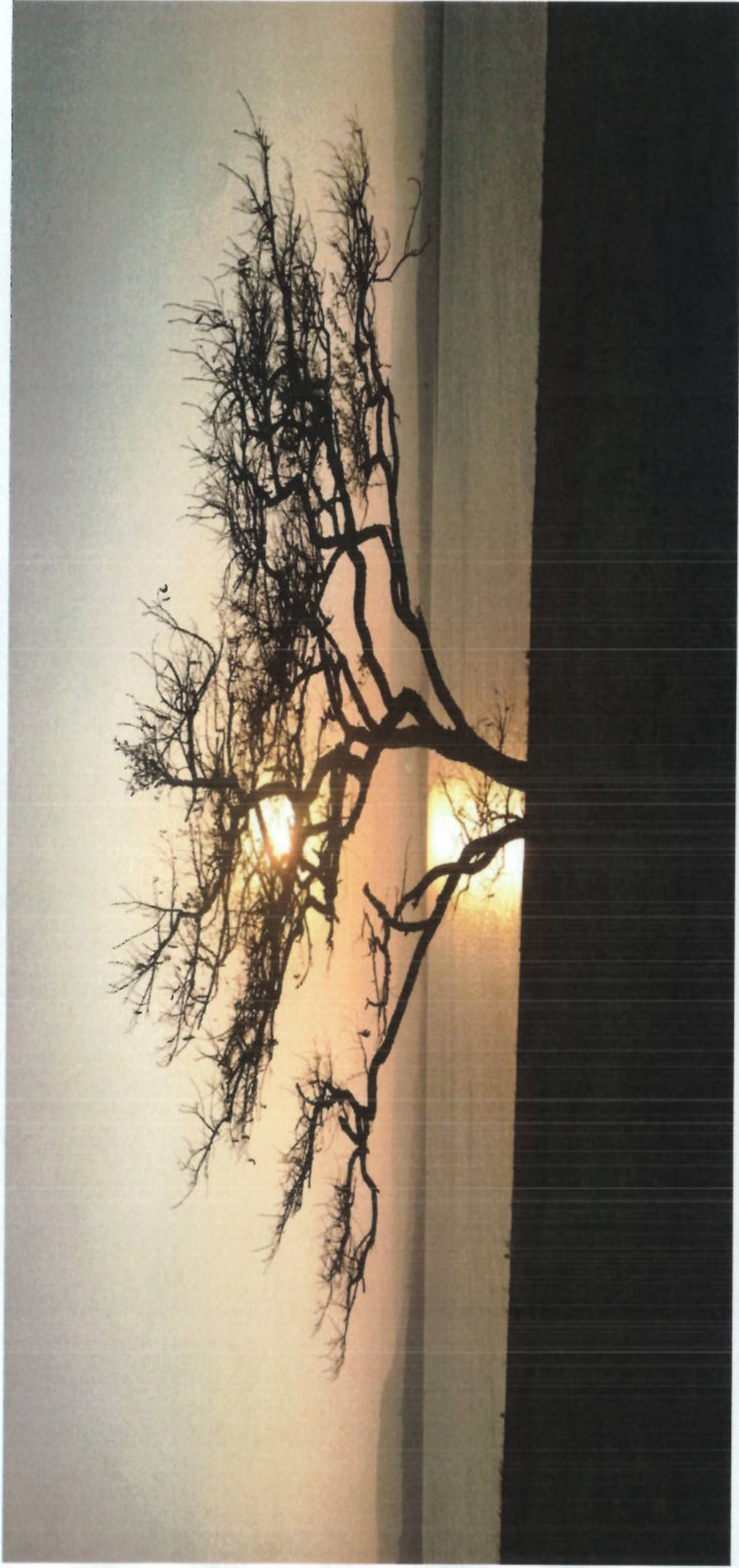


# UMGENI WATER REVIEWED INTERIM FINANCIAL RESULTS AS AT 31 DECEMBER 2020



*Albert Falls Dam*

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CONDENSED CONSOLIDATED STATEMENTS OF PROFIT AND LOSS

	Group				Parent			
	6 Months ended		12 Months ended		6 Months ended		12 Months ended	
	31 December 2020	31 December 2019	30 June 2020	31 December 2019	31 December 2019	30 June 2020	30 June 2020	
Reviewed	Restated	Reviewed	Restated	Reviewed	Restated	Reviewed	Audited	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Revenue	2,205,798	2,063,372	4,154,375	2,197,481	2,055,223	4,142,653		
Cost of sales	(768,418)	(760,994)	(1,492,279)	(768,418)	(760,994)	(1,492,279)		
<b>Gross profit</b>	<b>1,437,380</b>	<b>1,302,378</b>	<b>2,662,096</b>	<b>1,429,063</b>	<b>1,294,229</b>	<b>2,650,374</b>		
Other income	11,349	8,861	13,067	11,150	8,705	11,774		
Other operating and administration expenses	(759,152)	(725,749)	(1,596,866)	(761,562)	(718,964)	(1,592,489)		
<b>Profit from operations</b>	<b>689,577</b>	<b>585,490</b>	<b>1,078,297</b>	<b>678,651</b>	<b>583,970</b>	<b>1,069,659</b>		
Net finance income	102,597	85,280	181,288	102,538	85,301	181,281		
Share of profit from associates	2,419	2,721	5,441	-	-	-		
<b>Profit before tax</b>	<b>794,593</b>	<b>673,491</b>	<b>1,265,026</b>	<b>781,189</b>	<b>669,271</b>	<b>1,250,940</b>		
Taxation	(11)	(11)	(31)	-	-	-		
<b>Profit for the period</b>	<b>794,582</b>	<b>673,480</b>	<b>1,264,995</b>	<b>781,189</b>	<b>669,271</b>	<b>1,250,940</b>		

CONDENSED CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Group				Parent			
	6 Months ended		12 Months ended		6 Months ended		12 Months ended	
	31 December 2020	31 December 2019	30 June 2020	31 December 2019	31 December 2019	30 June 2020	30 June 2020	
Reviewed	Restated	Reviewed	Restated	Reviewed	Restated	Reviewed	Audited	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
<b>Profit for the year</b>	<b>794,582</b>	<b>673,480</b>	<b>1,264,995</b>	<b>781,189</b>	<b>669,271</b>	<b>1,250,940</b>		
Other Comprehensive income for the period:								
Items that will not be reclassified to profit and loss:								
Remeasurement of gains and losses - retirement plans	-	-	293,692	-	-	293,692		
<b>Total comprehensive income for the period</b>	<b>794,582</b>	<b>673,480</b>	<b>1,558,687</b>	<b>781,189</b>	<b>669,271</b>	<b>1,544,632</b>		

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Group				Parent			
	31 December 2019		30 June 2020		31 December 2020		30 June 2020	
	Restated	Reviewed	Restated	Audited	Reviewed	Reviewed	Restated	Audited
R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
<b>ASSETS</b>								
<b>Non-current assets</b>	<b>9,268,608</b>	<b>9,532,697</b>	<b>9,272,554</b>	<b>9,272,554</b>	<b>9,248,769</b>	<b>9,507,934</b>	<b>9,249,478</b>	<b>9,249,478</b>
Property, plant & equipment	8,977,248	8,836,717	8,877,779	8,877,779	8,969,810	8,825,867	8,870,566	8,870,566
Intangible assets	207,907	216,424	224,913	224,913	207,813	216,355	224,820	224,820
Biological Assets	2,677	4,095	3,475	3,475	-	-	-	-
Loan to Subsidiaries	-	-	-	-	-	-	-	-
Investments in associates	8,424	8,726	11,446	11,446	-	-	-	-
Investments - financial instruments	-	465,712	79,268	79,268	-	465,712	79,268	79,268
Right of use assets/leases	3,604	800	3,661	3,661	2,618	-	3,032	3,032
Trade and other receivables	68,748	223	72,012	72,012	68,528	-	71,792	71,792
<b>Current assets</b>	<b>5,744,468</b>	<b>3,808,416</b>	<b>5,042,805</b>	<b>5,042,805</b>	<b>5,710,130</b>	<b>3,799,250</b>	<b>5,032,064</b>	<b>5,032,064</b>
Investments - financial instruments	4,829,142	3,030,416	4,225,451	4,225,451	4,829,142	3,030,416	4,225,451	4,225,451
Loan to Subsidiaries	-	-	-	-	-	9,752	10,113	10,113
Other financial assets	-	-	-	-	-	-	-	-
Inventories	23,215	21,753	22,096	22,096	23,215	21,753	22,096	22,096
Trade and other receivables	858,814	649,068	774,478	774,478	857,652	648,167	773,756	773,756
Bank	33,297	107,179	20,780	20,780	121	89,162	648	648
Non-current assets held for sale	336	-	10,843	10,843	336	-	677	677
<b>TOTAL ASSETS</b>	<b>15,013,412</b>	<b>13,341,113</b>	<b>14,326,202</b>	<b>14,326,202</b>	<b>14,959,235</b>	<b>13,307,184</b>	<b>14,282,219</b>	<b>14,282,219</b>
<b>EQUITY AND LIABILITIES</b>								
<b>Capital and reserves</b>	<b>11,473,216</b>	<b>9,793,402</b>	<b>10,678,634</b>	<b>10,678,634</b>	<b>11,415,810</b>	<b>9,759,260</b>	<b>10,634,621</b>	<b>10,634,621</b>
Capital	442,847	442,847	442,847	442,847	442,847	442,847	442,847	442,847
OCI Reserve	414,413	120,721	414,413	414,413	414,413	120,721	414,413	414,413
Accumulated profit	10,615,956	9,229,834	9,821,374	9,821,374	10,558,550	9,195,692	9,777,361	9,777,361
<b>Non-current liabilities</b>	<b>1,746,363</b>	<b>2,547,020</b>	<b>1,713,076</b>	<b>1,713,076</b>	<b>1,745,555</b>	<b>2,547,020</b>	<b>1,712,741</b>	<b>1,712,741</b>
Long-term debt	1,118,532	1,747,975	1,133,226	1,133,226	1,118,532	1,747,975	1,133,226	1,133,226
Contract liabilities	267,535	194,674	233,990	233,990	267,535	194,674	233,990	233,990
Lease liability-Long term	2,960	-	2,487	2,487	2,152	-	2,152	2,152
Post retirement benefit obligations	329,529	577,617	314,946	314,946	329,529	577,617	314,946	314,946
Five year long service benefit	10,695	10,417	10,695	10,695	10,695	10,417	10,695	10,695
Provisions	17,112	16,337	17,732	17,732	17,112	16,337	17,732	17,732
<b>Current liabilities</b>	<b>1,793,832</b>	<b>1,000,690</b>	<b>1,934,492</b>	<b>1,934,492</b>	<b>1,797,869</b>	<b>1,000,903</b>	<b>1,934,857</b>	<b>1,934,857</b>
Short-term debt	683,895	83,972	683,975	683,975	683,895	83,972	683,975	683,975
Lease liability-Short term	607	-	1,110	1,110	418	-	837	837
Provisions	55,687	57,643	86,099	86,099	54,746	56,888	84,478	84,478
Accounts payable	894,238	709,331	1,008,158	1,008,158	899,405	710,299	1,010,417	1,010,417
Contract liabilities	136,528	128,523	133,308	133,308	136,523	128,523	133,308	133,308
Post retirement benefit obligations	16,832	15,855	16,041	16,041	16,832	15,855	16,041	16,041
Five year long service benefit	6,045	5,366	5,801	5,801	6,045	5,366	5,801	5,801
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>15,013,412</b>	<b>13,341,113</b>	<b>14,326,202</b>	<b>14,326,202</b>	<b>14,959,235</b>	<b>13,307,184</b>	<b>14,282,219</b>	<b>14,282,219</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Group - Attributable to equity holders of the parent			
	Capital OCI reserve		Accumulated profit	
	R'000	R'000	R'000	R'000
<b>Balance as at 30 June 2019 Restated (Audited)</b>	442,847	120,721	8,556,379	9,119,947
Total comprehensive income for the 6 month period 31 December 2019	-	-	673,455	736,014
Profit for the 6 month period 31 December 2019	-	-	736,014	736,014
Prior period error	-	-	(62,559)	-
Other comprehensive Income for the 6 month period 31 December 2019	-	-	-	-
<b>Balance as at 31 December 2019(Restated)</b>	442,847	120,721	9,229,834	9,793,402
Total comprehensive income for the 6 month period 30 June 2020	-	293,692	591,540	885,232
Profit for the 6 month period 30 June 2020	-	-	591,540	591,540
Other comprehensive Income for the 6 month period 30 June 2020	-	293,692	-	293,692
<b>Balance as at 30 June 2020 (Audited)</b>	442,847	414,413	9,821,374	10,678,634
Total comprehensive income for the 6 month period 31 December 2019	-	-	794,582	794,582
Profit for the 6 month period 31 December 2019	-	-	794,582	794,582
Other comprehensive Income for the 6 month period 31 December 2019	-	-	-	-
<b>Balance as at 31 December 2020 (Reviewed)</b>	442,847	414,413	10,615,956	11,473,216
	Parent			
	Capital OCI reserve		Accumulated profit	
	R'000	R'000	R'000	R'000
<b>Balance as at 30 June 2019 Restated (Audited)</b>	442,847	120,721	8,526,421	9,089,989
Total comprehensive income for the 6 month period 31 December 2019	-	-	669,271	728,708
Profit for the 6 month period 31 December 2019	-	-	728,708	728,708
Prior period error	-	-	(59,437)	-
Other comprehensive Income for the 6 month period 31 December 2019	-	-	-	-
<b>Balance as at 31 December 2019(Restated)</b>	442,847	120,721	9,195,692	9,759,260
Total comprehensive income for the 6 month period 30 June 2020	-	293,692	581,669	875,361
Profit for the 6 month period 30 June 2020	-	-	581,669	581,669
Other comprehensive Income for the 6 month period 30 June 2020	-	293,692	-	293,692
<b>Balance as at 30 June 2020 (Audited)</b>	442,847	414,413	9,777,361	10,634,621
Total comprehensive income for the 6 month period 31 December 2019	-	-	781,189	781,189
Profit for the 6 month period 31 December 2019	-	-	781,189	781,189
Other comprehensive Income for the 6 month period 31 December 2019	-	-	-	-
<b>Balance as at 31 December 2020 (Reviewed)</b>	442,847	414,413	10,558,550	11,415,810

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Group				Parent				
	6 Months ended		6 Months ended		6 Months ended		6 Months ended		
	31 December 2019	12 Months ended	30 June 2020	31 December 2020	31 December 2019	12 Months ended	30 June 2020	12 Months ended	
6 Months ended	Restated	30 June 2020	31 December 2020	Restated	30 June 2020	Restated	30 June 2020	Restated	
	Reviewed	Reviewed	Audited	Reviewed	Audited	Reviewed	Audited	Reviewed	Audited
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Net cash from operating activities	699,349	746,153	1,875,365	689,714	743,243	1,862,660			
Net cash used in investing activities	(206,384)	(192,454)	(609,107)	(210,049)	(198,215)	(607,336)			
Net cash used in financing activities	(480,374)	(549,336)	(1,332,307)	(480,191)	(533,284)	(1,332,094)			
<b>Net increase in cash and cash equivalents</b>	<b>12,591</b>	<b>4,363</b>	<b>(66,049)</b>	<b>(526)</b>	<b>11,744</b>	<b>(76,770)</b>			
Opening balance	20,706	102,816	86,830	647	77,418	77,418			
<b>Closing balance</b>	<b>33,297</b>	<b>107,179</b>	<b>20,781</b>	<b>121</b>	<b>89,162</b>	<b>648</b>			

CONDENSED CONSOLIDATED SEGMENTAL REPORT

	Primary activities											
	Bulk Water			Waste water			Other activities			Total		
	6 months ending	6 months ending	12 months ending	6 months ending	6 months ending	12 months ending	6 months ending	6 months ending	12 months ending	6 months ending	6 months ending	12 months ending
31 December 2020	31 December 2019	30 June 2020	31 December 2020	31 December 2019	30 June 2020	31 December 2020	31 December 2019	30 June 2020	31 December 2020	31 December 2019	30 June 2020	
Reviewed	Restated	Audited	Reviewed	Restated	Audited	Reviewed	Restated	Audited	Reviewed	Restated	Audited	
K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000	
Volume sold	268,193	252,191	509,217	13,893	12,049	27,637	-	-	-	282,086	264,240	536,854
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Revenue	2,061,354	1,928,964	3,893,773	119,880	108,580	216,373	24,564	25,828	44,229	2,205,798	2,063,372	4,154,375
Cost of sales	(686,918)	(676,538)	(1,327,444)	(68,631)	(70,700)	(139,004)	(12,869)	(13,756)	(25,830)	(768,418)	(760,994)	(1,492,279)
<b>Gross profit</b>	<b>1,374,436</b>	<b>1,252,426</b>	<b>2,566,329</b>	<b>51,249</b>	<b>37,880</b>	<b>77,369</b>	<b>11,695</b>	<b>12,072</b>	<b>18,399</b>	<b>1,437,380</b>	<b>1,302,378</b>	<b>2,662,096</b>
Other income	10,741	8,248	10,692	409	457	1,082	199	156	1,293	11,349	8,861	13,067
Other operating and admin expenses	(746,002)	(699,221)	(1,405,602)	(16,108)	(12,168)	(184,774)	2,958	(14,360)	(6,490)	(759,152)	(725,749)	(1,596,866)
<b>Profit from operations</b>	<b>639,175</b>	<b>561,453</b>	<b>1,171,419</b>	<b>35,551</b>	<b>26,169</b>	<b>(106,323)</b>	<b>14,852</b>	<b>(2,132)</b>	<b>13,202</b>	<b>689,577</b>	<b>585,490</b>	<b>1,078,297</b>
Net finance income (costs)	102,267	85,473	179,446	272	(172)	1,835	58	(21)	7	102,597	85,280	181,288
Share of profit from associate	-	-	-	-	-	-	2,419	2,721	5,441	2,419	2,721	5,441
<b>Profit before tax</b>	<b>741,442</b>	<b>646,926</b>	<b>1,350,865</b>	<b>35,823</b>	<b>25,997</b>	<b>(104,488)</b>	<b>17,328</b>	<b>568</b>	<b>18,650</b>	<b>794,593</b>	<b>673,491</b>	<b>1,265,026</b>
Taxation	-	-	-	-	-	-	(11)	(11)	(31)	(11)	(11)	(31)
<b>Profit for the year</b>	<b>741,442</b>	<b>646,926</b>	<b>1,350,865</b>	<b>35,823</b>	<b>25,997</b>	<b>(104,488)</b>	<b>17,317</b>	<b>557</b>	<b>18,619</b>	<b>794,582</b>	<b>673,480</b>	<b>1,264,995</b>
Capital expenditure - for the period	347,383	326,033	742,112	76,861	55,333	114,122	1,816	97	421	424,244	381,463	856,655
Segment assets	9,141,746	8,718,552	9,037,029	832,570	851,462	822,135	138,400	296,117	18,007	10,112,717	9,702,432	9,877,170
Investments	4,692,614	3,378,041	4,171,411	-	-	-	136,528	118,087	133,308	4,829,142	3,496,128	4,304,719
Interest in associate	-	-	-	-	-	-	8,424	8,726	11,446	8,424	8,726	11,446
Unallocated	-	-	-	-	-	-	63,129	133,827	133,827	63,129	133,827	132,867
<b>Consolidated total assets</b>	<b>14,934,960</b>	<b>14,834,566</b>	<b>15,308,440</b>	<b>1,671,161</b>	<b>1,652,854</b>	<b>1,654,270</b>	<b>15,013,412</b>	<b>13,341,113</b>	<b>14,326,202</b>	<b>15,013,412</b>	<b>13,341,113</b>	<b>14,326,202</b>
Segment liabilities	1,665,899	1,703,424	1,683,893	-	-	-	136,528	128,523	133,308	1,802,427	1,831,947	1,817,201
Unallocated	-	-	-	-	-	-	-	-	-	1,737,768	1,715,763	1,830,367
<b>Consolidated total liabilities</b>	<b>1,665,899</b>	<b>1,703,424</b>	<b>1,683,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136,528</b>	<b>128,523</b>	<b>133,308</b>	<b>1,802,427</b>	<b>1,831,947</b>	<b>1,817,201</b>
							<b>3,540,195</b>	<b>3,547,710</b>	<b>3,547,710</b>	<b>3,540,195</b>	<b>3,547,710</b>	<b>3,547,568</b>

### Nature of Business

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

### Financial Overview

The group has maintained stable operating performance with profits for the period totalling R795m (Dec 2019: R674m). Revenue grew by 6.9% year on year which was attributable to the primary business relating to bulk water sales which achieved a 6.3% growth in sales volumes whilst the approved tariff increase for 2020/2021 was zero percent. The bulk water direct operating costs increased by 1.5% due mainly to the increase in raw water costs and chemical costs offset by the reduction in the in maintenance costs. The reduction in Section 30 activity revenue of 4.9% is mainly due to the impact of Covid-19. Other administration and operating cost increased marginally by 4.6% due to increased support services costs offset by lower indirect staff costs resulting from reduced bonus provisions. Net finance income increased by 20.3% year on year as a result of lower finance costs due to an increase in borrowing costs capitalised of R59.6m (2019: R41.9m).

The net cash from operating activities was R699m (Dec 2019: R746m). The decrease of R47m year on year is primarily due to increase in working capital requirements resulting from increases in accounts receivable as well as a reduction in accounts payable since June 2020.

The net cash used in investing activities was R206m (Dec 2019: R192m). Capital expenditure including intangible assets for the 6-month period was R424m (Dec 2019: R381m) and R201m (Dec 2019: R182m) grant funding was received during the period towards the rural development projects.

Net cash used in financing activities totalled R480m (Dec 2019: R549m) which consisted of R536m increase in investments, R15m repayment of loans and R71m net interest received.

Trade and other receivables were R903m (Dec 2019: R649m) and debtors' days were 58 (Dec 2019: 41 days).

Group capital expenditure for the 6-month period totalled R424m (Dec 2019: R381m). Umgeni Water incurred R422m capital expenditure against the target of R647m. The accumulated cost of capital work in progress for development projects was R666m (Dec 2019: R821m).

Capital Commitments as at 31 December 2020 were R1 126m (Dec 2019: R1 064m). Impairment assessments on Property, plant and equipment were not performed during this period as they are done annually in May each year in terms of the approved business processes.

Total interest bearing debt as at 31 December 2019 was R1 802m (Dec 2019: R1 832m). Umgeni Water's (Parent) debt to equity ratio has improved to 0.15 since the beginning of the financial year when the ratio was 0.17, whilst the interest cover ratio was 7.25 times (Dec 2019: 6.67)

Umgeni Water is rated by both Standard & Poor's & Fitch Ratings. The national scale ratings are as follows:

Rating Agency	Date of rating re-affirmation or change	Long-term Rating	Short-term rating
Standard & Poor's (National Scale)	18 May 2020	zaAAA	zaA-1+
Fitch Ratings	19 November 2020	AA+(zaf)	F1+(zaf)

There was no significant movement in contingent liabilities since the 2020 financial year end.

### Basis of preparation and Accounting Policies

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

The accounting policies and methods of computation followed in the interim financial statements are consistent with the most recent annual financial statements.

### Comparative interim financial results restatement

The comparative results have been restated for the following items:

- Consolidation of the subsidiaries based on enhancing disclosures with IAS 34 as these were previously not considered material but have increased in the current interim reporting period;
- The prior period error as disclosed in the June 2020 consolidated annual financial statements note 32 has resulted in a restatement of the comparative period interim financial statements were previously reported. The impact of the restatement is as follows:

December 2019	Group R'000	Parent R'000
Increase in accumulated depreciation	(401,829)	(398,707)
Increase accumulated amortisation	(3,145)	(3,145)
Increase in five year leave obligation	(15,783)	(15,783)
Increase in allowance for credit losses	(59,477)	(59,477)
Decrease in current provisions	12,629	12,629
Decrease in accumulated profits	467,605	464,483



### Going Concern

The going-concern basis has been adopted in preparing the consolidated interim financial statements. There are no indicators that COVID-19 has negatively impacted on the financial sustainability of the organisation. Customers have not requested extended payment terms due to the impact of COVID-19 and any increase in credit risk has been adequately taken into account in the allowance for credit losses. The directors believe that the entity has adequate resources to continue as a going concern in the foreseeable future.

### Pricing policy

The underlying principles of this policy are:

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

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Weighted average bulk tariff (R/kl)	6.97	7.64	7.64
Total Tariff increase (%)	13.7%	9.6%	0%

## Revenue

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

### DISAGGREGATION OF REVENUE

For the six months ended 31 December 2020

#### Revenue from major products/service lines as a result of performance obligations satisfied

	Primary activities		Other Activities		Total Parent		Subsidiary		Total Group	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Bulk water sales	2,061,354	-	-	-	2,061,354	-	-	-	2,061,354	-
Waste water sales	119,880	-	-	-	119,880	-	-	-	119,880	-
Scientific and environmental services	-	4,424	4,424	-	4,424	-	-	-	4,424	-
Operating and Maintenance	-	1,974	1,974	-	1,974	-	-	-	1,974	-
Training and capacity building	-	9,850	9,850	-	9,850	-	-	-	9,850	-
Other	-	-	-	-	-	-	8,316	8,316	-	8,316
	<b>2,181,234</b>	<b>16,247</b>	<b>16,247</b>	<b>2,197,482</b>	<b>2,197,482</b>	<b>8,316</b>	<b>8,316</b>	<b>2,205,798</b>	<b>2,205,798</b>	<b>2,205,798</b>
<b>Timing of revenue recognition</b>										
At a point in time	2,181,234	6,398	6,398	2,187,632	2,187,632	6,426	6,426	2,194,058	2,194,058	2,194,058
Over time	-	9,850	9,850	9,850	9,850	1,890	1,890	11,740	11,740	11,740
	<b>2,181,234</b>	<b>16,247</b>	<b>16,247</b>	<b>2,197,482</b>	<b>2,197,482</b>	<b>8,316</b>	<b>8,316</b>	<b>2,205,798</b>	<b>2,205,798</b>	<b>2,205,798</b>

For the six months ended 31 December 2019

#### Revenue from major products/service lines as a result of performance obligations satisfied

	Primary activities		Other Activities		Total Parent		Subsidiary		Total Group	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Bulk water sales	1,928,964	-	-	-	1,928,964	-	-	-	1,928,964	-
Waste water sales	108,580	-	-	-	108,580	-	-	-	108,580	-
Scientific and environmental services	-	5,298	5,298	-	5,298	-	-	-	5,298	-
Operating and Maintenance	-	2,459	2,459	-	2,459	-	-	-	2,459	-
Training and capacity building	-	9,918	9,918	-	9,918	-	-	-	9,918	-
Other	-	4	4	-	4	-	8,149	8,149	-	8,153
	<b>2,037,545</b>	<b>17,678</b>	<b>17,678</b>	<b>2,055,223</b>	<b>2,055,223</b>	<b>8,149</b>	<b>8,149</b>	<b>2,063,372</b>	<b>2,063,372</b>	<b>2,063,372</b>
<b>Timing of revenue recognition</b>										
At a point in time	2,037,545	7,756	7,756	2,045,301	2,045,301	6,264	6,264	2,051,565	2,051,565	2,051,565
Over time	-	9,922	9,922	9,922	9,922	1,885	1,885	11,807	11,807	11,807
	<b>2,037,545</b>	<b>17,678</b>	<b>17,678</b>	<b>2,055,223</b>	<b>2,055,223</b>	<b>8,149</b>	<b>8,149</b>	<b>2,063,372</b>	<b>2,063,372</b>	<b>2,063,372</b>

### REVENUE FROM CONTRACT LIABILITIES

	December 2020		December 2019	
	Group R'000	Parent R'000	Group R'000	Parent R'000
	9,850	9,850	10,180	10,180

Revenue recognised that was included in the contract liability balance at the beginning of the period, due to performance obligations satisfied.

### Related parties

The group is wholly owned by its shareholder, the Department of Water and Sanitation. Umgeni Water group comprise subsidiaries of Umgeni Water and associates of the subsidiary. Related parties also include post-retirement benefit plans for the benefit of the employees and key management personnel of Umgeni or its shareholder. Key management personnel for Umgeni Water include the group's Board of directors and the executive management (EXCO).

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

	Group				Parent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	2020	2019
	Reviewed R'000	Restated R'000	Reviewed R'000	Restated R'000	Reviewed R'000	Restated R'000
<b>Revenue: Sale of goods and services</b>						
<b>Revenue: Section 30 National Department</b>	9,850	9,988	9,850	9,988	9,850	9,988
<b>Cost of sales</b>						
National Department	155,738	133,101	155,738	133,101	155,738	133,101
<b>Department of Water Affairs</b>	155,738	133,101	155,738	133,101	155,738	133,101
<b>Section 30</b>						
National Department	8,954	9,066	8,954	9,066	8,954	9,066
<b>Other operating and administration expenses</b>						
Subsidiaries and associates	-	-	34,500	-	34,500	27,122
<b>Finance income</b>						
Subsidiaries and associates	-	-	-	-	158	371
Interest received on loan from Msinsi Holdings SOC Limited						
<b>Work-in-progress: Grant funding for rural development projects</b>						
National Department	201,396	181,739	201,396	181,739	201,396	181,739
<b>Loans to (from) entities:</b>						
Subsidiaries and associates	-	-	-	-	105	9,752
<b>Other payables</b>						
Subsidiaries and associates	-	-	-	-	13,950	10,485
National Departments	175,865	106,754	175,865	106,754	175,865	106,754
Raw water purchases accrual	104,852	44,283	104,852	44,283	104,852	44,283
Capital Unit Charge accrual	71,013	62,470	71,013	62,470	71,013	62,470

### **Fair value disclosures**

The carrying amounts of financial assets and liabilities are a reasonable approximation of the fair values with the exception of loans and borrowings where the fair value is estimated to be R1 994m (Dec 2019: R1 931m). The fair value of the loans and borrowings were based on discounted cash flows, using prices from observable current market transactions for similar instruments. These are classified as Level 2 fair values in line with IFRS 13.

### **Review of the Interim Financial statements**

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


### **Events after the reporting period**

No significant subsequent events have occurred since the end of the interim reporting period and the date of this report.

### **Outlook**

The focus will be preserving the financial resources to maintain financial sustainability and resilience whilst delivering the key water resource infrastructure in the next five years, as well as to support the strategies of:

- Provision of efficient and cost-effective water and sanitation;
- Enhances security of water supply to support economic growth; and
- Enabled and innovative growth to quicken the pace of infrastructure implementation and find sustainable and innovative solutions for current and future markets in the water service provision value chain.
- Position Umgeni Water as a sector leader and increase its footprint both within the existing area of operation as well as within the Kwazulu-Natal province.



**Mr. Magasela Mzobe**  
*Chairperson of the Board*



**Mrs. Nomalungelo Mkhize CA (SA)**  
*Acting Chief Executive*