66% (2024: 8,99%) per annum.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

Net discount rate

Even though the actual values used for the discount rate and the expected increase in salary inflation are important, the “gap” between the two assumptions is more important. This “gap” is referred to as the net discount rate. The net discount rate for salary inflation is assumed to be 3,81% (2024: 3,69%) per annum as at 30 June (derived from a discount rate of 11,76% per annum and the expected medical inflation rate of 7,66% per annum).

Demographic assumptions

The key demographic assumptions that were used for the previous and current valuations are summarised in the table below.

Pre-retirement mortality

The mortality rates used in the valuation are based on the SA85-90 table.

Post-retirement mortality

We have based the post-retirement mortality assumptions on the PA (90) mortality tables rated down by 1 year. A mortality improvement of 1,00% per annum from a base year of 2010 is also included.

Assumed retirement age

The normal retirement age is 65 years. We have assumed that employees will retire at age 62, which implicitly allows for the expected rates of early retirement. Where members are over age 62 we have assumed that they will retire during the next valuation period.

Family profile

Given the average age of the in-service members we have retained the assumption that members marital status will remain as per the current status and that the female spouse will be 3 years younger than the male spouse. Where a member is indicated as married but no adult dependant is provided for in the premiums, we have assumed that there will be no spouse included in the subsidy at retirement.

Continuation of membership

It was assumed 100% of the in-service employees will remain on the entity's health care arrangement should they stay until retirement and that employees retiring will remain on the current plan and option at retirement as well as on the same income category after retirement.

The liabilities were determined using various assumptions. The actual liability to Vaal Central Water in the future will depend on the actual experience for each assumed item an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000

13. Employee benefit obligations (continued)

Sensitivity analysis

The liabilities were determined using various assumptions. The actual liability to Vaal Central Water in the future will depend on the actual experience for each assumed item an increase of one percentage point and the effect of a decrease of one percentage point in the assumed medical cost trend rates on:

Discount rate

	Current assumptions R'000	1% decrease	1% increase
Liability	115 546	126 190	106 391
Cost/(saving)	-	10 644	(9 155)
Total change	- %	9,21 %	(7,92)%

Medical inflation rate

	Current assumptions R'000	1% decrease	1% increase
Liability	115 546	105 985	126 519
Cost/(saving)	-	(9 561)	10 973
Total change	- %	(8,27)%	9,50 %

Mortality

	Current assumptions R'000	1% decrease	1% increase
Liability	115 546	119 317	111 785
Cost/(saving)	-	3 771	(3 761)
Total change	- %	3,26 %	(3,25)%

13.4 Other short-term employee benefits

Other short-term employee benefits obligation consists of:

Bonus (13th cheque)	4 035	4 931
Leave	60 151	54 476
Overtime	5 460	5 420
Standby	1 441	1 304
Shift	612	599
	71 699	66 730

The annual leave accumulates (vesting) as an employee is in service of Vaal Central Water and when the employee leaves the employment the unused annual leave is paid out. Overtime, standby and shift accrued at the end of the financial year and is payable as part of the next month payroll.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000
14. Payables from exchange transactions		
Capital raising levy	284 683	279 518
Cost recovery projects - implementing agent	26 869	87 233
Energy cost accruals	68 756	42 884
Other trade accruals	36 969	40 312
Project retention	54 390	42 920
Salary control accounts	2 414	2 960
Trade payables	1 414 384	3 834 578
Water abstraction cost accruals and payables	127 131	175 923
Work in progress accruals	-	1 905
	2 015 596	4 508 233
15. Deferred income		
Deferred income comprises of:		
Drought Relief Projects	2 538	2 538
Namakwa Pipeline Project	68 244	94 576
Vaal Gamagara Pipeline Project	65 487	165 577
Namakwa Scheme Refurbishment Phase 2A	31 975	-
	168 244	262 691
Moving during the year		
Balance at the beginning of the year	262 691	289 591
Additions during the year	74 850	32 033
Amounts realised	(69 207)	(58 933)
Amounts written-off	(100 090)	-
	168 244	262 691

These amounts are invested and not available for operating use.

16. Service delivery fees

Service delivery fees	62 689	70 299
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Service delivery revenue is derived from the section 30 activities, being operations and maintenance of water and waste water treatment plants and boreholes on behalf of municipalities.

These are billed monthly per the costs spent and / or budgeted. Therefore these are costs recovered from municipalities for services provided on their behalf.

17. Interest received on outstanding debtors

Interest on trade receivables	1 201 194	1 135 188
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The entity charges interest on outstanding debtors that are overdue



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

18. Interest received from external investments

Interest revenue

Bank	91 703	71 474
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The amount included in investment revenue arising from exchange transactions amounted to R 91.703 (2024: R 71.474) million.

19. Other income

Commission received	465	548
Electricity sales	1 253	691
Fair value adjustment (living assets)	90	130
Insurance proceeds	1 382	520
Sundry income	2 776	2 071
Rentals received	1 386	1 253
	7 352	5 213

20. Infrastructure development construction contracts

Revenue recognised	716 264	523 443
Expenditure incurred	(716 264)	(523 443)
	-	-

The infrastructure development construction contracts relates to the construction of water pipelines and infrastructure developments on behalf of third parties, including municipalities.

21. Grants

Grants received

Department of Water and Sanitation	264 732	276 524
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Grants received

During the year the entity received R 264.732 (2024: R 276.524) million (exclusive of VAT) from the Department of Water and Sanitation as a relief to assist in the shortfall of the operational cashflow and for the funding of unconditional projects.

22. Amounts written-off

Department of Water and Sanitation (Water abstraction costs)	2 949 701	884 542
Department of Water and Sanitation (Projects)	100 090	-
Nama Khoi Local Municipality (Electricity)	52 403	-
	3 102 194	884 542

Outstanding accounts previously owed was written-off in the current year, resulting in R 3 102,194 (2024: R 884,542) million being realised by the entity.

23. Other income (non-exchange)

Sundry income	3 542	1 144
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Other income from non-exchange transactions includes refunds received from EW SETA.

24. Water abstraction costs

Water resource expenditure	500 309	534 829
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000
25. Employment costs		
Acting allowances	4 935	4 827
Annual bonus (13th cheque)	26 440	26 398
DC fund contributions	20 198	10 057
Defined benefit plan assets - actuarial (gains) / losses	(58 779)	9 769
Defined benefit plan assets - asset ceiling limit movement	70 345	24 836
Defined benefit plan assets - expected return	(63 834)	(61 689)
Defined benefit plan obligation - actuarial (gains) / losses	16 286	(21 013)
Defined benefit plan obligations - employee cost	12 419	13 486
Defined benefit plan obligations - entity service cost	12 822	16 224
Housing benefits and allowances	29 883	29 913
Leave payments	28 050	25 229
Long service awards - actuarial (gains) / losses on basis	(652)	(181)
Long service awards - actuarial (gains) / losses on experience	14 428	(1 368)
Long service awards - current service cost	(6 232)	(6 649)
Long service bonuses	5 978	9 975
Other short term costs	29 541	9 740
Overtime payments	43 085	39 072
Payroll accrual movement (leave, overtime, standby and shift allowance)	4 970	(5 839)
Salaries and wages	308 929	343 985
Shift allowance payments	4 863	5 311
Standby payments	11 342	11 102
Travelling re-imbursive allowance	354	13 046
UIF and medical aid	64 730	53 362
Termination benefits	32 964	57 763
	613 065	607 356

Terminations benefits paid

Number of employees	44	80
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The termination benefits comprise of separation packages to employees that qualified and opted to end their employment voluntary.

The benefit amount equals two weeks cost to company for every year worked and is paid in the month the separation agreement is reached. As no deferred payment arrangements are made, there is no uncertainty surrounding the amount of timing thereof that may impact the entity's future cash flows.

The programme ended in December 2024.

26. Depreciation

Property, plant and equipment	266 872	256 236
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27. Impairment of property, plant and equipment

Impairments

Property, plant and equipment	1 846	2 930
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Property, plant and equipment have been impaired due to the condition assessments that indicated a decrease in value in use since the last assessment.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000
28. Finance costs		
Defined benefit liability	68 965	70 490
Finance leases	290	307
Interest on borrowings	102	746
Long service award	3 937	4 557
Trade and other payables	306 714	439 357
	380 008	515 457
29. Lease rentals on operating lease		
Premises		
Contractual amounts	-	37
30. (Reversal) Impairment of receivables		
Trade and other receivables	(496 276)	2 009 210
31. Operating expenses		
Advertising	1 242	2 200
Allowance board members	3 702	4 386
Auditors remuneration	11 374	11 273
Bank charges	1 085	805
Cleaning	40	576
Clothing material and accessories	2 184	3 425
Communication	2 691	11 689
Compensation commissioner	2 268	1 882
Computer expenses	15 961	9 933
Consulting and professional fees	97 687	84 917
Health and safety	2 061	2 054
Insurance	10 088	7 910
Laboratory services	5 765	3 808
License fees	1 288	962
Loss (profit) on sale of assets	323	(825)
Management and administrative fees	-	188
Office expenditure	867	1 485
Other operating expenses	9 531	4 392
Rates and taxes	1 400	881
Security	31 095	30 911
Stationary, printing and office supplies	1 432	1 687
Subscription and membership fees	223	188
Training and development	4 776	2 841
Travelling, fuel and accommodation	27 344	31 070
	234 427	218 638



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000
32. Cash generated from operations		
Surplus	2 579 120	38 154
Adjustments for:		
Depreciation and amortisation	266 872	256 237
Gain (loss) on sale of assets and liabilities	323	(417)
Interest revenue - Non-current investments	(9 087)	(8 940)
Finance costs - other financial liabilities	-	746
Impairment of property, plant and equipment	1 846	2 930
Debt impairment	(496 276)	2 009 210
Bad debts written off	2 330 751	-
Movements in retirement benefit assets and liabilities	39 612	(8 858)
(Gain) / loss on fair value of living assets	(89)	(130)
Changes in working capital:		
Inventories	13 410	(11 329)
Receivables from exchange transactions	(2 017 928)	(1 938 966)
Deferred income	(94 447)	(26 900)
VAT accrual (liability)	16 529	911 092
VAT accrual (asset)	407 971	(525 102)
VAT receivable	(1 596)	-
Payables from exchange transactions	(2 502 206)	(302 982)
VAT payable	(8 299)	32 954
	526 506	427 699

33. Purchase of property, plant and equipment as per cash flow purposes

Additions of property, plant and equipment	9	193 951	181 519
Increase in finance lease assets	9	-	(3 411)
(Increase) / decrease in accruals / payables		(9 565)	(37 170)
		184 386	140 938

34. Change in estimate

Property, plant and equipment

Depreciation charges for the 2025 financial year includes the below changes in estimates of useful life made during the financial year. The asset classes reflected below include assets that were nearing the end of its useful life but are still in use. Vaal Central Water established that these items of property, plant and equipment would continue to be utilised for further number of years and necessitated a review of the original useful life and residual values linked to it. The change in accounting estimates have been reflected below. Changes have been made prospectively.

The impact on depreciation for the current and future years due to a change in estimate remaining useful live per asset class:

Vehicles and machinery depreciation adjustment	(248)	145
Roads depreciation adjustment	-	1
Pipelines and reservoirs depreciation adjustment	-	(3 341)
Buildings depreciation adjustment	-	(3 506)
Plant equipment depreciation adjustment	(44)	(1)
Furniture and office equipment depreciation adjustment	(221)	(78)
	(513)	(6 780)



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000
35. Contingencies		
Contingent liabilities		
Details of contingent liabilities		
The following claims against the organisation were active for the current year:		
Ingerop South Africa	51 073	36 000
<i>Ingerop instituted legal proceedings at the Bloemfontein High Court for unpaid invoices.</i>		
MIB Infrastructure	23 000	23 000
<i>MIB instituted a claim for unpaid invoices.</i>		
Razzmatazz Civils	4 404	-
<i>Razzmatazz approached court for the payment of the outstanding fee. The parties opted to suspend the litigation and continue to negotiate a solution. A settlement could not be reached</i>		
M65 Maxi Profit	15 485	14 507
<i>Bid Number 002-FS09-20SW was awarded to Maximum Profit, however the SLA dated 9 April 2021 was not signed. The invoice is disputed on the basis that no successful VAT recoveries were received.</i>		
Body Corporate of Balkfontein (Sectional Title Scheme)	1 129	-
<i>The body corporate is claiming that the entity failed to settle the invoices from August 2022 (date of transfer of former Sedibeng's business to the entity).</i>		
Mpambane and Makgetha	4 440	-
<i>The parents of a deceased child are claiming damages against the entity for general damages, past medical expenses, future medical expenses and funeral expenses</i>		
Udumo Trading 26	10 074	-
<i>Udumo is claiming payment for damages to a pipeline project for which they were appointed.</i>		
AA Solwandle Attorneys	3 450	3 450
<i>AA Solwandle Attorneys claim that they are entitled to 10% collection fee on amounts paid by Matjhabeng post the instruction to attach the equitable share.</i>		
ALO Vivacitas	-	5 000
<i>Claim instituted as the contract was cancelled due to non-performance.</i>		
Inyathi Specialists Coating	-	250
<i>Claim instituted for a penalty for late payment. Matter was finalised.</i>		
Flagg Consulting Engineers	-	100
<i>Default judgement.</i>		
Christof Ntwabambi / Johannes Magiel Beukes	120	120
<i>Civil claim for motor vehicle collision.</i>		
Calandra Trading	-	1 000
<i>Summons issued for services rendered. Matter has been transferred to Magalies Water</i>		
Bidvest Services	-	150
<i>Default judgement.</i>		
Moiloa Mofokeng	60	60
<i>Labour matter - disciplinary hearing.</i>		

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000
Lerotholi and Associate	1 800	-
<i>Civil claim for services rendered.</i>		
Johanna Isabella Pienaar	700	-
<i>Civil claim for servitude and rental use of land.</i>		
	115 735	83 637

Contingent assets

The following claims were made against suppliers of the organisation during the year:

Ingerop South Africa	65 894	65 894
<i>Proceedings were initiated to counter sue Ingerop, to recover the unlawfully paid invoices.</i>		
Labour dispute (South African Post Office)	1 429	1 429
<i>A former employee of the former Sedibeng Water accepted an offer of employment at the South African Post Services whilst still employed the entity, failing to declare the employment.</i>		
	67 323	67 323

36. Commitments

Contractual commitments relating to property, plant and equipment

Capital commitments - approved and contracted

Pipelines and reservoirs

8 101 52 634

Vehicles and machinery

- 1 275

Buildings

1 289 1 203

Plant and equipment

46 206 53 222

Furniture tools and office equipment

275 -

55 871 108 334

Capital commitments include all projects cost expected to be paid to suppliers, contractors and consultants for approved contracts.

Only firm commitments are included in the note above. Vaal Central Water has several contracts for maintenance whereby contractors are appointed but payment is based on actual work performed and the value of the contract is not fixed. These have not been included in the above disclosures.

The expenditure will be financed through available cash resources and internally generated funds.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

		2025	2024
		R '000	R '000
37. Financial instruments disclosure			
Categories of financial instruments			
2025			
Financial assets			
		At amortised cost	Total
Receivables from exchange transactions	4	595 342	595 342
Investments	7	124 540	124 540
Cash and cash equivalents	8	1 519 687	1 519 687
		2 239 569	2 239 569
Financial liabilities			
		At amortised cost	Total
Finance lease liability	12	1 586	1 586
Payables from exchange transactions	14	2 015 596	2 015 596
		2 017 182	2 017 182
2024			
Financial assets			
		At amortised cost	Total
Receivables from exchange transactions	4	489 583	489 583
Investments	7	115 453	115 453
Cash and cash equivalents	8	1 212 978	1 212 978
		1 818 014	1 818 014
Financial liabilities			
		At amortised cost	Total
Interest bearing borrowings	11	6 844	6 844
Finance lease liability	12	2 680	2 680
Payables from exchange transactions	14	4 508 233	4 508 233
		4 451 378	4 517 757

38. Risk management

Financial risk management

Risk management is of critical importance to the entity as it understands that changing market conditions make risk unavoidable. Over the years the entity has sought and implemented a comprehensive risk management process to consistently identify, understand and properly manage risk at all times.

Vaal Central Water monitors and manages the financial risks relating to the operations of the entity through internal risk reviews which analyse exposures by degree and magnitude of risks.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

38. Risk management (continued)

These risks include the following:

- liquidity risk;
- credit risk; and
- market risk (including interest rate risk).

Vaal Central Water seeks to minimise the effects of these risks in accordance with the entity's policies approved by the Board. The policies provide written principles on interest rate risk, credit risk, and in the investment of excess liquidity. The entity does not enter into or trade in financial instruments for speculative purposes.

Liquidity risk

Liquidity risk is the risk of the entity defaulting on its financial obligations as a result of insufficient funding capacity in relation to such obligations. The entity manages this risk through maintaining adequate working capital, planning and continuing re-planning of long-term project costs and funding requirements.

Vaal Central Water implement a project funded by the Department of Water and Sanitation as per note 4. This project accrues retention that should be paid by the Department of Water and Sanitation when due. Retention on this project is accounted for and which is included in payables from exchange transactions in note 14.

The undiscounted contractual cash flows of the liabilities are set out below:

At 30 June 2025

	Not later than one month	Later than one month not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
Finance lease liability	115	231	1 038	346	1 730
Payables from exchange transactions	2 015 596	-	-	-	2 015 596
	2 015 711	231	1 038	346	2 017 326

At 30 June 2024

	Not later than one month	Later than one month not later than three months	Later than three months and not later than one year	Later than one year and not later than five years	Total
Interest bearing borrowings	-	1 771	5 113	-	6 884
Finance lease liability	115	231	1 038	1 730	3 114
Payables from exchange transactions	4 508 233	-	-	-	4 508 233
	4 508 348	2 002	7 881	7 881	4 518 231



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

38. Risk management (continued)

Credit risk

Concentrations of credit risk mainly relate to cash and cash equivalents and receivables from exchange transactions.

The Board of Vaal Central Water limits the credit risk arising from short term investments and other cash items by dealing only with reputable well-established financial institutions in South Africa. Credit control procedures are being followed aligned to Service Level Agreements, policies and legal requirements. The financial positions of customers are monitored on an ongoing basis. Provisions are made for impairment allowances where deemed appropriate.

The entity is exposed to significant credit risk due to the nature of its customers and the extensive period it takes to recover amounts due.

Concentration of credit risk of receivables from exchange transactions:

Trade receivables comprise a widespread customer base throughout the Free State and Northern Cape provinces, that is made up of municipalities and other clients (mines and other entities) for which water is provided. Adequate provision has been made for anticipated doubtful debt. The concentration provided in note 4 includes only trade receivables and does not include other debtors of the entity.

Vaal Central Water has significant exposure to Mangaung Metropolitan Municipality and Matjhabeng Local Municipality as its major customers.

The concentration of credit risk and age analysis with reference to receivables from exchange transactions is included in note 4

The carrying amount of financial assets represents the maximum credit exposure.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument

	2025	2024
Receivables from exchange transactions	595 342	489 583
Cash and cash equivalents	124 540	115 453
Non-current investment	1 519 687	1 212 978

Market risk

Vaal Central Water's water tariffs are regulated in terms of Municipal Finance Management Act, Circular No. 23. Vaal Central Water is exposed to tariffs not being cost reflective considering the operational and capital requirements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

38. Risk management (continued)

Capital management

The overall objective of the entity's capital management strategy is to maintain a strong capital base so as to maintain stakeholder confidence and to sustain future development of the business. Long-term loans and cash reserves are managed through the process of reviewing all associated risks, including liquidity, credit and interest rate risks. It is also the policy of the entity to maintain a strong debt to equity ratio as this plays an important role in the entity's credit rating which impacts positively on the cost of funding. Accumulated income is managed through a number of initiatives and processes including planning and budgeting for long-term growth, capital expansion and maintaining or improving cost efficiencies.

Interest rate risk

Interest rate risk arises from variable rate interest bearing loans and interest on bank balances. Interest rate fluctuation will directly impact on the results of the entity. The following table identifies those financial instruments that are sensitive to interest rate changes:

Cash flow interest rate risk Sensitivity analysis

Cash and cash equivalents

Increase 2025	Increase 2024	Decrease 2025	Decrease 2024
13 663	11 834	(13 663)	(11 834)

Loans and borrowings to the value of R 0 (2024: R 6.844) million are fixed interest rate loans. Therefore, a change in interest rate at the reporting date would not affect the profit or loss.

Cash and cash equivalents to the value of R 1 519.687 (2024: R 1 212.978) million are exposed to variable interest rates as disclosed in note 8.

Foreign currency

The entity is not exposed to foreign currency risk as no transactions in foreign currency are entered into except for offshore exposure risk related to the unemployment benefit asset (refer to note 13).

39. Fruitless and wasteful and irregular expenditure

Irregular expenditure - current	347 089	281 903
Fruitless and wasteful expenditure - current	306 504	443 618
Less: Fruitless and wasteful expenditure written-off	(21 686)	-
	631 907	725 521

Fruitless and wasteful and irregular expenditure is presented inclusive of VAT, except for instances that are the result of interest paid, which are exempt from VAT.

Amount written-off

Fruitless and wasteful expenditure amounting to R 21.686 (2024: R 0) million was written-off by the Nama Khoi Local Municipality and therefore never paid by the entity.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000

39. Fruitless and wasteful and irregular expenditure (continued)

The fruitless and wasteful expenditure incurred in the current year mainly relates to interest on outstanding payables R 306.504 million), of which the significant portion (R 274.835 million) relates to the interest levied on the DWS and Water User Associations raw water accounts. During the current financial year, outstanding accounts of R 21.686 million was written off of the Nama Khoi Local Municipality.

The entity is in engagements with the DWS regarding interest write-off as per prior year.

40. Prior period errors

Presented below are those items contained in the statement of financial position, statement of financial performance and the cash flow statement that have been affected by prior year adjustments:

Statement of financial position	Published	Correction of error	Reclass	Restated
Inventories	67 485	(598)	-	66 887
VAT accrual (asset)	-	-	483 560	483 560
Receivables from exchange transactions	423 206	66 377	-	489 583
Property, plant and equipment	3 583 486	8 447	-	3 591 933
Payables from exchange transactions	(4 441 854)	(66 377)	-	(4 508 231)
VAT payable	(24 481)	(6 521)	-	(31 002)
VAT accrual (liability)	-	881 509	(920 666)	(39 157)
VAT accrual	(437 106)	-	437 106	-
Deferred income	(312 691)	50 000	-	(262 691)
Accumulated surplus - opening balance	7 205	(878 092)	-	(870 887)
(Surplus) deficit for the year - prior period errors	-	(54 745)	-	(54 745)
	(1 134 750)	-	-	(1 134 750)

Statement of financial performance	Published	Correction of error	Restated
Grant	(233 045)	(43 479)	(276 524)
Employment cost	611 742	(4 386)	607 356
Depreciation	257 282	(1 045)	256 237
Repairs and maintenance	97 959	(1 606)	96 353
Maintenance items consumed	8 429	598	9 027
Impairment of receivables	2 013 738	(4 528)	2 009 210
Operating expenses	218 935	(299)	218 636
	2 975 040	(54 745)	2 920 295

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

40. Prior period errors (continued)

Cash flow statement:

Cash flow from operating activities

Water sales	-	279 850
Service delivery fees	-	13 780
Infrastructure development construction contracts (revenue)	-	609 768
Implementing agent fees	-	26 286
Grants	-	34 957
Other income	-	(624 408)
Interest received from overdue debtors	-	3 507
VAT received from the South African Revenue Service	-	(393 757)
VAT received from South African Revenue Service as a result of the conversion	-	269 776
Employee related costs	-	4 386
Suppliers paid for goods and services	-	(93 562)
VAT paid to the South African Revenue Service	-	(105 909)
	-	24 674
Cash flow from investing		
Purchase of property, plant, and equipment	-	(24 674)

Correction of the WIP balances during the year

During the reconciliation of the WIP register with the underlying records, management identified transactions that were incorrectly captured as expense items in the previous year and were not capitalised in the WIP register. This resulted in the overstatement of the expenditure line items and the understatement of the property, plant and equipment balance. The adjustments were made retrospectively.

The correct of the error(s) resulted in adjustments as follow:

Statement of financial position

Property, plant and equipment	6 291	6 291
Accumulated surplus - opening balance	(6 291)	-
(Surplus) deficit for the year - prior period errors	-	(6 291)
	-	-

Statement of financial performance

Repairs and maintenance	-	(1 606)
Operating expenses	-	(4 685)
	-	(6 291)

Correction of inventory balance

During the finalisation of the stock sheets, management identified items that were recorded on the inventory control sheets, which should have been expensed. The adjustments were made retrospectively.

The correction of the error(s) resulted in the adjustments as follows:

Statement of financial position

Inventories	(598)	(598)
Accumulated surplus - opening balance	598	-
(Surplus) deficit for the year - prior period errors	-	598
	-	-

Statement of financial position

Maintenance items consumed	-	598
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000

40. Prior period errors (continued)

Depreciation expense updated

A difference was identified between the depreciation expense as per the asset register and the depreciation expense as per the trial balance. To ensure that the financial records agree to the underlying records, the depreciation expense was corrected retrospectively.

The correction of the error(s) resulted in adjustments as follows:

Statement of financial position

Property, plant and equipment	1 157	1 157
Accumulated surplus - opening balance	(1 157)	-
(Surplus) deficit for the year - prior period errors	-	(1 157)
	-	-

Statement of financial performance

(Surplus) deficit for the year - prior period errors		
Depreciation	-	(1 157)

Reclassification of board allowances

During the financial year it was discovered that the allowances paid to the board members have been included as employment cost, and not the correct classification of other expenses. The necessary correction was done retrospectively.

The effect of the reclassification is as follows:

Statement of financial performance

Employment cost	-	(4 386)
Other expenses	-	4 386
	-	-

Reallocation of cost recovery debtors

During the preparation of the financial statements, it was found that cost recovery debtors were previously mapped to the payables from exchange transactions. The accounts were remapped.

The correction of the error resulted in the following adjustment:

Statement of financial position

Receivables from exchange transactions	-	66 377
Payables from exchange transactions	-	(66 377)
	-	-

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

40. Prior period errors (continued)

Correction of VAT accrual accounted for as impairment loss

During the reconciliation of the movement in the provision for doubtful debt, it was found that the movement in the VAT accrual was incorrectly accounted for as part of the movement in the statement of financial performance. It was identified that this error was made for a number of preceeding years. The correction was made retrospectively.

The correction of the error resulted in the following adjustments:

Statement of financial position

VAT accrual (liability)	881 509	881 509
Accumulated surplus - opening balance	(881 509)	(876 981)
(Surplus) deficit for the year - prior period errors	-	(4 528)
	-	-

Statement of financial performance

Impairment of receivables	-	(4 528)
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Vaal Gamagara grant allocation

The Vaal Gamagara grant was restated and allocated to grants received from the deferred income, taking into account the VAT implications. The adjustment was made retrospectively.

The correction of the error resulted in the following adjustments:

Statement of financial position

Deferred income	50 000	50 000
VAT payable	(6 521)	(6 521)
Accumulated surplus - opening balance	(43 479)	-
(Surplus) deficit for the year - prior period errors	-	(43 479)
	-	-

Statement of financial performance

Grants	-	(43 479)
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Opening balance adjustment made to property, plant and equipment

During the physical asset verification conducted, asset items were identified that had to be included on the asset register. These adjustments were made retrospectively.

The correction of the error resulted in the following adjustment:

Statement of financial position

Property, plant and equipment	999	999
Accumulated surplus - opening balance	(999)	(1 111)
(Surplus) deficit for the year - prior period errors	-	112
	-	-

Statement of financial performance

Depreciation	-	112
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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

FINANCIAL PERFORMANCE

	2025	2024
	R '000	R '000

40. Prior period errors (continued)

Reconciliation of property, plant and equipment restated (Note 8)

As a result of the errors corrected, as explained above, movements within the line items occurred.

Carrying values of property, plant, and equipment	Published	Opening balance correction	Additions and transfer corrections	Depreciation correction	Total
Buildings	418 401	1 759	3 015	565	423 740
Plant and machinery	143 378	61	7 894	286	151 619
Furniture and fittings	34 660	902	-	(259)	35 303
Vehicle and machinery	59 684	382	-	(179)	59 887
Pipelines and reservoirs	2 747 541	(1 995)	2 873	632	2 749 051
WIP - assets under construction	163 237	201	(7 693)	-	155 745
	3 566 901	1 310	6 089	1 045	3 575 345

Reconciliation of work-in-progress	Published	Opening balance correction	Additions correction	Transfers correction	Total
Buildings	33 176	141	(20 959)	5 940	18 298
Pipeline and reservoirs	94 917	(1 700)	10 350	(2 873)	100 694
Plant and machinery	35 144	1 760	16 698	(16 869)	36 733
	163 237	201	6 089	(13 802)	155 725

Cash generated from operations (Note 32)

Due to the corrections made, the following adjustments were recorded to the cash generated from operations note.

Cash generated from operations	Published	Correction of error	Total
Surplus (deficit) for the year	(16 589)	54 743	38 154
Depreciation	257 282	(1 045)	256 237
Debt impairment	2 013 738	(4 528)	2 009 210
Change in working capital:			
Inventories	(11 927)	598	(11 329)
Receivables from exchange transactions	(1 943 495)	4 529	(1 938 966)
Deferred income	23 100	(50 000)	(26 900)
VAT accrual (asset)	-	(525 102)	(525 102)
VAT accrual (liability)	-	911 092	911 092
VAT accrual	372 136	(372 136)	-
VAT payable	26 433	6 523	32 956
	720 678	24 674	745 352



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

40. Prior period errors (continued)

Adjustments made to the other expenses disclosure note (Note 31)

As a result of reclassifications and the correction of errors, the following movement in the operating expenses line items:

Operating expenses	Published	Correction of error	Reclassifications	Total
Allowance board members	-	4 386	-	4 386
Consulting and professional fees	89 601	(4 685)	-	84 916
Impairment of inventory	841	-	(841)	-
Other operating expenses	3 550	-	841	4 391
	93 992	(299)	-	93 693

Reclassification of the VAT accrual

Current year guidance have provided clarity on the presentation and disclosure of VAT accrual. In accordance with the guidance the VAT accrual asset and liability must be presented separately on the face of the statement of financial position.

The following reclassification was done on the face of the statement of financial position:

	Published	Error	Reclassifications	Total
VAT accrual	(437 106)	-	437 106	-
VAT accrual (asset)	-	-	483 564	483 564
VAT accrual (liability)	-	881 513	(920 670)	(39 157)
	(437 106)	881 513	-	444 407

Adjustments made to the related parties (Note 41)

During the preparation of the related party disclosure note, management identified various items that were either incorrectly excluded from the prior year disclosure note or was disclosed at the incorrect amount.

Related parties	Published	Omissions	Correction	Total
Related party balances				
Amounts included in Trade and other receivables				
Department of Water and Sanitation	57 234	-	104 731	161 965
Magalies Water	403 787	-	966	404 753
Amounts included in Trade and other payables				
Department of Water and Sanitation	3 631 278	-	13 105	3 644 383
Razzmatazz Civil (Pty) Ltd (retention payable)	231	-	(10)	221
Related party transactions				
Amounts included in Water sales				
Magalies Water	-	56 263	-	56 263
Amounts included in Amounts written-off				
Department of Water and Sanitation (Water abstraction costs)	-	884 542	-	884 542
Amounts included in Infrastructure development construction contracts revenue (expenditure)				
Department of Water and Sanitation (Infrastructure revenue)	-	523 443	-	523 443
Department of Water and Sanitation (Infrastructure expenditure)	-	(523 443)	-	(523 443)
Amounts included in Grants				
Department of Water and Sanitation	-	276 524	-	276 524
Amounts included in Implementing agent fees				
Department of Water and Sanitation	-	22 857	-	22 857
Amounts included in Water abstraction costs				
Department of Water and Sanitation	-	579 128	-	579 128
Amounts included in Finance costs				
Department of Water and Sanitation	-	429 874	-	429 874
	4 092 530	2 249 188	118 792	6 460 510





NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

40. Prior period errors (continued)

Purchase of property, plant and equipment as per cash flow purposes adjustment (Note 33)

As a result of reclassifications and the correction of errors, the following movement in the Purchase of property, plant and equipment as per cash flow purposes occurred:

Purchase of property, plant, and equipment as per cash flow purposes	Published	Correction of error	Total
Additions of property, plant, and equipment	145 095	36 424	181 519
Increase in finance lease assets	(3 411)	-	(3 411)
(Increase) / decrease in accruals/payables	(25 420)	(11 750)	(37 170)
	116 264	24 674	140 938

Adjustment to the prior year irregular expenditure amount (Note 39)

As a result of correction of errors, the following movement in the Irregular expenditure disclosure note occurred:

Irregular expenditure	Published	Correction of error	Total
Irregular expenditure for the year	2 333	279 570	281 903

41. Related parties

Relationships

The entity under control:

Department of Water and Sanitation (DWS)

Entities under control of DWS:

Magalies Water and Rand Water

Former Bloem Water director became a director subsequent to the service provider being appointed:

Razzmatazz Civil (Pty) Ltd

Related party balances

Amounts included in Trade and other receivables

Department of Water and Sanitation	221 414	161 965
Magalies Water 126 543	126 543	404 753
Rand Water (Jo-jo tank cost recovery project assistance)	932	817

Amounts included in Trade and other payables

Department of Water and Sanitation	1 055 593	3 644 383
Magalies Water	-	3 077
Razzmatazz Civil (Pty) Ltd (Retention payable)	221	221

Related party Transactions

Amounts included in Water sales

Magalies Water	53 284	56 263
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Amounts included in Amounts written-off

Department of Water and Sanitation (Water abstraction costs)	2 949 701	884 542
Department of Water and Sanitation (Infrastructure expenditure)	100 090	-

Amounts included in Infrastructure development construction contracts revenue (expenditure)

Department of Water and Sanitation (Infrastructure revenue)	716 264	523 443
Department of Water and Sanitation (Infrastructure expenditure)	(716 264)	(523 443)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



	2025	2024
	R '000	R '000

41. Related parties

Amounts included in Grants

Department of Water and Sanitation	264 732	276 524
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Amounts included in Implementing agent fees

Department of Water and Sanitation	32 841	22 857
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Amounts included in Water abstraction costs

Department of Water and Sanitation	470 884	579 128
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Amounts included in Finance costs

Department of Water and Sanitation	277 240	429 874
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Board members' emoluments

2025

Name	Date of appointment	Start date	End date	Stipend and Board fees	Expenses and UIF allowance	Total
Adv SM Msibi	2023/10/01	2024/07/01	2025/06/30	-	-	-
Adv LR Bomela	2023/10/01	2024/07/01	2025/06/30	387	15	402
Adv TD Segoe-Backward	2019/04/01	2024/07/01	2023/09/30	404	17	421
Mr TM Manyoni	2019/04/01	2024/07/01	2025/06/30	350	8	358
Mr LX Ntoyi	2019/04/01	2024/07/01	2024/10/31	50	-	50
Ms TN Sandlana	2019/04/01	2024/07/01	2025/06/30	355	13	368
Mr DSE Fransman	2023/10/01	2024/07/01	2025/06/30	414	61	475
Ms MGM Jele	2023/10/01	2024/07/01	2025/06/30	398	34	432
Ms BF Nakedi	2023/10/01	2024/07/01	2025/06/30	409	11	420
Ms GW Phakathi	2023/10/01	2024/07/01	2025/06/30	356	3	359
Mr AM Rantho	2023/10/01	2024/07/01	2025/06/30	406	36	442
Ms EC Rockman	2023/10/01	2024/07/01	2024/07/01	-	-	-
				3 529	198	3 727

2024

Name	Date of appointment	Start date	End date	Stipend and Board fees	Expenses and UIF allowance	Total
Mr TB Phitsane	2009/06/01	2023/07/01	2023/09/30	95	17	112
Adv TD Segoe-Backward	2019/04/01	2023/07/01	2024/06/30	398	7	405
Ms DM Manamela	2019/04/01	2023/07/01	2023/09/30	64	2	66
Mr TM Manyoni	2019/04/01	2023/07/01	2024/06/30	382	22	404
Ms P Matete	2014/07/01	2023/07/01	2023/09/30	65	-	65
Ms MAF Moja	2019/04/01	2023/07/01	2023/09/30	76	-	76
Mr LX Ntoyi	2019/04/01	2023/07/01	2024/06/30	325	20	345
Mr JJ Price	2019/04/01	2023/07/01	2023/09/30	81	8	89
Ms TN Sandlana	2019/04/01	2023/07/01	2024/06/30	391	19	410
Mr LE Van Rheede Van Oudtshoorn	2019/04/01	2023/07/01	2023/09/30	77	9	86
Adv SM Msibi	2023/10/01	2023/10/01	2024/06/30	-	12	12
Adv LR Bomela	2023/10/01	2023/10/01	2024/06/30	355	11	366
Mr DSE Fransman	2023/10/01	2023/10/01	2024/06/30	302	63	365
Ms MGM Jele	2023/10/01	2023/10/01	2024/06/30	320	38	358
Ms BF Nakedi	2023/10/01	2023/10/01	2024/06/30	286	11	297
Ms GW Phakathi	2023/10/01	2023/10/01	2024/06/30	306	4	310
Mr AM Rantho	2023/10/01	2023/10/01	2024/06/30	316	22	338
Ms EC Rockman	2023/10/01	2023/10/01	2024/06/30	282	19	301
				4 121	284	4 405



NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)

	2025	2024
	R '000	R '000

41. Related parties (continued)

Executive Management

2025

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits	Voluntary severance package	Total
Dr L Moorosi (CE) (contract ended 31 October 2024)	624	50	45	90	341	-	1 150
LX Ntoyi (CE) (appointed 1 November 2024)	1 160	104	400	187	252	-	2 103
Mr MG Rapudungoane	2 344	210	144	375	602	-	3 675
Mr AE Mnyaka (appointed 7 October 2024)	1 476	113	88	226	164	-	2 067
Ms NA Motlhaolwa	2 024	324	143	306	568	-	3 365
Ms NP Silevu	1 897	250	163	265	581	-	3 156
Mr D Traut (resigned 31 December 2024)	886	209	27	133	1 390	2 585	5 230
Mr G Husselman (Acting CFO)	1 270	107	120	286	1 135	-	2 918
	11 681	1 367	1 130	1 868	5 033	2 585	23 664

2024

Name	Basic salary	Bonuses and performance related payments	Other short-term employee benefits	Post-employment benefits	Other benefits	Voluntary severance package	Total
Dr L Moorosi (CE)	2 605	112	134	436	1 522	-	4 809
Mr OJ Stadler (CFO) (retired 2 July 2023)	-	-	-	-	806	3 009	3 815
Mr MG Rapudungoane	2 130	180	132	374	956	-	3 772
Mr TS Ngubeni (retired 31 March 2024)	1 560	155	38	307	1 386	-	3 446
Ms NP Silevu	1 762	200	144	265	903	-	3 274
Ms SL Meyer (retired 4 July 2023)	15	-	1	-	156	3 488	3 660
Ms NA Motlhaolwa (Acting Executive HR) (from 1 December 2023 to 30 June 2024)	1 952	260	90	281	1 265	-	3 848
Mr D Traut	1 649	137	54	194	368	-	2 402
Ms C Britz (Acting Executive HR) (from 1 July 2023 to 30 November 2023)	1 095	91	120	246	1 130	-	2 682
Mr G Husselman (Acting CFO)	1 164	98	120	262	1 348	-	2 992
Mr AE Mnyaka (Acting Executive Projects and Engineering) (from 1 April 2024)	1 059	81	84	120	510	-	1 854
	14 991	1 314	917	2 485	10 350	6 497	36 554

Other benefits included leave capitalized, group life assurance, permanent health assurance, funeral benefit, company contribution to the medical aid and UIF.

Voluntary severance packages paid in terms of Section 197 transfer agreement.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

AS AT 30 JUNE 2025 (continued)



42. Events after the reporting date

Arbitration award - Vaal Central Water Board vs Matjhabeng Local Municipality

Subsequent to the reporting date, on 15 July 2025, an arbitrator issued a second interim arbitration award in favour of the entity (Vaal Central Water) in the ongoing dispute with the Matjhabeng Local Municipality regarding unpaid water charges. A signed copy of the award was received on 16 July 2025, which is considered the effective date of the award.

In terms of the award:

- The Municipality is required to pay R 50 million monthly for current water charges, in addition to the R 12 million per month already stipulated in a High Court order dated 26 July 2024.
- Payments must be made by the 15th day of each month, following the date of the invoice.
- All payments are to be allocated exclusively to current charges and may not be offset against historical arrears.
- In the event of non-payment, the entity is permitted to invoke Section 4(5) of the Water Service Act, 1997 (Act no. 108 of 1997), which allows for the restriction of water supply following the required notice.

While the Municipality has indicated an intention to challenge the award, it remains legally binding and enforceable as at the date the financial statements were approved for issue, unless set aside by a competent court.

As this event occurred after the reporting date (30 June 2025), it does not result in any adjustments to the amounts recognised in the financial statements. However, due to its material nature and potential impact on future cash flows and service delivery, it is disclosed as a non-adjusting event after the reporting date, in accordance with the requirements of GRAP 14.

Management will continue to monitor developments

relating to the enforcement of the award and any legal processes initiated by the Municipality.

Sanlam investment proceeds

Subsequent to the reporting date, following the conclusion of legal proceedings, an agreement was reached with Sanlam for the settlement of the investment held by the entity. In terms of the agreement, the full investment amount was paid to the entity, with payment received on 17 July 2025. In terms of the agreement, an amount of R 125 million was paid to the entity in July 2025.

This event is considered a non-adjusting event after the reporting date in accordance with GRAP 14, and has been disclosed due to its material impact on the entity's cash flow position.

43. Going concern

We draw attention to the fact that at 30 June 2025, the entity had a profit of R 2.579 billion and that the entity's total assets exceeded its liabilities by R 3.488 billion. However, the following may cast significant uncertainty upon the entity's ability to continue as a going concern:

- The receivables from exchange transactions gross balance was R 9.975 billion as at 30 June 2025 on which some of the accounts may not be recoverable. The Entity have a concentration risk of two major customers. Mangaung Metropolitan Municipality has been honouring their current accounts and arrear payment plan during the financial year. An interim arbitration award has also been obtained in July 2025 which requires Matjhabeng Local Municipality to pay a minimum of R 62 million per month.

Vaal Central Water is undertaking several actions to address uncertainty, including:

- Section 4(5) water restrictions in terms of Water Service Act, 1997 (Act no. 108 of 1997)



- Legal processes to collect money owed.
 - Implementation of Department of Water and Sanitation Debt Relief Scheme.
 - Section 216 withholding of Equitable Share.
 - Write-off incentives of historic arrear debt.
- b) The limited payment by customers has also contributed to the entity's inability to attend to the backlog in maintaining and/or refurbish its infrastructure and results in water losses. During the period under review, the Department of Water and Sanitation (DWS) provided an operational grant funding of R 264.732 million (exclusive of VAT) to assist with some maintenance/refurbishment activities.
- c) The entity has several court cases as disclosed in contingent liabilities note.
- d) The entity has had a substantial decrease in its payables from exchange transactions due to write-off by Department of Water and Sanitation. The monthly debt collection shortfall contributes to the outstanding payable balances and related interest consisting of mostly raw water charges to the Department of Water and Sanitation and Water User Associations. However, Debt Relief Incentive Scheme applications have been submitted, and write-off will take affect over a 3-year period when conditions are complied with.
- e) The entity has not been able to finalise organisational structure and fill critical vacancies that exist in the organisation at senior executive management level.
- f) The cash and cash equivalents that are presented by the entity are not wholly owned by the entity as there are restrictions placed upon the use of those funds. Due to those restrictions, the funds are not available

for operations and cannot be used for the funding of the day-to-day running of the entity.

- g) The current and acid test ratios are 1,06:1 and 1,04:1 respectively, which is above the norm of 1:1. The ration has improved from the previous financial year (0,45:1 and 0,45:1, respectively) and is the result of the amounts written-off by DWS in the current year.

The ability of Vaal Central Water to continue as a going concern is highly dependent on collecting outstanding debt or obtaining adequate grants through the Executive Authority, via the Department of Water and Sanitation, to fund operations until debt collection improves. The significant risk of inability to recover the outstanding debt is being managed through Vaal Central Water's risk mitigation strategies and the liquidity requirements and possible impacts are reported and managed with the support of the Executive Authority.

Subsequent payments and payment commitments on arrears by municipalities after reporting period have been factored into the allowance for impairment of trade receivables calculation.

Management has analysed the actions taken and future plans and believe that these actions are sufficient and feasible to ensure that the entity continues as a going concern.

The above factors indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern, but the Board is satisfied that given the mitigation steps taken, Vaal Central Water will continue operating as a going concern. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern since the Board believe that Vaal Central Water will obtain adequate resources through risk mitigation strategies to continue with operations in the foreseeable future.



44. Segment information

General information

Identification of segments

Although the entity operates across a number of geographical areas it mostly relates to supply of bulk water services for which the operational activities and budgeting is centralized at head office.

As per the Minister of DWS direction the quarterly reporting should also be inclusive of all areas of supply which further guides us as an entity. Results of activities are therefore not separately available, reported or regular reviewed by the entity in a segment format. It will be impractical, not cost effective, and not reliable and useful information if presented in its current segment status. The financial information is therefore not separately available on a reasonable basis and will require significant investment in additional system processes, human resources and require a change in business model.

[illegible]

NOTES

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NOTES

[illegible]





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